

**NORTHAMPTON BOROUGH COUNCIL**

**AUDIT COMMITTEE**

Your attendance is requested at a meeting to be held at The Jeffrey Room,  
The Guildhall, St. Giles Square, Northampton, NN1 1DE on  
Thursday, 6 February 2020 at 6:00 pm.

**George Candler**  
**Chief Executive**

**AGENDA**

1. APOLOGIES

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

2. MINUTES

(Copy herewith)

3. DEPUTATIONS / PUBLIC ADDRESSES

4. DECLARATIONS OF INTEREST

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

6. INTERNAL AUDIT UPDATE

(Copy herewith)

C Dickens,  
Internal  
Auditor  
(PWC)

7. EXTERNAL AUDIT UPDATE

(Copy herewith)

8. GOVERNANCE UPDATE

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9. BUDGET MONITORING AP08 2019-2020

(Copy herewith)

10. BUDGET 2020-21 RISK REVIEW

(Copy herewith)

11. RISK BASED REVIEW

(Copy herewith)

12. TREASURY MANAGEMENT STRATEGY

(Copy herewith)

13. TREASURE MANAGEMENT PERFORMANCE

(Copy herewith)

14. AUDIT COMMITTEE TERMS OF REFERENCE  
(Copy herewith)

15. EXCLUSION OF PUBLIC AND PRESS

THE CHAIR TO MOVE:

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

## NORTHAMPTON BOROUGH COUNCIL

### AUDIT COMMITTEE

Monday, 23 September 2019

**PRESENT:** Councillor Oldham (Deputy Chair in the Chair), Councillors M Markham, Golby, J Hill, Marriott, Stone and T Eales

**APOLOGIES:** Ian Orrell

#### 2. MINUTES

The Minutes of the meeting held on 29 July 2019 were confirmed and signed by the Chair as a true record.

#### 3. DEPUTATIONS / PUBLIC ADDRESSES

There were none.

#### 4. DECLARATIONS OF INTEREST

There were none.

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

There were none.

#### 6. INTERNAL AUDIT TRACKER 2018-19

The Chief Finance Officer submitted a report, which provided an update on the progress of the external audit.

The Audit Committee reviewed the Audit Tracker. In response to a question around changing provisional completion dates, the Chief Finance Officer explained that they had been changed with the agreement of BDO; the original dates were considered over-ambitious.

#### RESOLVED:

1. The Audit Committee was satisfied with the contents of the BDO Internal Audit Tracker and its contents.

#### 7. CHIEF FINANCE OFFICER UPDATE

The Chair invited the Chief Finance Officer to present his report to the Committee. The Chief Finance Officer stated that the Council was in between external auditors; KPMG had nearly completed its audit and EY would begin the 2018/19 audit once KPMG had completed its handover. It was anticipated that this would begin in early November 2019. The Chief Finance Officer advised that auditors nationally had suffered from resourcing issues – two fifths of statement of accounts were not signed off by the Government's target date of 29 July 2019. The second part of the audit would be the Housing benefit Subsidy Claim, this was due to be undertaken by EY, however they lacked the resources to do it, so this would be done by KPMG. There was a risk that if the subsidies were not audited, the DWP would not pay the Council's administration claim. EY had agreed that KPMG undertakes this specific piece of work for 2018/19 and 2019/20. KPMG would also be undertaking an audit of Capital Pooling Receipts.

Responding to a question, the Chief Finance Officer explained that these audits must be completed by external auditors; BDO were used by NBC as internal auditors so a separate body was needed for this.

**RESOLVED:**

1. Progress towards completing the Statement of Accounts for 2017/18 and 2018/19 was noted.
2. That there had been no changes to Accounting Policies was noted.
3. That there had been no reportable incidents in respect of Treasury Management, or requirements to change Treasury Management was noted.

**8. STATEMENT OF ACCOUNTS 2018-19 (DRAFT)**

The Chair invited the Chief Finance Officer to present the Statement of Accounts for 2018/19.

In response to questions asked relating to the General Fund budget, the Chief Finance Officer explained that the budget had increased over the year due to Government funding for various projects. He explained that the main overspend in the Environmental Services contract in 2018/19 related to grass-cutting; when the contract was formed it did not anticipate the number of cuts that would be required. The loss of income through recycling was an issue for 2019/20.

Councillor Stone expressed concern around the Environmental Services contract, elaborating that anomalies were starting to appear and that things were missed from the contract, graffiti removal for example, and asked for assurance that it would be subject to an external audit.

Councillor M Markham confirmed that a mapping exercise was underway to determine which grass areas in the borough belonged to NPH and which belonged to NBC.

Councillors noted that £2m had been budgeted for “catch-up” works at the beginning of Veolia’s contract but questioned where the additional £300,000 spend came from. The Chief Finance Officer advised that he would clarify with officers and provide an answer outside of the meeting. He confirmed that BDO would be auditing the Environmental Services contract as part of their 2019/20 audit. Councillor Marriott asked if the Committee could have sight of the scope of the Environmental Services contract audit; the Chief Finance Officer felt this could be possible and advised that it was a “controls and processes” based audit and that questions around outcomes and performance were best put to the Overview and Scrutiny Committee.

In response to questions, the Chief Finance Officer explained that a portion of the HRA receipts had to go back to central Government and the remainder must to be re-allocated within 3 years or the Council would lose it. He explained that the Council was working closely with NPH to ensure that deadlines were being met so the receipts did not have to be paid back. Now that the cap on HRA receipts had been lifted, the Council was able to work to a more ambitious programme.

The Chief Finance Officer explained that the Council would suffer a temporary loss in homes through Right to Buy, however redevelopment was taking place in the town; Centenary House, formerly Overslade House, had been converted from 60 unusable properties to 40 high-quality apartments. He noted that Berkeley House would represent a net gain once completed.

Regarding the Collection Fund accounting, the Chief Finance Officer explained that the Council had an aspirational collection target with monies collected from NNDR and council tax. Any monies over-collected would be released back to the relevant parties. There had been discussions with commissioners who hoped that funds could stretch to a degree but since the Council only get a small portion of incoming monies, if a mistake was made then funds would be limited. This was not a risk but would hamper collections.

Councillor Stone asked if issues regarding the County Council and the Collection Fund had been resolved. The Chief Finance Officer stated that it had, and the Council would be taking a prudent view as to what would be collectible.

In response to further questions, the Chief Finance Officer explained that the increase in officers paid over £50K was due to banding structures (spine point and inflation increases). He commented that pension payments for senior officers remained at the standard rate. In respect of the one off restructure costs, that the figures would be comparable to that of central government; however, central government officers actually might receive a package of that size whereas in local government the values include pension strain, not just the actual redundancy paid.

It was explained that recruitment had taken place in the Assets, Economy and Culture Departments, but interims were needed to cover vacancies while recruitment took place. The Chief Finance Officer added that this area was being looked at by the Council's internal auditors.

Regarding the St James Link Road, it was explained that the required funding increased from £2 million to £4 million; it had been removed from the programme but remained an aspirational project.

Councillor Stone asked whether Brexit would impact on projects that benefitted from EU funding, such as the Vulcan Works. In response it was explained that the relevant Head of Service had enough grant funding, therefore Brexit should not compromise the Vulcan Works project.

The Chief Finance Officer explained that EY would be officially beginning its work the next day (24th September 2019) and that the full draft Statement of Accounts would be published on the same day

Councillor Stone referred to page 167 of the Statement of Accounts and referred to the "bad debt provision". The Chief Finance Officer advised this was a set piece of all accounting industries. The provision would depend on the nature of the debt. He further stated that the Council was understanding when it came to personal debt and worked closely with NPH to manage this.

**RESOLVED:**

1. The progress towards completing the Statement of Accounts for 2017-18 and 2018-19 is noted.
2. That there had been no changes to Accounting Policies is noted.
3. That there had been no reportable incidents in respect of Treasury Management, or requirements to change Treasury Management Policies is noted.

The meeting concluded at 6:48 pm

**Appendices:**

1. Internal Audit progress update
2. Internal Audit Follow Up report - recommendations



**NORTHAMPTON**  
BOROUGH COUNCIL

## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>Internal Audit Update</b>
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**AGENDA STATUS: PUBLIC**

**Audit Committee Meeting Date: 6th February 2020**

**Policy Document: No**

**Services: Chief Finance Officer**

**Accountable Cabinet Member: Cllr Brandon Eldred – Portfolio Holder Finance**

### 1. Purpose

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- 1.1 This report presents the Internal Audit (BDO) updates on progress to date for 2019-20 and an update report on recommendations for 2018-19 to 2019-20.

