

Date: 13th November 2017

The Arc
High Street
Clowne
Derbyshire
S43 4JY

Dear Sir or Madam

You are hereby summoned to attend a meeting of the Audit Committee of the Bolsover District Council to be held on Tuesday 21st November 2017 at 1400 hours in the Council Chamber, The Arc, Clowne.

Register of Members' Interests - Members are reminded that a Member must within 28 days of becoming aware of any changes to their Disclosable Pecuniary Interests provide written notification to the Authority's Monitoring Officer.

You will find the contents of the agenda itemised on pages 2 and 3.

Yours faithfully



Assistant Director of Governance and Monitoring Officer

To: Chair and Members of the Audit Committee

ACCESS FOR ALL

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AUDIT COMMITTEE

AGENDA

**Tuesday 21st November 2017 at 1400 hours in the
Council 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 26 th September 2017.	4 to 6
5.	Report of the External Auditor (KPMG) (A) Annual Audit Letter 2016/17	7 to 16
6.	Report of the Internal Audit Consortium (A) Summary of Progress on the 2017/18 Internal Audit Plan	17 to 22
7.	Reports of the Assistant Director – Finance and Revenues & Benefits (A) Budget Monitoring – Quarter 2 : April to September 2017 (B) Revised Budgets (C) Key Issues of Financial Governance	23 to 36 To Follow 37 to 42
8.	PART 2 – EXEMPT ITEMS <i>The Local Government (Access to Information) Act 1985, Local Government Act 1972, Part 1, Schedule 12a (relevant exemption paragraph is cited next to the agenda item).</i>	

Paragraph 3

9. Reports of the Internal Audit Consortium

(A) Internal Audit Report

43 to 64

(B) Licensing Update

Presentation

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in the Council Chamber, The Arc, Clowne on Tuesday 26th September 2017 at 1400 hours.

PRESENT:-

Members:-

Councillor D. McGregor in the Chair

Councillors J.A. Clifton, M. Dooley, S.W. Fritchley and K. Reid.

Officers:-

D. Clarke (Assistant Director – Finance and Revenues & Benefits), J. Williams (Internal Audit Consortium Manager) and A. Bluff (Governance Officer)

0252. APOLOGIES

Apologies for absence were received from Councillor A.M. Syrett and Independent Member Ms. R. Jaffray.

0253. URGENT ITEMS OF BUSINESS

There were no urgent items of business.

0254. DECLARATIONS OF INTEREST

There were no declarations of interest.

0255. MINUTES – 25TH JULY 2017

Moved by Councillor K. Reid and seconded by Councillor J.A. Clifton

RESOLVED that the minutes of a meeting of the Audit Committee held on 25th July 2017 be approved as a true and correct record.

AUDIT COMMITTEE

0256. REPORT OF THE INTERNAL AUDIT CONSORTIUM SUMMARY OF PROGRESS ON THE 2017/18 INTERNAL AUDIT PLAN

The Internal Audit Consortium Manager presented the report which updated Members on progress made by the Internal Audit Consortium in relation to the 2017/18 Internal Audit Plan. The report included a summary of Internal Audit Reports issued to date and work in progress.

Moved by Councillor K. Reid and seconded by Councillor D. McGregor
RESOLVED that the report be noted.

0257. REPORT OF THE ASSISTANT DIRECTOR – FINANCE AND REVENUES & BENEFITS BUDGET MONITORING – QUARTER 1: APRIL TO JUNE 2017

The Assistant Director – Finance and Revenues & Benefits presented the report which gave Members a summary of the Budget Monitoring for the first quarter of 2017/18 i.e. April to June 2017. The report had previously been presented to a meeting of the Executive held on 11th September 2017. The Council had looked to achieve better interest rates in its investments.

Moved by Councillor D. McGregor and seconded by Councillor J.A. Clifton
RESOLVED that the Audit Committee note the report concerning the Council's Budget Monitoring for Quarter 1 2017/18

0258. REPORT OF THE ASSISTANT DIRECTOR – FINANCE AND REVENUES & BENEFITS KEY ISSUES OF FINANCIAL GOVERNANCE

The Assistant Director – Finance and Revenues & Benefits presented the report which tracked progress concerning the implementation of previous recommendations from both External and Internal Audit and informed the Committee of progress in addressing those recommendations.

A discussion took place regarding transformation plans and an update in respect of Equal Pay claims was requested.

Moved by Councillor D. McGregor and seconded by Councillor K. Reid
RESOLVED that (1) the report be noted,

AUDIT COMMITTEE

(2) the Chief Executive Officer provide an update on the status of Equal Pay claims to the next meeting of the Audit Committee

(Assistant Director – Finance and Revenues & Benefits)

0259. THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Moved by Councillor D. McGregor and seconded by Councillor M. Dooley

RESOLVED that under Section 100(A)(4) of the Local Government Act 1972 (as amended), the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in the stated Paragraph of Part 1 of Schedule 12A of the Act and it is not in the public interest for that to be revealed.

0260. REPORT OF THE INTERNAL AUDIT CONSORTIUM INTERNAL AUDIT REPORT – SHELTERED HOUSING SCHEME REVIEW EXEMPT – PARAGRAPH 3

The Internal Audit Consortium Manager presented a report which updated Committee on a Limited Assurance Internal Audit report received in respect of the Sheltered Housing Scheme review.

A discussion took place regarding administration of residents funds.

Moved by Councillor K. Reid and seconded by Councillor D. McGregor

RESOLVED that (1) the report be noted,

(2) the Assistant Director – Community Safety and Head of Housing (BDC) attend the next meeting of the Audit Committee to provide an update on progress with regard to the Implementation Plan.

(Internal Audit Manager/Senior Governance Officer)

The meeting concluded at 1430 hours.

Bolsover District Council

Audit Committee

21 November 2017

Annual Audit Letter 2016/17

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 2016/17 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 Council agenda for 6 December 2017. 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 an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC: Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
1	Annual Audit Letter 2016/17
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
Assistant Director – Finance, Revenues & Benefits	01246 217658



Annual Audit Letter 2016/17

Bolsover District Council

kpmg.com/uk

October 2017

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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.

