

**NORTHAMPTON BOROUGH COUNCIL
AUDIT COMMITTEE**

Your attendance is requested at a meeting to be held in the
The Guildhall, St. Giles Square, Northampton, NN1 1DE.
on Monday, 13 November 2017
at 6:00 pm.

**S. Bovey
Interim Chief Executive**

AGENDA

1. APOLOGIES

Please contact Democratic Services on 01604 837722 or democratic_services@northampton.gov.uk when submitting apologies for absence.

2. MINUTES

(Copy herewith)

3. DEPUTATIONS / PUBLIC ADDRESSES

4. DECLARATIONS OF INTEREST

5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

6. 2016/17 STATEMENT OF ACCOUNTS UPDATE

(Copy herewith)

7. FINANCE MONITORING

(Copy herewith)

8. POSITION STATEMENT ON VACANT POSTS AND INTERIM/AGENCY STAFF

(Copy herewith)

9. CORPORATE DEBT - PROGRESS AND AGE DEBT ANALYSIS

(Copy herewith)

10. GOVERNANCE ACTION PLAN

(Copy herewith)

11. PWC INTERNAL AUDIT PROGRESS REPORT 2017/18

(Copy herewith)

12. EXTERNAL AUDIT UPDATE - KPMG

Verbal update to be provided

13. EXCLUSION OF PUBLIC AND PRESS

THE CHAIR TO MOVE:

“THAT THE PUBLIC AND PRESS BE EXCLUDED FROM THE REMAINDER OF THE MEETING ON THE GROUNDS THAT THERE IS LIKELY TO BE DISCLOSURE TO THEM OF SUCH CATEGORIES OF EXEMPT INFORMATION AS DEFINED BY SECTION 100(1) OF THE LOCAL GOVERNMENT ACT 1972 AS LISTED AGAINST SUCH ITEMS OF BUSINESS BY REFERENCE TO THE APPROPRIATE PARAGRAPH OF SCHEDULE 12A TO SUCH ACT.”

Public Participation

Members of the public may address the Committee on any non-procedural matter listed on this agenda. Addresses shall not last longer than three minutes. Committee members may then ask questions of the speaker. No prior notice is required prior to the commencement of the meeting of a request to address the Committee.

Agenda Item 2

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Wednesday, 27 September 2017

PRESENT: Councillor Oldham (Chair); Councillors Golby, J Hill, Marriott, Stone and Flavell

8. APOLOGIES

Apologies were received from Councillor Chunga and Councillor M Markham, who was substituted by Councillor Flavell.

2. MINUTES

The Minutes of the meeting held on the 11th September 2017 were confirmed and signed by the Chair as a true record.

3. DEPUTATIONS / PUBLIC ADDRESSES

There were none.

4. DECLARATIONS OF INTEREST

There were none.

5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

There were none.

6. KPMG ISA260 REPORT

The External Auditor submitted and circulated the report, and apologised to the Committee Members for the delay in the delivery of the report. As the audit had been high risk, more work had to be undertaken in order for it to be completed. It was explained that a previous report had been discussed on the interim work presented in the External Audit Interim Report in July 2017; an additional and significant risk had been identified, which was the valuation of '*other land and buildings*' and investment properties. It was explained that significant work was still ongoing most notably in relation to the Authority's fixed assets, which had caused delays to the valuation process and issues found in relation to the valuation exercise.

The External Auditor advised that the change from a low risk to high risk audit was due to the ongoing issues relating to the loan to Northampton Town Football Club which had reduced the materiality level for the audit work. It was noted that they had adopted a risk-based workplan to consider whether in all significant respects the Authority had proper arrangements in place to ensure it had taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. They concluded that the Authority had not made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and they would therefore anticipate issuing an adverse value for money opinion.

It was noted that for the year ending 31st March 2017, the Authority reported under the provision of services total income of £290 million against expenditure of £261 million which had resulted in a net surplus of the provision of services of £29 million. It was explained that a large balance of this related to the change in social housing discount factor, although from

the information that they had been provided with, this could not be quantified.

The External Auditors identified the 'Valuation of Council Dwellings' as a significant audit risk. It was explained that the authority had engaged an external valuer to undertake a comprehensive review of 20% of the beacon assets used within the valuation of the Authority's housing stock. However, it was noted that those beacon assets may not be representative of the housing stock and this could result in them being over or under valued on the balance sheet. They further identified risks involving the capacity within the Estates Team and the subsequent use of three external teams of valuers, the results of which were queried by the External Auditors. It was reported that the desktop Beacon review and valuation that had been undertaken was not sufficiently robust. It was further noted that no report had been provided to the Auditors for some of the valuations as per Code requirements; the requirements for a clear valuation report had been specifically highlighted in the KPMG ISA 260 recommendations reported in the previous year.

In further reference to the 'Valuation of Council Dwellings' it was explained that the Authority's valuer had applied a social housing discount factor of 33% (applicable to the South East) and noted that other local authorities with housing stock within Northamptonshire had used a social housing discount factor of 42%, consistent with the DCLG guidance on Stock Valuation for Resource Accounting (SVRA). It was noted that the SVRA states that "*the reason for departing from the factor provided.....must be clearly stated by the valuer together with the methodology and sources of evidence adopted for preparing the alternative*" which the Authority's valuer was not able to provide to KPMG's satisfaction. It was further reported that the difference between using the 33% and 42% was £121.7 million and thus by adopting the social discount figure of 33%, the Council had understated the value of its Council dwellings by £121.7 million. It was noted that the Council had since agreed to amend the social housing discount factor in line with the Department of Communities and Local Government (DCLG) guidance.

The External Auditor explained that a further significant audit risk identified was the 'Valuation of *other land and buildings*' and investment properties. Similarly to the valuation of Council dwellings, it was explained that the Council had engaged external valuers to carry out work but that there had been no formal instructions to confirm this and therefore KPMG were not able to confirm that the external valuers had complied with the valuation request and additional work needed to be undertaken to reconcile the list of assets reviewed against the valuers output. It was further noted that the external auditors had not been able to confirm that the Council had instructed the external valuer in line with the requirement of the Codes and specialist valuers from KPMG had to perform additional substantive work to provide assurances that the valuation were in line with applicable standards. The work was on-going and when concluded would be reported to the Audit Committee.

Other areas of audit focus included the disclosure associated with retrospective restatement of a number of financial statements including the CIES, EFA and MiRS. It was noted that in conjunction with the new CIES, the Code requires that the analysis of expenditure include depreciations, amortisation and employee benefit expenses, which was missing from the Authority's initial draft accounts. Referring to the Changes in the Non Domestic Rate (NDR) system, it was noted that from the Council's documentation that a significant number of integrity checks had not been done and as of April 2017, there were 998 such cases totalling £5.1 million.

It was noted that the quality of audit evidence initially provided to the external auditors did not fully align to their expectations which had been set out in the Accounts Audit Protocol 2016/17 and highlighted the following issues:

- a) They were not provided with a full fixed assets register including the breakdown of fixed assets additions
- b) They were not provided with the valuation reports prior to the start of the final audit, as previously agreed with the Authority,
- c) The breakdowns for both debtors and creditors were incorrect and did not tie back to the accounts
- d) Working papers for payroll did not have robust audit trails, which made it difficult to understand what had been provided.

Referring to the summary table on control deficiencies for key financial systems, the External Auditors commented that a number of additional findings had identified a number of deficiencies.

The Committee were informed that following the departure of the Chief Executive Officer during the period between 1st August 2017 and 6th September 2017 the Authority was in breach of legislation and did not have a Head of Paid Service in place as no interim measures had been prepared to deal with the departure of the previous Chief Executive. It was noted that Section 4 of the Local Government and Housing Act 1989 provides that it is the duty of every Local Authority to designate one of their officers as its Head of Paid Service.

A summary of the assessment of the individual Value for Money (VfM) risks was reported and the following risks identified;

- Financial resilience in the local and national economy
- Governance Action Plan
- NTFC loan and the wider loans system
- Procurement
- Chief Executive departure

The External Auditor referred to a number of recommendations in a summary provided for 2016/17 and noted 5 high priority issues raised from the year-end audit, 3 medium priority issues and 1 low in total raised for 2016/17. It was noted that in the previous year, KMPG had raised ten recommendations which had been reported in the *External Audit Report 2015/16 (ISA 260)*. It was reported that the Authority had not implemented all of the recommendations and that the auditors reiterated the importance of the outstanding recommendations and the implementation of these by the Authority.

In reference to the audit fees, it was noted that during the audit, KMPG experienced quality issues with working papers and a number of delays outlined within the report. It was noted that additional fees of approximately £71,250 had been discussed with the Section 151 Officer which were subject to PSAA approval.

Councillor Nunn, addressed the Committee and thanked KPMG for their work and explained that the issues that had been raised in their report, specifically relating to Assets and Valuers had been acknowledged and that significant work was being done to resolve the issues. It was reported that there had been a number of problems with the recruitment and retention of staff and issues experienced since the implementation of IR35.

In response to questions asked, the Section 151 Officer explained that the Authority was prepared for potential issues it may face due to the Environmental Services Contract and therefore there would be limited contributions to reserves and other means will need to be

explored in order to invest in pump priming initiatives.

The Committee raised concern about the fragility of the Assets Team and the number of Interims at previous meetings and further reported that there were some concerns that the many aspects of the Governance Action Plan (GAP) may partly paralyse the Council as bureaucracy and aversions to risks could potentially hinder the decision making process.

The External Auditor noted that a lot of effort had been put into the GAP and its effectiveness would be measurable once more work was underway and explained that there was a need for good governance to be put in place and evidenced through the decision making process. The risks associated with the Assets Team and the lack of historical background were acknowledged.

Members of the Committee commented that it was not a positive report and were aware of the need for improvements, specifically with regards to the valuation of dwellings; the External Auditor confirmed that there had been an operational oversight on the vacation process.

The Section 151 Officer explained that they took the recommendations of the External Auditors extremely seriously and noted the importance of recognising the issues and failings in order to improve and noted that there was a need for the Authority to work more closely with KPMG to address the concerns and recommendations.

In response to a question asked by the Committee, the Borough Secretary & monitoring officer explained that there was a legal requirement for a Head of Paid Service to be in post and that had been contravened when the former Chief Executive departed the Authority but explained that the risk had been deemed as low and noted that the powers of the Chief Executive had been delegated to him as the Monitoring Officer.

The Interim Chief Executive addressed the Committee and explained that he would take a personal interest in the Governance of the Authority and as a former Monitoring Officer had would be keen to promote and drive forwards good governance.

RESOLVED:

That the report was noted.

7. FINAL STATEMENT OF ACCOUNTS

The Chief Finance Officer submitted a report and noted that the recommendations of from the External Auditors would be taken extremely seriously and therefore recommendations may need to be changed as a consequence. It was noted that the Statement of Accounts (SoA) had been produced in line with the statutory timescales and had been subject to external audit by KPMG. It was noted that the biggest change was in relation to the value of Council dwellings and the social housing discount factor that had been applied. The original discount rate applied to the draft SoA was 33%, this was now changed to 42% in line with DCLG Guidance, resulting in an increase of value of £85 million, and there had also been movements in unusable reserves and the CIES statement resulting from this.

With regards to Property, Plant and Equipment (PPE) it was reported that the impact of changes were not just evident on the balance sheet; there was a knock on effect on other parts of the accounts including the Group Accounts and the Housing Revenue Accounts (HRA). It was explained that in unless further adjustments came out of the recommendations of KMPGs ongoing work, the updated report that was presented to the Committee was considered final.

The Committee were advised that when the full valuation was done on site (in person) for the 20% of the beacon properties the outcome was the same as the desktop exercise previously completed.

It was explained that when the Council's External Valuers had selected a number of more appropriate beacon properties the resulting decrease in valuation of the 20 % population was only 2.2% and it was not possible to decipher if this was due to changing beacons and/or change in the valuers. It was further explained that the valuation was an estimation process and was considered to be very clear and transparent.

In response to a question asked relating to the real effects of the adjustment. Responding to further questions, it was confirmed there was no cash adjustment and that it was solely for accountancy balance sheet purposes, with no effect of Council tax or Housing rent levels. The valuations obtained for council dwellings were used in preparing the year-end accounts and were not used for individual council house right to buy sales

The Section 151 Officer explained in respect of Council right to buy sales there was a stringent code that the Council adhered to and that guidance was followed from CIPFA & DCLG.

RESOLVED:

1. That the draft Statement of Accounts 2016/17 be approved
2. That the AGS signed by the Leader and Borough Secretary, acting on behalf of the Chief Executive, be acknowledged
3. That, in the event of further changes being required following finalisation of the External Auditors work, authority be delegated to the Chair of the Audit Committee, in consultation with The Section 151 Officer and Deputy Chair to sign a revised set of the accounts. Any further changes will be reported back to the next Audit Committee.

The meeting concluded at 8.21pm

<p>Appendices:</p> <p>None</p>



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Statement of Accounts 2017/18 Progress Report
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	13 th November 2017
Policy Document:	No
Directorate:	LGSS Finance
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

- 1.1 To inform the Audit Committee on the work undertaken in conjunction with the external auditors KPMG since the 27th September 2017 Audit Committee towards enabling KPMG to issue their audit opinion on the 2016/17 Statement of Accounts.

2. Recommendations

- 2.1 It is recommended that the Audit Committee note the progress towards enabling KPMG to issue their external audit opinion on the 2016/17 accounts.

3. Issues and Choices

3.1 Report Background

- 3.1.1 Audit Committee on 27th September approved the Chair of Audit Committee to sign the 2016/17 Statement of Accounts including the amendments that were presented to the meeting.
- 3.1.2 The external auditors KPMG tabled their draft annual ISA260 report at the 27th September Audit Committee and presented it to committee members in detail. As part of their presentation they advised that they were still assessing the amendments that the Audit Committee had approved, and whilst they had

agreed the approach, the final decision on whether they would be able to issue an audit opinion was still subject to internal quality assurance.

3.1.3 Following the last Audit Committee meeting, KPMG wrote formally to the Council's Chief Finance Officer on 29th September to advise that following internal review they were not able to issue an audit opinion before the 30th September statutory deadline *'due to the number of areas of concern and errors found during KPMG's valuer's review of a sample of assets, consideration in consultation with KPMG colleagues is that resolution of these specific issues currently would not provide sufficient audit assurance that the remaining population of assets, not sampled, are appropriately valued. Therefore there remains a risk of possible material misstatement'*.

3.1.4 A copy of the KPMG late audit opinion letter referred to above was subsequently sent to all audit committee members for reference. This identified three specific areas of concern

- Valuations of Social Housing Assets
- Valuations of Other Land and Buildings, and Investment Properties
- Methodology of componentisation of assets

3.2 Work undertaken since Audit Committee on 27th September 2017

3.2.1 KPMG following the audit committee and their further review which resulted in their late audit opinion letter have confirmed that two issues surrounding: 100% valuation of all housing dwelling beacon properties; and asset componentisation can be included as part of producing the 2017/18 Statement of Accounts. This is provided that the management letter of representation for the 2016/17 accounts which will be signed by the Chief Finance Officer and Chair of Audit Committee include reference and commitments as to the actions that will be taken by the Council in respect of these two issues. The Council has already commenced work on these areas in preparation for the 2017/18 Accounts and is regularly updating KPMG on progress.

3.2.2 The sole area that KPMG have formally stated to the Council that they require increased audit assurance for 2016/17 is ensuring that the remaining assets (other than the housing dwelling assets) have appropriate valuations to support the values held in the balance sheet. They have informed officers that they will be selecting an expanded sample of those asset types.

3.2.3 Since the last Audit Committee officers have set up an internal Task Force which meets on a weekly basis to ensure that all necessary steps are being taken to ensure that KPMG are able to issue their audit opinion on the 2016/17 Statement of Accounts as soon as practically possible. This Task Force is chaired by the Chief Finance Officer and includes staff from LGSS finance, the Assets Service, Risk and Governance, and Legal Services. Regular feedback is given via the Chief Finance Officer to the Management Board.

