

AUDIT COMMITTEE

AGENDA

Monday 21st November 2016 at 1400 hours in the Chamber Chamber, The Arc, Clowne

Item No.		Page No.(s)
	PART 1 – OPEN ITEMS	
1.	To receive apologies for absence, if any.	
2.	To note any urgent items of business which the Chairman has consented to being considered under the provisions of Section 100(B) 4 (b) of the Local Government Act 1972.	
3.	Members should declare the existence and nature of any Disclosable Pecuniary Interest and Non Statutory Interest as defined by the Members' Code of Conduct in respect of: a) any business on the agenda b) any urgent additional items to be considered c) any matters arising out of those items and if appropriate, withdraw from the meeting at the relevant time.	
4.	To approve the minutes of a meeting held on 21st September 2016.	3 to 9
5.	Reports of the External Auditor (KPMG); Annual Audit Letter 2015/16.	10 to 17
6.	Reports of the Executive Director – Operations; Budget Monitoring Report, Quarter 2 (July to September 2016).	18 to 20
7.	Reports of the Executive Director – Operations; Strategic Risk Register and Partnership Arrangements.	21 to 33
8.	Reports of the Executive Director – Operations; Key Issues of Financial Governance.	34 to 39
9.	Reports of the Executive Director Operations; Self Evaluation of the Role and Effectiveness of the Audit Committee.	40 to 55

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in the Council Chamber on Wednesday 21st September 2016 at 1400 hours.

PRESENT:-

R.J. Jaffray (Cooptee Member) in the Chair

Members:-

Councillors J.A. Clifton, S.W. Fritchley, D. McGregor, T. Munro, A.M. Syrett.

Officers:-

B. Mason (Executive Director – Operations), D. Clarke (Assistant Director –Finance, Revenues and Benefits), S. Yates (Senior Audit, Internal Audit) and A. Bluff (Governance Officer).

Also in attendance were T. Crawley (Audit Team Lead – KPMG) and K. Meats (Audit Manager, KPMG) and Councillor K. Reid (Portfolio Holder).

0300. APOLOGY

An apology for absence was received on behalf of Councillor M.J. Dooley.

0301. URGENT ITEMS OF BUSINESS

There were no urgent items of business to consider.

0302. DECLARATIONS OF INTEREST

There were no declarations of interest made.

0303. MINUTES – 12TH JULY 2016

Moved by Councillor S.W. Fritchley and seconded by Councillor D. McGregor

RESOLVED that subject to the inclusion of Councillor T. Munro in the list of Members present at the meeting, the Minutes of an Audit Committee meeting held on 12th July 2016 be approved as a correct record.

AUDIT COMMITTEE

0304. REPORTS OF THE EXTERNAL AUDITOR (KPMG) REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) 2015/16

Committee considered a report of the External Auditor, KPMG, regarding the ISA 260 report 2015/16, in relation to the Council's financial statements for the year ended 31st March 2016.

Committee were also requested to note and consider the Management Representation letter attached as an appendix to the report which the Chair of the Committee and the Chief Financial Officer would be required to sign on behalf of the Council.

KPMG had received complete draft accounts on 31st May ahead of the DCLG deadline and noted that these were of the same high standard as last year.

The report represented a good outcome for the Authority with no material adjustments identified. The External Auditors anticipated giving an unqualified opinion in respect of the accounts by 30th September 2016.

In relation to Value for Money, KPMG had concluded that the Authority had made proper arrangements to ensure it had taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

In respect of the control environment for key financial systems relating to HRA Repairs and Maintenance, KPMG had highlighted three areas of insufficient control. As a result, additional work had been undertaken by KPMG. Additional work had also been undertaken in relation to reviewing the Council's Exit Packages. Full details of the findings with KPMG's recommendations were provided in the report. It was also highlighted that this additional work by KPMG would impact on their fee.

In response to a Member's query, the Executive Director – Operations replied that officers were working with the Housing department and had a good understanding of the issue – training for staff would also be provided to address the issue.

Members thanked KPMG and the Finance team for their work in producing and auditing the Council's Statement of Accounts 2015/16.

Moved by Councillor A.M. Syrett and seconded by Councillor S.W. Fritchley

RESOLVED that (1) the report of the External Auditors, KPMG, be noted,

(2) the Letter of Representation appended to the report be approved and Audit Committee authorises the Chair of Audit Committee and the Chief Financial Officer sign the Letter on behalf of the Council.

(Mrs J Jaffray (Chair)/Chief Financial Officer)

AUDIT COMMITTEE

0305. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS BOLSOVER DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2015/16

Committee considered a report which sought approval of the Council's audited Statement of Accounts for 2015/16.

The outturn position for the Council's accounts had previously been reported to the Executive and to the last meeting of Audit Committee held on 12th July. The work undertaken by KPMG on the accounts did not require the Council to make any amendments in respect of the overall outturn position on the General Fund Revenue Account, Housing Revenue Account or the Capital Programme.

The Executive Director – Operations stated that he wished to thank the finance team for preparing the accounts and the Auditors (KPMG), for the way in which the audit had been conducted.

It was noted that should any minor amendments to the accounts be identified prior to 30th September 2016, these would be agreed by the Chief Financial Officer, in consultation with the Chair or Vice Chair of the Committee. Any such changes would only be made with the agreement of KPMG and would be reported back to the next meeting of Audit Committee.

Moved by Councillor A.M. Syrett and seconded by Councillor T. Munro

RESOLVED that (1) the audited Statement of Accounts in respect of 2015/16 be approved,

(2) delegated powers be granted to the Chief Financial Officer in consultation with the Chair or Vice Chair of Audit Committee to agree any changes which may be necessary in order to ensure the finalisation of the external audit currently being concluded by the Council's external auditors, KPMG, to ensure completion of the Statement of Accounts by 30th September 2016.

(Chief Financial Officer)

0306. REPORTS OF THE INTERNAL AUDIT CONSORTIUM; FIGHTING FRAUD AND CORRUPTION LOCALLY

Committee considered a report which informed Members of "The Local Government Counter Fraud and Corruption Strategy 2016 – 2019" and to report an assessment of the Council's position against the Fighting Fraud and Corruption Locally Checklist 2016 - 2019.

Fighting fraud and corruption locally was a strategy for English local authorities that had resulted from collaboration by local authorities and key stakeholders from across the counter fraud landscape. A link to the full strategy and the associated Companion document was provided in the report. A link to CIPFA's Fraud and Corruption Tracker Summary Report 2016, which was an annual survey of the fraud and corruption detected in local authorities across the UK, was also provided in the report.

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The 2016 – 2019 Fighting Fraud and Corruption checklist had been completed by the internal Audit Consortium Manager and the Executive Director - Operations in conjunction with other relevant officers of the Council.

The completion of the checklist showed that the Council could demonstrate that it had a good anti-fraud culture and that there were appropriate and proportionate measures in place to prevent and detect fraud. An action plan had been developed to address any issues arising and the implementation of the action plan would further strengthen the anti-fraud culture.

Moved by Councillor S.W. Fritchley and seconded by Councillor D. McGregor
RESOLVED that (1) the Local Government Counter Fraud and Corruption Strategy 2016 – 2019 be noted,

(2) the Council's position shown in the 2016 – 2019 Fighting Fraud and Corruption Checklist and corresponding Action Plan be noted.

0307. REPORTS OF THE INTERNAL AUDIT CONSORTIUM; SUMMARY OF PROGRESS ON THE 2016/17 INTERNAL AUDIT PLAN

Committee considered a report regarding progress made by the Internal Audit Consortium, during the period 25th March 2016 to 9th September 2016, in relation to the 2016/17 Internal Audit Plan. The report included a summary of Internal Audit Reports issued during the period and work in progress.

Attached as an appendix to the report was a summary of reports issued covering the period 25th March 2016 – 9th September 2016, for audits included in the 2015/16 and 2016/17 Internal Audit Plans.

The Appendix showed for each report a summary of the Overall Audit Opinion on the audit and the number of recommendations made / agreed where a full response had been received.

In respect of the audits being reported, it was confirmed that there were no issues arising relating to fraud that needed to be brought to the Committee's attention.

The following audits were currently in progress:

- Section 106
- Housing Benefits and Council Tax Support
- Treasury Management
- Council Tax

In response to a Member's query with regard to the marginal report in relation to taxi licensing, the Executive Director – Operations noted that Internal Audit were working with the Licensing section staff to ensure that policies and procedures were followed and safeguarding issues taken in to account.

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Moved by Councillor D. McGregor and seconded by Councillor A.M. Syrett
RESOLVED that the report be noted.

0308. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS; BUDGET MONITORING REPORT QUARTER 1 – APRIL TO JUNE 2016

Committee considered a report of the Executive Director – Operations in relation to the first quarter of budget monitoring for the period April 2016 to June 2016. The report had been presented to Executive on 5th September 2016.

While the monitoring process had identified a range of variances at this stage in the financial year, on the basis of the available evidence, officers were of the view that the outturn position at the end of the year would be in line with approved budgets.

Financial issues and implications were covered in the relevant sections throughout the report and in summary these were:

General Fund;

The monitoring position showed a net favourable variance position in the first quarter of £0.300m.

HRA;

The HRA is showing a net over spend/ under achievement of income in the first quarter of £0.020m.

Capital Expenditure;

There are no areas of concern to report regarding the capital programme in the first quarter of 2016/17.

Capital Income;

The Council has sufficient capital resources in place to finance the actual expenditure and commitments of the capital programme at the end of the first quarter.

Treasury Management;

There are no significant areas of concern to report regarding Treasury Management activities in the first quarter of 2016/17.

A Member noted from the report and raised concern that a substantial amount of section 106 monies needed to be spent by December 2016. The Executive Director – Operations replied that there were tight managerial arrangements regarding section 106 monies and not all were the responsibility of the Council, for example, Derbyshire County Council (education) and other partners, who needed to work with the Council. The Assistant Director – Finance, Revenues and Benefits added that in future relevant amounts from the section 106 funding would go directly to the other agencies (eg Derbyshire County Council) who were responsible for delivering those elements of the agreement.

Moved by Councillor D. McGregor and seconded by Councillor S.W. Fritchley
RESOLVED that the report be noted.

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0309. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS; STRATEGIC RISK REGISTER

Committee considered a report which updated Members on the Council's Strategic Risk Register and Partnership Working. The Strategic Risk Register was agreed by Executive at its meeting on 5th September 2016.

One of the key purposes of the report was to set out the risks that had been identified and to encourage both Members and Officers to actively consider whether the Strategic Risk Register and supporting Service Risk Registers appropriately covered all of the issues facing the Council.

The section of the report which related to Partnerships, served to highlight the extent of those working arrangements, together with the mechanisms which were in place for their successful management.

Moved by Councillor D. McGregor and seconded by Councillor S.W. Fritchley
RESOLVED that the report be noted.

0310. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS; KEY ISSUES OF FINANCIAL GOVERNANCE

Committee considered a report which provided an update to Members concerning the key issues of financial governance where further progress or ongoing monitoring was required.