The contacts at KPMG in connection with this report are:

Tony Crawley

Director

T: +44 (0)116 256 6067

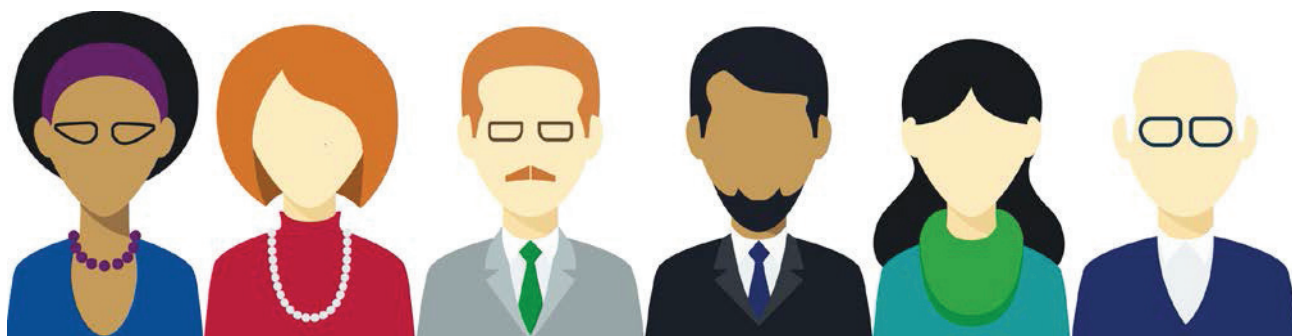
E: tony.crawley@kpmg.co.uk

Katie Scott

Manager

T: +44 (0) 121 232 3632

E: katie.scott@kpmg.co.uk



Section one

Summary

This Annual Audit Letter summarises the outcome from our audit work at Bolsover District Council in relation to the 2016/17 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

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM) conclusion for 2016/17 on 31 July 2017. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

VFM risk areas

We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion, and considered the arrangements you have put in place to mitigate these risks.

In reaching our VFM conclusion we have considered the Authority's arrangements for making properly informed decisions, sustainable resource deployment and working with partners and third parties. This has included detailed reviews of key documents including the Medium Term Financial Plan, Corporate Plan and Growth Strategy.

Our work also includes the discussions we have held with key officers throughout the year regarding the Authority's continued plans for growth, income generation and cost savings.

In last year's Annual Audit Letter we highlighted the uncertainty with respect to probable changes to the New Homes Bonus scheme, which were confirmed during 2016/17, and reforms to National Non Domestic Rates (NNDR), which remain to be clarified. In response to this uncertainty, the Authority has implemented an Efficiency Plan to enable it to produce a robust Medium Term Financial Plan based on prudent and reasonable assumptions.

Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 31 July 2017. 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. Our opinion date was significantly ahead of the 30 September statutory deadline, and was enabled by the high quality working papers and efficient responses to our queries provided by officers.



Section one

Financial statements audit

We did not identify any issues in the course of our audit that are considered to be material.

The Authority has good processes in place for the production of the accounts and high quality working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.

Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.

Whole of Government Accounts

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.

Certificate

We issued our certificate on 31 July 2017. The certificate confirms that we have concluded the audit for 2016/17 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

Audit fee

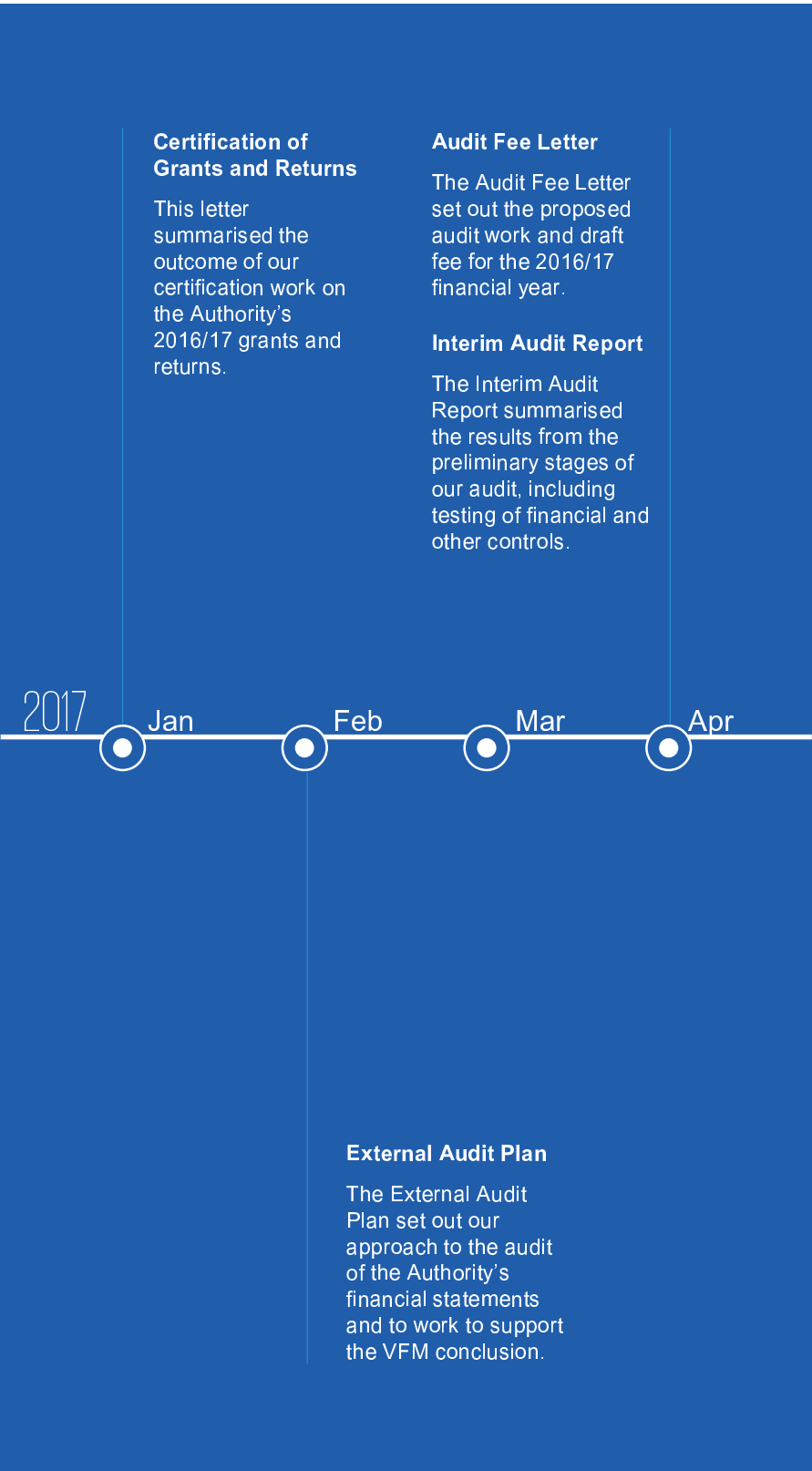
Our fee for 2016/17 was £49,410, excluding VAT, in line with prior year. Further detail is contained in Appendix 2.