- 3.2.4 Officers have undertaken initial preparatory work on potential asset valuation samples that KPMG may select to speed up the response and evidence already sourced when the sample is selected
- 3.2.5 LGSS finance staff met with KPMG management on 6th November to discuss progress against the questions, timelines around sample selection, and the draft ISA260 report. It was agreed that KPMG would provide a high level timetable around sample selection and audit thereof to be included as part of this report. This was provided the following day and shown below:

Workload	Timescales	Delivered by
Review of Council's response to queries on property, plant, and equipment (PPE) queries which were returned to KPMG w/c 30/10/17 and 6/11/17	13.11.17 – 24.11.17	KPMG Senior Audit Management
Selection of valuation sample sent to the Council	w/c 27.11.17	KPMG
Review sample and provide evidence to support the valuations, and answer any KPMG follow up questions	December 2017	Council Assets team (with support from LGSS finance)
Test valuation evidence supplied by the Council and discuss any queries with the Council	December 2017	KPMG Internal Valuer
Final Review of outstanding work	December 2017	KPMG Senior Partner etc
Finalise audit work on PPE and prepare for completion. Close off any review points	January 2018	KPMG audit team
Issue signed audit opinion	31.1.18	KPMG Director

- 3.2.6 KPMG have advised that whilst this is the timetable they are working to, it is dependent on their valuer's availability/requirements and responses from the authority being received correctly in the requested format in a timely manner. The Council will prioritise resources to meet the short timescale around obtaining and providing sample valuation evidence however this is a significant risk to the timetable.
- 3.2.7 The Council have requested an audit requirements checklist for the asset sample evidence needed. KPMG have committed to providing it in advance of issuing the valuation sample to the Council. Officers will also be looking at options with KPMG to bring forward the timetable if at all possible and reprioritising resources where necessary, this is key to being able to complete the exercise and focus on preparation for the earlier closure of the 2017/18 accounts.

3.3 Planned Accounts completion work for 2016/17 and 2017/18 preparation

- 3.3.1 The 2016/17 Statement of Accounts were signed on 27th September by the Chief Finance Officer and Chair of Audit Committee following their approval at

Audit Committee on the same day. Delegated authority was also given to the Chair to sign a revised 2016/17 Statement of Accounts if necessary with any changes being subsequently reported to the next available Audit Committee. If following completion of the external audit work there are amendments required to the current signed Statement of Accounts, it is likely according to the KPMG timetable they would not be available for signing until late January 2018 alongside a management letter of representation.

- 3.3.2 In preparation for the 2017/18 accounts and in line with the required narrative within the management letter of representation that KPMG will require shortly, officers have been reviewing the housing valuations and componentisation processes to make improvements to ensure that the earlier statutory closure of accounts in 2017/18 can be achieved.
- 3.3.3 The process reviews have involved Assets and LGSS Finance staff, and will ensure that best practice from other authorities within the LGSS partnership and authorities that already have an early accounts closure are incorporated into the final revisions,. The Council will jointly share with KPMG the final proposed processes to ensure it meets their audit requirements. Where these require any changes to accounting policies they will be brought to Audit Committee for approval prior to preparing the 2017/18 accounts.
- 3.3.4 The internal auditors for both the Council and LGSS are being engaged in process and working paper reviews to provide assurance on their robustness
- 3.3.5 The internal task force is reviewing and approving the high level processes and timetable for valuation work in 2017/18.

3.4 2016/17 Draft ISA260 External Audit Report

- 3.4.1 Officers have jointly reviewed the ISA260 draft report with KPMG to ensure factual accuracy of all points. The Council accepts the points made and recommendations and is working in conjunction with KPMG to make improvements to the areas highlighted. Formal management responses will be included within the final ISA260 report when it is released by KPMG at the finalisation of the 2016/17 audit work.

3.5 Choices (Options)

- 3.5.1 The report is just for noting, however Audit Committee have the opportunity to ask questions directly to officers on anything contained in the report, and issues around the completion of statutory accounts for 2016/17.
- 3.5.2 The Council's officers have over a number of weeks being engaged in weekly meetings with detailed work on the issues raised by KPMG and to further deal with a number of detailed clarifications as also required by KPMG. This has caused a diversion of staff time which hopefully will come to an end in the new year, in particular as the account closure deadlines are a month earlier for the 2017/18 accounts.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None to report.

4.2 Resources and Risk

4.2.1 The Council is diverting significant staff resources to ensure that the KPMG are provided with adequate assurance to enable them to give their opinion on the 2016/17 statement of accounts as soon as practicable. This will reduce the risk of sufficient resources not being available to progress the closure of the 2017/18 accounts within the reduced statutory time period.

4.3 Legal

4.3.1 The actions proposed in this report will enable the Council to meet its statutory requirements of finalising its 2016/17 Statement of Accounts, signed and with an external audit opinion.

4.4 Equality

4.4.1 Not applicable.

4.5 Consultees (Internal and External)

4.5.1 External Auditors, KPMG

4.6 Other Implications

4.6.1 None.

5. Background Papers

5.1 Letter to Audit Committee members advising the KPMG late audit opinion letter sent in October 2017.

Chris Randall
Interim Strategic Finance Project Manager, Telephone 07710 281001

Glenn Hammons
Chief Finance Officer, Telephone 01604 366521

**Appendices: 1
Cabinet Report -
Finance Monitoring
Report to 31st
August 2017**



AUDIT COMMITTEE REPORT

Report Title	2017/18 Financial Monitoring Report to 31st August 2017
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	13 th November 2017
Policy Document:	No
Directorate:	Finance Directorate LGSS
Accountable Cabinet Member:	Cllr B Eldred

1. Purpose

- 1.1 To present Committee with the Financial Monitoring Report to 31st August 2017 as presented to Cabinet on 18th October 2017.

2. Recommendations

- 2.1 To consider the contents of the finance report:
- Finance Monitoring Report to 31st August 2017 (Appendix 1)
- 2.2 To consider whether Committee requires any additional information in order to fulfil its governance role.

3. Issues and Choices

3.1 Report Background

- 3.1.1 A Finance Monitoring report is presented to Cabinet monthly during 2017/18.
- 3.1.2 Audit Committee has asked to receive these reports which are brought to the first available meeting following their production.

3.2 Issues

3.2.1 The Council's Revenue and Capital Monitoring Report to 31st August 2017 is set out in Appendix 1.

3.3 Choices (Options)

3.3.1 None

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no specific policy implications arising from this report.

4.2 Resources and Risk

4.2.1 Ongoing monitoring of the Council's budget and capital programme enables early intervention and appropriate remedial action, thus mitigating risks to the Council's financial viability and to its reputation.

4.3 Legal

4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 None at this stage.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Regular reporting of the Council's financial position helps to ensure the proper stewardship of the Council's resources. Active financial management contributes to the delivery of value for money services, enabling public money to be used to maximum benefit.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

18th October 2017 Cabinet – Revenue and Capital Monitoring Report to 31st August 2017

Glenn Hammons

Chief Finance Officer, Telephone 01604 366521



CABINET REPORT

Report Title	Finance Monitoring to 31 August 2017
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	18 October 2017
Key Decision:	YES
Within Policy:	YES
Policy Document:	NO
Directorate:	Management Board
Accountable Cabinet Member:	Cllr B Eldred
Ward(s)	N/A

1 Purpose

- 1.1 The purpose of this report is to assist Cabinet in monitoring the delivery of the Corporate Plan within the agreed capital and revenue budgets for the General Fund (GF) and Housing Revenue Account (HRA).
- 1.2 To inform Cabinet of the latest forecast outturn position for the Council's capital programme for 2017-18 and changes to the Programme approved under delegated powers.
- 1.3 During the course of this financial year regular monitoring reports will be provided to Cabinet, detailing the latest forecasts for revenue and capital and additionally focusing on key financial issues on a cyclical basis. This report provides detail of proposed changes to the Prudential Code and Treasury Management Strategy that are currently being consulted upon by CIPFA.
- 1.4 The report seeks approval to put forward a bid for pilot status for 100% business rates retention.

- 1.5 The report also seeks approval for an addition to the HRA capital programme and notes an NPH budget virement.

2 Recommendations

- 2.1 That Cabinet reviews the contents of the report and identifies actions to be taken to address any issues arising from it.
- 2.2 That Cabinet agree the principle of the Council submitting a bid to be a pilot for 100% Business Rates retention in partnership with other Northamptonshire local authorities.
- 2.3 That authority be delegated to the Chief Executive, in consultation with the Chief Finance Officer and the Leader of the Council, to finalise such a bid, subject to satisfactory completion of financial modelling, assessment of the potential financial benefits and risks, and suitable governance procedures being in place.
- 2.4 That Cabinet note that under the Management Agreement with Northampton Partnership Homes (NPH) a restricted virement has been authorised which moves £150k from the Capital investment managed budget to the Operational Management fee pot.
- 2.5 That Cabinet agree the creation of an HRA Capital Budget of £500k for Repurchase of Right-to-buy properties and/or spot purchases, to be funded from 141 receipts and additional non 141 capital receipts received in year.

3 Issues and Choices

3.1 Report Background

- 3.1.1 The monitoring report to Cabinet in September included an update on the financial pressures facing the Housing Strategy and Wellbeing service area and the mitigating actions being taken to address these pressures. This report provides an update on this volatile area of the Council's budget, as well as providing updated forecasts as at the end of August 2017 for all revenue and capital budgets.

3.2 Business Rates Localisation – 100% Retention Pilot

- 3.2.1 The Department of Communities and Local Government (DCLG) have announced a pilot scheme for 100% Business Rates Retention within "functional economic areas" for the one year period 2018/19, to gather knowledge on how the scheme will work across England, with particular interest in two-tier areas. The closing date for applications is 27th October 2017.
- 3.2.2 The scheme is anticipated to bring significant additional resources to the local area, some of which will be required to be used to promote the financial stability and sustainability of the functional economic area. Additional risks will also be transferred from Central Government, which will need to be assessed.
- 3.2.3 The Northamptonshire Business Rates Pool and Northampton Borough Council are working together to fully evaluate the proposed pilot, including completing financial modelling on potential increases in retained rates within Northamptonshire and

assessing what the additional risks may be to all authorities and how these can be mitigated.

- 3.2.4 It is expected that the Council will have to re-join the Northamptonshire Business Rates Pool in order to submit an application as a 'functional economic area', and the change in the mechanism for distributing retained rates as set out in the pilot proposed by DCLG means that the governance arrangements for the Pool will need to be reviewed, revised and agreed by all Councils in the Pool as appropriate.
- 3.2.5 Further details surrounding the pilot are set out in Appendix 1
- 3.2.6 Cabinet is therefore asked to agree the principle of submitting a bid for the pilot for 100% Business Rates retention in partnership with other Northamptonshire local authorities. This has the potential to generate significant benefits to the Council and the residents of Northampton.
- 3.2.7 Cabinet is also asked to delegate the authority to the Chief Executive, in consultation with the Chief Finance Officer and the Leader of the Council, to finalise such a bid, subject to satisfactory completion of financial modelling, assessment of the potential financial benefits and risks, and suitable governance procedures being in place.

3.3 Key Financial Indicators

Dashboard Indicator Description	Variation from Budget	
	General Fund	Housing Revenue Account
	£000	£000
Controllable Budgets	(103)	(296)
Debt Financing and Recharges	(17)	81
Total	(120)	(215)

3.4 General Fund Revenue Budget (Blue)

- 3.4.1 Overall forecast expenditure is £120k (0.4%) below budget. The following table summarises the variations from budget for the General Fund.

Service Area	£000
Regeneration, Enterprise & Planning	4
Housing	201
Borough Secretary	22
Director of Customers & Communities	(330)
Corporate	0
Controllable Total	(103)
Debt Financing	(17)
General Fund Total	(120)

3.4.1.1 **Regeneration, Enterprise and Planning**

Additional costs of interim staff are almost entirely offset by additional lettings income in the Asset Management function.

3.4.1.2 **Head of Housing and Wellbeing**

Forecast overspend due to the vacancy/sickness target forecast not being met (£86k), increase in caseloads in temporary accommodation (£25k), lower anticipated licencing income (£50k), and withdrawal of Probation Service contribution (£18k).

Homelessness and Temporary Accommodation – Over the past 18 months there has been a sharp rise in the number of homelessness applications within the Borough with a subsequent increase in the use of temporary accommodation to deal with this additional demand and a resultant loss on the amount of Benefit Subsidy that can be recovered from the Government.

The Head of Housing and Wellbeing has set out a package of measures that seeks to alleviate these issues and reduce by half the overall caseload living in temporary accommodation (from 187 to 95) and to reduce the number of Bed and Breakfast placements by 90% over the next 12 months (from 93 to 10). The progress towards these targets will be monitored on an ongoing basis to determine the financial impact upon the authority.

3.4.1.3 **Director of Customers and Communities**

Overall forecast underspend reflecting additional deductions made through the Environmental Services Contract (£378k) and staffing savings.

- 3.4.2 Where applicable Budget Managers are working to mitigate the pressures on their services and bring forecasts back in line with budgets.
- 3.4.3 Particular focus will be given to monitoring areas of known high risk where expenditure and income is demand-led, i.e. homelessness, car parking income and development control income.
- 3.4.4 The outturn position, as reported to Cabinet in June, highlighted a number of significant variances against budgets in 2016/17. All budgets will be reviewed as part of the 2018/19 budget process to assess their robustness and any scope to reduce budgets without affecting service delivery.

3.5 **Controllable HRA Revenue Budget (Blue)**

- 3.5.1 The forecast underspend position on HRA controllable budgets of £238k relates mainly to staff vacancy savings within NPH, as well as a forecast additional £53k (2.5%) of service charge income.
- 3.5.2 HRA Debt Financing forecast at £81k above budget due to lower opening balances than budgeted, and lower estimated average rate of interest assumed on investments (0.60% compared to 0.77% budgeted)

3.6 Capital Programme

3.6.1 General Fund Capital Programme

- 3.6.1.1 The General Fund Approved Capital Programme budget stands at £23m including the carry forwards from 2016/17 and the additional funding for Delapre Abbey approved by Cabinet in June. No significant underspends or overspends are currently forecast. A number of schemes are forecast to require significant carry forwards to 2018/19, including £7.7m in relation to the Vulcan Works, £4.9m the Central Museum and £0.8m in relation to St Peters Waterside. A report to a future Cabinet meeting will provide full detail on the latest position in relation to the Vulcan Works.
- 3.6.1.2 As part of the 2017/18 budget process enhanced governance of the capital programme was approved, in order to ensure that cost estimates are robust before schemes are commenced. This included the creation of a “Development Pool” in which schemes remain until the costs and phasing of the scheme is firmed up. This will help to reduce the level of over and underspends and carry forwards in the capital programme. As at the end of August the six schemes that were placed in the Development Pool in the February budget report remained there, with a total estimated value of £3.9m. Most significant of these is £2m earmarked for the St James Mill Link Road. None will be commenced until a fully costed business case is produced and agreed.
- 3.6.1.3 The financing of the capital programme assumes that around £5m of capital receipts will be received during 2017/18. There has only been one significant receipt of £1m to date and it is therefore imperative that no new schemes are added to the capital programme unless a clear and certain funding source is identified.
- 3.6.1.4 Funding for Disabled Facilities Grants is partly covered by central government funding through the Better Care Fund. The full 2017/18 allocation of £1.198m has been passported by the County Council to the Borough. The remainder of the £1.475m expenditure on DFGs is funded by the Borough Council’s own resources.
- 3.6.1.5 Any further additions to the capital programme, including further strategic property purchases, will be subject to the development of a robust business case. In line with Financial Regulations, any proposed additions to the programme greater than £250k and/or requiring additional funding from Council resources, will be brought to Cabinet for approval.

3.6.2 HRA Capital Programme

- 3.6.2.1 The approved HRA Capital Programme for 2017/18 totals £35.29m, including the carry forward of £275k from 2016/17. A forecast underspend of £445k on ICT capital investment is due to a review being undertaken of ICT investment requirements.
- 3.6.2.2 Under the Management Agreement with NPH Cabinet are asked to note that a restricted virement has been authorised moving £150k from the Capital Investment ICT managed budget into the Operational Management Fee pot. This is effectively a technical virement realigning capital budget to revenue to account appropriately for ICT staffing costs that cannot be capitalised as time is not being spent on building hardware or writing software.
- 3.6.2.3 **141 Right to Buy Receipts** – The 2017/18 capital programme includes a number of NPH managed schemes that are budgeted to deliver additionality to the HRA stock and meet the required spend levels needed to fully use the retained 141 RtB receipts as per the 2012 agreement the Council has with government. For quarter 1 and forecast for quarter 2 NPH have delivered on these projects which is likely to ensure that no 141 RtB receipts have to be repaid to Treasury. There is currently no fall back for the final 2 quarters of the year if NPH do not deliver the planned projects and Cabinet are being

asked to mitigate this risk by creating a budget for Buy backs and/or further spot purchases of £500k. This is to be funded from 30% RtB receipts £150k and 70 % from additional non-141 RtB receipts, £350k, which are forecast to come in over the budgeted amount. This effectively brings forward the use of those receipts from future years.