The Strategic Issues, which were outlined in the report, were consistent with the conclusions of the External Auditor's (KPMG) report on the outcome of the 2015/16 Audit

The key messages from KPMG's report were that they were in a position to issue an unqualified opinion on the Statement of Accounts by the 30th September 2016 due to the quality of the Accounts and also their conclusion that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Further to Internal Audit's satisfactory assessment on Contractual Arrangements as detailed in the report, and also reflecting that it was no longer a separately identified value for money risk for External Audit, it was suggested that this issue of concern be removed from the Key Issues of Financial Governance.

While the overall conclusions were a very satisfactory outcome for the Authority, the detail of the report identified a limited number of areas where improvement was required and also helped to clarify where the Authority needed to focus efforts to ensure that existing standards were maintained.

The Executive Director – Operations noted that the Council had successfully tackled a range of issues to arrive at a position in which there were only a limited number of key areas of financial governance which raised concern. He stated that he wished to thank the Finance team and both External and Internal Audit team for their work and in

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particular the Audit Committee for its support of monitoring and evaluating progress and where appropriate both requiring and supporting further action from officers.

Moved by Councillor S.W. Fritchley and seconded by Councillor T. Munro

RESOLVED that (1) the report be noted,

(2) Contractual Arrangements be removed from the Key Issues of Financial Governance.

(Executive Director – Operations)

The meeting concluded at 1450 hours.

Bolsover District Council

Audit Committee

21 November 2016

<p>Annual Audit Letter 2015/2016</p>

Report of the Council's External Auditor KPMG

This report is public

Purpose of the Report

- For the Audit Committee to consider the Annual Audit Letter in respect of 2015/16 which has been prepared by KPMG for consideration by elected Members of the Council and other stakeholders.

1 Report Details

- 1.1 That the Audit Committee consider the attached report from the Council's External Auditors (KPMG).

2 Conclusions and Reasons for Recommendation

- 2.1 To ensure that the Audit Committee is able to effectively consider the outcomes of the work undertaken by the Council's external auditors.

3 Consultation and Equality Impact

- 3.1 None arising directly from the report.

4 Alternative Options and Reasons for Rejection

- 4.1 A copy of the Annual Audit Letter has previously been circulated to all Members of the Council and will be included on the agenda for a future meeting of Council. Together with inclusion on the Audit Committee Agenda this should help ensure an appropriate level of consideration by Elected Members and other stakeholders.

5 Implications

5.1 Finance and Risk Implications

There are no additional financial implications arising out of this report.

5.2 Legal Implications including Data Protection

None arising directly from this report.

5.3 Human Resources Implications

None arising directly from this report.

6 Recommendations

- 6.1 That the Audit Committee considers and notes the attached report from the Council's External Auditors, KPMG.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	N/A
Links to Corporate Plan priorities or Policy Framework	N/a

8 Document Information

Appendix No	Title
1	Annual Audit Letter 2015/2016
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	Contact Number
Executive Director Operations	01246 242431



Annual Audit Letter 2015/16

Bolsover District Council

October 2016



Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

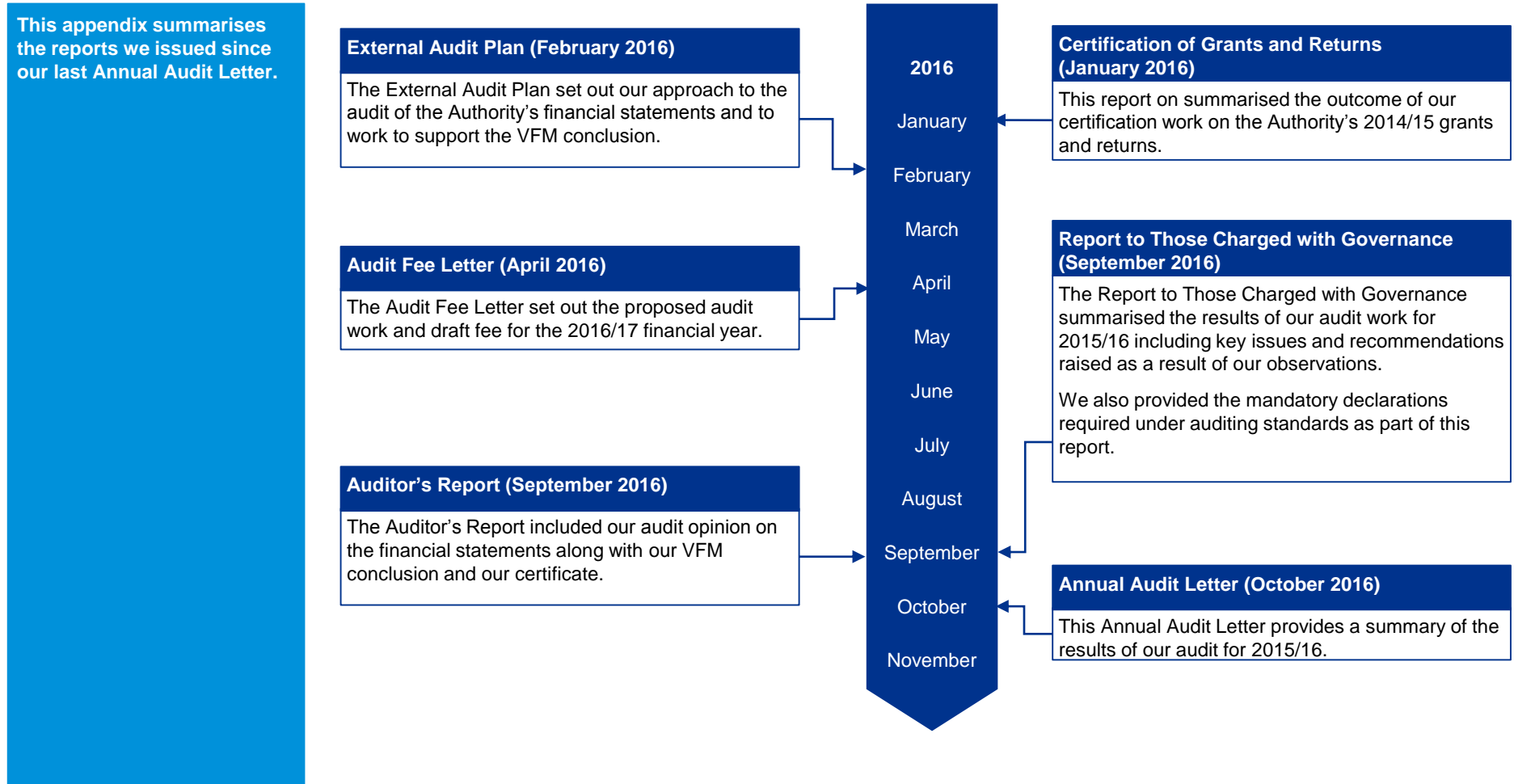
We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tony Crawley, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This Annual Audit Letter summarises the outcome from our audit work at Bolsover District Council in relation to their 2015/16 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 27 September 2016. This means we are satisfied that during the year that Authority had proper arrangements for informed decision making, sustainable resource deployment and working with partners and third parties.</p> <p>In reaching our VFM conclusion we have considered the Authority's arrangements for securing financial resilience. We considered the robustness of the Medium Term Financial Plan and whether the assumptions around future funding and income streams are appropriate. We also considered whether the proposed budgets appropriately reflect the financial risks being faced by the Authority including the phasing out of Revenue Support Grant, potential changes to the New Homes Bonus scheme which are expected to be clarified during 2016/17 and reforms to National Non Domestic Rates.</p> <p>Our work concluded that the planning assumptions made by the Authority were reasonable, and officers recognise that there are significant uncertainties about the future of local government financing, for example the details of reform to Business Rates and New Homes Bonus.</p> <p>We reviewed the outcome of the 2016/17 budget setting process. The Medium Term Financial Plan sets out a savings target of £0.057m for 2016/17 in order to secure a balanced budget. Given the scale of the challenge that faces the Authority in future years, it is important that these savings are secured by underlying reductions in expenditure or increases in income in order to secure the projected financial savings of £1.4m which are anticipated to be required in 2018/19.</p>
Audit opinion	<p>We issued an unqualified opinion on the Authority's financial statements on 27 September 2016. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.</p>
Financial statements audit	<p>We did not identify any issues in the course of our audit that are considered to be material.</p> <p>The Authority has good processes in place for the production of the accounts and good quality working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p>
Annual Governance Statement	<p>We reviewed your Annual Governance Statement and concluded that it was consistent with our understanding.</p>
Whole of Government Accounts	<p>The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review your pack in detail as the Authority falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.</p>
Certificate	<p>We issued our certificate on 27 September 2016. The certificate confirms that we have concluded the audit for 2015/16 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.</p>
Audit fee	<p>Our fee for 2015/16 was £50,868, excluding VAT. This compares to a planned fee of £49,410. The reasons for this variance are an increased fee for the audit of the financial statements reflecting additional work undertaken to review exit package disclosures of £859 and additional substantive testing undertaken in respect of HRA housing repairs and maintenance of £599. Further detail is contained in Appendix 2.</p>

Appendix 1: Summary of reports issued



Appendix 2: Audit fees

This appendix provides information on our final fees for the 2015/16 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2015/16 planned audit fee.

External audit

Our final fee for the 2015/16 audit of Bolsover District Council was £50,868. This compares to a planned fee of £49,410. The reasons for this variance are:

- an increased fee for the audit of the financial statements reflecting additional work undertaken to review exit package disclosures of £859; and
- additional substantive testing undertaken in respect of HRA housing repairs and maintenance £599.

Our fees are still subject to final determination by Public Sector Audit Appointments.

Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2017.

Other services

We charged £3,000 for additional audit-related services for the certification of the Pooling of Housing Receipts Return, which is outside of Public Sector Audit Appointment's certification regime.



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Bolsover District Council

Audit Committee

21 November 2016

Budget Monitoring – Quarter 2 : July to September 2016

Report of the Executive Director Operations

This report is public

Purpose of the Report

- The purpose of this report is to present to Members of the Audit Committee a summary of the Budget Monitoring for the second quarter of 2016/17 i.e. April to June 2016 which will be presented to Executive at its meeting on 28th November 2016.

1 Report Details

- 1.1 To update Members of the Audit Committee concerning the current position in respect of quarter two July to September 2016 Budget Monitoring. The report covers General Fund, the Housing Revenue Account and the Capital Programme.

2 Conclusions and Reasons for Recommendation

- 2.1 To ensure that the Audit Committee are kept informed of the latest position concerning performance against the Council's Approved Budgets.

3 Consultation and Equality Impact

- 3.1 These are detailed in the attached report as **Appendix 1**.

4 Alternative Options and Reasons for Rejection

- 4.1 These are detailed in the attached report.

5 Implications

5.1 Finance and Risk Implications

These are detailed in the attached report.

5.2 Legal Implications including Data Protection

These are detailed in the attached report.

5.3 Human Resources Implications

These are detailed in the attached report.