Appendix 1

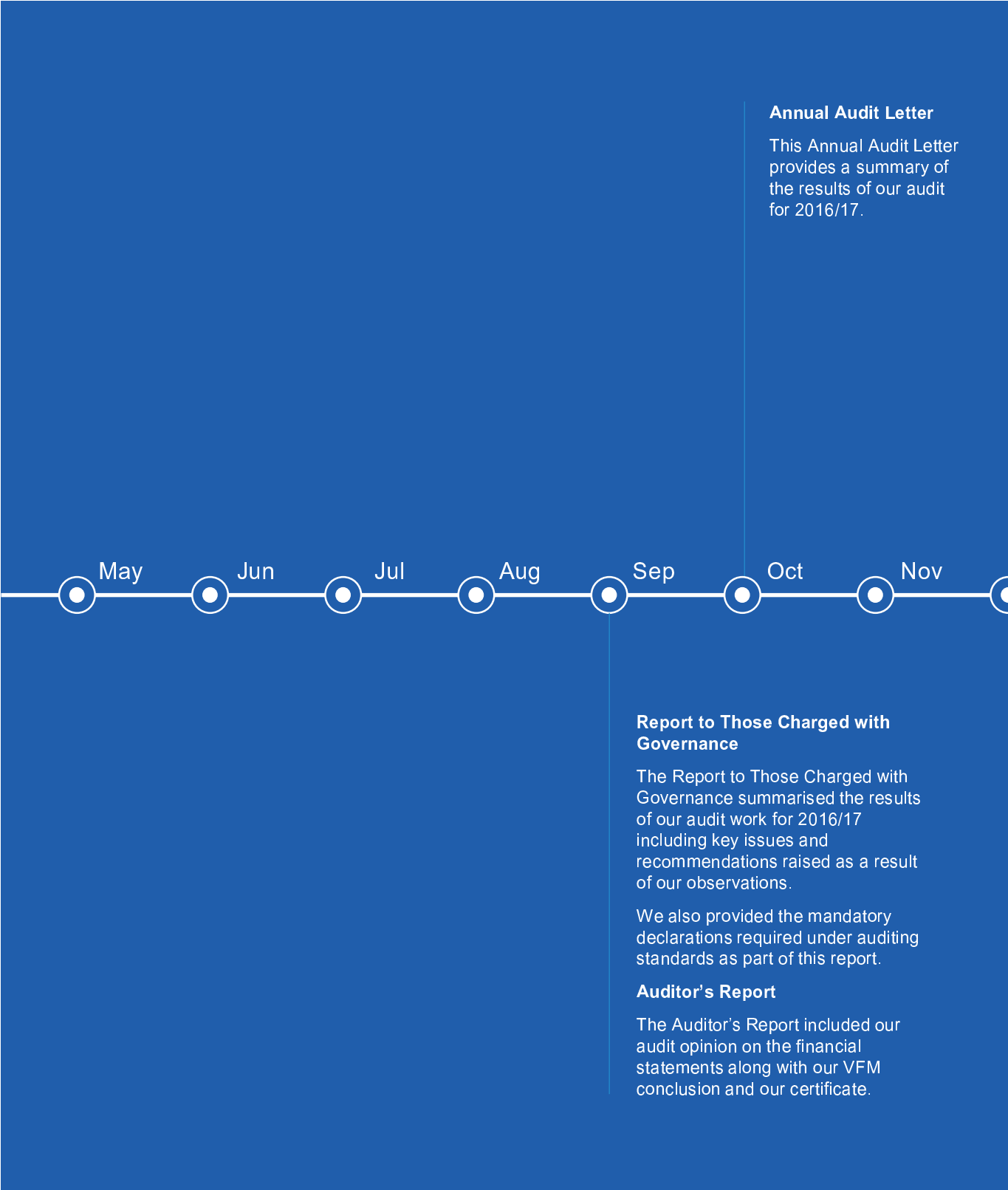
Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.

These reports can be accessed via the Audit Committee pages on the Authority’s website at www.authorityname.gov.uk.



Appendix 1



Appendix 2

Audit fees

This appendix provides information on our final fees for the 2016/17 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2016/17 planned audit fee.

External audit

Our final fee for the 2016/17 audit of the Authority was £49,410, which is in line with the planned fee. We have discussed additional fee in relation to the work undertaken in respect of the CIES restatement and the triennial pension revaluation with the S151 officer. This is still subject to final agreement and PSAA approval.

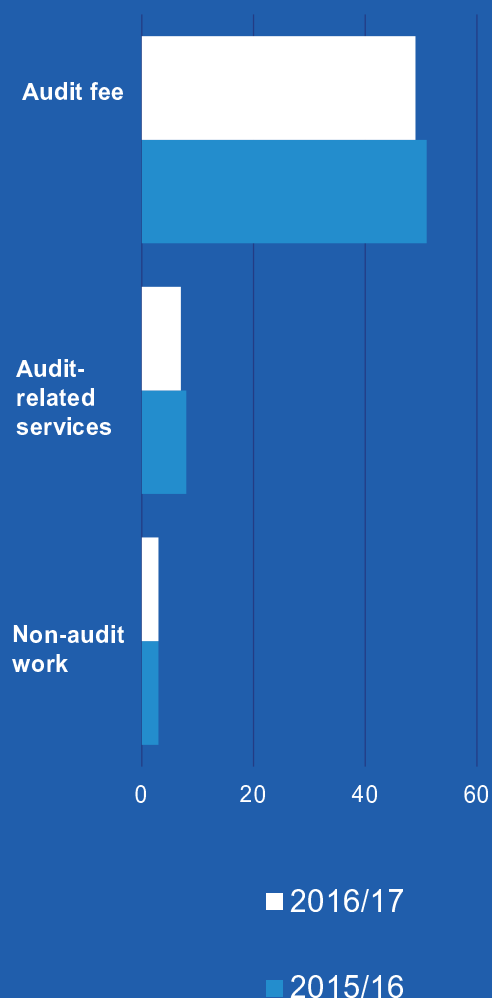
Certification of grants and returns

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 2018.