3.7 CIPFA Consultation – Prudential Code and Treasury Management

3.7.1 A consultation by CIPFA in August 2017 set out proposed changes to the Prudential Code and Treasury Management code, with responses required by the end of September. A summary of the proposed changes is set out in Appendix 2.

3.7.2 Although a number of the proposed changes are matters of detail, one fundamental change is the recognition that local authorities operate in a commercial environment and that this creates risks that need to be recognised and managed. As a result there will be a new requirement from 2018/19 for the Council to formally approve the Capital Strategy as part of the budget setting process. The Capital Strategy will include a long-term assessment of the financing implications of the proposed capital programme.

3.8 Choices (Options)

3.8.1 Cabinet is asked to note the reported financial position and agree the recommendations. There are no alternative options, other than not to agree the recommendations.

4 Implications (including financial)

4.1 Policy

4.1.1 The Council agreed a balanced budget for the Capital Programme and Revenue Budgets for both the General Fund and the HRA in February 2017. Delivery of the budget is monitored through the budget monitoring framework.

4.2 Resources and Risk

4.2.1 This report informs the Cabinet of the forecast outturn positions for capital and revenue, for both the General Fund and HRA, as at the end of July 2017. It also highlights the key risks identified to date in delivering those budgets and where performance measures are significantly over or under performing.

4.2.2 All schemes included in the capital programme, or put forward for approval, are fully funded, either through borrowing, internal resources or external funding arrangements.

4.3 Legal

4.3.1 There are no direct legal implications arising from this report.

4.4 Equality and Health

4.4.1 There are no direct equalities implications arising from this report.

4.4.2 A full Community/Equalities Impact Analysis has been completed for the 2017/18 Budget and is available on the Council website.

4.5 Consultees (Internal and External)

- 4.5.1 Heads of Service, Budget Managers and Management Board are consulted as part of the budget monitoring process on a monthly basis.

4.6 How the Proposals Deliver Priority Outcomes

- 4.6.1 Performance monitoring (including financial monitoring) by exception and using it to improve performance is good practice in terms of efficient and effective management. It contributes directly to the priorities of sustaining “effective and prudent financial management” and being “an agile, transparent organisation with good governance”.

4.7 Other Implications

- 4.7.1 There are no other implications arising from this report.

5 Background Papers

- 5.1 Cabinet and Council Budget and Capital Programme Reports February 2017

Appendix 1 – 100% Business Rates Retention Pilot

Appendix 2 – Consultation on Prudential Code and Treasury Management Code

Glenn Hammons, Section 151 Officer, 01604 366521

Appendices: 0



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Position Statement on Vacant Posts and Interim/Agency Staff
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	13th November 2017
Policy Document:	No
Directorate:	Finance Directorate LGSS
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

- 1.1 To present Committee with a position statement as to the numbers of staff vacancies and interims/agency staff engaged.

2. Recommendations

- 2.1 To consider the contents of this finance report.
- 2.2 To consider whether Committee requires any additional information in order to fulfil its governance role.

3. Issues and Choices

3.1 Report Background

- 3.1.1 At the meeting on the 14 March 2016 Audit Committee raised a query requesting further information on:
- The number of interim/agency staff and vacant positions currently held at the Council
- 3.1.2 Audit Committee has since received regular reports each meeting on vacancies and interim/agency staff. At the previous meeting on 27th September 2017 additional information was requested to include all

agency/interim staff as well as those covering vacant posts, and information around expenditure incurred in the financial year.

3.2 Interim/Agency Staff and Vacant Positions

3.2.1 The total number of interim and agency staff engaged and those which are covering vacant posts in the establishment.

Directorate	February 2016	August 2017		September 2017		YTD Expenditure
	Covering vacant posts	Total	Covering vacant posts	Total	Covering vacant posts	(£000)
Borough Secretary	9	-	4	5	5	200
Director of Customers & Communities	*13	-	2	2	0	77
Director of Regeneration, Enterprise & Planning	13	-	2	7	3	317
Housing and Well Being	4	-	5	7	4	250
Total	39	-	13	21	12	844

Note : * 6 Posts removed from total relating to Enterprise Contract as costs are being recovered through the contract.

3.2.2 The number of interim and agency staff engaged and the length of engagement is summarised in the table below.

Directorate	September 2017	Length of time engaged				
		<1 month	1-3 months	3-6 months	6-12 months	12+ months
Borough Secretary	5		3	1		1
Director of Customers & Communities	2	2				
Director of Regeneration, Enterprise & Planning	7		1	3	1	2
Housing and Wellbeing	7	1	1		1	4
Total	21	3	5	4	2	7

3.2.3 The number of staff vacancies is summarised in the table below.

Directorate	Total Posts	Vacancies (March 2016)	Vacancies (August 2017)	Vacancies (September 2017)	Recruiting to	Covered by Interims/ Agency
Borough Secretary	53	11	16	14	2	5
Director of Customers & Communities	170	23	8	6	6	0
Director of Regeneration, Enterprise & Planning	60	13	9	9	1	3
Housing and Well Being	41	5	7	7	6	4
Total	324	52	40	36	15	12

3.2.1 Of the 14 vacancies in the Directorate of Borough Secretary, 1 post has been shortlisted and 1 post is awaiting a start date (end of November). 7 of the posts are currently vacant which are under discussion.

3.2.2 Of the 6 vacancies in the Directorate of Customers & Communities, 6 are in the process of being recruited to and 3 are being covered by casual staff. The museum service are also currently recruiting for a six month maternity cover post.

3.2.3 Of the 9 vacancies within the Directorate of Regeneration, Enterprise and Planning, all vacancies are under review pending the medium term resourcing strategy. One vacancy is being advertised.

3.2.4 Of the 7 vacant positions in the Housing and Wellbeing Service, 5 are in the process of being recruited and 1 has successfully been recruited to. Of the 7 interims in post in the Housing and Wellbeing service, 4 are covering vacant posts; 1 is providing the Housing standards Team with extra capacity to identify, license and regulate HMOs pending a mini restructure of the team; 1 is providing maternity leave cover; 1 is working on a special project within the Private Sector Housing Team.

3.3 Choices (Options)

3.3.1 None

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no specific policy implications arising from this report.

4.2 Resources and Risk

4.2.1 Ongoing monitoring of the Council's budget and capital programme enables early intervention and appropriate remedial action, thus mitigating risks to the Council's financial viability and to its reputation.

4.3 Legal

4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 None at this stage.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Regular reporting of the Council's financial position helps to ensure the proper stewardship of the Council's resources. Active financial management contributes to the delivery of value for money services, enabling public money to be used to maximum benefit.

4.7 Other Implications

4.7.1 The responsibility for determining whether agency/interim workers are deemed employees for tax purposes has been that of public sector bodies from April 2017. This will mean that the Council has to assess all individuals who are doing work for the authority against a number of criteria as indicated by HMRC. This is a change from the previous position where the individual has to make the assessment as to whether they are what is known as 'IR35' compliant.

4.7.2 Where the Council determines that individuals are inside IR35 then they will have to notify those individuals and the agency that represents them (in the case of NBC this is mostly Guidant) so that personal tax can be deducted at source through a PAYE system rather than leaving it to the individual as either an employee of their own limited company or as a self employed person to calculate and pay the relevant tax.

4.7.3 Management have been working with the Council's preferred supplier Guidant and all other agencies to ensure that the new responsibilities are met. All agency and temporary contracts as at April 2017 were reviewed against the criteria to ensure the authority was complying with the change in responsibility.

4.7.4 The change in responsibility of determining IR35 compliance to the public sector has had an impact on the interim/consultancy market, and as a result the Council will need to develop its reporting to future Audit Committees.

5. Background Papers

None

Glenn Hammons
Chief Finance Officer, Telephone 01604 366521

Appendices: A
Half-yearly
performance from
2012/13



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Corporate debt – Progress and Age debt analysis
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	13 th November 2017
Policy Document:	No
Directorate:	Finance Directorate LGSS
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

- 1.1 To update Committee on the position regarding the Council's outstanding debts as at 30th September 2017.
- 1.2 The detailed focus of the report is primarily on Council Tax as this is the area that has been receiving the most scrutiny recently.

2. Recommendations

- 2.1 To note the latest position in relation to the Council's outstanding debts as at 30th September 2017
- 2.2 To consider whether Committee requires any additional information in order to fulfil its governance role.

3. Issues and Choices

3.1 Report Background

- 2.1 The Revenues and Benefits Service compile a corporate debt summary that monitors the % of debt not currently managed (inactive debt) within the Council. This has been in place for a number of years and provides assurance that all debt is managed to a high standard

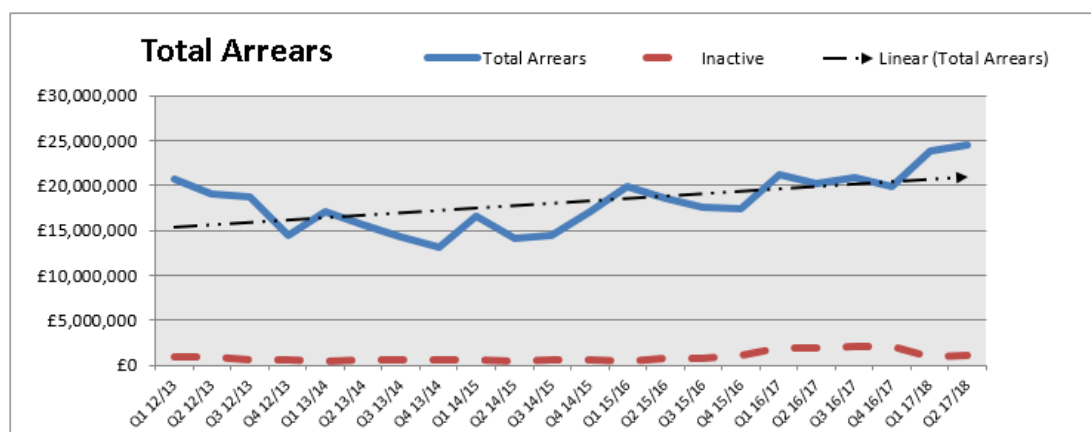
and not left idle. The % that is shown relates to debt that has fallen out of one status and is in the process of being moved to another stage. This summary also provides a view of the current status of debt.

- 2.2 Managed debt is where a debt type is within a specific set of clearly measurable criteria, and unmanaged debt is outside these criteria. An example of this is:

Criteria “Invoiced debt will be sent a reminder if it remains unpaid after 28 days”. All debts invoiced and outstanding less than 29 days is “managed”, any debt outstanding after 28 days, outstanding and not issued with a reminder is “unmanaged”. The debt that has just had a reminder issued would then become subject to a new set of criteria for invoices at reminder stage, which it is measured against.

- 2.3 This principle supports the theory that managed debt is more likely to be paid, and more promptly. It can be applied to all stages in the life of a debt, how long a disputed debt is on hold, how long a debt is with enforcement agents, or how long it takes to go through a legal process etc.
- 2.4 The process supports evidence gathering for process change and improvement, identifying blockages, removing hearsay and myth busting, and the write-off of irrecoverable debts at an earlier stage.
- 2.5 Each service area has a detailed recovery timetable, with definitions of debt type and criteria that recovery is taken against.
- 2.6 The amount of unmanaged debt is a corporate KPI. Currently being no more than 4.5% of the total amount of outstanding arrears.
- 2.7 Although the KPI is measured on a monthly basis for internal performance purposes, it is reported quarterly, and the graphs used below provide a pictorial illustration of performance since the 1st April 2012.
- 2.8 Half-yearly performance for the same period, demonstrated by value of managed, unmanaged and total arrears outstanding can be found in Appendix A.

2.9 Overall debt levels as at 30th September 2017



2.10 The overall outstanding arrears have increased by £2,077k compared to the same point last year. Please see individual debt types for explanation of the increase.

2.11 At the September Audit Committee meeting, the three service areas with the highest amount of “unmanaged” debt at level 4 stage gave responses to the position as at the 31st July. Level 4 debt is debt that has received an invoice, reminder and a second reminder/final notice and the later stages of the recovery process is managed within the individual service areas.

2.11.1 The majority of unmanaged debt within the Council sits within Asset management and is currently standing at £391k.

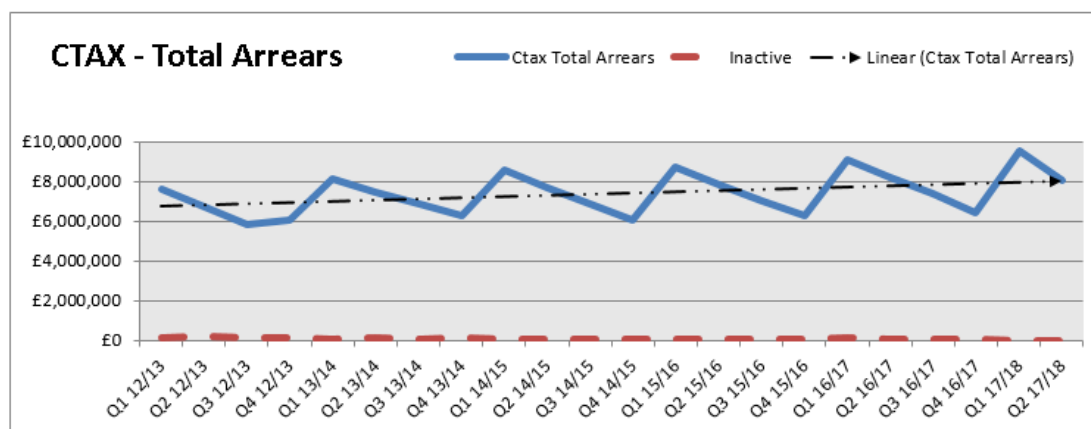
2.11.2 The Asset management debt type is the collection and recovery of the commercial rent and any associated insurance, for council land and buildings. This does not include the Council’s housing stock.

2.11.3 Positive discussions have been held with the Asset Management team to develop a proposal to resource and support the service going forward, which is due to be presented to the NBC Management Team shortly.

2.11.4 Unmanaged Licensing debt which sat at £23k, has now been reduced to £22k.

2.11.5 Unmanaged Exchequer debt which sat at £49k, has been reduced and is now all managed.

2.12 Council Tax as at 30th September 2017



2.13 The overall outstanding arrears are £142k less than at the same point last year.

2.14 Unmanaged debt is £27k less than the same time last year although the amount of debt collected against arrears is £97k lower during this financial year thus far.

2.15 At the September Audit Committee meeting, it was confirmed that the team was undertaking work to understand the increasing arrears levels.

2.15.1 A third party supplier has been engaged to undertake a collectability review on older debts

2.15.2 A review of debts with tracing agents is being undertaken to determine whether these debtors will actually be located.

2.15.3 This could result in the write-off increasing, however this would not have an adverse financial impact on the Collection Fund as these debts are already provided for in the bad debt provision.

2.15.4 The above activities have resulted in a reduction of arrears by £713k since last month compared with £241k the previous month.

2.16 The continued introduction of Welfare Reforms continue to increase the pressure on those liable for Council Tax and on a low income. There has also been a significant rise in the number of attachment of benefits orders.

2.17 The current amount of unmanaged (inactive debt) is 0.28%, which is slightly up on last month but better than this time last year and seen as good performance and maximising the opportunity to collect any

outstanding arrears.