6 Recommendations

- 6.1 That the Audit Committee note the report concerning the Council's Budget Monitoring for Quarter two 2016/2017 and make any comments that they believe to be appropriate concerning these matters which will be reported to Executive at its meeting on 28th November 2016.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	N/A
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
1	Executive Report 28 November 2016 Budget Monitoring – Quarter Two 2016/2017 . (Please note this Appendix is to follow).
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	Contact Number
Chief Accountant Assistance Director of Finance, Revenues and Benefits	01246 242431

Appendix 1

The Appendix to this report is to follow.

Bolsover District Council

Audit Committee

21 November 2016

Strategic Risk Register and Partnership Arrangements

Report of the Executive Director Operations

This report is public

Purpose of the Report

- To enable the Audit Committee to consider the attached report concerning the Strategic Risk Register which will be considered by Executive at its meeting of 28th November 2016.

1 Report Details

- 1.1 To update Members of the Audit Committee concerning Risk Management, Partnership Working and the Strategic Risk Register. Any comments expressed by the Audit Committee will be taken into account in developing both the Council's risk management reports and wider risk management arrangements.

2 Conclusions and Reasons for Recommendation

- 2.1 These are detailed in the attached report.

Reasons for Recommendation

- 2.2 To ensure that the Audit Committee are kept informed concerning the Council's latest position regarding Risk Management and Partnership working and are able to exercise effective influence on the Council's Risk Management arrangements.

3 Consultation and Equality Impact

Consultation

- 3.1 There are no issues arising from this report which necessitate a detailed consultation process.

Equalities

3.2 There are no direct implications arising from this report.

4 Alternative Options and Reasons for Rejection

4.1 These are detailed in the attached report.

5 Implications

5.1 Finance and Risk Implications

Financial

These are detailed in the attached report.

Risk

These are detailed in the attached report.

5.2 Legal Implications including Data Protection

These are detailed in the attached report.

5.3 Human Resources Implications

These are detailed in the attached report.

6 Recommendations

6.1 That the Audit Committee note the report and make any comments that they believe to be appropriate with regards to the attached report which will be presented to Executive on 28th November 2016.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is an executive decision which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	Robust Governance (including Risk Management) arrangements underpin the effective operation of the Council and its ability to secure all of the Corporate Plan priorities.

Bolsover District Council**Executive Committee****28th November 2016****Strategic Risk Register and Partnership Arrangements**

This report is public

Report of the Executive Director – Operations**Purpose of the Report**

- To update Members concerning the current position regarding Risk Management and Partnership Arrangements and to seek approval for the revised Strategic Risk Register as at 30th September 2016, as part of the suite of Finance, Performance and Risk reports.

1 Report Details**Background**

- 1.1. The Council's Strategic Risk Register has been developed in the light of a consideration of the strategic and operational risks which have been identified by Elected Members and Officers as part of the Council's risk, service management and quarterly performance arrangements.
- 1.2. In its approach to Risk Management the Council is seeking to secure a number of objectives and to operate in line with recognised best practice. In order to appreciate the importance of Risk Management it is useful to reiterate these objectives:
 - To improve the way in which the Council manages its key risks so as to reduce the likelihood of them happening, and to mitigate their impact in those cases where they do materialise. This is a key element in protecting service delivery arrangements, the financial position and the reputation of the Council.
 - To strengthen the overall managerial arrangements of the Council. From a Governance perspective the effective operation of Risk Management is a key element of the managerial framework operating within an authority.

- Effective Risk Management is a key component in ensuring that organisations are able to achieve their objectives, and that key projects proceed in line with plan.
- The identification of the risks attached to existing service delivery, or to a project or new initiative helps enable a fully informed decision to be made, and helps ensure that all appropriate measures to mitigate (or reduce) the risk are in place from the outset.
- Finally, an appreciation of the risk environment within which the Council operates assists in ensuring the organisation has a good awareness of its overall risk exposure, whilst helping determine an appropriate level of financial reserves.

2. The Strategic Risk Register

- 2.1. The revised Strategic Risk Register as at 30th September 2016 is set out in **Appendix 1** for consideration by Executive. The intention is that this review of the Register will secure the following objectives:
- Identify any newly emerging risks which need to be added to the Register and removing any risks that have been resolved to maintain a focus on current risks.
 - To revisit risk scores assessments and ensure that appropriate mitigation remains in place.
- 2.2. Overall a key theme which emerges from the Strategic Risk Register is one of an ongoing requirement to maintain our current performance in respect of service delivery, performance and governance. This objective needs to be secured against a background of both declining and less certainty concerning financial resources. Allied to the financial position local authorities are faced with significant legislative change impacting upon Housing, Planning, the welfare system, devolution and finance. These developments are anticipated to entail some significant changes in the manner in which our services to local residents are delivered with the level of change required clearly having the potential to disrupt service provision.
- 2.3. During the recent round of Quarterly Performance meetings the three key issues that were raised continued to be around the impact of Brexit, the pace of legislative change and the ability to recruit and retain appropriately qualified staff. Both the uncertainties arising from Brexit, together with the impact of Legislative change are covered within the same Strategic Risk (Risk 1) as outlined in Appendix 1. This Risk is concerned with the impact of a wide range of national issues upon the Council and the services it delivers to local residents. Finally, the issue of the loss of key staff and the difficulties being experienced in finding suitable replacements continues to be a widespread concern

expressed by managers. While a limited number of services are experiencing significant problems it is clear that all areas of work are now finding it difficult to attract suitable candidates at a time when we are experiencing increased staff turnover. This issue already featured within the Strategic Risk Register and is detailed as Item 3 within Appendix 1.

- 2.4. In order to develop the understanding of risk together with a culture of risk management throughout the organisations a series of training sessions for senior managers which covered the issue of Risk Management have been held in both the summer of 2014 with further training in the Autumn of 2015. Likewise, as part of the Budget Scrutiny Meeting on 14th September 2015 there was a presentation to Members concerning Risk Management. Consideration is currently being given as to what further training would be appropriate.

Partnership Arrangements.

- 2.5. The Council has recently reviewed its arrangements resulting in Executive agreeing in January 2016 to a revised Risk Management (Including Partnership Working) Strategy. This agreed that a range of strategic partnerships will be reported on and monitored as part of the Council's quarterly report in respect of Risk. These are complementary to the Partnership Funding and Performance Monitoring reports prepared by the Partnership Team to Executive twice a year which sets out the range of partnerships it works directly with. While the Partnership Team co-ordinate the Council's work with these external organisations it should be noted that many of these have been assessed as being of relatively limited risk, with officers adopting a 'light touch' approach in developing appropriate working relationships.
- 2.6. While there will invariably be an overlap between the two reports this report will focus on what might be termed as the Council's strategic partnerships. These are as follows:
- The relationship with the North Midlands authorities (Derbyshire and Nottinghamshire) and Sheffield City Region in progressing the economic development and devolution agenda.
 - The strategic alliance with North East Derbyshire District Council which is central to the transformation agenda of delivering services at lower costs whilst enhancing service resilience.
 - Shared Services arrangements with Chesterfield, Derbyshire Dales, North East Derbyshire and the Chesterfield Royal Hospital which help secure cost effective arrangements in a number of specialist service areas.

- Arrangements with Derbyshire County Council amongst others to secure aligned services across the public sector in areas such as health and economic development.
- The Community Safety Team and associated statutory partners including the Police.

Although the Partnerships outlined above are very different in terms of scope and working arrangements they all have in place formal governance arrangements between the partners, supported by appropriate internal governance arrangements which cover performance, finance and risk. Appropriate approvals have been agreed through the Council's formal committee arrangements, with partnership issues and developments being considered as is required within this Council's constitution. The arrangements in place are intended to be both risk based and proportionate to the risk exposure of this Council.

3 Conclusions and Reasons for Recommendation

- 3.1 The Strategic Risk Register is intended to highlight those areas where the Council needs to manage its risks effectively. One of the key purposes of this report is to set out the risks that have been identified (see Appendix 1) and to encourage both Members and Officers to actively consider whether the Strategic Risk Register and supporting Service Risk Registers appropriately cover all of the issues facing the Council. The section of Partnerships serves to highlight the extent of these working arrangements, together with the mechanisms which are in place for their successful management.

Reasons for Recommendation.

- 3.2 To enable Executive to consider the risks identified within the Strategic Risk Register / Partnership Arrangements in order to assist in maintaining effective governance arrangements, service and financial performance.

4 Consultation and Equality Impact

Consultation

- 4.1 There are no issues arising from this report which necessitate a formal consultation process.

Equalities

- 4.2 There are no equalities issues arising directly out of this report.

5 Alternative Options and Reasons for Rejection

- 5.1 Under the relevant good practice and to facilitate the development of robust managerial arrangements the Council is required to prepare a

Strategic Risk Register as part of its risk management framework. This report is in part intended for Members and Officers to consider whether the Council has adopted an appropriate approach to its management of risk and partnerships. Given that this report is part of the approach to help ensure the effective management of risk / partnerships there is not an alternative to the presentation of a formal report.

6 Implications

6.1 Finance and Risk Implications

Financial

There are no additional financial implications arising out of this report at this stage. While where appropriate additional mitigation measures have been identified and implemented during the course of preparing the Strategic and Operational Risk Registers, the cost of implementing this mitigation will be met from within previously agreed budgets.

Risk

Risk Management Issues are covered throughout the body of the main report.

6.2 Legal Implications including Data Protection

There are no legal or data protection issues arising directly out of this report.

6.3 Human Resources Implications

There are no human resource issues arising directly out of this report.

7 Recommendations

- 7.1 That Executive approves the Strategic Risk Register as at 30th September 2016 as set out in Appendix 1.

8 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	None directly.
Links to Corporate Plan priorities or Policy Framework	Robust Governance (including Risk Management) arrangements underpin the effective operation of the Council and its ability to secure all of the Corporate Plan priorities.

9 **Document Information**

Appendix No	Title
1	Strategic Risk Register as at 30 th September 2016.
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	Contact Number
Executive Director – Operations	2431

STRATEGIC RISK REGISTER SUMMARY AS AT: 30th September 2016

	Risk	Consequences	Risk Score (Likelihood x Impact)	Risk Score (Likelihood x Impact) Taking into Account Current Controls	Risk Owner / Lead Officer
1	Government Legislation / impact of Brexit / adverse external economic climate has an accelerating impact on Council (poor financial settlement), or upon the local economy, to which Council is unable to adopt an appropriate change of Strategic direction.	<ul style="list-style-type: none"> Unable to deliver a package of services that meet changing local needs and aspirations. Reduced influence over delivery of local services. Unable to effectively support local communities. Increased demands on Council services at a time when Council resource base is reducing. 	4,4, 16	3,4 12	SAMT / Political Leadership
	<ul style="list-style-type: none"> The Council is outward looking and actively works to understand proposed changes and the approaches that might be adopted to mitigate any adverse impacts of these. The Council has effective political and managerial (governance) arrangements in place to manage change. Appropriate levels of financial reserves / investment funding are maintained to fund strategic shifts in service delivery. Effective engagement with staff to ensure they embrace necessary change. 				
2	Failure to deliver a balanced budget in line with the MTFP, at a time when the Council's reserves are limited to 'adequate' levels.	<ul style="list-style-type: none"> Impact upon ability to deliver current level of services. Unable to resource acceptable levels of service. Significant adverse reputational Impact. 	3,4 12	2,4 8	SAMT / Chief Financial Officer / Political Leadership

	<ul style="list-style-type: none"> • The Council has effective financial and wider management arrangements in place to ensure budget / service delivery arrangements are robust. • The recent settlement has indicated challenging but manageable savings targets. A key risk is that under 'localism' there is less certainty concerning income (NNDR, NHB). • The Council has 'adequate' financial reserves in place to cushion against any loss of income for a period of at least one financial year. 				
3	<p>It becomes increasingly difficult to recruit to key posts or to replace key staff who leave. Staff morale is adversely affected by as a result of pace of change, tightening financial circumstances or external circumstances.</p>	<ul style="list-style-type: none"> • Deterioration in services to the public. • Increasing inefficiencies in service provision. • Weakening of Internal Control arrangements. • Increased pressure on other members of staff. 	3,4 12	2,4 8	SAMT / Asst Director HR
	<ul style="list-style-type: none"> • The Council has effective communication and working with staff as validated by securing 'silver' accreditation at IIP. • There is sufficient funding to bring in agency staff where required to maintain service performance. • At this stage the problematic areas are those where there are national 'shortages'. In the majority of areas it has proved possible to recruit appropriate replacement staff. • Appropriate training budgets are in place to ensure that staff receive necessary training to maintain service quality. • The Council will look at introducing appropriate apprenticeship / training schemes in order to develop employees to meet our requirements. 				

