

**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, 15 January 2018
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.

1. MINUTES

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. GOVERNANCE ACTION PLAN

(Copy herewith)

7. UPDATE ON SIGNING OF THE 2016/17 ACCOUNTS

(Copy herewith)

8. ACCOUNTING POLICY 2017/18

(Copy herewith)

9. RISK REVIEW OF 2018/19 BUDGET REPORT

(Copy herewith)

10. FINANCIAL MONITORING REPORT

(Copy herewith)

11. CORPORATE DEBT - PROGRESS AND AGE DEBT ANALYSIS

(Copy herewith)

12. INTERIM STAFF UPDATE

(Copy herewith)

13. PWC INTERNAL AUDIT - VERBAL UPDATE

(Copy herewith)

14. 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.

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 13 November 2017

PRESENT: Councillor M Markham (Chair); Councillor Oldham (Deputy Chair);
Councillors Golby, J Hill, Marriott, Stone and Joyce

1. APOLOGIES

Apologies were received from Councillor Chunga who was substituted by Councillor Joyce.

2. MINUTES

The Minutes of the meeting held on 27th September 2017 were agreed and signed by the Chair.

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. 2016/17 STATEMENT OF ACCOUNTS UPDATE

The Interim Finance Project Manager elaborated on a report informing the Committee on the work undertaken in conjunction with the external auditors (KPMG) since the 27th September 2017 meeting towards enabling them to issue their audit opinion on the 2016/17 Statement of Accounts. It was explained that a copy of the KPMG late audit opinion letter had been sent to all Committee Members for reference and noted the 3 areas identified by them which were areas of concern were:

- Valuations of Social Housing Assets
- Valuations of Other Land & Buildings and Investment Properties
- Methodology of compensation of assets

It was noted that since the September 2017 Committee work had commenced to resolve the concerns in the above identified areas; officers had set up an internal Task Force to meet on a weekly basis to ensure that all necessary steps were being undertaken to ensure that KPMG would be able to issue their audit opinion on the 2016/17 Statement of Accounts. The Task Force included staff from LGSS finance, Assets, Risk and Governance and Legal Services, and it was anticipated that the Accounts would be signed off by the end of January 2018. It was explained that the internal auditors for both the Council and LGSS were fully engaged to provide assurances on robustness.

In response to questions asked, it was explained that there were no external financial penalties imposed on the Council for not having had the Statements of Accounts signed off by the deadline however, there were costs that would be incurred from the additional work carried out by the external auditors. It was further noted that missing the deadline could potentially damage the reputation of the Council. The external auditor confirmed that financial costs would be incurred due to their additional work but noted that no fine was

imposed although a further risk to the Council was the vulnerability of the accounts still being open and thus open to objections.

The external auditor, in response to questions asked, explained that he was in communication with the Department of Communities and Local Government and that it was his duty to make them aware of the Councils current position, specifically the fixed assets issue and the interim staffing matters. He stated that it was necessary for them to have been made aware of the ISA260 and noted that whilst the Council were being monitored by central Government, the consequences of any actions they could take were unknown.

The Borough Secretary and Monitoring Officer responded to questions from the Committee by explaining that steps were being taken to recruit an Independent Chair of the Audit Committee and every effort was being made to ensure the right person would be selected for the role during this critical time.

RESOLVED:

That the Audit Committee noted the progress towards enabling KPMG to issue their external audit opinion on the 2016/17 accounts.

7. FINANCE MONITORING

The Chief Finance Officer elaborated on a report that had been presented to Cabinet on the 18th October 2017. He explained that the Department of Communities and Local Government (DCLG) had announced a pilot scheme for 100% Business Rates retention scheme in 'functional economic areas' and it was noted that Cabinet had agreed the principle of submitting a bid in partnership with other Northamptonshire Local Authorities. It was explained that there had been underspends on the General Fund (GF) and Housing Revenue Account (HRA) and the Committee were updated on the 141 Right to Buy Receipts and that there had been close partnership working with Northampton Partnership Homes (NPH). Reference was made to the recognition of the change that local authorities to operate in a commercial environment and that risks identified would need to be recognised and managed.

In response to questions asked, the Chief Finance Officer commented that there would be a second tranche of Councillor training on commercial business practices.

RESOLVED:

That the contents of the report be noted.

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

The Interim Finance Project Manager elaborated on a report which updated the Committee on the position statement as to the number of staff vacancies and interims/agency staff engaged. The Committee questioned what the impact of agency/interim staff was on staff morale and the organisation as a whole and questioned what the vulnerabilities of the Council were due to the number of vacancies.

The Chief Finance Officer explained that there would be ways to identify and explore measures and that this would enable his officers to make the narrative of the report more subjective. The Monitoring Officer explained that work was being accrued out by the HR Team to ensure that staff were engaged and motivated.

RESOLVED:

That the contents of the report be noted.

9. CORPORATE DEBT - PROGRESS AND AGE DEBT ANALYSIS

The Revenues & Benefits Technical Manager Financial (LGSS) elaborated on a report updating the Committee on the position regarding the Council's outstanding debts as at 30th September 2017. He noted that since the last Committee, three services areas had been identified with the highest amount of unmanaged debt: Asset Management, Licensing and Exchequers. In all of those areas, it was explained that significant progress had been made and that there had been a significant reduction in unmanaged debt in these areas and noted that the overall outstanding arrears were £142k less than at the same point last year and that unmanaged debt was also £27k less than the previous year. He noted that the team had undertaken an analysis of the high value arrears cases that occurred during 2016/17 and referred to the figures in the table at 2.46 of the report.

The Committee questioned whether there was a perceived problem with companies going into liquidation and whether there were any background checks that could be carried out to mitigate the risks to the Council. It was explained that there were no checks that could be undertaken on a new business before they moved into a premises as this was not within the jurisdiction of the Council. However, it was explained that there was a list of the top 20 companies within Northampton who were closely monitored in order to ensure that any changed habits that may be indicative of financial problems could be anticipated and prepared for.

The Committee questioned the costs of pursuing some debts against the cost of the actual debt owed and it was noted that there needed to be a measured and sustainable approach to the debt.

It was confirmed that both NBC and NCC who are amongst the largest ratepayers in the borough, had multiple assessments, and received 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).

In response to questions asked, the Revenues & Benefits Technical Manager Financial explained that a list of business in receipt of a new start up grants from NBC could be provided to members of the Committee.

RESOLVED:

- 2.1 That the latest position in relation to the Council's outstanding debts as at 30th September 2017 be noted
- 2.2 That the Committee requested additional information in order to fulfil its governance role which included:
 - a) The provision of a list of businesses in receipt of a new start up grants from NBC
 - b) Consultation with staff in Economic Development as to whether they held information relating to the number of businesses who had been successful in the first 2 years of set-up.

10. GOVERNANCE ACTION PLAN

The Governance and Risk Manager expanded on a report which updated the Committee on the progress made on implementing the Council's Governance Action Plan (GAP). It was explained that 7 actions that had been completed since the last Committee and incorporated in the report and noted that 19 actions were still 'open'. It was noted that an Internal Control Officer had been appointed and was due to start at the end of November 2017. It was reported that compliance with CIPFA/SOLACE would not be a quick fix for the Council but that there was an ongoing commitment that had been made with the objective of gaining external validation.

In response to questions asked, it was explained that there was not an easy way to measure a change in culture but that this could be identified by working with directorates and establishing 1:1's with people and the inevitably by examining whether officers were following the correct processes and procedures. It was further noted that the updated on the Whistleblowing Policy had been completed and that the external provider of this would issue a monthly report categorising the number of calls received and such information would be presented to the Audit Committee. Responding to questions asked, it was noted that there would be future engagements with the Unions to ensure that officers who wanted to whistle blow had the support of their Union representative.

The Chair thanked the Governance and Risk Manager and team for their hard work in progressing the GAP.

RESOLVED:

That the Committee reviewed and commented on the Governance Action Plan.

That Committee received updated 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.

11. PWC INTERNAL AUDIT PROGRESS REPORT 2017/18

The Internal Auditor elaborated on a report which was designed to provide assurance around financial and governance controls and compliance and to highlight any areas of risk. It was noted that PwC had continued to provide ongoing project governance processes and shared comments on the process currently being undertaken by the Council in relation to the Environmental services contract re-provision. It was noted that an additional review would be undertaken on the Estate and assets revaluations to support the work of the Risk and Governance Manager in reviewing and testing the effectiveness of updated policies and procedures in relation to revaluations of the March 2018 year end.

In response to questions asked, the Chief Finance Officer stated that when scrutinising the impact of decision making on major projects, it was the responsibility of the project sponsors to look at Governance and Risk and to advise of consequential decision making. He further answered that should PwC raise an issue with regards to due diligence, then specific action would be taken to mitigate it and that this was done in a clear and transparent way contained in all decision making reports submitted by the Council

RESOLVED:

That the PwC internal audit progress report for 2017/18 be noted and that the amendment to the plan to incorporate the Estates and valuation work be approved.

12. EXTERNAL AUDIT UPDATE - KPMG

The external auditor updated the Audit Committee and explained that they had been collecting and collating information that had been provide by officers and that once satisfied with the core date on fixed assets consideration would be given to signing off the accounts. He stated that work was being carried out by their own valuations officer but that this may delay the process due to her schedule of work. He further noted that a number of his staff would soon be on annual leave and thus unable to work on the Councils accounts and that there was no intention to introduce new auditors due to potential risk; he commented that only once he was 100 percent confident with the accounts would he sign them off –which with a number of caveats in place he anticipated would be at end of January 2018.

In response to questions asked, the Chief Finance Officer explained that additional work required to satisfy the external auditors did add some pressures on the Finance and Assets teams and noted that LGSS Finance had appointed a permanent member of finance staff to the vacant post responsible for co-ordinating the production of the statement of accounts. He further noted that the Council was engaging with an external organisation to work on the valuation of assets.

The Internal auditor also confirmed that they would be looking at processes going forward and that they would be casting a critical eye over the processes and all the information prior to it being passed on to the external auditors.

RESOLVED:

That the information provided verbally by the External Auditors be noted.

The meeting concluded at 7.34pm

Appendices:
1. Governance Action Plan
2. Risk Management Framework
3. CIPFA/SOLACE



AUDIT COMMITTEE REPORT

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

Audit Committee Meeting Date: 15th January 2018

Policy Document: The Governance Action Plan

Directorate: Borough Secretary

Accountable Cabinet Member: Jonathan Nunn - Leader

1. Purpose

1.1.1 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:

Of the 48 items originally listed for implementation, 12 remain open and 36 have been closed based on evidence received during the update reviews. Since the last Committee meeting in November, 2017, seven actions have been completed.

Some of the completion dates for open items have been moved to 31.03.18 due to the nature of the required action. For example, the Risk Management Framework implementation will be slowly embedded through the business and the aim is to have service plans and risk registers in place by the start of the new financial year.

GOVERNANCE AREA	Number of Actions	Fully Implemented	Partly Implemented	Not Implemented	To Be Confirmed
Risk Management	6	3	3	0	0
Project Processes	3	1	2	0	0
Programme & Project Support	5	4	0	1	0
Due Diligence	1	0	1	0	0
IA Recommendations	4	4	0	0	0
Exec. Decisions – Cabinet Processes	13	10	2	0	1
Governance	4	2	2	0	0
Financial Governance	11	11	0	0	0
Other	1	1	0	0	0
Total	48	36	10	1	1
Percentage	100%	75%	21%	2%	2%

The Governance Action Plan as at 31.12.17 can be found at **Appendix 1**.

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 actively engaging 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, fraud risk and health and safety. The service area risk registers will be updated and forwarded to the newly formed Corporate Improvement Board for review and escalation to Management Board should any Corporate Risk be identified.
- Internal control review – An internal control review plan will be developed prior to the new financial year and will be presented to Management Board and Audit Committee for approval. The purpose 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 Corporate Improvement Board led by the Borough Secretary.

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

3.2 Risk Management

3.2.1 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.

3.2.2 The Council's risk management strategy and framework has been presented to Management Board and can be found at **Appendix 2** for approval by the

Audit Committee. Implementation of the strategy has already commenced by way of presenting the service plan and risk register formats to the directorates through their DMT's.

- 3.2.3 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.

3.3 Due Diligence

- 3.3.1 Due diligence was identified as a high-priority dedicated training modules as part of Licence to Practice to be delivered before 31.12.17. An external provider, BPP, delivered the training on 7th December, 2017 with a focus on entering contracts and what to be aware of. We received mixed feedback from the participants in that some felt it was a little too detailed on contracts and could have been reduced to a half day course. However, there were a number of participants that are reviewing their current contract obligations as a result of the training.
- 3.3.2 Further due diligence training needs will be addressed during 2018.

3.4 Project & Programme Support

- 3.4.1 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.
- 3.4.2 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.
- 3.4.3 The draft Corporate Project Management Framework policy and procedures documentation was presented to Management Board on 30th November, 2017 and was accepted in principle. Amendments to the document will be made and a final document re-presented to Management Board in January 2018. 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.

3.5 CIPFA/SOLACE Delivering Good Governance

- 3.5.1 The key tasks set in this area of the Governance Action Plan 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.

3.5.2 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%

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

Below is a summary of NBC compliance as of June 2017:

NBC Compliance					
Section	Section Title	No of principles	Yes	No	Partly
A	Behaving ethically and with integrity	13	4	0	9
B	Ensuring openness and stakeholder engagement	13	6	4	3
C	Defining outcomes	9	2	1	6
D	Determining interventions (Courses of action)	13	6	1	6
E	Developing leadership and capacity	12	1	5	6
F	Managing risk and performance	18	4	3	11
G	Transparency and accountability	12	6	0	6
90	29	14	47		
	32%	16%	52%		

A full gap analysis can be found at **Appendix 3**. 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 over the next 2-3 years.

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 be monitored through the Internal Control reviews and reported upon through the governance structure and to the Audit Committee starting in the new financial year.

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

12

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	2	• Risk Management Strategy and Framework to be reviewed by Audit Committee.	H	Governance & Risk Manager	30.09.17	Partially Implemented	95%	Overdue	To be presented to the next Audit Committee 15th January 2018 with the objective of the document being accepted and signed by the audit chair.	31.12.17
	4	• Refresh and cascade the risk management strategy and framework	H	Governance & Risk Manager	31.03.18	Partially Implemented	90%	On track	Work has started to embed the risk management strategy throughout the business through involvement with service area DMT's. Service plans and related risk registers and KPI's are included in a new format. The governance team are working with the service areas to complete these documents prior to the new financial year.	31.03.18
	6	Generate a training plan for key officer and member groups to include • Management Team • Heads of Service • Project Managers • Members - Cabinet • Audit Committee members Specialist risk management training to become mandatory for all officers involved in projects. This to apply to current and future projects. Specialist training, workshops to be arranged and delivered with external and internal resources and in consultation with the Council's internal auditors Establish and embed risk management surgeries.	H	Governance & Risk Manager	30.09.17	Partially Implemented	75%	Overdue	Proforma Training and Development form devised and to date the following have still to be interviewed: - Audit Committee (M.Markham, C.Chunga, L Marriott) - Chief Executive - Borough secretary PWC to facilitate risk management training. Governance team to embed themselves within DMT's to discuss, review and update risk registers on a monthly basis.	31.12.17
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	Partially Implemented	50%	Overdue	A register will be produced and maintained centrally and reviewed by Management Board. As of January 2018, a new governance structure will be implemented which will incorporate the Corporate Delivery Board. This board will review all projects within NBC, the terms of reference for this board will include performing gateway reviews. Individual project registers for IT and 'other' will be merged into one main document with reference numbers allocated once approved by Corporate Management Board. Work has started to collate all projects within NBC.	31.12.17

OPEN ACTIONS AS AT 31.10.17

13

Process area	REF:	ACTION	Action Priority	RESPONSIBLE OFFICER	DATE BY	IMPLEMENTATION STATUS	% COMPLETE	Status	RESPONSIBLE OFFICER UPDATE AS AT 31.10.17	REVIEW DATE
	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	31.3.18	Partially Implemented	75%	On track	A revised risk register template is to be implemented and will incorporate a service risk log, information risk log, fraud risk log and health and safety risk log. The governance team will be working with each directorate and service areas to record the risks within their areas; the registers will be updated each quarter. Once updated, the risk registers will be presented to the Corporate Governance Board for review and where appropriate, identified risks will be escalated to management board for inclusion in the corporate risk register. The corporate risk register will also be reviewed quarterly with recommendations made to management board in relation to adding/deleting new and existing risks.	31.12.17
C. PROGRAMME & PROJECT SUPPORT	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%	Overdue	Major programme and project management training is included in LTP as a high-priority module. Mandatory training element will be progressed in line with roll-out of the project management framework to start February 2018.	31.12.17
D. DUE DILLIGENCE (Incl. loans to 3rd parties)	15	• Establish a due diligence and compliance manual	H	Chief Financial Officer	31.3.18	Partially 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 in the Licence to Practice Programme during January 2018. Delay due to finding a suitable trainer.	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	Partially Implemented	50%	Overdue	Cathie Wright taken over training plan from August 2017. A review of 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
G. GOVERNANCE	33	• 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 External validation report of progress against the standard	H	Governance & Risk Manager	30.09.17	Partially Implemented	Ongoing	On track	An assessment has been carried out and the 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. A full gap analysis will be presented at the January 2018 Audit Committee.	Annual review

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
	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	31.5.18	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

COMPLETED ACTIONS OCTOBER 2017

15

Process area	REF.	ACTION	Action Priority	RESPONSIBLE OFFICER	DATE BY	IMPLEMENTATION STATUS	% COMPLETE	ON-TRACK RAG STATUS	RESPONSIBLE OFFICER UPDATE AS AT 31.10.17
A. RISK MANAGEMENT	1	• Risk Policy and Framework to be reviewed by Management Board	H	Governance & Risk Manager	31.08.17	Completed	100%		Document presented to Management Board 9th November and was accepted in principle.
	5	• Schedule of risk related policies to be approved by Management Board	H	Governance & Risk Manager	31.08.17	Completed	100%		As above - policy and strategy approved by MB 9th November, 2017..
C. PROGRAMME & PROJECT SUPPORT	11	<p>• 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.</p> <p>Include within the Framework the requirement for regularly reporting back to Cabinet on all projects is in place.</p>	H	Director of Regeneration, Enterprise and Planning	31.09.17	Completed	100%		<p>Project Management Framework document reviewed by Management Board 30th November, 2017. Document was accepted in principle and is in the process of being refined to incorporate governance arrangements.</p> <p>Boards have been identified and implemented to be in place from 4th January 2018 to include a: Corporate Delivery Board (monthly) Corporate Performance Board (bi-monthly) Corporate Improvement Board (bi-monthly) Corporate Management Board (bi-monthly)</p> <p>The Corporate Delivery Board is responsible for reviewing all projects and performing gateway reviews before recommendations are made to Corporate Management Board.</p>
	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	Completed	100%		<p>Policy for Employees Code of Conduct includes the declaration of interest. An employee/member declaration of interest register is currently maintained by democratic services.</p> <p>Declaration of interest is included within the Corporate Project Management Framework documentation and will be linked to the Corporate declaration of interest forms..</p>

COMPLETED ACTIONS OCTOBER 2017

<p>F. EFFECTIVE DECISIONS - CABINET CLEARANCE PROCESS</p>	<p>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</p>	<p>H</p>	<p>Borough Secretary</p>	<p>31.12.17</p>	<p>Completed</p>	<p>100%</p>	<p>In place, exception reporting to the Corporate Governance Support Board, Management Board and Audit Committee.</p>
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Process area	REF:	ACTION	Action Priority	RESPONSIBLE OFFICER	DATE BY	IMPLEMENTATION STATUS	% COMPLETE	ON-TRACK RAG STATUS	RESPONSIBLE OFFICER UPDATE AS AT 31.08.17	REVIEW DATE
A. RISK MANAGEMEN	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
C. PROGRAMME & PROJECT SUPPORT	10	• Transfer of one permanent and one fixed term project management staff under TUPE from LGSS back to NBC to be completed on 1 January 2017	H	Borough Secretary	01.01.17	Completed	100%		Transfer completed	31.01.17
	12	• Appoint a Governance and Risk Manager to improve relevant areas	H	Borough Secretary	31.03.17	Completed	100%		Appointment effective from 27.03.17 Interim from 27/3/17 Permanent recruitment as of 5/6/17	31.12.17
E. INTERNAL AUDIT RECOMMENDATIONS	16	• Review all internal audit recommendations since June 2013 Implement PwC audit recommendation tracking software (TrAction)	H	Finance & Strategic Business Partners	30.06.17	Completed	100%		Action completed Recommendations closed on TrAction	31.12.17
	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
	18	• Improve internal audit reporting to Audit Committee	H	Chief Financial Officer	30.06.17	Completed	100%		Both the IA and EA internal audit teams have put in co-ordinated/joint reporting and also more in-depth reporting to the Audit Committee than before.	31.12.17

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	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	20	• Revise and cascade changes to the Call Over process Ensure that there is an evaluation period and process for the new arrangements on Call Over	H	Chief Executive	31.12.16	Completed	100%		Call over process reviewed. Two stage Call Over Process implemented with Management Board oversight of standards and content of reports. Deadlines published on the intranet to assist Officers.	31.12.17
	21	• Deliver training on Standards Committee requirements	H	Chief Executive	31.12.16	Completed	100%		Fully Implemented Training programme for 17/18 published following approval at the March 2017 Standards Committee meeting. Evidenced in the minutes for the Standards Committee and included in subsequent meeting agendas.	31.12.17
	23	• Provide better Cabinet clearance report guidance	H	Chief Executive	31.03.17	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
	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%			31.12.17
	25	• Review process for formal clearance	H	Borough Secretary	31.03.17	Completed	100%			31.12.17
	26	• Review and refresh clearance process	H	Borough Secretary	31.03.17	Completed	100%			31.12.17
	27	• Ensure basic guidelines on Cabinet process are circulated	H	Borough Secretary	31.03.17	Completed	100%			31.12.17
	28	• Ensure clearance subject to compliance with final council business case and appropriate business model	H	Borough Secretary & Chief Financial Officer	31.03.17	Completed	100%		Action completed	31.12.17
	29	• Reports to contain adequate and evidenced information to support decision needed	H	Borough Secretary & Chief Financial Officer	31.03.17	Completed	100%		Templates are included on the Democratic Services intranet page to ensure report content is relevant.	31.12.17
G. GOVERNANCE	35	• Communicate the importance of raising purchase orders with budget managers.	H	Chief Finance Officers	30.04.17	Completed	100%		Financial Management Training was undertaken in March 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 as part of that. This will include not only those who were unable to attend in March, but also a refresh for those who were. PO's were included in the training presentation slides.	31.12.17

	36	• Enhance reporting of non-compliant purchase orders to Management Board, Directorate Management Teams and Service Management Teams by improving dashboard	H	Chief Finance Officers	31.10.16	Completed	100%		Action Completed Report obtained for Sept - Nov 2016 and June - August 2017. Monthly report produced for MB.	31.12.17
H. FINANCIAL GOVERNANCE	37	• Write to suppliers to inform them they must request an order number for any NBC work	H	Chief Finance Officers	31.12.16	Completed	100%		Copy of correspondence received. All suppliers listed on Agresso were sent the communication by post. Replies were not monitored.	31.12.17
	38	• Review system controls and implement improvements	H	Chief Finance Officers	31.10.16	Completed	100%		Last review by IA was in 16/17 by LGSS and PWC. KPMG have not performed any work around systems control.	31.12.17
	39	• Review and improve reserves drawdown process	H	Chief Finance Officers	31.12.16	Completed	100%		Finance have improved consistency of process, and therefore compliance, by introducing a single form for supplementary estimates/reserves/virement which includes guidance on process. The compulsory finance training undertaken in March included training on this process, and participants were tested on their understanding. Supplementary Estimates and Reserve Drawdowns are reported to Management Board and Cabinet as part of the regular finance monitoring reports.	31.12.17
	40	• Ensure there is improved compliance with the reserves drawdown process	H	Chief Finance Officers	31.12.16	Completed	100%			31.12.17
	41	• Ensure there is improved reporting of the reserves drawdown process	H	Chief Finance Officers	31.12.16	Completed	100%			31.12.17
	42	• Review the supplementary estimate process and improve compliance	H	Chief Finance Officers	31.12.16	Completed	100%			31.12.17
	43	• Review virement process and improve compliance and reporting	H	Chief Finance Officers	31.12.16	Completed	100%			31.12.17
	44	• Establish a gateway process for progressing capital programme schemes through each stage of their capital programme life	H	Chief Finance Officers	30.06.17	Completed	100%		The action of establishing a gateway process is fully complete as the Development Pool (not Board) was established in February 2017 as part of the budget setting process. Projects will move from the Development Pool into the Approved Programme when costs have been fully quantified and a robust business case is developed and approved. The timing of this depends on the project, the fact that no projects have yet reached that stage however does not mean that the action is incomplete.	31.12.17

	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
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



Risk Management Strategy & Framework

Equality Impact Assessment

The Council strives to ensure equality of opportunity for all both as a major employer and as a service provider.