### 2. Recommendations

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- 2.1 That the Committee review and note the BDO reports.
- 2.2 That the Committee receives and notes the verbal update on progress to be provided by the Internal Auditor at the meeting.

### 3. Issues of note

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#### 3.1 Report Background

- 3.1.1 The Audit Committee are required to receive updates from the Internal Auditor (BDO) on progress against the current audit plan and performance against recommendations / actions made during prior
- 3.1.2 The progress reports positive progress on recommendations raised during 2018-19 and progress with audits in the current year.

- 3.1.3 Corporate Management Board (CMB) receive regular updates on progress as part of the Internal Controls update and are aware of the recommendations/actions that have taken longer to address than anticipated.
- 3.1.4 The Internal Auditor has met with the CMB and in conjunction with the Risk Register, is compiling a proposed programme of activity for 2020-21 which will be brought to the Committee for consideration at a future meeting.
- 3.1.5 An additional Audit has been proposed for 2019-20 which is being scoped, to provide assurance in respect of Disabled Facility Grants. A material sum is granted to the Council each year (c£1.4M) to administer and the CEO is required to provide assurance to Northamptonshire County Council that it has been used appropriately. The current unallocated days which had been intended for Unitary work, prior to the Government decision to defer vesting day by a year, will be rolled forward to 2020-21.

## **3.2 Issues**

- 3.2.1 There are no specific issues relating to this report.
- 3.2.2 The Committee will form a view based on the reports and verbal update by BDO.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

- 4.1.1 There are no policy changes as a result of this report.
- 4.1.2 There may be impacts and changes to current policies required, dependent on the Auditors findings and recommendations.

### **4.2 Resources and Risk**

- 4.2.1 There are no specific resource implications in respect of this report.

### **4.3 Legal**

- 4.3.1 No legal issues.

### **4.4 Equality**

- 4.4.1 There are no specific equality implications with this report.

### **4.5 Consultees (Internal and External)**

- 4.5.1 Internal consultation has taken place with Corporate Management Board, other senior officers where required and LGSS.

## **4.6 Other Implications**

4.6.1 None specifically

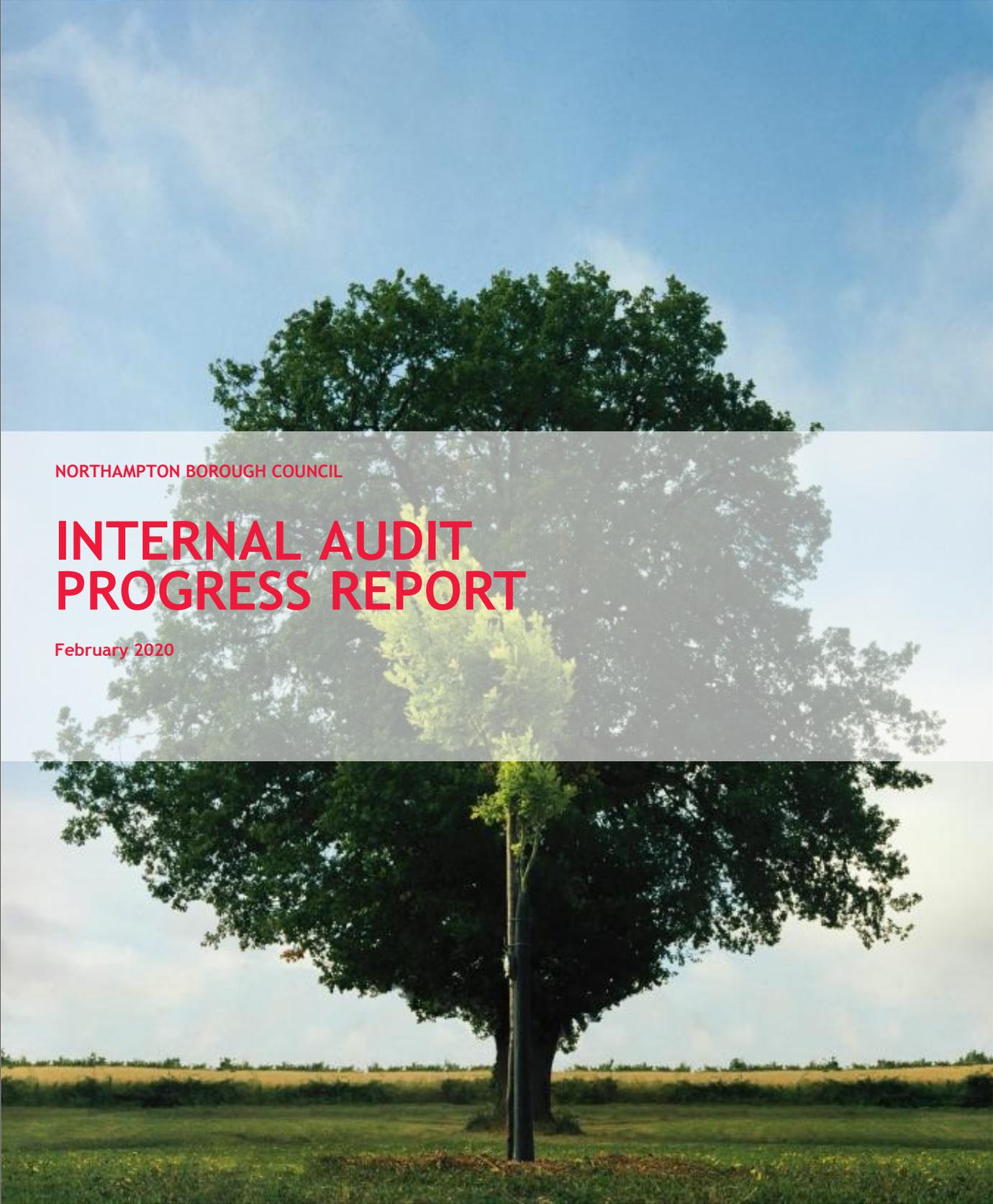
## **5. Background Papers**

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5.1 None

**Stuart McGregor**  
**Chief Finance Officer (Section 151 Officer)**

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NORTHAMPTON BOROUGH COUNCIL

# INTERNAL AUDIT PROGRESS REPORT

February 2020

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# PROGRESS AGAINST PLAN

## Internal Audit

This report is intended to inform the Audit Committee of progress made against the 2019-20 internal audit plan, which has been approved by Audit Committee in March 2019. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.

## Internal Audit Methodology

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in section 2 of this report, and are based on us giving either "substantial", "moderate", "limited" or "no". The four assurance levels are designed to ensure that the opinion given does not gravitate to a "satisfactory" or middle band grading. Under any system we are required to make a judgement when making our overall assessment.

## Overview of 2019-20 work to date

The following 2019-20 audit reports have now been issued as Final; we have also issued all Terms of Reference for the year:

- Audit 1. Planning Service + S106
- Audit 3. Enterprise Zone (Economic Growth)
- Audit 4. Contract Management
- Audit 6. Health and Safety
- Audit 7. GDPR
- Audit 8. Cyber.

## Changes to the Plan:

- An additional review around Disabled Facilities Grant is to be placed into the plan for 15 days. This leaves a balance of 20 days unused in this year's plan as the Corporate Plan Progress and Unitary Work has been deferred until next years plan.

## We are also presenting separately to this Committee:

- Internal Audit Follow-up Report December 2019.

# INTERNAL AUDIT OPERATIONAL PLAN 19/20

Audit Area	Audit Days	Exec Lead	Status Update	Opinion	
				Design	Effectiveness
<b>Audit 1. Planning Service + S106</b>	20	Peter Baguley	Final	Substantial	Moderate
<b>Audit 2. Safeguarding</b>	15	Phil Harris	Fieldwork commences March 2020	TBC	TBC
<b>Audit 3. Enterprise Zone (Economic Growth)</b>	20	Kevin Langley	Final	Moderate	Moderate
<b>Audit 4. Contract Management</b>	15	Stuart McGregor	Final	Substantial	Moderate
<b>Audit 5. Corporate Plan Progress</b>	10	George Candler	Removed from plan		
<b>Audit 5. Asset Management</b>	20	Kevin Langley	Fieldwork commenced January 2020	TBC	TBC
<b>Audit 6. Health and Safety</b>	15	Stuart McGregor	Final	Moderate	Moderate
<b>Audit 7. GDPR</b>	15	Stuart McGregor	Final	Moderate	Moderate
<b>Audit 8. Cyber</b>	15	Stuart McGregor	Final	Moderate	Moderate
<b>Audit 9. Additional Unitary work</b>	25	Stuart McGregor	Removed from Plan		

# ENTERPRISE ZONE (ECONOMIC GROWTH)

## EXECUTIVE SUMMARY

### LEVEL OF ASSURANCE

**Design** **Moderate** Generally a sound system of internal control designed to achieve system objectives with some exceptions.