	<p>Delivery of the Council's Agenda is dependent upon effective delivery of both a number of major initiatives / projects and implementing a range of new government reforms whilst maintaining service quality, which may overstretch our reduced organisational capacity.</p>	<ul style="list-style-type: none"> • New initiatives are not delivered in a cost-effective manner. • Failure to maintain / improve services in line with local aspirations. • Failure to generate the savings required to balance the budget. • Financial efficiencies weaken Governance / Internal Control arrangements. • Service deterioration / failure arising from capacity issues. 	3,4 12	2,4 8	SAMT / Chief Executive
	<ul style="list-style-type: none"> • The Council has effective prioritisation and project management arrangements in place to ensure resources are directed at key objectives. • The Council has made efforts to ensure effective use of employees by utilising shared services to protect service resilience, by maintaining appropriate training arrangements and by investing in transformational ICT projects. • The Council has a robust performance management framework that should serve to highlight emerging issues. 				
5	<p>Emergency Planning and Business Continuity arrangements fail to meet required standards when tested by flu pandemic, natural disaster (flood), etc.</p>	<ul style="list-style-type: none"> • Inability of Council to provide services as a consequence of a severe catastrophic external event (e.g. flooding, major terrorist incident, flu pandemic, fire). • Failure of IT infrastructure, leading to inability to effectively operate services and to safeguard income streams. • Business Continuity Plans prove ineffective in practice. 	3,4 12	2,4 8	SAMT / Director of Transformation

	<ul style="list-style-type: none"> • The Council works in partnership with a range of partners on its Emergency Planning arrangements to ensure that we operate in line with best practice. There is an annual ‘desktop’ scenario to test officers understanding of the arrangements and that they are fit for purpose in a realistic ‘trial’ scenario. • All sections have Business Continuity plans in place which identify key risks and mitigation. Corporate IT systems have been tested against Industry standards for Business Continuity. • The Council works in partnership with a range of other agencies that should be able to provide support in the event of the Council’s own procedures failing to be effective. 				
6	Lack of strategic direction from Members / Corporate Management, external partners change Strategic direction.	<ul style="list-style-type: none"> • Failure to deliver high quality services which address national and local priorities. • Deterioration in Governance Arrangements. • Refocus of current services necessary with associated disruption. 	3,4 12	2,4 8	Chief Executive / Political Leadership Team
	<ul style="list-style-type: none"> • There are appropriate structured training arrangements in place for both Members and Officers. • The Council is an outward looking organisation where both Members and Officers are encouraged to network with peer groups to ensure a developed awareness of the broader environment within which we operate. 				
7	A major operational or failure of data protection risk materialises resulting in a significant impact upon the Council’s ability to secure its corporate objectives. Given the efficiency measures that have been introduced to date this is considered to be an increasing issue for the Council.	<ul style="list-style-type: none"> • Deterioration in services to the public, potentially a major initial impact upon a local resident or a group of local residents. • Significant staff and financial resources required to resolve position, impacting on other services. • A major service has its operating capacity significantly impacted and is required to introduce major reform in its approach to service delivery. 	3,4 12	2,4 8	SAMT / Assistant Directors

	<ul style="list-style-type: none"> • The Council has appropriate managerial arrangements in place supported by staff recruitment and training to ensure these risks are effectively managed. • Performance is formally managed on a quarterly basis to ensure that any emerging issues re service performance are effectively identified and resolved at the earliest possible opportunity. 				
8	<p>Governance Arrangements including Performance, Finance and Risk Management need to be maintained in order to continue to operate effectively in a rapidly changing environment.</p>	<ul style="list-style-type: none"> • Adverse Impact upon Service Quality. • Failure to deliver high quality services which address national and local priorities. • Significant adverse reputational impact. 	3,4 12	2,4 8	Chief Financial Officer / Monitoring Officer
	<ul style="list-style-type: none"> • The Council has appropriate managerial arrangements in place supported by staff recruitment and training to ensure these risks are effectively managed. • The Council has an active Standards and Audit Committee which provide independent review of the Governance arrangements in the Council. • The Annual Governance Report sets out an evidence based structured assessment of the operation of the Council's governance arrangements. 				

Bolsover District Council

AUDIT COMMITTEE

21st NOVEMBER 2016

KEY ISSUES OF FINANCIAL GOVERNANCE

Report of the Executive Director – Operations

This report is public

Purpose of the Report

The purpose of the Key Issues of Financial Governance report is to track progress concerning the implementation of previous recommendations from both External and Internal Audit and to inform the Audit Committee of progress in addressing those recommendations. It constitutes a standing item on all agendas of the Audit Committee.

1 Report Details

- 1.1 This report seeks to update Members of the Audit Committee concerning the main issues of financial governance where further progress or ongoing monitoring is required. In particular the report outlines issues raised by both External and Internal Audit in order to monitor progress in resolving these issues and to evaluate the overall progress of the Council's financial governance arrangements. This report reflects the Annual Audit Letter 2015/16 from KPMG the Council's external auditors which is considered as Item 5 on this agenda. In addition it considers the more detailed ISA 260 report from KPMG presented to the previous meeting of this Committee, and the latest update report from Internal Audit concerning progress on the Internal Audit Plan. The outcome of those reports together with planned management action to address the limited number of issues identified is reflected within this report. The Key Issues of Financial Governance are set out in Appendix 1 which in the view of the Chief Financial Officer constitute the main strategic financial issues currently facing the Council.
- 1.2 The Strategic Issues which are outlined below are consistent with the conclusions of the External Auditors (KPMG) report on the outcome of the 2015/16 Audit. The key messages from that report concern firstly the quality of the Statement of Accounts where the external auditors issued an unqualified opinion on the Statement of Accounts by the 30th September, together with concluding that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. While the overall conclusions is a very satisfactory outcome for the Council the detail of the report did identify a limited number of areas where improvement is required and helps clarify where we need to focus efforts to ensure that existing standards are maintained.

- 1.3. With respect to the Council's accounting arrangements the ISA260 report of the External Auditor is a very positive one. On page 7 of that report KPMG summarise the position as follows:

"We received complete draft accounts on 31 May 2016 ahead of the DCLG deadline. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the Code.

As in previous years the quality of the accounts and working papers was high. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales."

Against the background of the assessment of the 2015/16 Statement of Accounts the main objective appears to be that of maintaining current standards. Given the reputational impact of a critical External Audit report and the additional costs that may be incurred for arrangements which do not meet the auditors requirements it is clearly important that the Council maintains its current high standards in this area. In addition the production of a high quality Statement of Accounts is usually a reliable indicator that the wider financial arrangements within an authority are operating effectively. On that basis it would seem appropriate that the Audit Committee continue to monitor the quality of the process for producing the Annual Accounts on a regular basis.

- 1.4 With regard to the value for money conclusion and the associated risk areas whilst current arrangements are operating well and are fit for purpose, they will need to continue to evolve in the light of changing circumstances if the Council is to continue to secure a positive assessment. The main issue identified was as follows:

- While the Council continues to make good progress in protecting its financial resilience by securing the required in year savings targets the Medium Term Financial Plan continues to identify savings requirements on the General Fund well in excess of £1m over the next three financial years. In addition to the currently identified savings target the report noted that there are a range of risks or financial uncertainties that are currently facing the authority which will need to be effectively managed if the Council is to secure continued financial sustainability.

- 1.5. With regard to the work of Internal Audit the position in respect of last financial year 2015/16 was reported to the meeting of this Committee on 16th May. On the basis that the Council received a total of 3 marginal reports in 2013/14, 2014/15 and 2015/16 this is an indication that standard of internal control are being maintained. At this stage of the financial year the most recent update report from Internal Audit identifies one area where internal control is assessed as 'marginal', although since the September update a further two audits have resulted in a marginal assessment. A more detailed update will be provided by the Head of the Internal Audit Consortium to the next meeting of this Committee.

- 1.6. The Strategic Issues of Financial Governance that have been previously identified are summarised in the table below (Appendix 1) which provides an outline of the issues together with an update of the current position. Given that these are Strategic Issues the responsibility for addressing them rests with the Chief Financial Officer together with the wider management team. Resolution of the issues is also dependent upon the active support of Elected Members. The role

adopted by the Audit Committee has been one of monitoring and evaluating progress and where appropriate requiring and supporting further action from officers. While the Council's financial governance arrangements have improved over recent years and are now robust it continues to be important that the Audit Committee adopts a pro active role in order to ensure current standards are maintained.

2 Conclusions and Reasons for Recommendation

Conclusions

- 2.1 The report is intended to provide information to allow the Audit Committee to consider the progress that has been secured in maintaining and improving the Council's financial governance arrangements. While the evidence provided within the report indicates that the Council's financial governance arrangements are robust and on balance are continuing to improve it is important that this progress is maintained and outstanding issues are resolved.

Reasons for Recommendations.

- 2.2 To support the Audit Committee in undertaking its function of providing an ongoing independent review of the Council's financial governance arrangements.

3 Consultation and Equality Impact

Consultation.

- 3.1 There are no issues arising from this report which necessitate a detailed consultation process.

Equalities.

- 3.2 This report does not have any direct implications for Equalities issues.

4 Alternative Options and Reasons for Rejection

- 4.1. Given that the Council has a clear commitment to maintaining the quality of and where possible improving its financial governance arrangements it is appropriate that a formal reporting mechanism is in place to the Audit Committee. This approach is in line with good professional practice and accordingly other options have not been actively considered. While there are other options as to the format of this report the current format has been used for a period in excess of three years and has been amended to reflect the views of the Audit Committee. Over this period there has been a systematic improvement in the Council's Financial Governance arrangements which indicate that the approach adopted has assisted in securing the required outcomes.

5 Implications

5.1 Finance and Risk Implications

Financial

There are no additional financial implications for the Council arising from this report.