Other services

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

External audit fees 2016/17 (£'000)



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Bolsover District Council

Audit Committee

21st November 2017

Summary of Progress on the 2017/18 Internal Audit Plan

This report is public

Purpose of the Report

- To present, for members' information, progress made by the Audit Consortium, in relation to the 2017/18 Internal Audit Plan. The report includes a summary of Internal Audit Reports issued from the end of September to the beginning of November 2017.

1 Report Details

- 1.1 The 2017/18 Consortium Internal Audit Plan for Bolsover District Council was approved by the Audit Committee on the 11th April 2017.
- 1.2 The Consortium Agreement in paragraph 9.3 requires that the Head of the Internal Audit Consortium (HIAC) or his or her nominee will report quarterly (or at such intervals as the HIAC may agree with the Committee) to the Audit Committee of each Council on progress made in relation to their Annual Audit Plan.
- 1.3 Attached, as Appendix 1, is a summary of reports issued from the end of September to the beginning of November 2017.
- 1.4 Internal Audit Reports are issued as drafts with five working days being allowed for the submission of any factual changes, after which time the report is designated as a Final Report. Fifteen working days are allowed for the return of the Implementation Plan.
- 1.5 The Appendix shows for each report a summary of the level of assurance that can be given in respect of the audit area examined and the number of recommendations made / agreed where a full response has been received.
- 1.6 The assurance provided column in Appendix 1 gives an overall assessment of the assurance that can be given in terms of the controls in place and the system's ability to meet its objectives and manage risk in accordance with the following classifications:

Assurance Level	Definition
Substantial Assurance	There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.
Reasonable Assurance	The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed.
Limited Assurance	Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.
Inadequate Assurance	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives.

1.7 It can be confirmed that no fraud issues have been identified in respect of the areas reviewed.

1.8 The following audits are currently in progress:

- Housing Benefits
- Council Tax
- Housing Rents
- Taxi Licensing
- Food Hygiene

2 Conclusions and Reasons for Recommendation

2.1 To inform Members of progress on the Internal Audit Plan for 2017/18 and the Audit Reports issued.

2.2 To comply with the requirements of the Public Sector Internal Audit Standards.

3 Consultation and Equality Impact

3.1 None

4 Alternative Options and Reasons for Rejection

4.1 Not Applicable

5 Implications

5.1 Finance and Risk Implications

5.1.1 Regular reports on progress against the internal audit plan ensure compliance with the Public Sector Internal Audit Standards and allow members to monitor progress against the plan.

5.2 Legal Implications including Data Protection

5.2.1 None

5.3 Human Resources Implications

5.3.1 None

6 Recommendation

6.1 That the report be noted.

7 Decision Information

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC:</i> <i>Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC:</i> <i>Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
Appendix 1	Summary of Internal Audit Reports Issued from the end of September to the beginning of November 2017.
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)	
N/A	
Report Author	Contact Number
Jenny Williams	01246 217547

JENNY WILLIAMS
INTERNAL AUDIT CONSORTIUM MANAGER

BOLSOVER DISTRICT COUNCIL

Appendix 1

Internal Audit Consortium - Report to Audit Committee

Summary of Internal Audit Reports Issued from the end of September to the beginning of November 2017

Report Ref No.	Report Title	Scope and Objectives	Assurance Provided	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B012	Treasury Management	To ensure that there is an approved strategy in place that is adhered to.	Substantial	6/9/2017	27/9/2017	1M	1
B013	Non Domestic Rates	To ensure that bills are raised promptly and accurately and that there are recovery procedures in operation.	Substantial	8/9/2017	29/09/2017	0	0
B014	Clowne Leisure Centre	To review and assess the controls and procedures in place	Reasonable	21/9/2017	12/10/2017	9 (5M 4L)	9
B015	Budgetary Control	To ensure that the budget is properly managed and reported	Substantial	11/10/2017	1/11/2017	0	0
B016	Main Accounting	To review the controls and procedures in place	Substantial	11/10/2017	1/11/2017	0	0

Report Ref No.	Report Title	Scope and Objectives	Assurance Provided	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B017	Payroll	To ensure that the controls and procedures in place are adequate and operating	Substantial	30/10/2017	20/11/2017	1M	Note 1
B018	Cash and Bank	To review the controls and procedures in place	Substantial	2/11/17	23/11/17	0	0

Notes: For recommendations, H = High priority, M = Medium priority and L = Low Priority.

Note 1 Response not due at time of writing Report

Bolsover District Council

Audit Committee

21 November 2017

<u>Budget Monitoring – Quarter 2 : April to September 2017</u>

Report of the Assistant Director – Finance, Revenues and Benefits

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 2017/18 i.e. April to September 2017 which was presented to Executive at its meeting on 6th November 2017.

1 Report Details

- 1.1 To update Members of the Audit Committee concerning the current position in respect of quarter two April to September 2017 Budget Monitoring.
- 1.2 The report that was taken to the Council's Executive on 6th November 2017 is accordingly brought to the Audit Committee for its consideration.

2 Conclusions and Reasons for Recommendation

- 2.1 To ensure that the Audit Committee are kept informed of the latest position concerning Budget Monitoring.

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 2 2017/18 and make any comments that they believe to be appropriate concerning these matters which was reported to Executive on the 6th November 2017.