**Effectiveness** **Moderate** Evidence of non compliance with some controls, that may put some of the system objectives at risk.

### SUMMARY OF RECOMMENDATIONS

High	0
Medium	3
Low	0

TOTAL NUMBER OF RECOMMENDATIONS: 3

### KEY FINDINGS

During the audit we found:

- The NWEZ risk register did not include responsible officers and control completion dates for each of the mitigating controls. Furthermore, the RAG status scores were inconsistent, caused by a lack of a numerical-based risk matrix. We also noted that the risk register and mitigating controls had stayed exactly the same for each of the three we reviewed suggesting it was not updated or there had been no progress in implementing controls. We noted that two of the four projects did not have risk registers and one risk register had not been updated for a year (Finding 1 - Medium)
- There was no evidence of scrutiny of performance against KPIs by the NWEZ Board. Rather, the meetings were focused on project updates (Finding 2 - Medium)
- The minutes of the NWEZ Board meetings were not on the Council's or SEMLEP websites despite the commitment to upload them, as stated in the NWEZ terms of reference. The NWEZ website had been taken down so there was no information available through this platform (Finding 3 - Medium).

### CONCLUSION

Overall the Council had moderate controls for the management of the NWEZ. The governance structure was clear and regular meetings at various levels provided strong monitoring of ongoing project developments. However, there was some non-compliance with risk registers which could increase the risk that the objectives of the NWEZ are not achieved and there are opportunities to improve scrutiny of performance.

This leads us to conclude that both the control design and control effectiveness were moderate.

# PLANNING AND SECTION 106

## EXECUTIVE SUMMARY

### LEVEL OF ASSURANCE

Design	Substantial	There is a sound system of internal control designed to achieve system objectives.
Effectiveness	Moderate	Evidence of non compliance with some controls, that may put some of the system objectives at risk.

### SUMMARY OF RECOMMENDATIONS

High	0
Medium	1
Low	2

TOTAL NUMBER OF RECOMMENDATIONS: 3

### KEY FINDINGS

During our testing we found:

- Retention of documentation to evidence the spending of Section 106 funds was inadequate. These funds are ring-fenced for specific projects and developers are able to request proof that the contributions were spent in accordance with the agreement. However, upon request, the Council could not provide proof that the contributions were spent in four of the five agreements we reviewed which were signed before 2010. The Council has recently introduced a new system to improve document retention (Finding 1 - Medium)
- The Development Management Team is smaller than other authorities causing high workloads and Officers working long hours. This has coincided with an increase in the number of applications being received in the past few years and therefore resources need to be reviewed (Finding 2 - Low)
- The Outturn Report for 2018/19 was completed four months after the end of the quarter. Furthermore, the only performance reporting was the percentage of minor, major and 'other' planning applications completed within statutory time limits. Additional KPIs, such as the percentage of applications receiving an extension could add value and a stronger insight into the team's performance (Finding 3 - Low).

### CONCLUSION

Overall the Council has a substantial design of controls for the management of planning applications and the section 106 agreements. Governance structures were in place for effective identification, processing and monitoring of planning applications supporting timely completion of applications despite a comparably small Development Management team. There was inadequate document retention evidencing Section 106 fund spending but the new system should result in this improving in future.

This leads us to conclude that the control design was substantial and control effectiveness was moderate.

# CONTRACT MANAGEMENT

## EXECUTIVE SUMMARY

### LEVEL OF ASSURANCE

Design	Substantial	There is a sound system of internal control designed to achieve system objectives.
Effectiveness	Moderate	Evidence of non compliance with some controls, that may put some of the system objectives at risk.

### SUMMARY OF RECOMMENDATIONS

High	0
Medium	1
Low	1

TOTAL NUMBER OF RECOMMENDATIONS: 2

### KEY FINDINGS

During the review we found:

- The PDA extension from June 2019 had not been signed by either LGSS or the Council, although the terms have been agreed. Furthermore, this had resulted in no payments being made to LGSS since March 2019. (Finding 1 - Medium)
- One of the two core services monthly payments to Veolia was made one day later than the payment terms. Additionally, one of the three ad hoc payments was paid one day later than the payment terms (Finding 2 - Low).

### CONCLUSION

Overall we assessed that the control design for the management of the Veolia and LGSS contracts was Substantial. Whilst the 2019/20 PDA with LGSS had not been signed there was strong performance monitoring in place for both the LGSS and Veolia contracts with clear scrutiny from contract managers where performance was not adequate. Furthermore, payments to both contractors were accurate and complete, although two payments to Veolia were made one day later than the contractual payment terms.

This leads us to conclude that the control design was Substantial and the control effectiveness was Moderate.

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# CONTRACT MANAGEMENT

## EXECUTIVE SUMMARY

### LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Moderate	Evidence of non-compliance with some controls that may put some of the system objectives at risk.

### SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I FOR DEFINITIONS)

High	1
Medium	2
Low	0

### TOTAL NUMBER OF RECOMMENDATIONS: 3

### KEY FINDINGS:

- There is a lack of clear approval process and in-depth discussion about key risks at Safety Advisory Group meetings for prospective events. This has resulted in inadequate third-party risk assessments being accepted for the recent Northampton Town Festival (High, Finding 1)
- Contractors are being awarded work before appropriate checks of H&S documentation have been undertaken (Medium, Finding 2)
- Employees are not completing their assigned H&S e-learning modules on a timely basis and this is not scrutinised sufficiently by the Council (Medium, Finding 3).

### ADDED VALUE:

#### Benchmarking

We recently conducted a H&S audit for another client who were the commercial arm of a council, before becoming a company in April 2018. It is now part of a group who report into the local authority, including on H&S matters.

This company recently used the Health and Safety Executive (HSE) climate safety tool, a 40 question survey that explores staff attitudes and perceptions to the organisation's internal H&S.

The Council could look to use the same or a similar device to gather such data. This could help inform future actions plans and further improve the H&S culture.

# CYBER

## EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Moderate	Evidence of noncompliance with some controls that may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High	0
Medium	3
Low	1

TOTAL NUMBER OF RECOMMENDATIONS: 4

## KEY FINDINGS:

The following key areas for development were identified through our fieldwork:

- Comprehensive and regular risk assessments pertaining to cyber risks are not being undertaken (Finding 1 - Medium)
- Major incident response and recovery plans have not been stress tested and their effectiveness verified (Finding 2 - Medium)
- Network authentication controls for wired network access points have not been configured (Finding 3 - Medium)

## CONCLUSION:

Overall, we conclude that the control framework in place for the management of cyber security is moderately designed and operationally effective. Council management will need to address the key risks identified in this review in combination with the changes that are to be introduced in September 2019.

# GDPR

## EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Moderate	Evidence of noncompliance with some controls that may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High	1
Medium	1
Low	1

TOTAL NUMBER OF RECOMMENDATIONS: 3

## KEY FINDINGS:

- The Council's legal team have confirmed that there are no clauses in respect of GDPR legislation included in the contractual agreement with Local Government Shared Services (LGSS) (Finding 1 - High)
- There were two breaches that were not identified and resolved in a timely manner. One of the breaches was not reported to the ICO within the required 72 hour timeframe (Finding 2 - Medium)
- 48.5% of staff had yet to complete GDPR training (Finding 3 - Low)

## CONCLUSION:

Overall, we conclude that the control framework for the Council's policies and processes for managing and overseeing GDPR compliance are robust and operationally effective. However, management will need to address key areas in this review to ensure that full GDPR compliance is achieved across the Council.

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# LOCAL GOVERNMENT SECTOR UPDATE

Our quarterly Local Government briefing summarises recent publications and emerging issues relevant to Local Authorities that may be of interest to your organisation. It is intended to provide a snapshot of current issues for senior managers, directors and members.