Risk

This report is intended to assist in ensuring that the Council has robust financial governance arrangements in place. As such it is a key mitigation against any failure or weakening in these arrangements which would have a significant impact upon the Council’s financial performance, its reputation and its service delivery arrangements.

5.2 Legal Implications including Data Protection

There are no Legal or Data Protection issues arising directly from this report.

5.3 Human Resources Implications

There are no Human Resources issues arising directly out of this report.

6 Recommendations

6.1. It is recommended that Audit Committee considers whether the Strategic Issues of Financial Governance as set out in the report reflect the key issues facing the Council, and raises any issues of concern which it may have with progress to date.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	None Directly.
Links to Corporate Plan priorities or Policy Framework	Robust financial Governance arrangements underpin the effective operation of the Council and its ability to secure the full range of Corporate Plan Priorities.

8 Document Information

Appendix No	Title
1	Key Issues of Financial Governance Update
<p>Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)</p>	
<p>External Audit Reports ; “Report to those Charged with Governance 2015/16 ISA 260” (Audit Committee 21st September 2016). “Annual Audit Letter 2015/16” (Audit Committee 21st November 2016) “Summary of Progress on the 2016/17 Internal Audit Plan” (Audit Committee 21st September 2016).</p>	
Report Author	Contact Number
Executive Director – Operations (Chief Financial Officer)	2431

Issue Raised	Progress to date including target dates.
<p>1. Take effective steps to balance the Council's budget over the period of the Medium Term Financial Plan.</p>	<p>The Council has a good record in respect of achieving targeted levels of savings over the past few years. On the basis of the current budget monitoring reports the shortfall in respect of the current financial year 2016/17 have been effectively resolved. The report does, however, identify a shortfall in excess of £1m over the final two years of the MTFP, which needs to be addressed at the earliest opportunity. Against this background it is important that the Council continues to progress its growth and transformation strategies to secure financial sustainability and enable it to address the identified shortfall.</p> <p>In addition to the position in respect of the General Fund as outlined above the Council in common with all social landlords will be required to implement a 1% p.a. rent reduction over the next four years. This policy together with changes in right to buy and the welfare system has a significant detrimental impact on the Council's HRA and the Council will need to continue to actively manage the position to ensure that the 30 year business plan remains robust.</p> <p>Progress in both these areas will continue to be reported as part of the Council's quarterly budget monitoring process.</p>
<p>2. To improve the Council's Internal Control arrangements.</p>	<p>This Key Issues of Financial Governance report, together with reports from Internal and External Audit should enable the Audit Committee to monitor the progress that is being made in respect of maintaining the quality of and securing improvements in our internal control arrangements. Internal Audit have undertaken a more prominent role in the Council's Performance Management arrangements since April 2013. Comprehensive training programme have been delivered to all cost centre managers during the summer of 2014, with a further programme completed during the autumn of 2015. A further programme of training is planned to be provided prior to April 2017.</p> <p>Progress reports from the Head of Internal Audit to this Committee will continue to highlight where areas have been assessed as marginal in respect of internal control.</p>
<p>3. To maintain a high standard of external financial reporting particularly in respect of the published accounts, against a background of a reduction in the statutory timescale for the closure of accounts.</p>	<p>The Council has continued to improve the quality of its financial accounts with the Audit report in 2015/16 concluding that our arrangements are robust. That standard needs to be maintained against a background of the significant reputational impact of not securing an unqualified external audit conclusion and the reality that good financial reporting is generally a sign of wider robust financial management. Accordingly the position will continue to be monitored as part of the Key Issues of Financial Governance report.</p>

Bolsover District Council

Audit Committee

21st November 2016

Self Evaluation of the Role and Effectiveness of the Audit Committee

Report of the Executive Director Operations

This report is public

Purpose of the Report

- To facilitate Members of the Audit Committee undertaking a self-assessment of the operation of the Committee to enable them to form a view as to the effectiveness of the Committee and to agree any actions which are necessary in order to improve such effectiveness.

1 Report Details

- 1.1 The Audit Committee plays a key role in the governance arrangements of all local authorities. As such an effective Audit Committee is crucial to secure the effective operation of governance arrangements within the Council. Given the importance of the Committee's role it is crucial that the Committee gives regular consideration to its effectiveness in practice.
- 1.2 In order to evaluate the effectiveness of the Committee this report sets out the criteria agreed by CIPFA / SOLACE as being appropriate benchmarks against which to measure the performance of an Audit Committee. These are attached as **Appendix 1** to this report and will be discussed by the Committee at the meeting in order to arrive at a self evaluation. This exercise is now undertaken on an annual basis.

2 Conclusions and Reasons for Recommendation

- 2.1 To enable that the Audit Committee to undertake a structured self assessment of its effectiveness.

3 Consultation and Equality Impact

- 3.1 There are no issues arising directly from this report.

4 Alternative Options and Reasons for Rejection

- 4.1 Given its role in ensuring the effective operation of the Council it is appropriate that the Audit Committee undertakes a regular self-assessment of its performance. The main alternative of not undertaking a self assessment is therefore rejected.

5 Implications

5.1 Finance and Risk Implications

There are no issues arising directly from this report.

5.2 Legal Implications including Data Protection

There are no issues arising directly from this report.

5.3 Human Resources Implications

There are no issues arising directly from this report.

6 Recommendations

- 6.1 That the Audit Committee undertake a self assessment concerning the effectiveness of its performance against the criteria established by CIPFA/SOLACE.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	Not Directly
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
1	Questions for Audit Committee Members to Ask: Governance – Extracted from CIPFA / SOLACE: Delivering Good Governance in Local Government (2012)
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	Contact Number
Bryan Mason Executive Director Operations	01246 242431

Questions for Audit Committee Members to Ask: Governance – Extracted from CIPFA / SOLACE: Delivering Good Governance in Local Government (2012)

The self assessment concerning the operation of the Audit Committee will be undertaken against the criteria set out in the above publication. In order to assist Members in developing a view these criteria are set out below.

The assessment covers the six principles of good governance.

To assist the Committee the Executive Director – Operations (Chief Financial Officer) has provided comments in response to the issues raised by CIPFA / SOLACE. These comments are intended to demonstrate why it could be considered that appropriate arrangements are in place. It is for the Committee to take a view as to the appropriateness of these comments and to conclude whether existing arrangements are satisfactory.

1 Good governance means focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

Does the internal audit strategy meet our needs?			
The Head of the Internal Audit Consortium produces an Internal Audit Plan at the outset of each financial year and provides formal monitoring reports concerning progress against that plan at regular intervals during the course of the year. The Audit Committee formally approves the Audit Plan and it is agreed by both External Audit and the Director of Operations (S151 Officer).			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Are the authority's key risks still relevant to the current strategic objectives?			
These are kept under review in the preparation of the Plan. Internal Audit have access to both Members / Officers and to all key Council reports, performance and financial data and therefore are in an appropriate position to ensure that the report reflects changing risks.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

2 Good governance means members and officers working together to achieve a common purpose with clearly defined functions and roles.

Does the internal audit reporting line ensure that audit recommendations are given due weight and attention?			
The Audit Committee and SAMT consider the outcome of all internal audit reports, with the Audit Committee receiving a copy of all reports that are marginal or unsatisfactory. The implementation of agreed recommendations is formally monitored through the Council's Performance Management arrangements.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

How are external auditors co-ordinating their work with the authority's internal auditors?			
External and Internal Audit undertake such liaison as they consider to be appropriate.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Is a common definition of risk used across the authority?			
The authority has a Risk Management Strategy which is applied across the authority; this Strategy has recently been updated (January 2016), with training provided for both Officers and Members.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

3 Good governance means promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Are the internal auditors free from any other responsibilities that could impair their independence?			
The Chief Financial Officer is of the view that this requirement is met by the Council, and that Internal Audit have no routine managerial duties. It should be noted that the Internal Audit service is delivered by a consortium arrangement hosted by Chesterfield Borough Council.			

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Are procedures followed consistently with the need to achieve value for money?

The Council is actively promoting a culture based upon effective performance management and robust budgetary control. When these are applied against a background of an on-going reduction in the level of financial resources available then these will provide powerful incentives to securing VFM.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

What steps are being taken to discharge the duty to promote and maintain high standards of conduct?

This is assessed as part of the process of preparing the Annual Governance Statement and that assessment was outlined in a report to the May 2016 meeting.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

4 Good governance means taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Do internal and external auditors receive the necessary degree of co-operation?

In the view of the Executive Director Operations the necessary degree of co-operation has been provided. He is not aware of any issues where appropriate co-operation has not been provided. Internal Audit have extensive powers of access granted under the Council's Constitution, together with a right to report independently to both senior Officers and this Committee. The External Auditors would comment on any such failings through their communications with the Council.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Where internal audit budgets are being reduced, how will the level of assurance be maintained?

While Internal Audit budgets have been reduced careful consideration has been given to the risks faced by the Council and the level of resource (audit days) within the Audit Plan has been benchmarked against the Plans of other similar local authorities. Internal Audit has recently been subject to an independent external assessment the outcomes of which will be reported to the next meeting of this Committee.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Have there been any attempts to restrict the scope of the internal auditors' work in any way?

Not in the opinion of the Chief Financial officer. The Head of the Internal Audit Consortium would have a responsibility to report any such concerns.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

How is the efficiency and effectiveness of internal audit demonstrated?

The Audit Committee receives regular reports which should put it in a position to reach an informed view. The Chief Financial Officer provides a report to the Audit Committee on an annual basis which assesses the effectiveness of internal audit. The report relating to 2015/16 was considered at the 16th May 2016 meeting of this Committee. Internal Audit has recently been subject to an independent external assessment the outcomes of which will be reported to the next meeting of this Committee.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Do the internal or external auditors have any concerns about management's control awareness or operating style?

Any such concerns will be raised as part of their routine reporting process. Both internal and external audit are aware of their right to report any concerns to the Audit Committee, or to any member of the Senior Management Team.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

		improvement	place.

Does the audit committee have all the assurances it needs to meet its responsibilities and ensure the authority meets its statutory duties?

The Chief Financial Officer seeks to ensure that the Authority's business is conducted in line with statutory duties and good practice. One of the intended outcomes from this report and self-assessment is that the Audit Committee should consider its role in the organisation and whether it undertakes its functions effectively.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Is there effective assurance across all key areas?

The Annual Governance Report, this self-assessment, the reports of External and Internal Audit should inform the Audit Committees views on this matter.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Is the audit committee over-reliant on internal and external audit for assurance? Are there other sources of assurance that should be considered?

The Annual Governance Statement – including supporting papers – together with this self-assessment should enable the Audit Committee to give appropriate consideration to this issue.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Have all staff had the opportunity to contribute to identifying the risks the authority faces?

Service Plans which are provided by all sections incorporate a Service Risk Register which needs to be agreed by the teams themselves. The Quarterly Finance, Performance and Risk meetings provide an opportunity to input into and influence both Service and Strategic Risk Registers.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Is risk management part of all planning and decision-making processes?