- 2.18 Whilst there are pressures on in-year collection, the table shows that the Council is making efforts to collect monies over the longer term. This is more often than not, arrangements of smaller amounts over the longer term. This is the most proven way of helping our customers make sustainable repayment plans and equally allowing the balancing of their personal budgets.
- 2.19 **Comparison between the 30th September 2017 and the 30th September 2016**
- 2.20 The continued introduction of Welfare Reforms continues to increase the pressure on those liable for Council Tax and on a low income. There has also been a significant rise in the number of attachment of benefits orders.
- 2.21 The table below 2.25 provides some context around the impact that the welfare reforms are having on both our service users and the service.
- 2.22 The Council Tax Reduction Scheme (CTRS) is the support provided towards the Council Tax for those customers on a low income.
- 2.23 An Attachment of Benefit (AOB) is a deduction from a debtor's benefit, which can only be made after a liability order has been granted. The current rate is £3.70 per week.
- 2.24 Special Arrangements (SPARs) are non-statutory arrangements made on accounts where a summons has been issued and a customer has agreed to repay the debt over a period of time, based on their personal circumstances.
- 2.25 The table below highlights some of the key impacts, predominately as a result of the introduction of welfare reforms

In-year collection rate	56.84%	30-Sep-17	56.39%	30-Sep-16
Annual CTRS award	£10.5m	2017/18	£11.7m	2016/17
Uncollected liability CTRS cases	£2.75m	30-Sep-17	£2.4m	30Sep16adj
CTRS caseload	15,473	30-Sep-17	15,895	30-Sep-16
AOB	£1.2m	30-Sep-17	£1.1m	30-Sep-16
Monthly amount collected	£26k	30-Sep-17	£27.7k	30-Sep-16
AOB hold	871k	30-Sep-17	640k	30-Sep-16
SPARs	£2.3m	30-Sep-17	£2m	30-Sep-16
Reminders & Finals issued	36,968	30-Sep-17	35,361	30-Sep-16
Summons	6,841	30-Sep-17	7,435	30-Sep-16

- 2.26 The Council has implemented cut of 6% in the amount of CTRS awarded in 2017/18. Although the overall collection rate is up from 56.39% to 56.84%, the cases where CTRS is awarded the collection rate has dropped from 47.35% in 16/17 to 46.95%, in comparison to the end of September
- 2.27 The Council continues to be collecting debt from people, who in previous years, were used to receiving more financial support for their Council Tax.
- 2.28 Whilst the annual amount of CTRS awarded has reduced by 4.5%, the amount of uncollected liability on the same cases has increased by £409k.
- 2.29 The CTRS caseload falling by 2.65% means that the uncollected liability is also being borne by fewer customers.
- 2.30 The amount of debt subject to an attachment of benefit is £98k higher than last year, and the amount of debt being held awaiting an existing attachment to be paid off, £231k higher. A customer can only have one attachment for council tax in operation at any given time. Although there has been an increase in the amount of debt at the DWP, the monthly amounts being paid direct from the DWP has decreased by over £1,700 per month, with debt “backing-up” for the same customers.
- 2.31 The issue of Reminders and Final Notices has increased compared with this time last year [3.8%] but the issue of summonses has decreased by 1.4% [equating to around 594 summonses]. This owing partly to sending out Finals earlier than previously and partly to the increase in customers unable to pay because of CTR changes

2.32 Collection Rates for CTRS cases

2.33 The table below highlights the comparison between the claimant types between the 30th September 2017 and the 30th September 2016.

September		2016/17			
CTRS SCHEME	Caseloads	LIABILITY	RECEIPTS	COLLECTION RATE	UNCOLLECTED
		£	£		£
Vulnerable households are claimants who are either lone parents or couples with at least one dependent under 5 years old.	1,466	471,164.84	173,833.77	36.89%	297,331.07
Vulnerable are claimants on NBCs local scheme or modified scheme e. g. War widows and disablement pension cases	15	491.65	356.11	72.43%	135.54
Pensionable cases are claimants who are of pensionable age and are exempt from the CTRS reduction.	6,091	891,354.66	600,467.48	67.37%	290,887.18
Working age employed are claimants who are either single people or couples who are in paid employment.	2,037	1,162,078.88	507,555.75	43.68%	654,523.13
Working age other are claimants who are either single people or couples not in paid employment, and in receipt of DWP benefits.	6,286	1,926,884.37	825,666.17	42.85%	1,101,218.20
TOTALS	15,895	4,451,974.40	2,107,879.28	47.35%	
September		2017/18			
CTRS SCHEME		LIABILITY	RECEIPTS	COLLECTION RATE	UNCOLLECTED
		£	£		£
Vulnerable households		566,734.29	217,642.95	38.40%	349,091.34
Vulnerable		457.63	335.04	73.21%	122.59
Pensionable		872,307.22	588,019.73	67.41%	284,287.49
Working age employed		1,440,796.76	640,402.05	44.45%	800,394.71
Working age others		2,311,348.45	991,234.86	42.89%	1,320,113.59
TOTALS		5,191,644.35	2,437,634.63	46.95%	

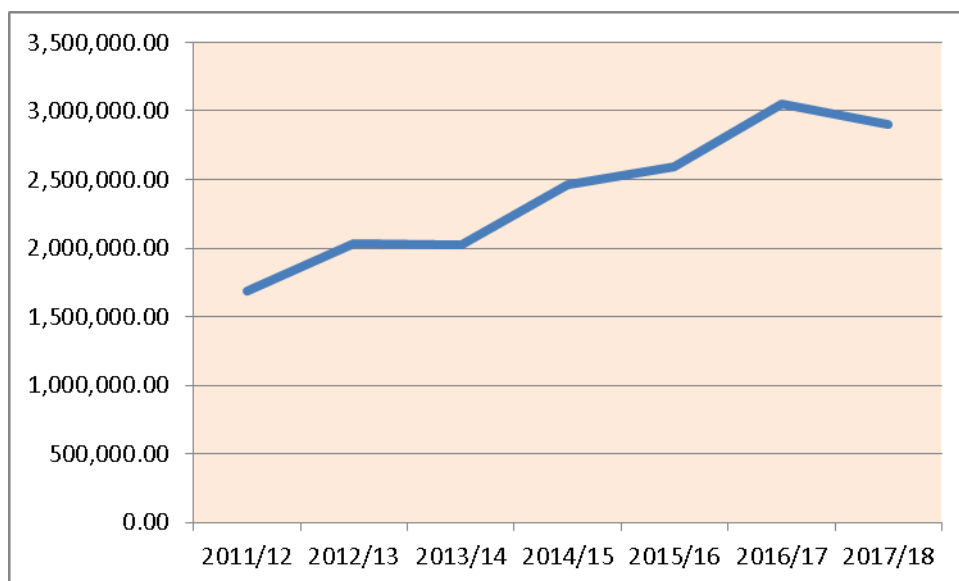
2.34 The overall collection for CTRS cases is 53.05% for 2017/18, This is a slight reduction in collection rate, as compared to the increase reported in 2.26 above, and suggests that not only is this customer group finding it more difficult to pay, but disproportionately also.

2.35 For those customers that cannot, or won't, make an arrangement, they will be issued with a summons. Although there is not much attendance at court, the Council will still make an arrangement at this stage.

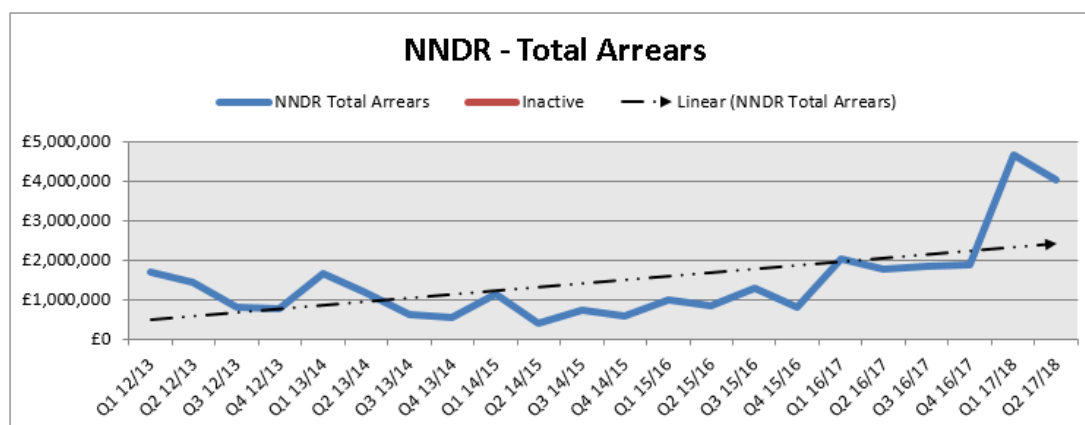
2.36 There has been an increase in the number of summons issued in the first two months of the financial year.

- 2.37 Where a Liability Order is obtained, the Council's preferred option is to serve an attachment of benefit, and the use of this method of repayment is on the increase compared to previous years. The Council currently collects £26k per month through AOB, slightly down on last year.
- 2.38 It should be noted that the maximum amount of money that can be deducted is £3.70 per week, regardless of how much a customer owes, and the recovery of council tax is not a priority debt for deduction by the DWP. The maximum a customer in these circumstances can repay is £192.40 per year. In 2017/18, an unparished band A property with two adults would be liable for £1,060.25, reducing by maximum CTR would leave the customer liable to pay £371.10. The issue of a summons would add a further £82.40, leaving a customer with an annual charge of nearly £261 more than the Council is able to recover.
- 2.39 There is also a process to support customers whose debt is passed to Enforcement Agents, similar to that provided by the Council.
- 2.40 There is also a process to support customers whose debt is passed to Enforcement Agents, similar to that provided by the Council.
- 2.41 Where customers are making realistic arrangements to pay these are often small amounts, over a long period of time, regardless of what point of the recovery cycle a customer has reached. Customers have struggled to maintain even these small value arrangements and this increases the cost to the Council to administer.
- 2.42 **Historic council tax arrears collection**

The table below demonstrates the increase in arrears collected in each of the last 6 financial years. As mentioned above the amount of arrears collected so far this year is higher than at the same point last year and collection is forecast until the end of the financial year.



2.43 Business Rates (NNDR) as at 30th September 2017



2.44 The overall outstanding arrears are £2,232k more than at the same point last year but £446k down on last month. The table below 2.46 details the accounts that the team is focusing on currently, which is a combination of “stubborn” arrears and liquidation/administration cases. This is a potential result of the anti-avoidance and evasion work the team have undertaken last financial year, which has resulted in the sizeable increase in collectable debit. The team are currently analyzing the cases to understand why this has occurred and to take remedial action.

2.45 Unmanaged debt remains unchanged in NNDR as all accounts continue to be monitored on a monthly basis, due to the low number and high value of cases.

2.46 At the September Audit Committee meeting, it was confirmed that the

team had undertaken an analysis of the high value arrears cases that occurred during 2016/17 and that remain unpaid at the end of July, are as follows.

Name	Total arrears £	
99P STORES LTD	832,818	Company in administration. The balance is an unsecured claim against the companies assets, due to be written-off.
AROMA NORTHAMPTON LTD	219,360	Currently under investigation to determine when the company stopped trading and also gain more information from the administrators who we believe are dealing with the company.
ARGOS LTD	136,620	Paid
NORTHAMPTONSHIRE COUNTY COUNCIL	109,194	Paid £3,277, the rest is being chased.
LIDL UK GHBH	97,732	Direct debit now in place on the account for the full balance
DALEPAK LTD	97,350	Direct debit now in place on the account for the full balance
OLIVER ADAMS LTD	88,820	Company in administration. The balance is an unsecured claim against the companies assets,
RETRICKER LTD	79,576	Payment arrangement in place for outstanding
CHILLI VILLAGE LTD	56,402	Is in the process of making a hardship relief
BHS LTD - STORE 241	55,489	Company in administration. The balance is an unsecured claim against the companies assets,
BOOST 4 BUSINESS LIMITED	50,230	Debt subject to a Liability Order, due to be passed to Enforcement Agents
MANFORD FASHIONS LIMITED	35,503	Debt is currently with Enforcement Agents.
SOLE TRADER	29,576	£11,400.50 is currently with Enforcement Agents, the balance is due to be passed to the
BRANTANO RETAIL LTD	26,725	Company in administration. The balance is an unsecured claim against the companies assets,
NORTHAMPTON BOROUGH COUNCIL	26,799	Paid £396, the rest is being chased.
	1,942,195	

2.46.1 The activity current being taken on these accounts has started to be reflected in the reduction of the outstanding arrears and this trend will continue over the next few months.

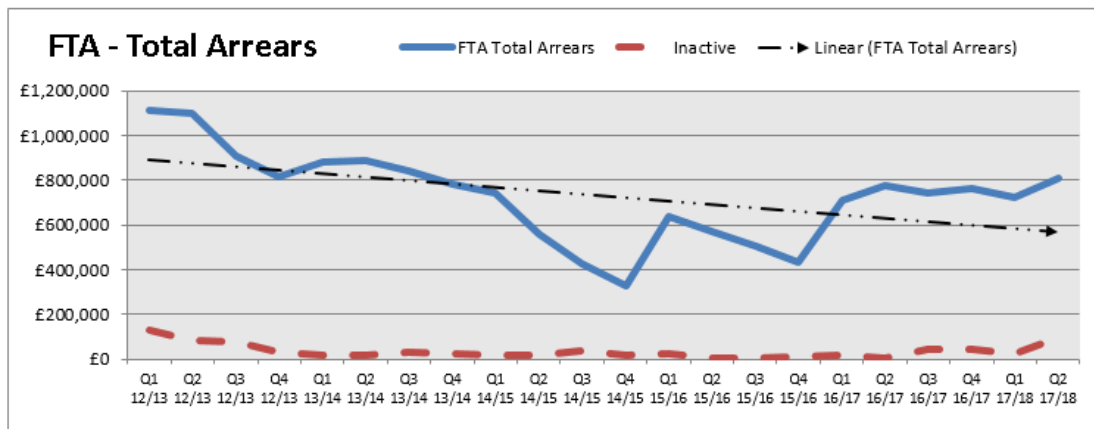
2.46.2 With regard to both NBC and NCC appearing on the original list, it can be confirmed that both organisations, who are amongst the largest ratepayers in the borough, have multiple assessments, and receive a disproportionate numbers of invoices. Many of which can be backdated due to retrospective re-valuations, which are usually annual re-valuations that are not in the control of either authority “arrears” can be created without the opportunity to pay within the particular financial year (e. g. schools and car parks). The two references in the table have either been paid, or an in the payment process.

2.47 There is also a number of accounts which are below the values identified above that are a result of pro-active anti-avoidance and

evasion, which the team undertook last financial year. This has resulted in a sizeable increase in collectable debit, however this is harder to enforce and to collect, but should encourage landlords of empty properties to pay, or to find suitable tenants.

2.48 Unmanaged debt remains unchanged in NNDR as all accounts continue to be monitored on a monthly basis, due to the low number and high value of cases.

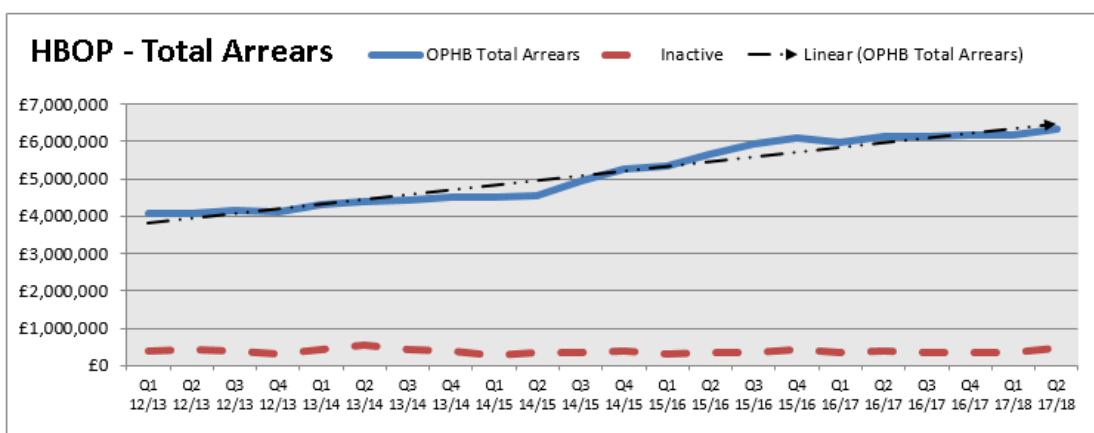
2.49 Former Tenant Arrears as at 30th September 2017



2.50 The overall outstanding arrears are £34k more than at the same point last year.

2.51 Unmanaged debt is £87k more than the same time last year and the amount of unmanaged debt continues to remain consistently low.

2.52 Housing Benefit Overpayments Payments as at 30th September 2017



2.53 The overall outstanding arrears are £182k more than at the same point last year. This increase is in line with the national trend for overpayments and relates to the Department for Work and Pensions ongoing initiatives to identify overpayments. These two schemes, “Real Time Information” and “Right Benefit Indicator” (the replacement

scheme for the “Fraud and Error Reduction Incentive Scheme”), are being fully supported in Northampton and the Council receives an incentive payment for the successful identification and reduction of error.