## FINANCE

### Councils should be reduced in size to make savings

Reducing the number of councillors in local government could make savings, a conference panel has said.

Local government must try to “end the conveyor belt of entitlement” that exists in the sector, councillors at a Conservative Party conference fringe event have said.

The event, held by the Taxpayers’ Alliance campaign group, discussed the need to reduce the size of councils to make savings.

Andrew Kennedy, a councillor from Tonbridge and Malling Borough Council said that downsizing “does produce savings but it also improves the quality of councillors”.

The sector has been “dredging the bottom of what is already a shallow pool of talent”, and must “scrape the barnacles off the boat”, he claimed.

He concluded that the sector must end “the conveyor belt of entitlement” in local government.

<https://www.publicfinance.co.uk/news/2019/10/councils-should-be-reduced-size-make-savings>

### District councils increasingly turning to commerciality

District councils are juggling a host of financial challenges as they face greater spending commitments at a time when funding is falling and when many of the challenges on the horizon are ‘unknowns’.

That was the message delivered at a panel discussion entitled ‘Financial management and commerciality in districts - what next?’ at Public Finance Live 2019.

Setting the context within which district councils are currently operating, Simone Hines, president of the Society of District Council Treasurers and director of finance and procurement and Nuneaton and Bedworth Borough Council, revealed that shire districts (except Dorset) had seen by far the biggest funding reductions in recent years.

She added that uncertainty around business rates retention, rising demand around homelessness due to welfare reform changes, new guidance expected around commercial property investment and uncertainty around the government and Brexit were all adding to the more difficult operating environment.

<https://www.publicfinance.co.uk/news/2019/07/district-councils-turning-commerciality-face-funding-challenges1>

### Ensuring the best debt collection journey

With local authorities facing budget constraints, debt collection has become a key issue. When you combine council tax arrears with adult social care debt and housing benefits overpayments, there is an estimated £5.2bn of debt remaining uncollected by local authorities.

Using data and modern analysis techniques can be a game-changer in pursuing a fairer and more effective solution. Having access to a range of consumer data helps build a more accurate picture of personal circumstances, and the level of vulnerability. Analysis can also identify stress points in the consumer’s regular finances and help avoid the demand for payment at particularly difficult times.

Providing a long-term solution to indebtedness that allows people a manageable pathway out of debt, and in particular supports vulnerable consumers, helps to avoid the exacerbation of the very problems local authorities are trying to resolve.

<https://www.localgov.co.uk/Ensuring-the-best-debt-collection-journey/48252>

## IT

### **UK local authorities were hit by an average of 800 cyber-attacks every hour in the first six months of 2019, a consultancy firm has found**

Freedom of Information data collected by the consultancy firm Gallagher showed that there were 263 million cyber-attacks over the six month period sometimes resulting in financial and data loss.

Analysis also found that 101 UK councils had experienced an attempted cyber-attack on their IT systems since 2017. In 17 cases a council had reported a loss of data or money, with one council losing more than £2m. FOIs were sent to 407 local authorities in the UK with 342 councils responding between August and September 2019. Given the number of councils who did not respond Gallagher said the true number of attacks could be higher. Tim Devine, managing director of public sector & education at the firm, said: "Councils are facing an unprecedented number of cyber-attacks on a daily basis.

"While the majority of these are fended off, it only takes one to get through to cause a significant financial deficit, a cost which the taxpayer will ultimately foot.

"Costs and reputational damage at this scale can be devastating for public authorities, many of which are already facing stretched budgets."

The Public Accounts Committee warned earlier this year that UK is more vulnerable to cyber-attacks than ever before.

<https://www.publicfinance.co.uk/news/2019/10/councils-suffer-800-cyber-attacks-every-hour>

### **Councils awarded over £750,000 to improve services through digital technology**

Six projects by local authorities working together across the country have received £753,000 from the Ministry of Housing, Communities and Local Government's Local Digital Fund. They include projects aimed at improving online housing repairs services, making websites for planning applications easier to use, and giving residents smoother methods of online payments.

Example of the projects funded and the local authorities involved are:

- Stockport Metropolitan Borough Council (lead), Leeds City Council and Manchester City Council - £350,000  
Providing social workers with better information to cut the time and cost of child referrals. A project to provide social workers with better family context information from other local services for their child referrals. It will speed up children's social workers' decision making, improving the experience of families and saving money.
- Worcestershire County Council (lead), Redditch and Bromsgrove Council and Suffolk County Council - £73,000  
Providing registrations data to local authority housing services. A project to use death registration data to reconcile the availability of social housing, reduce the wait time for families on local housing lists and prevent lost council tax revenue.

<https://www.gov.uk/government/news/councils-awarded-over-750-000-to-improve-services-through-digital-technology>

## Environment

### **Huntingdonshire District Council (HDC) has been ranked as one of the most climate-friendly councils across England and Wales.**

The new research, which was released by the international charity Friends of the Earth on October 3, focused on a number of different criteria.

The majority of data used came from official government sources and looked at elements such

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as recycling rates, commuter journeys, and tree cover.

All councils across the country were given a score based on how well they compared to similar authorities, and that score was then converted by Friends of the Earth into a percentage.

HDC scored near the top, with 76 per cent, whilst Wiltshire topped the table as the most climate-friendly council with 92 per cent, and Pendle, Ribble Valley and Spelthorne all came last with 40 per cent.

The research showed that 56 per cent of household waste in Huntingdonshire was reused, recycled or composted.

The report also showed that 20 per cent of commuter journeys were made by public transport, cycling and walking.

Friends of the Earth said that Huntingdonshire should aim for 40 per cent of commuter journeys to be made by these methods by 2030.

<https://www.huntspost.co.uk/news/district-council-ranked-one-of-the-most-climate-friendly-councils-in-uk-1-6312644>

### **Councils should be doing more to cut carbon emissions and tackle climate change, according to a campaign group, as it released research on local authorities' green credentials.**

Wiltshire (pictured above) came out as the most climate-friendly council in England and Wales, Friends of the Earth analysis released yesterday showed, with a performance score of 92%.

The Isle of Wight, Northumberland, Somerset West and Taunton all came joint second with a score of 88%, in the research that rated each of the 375 councils in England and Wales on their efforts to tackle damage to the environment.

However, many other local authorities came out with low marks in categories including renewable energy, public transport, car sharing, energy efficiency at home, waste recycling, and tree cover.

Craig Bennett, Friends of the Earth chief executive, said: "All local authorities, even the best performing, need to ramp up what they are doing. We know we are facing a climate and ecological emergency that threatens our existence and the natural world. If we want to change things for the better, let's start at home.

"Doing things right now about climate change isn't just good news for future generations and people most vulnerable to an erratic climate, it's good for everyone. Creating cleaner and greener places to live means healthier, happier lives."

The campaigning group called for all local authorities to adopt an ambitious local climate action plan and declare climate emergency as a sign of political intent.

<https://www.publicfinance.co.uk/news/2019/10/local-authorities-need-be-more-environmentally-friendly>

### **Councils urged to apply for funding from £2m air quality pot**

The Air Quality Grant scheme has awarded more than £61m to a variety of projects aimed at reducing pollution and benefitting schools, businesses and residents.

Local authorities are being encouraged to bid for a portion of a £2m fund to help them install electric vehicle charging points, improve cycling infrastructure and develop local online air quality resources.

'Local authorities are in the best position to address the issues they face around their roads, and we are looking forward to receiving ideas for innovative schemes to reduce emissions and encourage cleaner, more active transport,' said the environment minister Rebecca Pow.

<https://www.localgov.co.uk/Councils-urged-to-apply-for-funding-from-2m-air-quality-pot/48275>

### **District councils to be billed for contaminated recycling**

District and borough councils in Hampshire have been told they must foot the bill for contaminated recycling.

Hampshire County Council said it would start charging councils responsible for collecting refuse if the wrong items end up in recyclable waste.

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It says one in five lorry loads of recycling fails to meet standards. District councils say the move would have serious financial implications and the county needs to allow more items, such as plastic pots, to be recycled. The county, which is in charge of disposing and recycling household waste, said it would pass on the full cost of rejected loads to the authorities responsible for collecting it from April 2021. It said there would be no impact on residents as a result of the proposals.