All reports to Committee include a section on risk, projects have Risk Registers and management processes highlight the importance of giving appropriate consideration to Risk. Senior Officers have received refresher training in respect of Risk and it is a standing item on the Quarterly Performance Management meetings.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Is risk management integrated with the authority's other procedures?

Risk is considered alongside Performance and Finance as part of the Council's Performance Management framework.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Are appropriate procedures in place to ensure adequate user involvement in the development of new systems and major systems changes, including the design of control checks and balances?

All projects are managed through a project group which includes representatives of all stakeholders.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Has the authority implemented national counter-fraud standards?

The Audit Committee receives updates on this issue from the Internal Audit Team and the Executive Director – Operations, which seek to demonstrate that the authority is complying with national standards.

4. Fully	3. Arrangements	2. Arrangements	1. Council does not have
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Compliant	fit for purpose	in need of improvement	appropriate arrangements in place.

5 Good governance means developing the capacity and capability of members and officers to be effective

Are there appropriate training and induction procedures for audit committee members?			
It is appropriate that the Audit Committee comes to its own view on this issue. This report is part of a wider programme of developing self awareness within the Committee.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.
Does the audit committee periodically assess its own effectiveness?			
This report / process is intended to secure that objective. It is intended that an appropriately updated version of this report this report will be brought back to Audit Committee on an annual basis.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Do internal audit staff have sufficient technical and professional knowledge and experience to ensure that audits are performed to appropriate professional standards? Is there sufficient systems expertise to deal with the level of technology used by the authority?			
The Executive Director presented a report to the May meeting of this Committee providing his assessment of the effectiveness of Internal Audit which concluded that the service was an effective one. The Audit Committee has a significant level of contact with the Internal Audit service.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Does the authority run training sessions on risk management for new staff?			
While the Corporate Induction process provides a brief introduction where risk management is a significant part of any role it will be incorporated into the person specification which will ensure that only suitably experienced qualified people will be appointed. Where necessary appropriate training will be arranged.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Has the authority assessed itself against the CIPFA Statement on the Role of the Chief Financial Officer in Local Government? Are there any issues to address?			
This was undertaken as part of the process of preparing the Annual Governance Statement which concluded the authority was fully compliant. Copies of the CIPFA Statement can be provided on request.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Has the authority assessed itself against the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations? Are there any issues to address?			
This was undertaken as part of the process of preparing the Annual Governance Statement which concluded the authority was fully compliant. Copies of the CIPFA Statement can be provided upon request.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

6 Good governance means engaging with local people and other stakeholders to ensure robust local public accountability

Does the authority's annual governance statement reflect reality?
The Chief Financial Officer is of the view that is based upon an appropriate assessment which took account of any relevant sources of information. The Annual Governance Statement has been subject to consideration by the Audit Committee, by the Senior Alliance Management Team, by Internal Audit and by External Audit (KPMG). This should ensure effective scrutiny of the contents.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Does the annual governance statement reflect compliance?

The Annual Governance Statement is subject to consideration by the Audit Committee, by the Strategic Alliance Management Team and by External Audit (KPMG). This should ensure effective scrutiny of the contents.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Are there areas where the authority does not comply with relevant guidance?

Not to the knowledge of the Chief Financial Officer. Should such areas be identified then the authority will either move to ensure compliance or will report such noncompliance appropriately.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Did any circumstances prevent adherence to the agreed timetable for preparing and auditing accounts? Did any delays result in an audit overrun?

The Council has consistently prepared its accounts in line with statutory / audit requirements.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Do the authority's financial statements satisfy all statutory and regulatory disclosure requirements to which the authority is subject?

Officers will take appropriate steps to ensure that the Council remains fully compliant. The work of officers will be subject to independent External Audit and subject to Member and Audit Committee scrutiny. The accounts themselves are a public document which is fully accessible for wider public scrutiny.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

7 Ensuring Effectiveness

For audit committees to be effective, they should have:

Clear, distinct and up-to-date terms of reference.

The Terms of Reference are set out in the Council's Constitution which are reviewed on a regular basis. The relevant section of the Constitution sets out the role of the Audit Committee as follows:

AUDIT COMMITTEE

1. Statement of Purpose

The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment. The Audit Committee will also oversee the Authority's corporate governance arrangements.

2. Reporting Framework

The Audit Committee will report directly to the Council, and provide information to the Executive for action, whilst maintaining its independence.

3. Membership and Structure of Meetings

The Audit Committee will have a membership of six plus one co-opted member and reflect the political composition of the Council. A quorum will constitute at least three members of the Committee. The Chair and Vice Chair of the Committee will be elected from its membership. The Chair and the Vice Chair of the Committee will be elected from its Membership. The Audit Committee will meet at least four times per year.

4. Principal Responsibilities

(1) To ensure that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions to include the following:-

- i) Arrangements for the assessment and management of risk within the Authority and ensuring they are embedded within the organisation.
- ii) Approving and modifying the terms of reference and strategy for internal audit.
- iii) Receiving and approving the annual internal audit plan and reviewing the external audit plan.
- iv) Receiving quarterly reports on the progress against the annual audit plan.
- v) Reviewing and adopting the Annual Governance Statement.
- vi) Reviewing the Council's anti-fraud policy.

(2) To consider the Council's Code of Corporate Governance and approve the annual statement in that respect.

(3) To consider the External Auditors findings from their review of the Statement of Accounts.

(4) To consider and approve, after review by External Audit, if the review is available, the Statement of Accounts and report such to Council. The date by which this must be achieved is 30th September each year.

(5) To review and adopt the detailed and summary Annual Governance Statement in light of the Internal Audit Annual review, report on the effectiveness of Internal Audit, Governance letters and the financial details shown in the statement of Accounts. In addition when these items are scheduled for consideration the Leader, Deputy Leader and the appropriate Cabinet member would be invited to attend the Audit Committee and participate in the debate and discussion, but no voting rights would be associated with the invitation.

(6) To review the Council's internal audit function and monitor performance.

(7) To monitor and ensure implementation of internal and external audit recommendations.

(8) To be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

An appropriate place within the governance structure of the authority and effective reporting arrangements.

The Audit Committee should consider this issue in the light of the Council's Constitution. The reporting framework as established by the Constitution is as follows: "The Audit Committee will report directly to the Council, and provide information to the Executive for action, whilst maintaining its independence."

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Members that are fully aware of their role, appropriately trained and independent minded.

This self-assessment should help ensure that Members are fully aware of their role. The Audit Committee itself will need to form a view as to the other issues raised by this question.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

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A skilled chair supported by members with financial and audit expertise.

Audit Committee Members are selected on the basis that they have appropriate skills and experience. Ultimately the Audit Committee itself will need to form a view as to the other issues raised by this question.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

An appropriate balance of expertise, experience, continuity and political neutrality to discharge its responsibilities.

This is covered in the Constitution. Ultimately, however, the Audit Committee itself will need to form a view as to the other issues raised by this question.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Officer support (including a secretary role).

The Committee is supported by the Chief Financial Officer, Internal Audit and by the Governance Team. Other officers attend where appropriate.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

A clearly set out and agreed (but flexible) annual work plan.

The Audit Committee undertakes an annual work plan with its agenda determined by the wider financial and governance timetables that are operational within the Council.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

A wide-ranging agenda that reflects the governance, risk and control priorities of the authority.

The Audit Committee is structured around a consideration of key reports on Finance and Risk which are prepared for the 'Executive'. It has a Key Issues of Financial Governance report at every meeting which allows it to monitor progress against underlying Governance issues facing the Council.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Access to other committees/information as required.

The Committee's rights are set out in the Constitution and it can require that it receives information which it considers to be appropriate to the conduct of its business.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Agenda papers circulated well in advance of the meetings.

The aim is to ensure that all reports are circulated at least 5 working days before the meeting.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Meetings arranged on a regular basis.

The Committee has approximately 6 meetings a year which are spread throughout the year.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Engagement with a wide range of services in accordance with the risks under review.

Executive Members, Directors and other officers may be requested to attend meetings as required.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Regular assessment of performance as a committee.

This report is intended to secure that objective. It is intended that an appropriately updated version of this report will be brought back to Audit Committee on an annual basis in line with the reporting of the Annual Governance Statement.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Date: 17th November 2016

The Arc
High Street
Clowne
Derbyshire
S43 4JY

Dear Sir or Madam

AUDIT COMMITTEE – MONDAY 21ST NOVEMBER 2016

I refer to your recently circulated agenda for the above meeting and now enclose the following item of business:

Part One – Open Items

Agenda Item 6: - Appendices to the Report of the Executive Director – Operations; Budget Monitoring Report, Quarter 2 (July to September 2016). Pages 1 to 12.

Yours faithfully



Assistant Director of Governance and Monitoring Officer
To: Chairman & Members of the Audit Committee

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Bolsover District Council

Executive

28th November 2016

Budget Monitoring Report, Quarter 2 – April to September 2016

Report of the Assistant Director – Finance, Revenues & Benefits

This report is public

Purpose of the Report

- To update Executive on the financial position of the Council following the second quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account (HRA), Capital Programme and Treasury Management activity.

1 Report Details

- 1.1 Officers have continued the integrated approach to budget monitoring in the second quarter with Performance, Risk and Finance being considered together at Directorate meetings held during October 2016. The scope of this report is therefore to report the current financial position following the 2016/17 quarter two monitoring exercise. It should be noted that there is a separate report elsewhere on this agenda recommending a revised budget for 2016/17 which is based upon a separate but related piece of work.

General Fund Revenue Account

- 1.2 The General Fund Revenue Account summary is shown as **Appendix 1**. The original budget for 2016/17 showed a funding gap of £0.057m. The current budget now shows that this is £0.255m surplus after the Council Tax increase and other savings are included. As savings are identified and secured they are moved into the relevant cost centres within the main General Fund Directorates. Officers completed working on the financial outturn review of 2015/16 in quarter 2 and savings of £0.063m for 16/17 and £0.049m for 2017/18 and 2018/19 were achieved. Officers have also reviewed the opportunities to reduce the salary budgets where savings arose in the first six months. An amount of £0.101m has been removed from budgets for vacancies in quarter 1 and 2 which is included in the £0.312m savings shown on appendix 1.
- 1.3 The individual directorate monitoring meetings have not identified any significant budget issues to report at this stage with the summary showing that the Council is spending below its profiled budget at the end of the second quarter. While most of the favourable variance is linked to the timing of payments etc and is therefore of a temporary nature, the extent of the under spend does suggest that there will be

'one-off' savings achieved at the year end. Officers will continue to monitor the position during the next quarter.