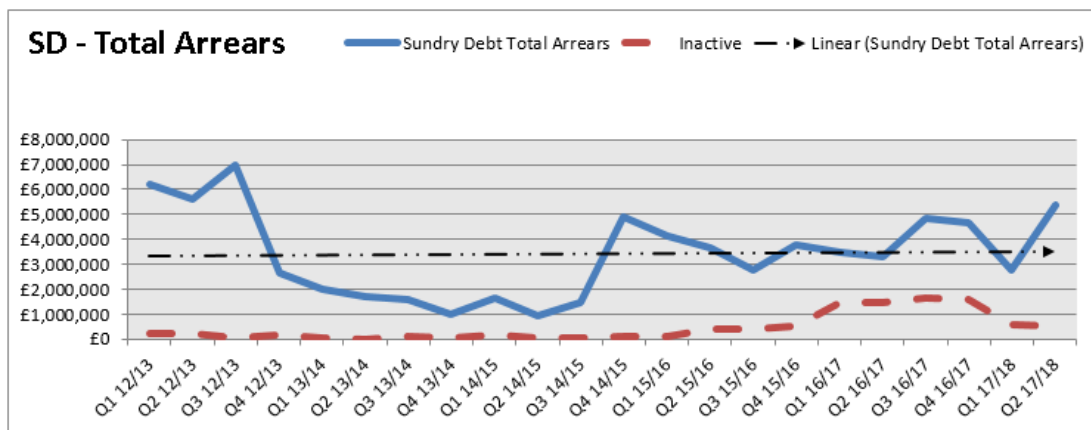
2.54 The current performance by our teams has reduced the impact on the Council of these new overpayments. By focusing resource on this debt has the team have supported better outcomes, which can be demonstrated by the reduction in the percentage of unmanaged debt. These debts remain very difficult to collect due to the limited recovery methods available to us, and the economic climate.

2.55 Unmanaged debt is £34k more than the same time last year.

2.56 The national Welfare Reform measures underway are increasing the pressure on individual debtors and their ability to pay debts. Housing benefit overpayments are deemed as a lower priority, as per the Corporate Debt policy, when compared to other debt types, and arrangements tend to be small amounts over a long period of time.

2.57 There has also been an increase in direct debit payers for this type of debt, but once again small amounts over a longer period of time.

2.58 Sundry Debts (SD) as at 30th September 2017



2.59 The overall outstanding arrears are £2m more than at the same point last year. This is primarily due to two s106 invoices, totalling £1.94m, which have been outstanding since July17 and are currently being chased for payment.

2.60 The unmanaged debt is £837k less than the same time last year. The majority of this is controlled within individual service areas in the Council. The unmanaged debt controlled by the Revenues and Benefits Service is £6k.

2.61 To allow some context around where the unmanaged debt is sitting within the council is detailed below.

	Level 4 Analysis (£)			Level 4 Analysis (%)		
	Managed Debt	Unmanaged Debt	Total	Managed Debt	Unmanaged Debt	Total
	rest_amount	rest_amount				
Asset Management	£540.92	£391,838.34	£392,379.26	0.14%	99.86%	75.64%
Call Care	£136.04	£14,264.48	£14,400.52	0.94%	99.06%	2.78%
Car Parks	£0.00	£17,423.40	£17,423.40	0.00%	100.00%	3.36%
Environmental Health	£0.00	£3,247.00	£3,247.00	0.00%	100.00%	0.63%
Exchequer Section	£16,067.72	£0.00	£16,067.72	100.00%	0.00%	3.10%
Insurance	£0.00	£51,944.15	£51,944.15	0.00%	100.00%	10.01%
Licensing	£278.69	£22,004.50	£22,283.19	1.25%	98.75%	4.30%
Market Office	£0.00	£1,007.89	£1,007.89	0.00%	100.00%	0.19%

2.62 Level 4 debt is debt that has received an invoice, reminder and a second reminder/final notice and the later stages of the recovery process is managed within the individual service areas. Commentary on debt at this stage has been covered in 2.11 above.

2.63 The unmanaged debt on the remaining recovery stages is £1.5m more than the same time last year. The majority of unmanaged debt within the Council sits within Asset Management, currently standing at £391k. and Insurance at £52k. The Asset management debt type is the collection and recovery of the commercial rent and any associated insurance, for council land and buildings. This does not include the Council's housing stock.

3.1 Issues

3.2.1 The managed debt analysis and commentary to 30th September 2017 contained within this report.

3.3 Choices (Options)

3.3.1 None

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no specific policy implications arising from this report.

4.2 Resources and Risk

- 4.2.1 Ongoing monitoring of the Council's debt position enables early intervention and appropriate remedial action, thus mitigating risks to the Council's financial position and to its reputation.

4.3 Legal

- 4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

- 4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

- 4.5.1 None at this stage.

4.6 Other Implications

- 4.6.1 Regular reporting of the Council's financial position helps to ensure the proper stewardship of the Council's resources. Active financial management contributes to the delivery of value for money services, enabling public money to be used to maximum benefit.

5. Background Papers

- 5.1.1 Not applicable

Ian Tyrer, Revenues Manager, Extension 7451

Appendix A		Half-yearly performance from 2012/13 to present by value of managed, unmanaged and total arrears									
YEAR on YEAR PERFORMANCE	2012/13		2013/14		2014/15		2015/16		2016/17		
	SEP	MAR	SEP	MAR	SEP	MAR	SEP	MAR	SEP	JAN	
TOTAL ARREARS	18,990,764	14,448,119	15,552,879	13,133,970	14,124,390	17,079,190	22,074,394	17,405,921	20,164,989	19,229,552	
Total Awaiting Action	889,537	635,627	686,348	578,997	499,008	580,064	552,182	1,084,977	1,924,839	2,007,073	
Managed Debt	18,101,227	13,812,492	14,866,531	14,052,291	13,625,382	16,499,126	21,522,212	16,320,944	18,240,150	17,222,480	
% unmanaged debt [PI]	4.68%	4.40%	4.41%	4.41%	3.53%	3.40%	2.50%	6.23%	9.55%	10.44%	
CTAX	6,748,461	6,090,189	7,430,390	6,281,511	7,664,327	6,053,552	7,857,713	6,280,780	8,167,738	7,154,718	
unmanaged debt	190,988	111,528	123,521	103,752	81,410	63,263	43,391	96,208	49,717	27,670	
managed debt	6,557,474	5,978,660	7,306,869	6,177,759	7,582,917	5,990,289	7,814,322	6,184,572	8,118,021	7,127,048	
unmanaged debt	2.83%	1.83%	1.66%	1.65%	1.06%	1.05%	0.55%	1.53%	0.61%	0.39%	
NNDR	1,454,169	776,782	1,162,504	543,491	407,858	568,644	830,958	807,217	1,777,515	1,847,464	
unmanaged debt	0	0	0	0	0	0	0	0	0	0	
managed debt	1,454,169	776,782	1,162,504	543,491	407,858	568,644	830,958	807,217	1,777,515	1,847,464	
unmanaged debt	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
FTA	1,101,424	814,503	886,670	784,750	557,708	328,049	573,762	435,545	773,435	716,744	
unmanaged debt	87,568	30,016	17,649	28,324	16,431	17,761	4,015	11,925	7,560	27,257	
managed debt	1,013,856	784,487	869,021	756,426	541,277	310,288	569,747	423,620	765,875	689,487	
unmanaged debt	7.95%	3.69%	1.99%	3.61%	2.95%	5.41%	0.70%	2.74%	0.98%	3.80%	
HBOP	4,090,115	4,122,698	4,381,953	4,515,411	4,555,039	5,243,926	5,645,801	6,094,450	6,127,991	6,107,644	
unmanaged debt	409,456	328,701	528,023	399,861	355,323.49	386,239	340,936	439,155	377,010	412,983	
managed debt	3,680,659	3,793,997	3,853,930	4,115,550	4,199,716	4,857,687	5,304,865	5,655,295	5,750,982	5,694,661	
unmanaged debt	10.01%	7.97%	12.05%	8.86%	7.80%	7.37%	6.04%	7.21%	6.15%	6.76%	
Sundry Debt	5,596,594	2,643,948	1,691,362	1,008,807	939,457.37	4,885,020	7,166,160	3,787,929	3,318,311	3,402,982	
unmanaged debt	201,526	165,382	17,155	47,060	45,844.00	112,802	163,839	537,689	1,490,553	1,539,163	
managed debt	5,395,068	2,478,566	1,674,207	961,747	893,613	4,772,218	7,002,321	3,250,240	1,827,758	1,863,820	
unmanaged debt	3.60%	6.26%	1.01%	4.66%	4.88%	2.31%	2.29%	14.19%	44.92%	45.23%	

Appendices:

1. Governance Action Plan
2. Audit Recommendation implementation



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Progress Update on Implementing the Governance Action Plan
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date: 13th November 2017

Policy Document: The Governance Action Plan

Directorate: Borough Secretary

Accountable Cabinet Member: Jonathan Nunn - Leader

1. Purpose

1.1 This report outlines the progress made to date on implementing the Council's Governance Action Plan.

2. Recommendations

2.1 That the Committee review and comment and where appropriate constructively challenge the Governance Action Plan to inform further work on its content, development and implementation.

2.2 That the Committee receive update reports on the implementation of the Governance Action Plan from the Borough Secretary and Chief Finance Officer at every future meeting until it determines otherwise.

3. Issues and Choices

3.1 Report Background

3.1.1 The Governance Action Plan is a fundamental document for the Council. The purpose of the plan is to ensure training and support is available for officers to strengthen and put in place effective governance arrangements and processes within the Council. Procedures that should be in place, or need to be reinforced, to ensure that proper and effective governance happens in practice at all times will be implemented and will be on a par of organisational importance with the Budget Book and/or the Constitution.

3.1.2 **Plan update:** At the update of the plan in September it was noted that the number of action points had been reduced from 67 to 48 following deletion of duplicated items and the merging of related topics e.g. project management. Following the September Audit Committee and feedback received, the RAG status has been removed and been replaced by the words ‘overdue’ or ‘on track’.

The Governance Action Plan as at 31.10.17 can be found at ‘Appendix 1’.

Of the 48 items listed, 19 still remain open and 29 items have now been closed based on evidence received during the reviews. Since the last Committee meeting in September, 2017, seven actions have been completed and a number are near completion. For example once the risk management strategy is approved at Management Board, and additional four actions are linked with that and will be completed also.

All but one of the remaining actions should be completed by 31.12.17, the one exception is in relation to the preparation of the Annual Governance Statement for 17/18.

GOVERNANCE AREA	Number of Actions	Fully Implemented	Partly Implemented	Not Implemented	To Be Confirmed
Risk Management	6	1	4	1	0
Project Processes	3	1	2	0	0
Programme & Project Support	5	2	0	3	0
Due Diligence	1	0	1	0	0
IA Recommendations	4	4	0	0	0
Exec. Decisions – Cabinet Processes	13	9	3	0	1
Governance	4	2	2	0	0
Financial Governance	11	9	1	0	0
Other	1	1	1	0	0
Total	48	29	14	4	1
Percentage	100%	60%	29%	8%	2%

3.1.3 The objectives of the governance action plan are:

- To renew and greatly enhance focus on officer compliance with policies, procedures and best practice in all aspects of governance, backed by enhanced professional and technical engagement and a central capacity to provide support, training, development and enforcement to ensure compliance.
- To enhance and strengthen the role of the Audit Committee in overseeing compliance with policies and procedures. Specifically moving into the future this will be to further develop the Audit Committee to ensure organisationally independent assurance to the Cabinet on:-

- The adequacy of risk management and the control environment at the Council
- The Council's financial and non-financial performance to the extent it affects exposure to the risk and the control environment
- The financial reporting process
- The effectiveness of internal audit, risk management and anti-fraud plans and strategies and functions
- Effective working arrangements between internal and external audit
- The annual plans of internal and external audit
- The implementation of audit recommendations
- Achieving compliance with CIPFA/SOLACE recognised best practice in local authority governance

3.1.4 The objectives will be met by:

- The governance team will actively engage with the service areas to support on areas of risk and compliance through attendance at monthly DMT's. Assistance will be given on all aspects of governance but with specific focus on preparation and review of service plans linking the KPI's through to risk registers for service risks, information risk and fraud risk. The service area risk registers will be updated and forwarded to the newly formed Performance Board for review and escalation to Management Board should any Corporate Risk be identified.
- Internal control review – an internal control officer has been recruited with a start date of 27th November, 2017. The purpose of this role is to review and evaluate current processes and procedures and assist the business with updating and implementing procedures to strengthen internal controls.
- Regular reports will be presented to the Audit Committee on the internal control review plan (prepared annually), reviews undertaken in the period, recommendations issued and management actions implemented.
- Training for Audit Committee members when a requirement is identified for additional knowledge around the role of an Audit Committee, finance, risk and internal controls.

3.1.5 Implementation of this Governance Action Plan is owned and overseen by this Committee, by the Leader of the Council, the Chief Executive and the Statutory Officers, by Management Board and the Performance Board led by the Borough Secretary.

3.2 The following are the key improvement areas in the Governance Action Plan.

3.2.1 Risk Management

3.2.2 Risk management is a key priority in the Governance Action Plan and has three linked tasks which are firstly to review the risk management framework,

policy, procedures and processes of the Council, secondly to embed risk management throughout the organisation and lastly to ensure there is effective risk reporting through the governance process.

- 3.2.3 The Council's risk management strategy and framework has been reviewed and updated and will be presented to Management Board on 9th November for review and comments. Following any amendments as a result of management review, the final document will be presented to Audit Committee at the next meeting in January, 2018 and Cabinet for final approval. However, implementation of the strategy will commence prior to Committee and Cabinet review by way of assisting service areas with completion of their risk registers.
- 3.2.5 The Risk Appetite Statement is a published disclosure to our stakeholders and community of the nature and amount of risk the Council is willing to accept and take on further to the pursuit of its strategic objectives. As stated in the risk management strategy and framework: *"The Council's approach to risk appetite will evolve over the next few years as the risk management within the organisation matures. It is currently addressed by targeting key risk areas both at corporate and operational level."* Therefore, the risk appetite statement will be updated on an annual basis following evaluation of the risk management implementation and its effectiveness.
- 3.2.6 Arrangements for risk management as outlined in the strategy and the processes for embedding the new strategy will also be the subject of an internal audit review by PWC in Quarter 4 to provide further assurance that the new arrangements are robust, comply with best practice and an effective programme is in place to fully embed at the Council.
- 3.2.7 Additionally further to Action 6 in the Governance Action Plan risk management training and development plans have also been largely agreed for the Cabinet, Management Board, Heads of Service and the Audit Committee. Outstanding interviews with three members of the Audit Committee, the Borough secretary and the interim Chief Executive will be organised during November, 2017. Once interviews and training plans have been completed, the interim HR Manager will assist in organising relevant training sessions facilitated by an external provider to ensure relevant training is delivered.
- 3.2.8 In this way the Council is continuing to build a visible risk-aware culture which is "live" and "active" in the organisation, is understood and acts meaningfully in support of decision-making.

3.3.1 Due Diligence

- 3.3.2 An extensive loans compliance checklist has been developed, and reviewed by the Council's banker Barclays, with use of the checklist a mandatory part of due diligence at the Council. This document has been shared with the external auditors for review and comments.
- 3.3.3 A due diligence and compliance manual will be prepared although the methodology has not yet been agreed. The manual will operate as a toolkit support for officers. Estimated completion for this piece of work is 31.12.17.

3.3.4 Due diligence has also been identified as a high-priority dedicated training modules as part of Licence to Practice to be delivered before 31.12.17. The estimated date for completion has been amended from 31.07.17 due to the position of Training and Development Manager becoming unexpectedly vacant in July 2017, an interim HR Manager has been appointed and will be instrumental in delivering the LTP training. An external provider, BPP, is currently working on a training plan specific for local government use and this will be reviewed for adequacy prior to engagement.

3.4 Project & Programme Support

3.4.2 A review of project governance and development and implementation of a Corporate Project Management Framework are the two key tasks set for project and programme support in the Governance Action Plan.

3.4.3 Retrospective reviews of all projects has been identified as a requirement to ascertain the current status for the remaining live projects. The Northampton Alive Board is also working on evaluating the projects and identifying the priorities for the Council from both an officer and member perspective in relation to which projects are key deliverables.

3.4.4 The Corporate Project Management Framework policy and procedures documentation is near completion. A working group has been identified to contribute to defining the project process flow, documentation to use and control points. A revised reporting guide will be incorporated into the process to ensure that clear reporting of the progress of projects is made to Management Board on a regular basis. The draft policy and process documentation will be presented to Management Board for approval and to the Audit Committee and Cabinet once completed.

3.5 Internal & External Audit

3.5.2 The Governance Action Plan identifies the review of internal audit recommendations and improved reporting of internal audit recommendations as two key tasks of the plan.

3.5.3 As previously agreed by the Audit Committee, there will be separate reporting and attendance at Audit Committee by the LGSS Internal Audit team and PWC to provide assurance in areas relevant to their role and responsibility to NBC.