<https://www.bbc.co.uk/news/uk-england-hampshire-49910686>

## BREXIT

### English councils ordered to appoint 'Brexit leads'

The government has pledged a new £10m package to assist councils and has told them to appoint designated 'Brexit leads'. New Communities Secretary Robert Jenrick said: "Local government has a vital role in helping to make Brexit a success and it is absolutely right that together we intensify preparations in every community. And to do this I have asked every council to appoint a Brexit lead to work with government. We'll be providing £20m for councils to support the major step up in preparations."

As part of the funding, local councils which have or are located near to a major air, land or sea port are set to receive a further share of £5m funding. In Kent, local authorities are set to receive over £2.6m, in recognition of the county being home to a number of the significant and busiest ports in the area. Kent County Council will receive £1m, while the other £1.6m will be shared among a further 13 local authorities in the county. The allocations of funds have been based on a number of factors, including the expected impact on the local area, the amount of EU Goods received by port areas into the country and the wider importance to the UK's trade network.

Chief executive of the Local Government Information Unit, Jonathan Carr-West gives his opinion on the impact of Brexit on Local Authorities:

The impact is expected to begin well before 31 October with councils devoting considerable time and money planning for a potential no deal Brexit. Councils on the frontline, such as those in Kent, will likely feel immediate significant implications whereas other councils will feel less immediate impacts but are still likely preparing themselves. For example, he suggests local authorities will be reviewing their preparedness for public disorder and civil unrest. In the worst-case scenario where there are temporary shortages of food and medicines councils will need to think about how to protect vulnerable groups such as children and the elderly.

There are still questions about much the sudden cessation of free movement might impact labour supply, particularly for the care sector. Business rates mean council finances are closely aligned with economic activity so impacts of Brexit on retail could transfer to shortfalls for local authorities. Furthermore, he suggests with a general election possible in the near future, electoral administration staff in local councils will also be on high alert. He finishes by stating "No deal Brexit is not a moment it is a process and for local authorities it is a process that has already begun".

<https://www.publicfinance.co.uk/news/2019/08/english-councils-ordered-appoint-brexit-leads>

<https://www.publicfinance.co.uk/opinion/2019/08/what-ever-goes-wrong-brexit-local-authorities-will-be-dealing-it1>

## APPENDIX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS	DESIGN	FINDINGS	EFFECTIVENESS
<b>Substantial</b>	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
<b>Moderate</b>	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
<b>Limited</b>	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
<b>No</b>	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.
RECOMMENDATION SIGNIFICANCE				
<b>High</b>	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.			
<b>Medium</b>	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.			
<b>Low</b>	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.			



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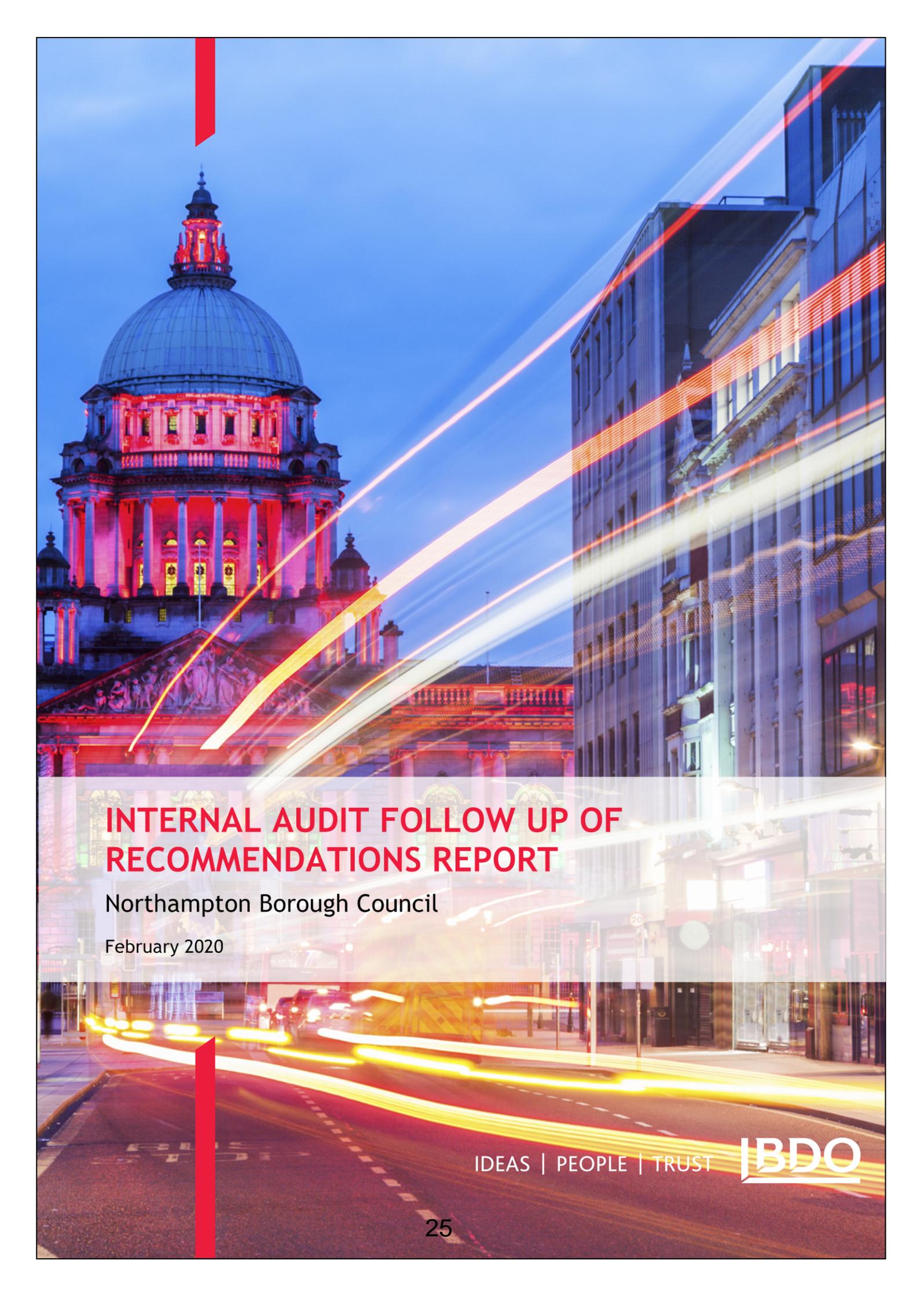
The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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# INTERNAL AUDIT FOLLOW UP OF RECOMMENDATIONS REPORT

Northampton Borough Council

February 2020

IDEAS | PEOPLE | TRUST



# Summary

## 2018/19

	Total Recs				To follow up	Complete		In progress		Overdue		Removed		Not Due		% Complete
		H	M	L		H	M	H	M	H	M	H	M			
Temp Accom.	9	3	6		9		1	3	5							11
Major Cap. Projects	8	1	7		7		5					1	2			100
People	11	7	4		11		4	3		3	1					63
Building Control	7		7		6			6					1			100
Procurement	7	2	5		5		2	2		2			1			71
Digital Strategy	3		3		1			3								100
Housing Rents	3		3		3					3						0
Cash Handling	6	3	3		6		2	3				1				100
Senior Mgmt. Restructure	10		10		0			9					1			100
Member-Officer	12		12		10			2			10					17
	76	16	60		58		8	34	3	5	3	16	2	5		55

## 2019/20

	Total Recs				To follow up	Complete		In progress		Overdue		Removed		Not Due		% Complete
		H	M	L		H	M	H	M	H	M	H	M			
Planning & S106	2		2		2			1		1						50
Enterprise Zone	7		7		7			7								100
Contract Mgmt.	1		1		1				1							0
GDPR	2	1	1		2			1	1							50
Health & Safety	6	2	4		6		2	4								100
	18	3	15		18		2	13	1	2						84

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# Summary

## **FOLLOW UP GOING FORWARD - BDO RECOMMENDATIONS**

Following the issue of reports, all due high and medium recommendations will be followed up within this report.

## **RECOMMENDATIONS**

- 76 recommendations are due for follow-up with recommendations due prior to the end of **January 2020**
- Previous recommendations may simply have a revised date that is post this Committee and therefore, will be picked up at the next Committee

Of the 76 recommendations:

- 10 High and 33 Medium Recommendations were completed and 5 recommendations have been removed, eg because superseded or the Council accept the risk
- Seven High are incomplete. Significant progress has been made against these recommendations and the due dates have been revised to ensure they are followed up at the next Audit Committee
- 12 Medium Recommendations are incomplete. Member-Officer Protocols recommendations have been issued with their 3<sup>rd</sup> revised due dates.