- 1.4 Section 106 – In order to improve the monitoring and control of Section 106 monies received by the Council, both the funding together with the associated expenditure due to be utilised in a financial year are now incorporated within the General Fund directorate budgets. The amount budgeted to be spent in 2016/17 is £1.250m. There are no deadlines for expenditure to be spent during 2016/17. The next deadline is September 2018 for £0.123m. Officers are working to ensure that all of this spending is undertaken in line with the agreed timescales and in accordance with the S106 legal requirements.
- 1.5 The overall position at the end of quarter 2 shows that there is a favourable variance of £0.823m. On the basis of the savings achieved to date, Officers are of the view that the Council will be in a position to balance its budget by the year end. The monitoring process involving both the accountancy team and budget officers has not identified any budget pressures that are likely to arise during the current financial year.
- 1.6 Officers have been working with Budget Managers in recent weeks to compile a Revised Budget for 2016/17. This will amend the current budgets to capture the identified budget savings and reduce spending where it is anticipated that there will be a minimal impact upon service delivery. As in previous years, this process will take account of all known potential savings in order to balance the budget for the year and to secure further savings to help address the identified shortfall in future years. Where possible the budget in future years will be amended to reflect these savings in order to reduce the projected budget gap faced by the Council. The revised budget position will be presented under a separate report at this meeting. That revised budget indicates that it should be possible to both achieve the savings required to meet the 2016/17 savings target, whilst making a contribution to the Transformation Reserve of £0.424m.

Housing Revenue Account

- 1.7 The Housing Revenue Account summary for the first six months of 2016/17 is set out in **Appendix 2** to this report. At the end of quarter 2 the HRA is showing a net surplus of £0.702m.
- 1.8 The quarter 2 income figures show a favourable variance of £0.131m. This is mainly due to the income from Derbyshire County Council for Supporting People not being included in the original budget. At the time the budget was set - given the uncertainties around this income - a prudent assumption was made that no income would be received.
- 1.9 Expenditure within the HRA shows a favourable variance of £0.565m in the second quarter. There are no budget pressures to report at this stage of the year. It is currently anticipated that expenditure will be in line with approved budgets at the year end, however, given the performance to date a favourable variance may well be achieved.

1.10 In light of the above and the expenditure patterns to date – as detailed in Appendix 2 – there are no significant issues to report regarding the overall position for the HRA at the end of the first six months.

Capital Investment Programme

Capital Expenditure

1.11 The capital programme summary for the first six months of 2016/17 is provided in **Appendix 3** to this report.

1.12 In headline terms, the capital programme profiled budget for quarter 2 is £10.771m and the actual spend and known commitments total £6.784m, which is £3.987m behind the planned spend position. The main areas to highlight are listed below:

- The Tangent Phase 2 – this work has not yet started and the budget will be re-profiled for the estimated outturn.
- Clowne Leisure Facility – the under spend is due to the fact that the higher value spend is expected towards the end of the project.
- HRA Public Sector Housing – this represents the amount which had not yet been allocated to individual schemes. This has been re-profiled for the estimated outturn.
- New Bolsover HLF scheme – at the time of setting the original budget the start date of the scheme was unknown. The budget will be re-profiled as part of the estimated outturn to reflect the November 2016 start date.

1.13 Whilst there are no significant financial issues to report regarding capital expenditure at the end of the second quarter, it must be noted that the delivery of the approved capital programme is behind the profiled position as at quarter 2. Officers will continue to closely monitor the delivery of the Programme.

Capital Resources

1.14 The Council has sufficient capital resources in place to finance the actual expenditure and commitments of the capital programme at the end of the second quarter. As in previous years, officers will continue to work to generate capital receipts in order to assist in secure the funding for the capital programme in future financial years.

Treasury Management

1.15 The treasury management function covers the borrowing and investment of Council money. This includes both the management of the Council's day to day cash balances and the management of its long term debt. All transactions are conducted in accordance with the Council's approved strategy and the CIPFA Code of Practice. Good treasury management plays an important role in the sound financial management of the Council's resources.

1.16 The Council approved the 2016/17 Treasury Management Strategy at its meeting in February 2016. **Appendix 4** identifies the Treasury Management activity undertaken during the first six months of 2016/17 and demonstrates that this is in line with the plans agreed as part of the strategy.

2 Conclusions and Reasons for Recommendation

- 2.1 The report summarises the financial position of the Council following the second quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account, Capital Programme and Treasury management activity. In overall terms, the budget monitoring supports the view that the Council will be able to operate within the context of approved budgets and will secure its financial savings target by the year end.

3 Consultation and Equality Impact

- 3.1 There are no equalities issues arising directly out of this report.

4 Alternative Options and Reasons for Rejection

- 4.1 The Budget Monitoring report for 2016/17 is primarily a factual report which details progress against previously approved budgets. Accordingly it is not necessary to consider alternative options.

5 Implications

5.1 Finance and Risk Implications

Financial

- 5.1.1 Financial issues and implications are covered in the relevant sections throughout this report. In summary these are:

General Fund

The monitoring position shows a net favourable variance position in the second quarter of £0.823m. While much of this is due to the timing of payments it does indicate that the Council should secure a 'one off' financial saving at the year end. This view is supported by the work undertaken in respect of the Revised Budgets.

HRA

The HRA is showing a net under spend in the second quarter of £0.696m and it is anticipated will be in at least a break even position at the year end. Again, the work on the Revised Budgets indicates that the position should be better at the end of the financial year than has been anticipated in the current budgets.

Capital Expenditure

There are no significant areas of concern to report regarding the capital programme in the second quarter of 2016/17.

Capital Income

The Council has sufficient capital resources in place to finance the actual expenditure and commitments of the capital programme at the end of the second quarter.

Treasury Management

There are no significant areas of concern to report regarding Treasury Management activities in the second quarter of 2016/17.

Risk

5.1.2 The issue of Financial Risks is covered throughout the report. In addition, however, it should be noted that the risk of not achieving a balanced budget is outlined as a key risk within the Council's Strategic Risk Register. While officers are of the view that these risks are being appropriately managed it needs to be recognised that there may be pressures on all of the Council's main budgets as these have been or are being reduced to minimum levels. These will need to be managed carefully during the course of this financial year if we are to protect the existing levels of financial balances.

5.2 Legal Implications including Data Protection

There are no legal issues arising directly from this report.

5.3 Human Resources Implications

There are no human resource issues arising directly out of this report

6 Recommendations

6.1 That Executive notes the monitoring position of the General Fund at the end of the second quarter as detailed on Appendix 1 and requests officers continue with the work designed to deliver the targeted level of savings in respect of 2016/17.

6.2 That Executive notes the position on the Housing Revenue Account (HRA), the Capital Programme and Treasury Management at the end of the second quarter.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	None directly
Links to Corporate Plan priorities or Policy Framework	Effective management of budgets is a key performance management tool for securing all of the Council's priorities.

8 Document Information

Appendix No	Title
1	General Fund Summary
2	HRA
2	Capital Programme
4	Treasury Management
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	Contact Number
Chief Accountant	2458
Assistant Director – Finance, Revenues & Benefits	2214

Report Reference –

GENERAL FUND

APPENDIX 1

Description	Per Exec 3/2/16	Movement	Per FMS	6 months	Actual	Variance
	Original	Since	Current	Budget	Qtr 2	Qtr 2
	Budget	Original	Budget	Budget	Qtr 2	Qtr 2
	2016/17	Budget	2016/17	2016/17	£	£
	£	£	£	£	£	£
Growth Directorate	3,328,063	360,124	3,688,187	1,844,094	1,526,493	(317,601)
Operations Directorate	6,625,192	169,737	6,794,929	3,397,465	3,155,820	(241,645)
Transformation Directorate	2,972,580	150,024	3,122,604	1,561,302	1,792,282	230,980
Support Recharges to HRA and Capital	(3,410,307)	0	(3,410,307)	(1,705,154)	(1,705,154)	0
<u>S106 Expenditure due in year</u>						
Growth	0	517,570	517,570	258,785	9,124	(249,661)
Transformation	177,734	554,382	732,116	366,058	135,490	(230,568)
Total Net Expenditure	9,693,262	1,751,837	11,445,099	5,722,550	4,914,056	(808,494)
Interest Paid including Minimum Revenue Provision (MRP)	666,752	(30,500)	636,252	318,126	318,126	0
Investment Interest	(158,988)	0	(158,988)	(79,494)	(93,506)	(14,012)
	10,201,026	1,721,337	11,922,363	5,961,182	5,138,676	(822,506)
Contributions to Reserves	1,060,599	(2)	1,060,597	530,299	530,299	0
Contribution from Earmarked Reserves	(170,501)	(796,825)	(967,326)	(483,663)	(483,663)	0
Contribution (from)/to Unapplied Grants/Holding Accounts	(183,943)	(94,570)	(278,513)	(139,257)	(139,257)	0
Contribution from S106 Holding A/cs	(177,734)	(1,071,952)	(1,249,686)	(624,843)	(624,843)	0
	10,729,447	(242,012)	10,487,435	5,243,718	4,421,212	(822,506)
Parish Precepts	2,285,865	101,308	2,387,173	1,193,587	1,193,587	0
Council Tax Support Grant	308,723	0	308,723	154,362	154,362	0
TOTAL NET EXPENDITURE	13,324,035	(140,704)	13,183,331	6,591,666	5,769,160	(822,506)
Revenue Support Grant (RSG)	(2,456,990)	0	(2,456,990)	(1,228,495)	(1,228,495)	0
<u>Business Rates Retention</u>						
Proportionate share	(9,849,963)	0	(9,849,963)	(4,924,982)	(4,924,982)	0
Tariff payable	5,731,357	0	5,731,357	2,865,679	2,865,679	0
Net levy payment	667,334	0	667,334	333,667	333,667	0
Section 31 grants received	(405,788)	0	(405,788)	(202,894)	(202,894)	0
New Homes Bonus Grant 11/12	(117,312)	0	(117,312)	(58,656)	(58,656)	0
New Homes Bonus Grant 12/13	(193,346)	0	(193,346)	(96,673)	(96,673)	0
New Homes Bonus Grant 13/14	(169,639)	0	(169,639)	(84,820)	(84,820)	0
New Homes Bonus Grant 14/15	(292,058)	0	(292,058)	(146,029)	(146,029)	0
New Homes Bonus Grant 15/16	(277,154)	0	(277,154)	(138,577)	(138,577)	0
New Homes Bonus Grant 16/17	(265,993)	(6,133)	(272,126)	(136,063)	(136,063)	0
COUNCIL TAX - BDC precept	(3,260,672)	(63,583)	(3,324,255)	(1,662,128)	(1,662,128)	0
Council tax - Parish element from above	(2,285,865)	(101,308)	(2,387,173)	(1,193,587)	(1,193,587)	0
Council tax collection fund surplus	(91,310)	0	(91,310)	(45,655)	(45,655)	0
TOTAL FUNDING	(13,267,399)	(171,024)	(13,438,423)	(6,719,212)	(6,719,212)	0
Funding gap/ (surplus)	56,636	(311,728)	(255,092)	(127,546)	(950,052)	(822,506)