3.5.4 A review of NBC Internal Audit and LGSS Internal Audit plans has been undertaken to ensure they complement each other and to ensure that there are no gaps, inconsistencies or clashes between these plans. This will continue to be reviewed each year in framing and then monitoring the Annual Audit Plans.

3.6 Implementation of Audit Recommendations

3.6.2 An area of identified weakness for the Council is the monitoring and reporting of delivery against audit recommendations, both internal and external. To address this, the PWC TrAction software that is available to NBC is being actively used and the governance team have taken responsibility for monitoring the implementation of recommendations for all PWC internal audits and audits completed by agencies such as the Food Standards Agency. The external audit recommendations for 16/17 will be logged and tracked once the audit report is completed by KPMG.

The Governance team will perform follow ups for the internal audits completed by PWC, LGSS will maintain the follow up for their audits.

3.6.3 A couple of audits for 16/17 relating to housing and licensing had not been uploaded onto the TrAction system and this was rectified in October 2017 following identification of the omission at the Corporate Governance and Support Officer Board.

3.6.4 A copy of the outstanding recommendations have been emailed to the responsible officers in October 2017 and a follow up will be completed by the end of November, 2017. For 17/18 no audit reports have yet been finalised.

3.6.5 A report showing the current outstanding actions can be found at Appendix 2.

3.7 CIPFA/SOLACE Delivering Good Governance

3.7.2 The key tasks set in this area of the Governance Action Plan for are firstly to undertake a substantive review of the effectiveness of the Council’s corporate governance processes and secondly to put in place the improvements that will enable the Council to achieve the External Validation accreditation (Mark of Excellence) awarded by CIPFA/SOLACE for the efficacy of its governance processes.

3.7.3 Self-assessment questionnaires have been completed by senior managers, the Governance and Risk Manager also completed the questionnaire based on actual evidence available to demonstrate how NBC compare against the standard. The initial results are:

Actions in place/partly in place = 84%
Not in place = 16%

Quite a number of actions relate to the update of policies and procedures which is currently in the process of being reviewed before they are uploaded onto the intranet.

A full gap analysis will be presented at the January 2018 Audit Committee. Compliance with CIPFA/SOLACE is not a quick fix for NBC, it is an ongoing commitment that has to be made by management with the objective of gaining external validation.

3.8 Other Governance Areas

- 3.8.2 One of the key tasks set for this area of the Governance Action Plan was to review and update the Whistleblowing Policy. The policy has been updated and reviewed by PWC as part of their audit work around governance. There is a draft audit report with minor recommendations suggesting improvement over clarity of the information within the policy. The recommendations will be reviewed by the Borough secretary and implemented when agreed.
- 3.8.3 The implementation of the policy and the external hotline number will include wallet cards, posters and a letter that will be issued to employees giving information on the service provided. Communication via the NBC newsletter and intranet will be completed during November 2017.
- 3.8.4 The external provider will issue a monthly report categorising the number of calls received, this is currently emailed to the governance team but once the hotline is live, a monthly report will be shared with the Monitoring Officer. Following on from that, a report will be prepared for Audit Committee showing the number of calls received, the nature of the call and what action, if any, has been taken.
- 3.8.5 In the meantime, there is a mobile number that is monitored daily by the governance team and any messages received will be followed up as soon as possible. To date, there have been no calls requiring action.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 There will be various impacts and indeed transformation of current policies. The governance action plan will ensure that all policies are tightened and individually and in aggregate contribute to embedding effective arrangements for risk management and to building a strong control environment at the Council.
- 4.1.2 Compliance with these policies will now be strongly monitored once resource is in place and reported upon through the governance structure and to the Audit Committee.

4.2 Resources and Risk

- 4.2.1 The additional capacity required to implement the governance action plan previously reported to the Audit Committee has now been put in place through normal decision-making processes. Financial implications will be reported through the budget process.

4.3 Legal

- 4.3.1 None to report at present.

4.4 Equality

4.4.1 Whilst there are no specific equality implications at this stage, various HR policies will be reviewed through the governance action plan. All these reviews will be supported by equality and community impact assessments using Stonewall LGBT rights charity.

4.5 Consultees (Internal and External)

4.5.1 Internal consultation has taken place with Management Board and other senior officers, LGSS finance, and Internal Audit and External Audit on the matters in the governance action plan and external expert advice has been taken where required.

4.6 Other Implications

4.6.1 None specifically

5. Background Papers

5.1 None

Francis Fernandes, Borough Secretary
Glenn Hammons, Chief Finance Officer
Joanne Bonham, Governance & Risk Manager

OPEN ACTIONS AS AT 31.10.17

Process area	REF:	ACTION	Action Priority	RESPONSIBLE OFFICER	DATE BY	IMPLEMENTATION STATUS	% COMPLETE	Status	RESPONSIBLE OFFICER UPDATE AS AT 31.10.17	REVIEW DATE
A. RISK MANAGEMENT	1	• Risk Policy and Framework to be reviewed by Management Board	H	Governance & Risk Manager	31.08.17	Not Implemented	0%	Overdue	Second review by PWC received 25.10.17. Revised document due to be presented to Management Board 9th November (TBC).	31.12.17
	2	• Risk Management Strategy and Framework to be reviewed by Audit Committee.	H	Governance & Risk Manager	30.09.17	Partially Implemented	0%	Overdue	The revised risk policy is included as part of the refreshed risk management framework and the revised policy as a part of this exercise cannot be submitted to the Audit Committee until it is completed as per #1 above. To be presented to the next Audit Committee 15th January 2018.	31.12.17
	4	• Refresh and cascade the risk management strategy and framework	H	Governance & Risk Manager	31.08.17	Partially Implemented	50%	Overdue	Risk management framework re-written. Target to submit to management board 2nd week in November.	31.12.17
	5	• Schedule of risk related policies to be approved by Management Board	H	Governance & Risk Manager	31.08.17	Partially Implemented	50%	Overdue	As above - policies will be reviewed at MB.	31.12.17
	6	<p>Generate a training plan for key officer and member groups to include</p> <ul style="list-style-type: none"> • Management Team • Heads of Service • Project Managers • Members - Cabinet • Audit Committee members <p>Specialist risk management training to become mandatory for all officers involved in projects. This to apply to current and future projects.</p> <p>Specialist training, workshops to be arranged and delivered with external and internal resources and in consultation with the Council's internal auditors</p> <p>Establish and embed risk management surgeries.</p>	H	Governance & Risk Manager	30.09.17	Partially Implemented	50%	Overdue	<p>Proforma Training and Development form devised and to date the following have still to be interviewed:</p> <ul style="list-style-type: none"> - Audit Committee (M.Markham, C.Chunga, L Marriott) - Chief Executive - Borough secretary <p>PWC to facilitate risk management training.</p> <p>Governance team to embed themselves within DMT's to discuss, review and update risk registers on a monthly basis.</p>	31.12.17

OPEN ACTIONS AS AT 31.10.17

48

Process area	REF:	ACTION	Action Priority	RESPONSIBLE OFFICER	DATE BY	IMPLEMENTATION STATUS	% COMPLETE	Status	RESPONSIBLE OFFICER UPDATE AS AT 31.10.17	REVIEW DATE
B. REVIEW ALL CURRENT PROJECT PROCESSES	8	Identify and log all projects currently live and in the pipeline. Perform reviews of each project for feasibility and governance assurance. Ensure all relevant projects to go through a gateway or similar process, including a) Categorise and apply rigorous but proportionate methodologies and documentation. b) Requirement for a Project Initiation Document (PID), minuted project/programme meetings and a full risk assessment c) Programmes/projects will be required to be maintained on central paper records with clear documented minutes of meetings and professional advice received.	H	Borough Secretary	30.09.17	Partly Implemented	20%	Overdue	A register will be produced and maintained centrally and reviewed by Management Board. The Northampton Alive Programme Register has been prioritised. The IT Programme Register is complete. Further work is required to prioritise the projects within housing. Further work is required to align each of the programme registers to ensure that they are corporately prioritised. The Register will identify the high impact and high value projects as at the register date. Enterprise Zone (EZ) aspects completed with assets and projects dimension remaining outstanding. This work will further build into the establishment of a projects universe spreadsheet to track all projects at the Council. Gateway reviews established for Vulcan, Delapre, Greyfairs and Northampton Museum & Art Gallery Expansion. Reviews commencing August 17th for Museum project.	31.12.17
	9	Risk reporting to be reviewed ensuring that there is an effective cascade and tracking of risk through governance arrangements Refreshed monitoring and tracking process ie project/service risks may also become a corporate risk Clarity on risk exception reporting process. Corporate, service and project risks are to be reviewed monthly.	H	Borough Secretary	31.12.17	Partly Implemented	20%	On track	This went live with the team at the MB presentation on 25.05.17. However it is to be noted that the extended period of stakeholder consultation required in this area, eg with Executive Programme Board (EPB), Cabinet, Scrutiny will extend full completion of the action to the end of Q4. The management of risk will be defined within the corporate risk strategy and at a more detailed level within the Corporate Programme and Project Management Framework document. A key improvement to be made to current processes is the clear escalation of risks from one level to another (project up to programme up to corporate and the same for cascade downwards). Risk registers for each directorate to be reviewed at the Performance and Risk Management Board to ensure any corporate risks are escalated.	31.12.17
C. PROGRAMME & PROJECT SUPPORT	11	• Develop and Implement enhanced Corporate project and Programme Management Framework and arrangements. To include a Corporate Governance & Support Officer Programme Board; Northampton Alive Officer Programme Board and an Efficiency/MTFS Officer Programme Board. Include within the Framework the requirement for regularly reporting back to Cabinet on all projects is in place.	H	Director of Regeneration, Enterprise and Planning	31.09.17	Not Implemented	0%	Overdue	Programme Boards operational; Northampton Alive, Corporate Governance & Support Officer & Efficiency & MTFS Officer Board. Review of efficiency to be undertaken. Programme and Project management framework work will be developed and implemented at a corporate level and the present structure/configuration of Boards will also be considered. To be included within the Programme and Project Management Framework. Reporting position is that management board feed into the EPB on an exception basis. Regular reporting of significant projects should normally be to Management Board. Corporate Project Management Framework policy and procedures dated August 2017	31.12.17

OPEN ACTIONS AS AT 31.10.17

Process area	REF:	ACTION	Action Priority	RESPONSIBLE OFFICER	DATE BY	IMPLEMENTATION STATUS	% COMPLETE	Status	RESPONSIBLE OFFICER UPDATE AS AT 31.10.17	REVIEW DATE
	13	• Each project/programme to require the completion of a declaration of interests form by each participant (member or officer or advisor) and to be maintained as part of the project governance documentation	H	Borough Secretary	30.09.17	Not Implemented	0%	Overdue	Policy for Employees Code of Conduct includes the declaration of interest. Meeting with Legal set up on 29 June 2017 to look at potential revisions of the document and to develop a declarations of interest for non employees such as interim/consultants. A review of the current process will also be undertaken by legal. The output from this review will include a declaration of interest process for projects and programmes of work for both employees and interim positions. An employee declaration of interest register is currently maintained by democratic services To be included in the Corporate Project Management Framework documentation.	31.12.17
	14	• Mandatory Training programme on project programmes and major projects competencies to be completed as part of the Licence to Practice Programme and to be written into staff contracts	H	Governance & Risk Manager	31.12.17	Not Implemented	0%	On track	Major programme and programme management module included in LTP as a high-priority module. Mandatory training element will be progressed in line with roll-out of the LTP.	31.12.17
D. DUE DILLIGENCE (Incl. loans to 3rd parties)	15	• Establish a due diligence and compliance manual	H	Chief Financial Officer	31.12.17	Partly Implemented	50%	On track	1. First stage (Loans Checklist) fully completed (95%). Second stage (production of the Manual itself) is being progressed internally but the methodology/approach is not decided yet may need a discussion on whether there is a need for some external/consultancy support to complete the Manual - Still to be completed.	31.12.17
F. EFFECTIVE DECISIONS - CABINET CLEARANCE PROCESS	22	• Deliver training on Equality Impact Assessments	H	Leadership Support	30.10.17	Partially-Implemented	25%	Overdue	Equalities training included/captured in the Licence to Practice Programme to be rolled out/completed during 17/18.	31.12.17
	30	• Monitoring of Cabinet decisions, implementation and compliance, included delegated decisions. To include regular reporting to the leader and audit committee.	H	Borough Secretary	TBC	TBC	TBC	TBC	TBC	31.12.17
	31	Delivery of the Licence to Practice Organisational Development and Training Plan to address key governance areas to improve governance skill-sets and capacity	H	Borough Secretary/Interim HR Manager	31.12.17	Partly Implemented	20%	On track	Cathie Wright taken over training plan from August 2017. A review o the plan has identified areas where internal training can be facilitated and specialist areas for external consultants i.e due diligence, risk management & some elements of project management.	31.12.17

OPEN ACTIONS AS AT 31.10.17

Process area	REF:	ACTION	Action Priority	RESPONSIBLE OFFICER	DATE BY	IMPLEMENTATION STATUS	% COMPLETE	Status	RESPONSIBLE OFFICER UPDATE AS AT 31.10.17	REVIEW DATE
	32	Exception reporting (to MB, Audit Committee and the Governance and Support Officer Group GSOG) to be in place across all key governance action plan areas, including the Plan itself and other key initiatives such as Licence to Practice, the implementation of agreed audit recommendations and review against compliance with CIPFA/SOLACE guidelines and also within the risk management framework in relation to the escalation of significant risks	H	Borough Secretary	31.12.17	Partly Implemented	50%	On track	"On-Track" traffic light system in place on the Governance Action Plan for the implementation of the actions. Summary reports (to headline any exceptions) in place to MB, GSOG and the Audit Committee.	31.12.17
G. GOVERNANCE	33	<ul style="list-style-type: none"> Carry out a fundamental review of all current NBC governance arrangements against the CIPFA/SOLACE 2016 standard. Full gap analysis and action plan to address any identified weaknesses Update the local code with annual reporting against the code to Audit Committee <p>External validation report of progress against the standard</p>	H	Governance & Risk Manager	30.09.17	Partially Implemented	80%	Overdue	<p>An assessment has been carried out and the results are:</p> <p>Actions in place/partly in place = 84%</p> <p>Not in place = 16%</p> <p>Quite a number of actions relate to the update of policies and procedures.</p> <p>A full gap analysis will be presented at the January 2018 Audit Committee.</p>	31.12.17
	34	Ensure There are adequate processes (incl. planning, engagement and best practice processes) in place in 17/18 to produce the Annual Governance Statement (AGS) in a timely manner	H	Governance & Risk Manager	30.03.18	Partially Implemented	20%	On track	Lessons learned exercise in progress and on-going on the 16/17 AGS in conjunction with Finance to identify areas for potential improvement including processes and presentation	31.12.17
H. FINANCIAL GOVERNANCE	45	Mandatory Training covering all aspects of financial management is in place to raise financial awareness	H	Chief Finance Officers	30.09.17	Partly Implemented	75%	Overdue	Financial Management Training was undertaken in March, 2017 and 28 out of 34 (82%) of NBC Managers who were invited, attended. The "licence to practice" programme is under development and a further round of finance training will be undertaken March 2018. This will include not only those who were unable to attend in March, but also a refresh for those who were.	31.12.17
I. OTHER	47	All HR policies and procedures to be reviewed	H	HR Business Partner	30.09.17	Partially Implemented	95%	Overdue	Policies are now reviewed and going through the approval and assessment where necessary for EIA. After discussion with the HR Business Partner, the delay on this is due to the review panel. They are only able to meet once per week which results in only one or two policies being approved. This process is taking longer than estimated and it is being looked in to for another body to review the documents to get them uploaded on the internet/intranet asap.	31.12.17