The **Risk Management Strategy & Framework** has been equality impact assessed to ensure fairness and consistency for all.

Version Control Schedule for the Risk Management Strategy & Framework.

Author (Post Holder Title)	Joanne Bonham
Type of Document	Strategy and Framework
Version Number	V0.1
Document File Name	Risk Management Strategy & Framework
Issue date	November 2017
Document Held by (name section)	Borough Secretary
For internal publication only or external also	Internal
Document stored on council website	Yes
Next Review	November 2018
Approved by	

Change History	Date	Comments
Version 0.1	October 2017	Joanne Bonham Governance & Risk Manager
Version 0.2	09/11/17	Francis Fernandes, Borough Solicitor
Version 0.3	09/11/17	Management Board
Version 0.4		Audit Committee
Version 0.5		Cabinet

Northampton Borough Council

1. Introduction

1.1 This risk management framework is drawn up pursuant to the principles of good governance in the public sector and in compliance with Statutory Instrument 2015 No. 234 for Local Government, England & Wales: the Accounts and Audit Regulations 2015 Part 2: Responsibility for Internal Control, wherein a relevant authority (local authority) must ensure that it has a sound system of internal control that:-

- i. Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- ii. Ensures that the financial and operational management of the authority is effective; and
- iii. Includes effective arrangements for the management of risk.

1.2 Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by and unwanted or uncertain action or event.

1.3 Risk is therefore the “effect of uncertainty on objectives“(Source: BS ISO 31000:2009 Risk Management – Principles and Guidelines). Risk Management is the process whereby the Council methodically addresses those risks or barriers to achieving its vision and corporate objectives which are set out in the Council’s corporate plan ‘Securing Northampton’s Future’. Risk thus arises from possible threats to objectives as well as failure to take advantage of possible opportunities.

1.4 Risk can also be operational in nature and exist at service or team level within an organisation, such as disaster recovery risks, health and safety risks or in risks relating to the care and protection of vulnerable residents, but are likewise to be seen as barriers to achieving operational outcomes and objectives. Unless effectively managed, such risks can escalate in their nature and impact to become much more significant and strategic in their impact.

1.5 The core ambition of Northampton Borough Council (NBC) is to be one of the best councils in the country. Our plans will be further developed over the coming years, but we plan with confident expectation that in difficult times both the public of Northampton and NBC can and will rise to the challenges ahead.

1.6 To achieve this Northampton has set six headline priorities core to its corporate plan and these are:-

- 1) Northampton Alive – A Vibrant Town for Now and the Future;
- 2) Safer Communities – Making You Feel Safe and Secure;
- 3) Housing For Everyone – Helping Those That Need it To Have a Safe and Secure Home;
- 4) Protecting Our Environment – A Clean and Attractive Town For Residents and Visitors;

- 5) Love Northampton – Enhancing Leisure Activities For Local People and Encouraging Participation;
- 6) Working Hard and Spending Your Money Wisely – Delivering Quality Modern Services.

1.7 Further details of the council’s priorities above are included in the Council’s corporate plan.

1.8 The aim of risk management at NBC is not to remove all risks, but to understand the nature of risks and to implement controlled, sensible, balanced and cost effective measures, to manage risk and achieve objectives within each activity and across the portfolio of all activities. Risk management therefore is not about being ‘risk averse,’ but about being ‘risk aware’ and this awareness will mean that the Council and its leadership team is better able to avoid threats and hazards and also take full advantage of opportunities that arise in the course of its business.

1.9 NBC recognises there is uncertainty in everything it does and the uncertainties present both threats and opportunities. This strategy describes how the Council will manage these uncertainties by identifying, evaluating and controlling risk, increasing the authority’s success in achieving its priorities and objectives and also by putting in place contingencies and an organisational agility for both planned and also unforeseen events.

1.10 The relationship between risk management and objectives is shown in Diagram 1 below:

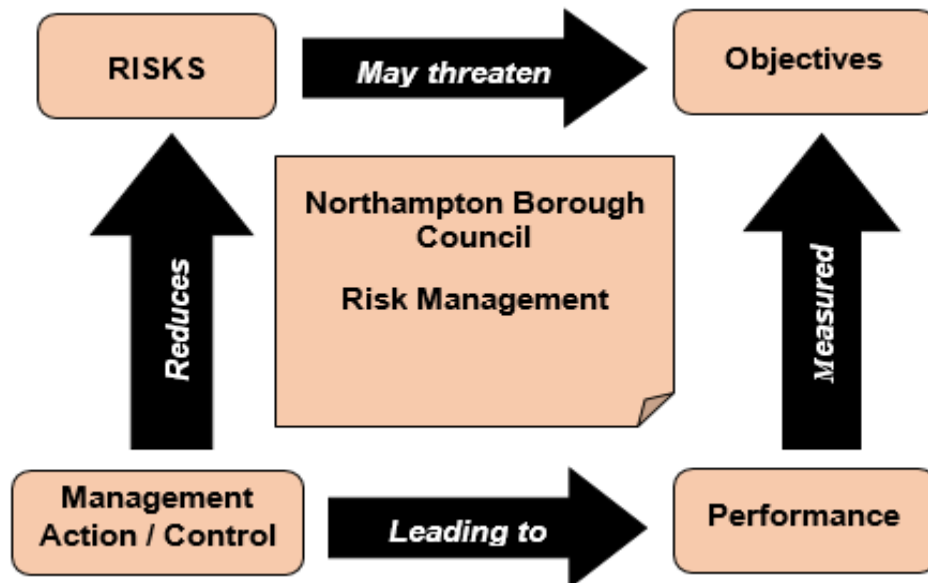


Diagram 1: Risks and Objectives

2 The benefits of risk management

2.1 There are a number of benefits to the Council in continuing to develop and embed a sound risk management function. The key benefits include:

- Supporting the Council in achieving its priorities and objectives at all levels within the organisation;
- Supporting better decision-making throughout the Council;
- Creating and contributing to effective governance procedures and protocols;
- Providing a framework for internal and external assurance;
- Targeting resources at areas and issues of greatest risk where the Council's objectives are most under threat;
- Providing an early-warning system to alert Officers and Members to potential threats and opportunities;
- Providing an organisational agility and rapid response capability to the above opportunities and threats and also any unforeseen events;
- Enabling the Council to act proactively, avoiding reactive management wherever possible;
- Protecting and enhancing the reputation of Northampton Borough Council.

3. Risk Management Policy Statement

Definition of Risk Management

Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is a planned and systematic approach to the identification, evaluation and control of those risks which can threaten the assets or financial and organisational well-being of the Council.

Policy Statement

Northampton Borough Council recognises that it has a duty of care to its residents, customers, employees, partners and visitors. In fulfilling this duty the Council will endeavour to apply high standards of governance and to be efficient, effective, transparent and accountable.

Effective risk management is a statutory responsibility for the Council and is central to its good governance. Importantly, risk management is an integral part of the Council's business processes and assists with decision making and achievement of key objectives whilst providing evidence of effective management and control in support of the Annual Governance Statement.

It is impossible to remove all risk but Northampton Borough Council are committed to adopting a governance-driven, corporate, systematic and structured approach to the management of risk at Northampton Borough Council with the Council's leadership team setting a "tone from the top".

It will be also be the responsibility of councillors, all employees and partner organisations of the Council to review, understand the nature and take responsibility for controlling the risks within their service areas.

To give effect to this the Council will put in place this risk management strategy & framework document, the core elements of which will include procedures, protocols and detailed guidance to council officers. The objectives of the strategy are to:

- Adopt a strategic approach to risk management to make better informed decisions which is vital to successful transformational change;
- Set the 'tone from the top' on the level of risk we are prepared to accept on our different service delivery activities and priorities;
- Acknowledge that with even good risk management and our best endeavours, things can go wrong. Where this happens we use the lessons learnt to try to prevent it from happening again;
- Develop leadership capacity and skills in identifying, understanding and managing the risks facing the Council;
- Integrate risk management into how we run Council business and/or services. Sound risk management processes help us to achieve our core purpose, priorities and outcomes;
- Support a culture of well-measured risk taking throughout the Council's business, including strategic, partnership, project and operational. This includes setting risk ownership and accountabilities and responding to risk in

a balanced way, considering the level of risk, reward, impact and cost of control measures;

- Ensure that the Council continues to meet all statutory and best practice requirements in relation to risk management; and
- Ensure risk management continues to be a key and effective element of our Corporate Governance arrangements.

We will meet these objectives by:

- Establishing and articulating our risk culture; setting out expectations of behaviour throughout the Council;
- Maintaining a consistent and robust risk management approach that will;
 - Identify and effectively manage strategic, operational and project risk; and
 - Focus on those key risks that, because of their likelihood and impact, make them priorities;
- Ensuring accountabilities, roles and responsibilities for managing risks are clearly defined and communicated;
- Considering risk as an integral part of service improvement planning, key decision making processes, and project and partnership governance;
- Communicating risk information effectively through a clear reporting framework; and
- Increasing understanding and expertise in risk management through targeted training and sharing of good practice.

Simon Bovey
Chief Executive (Interim)

Date signed

Mary Markham
Chair of Audit Committee

Date signed

4. Risk Management Approach

- 4.1 The council's approach to risk management is based on best practice and involves a number of key steps as outlined below:

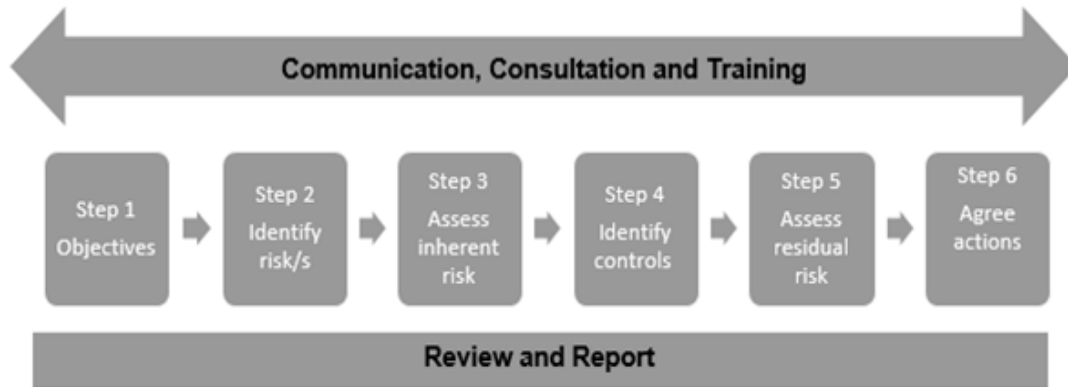
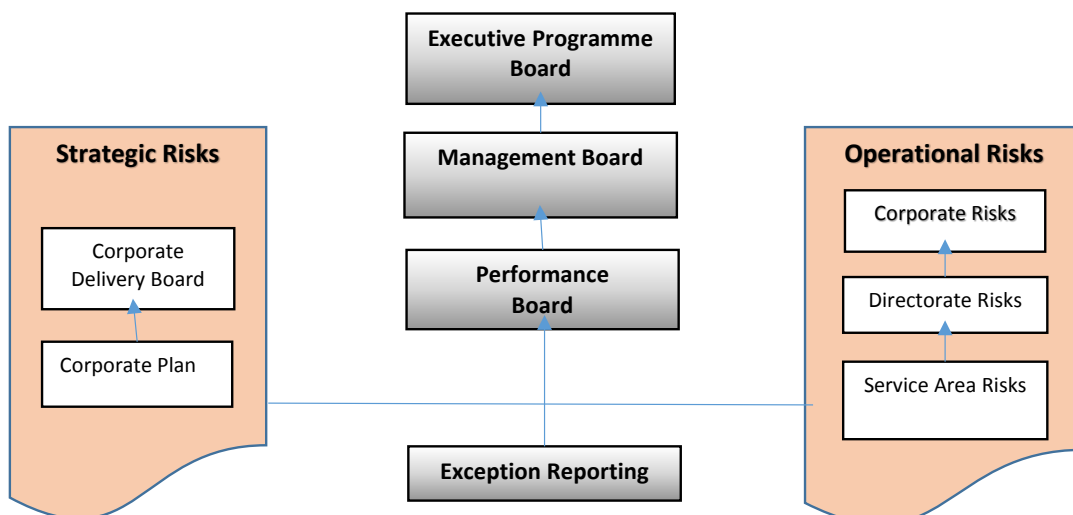


Diagram 2: NBC's Risk Management Approach

Risk can exist at a more operational level as part of the Council's day to day activities and importantly also in programmes and project management. At NBC, and similarly to the strategic level, this is being strongly embedded and integrated into the culture of the Council, with responsibility for managing risk assigned to managers and staff as part of their individual job profile and service area performance objectives. The approach of NBC is one of top down and bottom up whereby senior management focus on the risks to strategic objectives, the officers of NBC focus on the implementation of the strategy at an operational level.



Exception reporting includes emerging risks identified through performance reviews, 3rd party contract management and horizon scanning.

Diagram 3: Risk management approach

- 4.2 Directorates and service areas within NBC may not carry the same risk profile and risk management will be deployed via the operation of risk registers which may be used to support managers in decision-making such as designing business processes, evaluating opportunities and for choosing and prioritising what areas of performance are monitored.
- 4.3 The purpose of the risk management approach outlined in this document is to:
- Provide standard definitions and language to underpin the risk management process;
 - Ensure risks are identified and assessed consistently throughout the Council through the clarification of key concepts;
 - Clarify roles and responsibilities for managing risks;
 - Implement an approach that meets current legislative requirements and follows best practice and relevant standards.

5. Risk management roles and responsibilities

- 5.1 Although the corporate risk management framework is set and regularly monitored by Cabinet (who have ultimate responsibility for it) and the Council's Management Board (working in conjunction with the Borough Secretary's department), core delivery of the approved risk management framework is primarily led by and rests with the Chief Executive, directors and statutory officers acting individually and collectively as part of the Management Board, and who are then supported by their departmental management teams or equivalent. The Borough Secretary will work in collaboration with corporate directors further to this offering professional advice and challenge and will work in reporting and monitoring terms to this protocol.
- 5.2 Furthermore, all Members, managers and staff of the Council, including when acting in partnership and joint venture with other bodies and organisations, have a general responsibility and duty to manage risk as an integral part of their role.
- 5.3 In addition, specific core risk-related/risk-driven support service activities, such as the performance management function, health and safety, insurance, emergency business continuity planning and programme and project management in addition all contribute to the overall corporate risk management process.
- 5.5 The Council and its leadership team will set the "tone from the top" on risk management and will directly oversee the risk management function in achieving its objectives and these will be to:-
- Continuously develop Northampton Council's risk management framework to support the achievement of the Council's corporate plan Securing Northampton's Future and its core ambition to be one the best councils in the country;
 - Facilitate the achievement of Council priorities and objectives by embedding an effective process of identification and management of strategic, service level and key operational risks;
 - Similarly facilitate the achievement of Council priorities and objectives by embedding an effective process of identification and management of major programme and project risks;

- Ensure where appropriate risks are effectively escalated and escalation is timely
- Successfully manage the risks associated with the economic and financial short, medium and long-run;
- Ensure the risks associated with partnerships are effectively identified and managed;
- Promote risk-awareness, particularly business risk awareness, risk-intelligence and risk management throughout the Council;
- Ensure risk management processes are engaging and relevant to all staff;
- Capture, expand and act upon positive risk opportunities;
- Support the effective identification and management of risks associated with delivering existing and new council services into both existing and new markets;
- Proactively identify and manage emergent risk;
- Clearly state and communicate to all council officers, managers, partners and residents their risk management responsibilities;
- Manage risk in line with recognised best practice in public sector governance.

5.6 A summary overview of responsibilities for risk management at the Council is at Annex A with a more detailed breakdown of these responsibilities at Annex B.

6. Risk registers

6.1 Whilst the management of risk at different management levels within the Council will vary in terms of focus and level of formal analysis, in order to ensure good practice, it is important that consistency and clarity of risk information is achieved on risk registers.

6.2 For this reason, a standard risk register format will be used throughout NBC to align service risk registers with the corporate risks. The register has been kept in a simple form to enable service areas to understand the fields and get used to updating the register on a regular basis. The Governance team will attend DMT's to go through the risk registers and to ensure any new risks are recorded and escalated to corporate level if required.

6.2 An overall risk register matrix has been added on the front-cover sheet of the corporate risk register to provide an at-a-glance helicopter view of the risks captured and to better reveal any potential form, pattern, spread or cluster of risks on the register. The standard risk register template is attached at Annex C.

6.3 The Governance team will support directorates and service areas by populating the new risk register template on their behalf with the data held in the previous format of the risk register before returning the new register to them for on-going use.

6.4 Managers, project managers and partners, whilst retaining the 'core' information, may adapt the standard risk register (for example adding additional fields such as risk category and/or proximity, etc), where justified by business or project need. However, more substantive revision to the standard risk register format must be referred to the Council's Borough Secretary, who will advise on the proposed changes and how they fit within the Council's overall risk framework.

7. Risk management process

7.1 Identify Risks

There are a number of different types of risks that an organisation may face including financial loss, failure of service delivery, physical risks to people, and damage to the organisation's reputation.

To act as a prompt and to ensure completeness, a checklist of risk categories has been developed around the acronym PERFORMANCE:

P olitical	O pportunities/Outcomes	N ew partnerships/projects/contracts
E conomic	R eputation	C ustomers/Citizens
R egulatory	M anagement	E nvironment
F inancial	A ssets	

Describing the risk is equally important to ensure that risks are fully understood and to assist with the identification of actions, the cause and effect of each risk must also be detailed. Once identified, all risks are recorded in a risk register.

A risk owner or champion must be allocated and recorded against each risk on the risk register. Such accountability helps to ensure ownership of the risk is documented and recognised. A risk owner is defined as a person with the accountability and authority to effectively manage the risk. At this stage there may well be a long list of possible risks. The next step will help to prioritise these in order of importance.

7.2 Assess Gross (Inherent) Risk Level

To ensure resources are focused on the most significant risks, the council's approach to risk management is to assess the risks identified in terms of both the potential likelihood and impact so that actions can be prioritised.

The risk management process requires each risk to be assessed twice – gross (or inherent) and net (or residual) risk levels. The first assessment (the 'gross' risk level) is taken on the basis that there is no action being taken to manage the identified risk and/or any existing actions are not operating effectively. In other words, the worst case scenario if the risk were to occur.

To ensure that a consistent scoring mechanism is in place across the Council, risks are assessed using the agreed criteria for likelihood and impact via reference to the risk matrix shown below. The matrix uses a "traffic light" approach to show high (red), medium (amber) and low (yellow/green) risks.

Council Risk Register Template					
Risk Likelihood					
E. Almost Certain (91%+)	Risk C			Risk A	
D. Likely (56% to 90%)					Risk B
C. Possible (16% to 55%)			Risk D		
B. Unlikely (6% to 15%)				Risk E	
A. Rare (1%-5%)		Risk F			
Risk Impact	1. Insignificant Impact or Insignificant Benefit	2. Minor Impact or Minor Benefit	3. Moderate Impact or Moderate Benefit	4. Major Impact or Major Benefit	5. Catastrophic Impact or Exceptional Benefit

Diagram 3: Risk Matrix

Where likelihood and impact meet this determines the risk level. For example, possible likelihood (C) and major impact (4) would result in a risk level of C4.

7.3 Identify Existing Risk Actions (controls)

Existing actions, which are helping to minimise the likelihood and/or impact of the risk occurring, are identified for each risk. These actions are specifically those in place or completed and should not include planned or aspirational actions.

7.4 Assess Net (Residual) Risk Level

The second assessment (the net risk level) re-evaluates the risk, taking into consideration the effectiveness of the identified existing actions and controls. In other words, the reality if the risk were to occur in the immediate future.

Net risks are prioritised by applying the same criteria and matrix used for assessing the gross risk level. It is the risk owner's responsibility to ensure that the agreed net risk level for each risk is an accurate reflection of the likelihood and impact measures detailed in Appendix 2.

The council considers the net risk to ensure that:

- Identified risks are prioritised in terms of their significance as it is not practical or possible to manage every risk all of the time; and
- Existing actions are relevant and effectively managing and/or reducing the likelihood or impact of the identified risks.