7 **Decision Information**

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC:</i> <i>Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC:</i> <i>Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 **Document Information**

Appendix No	Title
1	Executive Report 6 November 2017 Budget Monitoring – Quarter 2 : April to September 2017
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
Dawn Clarke Assistant Director – Finance, Revenues and Benefits	01246 242414

Bolsover District Council

Executive

6th NOVEMBER 2017

**Medium Term Financial Plan - Budget Monitoring Quarter 2
April to September 2017**

Report of the Assistant Director - Finance, Revenues and 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 the combined Directorate meeting held during October 2017. The scope of this report is therefore to report the current financial position following the 2017/18 quarter two monitoring exercise.

General Fund Revenue Account

- 1.2 The General Fund Revenue Account summary is shown in **Appendix 1**. The original budget for 2017/18 showed a funding gap of £0.170m. By the end of the second quarter, savings of £0.156m have been achieved against the target, leaving £0.014m still to be achieved. As savings are identified and secured they are moved in to the relevant cost centres within the main General Fund Directorates. Bearing in mind that significant establishment cost savings have been made in previous outturns, officers continue to review this position. In addition to the £0.058 removed from budgets after the first quarters monitoring, further adjustments will be made for quarter two.
- 1.3 Within the Directorates there is the following to report:
- The Growth Directorate shows a favourable variance of £1.169m. This relates mainly to:
 1. Under spends due to invoices not yet paid and vacancies at the end of the quarter (£0.802m) – favourable.
 2. Income received in advance of any expenditure (£0.478m) – favourable.

3. Annual invoices were paid in quarter 2 which makes the profiled budget look overspent (£0.134m) – adverse.
 4. Expenditure has been spent but the income hadn't been received as it is claimed in arrears (£0.145m) – adverse.
 5. Over spends against quarter 2 budget due to less income received, new pressures or where expenditure is seasonal and not profiled over 4 quarters (£0.029) – adverse.
 6. Extra income received in quarter 2, mainly relating to planning fees, which is additional to the budget (£0.197m) – favourable.
- The Operations Directorate shows a favourable variance of £0.294m. This relates mainly to:
 1. Under spends due to invoices not yet being paid and vacancies at the end of the quarter (£0.351m) – favourable.
 2. Income received in advance of any expenditure (£0.325m) – favourable.
 3. Annual invoices were paid in quarter 2 which makes the profiled budget look overspent (£0.064m) – adverse.
 4. Expenditure has been spent but the income hadn't been received as it is claimed in arrears (£0.339m) – adverse.
 5. Extra income received in quarter 2 which is additional to the budget (£0.021m) – favourable.
 - The Transformation Directorate has an adverse variance of £0.354m. Again, this relates mainly to:
 1. Under spends due to invoices not yet being paid and vacancies at the end of the quarter (£0.044m) – favourable.
 2. Annual invoices were paid in quarter 2 which makes the profiled budget look overspent (£0.232m) – adverse.
 3. Expenditure has been spent but the income hadn't been received as it is claimed in arrears (£0.050m) – adverse.
 4. Over spends against quarter 2 budget due to less income received, new pressures or where expenditure is seasonal and not profiled over 4 quarters (£0.116) – adverse.

This variance mainly relates to the Go Active facility and officers are working closely to cast the budgets following the success of the facility. It is not anticipated that this will be an ongoing issue. This will be resolved during the revised budget process.

1.4 In order to improve the monitoring and control of Section 106 monies received by the Council, the sums due to be utilised in a financial year are now recorded within the General Fund directorate budgets with the expenditure recorded against these sums. The amount budgeted to be spent in 2017/18 is £1.949m. There are no deadlines during 2017/18 by which these schemes need to be spent, the earliest deadline is 20/09/18. Officers are working to ensure that all of this spending is undertaken in line with the S106 legal requirements.

1.5 The overall position at the end of quarter 2 shows that there is a favourable variance of £1.109m. This is mainly due to £1.197m invoices not yet being paid when compared to the quarter 2 profiled expenditure budget. There are no real

budget pressures identified in quarter 2 but officers will continue to monitor the position during the next quarter.

- 1.6 Officers have begun working with Budget Managers to compile a revised budget for 2017/18. This will amend the current budgets to capture additional 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. Where possible the budget in future years will be amended to reflect these savings too thus serving to reduce the projected budget shortfall. The revised budget position will be presented to Executive in December.

Housing Revenue Account (HRA)

- 1.6 The Housing Revenue Account summary for the first six months of 2017/18 is set out in **Appendix 2** to this report. At the end of quarter 2 the HRA is showing a net surplus of £0.321m.

Income

- 1.7 The quarter 2 income figures show a small adverse variance of £0.037m. This is purely timing of invoices raised and is not a concern at this time in the year.

Expenditure

- 1.8 Expenditure within most of the operating areas of the HRA shows under spends in the second quarter. There are therefore no budget pressures to report at this stage of the year. The main area of under spend is within repairs and maintenance. Of the £0.294m variance, £0.180m relates to invoices not yet received and £0.094m to vacancies for the first half of the year. All budgets will be reviewed as part of the revised budget process and adjusted accordingly.

HRA – Overall Summary

- 1.9 In light of the above and the expenditure patterns to date, there are no significant issues to report regarding the overall position for the HRA at the end of the second quarter.

Capital Programme

Capital Expenditure

- 1.10 The capital programme summary for the first six months of 2017/18 is provided in **Appendix 3** to this report.
- 1.11 In headline terms, the capital programme profiled budget for quarter 2 is £12.183m and the actual spend and known commitments total £6.839m, which is £5.344m behind the planned spend position. The main areas to highlight are listed below:
1. Group dwelling boiler replacement has only just started and will to be re-profiled at half year. This contributes £1.272m towards the variance within HRA property management.
 2. New Bolsover HLF scheme is behind due to the unique nature of the scheme £1.417m.
 3. Hilltop – HRA new build scheme is in the very early stages £0.610m.

4. The Tangent – Phase 2 is underway but currently £0.327m under spent.
5. B@home phase 2 has not yet started and is under spent £0.420m.
6. Derwent Drive Tibshelf currently looks over spent by £0.294m but the scheme is progressing well and will be within budget by the year end.

- 1.12 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

- 1.13 HRA – The Council has sufficient capital resources in place to finance the HRA actual expenditure and commitments at the end of the second quarter.
General Fund – The financing of the General Fund part of the capital programme is in line with the approved financing arrangements.