## **Follow up Process**

As part of the follow-up process we issued all recommendations due for implementation on or before December 2019 on 17 October 2019. Recommendations due were sent to all responsible officers and the corresponding heads of service. We gave responsible officers 6 weeks to respond. We subsequently chased officers throughout November 2019.

We are required to escalate non responses and/or recommendations with several revised due dates to the Corporate Management Board (CMB). We have escalated all incomplete responses to the CMB.

For all incomplete recommendations, we will:

1. Continue to emphasise to staff to be realistic about the implementation dates when completing their management responses at the completion stage of each internal audit review
2. Issue the recommendations tracker to all the relevant Heads of services on a monthly basis from the December audit committee onwards
3. Issue reminder emails 6 weeks prior to the follow up review to ensure timely completion of each recommendation.

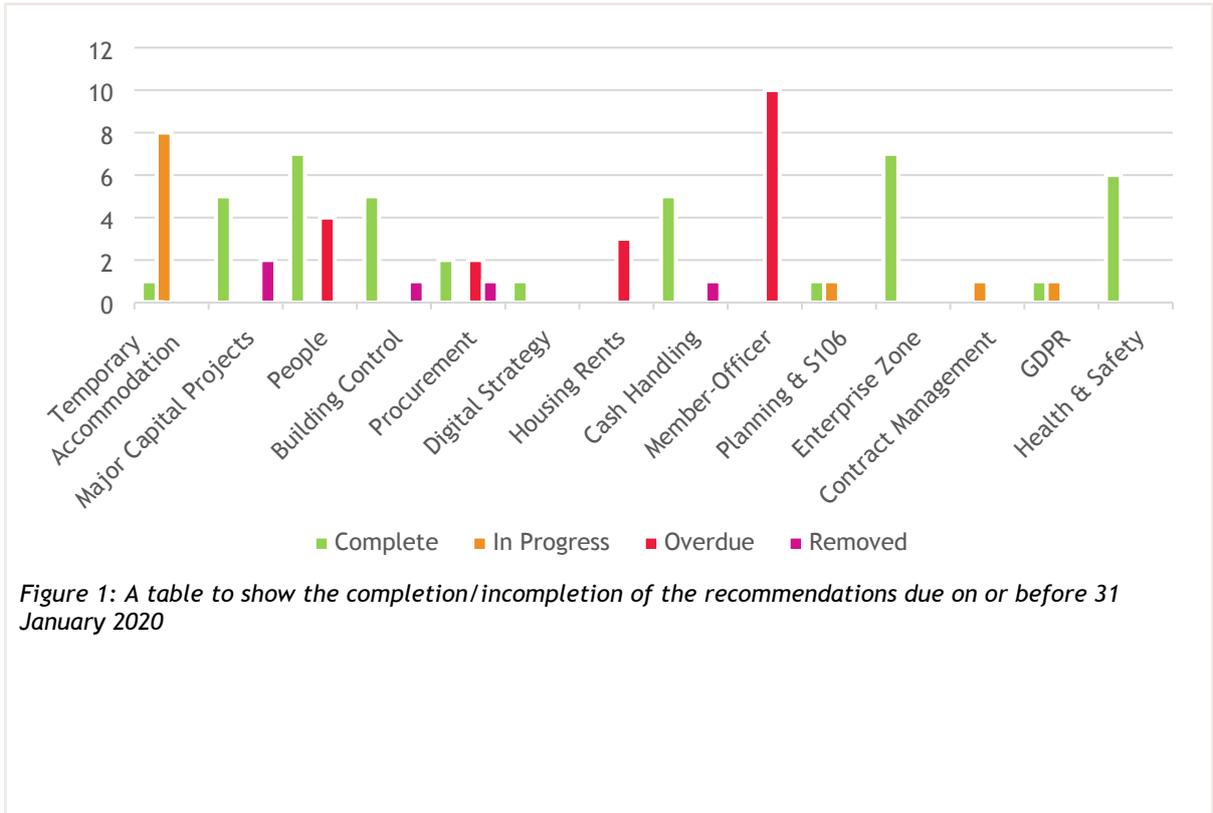


Figure 1: A table to show the completion/incompletion of the recommendations due on or before 31 January 2020

## Recommendations: Complete

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Current Progress
2018/19. Temporary Accommodation	Officers should be reminded by email that a senior officer must sign off the file before an applicant can be placed in accommodation	M	Housing Advice & Options Manager	31/10/2019	<p><b>Council Comments:</b> Housing Options and Advice Manager sent an email reminding all the team leaders and managers that any further placement to TA needs to be authorised by the Housing Options and Advice Manager and in their absence by assessment Team leaders (until new Homeless Reduction Manager is in place).</p> <p><b>IA Comments:</b> We have received a copy of the email sent by the Housing Options and Advice Manager and are satisfied that the recommendation is complete.</p>
2018/19. Major Capital Projects	The Museums Project Manager should include the date risks are added to the risk register, risk owners and mitigating controls currently in place for all risks	M	Economic Growth & Regeneration Manager	30/06/2019 30/09/2019 30/11/2019	<p><b>Council Comments:</b> Mitigating controls and the dates that the risks were first become aware of have been included within a new template for the NMAG risk register.</p> <p><b>IA Comments:</b> The new risk register contains satisfactory information to give stronger awareness of risks and mitigating controls.</p>
2018/19. Major Capital Projects	All Project Managers should be reminded via email to produce monthly Highlight Reports	M	Economic Growth & Regeneration Manager	30/06/2019 30/09/2019 30/11/2019	<p><b>Council Comments:</b> Project managers have been reminded by email to send the Highlight reports to the Economic Growth &amp; Regeneration Manager. A monthly reminder has been added into their calendar to send the report to them.</p> <p><b>IA Comments:</b> Use of monthly calendar and reminder email for managers to send their Highlight Report to Economic Growth &amp; Regeneration Manager is sufficient.</p>
2018/19. Major Capital Projects	The Corporate Management Report should contain greater detail of the project spend against forecast that is similar in detail to the Highlight Reports	M	Economic Growth & Regeneration Manager	30/06/2019 30/09/2019 30/11/2019	<p><b>Council Comments:</b> CMB now receive a bi-monthly strategic register with updates on projects from across the organisation, including the Regeneration team. These contain</p>

					<p>details on the ongoing projects and dates of completion, any issues, etc. This is in addition to the existing Project Management report.</p> <p><b>IA Comments:</b> This is sufficient for the completion of the recommendation. CMB now receive better levels of information.</p>
<b>2018/19. Major Capital Projects</b>	The finance reports for the Museum and Delapré Abbey projects should include actual vs budget spending on a line by line basis to provide greater clarity on the cause of the expenditure variance	M	Economic Growth & Regeneration Manager	30/06/2019 30/09/2019 30/11/2019	<p><b>Council Comments:</b> The Project Manager maintains a detailed breakdown of the budget, contract sums, actual spend and remaining spend. This is reconciled monthly to Agresso, supported by the accountant assigned to the project. Notes are also captured on the spreadsheet and this includes actual and potential variances and the reasons for this.</p> <p><b>IA Comments:</b> The recommendation has been implemented, the reports showed strong levels of detail.</p>
<b>2018/19. Major Capital Projects</b>	Spending to date should be included in the finance reports for the Museum project.	M	Economic Growth & Regeneration Manager	30/06/2019 30/09/2019 30/11/2019	<p><b>Council Comments:</b> Spend to date information is included in the highlight report with these figures supported by the budget spreadsheet</p> <p><b>IA Comments:</b> Information is presented in several reports and presented to various layers of management.</p>
<b>2018/19. People</b>	Training should be held for Tier 1, Tier 2 and Tier 3 staff to ensure that they are adequately prepared on how to conduct and review an appraisal	H	HR Manager	30/09/2019 31/10/2019	<p><b>Council Comments:</b> There are guidance notes on the intranet on how to complete appraisals. HR provide staff with any 1:1 guidance that may be required. Due to unitary, an appraisal process proposal will be put to CMB for 20/21 and specific training for managers on the process will be implemented early 2020 based on documents that have been refreshed following the refresh of the Corporate Plan.</p> <p><b>IA Comments:</b> Managers have been provided with sufficient levels of documentation on the intranet to support effective appraisals and the planned training following the corporate plan refresh will embed the process further.</p>