7.5 Black risk:

Black risk is defined as an event that is unlikely to materialise but if it does would be catastrophic or have a substantial impact on NBC in monetary terms and/or reputation. Traditionally in enterprise risk methodologies, the assessment of this type of risk using a likelihood/impact matrix would potentially exclude it from the category of risk that must be mitigated.

However, black risk may be identified through the implementation and embedding of a robust process whereby risk registers for services areas, and in particular projects, are regularly monitored through a system of internal reviews and an effective escalation process.

The recommended approach in identifying these risks is to manually black flag a risk. Employees across the business can flag a risk as being of such magnitude that the Council needs to have a plan in place of how to manage the event. Black flags bypass all traditional scoring methods and go to the top of the escalation queue for monitoring. This enables management to set probability aside and assess the risk based purely on the impact the event will have on the organisation.

There is no set criteria for identifying a black risk and it is assessed on knowledge and a lack of mitigating actions available to prevent the event happening.

7.6 Risk Response and Further Actions

Not all risks can be managed all of the time, so having assessed and prioritised the identified risks, cost effective action needs to be taken to manage those that pose the most significant threat. Based on risk scores there are four response actions:

- **Avoid** – In this situation the risk is avoided by deciding not to proceed with an activity.
- **Transfer** – another party bears or shares all or part of the risk.
- **Reduce** – this involves identifying mitigating actions or controls to reduce risk.
- **Accept** – in this case, it may not always be necessary (or appropriate) to take action to treat risks.

It is important to note that the council has a neutral risk appetite, where it is currently prepared to accept a certain level of risk (see 7.7 below). This is illustrated by the black line on Diagram 2 and means that any risk that has been assessed as a net red risk must be a priority for immediate management action.

All risks which appear above the bolded black risk appetite line on Diagram 2 are deemed to be unacceptable to be carried in net risk terms by the Council and will require further action to be taken to manage down these risks into an area below the risk appetite line where net exposures are acceptable. Risks A and B are unacceptable in this regard. Risks at an exposure below the line are deemed acceptable.

In the above example (diagram 3) risks C, D, and E are deemed acceptable.

7.7 Risk Appetite

The amount of risk at the strategic and corporate level that the Council and its leadership team are willing to take on, accept, tolerate or be exposed to in the pursuit of its business objectives, is generally referred to as its risk appetite.

Risk Appetite is not static and can be adjusted by the Cabinet with supporting advice from the Management Board.

Importantly, in deciding the risk appetite and delegated risk appetite, Cabinet considers:

- Environmental and wider macro-economic factors, including central government legislation and any required reductions in spending and other efficiencies in services
- The amount of risk that is acceptable (what risk could be justified if it actually happened)
- The Council's funding levels and its overall capacity to bear risk.
- The areas/directorates within the Council that have an expertise and skill-set for taking risk
- The extent and prevalence of operational and commercial opportunities capable of being exploited by the council

The Council's approach to risk appetite will evolve over the next few years as the risk management within the organisation is embedded and matures. However, following interviews and discussion during 2017/18, the Council at the corporate level will have, in the main, a cautious to open appetite for taking on inherent business risk to achieve its corporate plan 'Securing Northampton's Future'.

At operational level, the risk register format will steer risk owners into considering risk appetite when updating their risk entries. Consideration will be given to the rating before and after existing mitigating action but also to the final risk status (target risk). The risk appetite throughout NBC will be assessed annually through interviews with all levels of staff.

7.8 Risk Mitigation

These are controls and actions put in place to reduce the likelihood of the risk occurring, or minimising the impact if it does. An internal control system incorporating policies, processes, business continuity arrangements and other aspects of operations should:

- enable the Council to respond appropriately to business risks;
- help ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate the flow of timely, relevant and reliable information; and
- help ensure compliance with applicable laws and regulations and also with internal policies.

The residual risk that remains is the net risk, it is also good practice to define “target risk” which indicates the tolerable level of risk that the Council should aim for.

7.9 Review and Report

Risk management should be thought of as an ongoing process and as such risks need to be reviewed regularly to ensure that prompt and appropriate action is taken to reduce their likelihood and/or impact. NBC’s approach is one where such reviews are:

- where possible, part of existing performance monitoring timetables; or
- focus on those risk that, because of their likelihood and impact, make them priorities.

Regular reporting, through the regular reporting process, enables senior managers and members to be more fully aware of the extent of the risks and progression being made to manage them.

Risk registers are currently created and maintained on standard spreadsheets but could eventually be held on dedicated software such as PPlus or similar the Council’s performance measurement system. This enables the council to create a corporate risk profile, record and manage risks in a consistent way, monitor and review risks and produce meaningful management reports.

7.10 Risk escalation

It is the responsibility of individual risk owners to raise risks which they believe require action by a higher authority. It should be emphasised though that we want to discourage people from escalating risks that they should be dealing with themselves. High risk issues should be escalated through the hierarchy that makes up the risk universe so that they are captured in the appropriate register for information purposes. However, responsibility for addressing the risk may still remain with the originator. Regular reviews will take place of directorate service risk registers by the governance team for identification of risks that should be escalated to corporate level, should a risk present itself that requires urgent management attention the Monitoring Officer should be informed who will evaluate the risk and forward to the governance team for inclusion in the corporate risk register. The corporate risk register will then be presented to Management Board for review, comments and action where relevant.

Risks should feature as a standard agenda item at management team meetings. Discussions on risk should include:

- new or emerging issues and risks;
- evaluation and criticality of new or emerging issues and risks;
- decisions required and by whom;
- mitigating actions, action owners, timescales and review points;
- ownerships of new risks;
- the review of existing risks and the effectiveness of the current controls in place.

8. Monitoring and reporting arrangements

8.1 Monitoring risks

Risk management needs to be embedded in everyday activity. It is the responsibility, therefore, of each risk owner to review risks on a regular basis and identify whether any revisions are required. The revision may involve a re-assessment of impact and likelihood or planned mitigating actions.

As previously stated, it is important that risk is included as a standing item on the agenda for management teams (at all levels within the organisation) and working groups so that risks can be identified and captured. As a minimum, on a quarterly basis during the management team meetings, each Director will seek assurance that the risks in their assigned areas are being adequately monitored and action is being completed as agreed in formal action plans.

Through the Performance Board (PB) risks will be reviewed on a quarterly basis, including a review of the high risks facing NBC and mitigating action plans. This group will link directly with the Management Board and will advise them on which risks to escalate/de-escalate for inclusion or deletion from the corporate risk register.

8.2 Reporting and assurance arrangements

NBC's risk management framework will be supported through agreed reporting and assurance arrangements. This is to ensure that the key risks and their owners are clearly identified that mitigation and specified actions are appropriate and that actions are being carried out. The arrangements include:

8.3 Corporate level

Management Board will review and approve risk management policies and strategies and will take advice from the Audit Committee on these matters.

On a routine basis the Audit Committee will receive updates on NBC's risk management framework and risks. Reporting will include:

- the Corporate Risk Register including associated action plans for the higher rated risks; and
- reports on the changing risk profile within NBC including areas of increasing risk, where controls are not considered to be effective and horizon scanning for areas of possible future risk.

The Audit Committee will receive an annual report on risk management effectiveness from the internal auditors. The committee will also consider input from other sources of assurance as appropriate.

The Management Board will regularly review (and update) the NBC Corporate Risk Register for the key risks facing the organisation. The Management Board while retaining ultimate responsibility for updating the corporate risk register will delegate the detailed review work to the Performance Board.

8.4 Directorate/service level

Each Director / Head of a Service will review risks and actions in mitigation of risk on a regular basis as an integral part of the business planning process. These officers will also ensure that risks identified at a service level and which may have a wider impact on the organisation are escalated through to the PB. The following should be considered:

- the status of all high risks (including actions taken)

- any new risks since the last report
- changed risks from the previous report (especially where risk is increasing)
- risks escalated
- risks removed from registers.

The PB, after considering feedback from risk champions, will update the corporate risk register and provide Management Board with an overview of the risk profile across NBC.

8.5 Project level

Programme and project management is very much about managing uncertainties. Poor risk management is a key element as to why many projects often fail. Risk taking in projects is inevitable since projects are enablers of change and change introduces uncertainty, hence risk.

Throughout the life of the programme or project there will be risks that need to be managed; to reduce the likelihood and impact of unwanted outcomes such as project time and cost overruns. To manage the risks the Project Manager will maintain a project risk register on behalf of the project.

A detailed step by step process for managing risks is included within the Programme and Project Management Governance Framework. The framework details the responsibilities and ownership of risk, how it is managed throughout the project lifecycle and how it is reported and escalated should risks become severe and the NBC Management Board need to consider the project risk position and status.

Managing risks within a programme or a project will ensure that responsibilities are clear to:

- Implement appropriate measures and controls to manage risks during the life of the project
- Review the risks on a regular basis
- Identify and assess the impact of risks and their influence on the project schedule and other important project variables such as cost and quality
- Have appropriate contingency plans in place to remove or limit the risk (these can be either controls (already in place) or actions (yet to be undertaken but planned)

Where suppliers/and or partners are involved in the project, it is essential that there is a shared understanding of risk. There may need to be contingency plans and risk allowances (funding and time identified to manage such risks) allocated to allow for the possibility of (for example) delays or failure for a service to be taken up.

At a project level, a risk register is a key tool for managing risk, which must be reviewed and updated continually throughout the life of the project.

Within a programme or project responsibility and ownership for managing risks must be assigned to individuals with the authority to take appropriate action on risk. This will be at the start of any programme or project in 'Set Up' phase.

9 Risk management maturity model

- 9.1 A key aspect of monitoring and reporting progress is the establishment of a risk maturity model. This model provides senior management with a snapshot of where the risk processes and principles NBC employs have led to changes and progression in risk management. It provides assurance that risk management processes are fit for purpose and also identifies areas where further improvement is required.
- 9.2 Once Enterprise Risk Management is implemented, the risk maturity model will be reviewed annually by internal audit with findings discussed by the Management Board (via the PB). The Management Board would then propose any actions to raise maturity in areas of poorer performance for consideration by the Audit Committee.

10 Performance management

- 10.1 The effectiveness of the risk management function is reviewed on an on-going basis by the Management Board and its effectiveness is annually appraised and evaluated by the Audit Committee, who also monitor and challenge activities and progress. The risk management function is also audited against public sector best practice by both internal and external audit.
- 10.2 In addition, specific core risk-related/risk-driven support service activities, such as performance management, health and safety, insurance, emergency and business continuity planning and programme and project management all contribute to the overall corporate risk management process.
- 10.3 The views of key stakeholders and internal customers in the risk management function, particularly of the Chief Executive, the Management Board, statutory officers, heads of service and service-managers also including the above risk-related disciplines. The risk management process will be continuously improved in line with this feedback.

11 Review and control

- 11.1 This strategy and policy will be subject to regular review (at least annually) by the Borough Secretary with any changes reflected in related guidance, training and tools as appropriate.

Annex A Summary Overview of Risk Management Responsibilities

Risk Strategy Activity Council Group/ Team/Officer or Commercial Partner	Develop the Risk Management Strategy	Agree the Risk Management Strategy	Provide Advice and Support on the Strategy	Implement the Strategy	Share experience of risk management issues	Review the effectiveness of the Strategy
Cabinet		●				●
Audit Committee			●		●	●
Management Board	●			●	●	●
Directors	●			●	●	●
Section 151 Officer	●		●	●	●	
Monitoring Officer	●		●	●	●	
Major Programme & Project Boards				●	●	
NBC Trading Companies				●	●	
Commercial Partners/Joint Ventures					●	
Public Sector Partnerships					●	
Large NBC Procurement Contracts				●	●	
Shared Services (NBC Service-Lead)				●	●	
Shared Services (NBC Non-Leading)					●	
Departmental DMTs			●	●	●	●
Council Committees/Boards/Groups				●	●	
Corp. Governance & Support Officer Programme Board	●		●	●	●	●
Heads of Service/Service Managers			●	●	●	●
Internal Audit	●		●	●	●	●
External Audit						●
Council Staff				●	●	
Northampton Residents					●	

(Source of Model – CIPFA; Risk Management in the Public Services)

Annex B Detailed Risk Management Responsibilities

Position	Role / Responsibilities
Cabinet	<ul style="list-style-type: none"> • Annually approve the Council's Risk Management Strategy & Framework • Provide leadership on risk management in the organisation • Consider the strategic risks associated with the decisions taken. • Monitor the Council's risk management arrangements, including via the Council's strategic performance and audit reports. • Assess risks in Cabinet reports and provide challenge, where necessary and identify risks associated with Cabinet decisions
Management Board	<ul style="list-style-type: none"> • To lead risk management by example • To develop, implement and review the Council's Risk Management Strategy & Policy • To champion the effective application of risk management processes and principles across the Council's business systems • Seek assurance at least annually that all risks comprising barriers to achievement of the Council's corporate objectives have been identified and accurately assessed and are being managed • To review and update the corporate risk register and ensure mitigating actions are completed • Seek assurance at least annually that all directorates and major programmes and projects are appropriately complying with the Council's risk management policies and framework
Directorate Management Teams, or Equivalent	<ul style="list-style-type: none"> • Collectively support and contribute to their corporate discharge of their risk management responsibilities • Make arrangements for continuing to embed risk management and a risk aware culture throughout their respective directorates • Ensure risk is regularly reported (at least quarterly) to their Director and also the Borough Secretary • Maintain and review directorate rate risk register(s) on a quarterly basis
Heads of Service & Service Managers	<ul style="list-style-type: none"> • Accept responsibility for managing risk as a core managerial competency • Manage the risks associated with their area, including those crossing area boundaries within their Directorate and their delegated budget allocation and service plan responsibilities • Ensure there is effective risk management within their service area • Ensure a risk register is in place for any business or major programme or project related risks and the risk registers are reviewed at least quarterly • Compliance with risk policies and ensure staff are trained in risk Management • Encourage staff to raise risks and send a message to staff that escalated risks will be evaluated and acted upon if necessary • Promptly advise senior managers of significant identified risks

Annex B: Detailed Risk Management Responsibilities

Position	Role / Responsibilities
DMTs	<ul style="list-style-type: none"> • Review and discuss risk exception reporting • Discuss and review Directorate risk register(s), as necessary • Where appropriate, escalate risks for discussion and consideration by Management Board or the Borough Secretary for inclusion on the corporate risk register.
Programme and Project Boards	<ul style="list-style-type: none"> • Review and update risk registers/action plans for programme and project level risks • Report risks to the Programme/ or Project Board • Escalate any risks that exceed risk appetite to the next level or to the Borough Secretary for inclusion in the corporate risk register • Provide a copy of the updated risk register/action plan to the Borough Secretary
Other Council Boards, Panels, Steering Groups & Committees	<ul style="list-style-type: none"> • Produce a written Terms of Reference which requires risks to achieving Board/Committee/Panel/Group objectives, or opportunities to accelerating or enhancing achievement, to be identified, assessed, managed and reported by the Board/Committee/Panel/Group
Audit Committee	<ul style="list-style-type: none"> • Promote, support and co-ordinate risk management at Member level ensuring a positive and cogent attitude toward the understanding and treatment of risk at the Council • Monitor, advise and review at least annually the effectiveness of the Council's overall risk management framework and arrangements prior to submission to Cabinet and review the Council's key risks to ensure these are being adequately managed • To hold the Management Board accountable for effective risk management across the Council
Public Sector Partners	<ul style="list-style-type: none"> • Ensure that appropriate arrangements are in place to manage partnership related risks including risk escalation procedures • Actively manage risks within the partnership participating in the regular update and maintenance of a joint partnership risk register. • Report on risk management issues to the respective partnership board. • Show a clear link between objectives and outcomes that is customer focused • Escalate risks for inclusion on the service or corporate risk register
Commercial & Private Sector Partners	<ul style="list-style-type: none"> • Ensure that appropriate arrangements are in place to manage commercial partnership related risks including risk escalation procedures to relevant Board and/or DMT/Management Board • Actively manage risks within the commercial partnership and participating in the regular update and maintenance of a joint commercial partnership risk register. • Report on risk management issues to the respective partnership board. • Show a clear link between objectives and outcomes that is customer focused

Annex B: Detailed Risk Management Responsibilities

Position	Roles/Responsibilities
Council Commercial Trading Companies and/or LLP Partnerships	<ul style="list-style-type: none"> • Develop, implement and review the trading company's or partnership's risk management strategy • Seek assurance at least annually that all risks comprising barriers to the achievement of the strategic objectives of the company or LLP Partnership have been identified and accurately assessed and are being managed • Seek assurance at least annually that all divisions and departments within the company or LLP Partnership are appropriately complying with the company or partnership's risk management policies and framework • Ensure adequate risk escalation procedures are in place for the trading company or LLP Partnership • Escalate and report risks, as appropriate, quarterly for consideration and action by Management Board and the Borough Secretary
Shared Services (NBC Non-Lead)	<ul style="list-style-type: none"> • Ensure that appropriate arrangements are in place to manage and escalate shared services related risks. • Actively manage risks within the shared-service arrangements participating in the regular update and maintenance of a shared-services risk register. • Report on risk management issues to the Lead-Authority. • Show a clear link between objectives and outcomes that is customer focused
Borough Secretary	<ul style="list-style-type: none"> • Oversee, monitor and report compliance by officers with the Council's risk management framework and policies where these apply, including at the Council itself, in council arrangements for potential commercial and public sector partnerships and shared-service arrangements and also in trading companies and LLP partnerships established by the Council • Engage, monitor and constructively challenge the Council (including its directorates or any trading companies and/or LLP partnerships), its major programmes and projects, partnerships and shared service arrangements and related staff on key risk management issues, • Be a central and professional point of contact on risk • Management for all the above, creating alliances/liaisons with council staff, including corporate directors and directorate DMTs and also including partner organisations, potential trading companies and/or LLP partnerships and commercial and public sector partnerships, to support them in their risk roles • Develop the risk management strategy and related guidance and templates • Provide tools, training/awareness and materials in support of council staff • Lead on corporate reporting of risk management to the

Annex B: Detailed Risk Management Responsibilities

Position	Roles/Responsibilities
Borough Secretary (cont)	Audit Committee and Management Board <ul style="list-style-type: none"> • Undertake ad hoc risk assessments. • Inform risk registers (ie by the provision of risk-based reports)
Internal Audit	<ul style="list-style-type: none"> • Independently evaluate the effectiveness of the Council's risk management arrangements and where appropriate make recommendations for improvement
Performance Board	<ul style="list-style-type: none"> • To develop, promote, share, uphold and monitor the risk management arrangements of the Council in accordance with recognised best practice in the public sector and to provide assurance on risk management to the Council.
Monitoring Officer	<ul style="list-style-type: none"> • Where it appears to the Monitoring Officer that a proposal under this framework gives rise to a contravention of law or maladministration to alert the Council to this
All Council Officers	<ul style="list-style-type: none"> • To use risk management as a tool to support decision-making • Raise/escalate any concerns or risks identified or considered within their working environment that are not being sufficiently addressed or directly to the appropriate council manager • Maintain vigilance and a risk-aware attitude of mind at all time

ANNEX C To be decided at Management Board

44

Council Risk Register Template					
Risk Likelihood					
E. Almost Certain (90%+)					
D. Likely (56% to 90%)					
C. Possible (16% to 55%)					
B. Unlikely (6% to 15%)					
A. Rare (0%-5%)					
Risk Impact	1. Insignificant Impact or Insignificant Benefit	2. Minor Impact or Minor Benefit	3. Moderate Impact or Moderate Benefit	4. Major Impact or major Benefit	5. Catastrophic Impact or Exceptional Benefit

ANNEX C: STANARD RISK REGISTER TEMPLATE To be decided at Management Board

No	Objective/ Priority	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage Risk (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Residual Risk Rating	Risk Owner	Risk Owner Update
							QTR	QTR				
	45		<ul style="list-style-type: none"> ▪ ▪ ▪ ▪ 	<ul style="list-style-type: none"> ▪ ▪ ▪ 		<ul style="list-style-type: none"> • • • • • 						
									Contingency <ul style="list-style-type: none"> • • • 			

NORTHAMPTON BOROUGH COUNCIL

CIPFA SOLACE COMPLIANCE

BASED ON EVIDENCE AVAILABLE AT 30 JUNE 2017

(NEXT UPDATE JUNE 2018)

June 2017 - Summary table:

NBC Compliance							
Section	Section Title			No of principles	Yes	No	Partly
A	Behaving ethically and with integrity			13	4	0	9
B	Ensuring openness and stakeholder engagement			13	6	4	3
C	Defining outcomes			9	2	1	6
D	Determining interventions (Courses of action)			13	6	1	6
E	Developing leadership and capacity			12	1	5	6
F	Managing risk and performance			18	4	3	11
G	Transparency and accountability			12	6	0	6
90	29	14	47				
	32%	16%	52%				

APPENDIX 3 – CIPFA/SOLACE - ANALYSIS

Principle	A. Behaving Ethically and with Integrity	Yes	No	Partly
1.	Members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation	●		
2.	Members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)			●
3.	Officers lead by example and use the above standard operating principles or values as a framework for decision making and other actions			●
4.	Officers demonstrate, communicate and embed the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively			●
5.	Officers seek to establish, monitor and maintain the organisation's ethical standards and performance			●
6.	Officers underpin personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation			●
7.	Officers develop and maintain robust policies and procedures which place emphasis on agreed ethical values			●
8.	Officers ensure that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation			●
9.	Officers ensure members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations	●		
10.	Officers create the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements	●		
11.	Officers Strive to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders	●		
12.	Officers dealing with breaches of legal and regulatory provisions effectively			●
13.	Officers ensure corruption and misuse of power are dealt with effectively			●

APPENDIX 3 – CIPFA/SOLACE - ANALYSIS

Principle	B. Ensuring Openness & Stakeholder Engagement	Yes	No	Partly
1.	Officers ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness			●
2.	Officers make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided	●		
3.	Officers provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear			●
4.	Officers using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ <i>courses</i> of action	●		
5.	Officers effectively engage with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably		●	
6.	Officers develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	●		
7.	Officers ensuring that partnerships are based on: trust a shared commitment to change a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit	●		
8.	Officers establish a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes	●		
9.	Officers ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement		●	

APPENDIX 3 – CIPFA/SOLACE - ANALYSIS

Principle	B. Ensuring Openness & Stakeholder Engagement	Yes	No	Partly
10.	Officers encourage, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs		●	
11.	Officers implementing effective feedback mechanisms in order to demonstrate how views have been taken into account		●	
12.	Officers balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity	●		
13.	Officers take account of the impact of decisions on future generations of tax payers and service users			●