Treasury Management

- 1.14 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.
- 1.15 The Council approved the 2017/18 Treasury Management Strategy at its meeting in February 2017. **Appendix 4** identifies the Treasury Management activity undertaken during the second quarter of 2017/18 and demonstrates that this is in line with the plans agreed as part of the strategy. The income received from investments is currently higher than budgeted and we anticipate that this will continue during the remainder of the financial year. A full assessment of this will be done during the half year review with a view to amending the budgets accordingly.

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.

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 2017/18 is primarily a factual report which details progress against previously approved budgets. Accordingly there are no alternative options to consider.

5 **Implications**

5.1 **Finance and Risk Implications**

5.1.1 Financial implications are covered throughout this report.

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 (A net favourable variance of £1.109m against the profiled budget) and the key issues highlighted within this report.

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 (Appendices 2, 3 and 4).

7 **Decision Information**

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC:</i> <i>Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC:</i> <i>Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	Yes
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	Yes
District Wards Affected	All

Links to Corporate Plan priorities or Policy Framework	Providing Excellent customer focussed services. Continually improving our organisation
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8 Document Information

Appendix No	Title
1	General Fund Summary
2	HRA Summary
3	Capital Programme
4	Treasury Management Update
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 and Benefits	7658

Report Reference –

GENERAL FUND

APPENDIX 1

Description	Original Budget 2017/18 £	Current Budget 2017/18 £	6 months Budget 2017/18 £	6 months Actual 2017/18 £	6 months Variance 2017/18 £
Growth Directorate	3,347,867	3,502,393	1,751,197	917,956	(833,241)
Operations Directorate	6,551,876	7,161,574	3,580,787	3,287,162	(293,625)
Transformation Directorate	2,838,694	2,882,871	1,441,436	1,826,200	384,764
Support Recharges to HRA and Capital	(3,439,642)	(3,439,642)	(1,719,821)	(1,719,821)	(0)
Net transfer payments from Operations		(378,565)	(189,283)	(189,283)	0
Superannuation rate increase	68,605	0	0	0	0
<u>S106 Expenditure due in year</u>					
Growth	879,000	1,398,829	699,415	363,958	(335,456)
Transformation	7,829	550,485	275,243	244,271	(30,972)
Total Net Expenditure	10,254,229	11,677,945	5,838,973	4,730,443	(1,108,529)
Interest Paid including Minimum Revenue Provision (MRP)	877,532	881,279	440,640	220,320	0
Investment Interest	(81,429)	(81,429)	(40,715)	(20,357)	0
	11,050,332	12,477,795	6,238,898	4,930,406	(1,108,529)
Contributions to Reserves	871,544	871,544	435,772	217,886	0
Contribution from Earmarked Reserves	(177,609)	(647,131)	(323,566)	(143,201)	0
Contribution from NNDR Growth Protection Reserve	987,907	987,907	493,954	246,977	0
Contribution (from)/to Unapplied Grants/Holding Accounts	(194,946)	(135,383)	(67,692)	(48,234)	0
Contribution from S106 Holding A/cs	(886,829)	(1,949,314)	(974,657)	(469,171)	0
	11,650,399	11,605,418	5,802,709	4,734,663	(1,108,529)
Parish Precepts	2,387,172	2,594,840	1,297,420	648,710	0
Council Tax Support Grant	277,851	277,851	138,926	69,463	0
TOTAL NET EXPENDITURE	14,315,422	14,478,109	7,239,055	5,452,836	(1,108,529)
Revenue Support Grant (RSG)	(1,905,813)	(1,905,813)	(952,907)	(476,453)	0
Business Rates Retention	(3,877,132)	(3,877,132)	(1,938,566)	(969,283)	0
Derbyshire Pool - Levy share	(200,000)	(200,000)	(100,000)	(50,000)	0
New Homes Bonus Grant	(1,196,046)	(1,202,542)	(601,271)	(300,637)	0
Council Tax - BDC precept	(3,392,355)	(3,496,994)	(1,748,497)	(874,249)	0
Council Tax - Parish Precept	(2,387,172)	(2,594,840)	(1,297,420)	(648,710)	0
Council Tax collection fund surplus	(32,775)	(32,775)	(16,388)	(8,194)	0
NNDR collection fund surplus	(1,154,359)	(1,154,359)	(577,180)	(288,590)	0
TOTAL FUNDING	(14,145,652)	(14,464,455)	(7,232,228)	(3,616,116)	0
Funding gap/ (surplus)	169,770	13,654	6,827	1,836,720	(1,108,529)

APPENDIX 2

Housing Revenue Account

Description	Full Years Budget £	6 months Budget £	6 months Actuals £	6 months Variance £
Expenditure				
Repairs and Maintenance	4,826,028	2,413,014	2,119,277	(293,737)
Supervision and Management	4,919,371	2,459,686	2,519,021	59,336
Special Services	636,085	318,043	236,919	(81,123)
Supporting People - Wardens	602,938	301,469	283,984	(17,485)
Supporting People - Central Control	207,918	103,959	94,196	(9,763)
Tenants Participation	88,113	44,057	29,345	(14,711)
Provision for Doubtful Debts	150,000	75,000	75,000	0
Debt Management Expenses	8,438	4,219	3,760	(459)
Total Expenditure	11,438,891	5,719,446	5,361,503	(357,942)
Income				
Rents	(20,371,860)	(10,185,930)	(10,174,466)	11,464
Garage Rents	(105,749)	(52,875)	(52,831)	44
Garage Site Rents	(34,702)	(17,351)	(32,147)	(14,796)
Repairs and Maintenance	(10,345)	(5,173)	(8,630)	(3,458)
Supervision and Management	(380)	(190)	0	190
Special Services	(338,412)	(169,206)	(159,041)	10,165
Supporting People - Wardens	(461,545)	(230,773)	(166,562)	64,211
Supporting People - Central Control	(202,402)	(101,201)	(141,399)	(40,198)
Leasehold Flats and Shops Income	(24,220)	(12,110)	(4,213)	7,897
Other Income	(6,060)	(3,030)	(2,020)	1,010
Total Income	(21,555,675)	(10,777,838)	(10,741,309)	36,529
Net Cost of Services	(10,116,784)	(5,058,392)	(5,379,806)	(321,414)
Appropriations				
Debt Repayment	1,067,708	533,854	533,854	0
Interest Costs	3,520,572	1,760,286	1,760,286	0
Depreciation	2,529,218	1,264,609	1,264,609	0
Transfer to Major Repairs Reserve	2,847,051	1,423,526	1,423,526	0
Contribution to/(from) HRA Reserves	140,000	70,000	70,000	0
Net Operating (Surplus) / Deficit	(12,235)	(6,118)	(327,531)	(321,414)