Process area	REF.	ACTION	Action Priority	RESPONSIBLE OFFICER	DATE BY	IMPLEMENTATION STATUS	% COMPLETE	RESPONSIBLE OFFICER UPDATE AS AT 31.10.17	REVIEW DATE
A. RISK MANAGEMENT	3	• Governance monitoring arrangements to be in place with updates taken to the Audit Committee	H	Governance & Risk Manager	30.09.17	Completed	100%	Regular updates of the LTP and GAP and performance on the annual audit plan are in place. Reporting of outstanding audit recommendations to be made to Audit Committee 13th November 2017.	31.12.17
B. REVIEW ALL CURRENT PROJECT PROCESSES	7	Post-implementation review of the operation and effectiveness of the Executive Programme Board since its establishment in late 2016	H	Chief Executive	30.09.17	Completed	100%	The EPB is regarded as an effective board for review of information to be submitted to Cabinet for approval. The board is a useful platform for constructive discussion to ascertain clarity between the Officers and Members prior to Cabinet meetings.	31.12.17
E. INTERNAL AUDIT RECOMMENDATIONS	17	• Assess delivery of all internal audit recommendations since June 2013 where not already delivered.	H	Finance & Strategic Business Partners	30.06.17	Completed	100%	Extensive data cleansing has taken place to ensure that all internal audit recommendations still open on TrAction have been re-examined and followed up to ensure they have been actioned. The open findings have reduced from 115 to 16 up to year ending 2015/16, with robust system now in place to follow up when a new audit is carried out and actions are checked before the expiry date.	31.12.17
	19	Set and monitor client-side target in 2017/18 for the full 100% implementation of all agreed internal audit recommendations by the due date (TrAction) Report progress on delivery of internal audit recommendations to Management Board and Audit Committee	H	Chief Financial Officer	30.09.17	Completed	100%	Reporting of the implementation of recommendations will be incorporated as part of updates to the Audit Committee.	31.12.17
F. EFFECTIVE DECISIONS - CABINET CLEARANCE PROCESS	24	• Ensure there is the requirement for frontloading of full information at the Cabinet clearance stage in place	H	Chief Executive	30.11.17	Completed	100%	Cabinet report guide for 17/18 published and implemented. Dates defined for cabinet reporting and the process to follow prior to the meetings for report clearance. Reminders are issued to Officers to ensure reports are submitted, reviewed and challenged by Management Board and escalated to Executive Programme Board for final review.	31.12.17
H. FINANCIAL GOVERNANCE	46	• Effective Whistleblowing arrangements are in place	H	Borough Secretary	31.08.17	Completed	100%	Policy approved at full cabinet 21/06/2017. External provider selected and currently finalising T's & C's. Implementation go live 1st November.	31.12.17

COMPLETED ACTIONS OCTOBER 2017

I. OTHER	48 • Review Officer and Member Hospitality policy and guidance and publish guidance	H	Borough Secretary	30.09.17	Completed	100%	<p>Officers - The Employees' Code of Conduct contains the requirements in relation to registration of personal interests and gifts/hospitality by officers. It also contains the associated updated forms.</p> <p>Members - Completed - training on gifts and hospitality was delivered to members on 9th October, 2017. The intranet/internet has been updated to reflect the new documents.</p>	31.12.17
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Internal Audit outstanding recommendations as at 31 October 2017

Appendix 2

ref	Audit Title	Finding Heading	Finding Rating	Agreed Action	Action Status	Responsible People	Date by:	Revised date	Progress Update
1	Data Protection	<p>Following a recent breach of the data protection policy, a "Data Protection Overview Audit" was undertaken by independent consultants, Information Management Training Services Limited (IMTS) in April 2014. The outcome of the review raised several recommendations to improve the management of data protection.</p> <p>At the time of our internal audit review the IMTS report had not been finalised and as such recommendations had not been agreed or an action plan to implement recommendations prepared. We reviewed the draft recommendations made in the IMTS report with the Senior Information Governance Officer who confirmed that a number of these recommendations in relation to the following areas are still outstanding:</p> <ul style="list-style-type: none"> - Awareness and training - Retention schedule for documents - Vulnerability to one individual officer - External contractors responsibilities 	Medium	The IMTS report should be finalised and an agreed action plan developed to address the recommendations made.	Closed	David Taylor	30/06/2015	25/05/18	<p>Dedicated GDPR Data Protection Officer has been in post since September 2017.</p> <p>A revised training and awareness programme will be implemented from April 2018 in respect of the new GDPR and updated Data Protection Policy.</p> <p>Retention schedule for all documentation is being reviewed department by department, as part of the corporate roll out of EDRMS.</p> <p>Short term resilience from Partner agencies, succession planning to be implemented by 31st December.</p> <p>External contractors responsibilities will be reviewed as part of the contract management review.</p> <p>More robust wording and guidance around Safe Haven and Clear Desk will be included in the Data Protection Policy when it is drafted. Estimate date for this is draft by January 2018, with approval by Easter 2018. David Taylor to action.</p>
2	Data Protection	<p>The Senior Information Governance Officer keeps a log of all the Data Sharing agreements in the Council. Before access is given for a data sharing agreement, it is required to be authorised by a senior member of staff.</p> <p>We tested a sample of 5 data sharing agreements and noted a lack of evidence of authorisation for all five cases. It was also identified that documents were not kept in a file together and the Senior Information Governance Officer did not have the signed copies of the final agreement that was issued.</p> <p>The Data Protection Policy states that once an agreement has been logged on the register it is required to be reviewed every 12 months. During the testing of 5 data sharing agreements there was an absence of timely review in all cases.</p>	Medium	During the audit the Senior Information Governance Officer took immediate action to organise the files so that information was accessible in a grouped folder. He also updated the log to include additional columns to prompt documentation of future agreements. A review should be carried out of all agreements currently in place to find all documentation relating to the agreement and store it together in a central folder. It is important that the SIGO is in full knowledge of all Data sharing agreements within the Council. An annual review of each of the agreements should be carried out to ensure that they are still in place and to update any areas where the conditions of the sharing agreement have changed. For major changes these should require a new agreement to be submitted and authorised.	Open	David Taylor	30/06/2015		Working with NCC and other partner organisations to update the spreadsheet. The Governance Support Officer is working with the Data Protection Officer on this.

ref	Audit Title	Finding Heading	Finding Rating	Agreed Action	Action Status	Responsible People	Date by:	Revised date	Progress Update
3	Data Protection	The process for disposing of hard copy information varies across departments. Some departments have their own shredders and dispose of their documents themselves. Other departments will collect the information and then send to be disposed. In these instances open bags of confidential waste are left in the Council offices until they are filled and then transported for disposal.	Low	The Council should install confidential waste bins to ensure that all confidential information is destroyed securely. There should be a consistent approach across the Council regarding the disposal of hard copy confidential documents.	Open	David Taylor	31/07/2015	31/12/17	Facilities did get quotes for secure bins, and costs were communicated to Management Board. No further action has been taken at this time. 123/06/2017 Update from the Head of Customer and Cultural Services: " I have had the opportunity to discuss with FM and it would be cost prohibitive and rather than implement this we would look to improve the current policy around secure waste disposal. The DPO is in the process of updating the clear desk policy so I would suggest that this is updated to ensure that all staff lock confidential waste away securely overnight or when the offices are unoccupied. The only people with access to the staff areas of the Guildhall are NBC employees with MAC passes who have all received training in Data Protection so the risk is low and managed in the way above reduces the risk further. I would further suggest that we review this periodically to ensure there are no breaches or issues". It was also suggested and approved by the Head of Customer and Cultural Services that an email asking staff to ensure that they lock secure shredding bags up over night, to ensure they are secure be sent to all staff by the Comms team.
4	Economic development and regeneration	If there is a change in the Project Manager, they have the opportunity to meet and discuss their project with the LGSS Project Support to ensure they are compliant with the relevant policies, legislation, required documents and are working in accordance with the Council's policies. However, this is not a mandatory approach and requires the new Project Manager to actively seek this support.	Low	Where new project managers are appointed there should be a formal process of reviewing existing documentation and explaining the Council's processes to individuals undertaken by the Transformation Project Manager.	Open	Alice Turrell, Glenn Hammons, Ian Gray, John Dale	28/02/2017	31/10/17	Changing Project Manager... Each of the Directors is aware of the Project Support available which is now provided by NBC not LGSS. This will be fully detailed in the new programme Project Management Framework that has a target date of September 2017. As part of this framework it is intended that a project manager's virtual network will be established, which will support all PM's in a proactive rather than reactive manner, and will ensure that consistency is applied through internal controls defined within the framework. Update supplied by Alice Turrell.
5	Economic development and regeneration	Project summaries are maintained for individual projects which detail project leads, current status and whether an appropriate monthly highlight report or other progress report has been submitted and reviewed. There is no overall document to summarise all projects currently underway within the Council. Having such a document would provide the opportunity to review the department progress as a whole and ensure all relevant documents have been prepared in compliance with the established process.	Low	A checklist should be maintained, documenting all projects, to ensure all required documents are completed along with dates they are prepared and reviewed to ensure continued compliance with the established process.	Open	Ian Gray, John Dale	30/06/2017		Project Summaries ... A project register is maintained on a monthly basis and is reported to the Northampton Alive Board. This details the individual project, the project leads the current status, and whether a highlight report has been submitted for that past reported month. It also reports the progress for that reporting period. If there were any corporate risks or corporates issues reported by the board, this would initiate an exception report, which is cascaded up to management board for guidance and decision making. the Project register is prepared within the service, a governance challenge undertaken by project support and passed to the Director of Regeneration Enterprise and Planning. No overall documents... There is currently still no overall document detailing all of the projects undertaken by the council. This is an action as part of the governance action plan where there will be a programme and project management document produced as part of which one of the key principles will be maintaining a portfolio register of all of the Council's projects, the target date for this is September 2017.

ref	Audit Title	Finding Heading	Finding Rating	Agreed Action	Action Status	Responsible People	Date by:	Revised date	Progress Update
6	Food Standards Agency	<p>1. Ensure that all future service planning documents include a clear explanation of all the demands on the Service, including details of the intervention programme for the year taking into account any backlog of overdue interventions and unrated establishments from previous years.</p> <p>2. Carry out a suitable performance review against the Service Plan at least once a year and submit it for approval to either the relevant member forum or, where approval and management of service plans has been delegated to senior officers, to the relevant senior officer.</p>	Low	<p>1. Rewrite service plan to accurately reflect all the demands on the service including the intervention programme for the year taking account of the backlog of overdue interventions and unrated establishments from previous years.</p> <p>2. Set up an annual review of the service plan to take place by the beginning of September each year ahead of the budget build process with the aim of developing the new service plan ahead of April the following year.</p>	Open	Ruth Austen	01/09/2017	30/11/17	<p>Action taken to date:</p> <ul style="list-style-type: none"> - reviewed current service plan. - Reviewed food premises database and identified level of resource required to address backlog of interventions and unrated establishments. - Dates for review take account of budget cycle. - Put review meeting into Directors diary. <p>06/10/2017 - work is progressing on the update of the service plan and it is proposed that a draft of the updated service plan will be presented to our Director by the end of October. There has been a delay in the production of the updated service plan as one of the senior members of the team, has been off sick since May and we have been processing a prosecution and a potential food fraud case so the efforts of the team have been concentrated on undertaking interventions and case work.</p>
7	Food Standards Agency	Develop and implement a suitable documented procedure for maintaining the food premises database to ensure that the food premises database is accurate, reliable and up to date.	Low	Database management procedure and audit arrangements to be developed and implemented.	Open	Ruth Austen	01/10/2017	30/11/17	<p>Recommendations for procedures in making every inspection have been reviewed and a draft procedure has been developed.</p> <p>Meeting held on 17.7.17 with team members and business support analyst. Reviewed existing processes and began to draw up process diagrams and identify gaps. Further meeting arranged for mid August.</p> <p>06/10/2017 A database management procedure is in the process of being developed and should be finalised in November.</p>
8	Food Standards Agency	Review and implement the documented internal monitoring procedure to ensure that it includes risk based arrangements for the monitoring of all relevant activities carried out by the Service at appropriate frequencies, including staff authorisations, approved establishments and Primary Authority Partnerships.	Medium	A documented internal monitoring procedure is developed and implemented to include risk based arrangements for monitoring all activities carried out by the service.	Open	Ruth Austen	01/10/2017	31/12/17	06/10/2017 - An updated internal monitoring procedure is in the process of development and will be finalised by the end of December and in operation from January.
9	Licensing	The Council does not currently maintain a record of the flagging exercises which have been undertaken to demonstrate sufficient proactive work is being carried out in order to address unlicensed taxi operators. The only information available is the police witness statement taken and stored in a paper file where an unlicensed taxi operator is identified. Currently the council has not produced a flagging operation log, keeping the date of past operations that have been carried out. Additionally any recent flagging operation documents are kept on a paper based folder.	Low	A detailed flagging operation log should be produced much like the enforcement visit spreadsheet, keeping a record of all the flagging exercises which have been carried out. Additionally any future documentation relating to the flagging operations should be kept electronically on the shared drive making it much more easily accessible for all employees.	Open	Ruth Austen	28/02/2017		email sent requesting current status of implementation of recommendations

ref	Audit Title	Finding Heading	Finding Rating	Agreed Action	Action Status	Responsible People	Date by:	Revised date	Progress Update
10	Housing options	<p>When determining the most appropriate Temporary Accommodation for an applicant there is a hierarchy based on price and value for money where by applicants will be placed firstly in Council stock properties and in B&B's as a last resort, depending on availability. There is currently no evidence retained to demonstrate that this process has been adhered to and staff are ensuring the most cost effective accommodations is sought in the first instance.</p> <p>Households living in Temporary Accommodation , particularly those who have been accepted as being owed a rehousing duty, are required to bid for accommodation on Northampton's Housing Register in order</p>	Low	The Council's documentation will be updated to include a section where staff clarify that the cheapest BB is being used. The Council will update documentation on the TA spreadsheet with details on when applicants last bid or when Officers last chased.	Open	Phil Harris	30/04/2017		email sent requesting current status of implementation of recommendations
11	Housing options	Where Temporary Accommodation is provided to applicants in the form of B&B / hotels, the Council is sometimes left with no option but to place households in accommodation that it does not normally use, using a credit card. These placements are not set up on the Council's systems, meaning that no housing benefit is claimed and the Housing Options & Advice Service is left to bear the full cost of providing the accommodation.	Low	The Council is already seeking to establish invoicing arrangements with more BB's and to set them up on the housing IT systems, ensuring that housing benefit can be claimed and the financial burden on the Housing Options Advice Service is reduced when this type of accommodation is procured.	Open	Phil Harris	30/06/2017		email sent requesting current status of implementation of recommendations
12	Housing options	<p>There are no procedure notes available to formalise the operation of controls and processing of Temporary Accommodation. Although all members of the Housing Options & Advice Team are responsible for ensuring that they are up-to-date with legislative changes – and this is reflected in their job descriptions – it is the team leaders and the Housing Options & Advice Manager who are responsible for ensuring that all of the Housing Options & Advice Team's procedures, including those relating to Temporary Accommodation, are fit for purpose and in line with legislation, case law and government guidance.</p> <p>During the testing of control effectiveness, discrepancies were identified in the implementation of the controls, especially regarding the types of identification which are appropriate and the purpose of obtaining photographs of tenants entering Council properties.</p> <p>It would be good practice to have in place procedure notes which address the day to day operational aspects, clarify areas of uncertainty and are updated regularly to reflect legislative change regarding processing Temporary Accommodation.</p>	Medium	Procedure notes should be created for all areas and going forward processes put in place to ensure these are reviewed and updated regularly to reflect changes in legislation and clarify the procedures to be undertaken. We understand officers have already contacted other local authorities and obtained a copy of their policies and procedures which will be adapted to reflect the Council's processes. A suite of new policies and procedures are now being developed for the procurement and allocation of Temporary Accommodation, including move-on arrangements.	Open	Phil Harris	30/06/2017		email sent requesting current status of implementation of recommendations

Appendices:1



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	PwC Internal Audit Progress Report 2017/18
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	13 th November 2017
Policy Document:	No
Directorate:	LGSS Finance
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 To inform the Audit Committee on the PwC internal audit progress report for 2017/18. The work done by PwC is designed to provide assurance around financial and governance controls and compliance, and highlight any areas of risk.

2. Recommendations

2.1 It is recommended that the Audit Committee note the PwC internal audit progress report for 2017/18.

3. Issues and Choices

3.1 Report Background

3.1.1 The PwC internal audit service have undertaken the following audit work in Northampton Borough Council during 2017/18 to date including:

- Issued draft reports in relation to whistleblowing;
- Commenced fieldwork in the following areas: staff survey, HR, payroll, contracts management, delegations, governance and risk management; and

- Developed terms of reference and planned fieldwork in the following areas:
Legal, fraud awareness, estates and assets revaluations.

3.1.2 The following activities are being undertaken in addition to the core internal audit plan:

Environmental services contract re-provision – we have continued to provide ongoing project governance processes and shared comments on the process currently being undertaken by the Council.

Leadership structure workshop – we delivered a workshop on leadership structures to the Senior Management Team and Cabinet members to consider the future structure of the organisation's leadership team.

3.1.3 The Governance and Risk Manager has asked for the support from PwC in reviewing and testing the effectiveness of updated policies and procedures in relation to asset revaluations in anticipation of the March 2018 year end. This is in response to the draft external audit ISA260 report for 2016/17 and is a proposed change to the audit plan.