APPENDIX 3 – CIPFA/SOLACE - ANALYSIS

Principle	C. Defining Outcomes	Yes	No	Partly
1.	Officers have a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions			●
2.	Officers specify the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer			●
3.	Officers deliver defined outcomes on a sustainable basis within the resources that will be available			●
4.	Officers identify and managing risks to the achievement of outcomes			●
5.	Officers managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available		●	
6.	Officers consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision			●
7.	Officers taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints			●
8.	Officers ensure there is a fair access to services	●		
9.	Officers determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs	●		

APPENDIX 3 – CIPFA/SOLACE - ANALYSIS

Principle	D. Determining Interventions (Courses of Action)	Yes	No	Partly
1.	Officers ensure decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided			●
2.	Officers consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts			●
3.	Officers establish and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	●		
4.	Officers engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered	●		
5.	Officers consider and monitor risks facing each partner when working collaboratively, including shared risks			●
6.	Officers ensure arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances	●		
7.	Officers establish appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured			●
8.	Officers ensure capacity exists to generate the information required to review service quality regularly			●
9.	Officers prepare budgets in accordance with objectives, strategies and the medium term financial plan			●
10.	Officers inform medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	●		
11.	Officers ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints	●		
12.	Officers ensure the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage	●		
13.	Officers ensure the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes"		●	

APPENDIX 3 – CIPFA/SOLACE - ANALYSIS

Principle	E. Developing Leadership & Capacity	Yes	No	Partly
1.	Officers review operations, performance and use of assets on a regular basis to ensure their continuing effectiveness		●	
2.	Officers improve resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently		●	
3.	Officers recognise the benefits of partnerships and collaborative working where added value can be achieved			●
4.	Officers develop and maintain an effective workforce plan to enhance the strategic allocation of resources		●	
5.	Officers develop protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained			●
6.	Officers publish a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body			●
7.	Officers ensure the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority			●
8.	<p>Officers develop the capabilities of members and senior management to enable the organisation to respond successfully to changing circumstances by:</p> <ul style="list-style-type: none"> * Ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged * Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis * Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external 			●

APPENDIX 3 – CIPFA/SOLACE - ANALYSIS

Principle	E. Developing Leadership & Capacity	Yes	No	Partly
9.	Officers ensure that there are structures in place to encourage public participation	●		
10.	Officers take steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections		●	
11.	Officers hold staff to account through regular performance reviews which take account of training or development needs		●	
12	Officers ensure arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing			●

APPENDIX 3 – CIPFA/SOLACE - ANALYSIS

Principle	F. Managing Risk & Performance	Yes	No	Partly
1.	Officers recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making			●
2.	Officers implement robust and integrated risk management arrangements and ensuring that they are working effectively			●
3.	Officers ensure that responsibilities for managing individual risks are clearly allocated			●
4.	Officers monitor service delivery effectively including planning, specification, execution and independent post implementation review		●	
5.	Officers make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook	●		
6.	Officers ensure an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (Or, for a committee system) encourage effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making	●		
7.	Officers provide members and senior management with regular reports on service delivery plans and on progress towards outcome achievement		●	
8.	Officers ensure there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)	●		
9.	Officers aligning the risk management strategy and policies on internal control with achieving objectives			●
10.	Officers evaluate and monitor risk management and internal control on a regular basis		●	
11.	Officers ensure effective counter fraud and anti-corruption arrangements are in place			●
12.	Officers ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor			●
13.	Officers ensure an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body: *provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment *that its recommendations are listened to and acted upon	●		
14.	Officers ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data			●

APPENDIX 3 – CIPFA/SOLACE - ANALYSIS

Principle	F. Managing Risk & Performance	Yes	No	Partly
15.	Officers ensure effective arrangements are in place and operating effectively when sharing data with other bodies			●
16.	Officers review and audit regularly the quality and accuracy of data used in decision making and performance monitoring			●
17.	Officers ensure financial management supports both long term achievement of outcomes and short-term financial and operational performance			●
18.	Officers ensure well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls			●

APPENDIX 3 – CIPFA/SOLACE - ANALYSIS

Principle	G. Transparency & Accountability	Yes	No	Partly
1.	Officers write and communicate reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate	●		
2.	Officers strike a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand	●		
3.	Officers report at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way	●		
4.	Officers ensure members and senior management own the results reported			●
5.	Officers ensure robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)			●
6.	Officers ensure that this framework is applied to jointly managed or shared service organisations as appropriate			●
7.	Officers ensure the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations	●		
8.	Officers ensure that recommendations for corrective action made by external audit are acted upon			●
9.	Officers ensure an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon			●
10.	Officers welcome peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	●		
11.	Officers gain assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	●		
12.	Officers ensure that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met			●

Appendices:

None



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Statement of Accounts 2016/17 Progress Report
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	15 th January 2018
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 13th November 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. Following that 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 and 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 The last progress report informed the Committee of the internal Task Force that had been set up chaired by the Chief Finance Officer which has continued to meet weekly for the last few months to focus staff resources on providing the external auditors with evidence and assurance to enable them to provide an opinion on the Statement of Accounts.

3.3 Work undertaken since Audit Committee on 13th November 2017

3.3.1 The Council as part of liaising with KPMG have done further extensive assurance work to evidence that the asset records held in the Council's asset management system reconcile with the balance sheet values held in the statement of accounts, including movements during the year. This has involved creating new working papers suggested by KPMG to track movements against each asset within a number of asset types.

3.3.2 Prior to selecting a sample of asset valuations to review, KPMG had 15 initial queries to provide assurance that the sample population was correct. The Council responded to these by 6th November and also to the 5 follow up questions issued by 24th November. The Council requested an audit requirements checklist for the asset sample evidence needed. KPMG committed to providing it in advance of issuing the valuation sample to the Council and it was sent to the Council on 23rd November.

3.3.3 This enabled KPMG to issue their sample on the 30th November which included 107 individual assets, 38 other land and buildings and 69 investment properties. The Council on reviewing the evidence on some of the internal other land and buildings valuations decided there was not sufficient file evidence and therefore commissioned 14 valuations to be done again by an external valuation company to ensure robust evidence was available. All supporting evidence for asset valuations in the selected sample was returned to KPMG during the first two weeks of December.

3.3.4 There were over 40 clarification queries raised by KPMG relating to the sample of asset valuations selected by KPMG. These were prioritised by Council officers, and external valuers where appropriate, to ensure that responses were returned promptly, with all being returned by 22nd December within the target timescales that were presented to the last Audit Committee.

- 3.3.5 The Council's Chief Executive and Chief Finance Officer both had meetings with KPMG prior to Christmas on 20th December where 2016/17 accounts progress was discussed. In both meetings they were reassured that the target date for issuing an external audit opinion remained the 31st January 2018.
- 3.3.6 The last report to Audit Committee included a high level timetable and this has been updated as below :

Workload	Estimated Timescale	Date achieved	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	16.11.17	KPMG Senior Audit Management issued a review response which had 5 follow-up queries
Council's response to KPMG follow-up queries received 16.11.17 (see above)	n/a	24.11.17	Council Assets team and LGSS finance
Selection of valuation sample sent to the Council	w/c 27.11.17	30.11.17	KPMG - chose a review sample of 38 other land and buildings valuations and 69 investment properties
Review sample and provide evidence to support the valuations, and answer any KPMG follow up questions – 10 follow up questions relating to investment valuations were issued by KPMG on 13.12.17	December 2017	22.12.17	Council Assets team (with support from LGSS finance)
Test valuation evidence supplied by the Council and discuss any queries with the Council	December 2017	in progress – note it was envisaged this activity could go into January	KPMG Internal Valuer
Final Review of outstanding work	December 2017	in progress	KPMG Senior Partner etc
Finalise audit work on PPE and prepare for completion. Close off any review points	January 2018	In progress	KPMG audit team
Issue signed audit opinion	31.1.18		KPMG Director

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

- 3.4.1 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 31st January 2018 alongside a management letter of representation. To date the audit work undertaken and revaluations obtained mean that there will be a number of material changes to other land and buildings and investment property asset values from the accounts presented to Audit Committee in September 2017. These are being finalised and will be reported to the next Audit Committee.
- 3.4.2 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.
- 3.4.3 The internal auditors for both the Council and LGSS are being engaged in process and working paper reviews to provide assurance on their robustness for 2017/18, in particular those around asset valuations.
- 3.4.4 A planning meeting was held with KPMG on 11th January to plan for the interim and final audit work for the 2017/18 accounts, and KPMG will be issuing their audit requirements by the end of January. In respect of the 2016/17 accounts KPMG are due to receive the final report from their valuers by 12th January which will enable them to reach a conclusion on the asset valuation work and evidence. This is prior to liaising the following week with the Council on any findings with the aim of completing their audit assurance work by the end of January to enable them to issue an audit opinion.

3.5 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.

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



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Accounting Policies and Statement of Accounts changes
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	15 January 2018
Policy Document:	Yes
Directorate:	LGSS Finance
Accountable Cabinet Member:	Cllr B Eldred

1. Purpose

1.1 The purpose of the report is to bring the Council's Accounting Policies to Audit Committee for approval.

2. Recommendations

2.1 It is recommended that Audit Committee approve the Accounting Policies that will be applied in completing the 2017/18 Statement of Accounts, as set out at Appendix 1.

3. Issues and Choices

3.1 Report Background

3.1.1 The accounting policies outline how Northampton Borough Council will account for all income, expenditure, assets and liabilities held and incurred during the financial year.

3.1.2 It is good practice to bring these policies to those charged with governance for approval each year.

3.1.3 The accounting policies for the Authority have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code for Local Authority Accounting. Where there is no specific guidance in the CIPFA Code, the Authority has developed its own accounting policy, which is aimed at creating information, which is:

- Relevant to the decision making needs of users; and
- Reliable, in that the financial statements:
- Represent faithfully the financial position, financial performance and cash flows of the entity;
- Reflect the economic substance of transactions, other events and conditions and not merely the legal form;
- Are neutral i.e. free from bias;
- Are prudent; and
- Are complete in all material respects.

3.1.4 The accounting policies of the Authority are updated annually to reflect any changes in IFRS, including changes in International Public Sector Accounting Standards (IPSAS), HM Treasury guidance, CIPFA guidance or any other change in statute, guidance or framework impacting on the authorities accounts.

3.1.5 The accounting policies of the Authority as far as possible have been developed to ensure that the accounts of the Authority are understandable, relevant, reliable and comparable, and free from material error or misstatement.

3.1.6 The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and certain categories of financial instrument.

3.2 Integrated Closure Team

3.2.1 The Integrated Closure Team continues to oversee the preparation of accounts for Northampton Borough Council, Northamptonshire County Council, Cambridgeshire County Council and Milton Keynes Council.

3.2.2 When considering issues for Northampton Borough, including the composition and application of accounting policies, they have been reviewed along with those of the other authorities.

3.3 Changes to Accounting Policies

3.3.1 Although there are no technical changes in the Council's accounting policies to be applied in 2017/18, the wording of certain policies has been enhanced in order to aid clarity and understanding. Such changes have been made to the following paragraphs, which have also been highlighted:

- B.1. Accruals Concept
- B.9. Contingent Assets and Liabilities
- B.27. Minimum Revenue Provision
- B.34. Council Tax and Non Domestic Rates

The numbering of the policies have also been amended in order to aid clarity

3.3.2 In the event that any changes to these accounting policies are identified during the accounts closure process for 2017/18, these will be brought back to the Audit Committee within the 2017/18 final Statement of Accounts at the July meeting.

3.4 Recommendations

3.4.1 The Committee approves the 2017/18 accounting policies as appended.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The report agrees the accounting policies for Northampton Borough Council.

4.2 Resources and Risk

4.2.1 The Accounting Policies outline how the Council will account for all income, expenditure, assets and liabilities held and incurred during the financial year.

4.2.2 If the Council does not comply with the required standards there is a risk that its Statement of Accounts could receive an adverse audit opinion.

4.2.3 There are no resource requirements.

4.3 Legal

4.3.1 There are no legal implications arising from this report.

4.4 Equality

4.4.1 There are no equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 These policies have been discussed with the Council's auditors, KPMG, who have confirmed they are in line with their expectations.

4.6 Other Implications

4.6.1 There are no other implications.

5. Background Papers

5.1 Code of Practice for Local Authority Accounting in the United Kingdom 2017/18 Accounts.

5.2 Code of Practice for Local Authority Accounting in the United Kingdom 2017/18 Accounts – Guidance notes.

Jon Lee, Head of Integrated Finance, LGSS
Mobile no. 07921940444

Appendix 1 – Accounting Policies 2017/18

A. INTRODUCTION

The accounting policies for the Authority have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code for Local Authority Accounting. Where there is no specific guidance in the CIPFA Code, the Authority has developed its own accounting policy, which is aimed at creating information, which is:

- Relevant to the decision making needs of users; and
- Reliable, in that the financial statements:
 - ✓ Represent faithfully the financial position, financial performance and cash flows of the entity;
 - ✓ Reflect the economic substance of transactions, other events and conditions and not merely the legal form;
 - ✓ Are neutral i.e. free from bias;
 - ✓ Are prudent; and
 - ✓ Are complete in all material respects.

This document outlines how Northampton Borough Council (the Council) will account for all income, expenditure, assets and liabilities held and incurred during the 2017/18 financial year.

The accounting policies of the Authority are updated annually to reflect any changes in IFRS, including changes in International Public Sector Accounting Standards (IPSAS), HM Treasury guidance, CIPFA guidance or any other change in statute, guidance or framework impacting on the authorities accounts.

The accounting policies of the Authority as far as possible have been developed to ensure that the accounts of the Authority are understandable, relevant, reliable and comparable, and free from material error or misstatement.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and certain categories of financial instrument.

B. ACCOUNTING PRINCIPLES

i. Going Concern

The Authority prepares its accounts on the basis that the Authority is a going concern; that is that there is the assumption that the functions of the Authority will continue in operational existence. In the case of a pending local government reorganisation, where assets and liabilities are due to be redistributed, the Authority would still account on the basis of going concern as the provision of services would continue in another authority.

ii. Accruals Concept

The Authority accounts for income and expenditure in the period to which the service to which it relates has taken place, rather than when cash payments are received or made.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet respectively. Equally, where cash has been received or paid which is not yet recognised as income or expenditure, a creditor (income in advance) or debtor (payment in advance) is recorded in the Balance Sheet respectively and the Comprehensive Income and Expenditure Statement adjusted accordingly.

iii. Overheads and Support Costs

The costs of overheads and support services are charged to service segments in accordance with the authorities' arrangements for accountability and financial performance.

4. Value Added Tax

Income and expenditure treated as either capital or revenue, excludes any amounts related to VAT. All VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it. Any amounts outstanding (payment or receipt) at the year-end date is held as a creditor or debtor after netting off the amounts due / owed.

5. Changes in Accounting Policy

Where there is a known future change in accounting policy required by the CIPFA Code, the Authority will disclose in the notes to the accounts:

- The nature of the change in accounting policy;
- The reasons why applying the new accounting policy provides reliable and more relevant information;
- For both the current reporting period, and the previous year comparatives reported, the extent to which the change in accounting policy would have impacted on the financial statements if it had been adopted in that year;
- The amount of adjustment relating to years previous to those reported in the set of financial statements, had the proposed policy been adopted retrospectively;
- If retrospective application is impracticable for a particular period, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

The Authority will also disclose information relating to an accounting standard, which has been issued but not adopted.

6. Previous Year Adjustments

Omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- i) Was available when financial statements for those periods were authorised for issue; and
- ii) Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights, or misinterpretations of facts, and fraud.

Where those errors are thought to be material, an adjustment will be entered into the financial statements comparative year balances, and the columns headed restated. In addition full disclosure as to the nature, circumstance, and value of the adjustment will be disclosed in the notes to the accounts.

7. Events after the Balance Sheet date

Where there is a material post balance sheet event, a disclosure in the notes to the accounts will be included. If this event provides additional evidence of conditions that existed at the Balance Sheet date, and materially affects the amounts to be included in the accounts, adjusting items will have been shown in the accounts.

8. Exceptional and extraordinary items

Exceptional and extraordinary items will have been disclosed separately on the face of the Comprehensive Income and Expenditure Statement and details will be disclosed in the notes to the accounts.

9. Contingent assets and liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets and liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Capital Accounting

10. Recognition of Capital Expenditure (de-minimis Policy)

In accordance with International Accounting Standard 16 (IAS 16), the Council recognises non-current assets when all four of the following tests are met:

- Assets held for use in the production or supply of goods or services, rental to others, or for administrative purposes.
- Assets expected to be used for more than one financial period.
- Assets where it is expected that future economic benefit will flow to the Authority.

- Assets where the cost can be measured reliably.

The capital cost of an asset is recognised to be:

- Purchase price, construction cost, minimum lease payments or equivalent including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- Costs associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner required by management.
- Initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, the obligation for which the Authority incurred either when the asset was acquired or because of having used the asset during a particular period for purposes other than producing inventories during that period.
- Subsequent expenditure that will substantially increase the market value of the asset.
- Subsequent expenditure that will substantially increase the extent to which the Authority can use the asset for the purpose, or in conjunction with the functions of the Authority.

The Authority has a general de-minimis level of £6,000 for capital expenditure purposes. Where an asset has been acquired for less than £6,000 but has been funded by ring-fenced capital funding, this will be treated as capital.

Capital Assets are held on the balance sheet as non-current assets, unless otherwise stated.

11. Non-Current Asset Classification

The Authority manages its assets in the following categories:

i. Intangible Assets.

In line with International Accounting Standard 38 (IAS 38), the Authority recognises intangible assets as non-monetary assets without physical substance, where that asset meets the capital expenditure criteria set out in accounting policy j.

ii. Property, Plant and Equipment Assets

Property Plant and Equipment Assets are subcategorised into Operational Land and Building, Community Assets, Vehicles Plant and Equipment, Infrastructure Assets, Assets under Construction and Non-Operational Assets.

- **Land and/or Buildings Assets**, in line with IAS 16, are recorded, valued and accounted for based on their significant components.
- **Community Assets** are assets that have no determinable useful life and which may, in addition, have restrictions on their disposal. There is little prospect for sale or change of use.

If the asset is used for a specific operational purpose, it does not qualify as a community asset and should be valued accordingly.

Test for Community Assets:

- Is the intent to hold the asset forever?
- Does the asset have an indeterminable useful life?
- Are there restrictions on disposal?

The answers for the first two questions have to be yes, while an affirmative answer to the third question is not obligatory but may help determine the correct classification.

- **Infrastructure Assets**, include all tangible (physical) assets required within the authorities land drainage system, and cemetery roadways. There is no prospect for sale of infrastructure assets; expenditure is only recoverable through continued use of the asset.
- **Vehicles, Plant and Equipment Assets and Assets under Construction** are also classified as Property Plant and Equipment where they do not meet the criteria for Investment Property Assets or Assets Held for Sale.
- **Surplus Assets** are assets, which the Authority no longer operates from, however do not meet the definition of held for sale. All surplus assets are treated in the same way as operational assets of the same type (valuation, depreciation, recognition etc.).
- **Heritage Assets** are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that make it important to ensure that they are preserved for future generations. They may be any kind of asset including buildings, works of art, furniture, exhibits, artefacts, etc. or intangible assets such as recordings of significant historical events.

As such, assets in this category are held principally for their contribution to knowledge and/or culture.

- **Investment Property Assets** are items of land and / or buildings held by the Authority solely for the purpose of rental income generation or capital appreciation or both.

Therefore, where there is a service of the Authority being delivered from the property, this is not classified as Investment Property Assets. This includes where the intention of the asset is to generate economic growth to an area such as below market value rental.

Some Assets under Construction will also be classified as Investment Property Assets where the intended eventual use is rental income generation or capital appreciation.

- **Assets Held for Sale** – This classification is used when:
 - The asset is in the condition required for sale and is vacant.
 - The assets sale is highly probable.
 - The asset has been advertised for sale and a buyer sought.
 - The completion of the sale is expected within 12 months.

- Assets which become non-operational / surplus which do not meet all of the requirements set out as assets held for sale continue to be classified and accounted for as their previous category. In addition, if the asset later no longer meets the criteria, it is restored to its previous classification and all transactions, which would have occurred, shall be retrospectively applied as though the asset had never been held for sale. Investment properties, which become available for sale, remain as Investment Properties.
- Assets meeting the criteria as held for sale are held as current assets on the balance sheet as income is expected within 12 months.
- It is possible that assets meet the criteria to be held for sale; however, a change in circumstance beyond the control of the Authority means that the sale is delayed beyond 12 months. In these instances, the Authority follows the policies outlined for assets held for sale; however, disclosure of the value for these assets is within non-current assets.

12. Non-Current Asset Valuation Methodology

The various classifications of assets as outlined in accounting policy 11 are valued on differing bases. Where not explicitly stated otherwise, property revaluations are completed by an RICS qualified valuer, on a 5-year rolling programme, i.e. 20% of the Council's assets are revalued each year. Valuations are carried out in accordance with IFRS Fair Value Measurement.

Where there is an upward revaluation, the carrying value is increased and the associated credit charged directly to the revaluation reserve. This is then reflected in the MIRS as a revaluation gain. Where there is a revaluation, which results in a lower than carrying amount valuation, this is treated in line with accounting policy m impairment of assets. Exceptionally, gains might be credited to the Surplus/Deficit on Provision of Services where they arise from the reversal of a loss previously charged to a service.

Valuations are completed as follows:

- **Intangible Assets** - the Authority recognises Intangible Assets at cost. The Authority will revalue intangible assets annually where there is determinable market value for the asset.
- **Property Plant and Equipment** - Property Assets are held at fair value, which is the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation based on exiting use value (EUV) in accordance with IFRS 13. As a matter of last resort, where no other valuation method can be used, depreciated replacement cost is used.
 - **Council Dwellings** – Land and building structure are valued at EUV for Social Housing, being 33% of market value. Individual components are valued at Depreciated Historic Cost.
 - **Plant Vehicles and Equipment** - are held at depreciated historic cost.
 - **Assets Under Construction** – are held at historic cost.

- **Community Assets** - the Authority recognises Community Assets at depreciated historic cost.
- **Surplus Assets** – are held at fair value.
- **Infrastructure Assets** - the Authority recognises Infrastructure Assets at depreciated historic cost (not revalued).
- **Investment Property Assets** - Investment Properties are annually revalued at fair value, which is to be interpreted as the amount that would be paid for the asset in its highest and best use, i.e. market value. This includes investment property under construction. The fair value of investment property held under a lease is the lease interest.
- **Assets Held for Sale** - Assets held for sale are held at fair value.
- **Heritage Assets** – Heritage Assets are held at valuation where practicable (and at depreciated historic cost where it is not practicable to obtain a valuation).