<p><b>2018/19. People</b></p>	<p>Monitoring should be put in place to ensure all staff receive an appraisal</p>	<p>H</p>	<p>HR Manager</p>	<p>30/09/2019 31/10/2019</p>	<p><b>Council Comments:</b> The staff appraisal cycle is almost complete and CMB are in the process of reviewing all of the documentation to ensure that there are no exceptions. As part of this process HR had been providing status reports to the Chief Executive so that he was aware of the progress being made</p> <p><b>IA Comments:</b> We reviewed the CMB minutes on 09/11/2019 and were satisfied that this was monitored in CMB with adequate updates.</p>
<p><b>2018/19. People</b></p>	<p>The Council should establish a central policy for succession planning. This should include a timetable and criteria for the handover of information prior to the departure of the leaving officer</p>	<p>H</p>	<p>Organisational Development Manager</p>	<p>30/09/2019 31/10/2019</p>	<p><b>Council Comments:</b> Learning &amp; Development Strategy was approved on 24th October by the Chief Executive. The strategy includes succession planning. While a formal policy is not going to be adopted for NBC, but will be for Unitary, informal procedures are taking place such as Deputy Heads of Service being appointed for CMB attendance.</p> <p><b>IA Comments:</b> We were satisfied that Learning &amp; Development Strategy shows commitment to improving staff skillsets and appointing Deputy Heads of Service supports effective succession planning.</p>
<p><b>2018/19. People</b></p>	<p>The Council should develop a policy to identify key posts that are vulnerable to turnover. This should include a list of job roles so succession plans can be created for these posts. This should be shared between CMB</p>	<p>H</p>	<p>Organisational Development Manager</p>	<p>30/09/2019 31/10/2019</p>	<p><b>Council Comments:</b> A Learning &amp; Development Strategy was approved by the Chief Executive which includes succession planning for key posts in the organisation.</p> <p><b>IA Comments:</b> We were satisfied that adequate provisions were put in place for succession planning, particularly through establishing Deputy Heads of Service.</p>
<p><b>2018/19. People</b></p>	<p>A talent management plan should be developed to focus on retention of good performers. This should use a combination of the performance appraisal ratings and CMB knowledge of their best performing staff to</p>	<p>M</p>	<p>HR Manager</p>	<p>30/09/2019 31/10/2019</p>	<p><b>Council Comments:</b> The approved Learning &amp; Development Strategy includes succession planning. Talent management will be addressed as part of the above process. Two officers have been given the opportunity to attend the national District Councils Network</p>

	produce a list of the best performers for the transition into Unitary				programme. This evidences that senior management are aware of the 'talent' within the organisation.  <b>IA Comments:</b> We were satisfied that there have been initiatives put in place to recognise the talent within and develop this through the Learning & Development Strategy.
2018/19. People	Each Head of Service should promote monthly recognition of good performers via a 'star performer' mechanism	M	HR Manager	30/09/2019	<b>Council Comments:</b> There are already good performer awards within the customer facing services. The annual Customer Service awards encompass the back-office support service and individuals are nominated by colleagues for various categories. The awards were chosen in October with presentations in December for all service and support. There is also a 'random acts of kindness' that is promoted in the same week to identify people that have assisted colleagues in a positive way.  <b>IA Comments:</b> We were satisfied that a number of internal recognition awards have been implemented.
2018/19. People	An Exit Interview Policy should be established to include a distinct formal process to conducting exit surveys	M	Governance Manager	30/09/2019	<b>Council Comments:</b> An Exit Interview Policy was approved at the Policy Review Group on 09/10/2019 and is now in place.  <b>IA Comments:</b> The implementation of the Exit Interview Policy has provided guidance and a process for undertaking exit interviews.
2018/19. Building Control	Building Control ensure that agreed competency training (a) is undertaken by staff and documented on a schedule for tracking and (b) is independently spot checked or included as an agenda item for monitoring purposes on the Planning Service management meetings which can be carried out on a quarterly basis	M	Building Control Manager/ Head of Planning	30/06/2019 30/09/2019 31/10/2019	<b>Council Comments:</b> A schedule for competency training has been developed and monitors the completed and required training for the Building Control team. This will form part of the appraisal process.  <b>IA Comments:</b> The schedule has been implemented as a reminder of when Building Control team need to refresh their skills.
2018/19. Building	Building Control and the Planning Service staff	M	Building Control	30/06/2019 30/09/2019	<b>Council Comments:</b> Training records were last updated

<b>Control</b>	ensure that evidence for training is obtained and filed		Manager/ Head of Planning	31/10/2019	on 05/11/2019 and details of what accreditations the team have are managed by the Project Support Officer.  <b>IA Comments:</b> We reviewed the training records sheet and were satisfied that it was adequately detailed and had been updated recently.
<b>2018/19. Building Control</b>	Building Control Officers ensure that sufficient detail relating to site visit reports is recorded on MasterGov that facilitates a quick assessment of the status of an application and result of the visit	M	Building Control Manager/ Head of Planning	30/06/2019 30/09/2019 31/10/2019	<b>Council Comments:</b> On a weekly basis the Building Control Manager reviews an 'inspections not complete' report. A sample of applications are selected and reviewed on MasterGov to ensure that all pertinent details have been captured including site visits and the outcome of these. This enables the Manager to not only monitor the work and performance of his surveyors but also the registration team. Additionally a process has been introduced so that every 4 months the Building Control selects a sample of applications and again reviews MasterGov to ensure that the records are accurate and have been dealt with timely. Comments are captured for each application reviewed along with any action required.  <b>IA Comments:</b> We reviewed the report for inspections between 1 April 2019-31 July 2019 and were satisfied that the contents were adequate.
<b>2018/19. Building Control</b>	The Planning Registration & Support and Building Control teams ensure that all relevant fields and events in MasterGov are completed and selected when completing building regulations applications or requests.	M	Building Control Manager/ Head of Planning	30/06/2019 30/09/2019 31/10/2019	<b>Council Comments:</b> Monitoring of the completion of MasterGov application records are completed in a periodic sample check of applications by the Building Control Manager. Comments for improvement are noted and required work is given following the check.  <b>IA Comments:</b> We reviewed the sample check results between April-July 2019 and were satisfied that there was adequate checking of applications and feedback on improvements.
<b>2018/19. Building Control</b>	Building Control assess evidencing the Building Control Manager's	M	Building Control Manager/	30/06/2019 30/09/2019 31/10/2019	<b>Council Comments:</b> Building Control manager completes a report following the sample check

	periodic review of MasterGov case records		Head of Planning		<p>of MasterGov applications. This includes comments for improvement for the officer that completed the file.</p> <p><b>IA Comments:</b> The recommendation has been implemented. There is now evidence, which we reviewed, for the periodic review of case records.</p>
<b>2018/19. Cash Handling</b>	The Council should ensure that reconciliations are made against the Cash Box Report amount. The Parking & Bus Station Manager should send a monthly report of the amount that should have been collected from the machines to LGSS who then reconcile the bank statement against this value. Any differences should be followed up to ensure there is an adequate explanation	H	Chief Finance Officer	30/04/2019 30/09/2019 31/10/2019	<p><b>Council Comments:</b> The income from April to September 2019 has been reconciled by the SICO. From October 2019 the reconciliation of the cash collected by Jade will be reconciled to the parking system and to the monies banked by the Parking and Bus Station Manager with evidence maintained to support this. The Assistant Business Partner (LGSS) will provide a monthly report showing all income reconciled to the bank account to facilitate this. Since August 2019 the audit tickets are now taken to the St Johns office by Jade after the cash collection has been completed. These will be retained until the monthly reconciliation has been completed.</p> <p><b>IA Comments:</b> The parking receipts have been reconciled and a process has been implemented to ensure monitoring of cash collected is consistent with the audit tickets produced by the parking machines.</p>
<b>2018/19. Cash Handling</b>	There should be a reconciliation between the Cash Box Report and bank statements for the car parking account undertaken by the Council as far back as 2015	H	Chief Finance Officer	30/04/2019 30/09/2019 31/10/2019	<p><b>Council Comments:</b> The SICO has undertaken a detailed reconciliation of the cash collected by Jade and has found that they use money from the multi-storey car park machines to top up some of the other cash machines that the Council own. As the audit trail information does not extend as far back as 2015 they are unable to reconcile that far back, however, they are satisfied that the reconciliation completed by the SICO has confirmed that there are no discrepancies.</p> <p><b>IA Comments:</b> The reconciliation that has been completed has been adequate to understand the discrepancies between the bank account and the</p>