APPENDIX 2

Housing Revenue Account

Description	Full Years Budget £	6 months Budget £	6 months Actuals £	6 months Variance £
Expenditure				
Repairs and Maintenance	4,767,389	2,383,695	2,102,550	(281,145)
Supervision and Management	4,792,122	2,396,061	2,227,968	(168,093)
Special Services	625,672	312,836	224,568	(88,268)
Supporting People - Wardens	588,394	294,197	277,486	(16,711)
Supporting People - Central Control	205,890	102,945	104,123	1,178
Tenants Participation	86,652	43,326	31,600	(11,726)
Provision for Doubtful Debts	100,000	50,000	50,000	0
Debt Management Expenses	10,688	5,344	5,344	0
Total Expenditure	11,176,807	5,588,404	5,023,639	(564,765)
Income				
Rents	(20,701,629)	(10,350,815)	(10,310,214)	40,601
Garage Rents	(111,390)	(55,695)	(51,908)	3,787
Garage Site Rents	(37,528)	(18,764)	(34,023)	(15,259)
Repairs and Maintenance	(10,345)	(5,173)	(5,034)	139
Supervision and Management	(3,480)	(1,740)	(1,538)	202
Special Services	(341,680)	(170,840)	(166,034)	4,806
Supporting People - Wardens	(179,570)	(89,785)	(219,351)	(129,566)
Supporting People - Central Control	(200,200)	(100,100)	(113,575)	(13,475)
Leasehold Flats and Shops Income	(18,650)	(9,325)	(35,523)	(26,198)
Other Income	(10,528)	(5,264)	(1,721)	3,543
Total Income	(21,615,000)	(10,807,500)	(10,938,921)	(131,421)
Net Cost of Services	(10,438,193)	(5,219,097)	(5,915,282)	(696,186)
Appropriations				
Debt Repayment	1,015,667	507,834	507,834	0
Interest Costs	3,230,022	1,615,011	1,615,011	0
Depreciation	2,383,034	1,191,517	1,191,517	0
Transfer to Major Repairs Reserve	3,473,616	1,736,808	1,736,808	0
Contribution to/(from) HRA Reserves	324,654	162,327	162,327	0
Net Operating (Surplus) / Deficit	(11,200)	(5,600)	(701,786)	(696,186)

APPENDIX 3

Fund	CAPITAL PROGRAMME SUMMARY	Full Years Budget £	6 months Budget £	6 months Actuals £	6 months Variance £
General Fund Assets					
ASS	AMP - The Arc	23,740	11,870	21,134	9,264
ASS	AMP - PV Lodges	204,313	102,157	182,971	80,815
ASS	AMP - Riverside Depot	2,022	1,011	2,021	1,010
ASS	AMP - Leisure Buildings	65,060	32,530	20,963	(11,567)
ASS	AMP - Refurbishment Work	27,370	13,685	0	(13,685)
ASS	Refurbishment - 3 Cotton St Bolsover	104,669	52,335	81,238	28,904
ASS	Shirebrook Contact Centre	128,453	64,227	0	(64,227)
ASS	Refurbishment of Oxcroft House	30,000	15,000	2,500	(12,500)
ASS	Council Chamber	5,318	2,659	5,317	2,658
ASS	Pleasley Vale Mill 1 - Dam Wall	150,000	75,000	4,369	(70,631)
ASS	Car Parking at Clowne - Additional	100,000	50,000	0	(50,000)
ASS	Pleasley Vale Security	200,000	100,000	0	(100,000)
ASS	The Tangent Phase 2	1,200,000	600,000	0	(600,000)
ASS	JVC Acquisition of Share Capital	50,000	25,000	50,000	25,000
ASS	CCTV	29,322	14,661	0	(14,661)
		2,320,267	1,160,134	370,513	(789,621)
Project Horizon					
HOR	Sherwood Lodge Disposal	49,321	24,661	0	(24,661)
		49,321	24,661	0	(24,661)
ICT Schemes					
ICT	ICT infrastructure	59,932	29,966	10,206	(19,760)
ICT	Software - Revenues & Benefits	161,974	80,987	106,955	25,968
		221,906	110,953	117,161	6,208
Leisure Schemes					
LEI	Clowne Leisure Facility	3,436,722	1,718,361	1,213,292	(505,069)
LEI	Fitness Equipment	322,765	161,383	322,764	161,382
LEI	Flume	150,000	75,000	0	(75,000)
LEI	Pool Pod - Go Active	20,000	10,000	0	(10,000)
LEI	Go Active ICT Equip&Software	23,536	11,768	23,535	11,767
LEI	Go Active Turn styles	16,048	8,024	16,047	8,023
LEI	P Vale Outdoor Education Centre Ph 2	41,134	20,567	0	(20,567)
		4,010,205	2,005,103	1,575,638	(429,465)
Private Sector Schemes					
PS	Disabled Facility Grants	370,000	185,000	171,169	(13,831)
		370,000	185,000	171,169	(13,831)
Vehicles and Plant					
VEH	Vehicles - General Fund	1,949,500	974,750	993,554	18,804
		1,949,500	974,750	993,554	18,804
Total General Fund		8,921,199	4,460,600	3,228,035	(1,232,565)

APPENDIX 3

Fund	CAPITAL PROGRAMME SUMMARY	Full Years Budget £	6 months Budget £	6 months Actuals £	6 months Variance £
Housing Revenue Account					
HRA	Group Dwellings Safety Work	100,000	50,000	0	(50,000)
HRA	External Wall Insulation	220,000	110,000	104,469	(5,531)
HRA	Electrical Upgrades	260,649	130,325	48,336	(81,989)
HRA	Cavity Wall + Loft Insulation	20,000	10,000	0	(10,000)
HRA	External Door Replacements	184,656	92,328	23,439	(68,889)
HRA	Heating Upgrades	1,200,000	600,000	897,318	297,318
HRA	Environmental Works	200,000	100,000	617	(99,383)
HRA	Decent Homes - External	74,680	37,340	48,114	10,774
HRA	Kitchen Replacements - Decent Homes	800,000	400,000	97,801	(302,199)
HRA	Re Roofing	800,000	400,000	460,797	60,797
HRA	Regeneration Mgmt & Admin	69,320	34,660	34,660	0
HRA	Sprinkler Systems	16,000	8,000	0	(8,000)
HRA	GD Boiler Replacement	200,000	100,000	29,026	(70,974)
HRA	New Bolsover - MRA	343,347	171,674	0	(171,674)
HRA	Flat Roofing	50,000	25,000	23,903	(1,097)
HRA	Public Sector Housing	1,785,650	892,825	0	(892,825)
HRA	Rogers Ave Creswell - HRA New Build	445,988	222,994	464,931	241,937
HRA	Blackwell Hotel Site - HRA New Build	820,000	410,000	819,871	409,871
HRA	Fir Close Shirebrook - HRA New Build	470,436	235,218	3,080	(232,138)
HRA	Derwent Drive Tibshelf - HRA New Build	646,849	323,425	4,620	(318,805)
HRA	Recreation Close Clowne - HRA New Build	117,609	58,805	770	(58,035)
HRA	New Bolsover - HLF scheme	3,078,826	1,539,413	50,854	(1,488,559)
HRA	Buy Back of Council Houses	90,262	45,131	90,262	45,131
HRA	Vehicles - HRA	627,366	313,683	353,488	39,805
Total HRA		12,621,638	6,310,819	3,556,356	(2,754,463)
TOTAL CAPITAL EXPENDITURE		21,542,837	10,771,419	6,784,391	(3,987,028)
Capital Financing					
General Fund					
	Specified Capital Grant	(370,000)	(185,000)	(171,169)	13,831
	Private Sector Contributions	(49,322)	(24,661)	0	24,661
	Prudential Borrowing	(2,744,770)	(1,372,385)	(1,543,407)	(171,022)
	Reserves	(5,627,068)	(2,813,534)	(1,473,877)	1,339,657
	Revenue Contribution to Capital	(39,584)	(19,792)	(39,582)	(19,790)
	Capital Receipts	(90,455)	(45,228)	0	45,228
		(8,921,199)	(4,460,600)	(3,228,035)	1,232,565
HRA					
	Major Repairs Allowance	(5,946,914)	(2,973,457)	(1,858,742)	1,114,715
	Direct Revenue Financing	(635,366)	(317,683)	(353,488)	(35,805)
	Prudential Borrowing	(4,286,532)	(2,143,266)	(1,293,272)	849,994
	External Grant	(1,752,826)	(876,413)	(50,854)	825,559
		(12,621,638)	(6,310,819)	(3,556,356)	2,754,463
TOTAL CAPITAL FINANCING		(21,542,837)	(10,771,419)	(6,784,391)	3,987,028

Activity 2016/17

PWLB Borrowing

The Council has not taken any new loans from the PWLB during the first six months.

As at 1 April 2016 the Authority's total outstanding PWLB debt amounted to £104,100,000. The profile of the outstanding debt is analysed as follows: -

PWLB Borrowing Term	Maturity Profile 30-Sep-16
	£
12 Months	0
1-2 years	1,000,000
2-5 years	5,000,000
5-10 years	20,300,000
10-15 years	22,800,000
over 15 years	54,000,000
Total PWLB Debt	103,100,000

At 30 September 2016 £1,000,000 has been repaid to the PWLB.

PWLB Interest

The total interest cost to the Council of the PWLB debt for 2016/17 is estimated at £3,669,878. This cost is split between the HRA and General Fund based on the level of debt outstanding. Interest paid to the PWLB in the six months was £1,837,775.

Temporary Borrowing

Cash flow monitoring and management identifies the need for short term borrowing to cover delays in the receipt of income during the year. £49.08 in interest charges were incurred during the first six months on overdrawn bank balances. At 30 September 2016 the only temporary borrowing undertaken by the Council was £637,678.74 which is the investment balances held on behalf of Parish Councils.

Temporary Investments

The following tables show the investments and interest earned to 30 September 2016:

Investments on call

Counterparty	Balance at 1/4/16	Deposits	Withdrawals	Interest received	Balance at 30/09/16
	£	£	£	£	£
Barclays	5,000,000		(5,000,000)	1,713	1,713
Santander	4,000,000		(4,000,000)	2,893	2,893
NatWest	0	2,000,000	(2,000,000)	206	206
BNP Paribas (MMF)	5,000,000			12,550	5,012,550
Standard Life (MMF)	5,000,000			12,097	5,012,097
SSGA (MMF)	0	5,000,000		2,436	5,002,436
Aberdeen (MMF)	2,000,000	3,000,000		8,397	5,008,397
Invesco (MMF)	3,000,000	2,000,000		10,428	5,010,428
Blackrock (MMF)	0	5,000,000	(2,000,000)	2,833	3,002,833
	24,000,000	17,000,000	(13,000,000)	53,553	28,053,553

Fixed-term investments

Counterparty	Balance at 1/4/16 £	Deposits £	Withdrawals £	Interest received £	Balance at 30/09/16 £
Goldman Sachs International Bank	5,000,000	5,000,000	(5,000,000)	14,712	5,014,712
Nationwide BS	5,000,000	5,000,000	(5,000,000)	16,014	5,016,014
Close Brothers	5,000,000	0	(5,000,000)	7,767	7,767
Barclays	0	5,000,000	0	1,460	5,001,460
	15,000,000	15,000,000	(15,000,000)	39,953	15,039,953

Interest Received

Interest received on investments at 30 September 2016 was £93,506. This level of interest is above the profiled estimate for the annual investment interest of £79,494.

Compliance with Treasury Limits

During the financial year the Council continued to operate within the treasury limits set out in the Council's Borrowing and Investment Strategy.

	Actual to Date 2016/17	Approved limits 2016/17
Authorised Limit (total Council external borrowing limit)	98,830,000	112,989,000
Operational Boundary	98,830,000	107,989,000