13. Impairment of Non-Current Assets

The accounting policy has been created in accordance with IAS 36.

Impairment is the amount to which the carrying amount of an asset exceeds the recoverable amount.

At the end of each reporting period the Authority assesses whether there is any indication that an asset may be impaired

The Authority recognises impairment as:

- A significant decline (i.e. more than expected as a result of the passage of time or normal use) in an assets market value during the period;
- Evidence of obsolescence or physical damage of an asset;
- A commitment by the Authority to undertake a significant reorganisation; and
- A significant adverse change in the statutory or other regulatory environment in which the Authority operates.

Where there has been a previous revaluation taken to the revaluation reserve, an impairment up to that value would reverse the previous revaluation. Any further impairment or if there has been no previous revaluation, the impairment is charged to revenue. This is then reversed through the movement in reserves statement and charged to the capital adjustment account.

14. Disposal of Non-Current Assets

Where an asset is identified as surplus to requirements, and meets the definition of an asset held for sale (see note 11) it will be accounted for in accordance with note 11, where an asset does not meet the classification of available for sale it will be tested for impairment, prior to being made available for disposal. There will be no impairments at the point of disposal. When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on

disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Sale proceeds in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts are credited to the Useable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement). Receipts are transferred to the Reserve from the movement in reserves statement. The value of the asset is transferred to the capital adjustment account via the movement in reserves statement.

Sale proceeds below £10k are below de-minimis and are credited straight to the Comprehensive Income and Expenditure Statement.

15. Depreciation / Amortisation Methodology

Depreciation is provided for on all completed assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. Depreciation is calculated using the Straight-Line method over the determined life of the asset. The Council depreciates assets in the year of acquisition and disposal. This is in accordance with regulations. Where an asset has major components with different estimated useful lives, these are depreciated separately.

Residual values

Asset Type	Assumed Residual Value
Property Assets	Land Value only
Vehicles, Plant and Equipment	Nil
Intangible Assets	Nil

Useful Economic Lives of assets are:

Asset Group	Useful economic Lives (UELs)
Council Dwellings	50 years
Housing Buildings	10-70 years*
Other Buildings	4-69 years*
Land	Not depreciated
Community Assets	15-50 years*
Heritage Assets	Not depreciated*
Infrastructure Assets	25 years
Intangible Assets	3-10 years*
Vehicles, Plant and Equipment	3-25 years*
Investment Properties	Not depreciated
Assets Held for Sale	Not depreciated
Surplus Assets	5-60 years*

* Depending on the nature of the specific asset

In the Year of acquisition and disposal, the Authority charges a quarter of the annual depreciation where the asset is owned on the first day of each financial quarter.

Individual components within Council Dwellings are depreciated separately from the building structure, using the following lives:

Asset Group	Useful Economic Lives (UELs)
Kitchens	20 years
Bathrooms	30 years
Windows and Doors	30 years
Heating Systems	20 years
Lights and Electric	25 years

16. Component Accounting

For **Council Dwellings** the following components are valued, enhanced and depreciated separately – Kitchen, Bathroom, Windows and Doors, Heating Systems and Lights and Electrics. No other components are material and are therefore treated as part of the building structure. The separately identified components will be depreciated over their useful lives. They will be derecognised when replaced by new components.

For **all other assets**, components will only be shown separately in the asset register if they are significant i.e. if they cost more than £250,000 and their cost amounts to more than 25% of the total cost of the asset. Where the value of an asset is not known, Gross Book Value will be used as a proxy for the determination of significant components.

Land and buildings will be separately valued. The building component will be fully depreciated over its useful life, the residual value of the whole asset being the land component.

The nature of property assets is such that any revaluation relates mainly to the land and structure so will not be passed down to any individual components that have been identified.

Non-dwelling assets will be considered for componentisation if they are material, i.e. have a total building valuation in excess of £1m. Components will only be separately valued if they are significant, i.e. above the de-minimis level of 25% detailed above.

Components will only be separately valued if they are significant, i.e. above the de-minimis level detailed above.

Components will be derecognised if their replacement is deemed significant under this policy, i.e. if the cost of it is more than £250,000 and amounts to more than 25% of the total cost of the asset.

Where significant components, as defined above, have been separately recorded on the Asset Register they will be depreciated over their useful lives.

17. Leases

In line with the interpretation IFRIC 4, the Authority recognises a lease to be any agreement, which transfers the right to use an asset for an agreed period in exchange for payment, or a series of payments.

This includes; leases, hire purchase, rental, contracts of service, service level agreements and any other arrangement where the ability to use an asset is conveyed.

18. Defining a Finance Lease

Under a finance lease, substantially all of the risks and rewards incidental to ownership transfer to the lessee.

Tests to give an indication of the transfer of risk and reward are:

- If the lessee will gain ownership of the asset at the end of the lease term, (e.g. hire purchase).
- If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised.
- If the lease term is for the major part of the economic life of the asset even if title is not transferred.
 - The economic life of the asset is deemed to be that which is consistent with the class of asset in the depreciation policy.

- The Authority recognises major part to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
 - The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease.
 - If this rate cannot be determined, the incremental borrowing rate applicable for that year is used.
 - The Authority recognises “substantially all” to mean 90% of the value of the asset. In some circumstances, a level of 75% can be used if the Council believes that using this level will give a result that better reflects the underlying transaction.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.
- If the lessee cancels the lease, the losses of the lessor, associated with the cancellation are borne by the lessee.
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

A suitably experienced accountant, with assistance from qualified valuers, will make a judgement based on the level of risk and reward held by the Authority as to whether an asset is operating or finance.

19. Defining an Operating Lease

Any lease that is not a finance lease is recognised by the Authority to be an operating lease.

20. Lessee Accounting for a Finance Lease

Where the Authority is tenant in a property or is, by the IFRIC 4 definition, leasing an asset that is deemed under IAS 17 to be a finance lease the Authority will recognise that asset within the asset register, and account for that asset as though it were an owned asset.

The initial recognition of the asset is at the fair value of the asset, or if lower, the present value of the minimum lease payments. A liability is also recognised at this value, which is reduced as lease payments are made. Lease payments made to the lessor, are split between the repayment of borrowings, and interest, which is charged to the Income and Expenditure account.

21. Lessor Accounting for a Finance Lease

Where the Authority is the lessor for a finance lease, the asset is not recognised in the asset register; however, a long-term debtor at the present value of minimum lease payments is recognised. Income received is split between capital - credited against the debtor, and finance income credited to the Comprehensive Income and Expenditure Statement as interest receivable.

22. Lessor Accounting for an Operating Lease

Where the Authority is the lessor for an operating lease, normally the asset is classified as an investment property. Any rental income is credited to the relevant service income.

23. Lessee Accounting for an Operating Lease

Costs associated with operating leased assets where the Authority is the lessor are charged immediately to the relevant revenue service expenditure within the net cost of services on an accruals basis.

24. Service Concession Agreements (PFI and other similar contracts)

PFI and similar arrangements are usually agreements with the private sector for the construction or enhancement of fixed assets needed to provide services to a public sector body. PFI and similar contracts are assessed against criteria within IFRIC 12 (Service Concession Arrangements) to determine whether the risks and rewards incidental to ownership lie with the Authority or the contractor.

Where these lie with the contractor, all payments made during the life of the contract are chargeable to revenue as incurred.

Where these lie with the Authority, the Authority shall assess them against two tests:

- a) The local authority controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and where
- b) The local authority controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the infrastructure at the end of the term of the arrangement.

Where test a) is met but not test b) the arrangement is reviewed to see if it contains an embedded lease, in which case this will be accounted for in accordance with the Authority's leasing policies.

Where test b) is met but not test a) the Authority will recognise the difference between the expected value of the fixed assets at the end of the arrangement and the amount (if any) it will have to pay the contractor then.

Where both tests are met, the Authority will recognise a Property, Plant or Equipment asset in the Balance Sheet for value of the construction costs. Once recognised this asset is treated in line with the Authority's other PPE assets. A corresponding long-term liability of equal value is also recognised.

Payments made during the life of the contract are split into finance costs, capital costs and service costs. The split of payments is calculated at the inception of the contract and is based on the inherent interest rate within the original agreement. Finance costs are chargeable to the Comprehensive Income and Expenditure Statement as Interest

payable. Capital Costs reduce the level of liability in the Balance Sheet. Service costs are chargeable to the relevant revenue service expenditure. Pre-payments or Dowry payments reduce the level of liability at the start of the contract.

PFI Credits are treated as general revenue government grants.

25. Capital Grants and Contributions

The Authority recognises capital grants and contributions as being related to capital assets and uses them to fund capital expenditure on those assets. Grants, contributions, and donations are recognised as income at the date that the Authority has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received.

Any grant received before these recognition criteria were satisfied would be held as a capital grant received in advance. Any grant, which had met the recognition criteria but had not been received, would be shown in the Comprehensive Income and Expenditure Account with a corresponding debtor. This is in line with the accruals concept policy.

Once the recognition criteria above have been satisfied, capital grants are recognised as income in the relevant service revenue account within the net cost of services.

In order that the level of Council Tax is not affected, the Authority removes the credit from the General Reserves through the Movement in Reserves Statement, and crediting to the Capital Grants Unapplied Reserve.

Once expenditure has been incurred on the related asset, the credit is removed from the Capital Grants Unapplied Reserve and credited to the Capital Adjustment Account.

Relevant Government Grants are treated in accordance with this policy.

26. Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions or that is capital in nature but does not result in the creation of non-current assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement so there is no impact on the level of Council Tax.

27. Minimum Revenue Provision (MRP)

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from overall borrowing requirement – the Minimum Revenue Provision.

The Council has implemented the 2012 CLG Minimum Revenue Provision (MRP) guidance, and assessed their MRP in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

Where a historical debt liability was created prior to 1st April 2008, MRP will be charged at the rate of 4% on the reducing balance, in accordance with Option 1 of the guidance, the “regulatory method”.

The debt liability relating to capital expenditure incurred from 2008-09 onwards is subject to MRP under option 3, the “asset life method”, and is charged over a period that is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, is related to the estimated life of that building.

Estimated life periods are determined in line with accounting guidance and regulations. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, the Council generally adopts these periods. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives are assessed on a basis that most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it is grouped together in a manner that reflects the nature of the main component of expenditure and is only be divided up in cases where there are two or more major components with substantially different useful economic lives.

The Council seeks to spread MRP charges prudently in relation to asset lives, and with regard to the revenue impact of MRP charges. Where prudent to do so, capital receipts are used to repay borrowing previously taken out in relation to assets with a short life. MRP on residual debt is based on the lives of the remaining asset for which borrowing was undertaken.

MRP is charged from the financial year after the asset comes into use. In cases where the Council has approved the use of capital receipts to fund the asset, this funding is assumed when the receipt is contractually certain, even if not actually received. In such cases, no MRP charge is made.

Where finance leases are held on the balance sheet, the MRP is set at a charge equivalent to the element of the annual lease charge that goes to write down the balance sheet liability, thereby applying Option 3 in a modified form.

The Council has taken advantage of any transitional arrangements introduced to minimise or negate the impact of retrospective accounting adjustments because of the transfer to the balance sheet of finance leases previously treated as operating leases under the introduction of IFRS.

28. Capital Reserves

The Authority holds capital reserves for financing capital expenditure. Reserves will be disclosed as either usable (available to fund capital expenditure) or unusable (reserves held as a result of timing differences associated with recognition of capital expenditure and related financing).

Movements in capital reserves are accounted for through the Movement in Reserves Statement.

Revenue Accounting

29. Recognition of Revenue Expenditure.

The Authority recognises revenue expenditure as expenditure, which is not capital.

30. Employee Costs

In accordance with IAS 19, the Authority accounts for the total benefit earned by employees during the financial year.

Employee Costs are split into three categories; short term benefits, termination benefits and pensions costs.

Short-term employee benefits:

- **Salaries and Wages** - The total salary and wages earned by employees within the financial year have been charged to the revenue expenditure account. Where the amount accrued exceeds the amount paid at the 31st March, a creditor will be reflected in the accounts.
- **Leave Owed** - The Authority allows employees to earn time off in one period and carry forward amounts of accrued leave into the following period, such as annual leave, flexi-time and time off in lieu. The cost associated with this leave is attributable to the period in which it is earned, rather than when it is exercised. As such, a charge has been made to the service revenue account and a creditor accrual has been reflected in the Balance Sheet.
- **Maternity/Paternity Leave** - The obligation upon the Authority to allow maternity leave and pay maternity pay occurs in mid stages of pregnancy. The cost associated with this leave is attributable to the period in which the obligation is created, rather than when it is exercised. As such, a charge has been made to the service revenue account and a creditor accrual has been reflected in the Balance Sheet for time off owed at the 31st March.

Termination Benefits

- **Redundancy Costs** - The obligation to pay redundancy costs occurs when there is a formal plan to create redundancies, which has been approved. The plan would include the location, function and approximate number of employees affected; the termination benefits offered; and the time of implementation. When these

recognition criteria have been met, the Authority recognises the costs associated with this in the service revenue expenditure and create a creditor in the Balance Sheet.

In the case of an offer to encourage voluntary redundancy, the Authority has recognised the estimated cost based on the expected number of employees taking the offer.

- **Pensions Costs**

Employees of the Council are members of the Local Government Pension Scheme administered by Northamptonshire County Council. The Scheme provides benefits to members (retirement lump sums and pensions) earned as employees of the Council.

The Local Government Pension Scheme is a defined benefit scheme. The liabilities of the scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of earnings for current employees.

Pension liabilities are measured using the projected unit method and discounted at the balance sheet date rate of return on high quality corporate bonds of equivalent term to the liabilities. The discount rate is the weighted average of spot yields on AA rated corporate bonds.

The change in the net pension liability is analysed into seven components:

- Current service cost - the increase in liabilities as result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
- Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
- Expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
- Gains/losses on settlements and curtailments the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Statement of Comprehensive Income and expenditure.
- Contributions paid to the Northamptonshire County Council Pension Fund – cash paid as employers contributions to the Pension Fund.

In relation to retirement benefits, statutory provisions require the General Reserves to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. Adjustments are therefore made in the Movement in Reserves Statement.

- **Early Retirement, Discretionary Payments** - the Authority has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

31. Revenue Grants and Contributions

Grants, contributions, and donations are recognised as income at the date that the Authority has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received. Any grant received before these recognition criteria were satisfied would be held as a creditor (receipts in advance). Any grant, which had met the recognition criteria but had not been received, would be shown as a debtor. This is in line with the accruals concept policy.

Revenue grants can be used either only for a specific purpose or for general purposes. Those for a specific purpose are recognised as income in the relevant service revenue account (wherever the related expenditure is incurred) within the net cost of services. Those, which are for general purpose, are shown in the foot of the Comprehensive Expenditure and Income Statement, before the net surplus or deficit.

32. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits but where the timing of that transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Authority recognises an obligation, based on the best estimate of the likely settlement. When payments are eventually made, it is charged to the provision.

Estimated settlements are reviewed at the end of each financial year and adjustments with the service revenue account are made as required.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

33. Revenue Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against Council Tax in that year for the expenditure.

The Council maintains earmarked reserves for a number of reasons including: -

- Setting aside money for future policy initiatives;
- To finance expenditure on future projects;
- To mitigate the impact between financial years of expenditure and income on general working balances;
- To mitigate the effect of specifically identified significant risks; and
- To protect the Authority against unexpected events and change in legislation.

The Council's risk-based assessment of the required level of General Fund working balance is shown within the Movement in Reserves Statement. The level of general working balance is considered reasonable due to the mitigation of some risks through the holding of earmarked reserves.

Certain reserves are kept to manage the accounting processes for tangible fixed assets, retirement benefits, and financial instruments and these reserves do not represent usable resources for the Council. The usable Earmarked Reserves are set out in the notes to the Statement of Accounts.

34. Council Tax and Non-domestic Rates

General

Billing authorities like Northampton Borough Council act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be

included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Council Tax

If the net cash paid to the Authority in the year is more than its proportionate share of net cash collected from Council Tax debtors in the year the Authority will recognise a credit adjustment for the same amount in creditors after adjusting for the previous year brought forward and vice versa if net cash paid is less than the proportionate share.

The Cash Flow Statement includes within operating activities the net Council Tax cash received from the Collection Fund in the year (i.e. the precept for the year plus its share of Collection Fund surplus for the previous year, or less the amount paid to the Collection Fund in respect of its share of the previous year's Collection Fund deficit). The difference between the net cash received from the Collection Fund and the Authority's share of cash collected from Council Tax debtors by the billing authority in the year is included within financing activities in the Cash Flow Statement.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

Non-Domestic Rates

The Local Government Finance Act 2012 amended the 1988 Local Government Finance Act to give local authorities the power to retain a proportion of funds obtained from business rates in their area.

The changes under the 'Localisation of Business Rates' means that from April 2013, local authorities retain a share of the income they collect from business rates as funding to meet the cost of service provision. Prior to this date, all business rates in England were paid to Central Government from the billing authorities, and a proportion was then paid back to each authority as Formula Grant.

The Department for Communities and Local Government guidance indicates that each billing authority should formally set a Business Rate Baseline each year. This baseline will be the authority's estimate of the business rates it forecasts to collect in the following financial year, net of any reductions such as reliefs and estimated cost of appeals.

As such, the business rates the Council collected and retained are adjusted for the anticipated outcome of the on-going national backlog of Business Rate appeals cases, which are still currently being assessed by the Valuation Office.

35. Inventories and long-term contracts

Inventories include goods held for future use. Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Inventories are recorded in terms of average cost. Work in progress on long-term contracts is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works. The Council currently does not have any contracts that fulfil this criterion.

36. Provisions for bad and doubtful debts

In order to reflect the varied nature of debtors within the Council, the basis for providing for bad debts is specific to the circumstances in each individual department. The general policy followed is:

- No public sector debt is provided for (other Local Authorities, NHS, or Central Government).
- Aged debt is reviewed and a reasonable percentage provided for.

Significant individual invoices are reviewed and wholly provided for where it is thought to be necessary.

Treasury Management

37. Definition of Treasury Management Activities

The Authority has adopted the following definition of Treasury Management activities:

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

The Authority regards the successful identification, monitoring, and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Authority.

The Authority acknowledges that effective treasury management will provide support towards the achievement of its service objectives. It is therefore committed to the principals of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

38. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost.

Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal

repayable plus any interest accrued to 31st March and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Reserves to be spread over future years.

The Authority has a policy of spreading the gain/loss over the term of the replacement loan subject to a minimum period of 10 years with the case of discounts. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Reserves is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

39. Financial Assets

Financial assets are classified into two types:

- **Loans and receivables** - assets that have fixed or determinable payments but are not quoted in an active market.

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus any interest accrued to 31st March and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. However, the Council could make loans to organisations or individuals at less than market rates (soft loans).

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Reserves is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Reserves is managed by a transfer to or

from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

- **Available-for-sale assets** - assets that have a quoted market price and/or do not have fixed or determinable payments.

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument.

Values are based on the following principles:

- Instruments with quoted market prices the market price.
- Other instruments with fixed and determinable payments discounted cash flow analysis.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Movement in Reserves Statement. The exception is where impairment losses have been incurred these are debited to the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

- **Financial assets at fair value through income and expenditure** – The council does not generally deal in derivatives but may take out forward loans from time to time as part of its overall Treasury Management Strategy.

40. Interests in Companies and Other Entities

The Council owns one subsidiary, Northampton Partnership Homes, and has prepared Group Accounts in accordance with policy 44. The Council has one Joint Arrangement, the Joint Planning Unit that is Not an Entity (JANEs); this is not material to the accounts.

41. Business Improvement Districts

The Council collects Business Rates in respect of two Business Improvement Districts (BIDs), the first based on the Brackmills Industrial Estate geographic area, and the second based on the Town Centre geographic area. For both of these BIDs, the Council collects the business rates and pays the amount collected over to the BID on a monthly basis. The money collected is treated as a creditor in the Council's accounts to reflect the fact that the cash received will be paid to the BID and any balances are only there because of a timing issue.

42. Cash and Cash Equivalents

Cash is represented by notes and coins held by the Authority and deposits available on demand. Cash equivalents are short-term, liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the authority's cash management.

Bank overdrafts will only be shown separately as liabilities in the Balance Sheet where they are not an integral part of the Council's cash management; no such instances currently exist that would require separate disclosure from cash and cash equivalents.

43. General Government Grants

General government grants and contributions in the form of Revenue Support Grant, Retained Business Rates, New Homes Bonus, etc. are disclosed on the face of the Comprehensive Income and Expenditure Statement in the line Taxation and Non-Specific Grant Income.

44. Group Accounts

The Council is required to produce Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates and/or joint ventures. The Council has concluded that the requirement to produce Group Accounts applies in relation to its interest in Northampton Partnership Homes. In the Council's single-entity accounts, the interest in the company is recorded as a 'financial asset at cost less any provisions for losses'.

Appendices
6



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Risk Review of 2018/19 Budget
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	15 January 2018
Policy Document:	No
Directorate:	Resources
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 To present the risk assessment of the budget proposals to Audit Committee for consideration.

2. Recommendations

2.1 That the Audit Committee considers issues in relation to risk within the budget proposals for 2018/19 and comments appropriately.

3. Issues and Choices

3.1 Report Background

3.1.1 The Chief Finance Officer is required to make a statement on the Robustness of Estimates when the proposed budget is brought to Council for approval.

3.2 Issues

3.2.1 The 2018/19 budgets have been developed in the context of the Efficiency and Medium Term Financial Strategy (EMTFS) for General Fund and the 30-year HRA Business Plan forecasts. In order to ensure that the Council's financial position is sustainable, not just for the next year, but over the medium term, we have made ourselves more efficient and are also making tough choices and putting forward proposals for savings and additional income generation.

- 3.2.2 Proposals for General Fund savings, income generation and growth are set out in Appendix 2. These are currently out for public consultation prior to final decisions to be made in February.
- 3.2.3 The summary 2018/19 GF Budget and Medium Term Financial Plan (MTFP) is set out in Appendix 1. This includes a significant increase in costs for Environmental Services, which has been forecast for several years and reserves have been built up to mitigate this increase. The Council proposes to purchase the vehicles and other equipment required for delivery of these services, and lease these to the successful contractor, utilising the lower borrowing costs available to the Council. The cost of repaying this borrowing will be met from an earmarked reserve set aside for the purpose, although the Council may utilise capital receipts for this purpose if they become available in the future. This utilisation of an earmarked reserve reduces the net cost of the new contract by an estimated £1m per annum
- 3.2.4 The MTFP shows a forecast further savings requirement of £1.2m from 2020/21 onwards. The exact figure is subject to any changes to government funding and other forecast changes to budgets. These further savings can be achieved through the strands set out in the approved Efficiency and Medium Term Financial Strategy.
- 3.2.5 Proposed budgets for HRA revenue and capital are shown in Appendices 4, 5 and 6. This shows a balanced positions over the period from 2018 to 2023.
- 3.2.6 The table below identifies the strategic risks within the budgets and mitigation against these risks.