APPENDIX 3

CAPITAL PROGRAMME MONITORING REPORT - 2017/18

Description	Full Years Budget	6 months Budget	6 months Actuals	6 months Variance
	£	£	£	£
ICT Infrastructure	110,150	55,075	10,913	(44,162)
Disabled Facility Grants	400,000	200,000	149,673	(50,327)
P Vale Outdoor Education Centre Ph 2	41,134	20,567	7,981	(12,586)
B@home Phase 2	840,750	420,375	0	(420,375)
Clowne Leisure Facility	13,213	6,607	(18,734)	(25,340)
Refurbishment - 3 Cotton St Bolsover	8,921	4,461	2,742	(1,719)
Shirebrook Contact Centre	206,453	103,227	4,900	(98,327)
Blackwell Hotel Site - HRA New Build	140,313	70,157	136,028	65,871
Refurbishment of Oxcroft House	27,500	13,750	0	(13,750)
Go-Active Equipment	4,886	2,443	4,735	2,292
Fir Close Shirebrook - HRA New Build	1,311,715	655,858	630,146	(25,712)
Derwent Drive Tibshelf - HRA New Build	1,511,650	755,825	1,049,939	294,114
Recreation Close Clowne	170,000	85,000	0	(85,000)
Pleasley Vale Mill 1 - Dam Wall	126,617	63,309	3,364	(59,945)
Car Parking at Clowne	150,000	75,000	59,800	(15,200)
Revenues & Benefits Software	61,797	30,899	56,470	25,572
Security and CCTV at Pleasley Vale	259,550	129,775	81,435	(48,340)
The Tangent - Phase 2	1,371,697	685,849	359,097	(326,752)
Play Kingdom Alterations	13,292	6,646	13,291	6,645
JVC / Growth Agenda Land Purchase	494,000	247,000	0	(247,000)

APPENDIX 3

CAPITAL PROGRAMME MONITORING REPORT - 2017/18

Description	Full Years Budget	6 months Budget	6 months Actuals	6 months Variance
	£	£	£	£
Hilltop - HRA New Build	3,567,749	1,783,875	1,173,444	(610,431)
Shirebrook Forward	25,000	12,500	25,000	12,500
Telephony & Contract Management Software	77,450	38,725	76,984	38,259
Can Rangers Expansion	100,000	50,000	0	(50,000)
Enforcement Fund	50,000	25,000	0	(25,000)
New Bolsover Refurbishment	4,725,742	2,362,871	945,784	(1,417,087)
HRA Property Management	7,307,365	3,653,683	1,629,567	(2,024,116)
Asset Management Plan	523,190	261,595	312,400	50,805
Vehicle Replacement Programme	726,812	363,406	124,486	(238,920)
TOTAL CAPITAL EXPENDITURE	24,366,946	12,183,473	6,839,445	(5,344,028)

Capital Financing

Specified Capital Grant	400,000	200,000	149,673	(50,327)
Private Sector Contributions	0	0	0	0
Prudential Borrowing	8,031,088	4,015,544	3,118,777	(896,767)
Reserves	4,039,647	2,019,824	595,906	(1,423,918)
Capital Receipts	727,362	363,681	386,446	22,765
Major Repairs Allowance	10,431,213	5,215,607	2,575,351	(2,640,256)
Direct Revenue Financing	13,292	6,646	13,291	6,645
External Grant	724,344	362,172		(362,172)
TOTAL CAPITAL FINANCING	24,366,946	12,183,473	6,839,445	(5,344,028)

PWLB Borrowing

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

As at 1 April 2017 the Authority's total outstanding PWLB debt amounted to £103,100,000. The profile of the outstanding debt is analysed as follows: -

PWLB Borrowing Term	Maturity Profile 30-Sep-17 £
12 Months	1,000,000
1-2 years	0
2-5 years	10,700,000
5-10 years	21,600,000
10-15 years	24,800,000
over 15 years	45,000,000
Total PWLB Debt	103,100,000

At 30 September 2017 nothing has been repaid to the PWLB.

PWLB Interest

The total interest cost to the Council of the PWLB debt for 2017/18 is estimated at £3,662,457. 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 £1,832,225.

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. No interest charges were incurred during the first six months on overdrawn bank balances. At 30 September 2017 the only temporary borrowing undertaken by the Council was £591,254.79 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 2017:

Investments on call

Counterparty	Balance at 1/4/17 £	Deposits £	Withdrawals £	Interest received £	Balance at 30/09/17 £
BNP Paribas (MMF)	5,000,000	0	(1,506,566)	6,566	3,500,000
Standard Life (MMF)	5,000,000	5,000,000	(10,004,783)	4,783	0
Aberdeen (MMF)	2,000,000	2,000,000	(4,000,064)	64	0
Invesco (MMF)	5,000,000	9,000,000	(14,004,254)	4,254	0
	17,000,000	16,000,000	(29,515,667)	15,667	3,500,000

Fixed-term investments

Counterparty	Balance at 1/4/17 £	Deposits £	Withdrawals £	Interest received £	Balance at 30/09/17 £
Banks / Building Societies					
Nationwide BS	5,000,000	0	(5,005,810)	5,810	0
National Counties BS		5,000,000		4,044	5,004,044
Mansfield BS		2,000,000		1,247	2,001,247
Local Authorities					
Surrey Heath	5,000,000	0	(5,009,616)	9,616	0
Cheshire East	5,000,000	0	(5,000,931)	931	0
Dumfries	5,000,000		(5,000,989)	989	0
Salford	5,000,000	0	0	12,554	5,012,554
Doncaster	0	5,000,000	0	12,328	5,012,328
Liverpool	0	5,000,000	0	9,777	5,009,777
Stockport	0	5,000,000	0	14,380	5,014,380
Gwent	0	2,000,000	0	1,374	2,001,374
Broxtowe	0	2,000,000	0	39	2,000,039
Kingston Upon Hull	0	5,000,000	0	888	5,000,888
Eastleigh	0	4,000,000	0	301	4,000,301
North Kesteven	0	2,000,000	0	72	2,000,072
	25,000,000	37,000,000	(20,017,346)	74,351	42,057,005

The investments have been made in accordance with the Council's Treasury Management Strategy.