3.2 Choices (Options)

3.2.1 The report is just for noting, however Audit Committee have the opportunity to ask questions directly to the internal auditors on anything contained in their report, and issues around the audit process. They also have the opportunity to question management on any of the issues raised.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None to report.

4.2 Resources and Risk

4.2.1 None to report at present.

4.3 Legal

4.3.1 None to report at present.

4.4 Equality

4.4.1 Not applicable.

4.5 Consultees (Internal and External)

4.5.1 None.

4.6 Other Implications

4.6.1 None.

5. Background Papers

5.1 None to date.

Glenn Hammons
Chief Finance Officer, Telephone 01604 366521

www.pwc.co.uk

Internal Audit Progress Report 2017/18

**Northampton
Borough Council**

November 2017

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pwc

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Appendices

- A. Outstanding audit actions
- B. Internal audit - Key performance indicators
- C. Analysis of days included in plan
- D. Thought leadership

Distribution list

For information: Audit Committee



Summary



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Purpose of this report

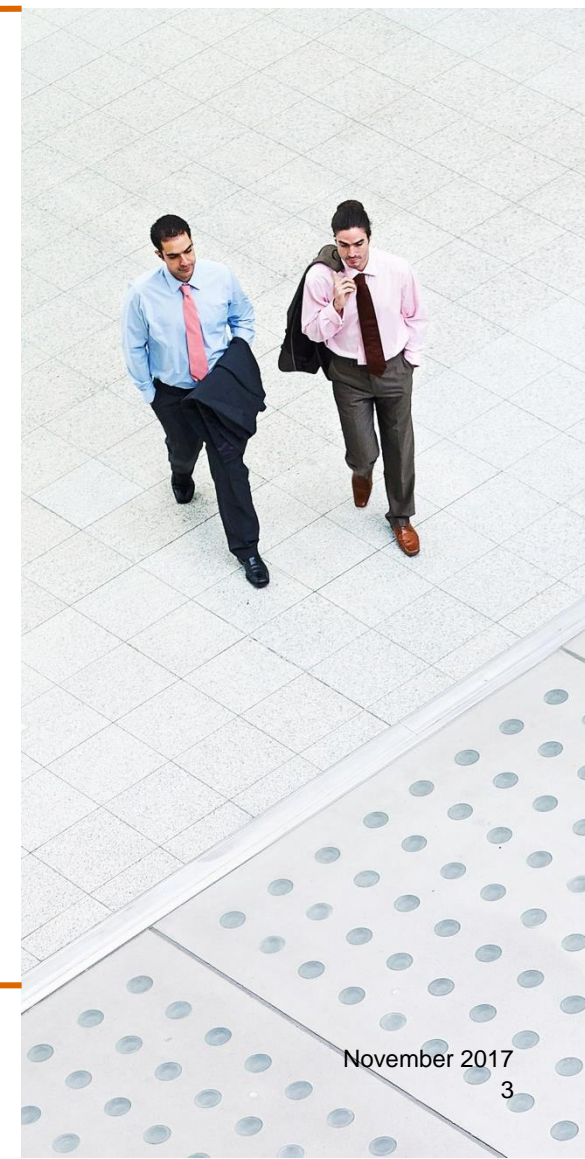
We are committed to keeping the Audit Committee up to date with Internal Audit progress and activity throughout the year. This summary has been prepared to update you on our activity since the last meeting of the Audit Committee and to bring to your attention any other matters that are relevant to your responsibilities.

Progress against the 2017/18 internal audit plan

The draft 2017/18 Internal Audit Plan was presented and approved by the Audit Committee at its meeting on the 3 July 2017. We have continued to assess the plan to make sure it remains appropriate and some changes are proposed to the plan which are detailed later in this report.

Since our last progress report we have:

- Issued draft reports in relation to whistleblowing;
- Commenced fieldwork in the following areas: staff survey, HR, payroll, contracts management, delegations, governance and risk management; and
- Developed terms of reference and planned fieldwork in the following areas: Legal, fraud awareness, estates and assets revaluations.



Activity in the period



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Activities in the period

We have held a number of meetings since our last progress report to the Audit Committee. These include:

- Governance & Risk Manager and LGSS Strategic Finance Manager;
- HR Strategic Partner;
- Leader of the Council; and
- Interim Chief Executive.

These have supported our ongoing review of the Internal Audit Plan to ensure it remains appropriate.

Other activities in the period

The following activities are being undertaken in addition to the core internal audit plan:

Environmental services contract re-provision – we have continued to provide ongoing project governance processes and shared comments on the process currently being undertaken by the Council.

Leadership structure workshop – we delivered a workshop on leadership structures to the Senior Management Team and Cabinet members to consider the future structure of the organisation’s leadership team.



Progress against plan (1 of 3)



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Progress against 2017/18 internal audit plan

Ref	Auditable Unit	Total audit days*	Q	Audit days per Q	Review details	Comments
A						
A.1	Governance and risk management	40	Q1-2	20	Risk Management Strategy	We have reviewed a second draft of the revised risk management strategy and provided our feedback with a view towards finalising the document. Once completed we will use the remaining days to address the other aspects of the agreed terms of reference.
			Q3-4	15	Assurance Mapping	
			Q3-4	5	Risk Benchmarking	
A.2	Organisational change	40	Q2	10	Vision and strategy	Review currently on hold whilst the Council reviews its plans
			Q3-4	30	HR, legal, payroll	Fieldwork completed for HR and payroll and we are in the process of drafting a report. Dates to be agreed for onsite fieldwork relating to the legal review.
A.3	Financial governance	50	Q2	5	Workshop	Agreed with the Governance & risk manager that these reviews will be replaced with alternative reviews, see additional reviews on the next slide.
			Q2-4	30	Continuous auditing	
			Q2-4	15	Deep dives	No progress to report – agreed these would be on hold whilst we prioritise other reviews in the IA plan
A.4	Tracking recommendations and follow up	20	Q2	8	Closed recommendations	Agreed with the Governance & risk manager that this work will be undertaken by her team and audit days used to support the Council in other ways
			Q2	2	Recommendation reporting	
			Q2-4	10	Review of completed recommendations	

Progress against plan (2 of 3)

Progress against 2017/18 internal audit plan

Ref	Auditable Unit	Total audit days*	Q	Audit days per Q	Review details	Comments
B						
B.1	Culture	30	Q2-4	23	Staff survey	A staff pulse check has been shared with all staff members which closed on 1 November. We are in the process of analysing results and will share these with officers shortly.
			Q3	7	Whistleblowing	We have provided a draft report to officers and are awaiting comments.
C						
C.1	IA management time	20	Q1-Q4	10		
D						
D.2	Additional reviews requested		Q2-3	10	Financial delegations	Onsite fieldwork currently underway.
D.3			Q2-3	15	Contract management	Onsite fieldwork currently underway.
D.4			Q3	15	Fraud awareness	Terms of reference developed and agreed, currently awaiting confirmation of how many workshops are required
D.5			Q3	15	Estates and assets revaluations	Terms of reference developed and shared in a draft format.

** Where appropriate and in agreement with client management, we are able to flex our audit service to include more senior or specialist staff to respond to the risks generated by audit reviews. Where we do this we effectively agree a fixed fee for the audit work which is derived from the combined fees of the planned audit days allocated to this audit review during the annual planning process.*



Progress against plan (3 of 3)



Changes to the Internal Audit Plan

We have continued to review our Internal Audit plan on an ongoing basis to ensure that it considers your risks and, where appropriate, we have proposed changes to that plan to reflect your circumstances. We have set out below the changes proposed and the rationale for each change for the Audit Committee to note.

Proposed change / additional review	Impact on planned days	Rationale for change
Balance reported in our previous Audit Committee report	-15	
Estates and assets revaluations support	15	The Governance and Risk Manager has asked for our support in reviewing and testing the effectiveness of updated policies and procedures in relation to revaluations in anticipation of the March 2018 year end.
Total	0	





**Appendix A: Outstanding
audit actions**

**Appendix B: Internal audit -
Key performance indicators**

**Appendix C: Analysis of
days included in plan**

**Appendix D: Thought
leadership**

Appendices

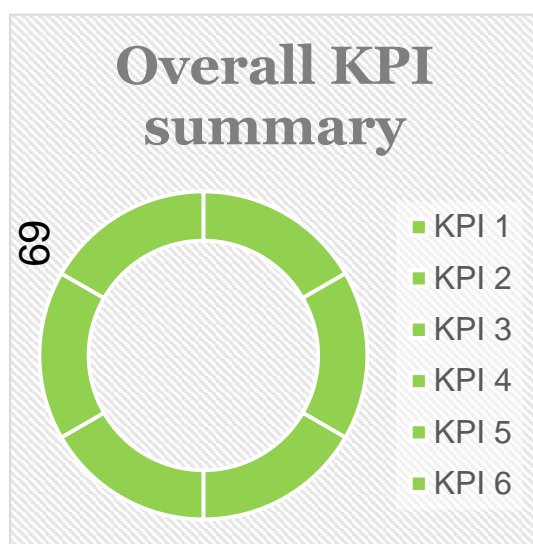
67

Appendix A: Outstanding audit actions

The table below shows the number of audit recommendations currently open. These are being monitored by the Risk and Governance team.

Audit Year	Audit Title	Total open findings
2014/15	Data Protection	3
2016/17	Economic development and regeneration	2
	Food Standards Agency	4
	Housing options	6
	Key financial systems	4
	Licensing	1
Grand Total		20

Appendix B: Internal audit - Key performance indicators



Target fully achieved

Target achieved with minor exceptions

Target not achieved



KPI	Target	Actual results for year to date	Comments
1) Audits budgeted v actual	+/- 10 plan days	0	Although we have removed some reviews these have been replaced so that the planned audit days is consistent with the original number of audit days included in the plan.
2) % of audits with Terms of Reference	100%	100%	Terms of reference have been developed for all planned audits.
3) % of audits with an exit meeting	100%	NA	No reviews are yet at a stage of being concluded.
4) Draft reports issued promptly	100%	100%	Draft reports have been issued as detailed in the main body of the report
5) Attendance at Audit Committee	100%	100%	All Audit Committees where IA have been invited have been attended by the Head of Internal Audit or Audit Manager.
6) Overall client satisfaction score	9/10	NA	Feedback will be requested at the end of the year

Appendix C: Analysis of days included in plan

Ref	Auditable Unit	Total audit days	Q	Audit days per Q	Audit days used to date
A					
A.1	Governance and risk management	40	Q1-2	20	22
			Q3-4	15	1
			Q3-4	5	0
A.2	Organisational change	40	Q2	10	0
			Q3-4	30	18
A.3	Financial governance	50	Q2	5	0
			Q2-4	30	0
			Q2-4	15	0
			Q2-4	10	0
A.4	Tracking recommendations and follow up	20	Q2	8	0
			Q2	2	0
			Q2-4	10	0

Ref	Auditable Unit	Total audit days	Q	Audit days per Q	Audit days used to date
B					
B.1	Culture	30	Q2-4	23	17
			Q3	7	6
C					
C.1	IA management time	20	Q1-Q4	10	16
D					
D.2	Additional reviews requested		Q2-3	10	5
D.3			Q2-3	15	4
D.4			Q3	15	3
D.5			Q3	15	1
Total				250*	93

* Some of the reviews in the original plan have been removed and replaced by the additional reviews requested. These are detailed in the main body of the report

Appendix D: Thought leadership

Growth, place or people: the housing association of 2022

The UK has a national housing challenge incorporating affordability, supply and social considerations. Recognising that housing associations can't be all things to all people, we have imagined three housing delivery imperatives and the types of association that will need to be part of the sector-wide response.

We ask the questions: Which type of HA are you, how ready are you to execute your choice and what does that mean for the way you currently operate?

Growth focused – we build.

Combining financial strength, commercial innovation, and supply chains to build at scale.

Driving Goal:

Maximising the capacity and capability to deliver more homes where they are needed.

How to compete:

Building internal capacity and skills to rapidly grow the existing and future pipeline complemented by effective partnering with peer organisations, lenders, investors and the wider supply chain, exploring new business and partnership models, innovative investment vehicles, and merger to do this.

Key success measure:

Number of new homes



Place-shaping: we create.

Using local strategy, multi-disciplinary teams, and partnerships to create sustainable infrastructure and communities.

Driving Goal:

Positively transforming an area for the benefit of the local community through joined-up delivery planning and delivery.

How to compete:

Engaging at a local level with government, business and other infrastructure and service providers to plan, design and deliver development and management approaches that align to place-based need.

Key success measure:

Improvement in the physical fabric and socio-economic performance of a local area.

People-focused: we enable.

Part of a network that brings together investment, landlord services, and skills to enable inclusion, independence, and opportunity.

Driving Goal:

Maximising life chances for individuals through the provision of homes and services.

How to compete:

A workforce – direct or provided in partnership – with the right capacity, skills, and commitment to provide services that can enable individuals to become independent while also ensuring homes and estates are well managed.

Key success measure:

High levels of positive engagement with customers
Improvement in life chances of customers



Read the full report at:
<https://www.pwc.co.uk/industries/government-public-sector/local-government/insights/growth-place-or-people-the-housing-association-of-2022.html>

Appendix D: Thought leadership

Global State of Information Security® Survey 2018

Across the globe, businesses are racing to implement new technologies, using data to innovate and grow in an increasingly inter-connected world. Organisations face disruption from new market entrants, emerging technology and an ever-changing threat landscape. To compete in the digital world, they must recognise and protect themselves from cyber risks and build resilience to cyber shocks - large-scale events with disruptive consequences.

Our Global State of Information Security® Survey is based on interviews with 9,500 business and technology executives from 122 countries, including 560 UK respondents.

Business impact

There's no doubt that the impact across a business from a cyber attack is severe. More than a quarter of businesses (28%) don't know how many cyber attacks they've had and a third don't know how they happened.

Although the average total financial cost of incidents decreased this year to £857,000, the impact of breaches was felt more widely across both business operations and data.

Business readiness

Despite the impact on a business from an attack, nearly one in five respondents (17%) say their organisation doesn't prepare or drill for cyber attacks.

Less than half (49%) conduct penetration tests to examine their defences. And less than half (44%) have a cyber insurance policy in place to cover the various impacts of breaches.

The majority of UK organisations surveyed (64%) have an overall security strategy in place and 53% agree that spending of their information security budget is based exclusively on risk. However, only 34% have boards actively participating in the strategy, compared to the global average of 44%.

Recovery time

Average impact faced by businesses following an attack.



Source: PwC GSISS 2018



You can read more at:

<http://www.pwc.co.uk/issues/cyber-security-data-privacy/insights/global-state-of-information-security-survey.html>

Appendix D: Thought leadership

The local vantage: how views of local government finance vary across councils

Local government finance in England in the 2010s can be characterised by two major trends: large (albeit varying) cuts to council budgets; and a shift from centralised redistribution of funding towards a greater emphasis on fiscal incentives for revenue growth, most notably via the introduction and potential extension of the business rates retention scheme (BRRS).

It is in this context that this report, jointly written by researchers at the Institute for Fiscal Studies (IFS), the Local Government Information Unit (LGIU) and PwC, looks at how the views of councils' decision-makers relate to the characteristics of the councils they represent or work for. In particular, we focus on views in two key areas: the quality of service provision; and the impact and design of the BRRS. Such an analysis allows us to examine whether perceptions of two key issues differ systematically between areas with different financial, political and socio-economic characteristics.

Key findings

- Almost nine-in-ten respondents say that service quality was maintained or improved in 2016–17, despite cuts.
- Views on likely changes in service quality in 2016–17 and 2017–18 are unrelated to either a council's level of revenues per capita or the scale of recent cuts to its revenues per capita.
- Larger falls in revenues are associated with less confidence about likely service quality in the medium term (2019–20).
- Two-thirds of survey respondents say that it is impossible to work out whether their council has gained financially from the current BRRS.
- Respondents from councils that we estimate have relatively gained from the existing BRRS are more optimistic about the local impact of a 100% BRRS.
- Those expecting to gain from a 100% BRRS are also more likely to say that such a scheme would provide an incentive to councils more generally to promote economic growth.
- Conservative-run councils and those with lower levels of spending need are more likely to favour prioritising financial incentives over redistribution in the design of the 100% scheme, than Labour-run councils and those with higher levels of spending need.

Taken together, the findings demonstrate and reflect some of the key challenges facing local and national government: substantial budget cuts, combined with rising demands for key services; and difficulties in developing a funding regime that can command widespread support across councils, when there are systematic differences in preferences over issues such as the appropriate roles of redistribution and financial incentives.

Read the full report at: <https://www.ifs.org.uk/publications/9731>

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