Risk	Mitigation
The Council's financial position over the medium term is not sustainable	NBC are in a good financial position as at January 2018 with a balanced budget and reasonable levels of reserves
Conflict between Corporate Plan priorities and Efficiency and Medium Term Financial Strategy savings targets	The workstreams of the Corporate Plan and EMTFS are aligned. Cabinet approval of EMTFS, regular meetings with Leader/Cabinet Member Finance
Non delivery of financial targets set out in the Budget and Medium Term Financial Plan (MTFP)	Appropriate governance arrangements are a key part of the MTFP, to monitor progress and take action if targets are not being delivered.
High level of capital investment required to deliver plan	Effective treasury management to minimise interest and MRP
High level of earmarked reserves required to deliver plan	Consolidation of reserves and controls over future allocations

3.2.7 As part of the budget process the Council determines a prudent minimum level of General Fund balances to hold against general risks. This is informed by a risk assessment, which has been refreshed in the development of the draft budget and currently suggests that £5.5m remains a prudent level of general reserves. This may change as the budget is finalised and any change in the Council's exposure to risk is identified.

3.2.8 The Governance Action Plan includes actions designed to deliver improvements directly affecting financial governance, risk management and project management. All of these improvements will reduce the risks associated with the Council's revenue and capital budgets.

3.3 Choices (Options)

3.3.1 The Audit Committee is asked to consider the risk issues in relation to the draft budget for 2018/19 and make comments or recommendations to the Chief Finance Officer.

3.3.2 The Audit Committee may consider that the risk issues in relation to the draft budget require comment and therefore make their comments to Cabinet for consideration when agreeing the final budget proposals

4. Implications (including financial implications)

4.1 Policy

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

4.2 Resources and Risk

4.2.1 This report outlines measures taken to identify and mitigate risks in relation to the General Fund and Housing Revenue Account budget proposals, both revenue and capital.

4.3 Legal

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

4.4 Equality

4.4.1 Equality and Diversity are being considered as a part of the budget build process, and an equalities assessment will be completed for the relevant budget proposals before they are brought to Council for final decision later in February 2018.

4.5 Consultees (Internal and External)

4.5.1 Internally Heads of Service and Management Board have been consulted, and involved in the budget risk assessment process.

4.5.2 Externally, the public are being consulted as part of the budget consultation exercise and specific consultation exercises, aimed at affected groups, will have been and will be undertaken in respect of specific budget proposals.

4.6 Other Implications

4.6.1 There are no other specific issues arising from this report.

5. Background Papers

5.1 Appendices

Appendix 1 General Fund Budget Summary

Appendix 2 General Fund Savings and Growth List

Appendix 3 General Fund Capital Programme and Funding

Appendix 4 Housing Revenue Account Summary Budget

Appendix 5 Housing Revenue Account Capital Programme and Funding

Appendix 6 NPH Total Fee Schedule

Glenn Hammons Chief Finance Officer, Telephone 01604 366521

General Fund Budget Summary 2018 - 2023



Description	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23
	£	£	£	£	£
Service Base Budget	27,474,793	27,576,953	27,894,471	28,094,317	28,439,914
Medium Term Planning Options					
Savings and Efficiencies	(1,562,000)	(2,137,000)	(2,316,000)	(2,537,000)	(2,647,000)
Total Savings	(1,562,000)	(2,137,000)	(2,316,000)	(2,537,000)	(2,647,000)
Growth					
Environmental Services - Net Budget Increase	2,977,000	2,400,000	2,400,000	2,400,000	2,400,000
Other Growth	230,000	230,000	230,000	230,000	230,000
Total Growth	3,207,000	2,630,000	2,630,000	2,630,000	2,630,000
Total MTP Options	1,645,000	493,000	314,000	93,000	(17,000)
Gross Revenue Budget	29,119,793	28,069,953	28,208,471	28,187,317	28,422,914
Corporate Budgets					
Debt Financing	1,409,000	1,379,000	1,531,000	1,732,000	1,863,000
Recharges from General Fund to HRA	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)
Parish Grants	(18,584)	(18,584)	(18,584)	(18,584)	(18,584)
Parish Precepts	1,076,092	1,076,092	1,076,092	1,076,092	1,076,092
Contribution to/(from) Earmarked Reserves	(553,792)	(591,000)	(393,000)	(396,000)	(400,000)
Total Corporate Budgets	(587,284)	(654,492)	(304,492)	(106,492)	20,508
Net Budget	28,532,509	27,415,461	27,903,979	28,080,825	28,443,422
Funding					
Revenue Support Grant	(886,014)	0	0	0	0
Business Rates Retention Scheme	(8,345,727)	(8,380,600)	(8,401,824)	(8,401,824)	(8,401,824)
New Homes Bonus	(3,301,627)	(2,883,845)	(1,625,190)	(1,253,563)	(1,029,679)
Total Government Funding	(12,533,368)	(11,264,445)	(10,027,014)	(9,655,387)	(9,431,503)
Council Tax					
Band D Council Tax	217.91	222.91	227.91	232.91	237.91
Tax Base	66,874	67,628	68,452	69,337	70,345
NBC Council Tax	(14,572,449)	(15,074,924)	(15,600,873)	(16,149,347)	(16,735,826)
Parish-related Council Tax	(1,076,092)	(1,076,092)	(1,076,092)	(1,076,092)	(1,076,092)
Total Council Tax	(15,648,541)	(16,151,016)	(16,676,965)	(17,225,439)	(17,811,918)
Surplus on Collection Fund	(350,600)	0	0	0	0
Total Funding	(28,532,509)	(27,415,461)	(26,703,979)	(26,880,825)	(27,243,422)
Budget Gap	0	0	1,200,000	1,200,000	1,200,000

MTP Savings and Growth Options

MTP Ref.		Forecast Savings				
		2018/19	2019/20	2020/21	2021/22	2022/23
		£	£	£	£	£
	Savings Options					
E003BS	Support Service Savings - GF Share		-310,000	-438,000	-659,000	-769,000
	Organisation Redesign	-370,000	-510,000	-561,000	-561,000	-561,000
	Increased Income:					
S036CC	Increase Daily Parking to £8	-100,000	-100,000	-100,000	-100,000	-100,000
S037CC	Car Parking - £2 charge Saturday & Sunday	-700,000	-700,000	-700,000	-700,000	-700,000
S024CC	Staff Parking Charges	-40,000	-40,000	-40,000	-40,000	-40,000
S017CC	Market Rubbish Collection - charging	-10,000	-10,000	-10,000	-10,000	-10,000
E006REP	Planning Fee Income	-200,000	-200,000	-200,000	-200,000	-200,000
E007CC	Guildhall Accomodation Strategy	0	-50,000	-50,000	-50,000	-50,000
E019CC	Increase car park capacity in town centre	0	-75,000	-75,000	-75,000	-75,000
	Service funding reductions					
S015CC	Cost Saving on Bloom	-18,000	-18,000	-18,000	-18,000	-18,000
S018CC	Reduction in Events Programme	-30,000	-30,000	-30,000	-30,000	-30,000
S021CC	Reduction in Total Voluntary/Community Funding to £1.07m	-94,000	-94,000	-94,000	-94,000	-94,000
		-1,562,000	-2,137,000	-2,316,000	-2,537,000	-2,647,000
	Growth Proposals					
G001CC	Client Support - ES Contract	60,000	60,000	60,000	60,000	60,000
G002CC	Abington Museum - Extended Opening Hours	20,000	20,000	20,000	20,000	20,000
G006CX	Reduce Working hours to 37	150,000	150,000	150,000	150,000	150,000
		230,000	230,000	230,000	230,000	230,000

Proposed General Fund Capital Programme 2018-19 to 2022-23

Project Title	Funding Source	2017-18 Latest £	2018-19 £	Indicative				Total £
				2019-20 £	2020-21 £	2021-22 £	2022-23 £	
<u>Housing - General Fund</u>								
Disabled Facilities Grant	G, C	1,475,000	1,475,000	1,475,000	1,475,000	1,475,000	1,475,000	8,850,000
<u>Self-funded</u>								
IT Infrastructure	S-F	195,000	150,000	150,000	150,000	150,000	150,000	945,000
<u>Town Centre Improvements</u>								
Market Stall Covers	C	20,000		20,000	20,000			60,000
<u>Block Programmes - specific schemes to be agreed</u>								
Capital Improvements - Regeneration Areas	C	322,000	50,000	50,000	50,000	50,000	50,000	572,000
Parks/Allotments/Cemeteries Enhancements	C	164,000	250,000	250,000	250,000	250,000	250,000	1,414,000
Car Park Lifts	C	500,000	200,000					700,000
Operational Buildings - Enhancements	C	529,000	250,000	250,000	250,000	250,000	250,000	1,779,000
Commercial Landlord Responsibilities	C	135,000	50,000	50,000	50,000	50,000	50,000	385,000
<u>Other Schemes due to complete in 2016/17</u>	G, R, C	4,593,000						
<u>Development Pool (Estimated Costs)</u>								
Vulcan Works - reprofiled	G, C	717,000	477,000	10,270,716				11,464,716
Central Museum Development - reprofiled	C	1,352,000	5,198,000					6,550,000
St James Mill Link Road - reprofiled	G, EZ	600,000	1,260,000	140,000				2,000,000
St Peters Waterside - reprofiled	G	150,000	881,000					1,031,000
Revenues and Benefits Capital Investments	C	147,000	121,000	20,000	20,000	20,000	20,000	348,000
<u>New Proposals</u>								
Horizon Park	S-F		525,000	7,350,000	1,225,000			9,100,000
Leisure Centre Improvement Programme	S-F	316,000	1,146,000	760,000	200,000	15,000		2,437,000
Car Park Decking	S-F		1,500,000					1,500,000
IT Tablets - Elections	C		13,200					13,200

Environmental Services Vehicles	S-F		12,300,000					12,300,000
Billing Brook Lakes	C		25,000					25,000
Total General Fund Capital Programme		11,215,000	25,871,200	20,785,716	3,690,000	2,260,000	2,245,000	66,066,916

Key to Funding Sources

G - Grants & Contributions

R - Revenue and Reserves

EZ - Enterprise Zone Business Rates

SF - Self-funded Borrowing

C - Corporate Resources - Capital Receipts or Borrowing

Proposed General Fund Capital Funding	2017-18	2018-19	2019-20	2020-21	2021-22	2021-22	Total
	£	£	£	£	£	£	£
Grants & Contributions:							
Disabled Facilities Grant - Better Care Fund	1,092,000	1,092,000	1,092,000	1,092,000	1,092,000	1,092,000	6,552,000
Heritage Lottery Funding - Delapre Abbey							0
HPDG	17,000						17,000
Local Growth Fund - Vulcan Works	717,000	477,000	4,981,000				6,175,000
Local Growth Fund - St James Mill Link Road	562,000						562,000
Section 106	289,000						289,000
Other Grants and Contributions	675,000	881,000	2,000,000				3,556,000
Sub-total Grants & Contributions	3,352,000	2,450,000	8,073,000	1,092,000	1,092,000	1,092,000	17,151,000
Revenue/Reserves	839,000						839,000
Capital Receipts - Heritage	1,352,000	5,198,000					6,550,000
Capital Receipts - Other	2,494,000	13,200	20,000	20,000			2,547,200
Growing Places Fund and Local Infrastructure Fund (to be repaid from EZ business rate uplift) - St James Mill Link Road	38,000	400,000					438,000
Self-funded Borrowing	511,000	16,481,000	11,400,000	1,575,000	165,000	150,000	30,282,000
Corporate Borrowing	2,629,000	1,329,000	1,292,716	1,003,000	1,003,000	1,003,000	8,259,716
Total Funding	11,215,000	25,871,200	20,785,716	3,690,000	2,260,000	2,245,000	66,066,916

DRAFT Housing Revenue Account Budget Summary 2018-2023

Description	Note	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23
INCOME						
		£	£	£	£	£
Rents - Dwellings Only	(1)	(48,794,200)	(49,441,400)	(49,772,100)	(50,750,600)	(51,835,300)
Rents - Non Dwellings Only		(1,078,100)	(1,095,800)	(1,114,100)	(1,132,400)	(1,151,800)
Service Charges		(2,226,200)	(2,279,900)	(2,317,900)	(2,356,100)	(2,394,500)
Other Income		(4,000)	(4,000)	(4,000)	(4,000)	(4,000)
Total Income		(52,102,500)	(52,821,100)	(53,208,100)	(54,243,100)	(55,385,600)
EXPENDITURE						
Repairs and Maintenance	(2)	14,062,200	14,119,300	14,165,200	14,217,900	14,267,100
General Management	(2)	8,165,600	8,101,500	8,178,300	8,160,900	8,201,800
Special Services	(2)	4,275,500	4,273,600	4,283,000	4,294,600	4,305,000
Rents, Rates, Taxes & Other Charges		289,300	289,300	289,300	289,300	289,300
Increase in Bad Debt Provision		600,000	600,000	600,000	600,000	600,000
Total Expenditure		27,392,600	27,383,700	27,515,800	27,562,700	27,663,200
Continuation Budget		(24,709,900)	(25,437,400)	(25,692,300)	(26,680,400)	(27,722,400)
Net Recharges from the General Fund		2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Interest & Financing Costs						
- Interest on balances		(75,500)	(80,000)	(80,000)	(70,000)	(70,000)
- Mortgage interest		(500)	(500)	(400)	(300)	0
- Internal Borrowing (Over funded CFR)		(3,650)	(2,380)	0	0	0
- Interest Fixed Rate		6,615,850	6,981,580	6,990,300	7,237,900	7,429,300
RCCO		5,363,000	9,991,000	7,973,000	7,069,800	7,730,100
Depreciation/MRA		9,389,000	9,638,000	9,919,000	9,943,000	10,133,000
Contribution to / (from) Reserves		921,700	(3,590,300)	(1,609,600)	0	0
Remaining Deficit / (Surplus)		0	0	0	0	0

Notes

- (1) Rent decrease based on legislation 1% for 4 years from 16-17, then CPI (2%) plus 1% estimated increase from 2020/21
(2) Expenditure budgets above are proposed to be split between NBC and NPH as per the table below.
(3) Work is ongoing in respect of the HRA budget

Description	£'000
Repairs and Maintenance	14,062
General Management	8,166
Special Services	4,276
Less NBC Retained Budgets	(625)
NPH Budget as per Appendix 4	25,879

Proposed Capital Programme 2018-19 to 2022-23 - HRA

	2018-19 £	2019-20 £	2020-21 £	2021-22 £	2022-23 £	Total £
External Improvements	11,200,000	10,600,000	11,000,000	10,750,000	11,200,000	54,750,000
Internal Works	1,250,000	3,500,000	3,500,000	3,500,000	3,500,000	15,250,000
Energy Works	0	0	0	0	0	0
Major Projects	4,885,600	2,653,600	0	0	0	7,539,200
Environmental Improvements	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	15,000,000
Structural Works and Compliance	681,000	450,000	500,000	450,000	450,000	2,531,000
Diabled Adaptations	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	6,500,000
IT Development	500,000	500,000	500,000	500,000	50,000	2,050,000
New Build Pool	1,500,000	2,389,400	3,694,190	6,295,900	5,756,000	19,635,490
Buybacks and Spot Purchases	500,000	500,000	500,000	500,000	500,000	2,500,000
Total	24,816,600	24,893,000	23,994,190	26,295,900	25,756,000	125,755,690

SPLIT:						
Improvements to Homes	19,316,600	18,503,600	16,300,000	16,000,000	16,450,000	86,570,200
Improvements to Environment	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	15,000,000
IT Development	500,000	500,000	500,000	500,000	50,000	2,050,000
New Build Pool	1,500,000	2,389,400	3,694,190	6,295,900	5,756,000	19,635,490
Total NPH	24,316,600	24,393,000	23,494,190	25,795,900	25,256,000	123,255,690
NBC Retained - Buy Backs	500,000	500,000	500,000	500,000	500,000	2,500,000
Total Capital Programme	24,816,600	24,893,000	23,994,190	26,295,900	25,756,000	125,755,690

FINANCING:						
Major Repairs Reserve/Depreciation	9,389,000	9,638,000	9,919,000	9,943,000	10,133,000	49,022,000
Capital Receipts - RTB (excl 1-4-1)	1,974,700	2,014,800	1,920,000	1,958,500	1,883,900	9,751,900
Capital Receipts - RTB 1-4-1 Receipts	2,075,280	2,265,480	2,310,900	2,357,400	1,955,100	10,964,160
Revenue/Earmarked Reserve	5,363,000	9,991,000	7,973,000	7,069,800	7,730,100	38,126,900
Borrowing / CFR	6,014,620	983,720	1,871,290	4,967,200	4,053,900	17,890,730
Section 106 - New Build	0	0	0	0	0	0
Additional Borrowing Cap re New Build	0	0	0	0	0	0
Total Financing - HRA	24,816,600	24,893,000	23,994,190	26,295,900	25,756,000	125,755,690

DRAFT Schedule 5 - NPH Management Fee		NPH				
		2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Housing Management & Maintenance(HRA)		£	£	£	£	£
Total	Repairs & Maintenance	12,056,634	12,105,154	12,154,201	12,203,697	12,253,652
Total	General Management	6,525,407	6,472,481	6,537,909	6,531,945	6,571,097
Total	Special Services	3,605,737	3,603,917	3,614,927	3,626,084	3,637,384
Total	Recharges	3,690,800	3,690,800	3,690,800	3,690,800	3,690,800
TOTAL HRA		25,878,578	25,872,352	25,997,837	26,052,525	26,152,933
Housing General Fund						
Total	Travellers Site	181,268	181,562	181,858	182,157	182,460
Total	Home Choice & Resettlement	80,000	80,000	80,000	80,000	80,000
TOTAL GF HOUSING		261,268	261,562	261,858	262,157	262,460
TOTAL REVENUE		26,139,846	26,133,914	26,259,695	26,314,682	26,415,392
HRA Capital Programme		24,316,600	24,393,000	23,494,190	25,795,900	25,256,000
GRAND TOTAL		50,456,446	50,526,914	49,753,885	52,110,582	51,671,392
Analysed by						
	Management - HRA (including Special Services)	13,821,944	13,767,198	13,843,635	13,848,828	13,899,280
	Management - GF Housing	261,268	261,562	261,858	262,157	262,460
	Maintenance - Managed Budget Responsive	9,283,608	9,320,969	9,358,735	9,396,847	9,435,312
	Maintenance - Managed Budget Cyclical	2,773,026	2,784,185	2,795,466	2,806,850	2,818,340
	Capital - Managed Budget Improvement to Homes	20,816,600	20,893,000	19,994,190	22,295,900	22,206,000
	Capital - Managed Budget Improvement to Environment	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
	Capital - Managed Budget ICT	500,000	500,000	500,000	500,000	50,000
Total		50,456,446	50,526,914	49,753,885	52,110,582	51,671,392
Notes:						
Recharges comprise approximately £1.7m from LGSS and £1.9m from the General Fund						
The difference in Management Fee element of £845k compared to last years proposed budget relates to changes to recharges within the organisations and pension costs						
All figures are subject to the annual approval, by Council, of the HRA and General Fund budgets in accordance with clause 10						
Estimated figures for future years are shown in real terms excluding inflation on supplies and services.						
Capital programme based upon figures provided in support of the Asset Management Strategy, adjusted in line with the Draft HRA Business Plan						

**Appendices: 1
Cabinet Report -
Finance Monitoring
Report to 30th
September 2017**



AUDIT COMMITTEE REPORT

Report Title	2017/18 Financial Monitoring Report to 30th September 2017
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	15 th January 2018
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 30th September 2017 as presented to Cabinet on 15th November 2017.

2. Recommendations

- 2.1 To consider the contents of the finance report:
- Finance Monitoring Report to 30th September 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 30th September 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

15th November 2017 Cabinet – Revenue and Capital Monitoring Report to 30th September 2017.

Glenn Hammons

Chief Finance Officer, Telephone 01604 366521



CABINET REPORT

Report Title	Finance Monitoring to 30 September 2017
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	15 November 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.

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.

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 September 2017 for all revenue and capital budgets.

3.2 Business Rates Localisation – 100% Retention Pilot

3.2.1 Cabinet on 18th October approved the submission to CLG of a bid by Northamptonshire local authorities to become a business rates retention pilot. This bid was duly submitted by the deadline and a response is awaited. Becoming a pilot has the potential to generate significant additional income to be invested in Northamptonshire.

3.3 Key Financial Indicators

Dashboard Indicator Description	Variation from Budget	
	General Fund	Housing Revenue Account
	£000	£000
Controllable Budgets	(49)	(502)
Debt Financing and Recharges	(17)	81
Total	(66)	(421)

3.4 General Fund Revenue Budget (Blue)

3.4.1 Overall forecast expenditure is £66k (0.2%) below budget. The following table summarises the variations from budget for the General Fund.

Service Area	£000
Regeneration, Enterprise and Planning	(115)
Housing	204
Borough Secretary	23
Director of Customers & Communities	(161)
Corporate	0
Controllable Total	(49)
Debt Financing	(17)
General Fund Total	(66)

3.4.1.1 Economic Development and Regeneration

Forecast underspend due to a reduction in the costs of planning appeals of £170k, partly offset by additional costs of interim and temporary staff across the Directorate.

3.4.1.2 Head of Housing and Wellbeing

Forecast overspend due to the vacancy/sickness target forecast not being met (£31k), increase in caseloads in temporary accommodation (£25k), lower anticipated licencing income (£50k), additional employee costs (£59k) and withdrawal of Probation Service contribution (£18k). These are slightly offset by savings on employees in the Homelessness team.

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. This loss of Subsidy in the current year has been offset by the receipt of the Homelessness Flexible Support Grant.

3.4.1.3 Director of Customers and Communities

Overall forecast underspend reflecting additional deductions made through the Environmental Services Contract (£578k), partially offset by the additional costs of dealing with fly tipping of £184k. There is also a forecast overspend in the Bus Station area due to higher spend on utilities and security as well as higher than budgeted NNDR rates. Reduced income in Markets due to a reduced number of traders is more than offset by increased car parking income and savings in Facilities Management.

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.