Interest Received

The performance of these investments is as follows:

	6 months	6 months	6 months
	Actual	Budget	Variance
Interest generated	£90,018	£43,090	£46,929
Average rate of interest	0.36%	0.25%	0.11%
Bank of England base rate	0.25%	0.25%	0.00%

Interest rates offered by most institutions remain low. However, we are currently performing better than expected and should this continue, budgets will be adjusted accordingly.

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 2017/18	Approved limits 2017/18
Authorised Limit (total Council external borrowing limit)	115,316,758	119,999,000
Operational Boundary	110,316,758	114,999,000

Bolsover District Council

Audit Committee

21 November 2017

KEY ISSUES OF FINANCIAL GOVERNANCE

Report of the Assistant Director – Finance, Revenues and Benefits

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 position of the Council's financial governance arrangements. This report reflects both the ISA 260 report from KPMG and the work undertaken by Internal Audit. The outcome of those reports together with planned management action to address the 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 2016/17 Audit. The key messages from that report concern firstly the quality of the Statement of Accounts where the external auditors issued both an unqualified opinion on the Statement of Accounts by the 31st July, while concluding that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The overall conclusion is a very satisfactory outcome for the Council and the detail of the report does not identify any areas where improvement is required.
- 1.3 With respect to the Council's accounting arrangements the ISA260 report of the External Auditor is a very positive one. Against the background of the assessment of the 2016/17 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 relates to the financial resilience in the local and national economy and the Council's ability to deliver the required savings in order to achieve a balanced budget.
- 1.5. With regard to the work of Internal Audit, the position in respect of the last financial year 2016/17 was reported to the meeting of this Committee on 16th May 2017. The Council received a total of 1 unsatisfactory and 4 marginal report during 2016/17 of which copies have previously been distributed to this Committee and a further update is included in Appendix 1. An update on the Progress on the 2017/18 Internal Audit Plan is included elsewhere on this agenda.
- 1.6. The Strategic Issues of Financial Governance that have been previously identified are summarised in 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. That the report is noted, and the Audit Committee raise any issues of concern with the updated Action Plan and the reported progress to date.

7 Decision Information

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: BDC: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/> NEDDC: Revenue - £100,000 Capital - £250,000 <i>* Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Affected	All
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
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 to those Charged with Governance 2016/17 ISA 260"	
Report Author	Contact Number
Assistant Director – Finance, Revenues and Benefits	01246 217658

KEY ISSUES OF FINANCIAL GOVERNANCE: UPDATE**APPENDIX 1**

Issue Raised	Progress to date including target dates.
1. Take effective steps to balance the Council's budget over the period of the Medium Term Financial Plan.	<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 MTFP approved in February the shortfall of £0.171m in respect of the current financial year 2017/18 should be achievable, there still remains a further shortfall of £1.7m over the final three 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. The Council is currently working to update its efficiency and transformation plans which will contribute to addressing the financial shortfall.</p> <p>Elsewhere on this agenda is a report on the 2nd quarter's budget monitoring, previously taken to Executive on 6th November. This report identifies that there are variances within directorates but nothing of concern and that a balanced budget should be achievable during the current year. By the end of the second quarter, savings of £0.156m have been achieved against the target, leaving £0.014m still to be achieved.</p> <p>In addition to the position in respect of the General Fund as outlined above, the Council in common with all social landlords have been required to implement a 1% p.a. rent reduction for the four years from April 2016. 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>
2. To improve the Council's Internal Control arrangements.	<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 has undertaken a more prominent role in the Council's Performance Management arrangements since April 2013.</p> <p>Comprehensive training programme have been delivered to all cost centre managers during June 2017.</p> <p>It is anticipated to undertake Procurement Training to all Managers in the new year.</p> <p>Progress reports from the Head of Internal Audit to this Committee will continue to highlight areas of concern with respect of internal control. Details of the work done during this financial year is included elsewhere on this agenda.</p>
3. A report in respect of Transport Administration was assessed as	<p>Officers are now in the process of addressing the Internal Audit recommendations and are of the view that appropriate changes are being implemented to minimise risk. Weaknesses in internal control have facilitated a minor misappropriation of funds of limited value</p>

unsatisfactory. The main issues concerned system weaknesses which have surrounded the introduction of a new system.	<p>which has been reported by the Council to the Police. Officers have proactively undertaken works to resolve matters identified in the Action Plan resulting in 17 of 19 = 89% of actions now having been resolved.</p> <p>Internal Audit is currently reviewing this work and will feed back to the next meeting of this committee.</p>
4. Reports in respect of the administration of both Licensing and Health and Safety concluded that arrangements were marginal. Both the services concerned are joint arrangements operating across Bolsover and North East Derbyshire District Council.	<p>In both areas a comprehensive management review has been undertaken leading to the development of an Action Plan which is currently in the process of being implemented. Although it is a concern that Health and Safety - which was identified as a weakness in 2015/16 – remains marginal, significant improvement has been evidenced, although further work remains necessary. The Action Plans incorporate external support in order to secure improvement in a timely fashion. With respect to Licensing a reinstallation the current software to facilitate improved access to management information is taking place.</p> <p>In terms of the Health & Safety audit, progress on these recommendations is being monitored through the quarterly performance meeting.</p> <p>Internal Audit is currently undertaking a review of Licensing and will report back its findings to a future meeting. A presentation will be given by the Licensing team on the progress made against the action plan and a general update on what the team were working on and achievements made.</p>
5. Marginal Internal Audit reports for Social Media and S106 Agreements.	In both areas management is in the process of implementing the Internal Audit recommendations. The implementation of the actions required are being monitored through the Council's Performance Management framework.
6. 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.	The Council has continued to improve the quality of its financial accounts with the External Audit Report for 2016/17 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.