3.5 Controllable HRA Revenue Budget (Blue)

3.5.1 The forecast underspend position on HRA controllable budgets of £502k results from a number of different favourable variances. These include £195k additional income due to reduced void levels, £150k reduction in the forecast

Bad Debt Provision and a forecast additional £57k (2.5%) of service charge income. Additional savings relate to staff vacancy savings within NPH.

- 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 £23.6m 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 detailed report on the latest position in relation to the Vulcan Works will be presented to a future Cabinet meeting.
- 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 September 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. The forecasts show that overall the

programme will be fully spent, but with an expected carry forward to 2018/19 of £688k.

- 3.6.2.2 **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 for quarter 2 NPH have delivered on these projects which ensures that no 141 RtB receipts have to be repaid to Treasury. Cabinet on the 18th October 2017 approved the creation of a budget for Buy backs/ Spot Purchases of £500k to help mitigate the risks around timing of delivery of existing projects in the final 2 quarters of the year. Officers are currently assessing potential spot purchases to pursue with this budget.

3.7 Medium Term Financial Plan and Budget 2018/19

- 3.7.1 Cabinet in October approved the Efficiency and Medium Term Financial Strategy, which sets the framework and principles for the development of the detailed financial plan (MTFP). Work on this, and the detailed budget for 2018/19 is progressing well, involving senior officers and Cabinet Members. This work will result in a proposed draft budget and MTFP being presented to Cabinet on 13th December. The detailed budget preparation takes into account the variances being highlighted in this monitoring report as well as previous years' outturn.

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

Glenn Hammons, Section 151 Officer, 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:	15 th January 2018
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 November 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 November 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

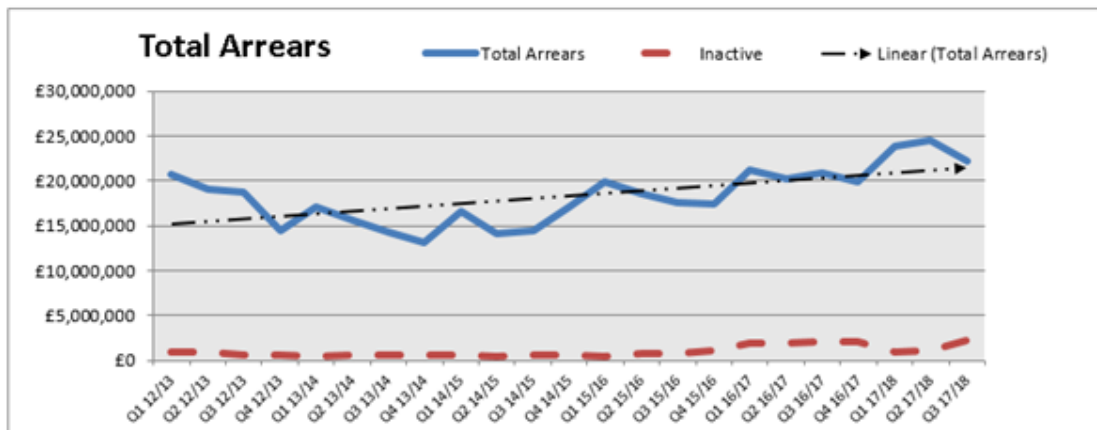
of one status and is in the process of being moved to another stage. This summary also provides a view of the current status of debt.

- 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 November 2017



2.10 The overall outstanding arrears have increased by £273k compared to the same point last year. Please see individual debt types for an explanation of the increase.

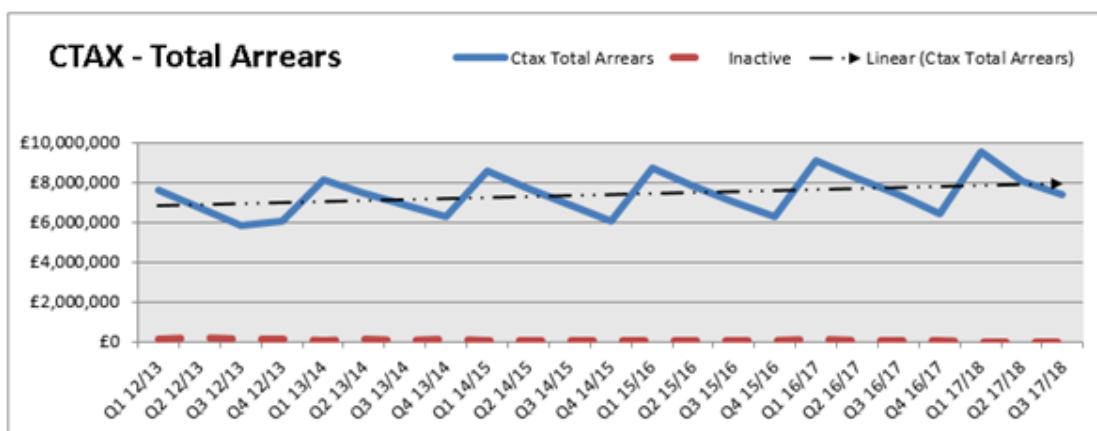
2.10.1 The majority of unmanaged debt within the Council sits within Asset management and is currently standing at £392k.

2.10.2 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.

2.10.3 A meeting has been held with the Asset Management team around how to resource and support the service moving forward.

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

2.11 Council Tax as at 30th November 2017



2.12 The overall outstanding arrears are £333k less than at the same point last year.

- 2.13 Unmanaged debt is £16k less than the same time last year although the amount of debt collected against arrears is £813k lower during this financial year thus far.
- 2.14 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.
- 2.15 The current amount of unmanaged (inactive debt) is 0.23%, which is an improvement on last month and better than this time last year and seen as good performance and maximising the opportunity to collect any outstanding arrears.
- 2.16 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.
- 2.17 **Comparison between the 30th November 2017 and the 30th November 2016**
- 2.18 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.
- 2.19 The table below 2.23 provides some context around the impact that the welfare reforms are having on both our service users and the service.
- 2.20 The Council Tax Reduction Scheme (CTRS) is the support provided towards the Council Tax for those customers on a low income.
- 2.21 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.
- 2.22 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.
- 2.23 The table below highlights some of the key impacts, predominately as a result of the introduction of welfare reforms

In-year collection rate	75.20%	30-Nov-17	74.80%	30-Nov-16
Annual CTRS award	£10.5m	2017/18	£11.7m	2016/17
Uncollected liability CTRS cases	£1.9m	30-Nov-17	£1.7m	30Nov16adj
CTRS caseload	15,265	30-Nov-17	15,709	30-Nov-16
AOB	£1.2m	30-Nov-17	£1.1m	30-Nov-16

Monthly amount collected	£30k	30-Nov-17	£31k	30-Nov-16
AOB hold	853k	30-Nov-17	620k	30-Nov-16
SPARs	£2.0m	30-Nov-17	£1.9m	30-Nov-16
Reminders & Finals issued	43,621	30-Nov-17	42,682	30-Nov-16
Summons	8,104	30-Nov-17	9,052	30-Nov-16

- 2.24 The Council has implemented cut of 6% in the amount of CTRS awarded in 2017/18. Although the overall collection rate is up from 74.8% to 75.2%, the cases where CTRS is awarded the collection rate has dropped from 61.63% in 16/17 to 61.51%, in comparison to the end of November
- 2.25 The Council continues to be collecting debt from people, who in previous years, were used to receiving more financial support for their Council Tax.
- 2.26 Whilst the annual amount of CTRS awarded has reduced by 4.5%, the amount of uncollected liability on the same cases has increased by £219k.
- 2.27 The CTRS caseload falling by 2.83% means that the uncollected liability is also being borne by fewer customers.
- 2.28 The amount of debt subject to an attachment of benefit is £50k higher than last year, and the amount of debt being held awaiting an existing attachment to be paid off, £232k 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 just under £1,000 per month, with debt “backing-up” for the same customers.
- 2.29 The issue of Reminders and Final Notices has increased by 2.2% as compared with this time last year, but the issue of summonses has decreased by 10.47% [equating to around 948 summonses]. This owing partly to sending out Final notices earlier than previously and partly to the increase in customers unable to pay because of CTR changes

2.30 Collection Rates for CTRS cases

2.31 The table below highlights the comparison between the claimant types between the 30th November 2017 and the 30th November 2016.

November		2017/18		COLLECTION RATE	UNCOLLECTED
CTRS SCHEME	Caseloads	LIABILITY	RECEIPTS		
		£	£		£
Vulnerable households are claimants who are either lone parents or couples with at least one dependent under 5 years old.		561,306.75	287,716.48	51.26%	273,590.27
Vulnerable are claimants on NBCs local scheme or modified scheme e.g. War widows and disablement pension cases		457.63	391.10	85.46%	66.53
Pensionable cases are claimants who are of pensionable age and are exempt from the CTRS reduction.		886,008.15	757,385.83	85.48%	128,622.32
Working age employed are claimants who are either single people or couples who are in paid employment.		1,410,862.65	853,481.00	60.49%	557,381.65
Working age other are claimants who are either single people or couples not in paid employment, and in receipt of DWP benefits.		2,285,514.25	1,265,093.73	55.35%	1,020,420.52
TOTALS	15,362	5,144,149.43	3,164,068.14	61.51%	
November		2016/17		COLLECTION RATE	UNCOLLECTED
CTRS SCHEME		LIABILITY	RECEIPTS		
		£	£		£
Vulnerable households		475,927.57	232,641.40	48.88%	243,286.17
Vulnerable		317.31	416.11	131.14%	-98.80
Pensionable		902,184.79	775,657.66	85.98%	126,527.13
Working age employed		1,159,017.39	687,937.79	59.36%	471,079.60
Working age others		1,914,556.17	1,047,242.34	54.70%	867,313.83
TOTALS	15,857	4,452,003.23	2,743,895.30	61.63%	

2.32 The overall collection rate for Working-age claimants is 56.5% for 2017/18, This is a reduction in collection rate, as compared to the increase reported in 2.23 above, and suggests that not only is this customer group finding it more difficult to pay, but disproportionately also.

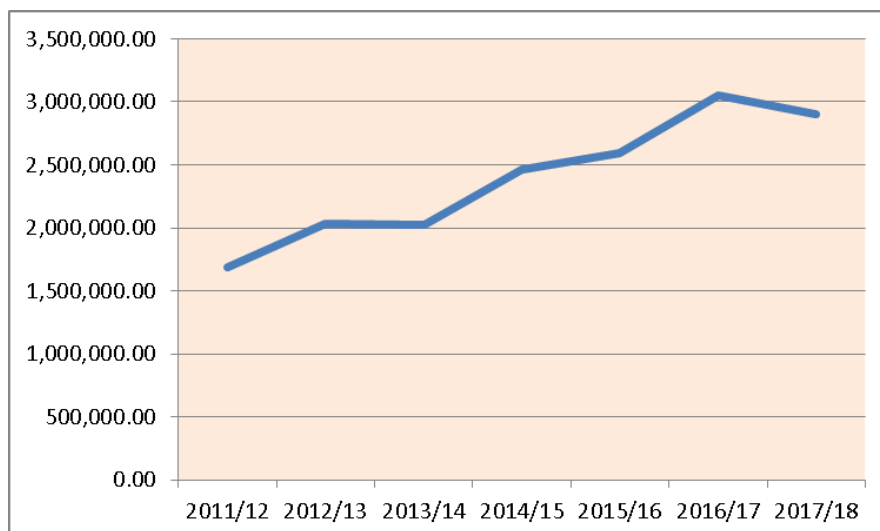
2.33 For those customers that cannot, or won't, make an arrangement, they will be issued with a summons. Although there is not much attendance at court, the Council will still make an arrangement at this stage.

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

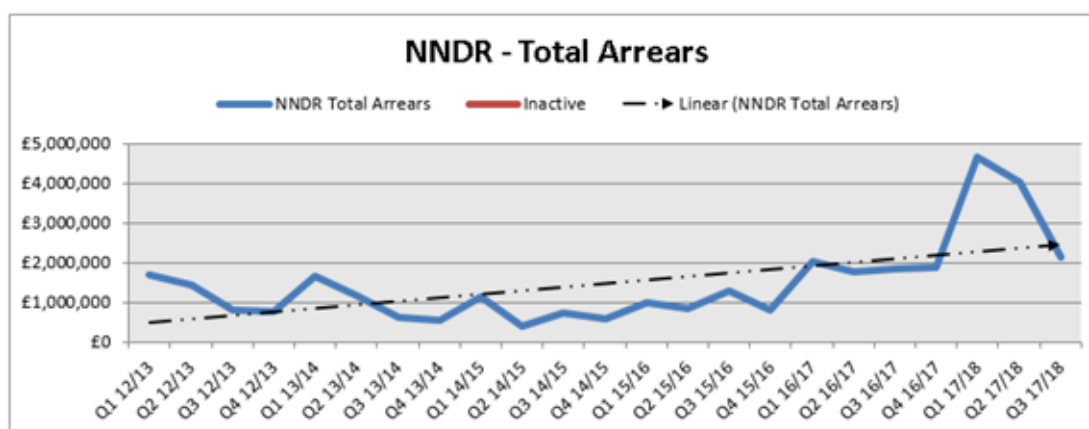
- 2.35 Where a Liability Order is obtained, the Council's preferred option is to serve an attachment of benefit, and the use of this method of repayment is on the increase compared to previous years. The Council currently collects £29k per month through AOB, slightly down on last year.
- 2.36 It should 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.
- 2.37 There is also a process to support customers whose debt is passed to Enforcement Agents, similar to that provided by the Council.
- 2.38 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.

2.39 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 lower than at the same and the end of year figure is an estimate of the final out-turn position.



2.40 Business Rates (NNDR) as at 30th November 2017



2.41 The overall outstanding arrears are £362k more than at the same point last year, but £658k down on last month. The table below 2.43 details accounts that are currently being focused on, these are 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.

2.42 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.

2.43 The team continue to work on the high value arrears case. The highest twenty cases are detailed below.

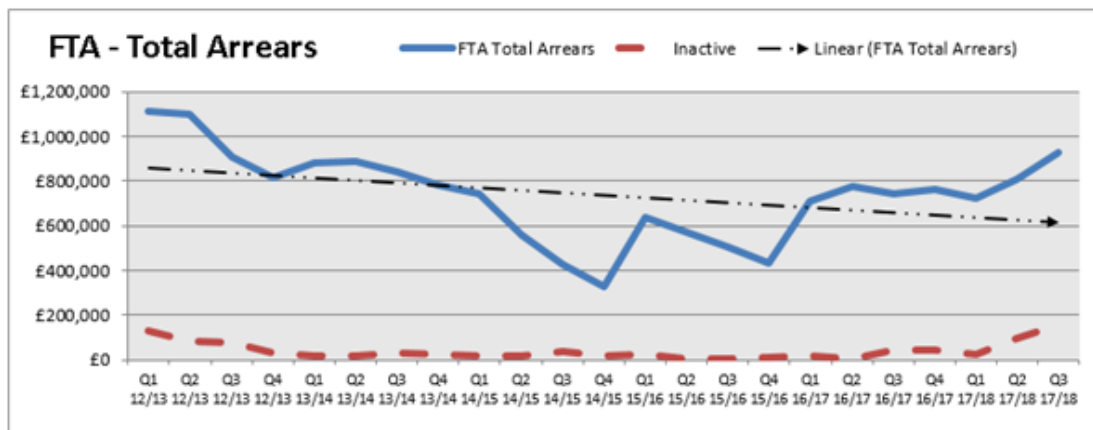
Name	Outstanding Bailance	Comments
CHILLI VILLAGE LTD	64,686.02	Under arrangement
BOOST 4 BUSINESS LIMITED	50,330.28	With Enforcement Agents
SOLE TRADER	42,240.82	Reminder issued
SOLE TRADER	36,987.61	Possible Committal
MANFORD FASHIONS LIMITED	35,502.74	With Enforcement Agents
SOLE TRADER	33,260.00	Under arrangement and appeal against RV with V/O
SOLE TRADER	29,675.93	With Enforcement Agents
SOLE TRADER	27,078.09	Passed for w/off
SOLE TRADER	26,294.54	Possible Committal
SOLE TRADER	25,656.02	With Enforcement Agents
NORTHAMPTON SHOPPING CENTRE LTD	23,537.21	Recent Bills sent
SOLE TRADER	20,182.08	Charitable Relief application to be submitted
CANTO LEARNING LIMITED	18,165.08	Charitable Relief application awaiting action
APOGEE LONDON FOOTWEAR LTD	18,000.00	Under arrangement but not paying so due to go to EA
LS RETAIL WAREHOUSE LTD	17,524.36	Reminder issued on 14.11.17
FINDLAY MANAGEMENT LIMITED	17,035.74	Reminder issued on 13.12.17
LONG O'DONNELL ASSOCIATES	15,672.00	Under arrangement
SOLE TRADER	15,268.40	With Enforcement Agents
SOLE TRADER	14,742.00	With Enforcement Agents
SOLE TRADER	14,738.42	At L/order and due to be sent to EA

2.43.1 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.

2.44 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.

2.45 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.

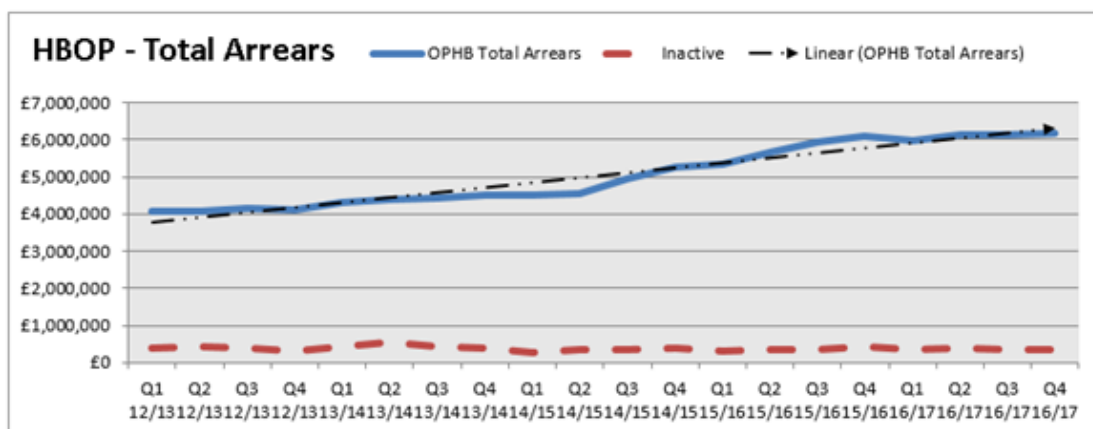
2.46 Former Tenant Arrears as at 30th November 2017



2.47 The overall outstanding arrears are £216k more than at the same point last year.

2.48 Unmanaged debt is £143k more than the same time last year and the amount of unmanaged debt continues to remain consistently low.

2.49 Housing Benefit Overpayments Payments as at 30th November 2017



2.50 The overall outstanding arrears are £486k 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.

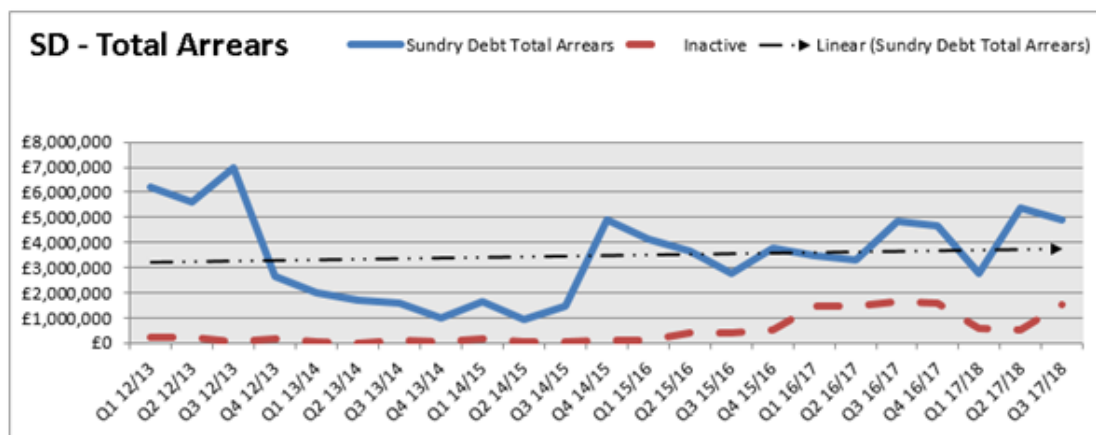
2.51 The current performance by our teams has reduced the impact on the Council of these new overpayments. By focusing resource on this debt has the team have supported better outcomes, which can be demonstrated by the reduction in the percentage of unmanaged debt. These debts remain very difficult to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

2.52 Unmanaged debt is £209k more than the same time last year.

2.53 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.

2.54 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.

2.55 Sundry Debts (SD) as at 30th November 2017



2.56 The overall outstanding arrears are £283k more than at the same point last year. This is primarily due to two s106 invoices, totalling £1.94m, which have been outstanding since July 17, of which one account is likely to be cancelled and re-issued for a lesser amount.

2.57 The unmanaged debt is £86k 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 £17k.

2.58 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		Managed Debt	Unmanaged Debt	Total
	rest_amount	rest_amount				
Asset Management	£7,265.92	£625,911.24	£633,177.16	1.15%	98.85%	88.73%
Call Care	£337.98	£7,582.44	£7,920.42	4.27%	95.73%	1.11%
Car Parks	£0.00	£20,943.44	£20,943.44	0.00%	100.00%	2.93%
Environmental Health	£0.00	£3,986.00	£3,986.00	0.00%	100.00%	0.56%
Exchequer Section	£16,067.72	£0.00	£16,067.72	100.00%	0.00%	2.25%
Insurance	£0.00	£3,921.36	£3,921.36	0.00%	100.00%	0.55%
Licensing	£1,104.50	£23,523.69	£24,628.19	4.48%	95.52%	3.45%
Market Office	£0.00	£2,947.69	£2,947.69	0.00%	100.00%	0.41%

2.59 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.

2.60 The unmanaged debt on the remaining recovery stages is £136k less than the same time last year. The majority of unmanaged debt within the Council sits within Asset Management, currently standing at £626k. 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 November 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: Nil



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:	15 th January 2018
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 A Finance report is presented to Cabinet quarterly (including the outturn report) which are then brought to the first available Audit Committee meeting following their production.
- 3.1.2 At it's 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

3.2 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	October 2017		November 2017		YTD Expenditure
	Covering vacant posts	Total	Covering vacant posts	Total	Covering vacant posts	(£000)
Borough Secretary	9	6	6	7	7	290
Director of Customers & Communities	*13	1	0	2	0	90
Director of Regeneration, Enterprise & Planning	13	8	3	8	3	446
Housing and Well Being	4	8	4	7	3	313
Total	39	23	13	24	13	1,139

Note : * 5 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	November 2017	Length of time engaged				
		<1 month	1-3 months	3-6 months	6-12 months	12+ months
Borough Secretary	7	-	2	2	1	2
Director of Customers & Communities	2	2	-	-	-	-
Director of Regeneration, Enterprise & Planning	8	-	-	4	1	3
Housing and Wellbeing	7	1	-	1	-	5
Total	24	3	2	7	2	10

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

Directorate	Total Posts	Vacancies (March 2016)	Vacancies (Oct 2017)	Vacancies (November 2017)	Recruiting to	Covered by Interims/ Agency
Borough Secretary	55	11	13	14	2	7
Director of Customers & Communities	176	23	10	12	10	0
Director of Regeneration, Enterprise & Planning	60	13	9	9	2	3
Housing and Well Being	40	5	7	6	5	3
Total	331	52	39	41	19	13

3.2.4 Of the 14 vacancies in the Directorate of Borough Secretary, 1 post has successfully been recruited to and started in Dec 2017 and the role of Chief Executive has been advertised. 6 of the posts are currently vacant which are under discussion.

3.2.5 Of the 12 vacancies in the Directorate of Customers & Communities, 10 are in the process of being recruited to and none are being covered by interim/agency staff. The 6 vacancies in Customer Services are being covered by casual staff. All the vacancies in the other areas which include call care, town centre operations and environmental health are being covered by existing staff working additional hours.

3.2.6 Of the 9 vacancies within the Directorate of Regeneration, Enterprise and Planning, one post was unsuccessfully recruited to and three posts have been offered up as cost savings. All vacancies are under review pending the medium term resourcing strategy.

3.2.7 Of the 6 vacant positions in the Housing and Wellbeing Service, 4 are in the process of being recruited and 1 has successfully been recruited to. Of the 7 interims, 3 are covering vacant posts; 2 are 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 providing the Homelessness Team with extra support.

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

www.pwc.co.uk

Internal Audit Progress Report 2017/18

**Northampton
Borough Council**

January 2018

127

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Agenda Item 13

Contents

Summary

1 

Activity in the period

2 

Progress against plan

3 

128

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



129

Purpose of this report

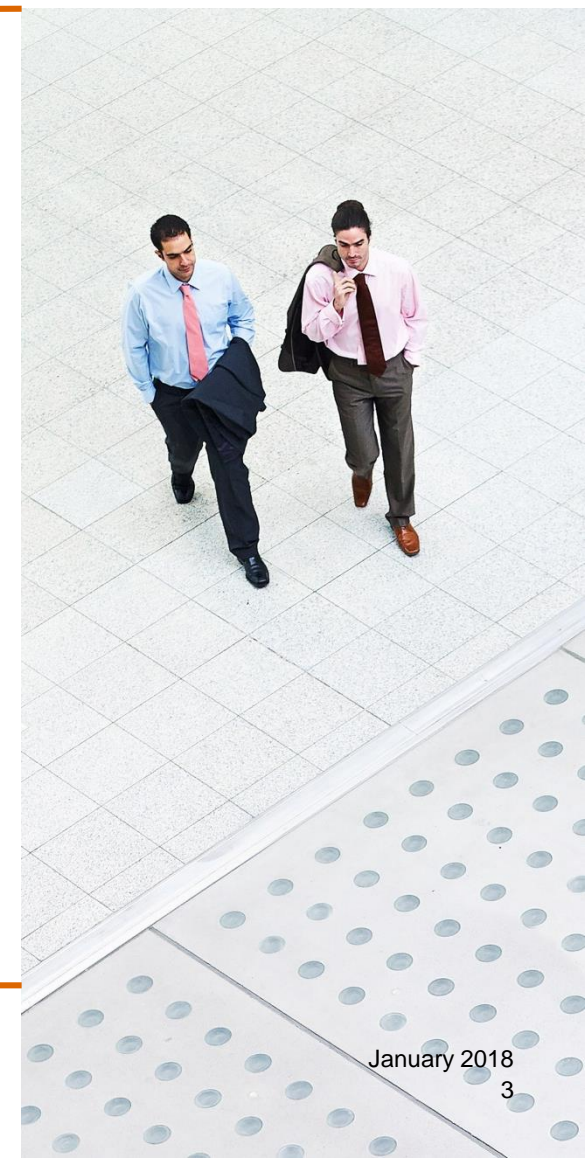
We are committed to keeping the Audit Committee up to date with Internal Audit progress and activity throughout the year. This summary has been prepared to update you on our activity since the last meeting of the Audit Committee and to bring to your attention any other matters that are relevant to your 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 final reports in relation to HR, Payroll, Whistleblowing and Culture Questionnaire;
- Issued draft report in relation to the Contract Management review;
- Held a closing meeting held for the Delegations review;
- Issued final terms of reference for estates and assets revaluations review.



Activity in the period



130

Final reports issued

Payroll:

The outcome is a report with a low risk rating, as there was one medium and one low risk finding identified. The findings related to:

- **Starters (medium risk):** New starter forms could not be located for 4 of the 20 new starters tested; and
- **Amendments (low risk):** evidence of approval relating to changes in employee details could not be located for 2 of the 20 amendments tested.

Human Resources – recruitment:

The outcome is a report with a medium risk rating, as there were three medium and four low risk findings identified:

- **Starters (medium risk):** a number of issues were identified with our sample of newly recruited people where evidence was not available to demonstrate that the required process had been followed;
- **Temporary staffing (medium risk):** HR The Council has a preferred supplier, Guidant, which provides temporary staff. HR does not review the level of temporary staff across the Council, or check that only Guidant is used;
- **Interim staff (medium risk):** There does not appear to be any control to ensure that advertisement of full time roles to replace interim positions is done on a timely basis;
- **IR35 legislation (low risk):** The Council has no formal mechanism in place for considering where circumstances change to assess whether its interim staff fall under this legislation to ensure that the requirements are complied with;
- **Conflicts of interest (low risk):** there is no process for ensuring the completeness of the disclosures made by staff on their application form around conflicts of interest or updating them on a regular basis;
- **HR recruitment strategy (low risk):** There is no formal HR strategy regarding the recruitment of staff; and



Activity in the period



131

Final reports issued

Human Resources – recruitment (continued)

- **Interim exemption process (low risk):** From the testing performed one of the exemption forms was approved retrospectively by the Legal Contracts & Procurement Advisor.

Culture questionnaire

We have included the executive summary and summary of results in the appendix to this report.

Whistleblowing

We provided management with comments on the draft policy. We considered the operating effectiveness of the policy and focused only on reviewing the suitability of the policy based on best practice examples. There was no risk scoring attached to this report. We will consider in future years whether it is appropriate to test whether reported whistleblowing cases have been dealt with in line with the defined policy.

Activities in the period

We have held a meeting with the Governance & Risk Manager since our last progress report to the Audit Committee to support our ongoing review of the Internal Audit Plan and 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.



Progress against plan (1 of 3)



132

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 supported development of the revised risk management strategy and provided feedback comments which have been incorporated into the document. Once approved 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	Final reports issued for HR and payroll. Legal review agreed to be removed from audit plan with days to be used on other reviews.
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	Agreed review to be removed from audit plan with days to be used on other reviews.
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	Final report issued
			Q3	7	Whistleblowing	Final report issued
C						
C.1	IA management time	20	Q1-Q4	10		
D						
D.2	Additional reviews requested		Q2-3	10	Financial delegations	Closing meeting held, draft report to be produced.
D.3			Q2-3	15	Contract management	Draft report issued to management
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	Final Terms of Referenced issued. Awaiting confirmation of start date.

** 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	0	
Delegations	+13	Scope of work extended following opening meeting with the Governance and Risk Manager and delays experienced in completing the review.
Contract management	+5	Delays experienced in completing the review.
Deep dive assurance review	-15	The appointment of a Internal Controls Officer means that it is now more appropriate for this work to be undertaken internally by the Council.
Legal services review	-7	Review to be removed to use audit days on other areas identified in the plan
Extension of scope	+4	Days used to extend the Fraud Awareness and ensure that the balance of days are consistent with the total number of days in the audit plan.
Total	0	

134



Appendix A: Analysis of
days included in plan

Appendices

135

Appendix A: Analysis of days included in plan

Appendix B: Culture Questionnaire results

Appendix A: Analysis of days included in plan

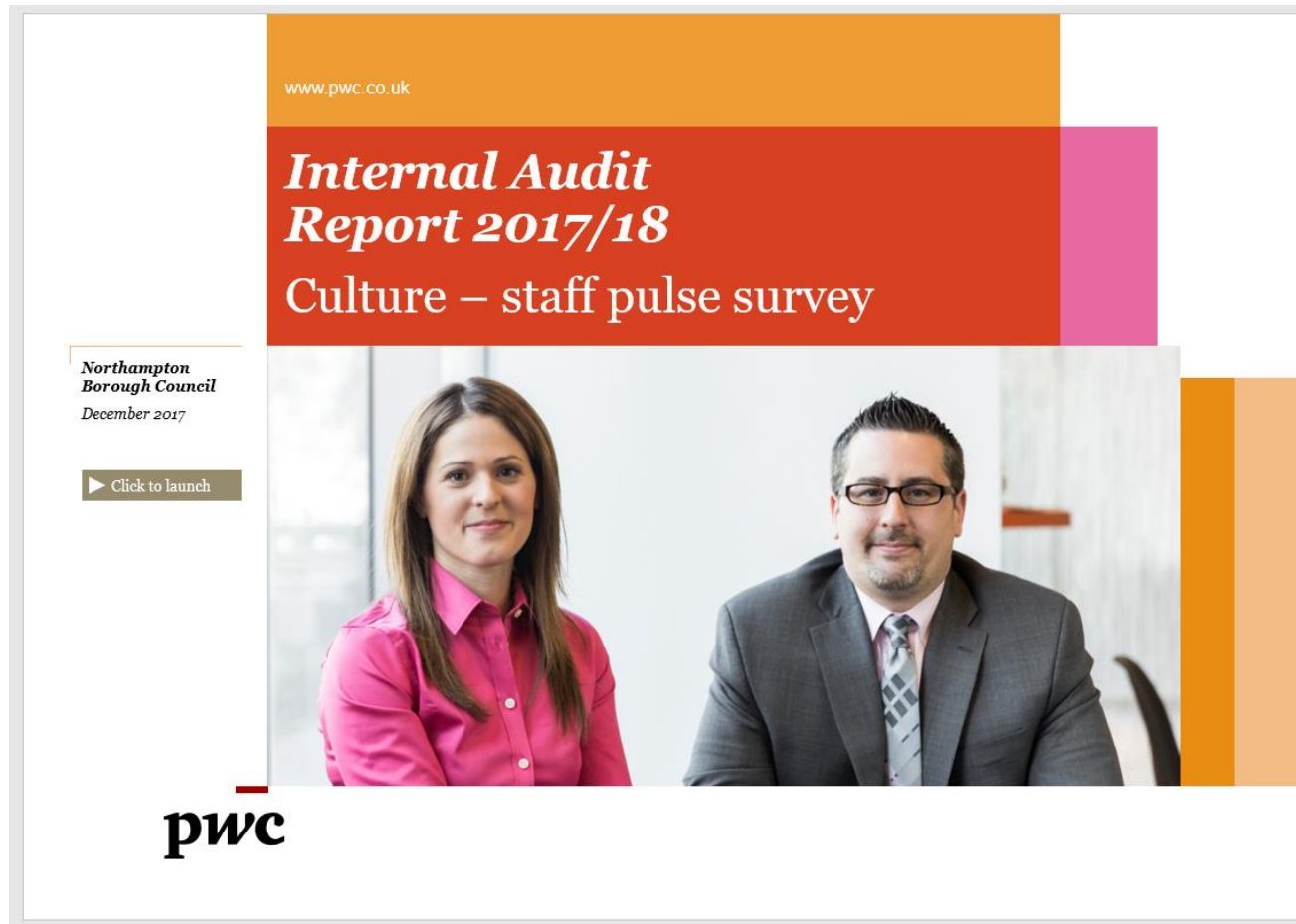
Ref	Auditable Unit	Total audit days	Q	Audit days per Q	Audit days used to date	Audit days to come
A						
A.1	Governance and risk management	40	Q1-2	20	23	0
			Q3-4	15	1	11
			Q3-4	5	1	4
A.2	Organisational change	40	Q2	10	0	10
			Q3-4	30	23	0
A.3	Financial governance	50	Q2	5	0	0
			Q2-4	30	0	0
			Q2-4	15	0	0
			Q2-4	10	0	0
A.4	Tracking recommendations and follow up	20	Q2	8	0	0
			Q2	2	0	0
			Q2-4	10	0	0

Ref	Auditable Unit	Total audit days	Q	Audit days per Q	Audit days used to date	Audit days to come	
B							
B.1	Culture	30	Q2-4	23	22	1	
			Q3	7	7	0	
C							
C.1	IA management time	20	Q1-Q4	20	20	5	
D							
D.2	Additional reviews requested		Q2-3	10	20	3	
D.3			Q2-3	15	14	1	
D.4			Q3	15	3	15	
D.5			Q3	15	2	14	
Total					250*	136	64

* 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 B: Culture Questionnaire Results

137



The image shows the cover page of an internal audit report. At the top left, the URL 'www.pwc.co.uk' is displayed. The main title 'Internal Audit Report 2017/18' is in a large, bold, serif font, with 'Culture – staff pulse survey' below it in a smaller, sans-serif font. The background features a photograph of a woman in a pink shirt and a man in a grey suit and glasses. A 'Click to launch' button is located on the left side. The PwC logo is at the bottom left.

www.pwc.co.uk

Internal Audit Report 2017/18
Culture – staff pulse survey

Northampton Borough Council
December 2017

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Executive summary



138

Headlines/summary of findings

As Northampton Borough Council looks to implement a Corporate Change Strategy and re-energise its overall strategy and vision towards its workforce we have undertaken an anonymous staff survey to obtain a current position and obtain feedback from the workforce.

The questions were designed with the HR business partner and were broadly based around the following areas:

- Induction, training, continued professional development and staff retention;
- Policies and procedures;
- Assignment of authority, workloads and job responsibilities;
- Management’s leadership style;
- Integrity and ethical values; and
- Organisational structure.

The survey was sent to 308 staff members electronically and paper copies were made available to those who do not have access to an email facility. The survey was open from 6 October 2017 to 1 November 2017. In total it was opened by 175 people (57%) and fully completed by 113 people (37%).

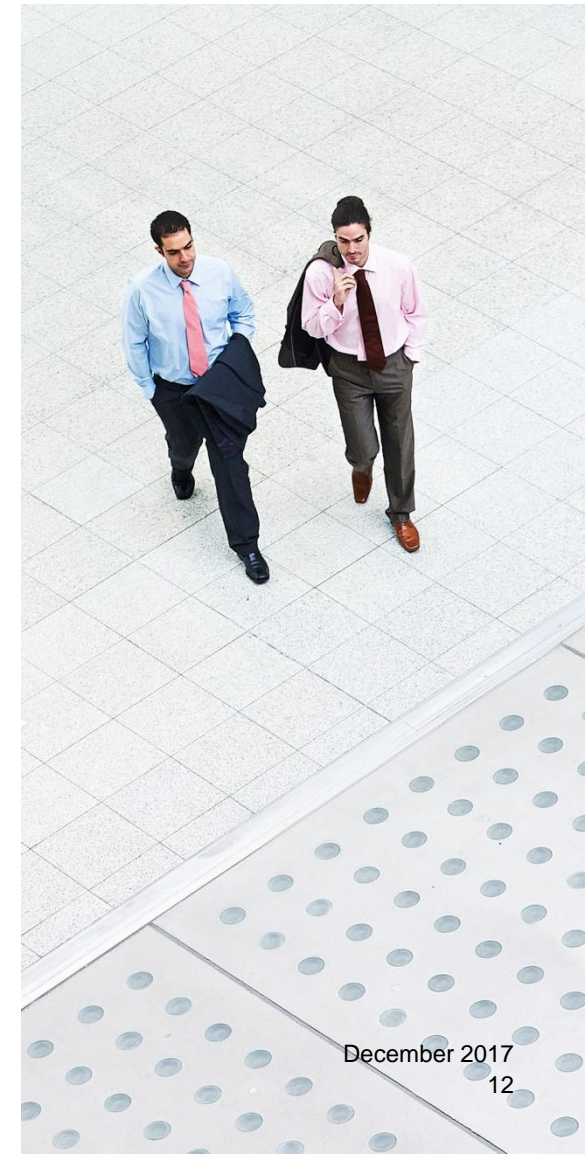
Each question was phrased so that the response was set on a scale of 0-10 (0 = strongly disagree and 10 = strongly agree). The net promoter scoring mechanism was used which means that the responses have been summarised on a scale of:

Detractor – score of 0-6

Passive – score of 7-8

Promoter – score of 9-10

Net Promoter Score (NPS) is a management tool that can be used to gauge the loyalty of a firm's customer relationships. Net Promoter Score (NPS) measures the loyalty that exists between a provider and a consumer. The provider can be a company, employer or any other entity. The provider is the entity that is asking the questions on the NPS survey. The consumer is the customer, employee, or respondent to an NPS survey.



Executive summary



139

Headlines/summary of findings

The following slides provide a summary of the response rate, highest and lowest scores before going into the detail of each individual question response and the verbatim narrative comments provided as part of the survey.

Where the narrative comments included individual names we have removed these references and replaced with “****” as we do not feel it is appropriate to include individual details.

Limitation of scope

Our original terms of reference included follow up interviews, where requested as part of the survey, to investigate responses and gain further insight. As part of the development of the survey it was concluded that no elements of the survey should be attributable and as such the results have been collated completely anonymously. As such we will not be able to complete the interviews as set out in the terms of reference.

Summary of findings

140

Summary of findings - Survey response

The electronic survey was sent out to 308 staff members by the HR team. The survey was open from 6 October 2017 to 1 November 2017. The key results, in terms of responses are:

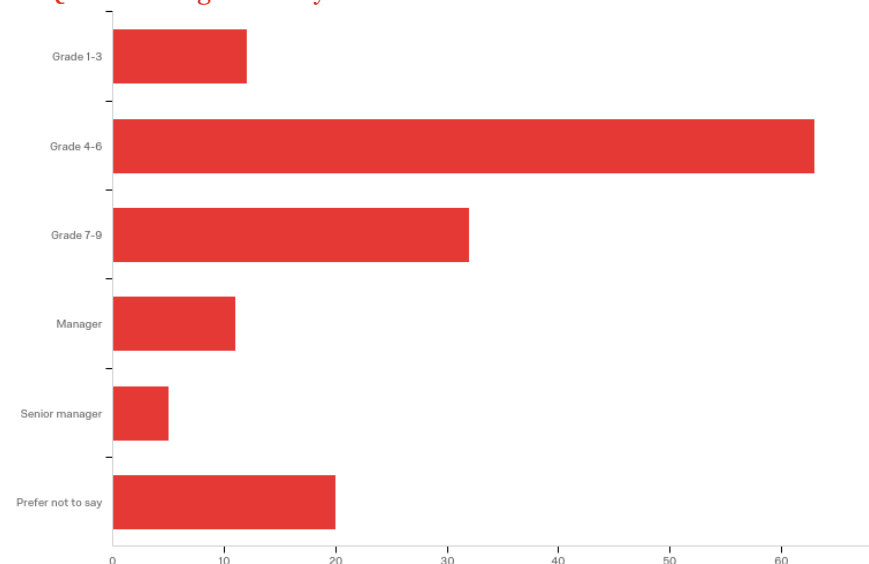
175 people opened the survey (57%)

141

Q2.3 - What directorate do you work within?		
Answer	%	Count
Borough secretary	13.48%	19
Regeneration, enterprise and planning	14.18%	20
Customers and communities	49.65%	70
Housing and well-being	9.93%	14
Prefer not to say	12.77%	18
Total	100%	141

Despite paper copies of the survey being available for those who have no email access none were completed.

Q2.2 – what grade are you?



113 people completed the survey in full (65% of those who opened, 37% of those sent the survey)

Summary of findings – areas of strongest promotion

The following questions are those which promoted the most positive response:

Q4.4 There are established procedures to prevent unauthorized access to, or destruction of, documents, records, and assets. (30%)

Q3.6 Job performance is regularly evaluated and discussed with each employee. (27%)

Q4.2 Where in place, policies and procedures are used and adhered to in day to day operations. (27%)

Q3.1 The importance of ethical standards and compliance with internal controls is discussed with newly hired employees during the interview and induction. (23%)

Q4.1 There are policies and procedures in place to support Council operations that are relevant to my role and the work that I do. (23%)

The next section includes the responses to the survey questions and the area of strongest promotion in each area is highlighted green.

Summary of findings – areas of strongest detraction

The following questions are those which had the weakest response:

Q3.5 Turnover in staff is monitored and the reasons for significant turnover are evaluated. (75%)

Q5.4 There is no pressure to meet unrealistic targets in order to meet short-term, reactive results. (75%)

Q6.1 Management consistently demonstrate the positive behaviours that reflect NBC's values. (66%)

Q8.2 The structure of the Council facilitates the timely flow of significant information to the relevant people. (66%)

Q3.4 Staff are supported to deal effectively with evolving local government environments and service delivery models. (65%)

Q4.3 Deviations from established policies and procedures are investigated and documented. (65%)

The next section includes the responses to the survey questions and the area of strongest detraction in each area is highlighted red.

Summary of findings - Change during the year

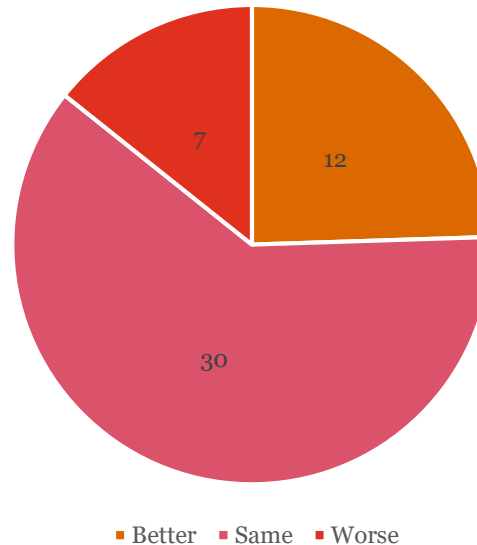
In order to understand the change in attitudes and to reflect on any changes which have occurred at the Council in the last year we asked the following question:

Q9.1 - How do your responses compare to your thoughts one year ago?

The response was open so not to sway respondents. The question was completed by 49 people and the responses have been grouped for the purposes of reporting.

How do your thoughts compare to one year ago?

144



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