					Cash Box report.
<b>2018/19. Cash Handling</b>	The Council should conduct an investigation into the variance and have a minuted meeting with Jade Security Services Ltd into the missing money	H	Chief Finance Officer	30/04/2019 30/09/2019 31/10/2019	<p><b>Council Comments:</b> Following on from the detailed reconciliation that the Council undertook they are satisfied that there is no discrepancy between the cash collected and banked.</p> <p><b>IA Comments:</b> The reconciliation has found that there has been no discrepancy and therefore a meeting is not required.</p>
<b>2018/19. Cash Handling</b>	The Council should create a central policy that is applicable to all areas of cash/cheque collection articulating protocols on segregating duties between collecting, counting and transporting cash/cheques. Furthermore, the policy should include provisions to ensure staff safety when transporting cash/cheques. This should be uploaded onto the Council's intranet and emailed to staff	M	Chief Finance Officer	30/04/2019 30/09/2019 30/11/2019	<p><b>Council Comments:</b> An updated policy has been created following an extensive review of policies around holding and transporting cash.</p> <p><b>IA Comments:</b> The policy for managing cash and the collection of cash is satisfactory to ensure the recommendation is complete and that a separation of duties is embedded into the process.</p>
<b>2018/19. Cash Handling</b>	The policy should include a maximum amount of cash that can be held by a service area before it should be transported to the Guildhall. This should be within the maximum amount stated on the Council's insurance policy	M	Chief Finance Officer	30/04/2019 30/09/2019 30/11/2019	<p><b>Council Comments:</b> An updated policy includes a maximum cash amount that can be transported and the number of staff required to undertake the transporting.</p> <p><b>IA Comments:</b> This is satisfactory for ensuring clear guidelines to staff on cash transportation and supports staff safety.</p>
<b>2018/19. Cash Handling</b>	The Council should remind all officers with a corporate credit card via email, with an acceptance requirement, that they should send their Purchase Card Reconciliation to the appropriate officer within 5 days	M	Chief Finance Officer	30/04/2019 30/09/2019 30/11/2019	<p><b>Council Comments:</b> Credit card user guide policy is updated to ensure cardholders are aware of the requirement to complete a credit card reconciliation on a timely basis as well as creating clear guidelines on card usage.</p> <p><b>IA Comments:</b> This policy update ensures that staff are aware of their responsibilities as a cardholder.</p>
<b>2018/19.</b>	The Council should	H	Chief Finance	30/04/2019	<b>Council Comments:</b>

Procurement	remind officers by email of the importance of retaining documentation on ProContract and the locations where they should be stored		Officer	31/08/2019 31/10/2019	<p>Any contracts through the e-tendering process are automatically be stored on Pro-contract.</p> <p>For any procurement outside that of Pro-Contracts, documents would be held locally by the officers. All contracts are held by legal. This has been discussed with the Legal team.</p> <p><b>IA Comments:</b> We were satisfied that the Legal team have been spoken to on this matter and understand the importance of retaining documentary evidence for contracts.</p>
2018/19. Procurement	The Section 151 Officer and Monitoring Officer should formally remind any officers if the appropriate signatories, values and dates are not completed in the correct order that they should complete the form correctly or reject the exemption request	M	Monitoring Officer & Chief Finance Officer	30/04/2019 31/08/2019 31/10/2019	<p><b>Council Comments:</b> Robust monitoring is now undertaken by the key signatories to ensure that all forms are now completed correctly. S151 Officer is returning forms where the appropriate approval has not been obtained prior to theirs.</p> <p><b>IA Comments:</b> The recommendation has been implemented and the monitoring of exemptions has become more rigorous to ensure correct signatories are obtained in the correct order.</p>
2018/19. Digital Strategy	A road map template should be established which is required to be used for digital strategy projects	M	Digital Services Manager	31/05/2019 30/09/2019 31/10/2019	<p><b>Council Comments:</b> The roadmap has been produced for digital projects with work dates identified and information on the lead project managers.</p> <p><b>IA Comments:</b> The recommendation has been implemented. We reviewed the roadmap and were satisfied that there was adequate information presented.</p>
2019/20 Planning Service & S106	The Council should remind all staff involved with managing Section 106 Agreements of the importance of retaining evidence for Section 106 expenditure. This evidence should be retained and attached to the Civica account to the corresponding Agreement	M	Head of Planning	30/11/2019	<p><b>Council Comments:</b> Staff were reminded at team meeting in September that they need to obtain and retain supporting evidence for S106s, including viability work. The records for active S106 agreements are being kept up to date, with relevant documents and actions, when submitted.</p> <p><b>IA Comments:</b></p>

					The recommendation has been implemented as staff have been made aware of their responsibilities to retain S106 spending evidence.
<b>2019/20. Enterprise Zone</b>	The NWEZ risk register should be updated to include the following information: <ul style="list-style-type: none"> <li>Responsible officer for each mitigating control</li> <li>Completion date for the implementation of the mitigating controls</li> <li>Numerical-based risk matrix</li> </ul>	M	Economic Growth & Regeneration Manager	30/11/2019	<p><b>Council Comments:</b></p> <p>The NWEZ risk register has been updated in terms of format with a mitigating controls section, a defined responsible officer and a numerical based risk assessment.</p> <p><b>IA Comments:</b></p> <p>The recommendation has been completed. We reviewed the risk register.</p>
<b>2019/20. Enterprise Zone</b>	The Council should propose that the NWEZ Board document their review of each risk on the risk register and assess progress of the mitigating controls	M	Economic Growth & Regeneration Manager	30/11/2019	<p><b>Council Comments:</b></p> <p>A review of the risk register and an assessment of the mitigating actions has become a standing item on the agenda of the NWEZ meetings. Risk register is now reviewed and assessed.</p> <p><b>IA Comments:</b></p> <p>The recommendation has been implemented with regular risk register review.</p>
<b>2019/20. Enterprise Zone</b>	The risks surrounding Local Government Reform should be included within the NWEZ risk register. Risks associated with this should include reduced resources available to the NWEZ, and losing capacity and knowledge of staff involved in the NWEZ potentially leaving the organisation	M	Economic Growth & Regeneration Manager	30/11/2019	<p><b>Council Comments:</b></p> <p>Governance Risk 004 is now focused on disruption to resources, capacity and loss of staff knowledge as a result of the Unitary transition programme - mitigating control is that the Economic Growth &amp; Regeneration Manager is responsible for keeping the NWEZ Board up to date on the unitary plans and to ensure all reports are delivered to NWEZ Board on time.</p> <p><b>IA Comments:</b></p> <p>We reviewed the risk on the risk register and were satisfied that it addressed Unitary transformation risks.</p>
<b>2019/20. Enterprise Zone</b>	Risk registers should be created for the Horizon Parks project, and the St. James Mill Link Road project risk register should be reviewed and updated. A schedule should be established	M	Economic Growth & Regeneration Manager	30/11/2019	<p><b>Council Comments:</b></p> <p>Risk registers have been created for the Horizon Parks and St James' Mill projects which are in the standard template used. These are in adequate detail, include controls, responsible officers and dates due</p>

	going forward for quarterly reviews of each project risk register				for completion to ensure monitoring of the risk registers.  <b>IA Comments:</b> Horizon Park and St James' Mill risk register have been adequately implemented.
<b>2019/20. Enterprise Zone</b>	The Council should recommend to the NWEZ Board that quarterly Board meetings include a dedicated time slot to discuss the performance indicators and set action plans where performance is below the tolerable level. This should be documented		Economic Growth & Regeneration Manager	30/11/2019	<b>Council Comments:</b> Discussions around key performance indicators have been included in the agenda for the NWEZ Board meetings.  <b>IA Comments:</b> The recommendation has been implemented.
<b>2019/20. Enterprise Zone</b>	Minutes of previous and future Board meeting minutes should be uploaded onto the Council's website		Economic Growth & Regeneration Manager	30/11/2019	<b>Council Comments:</b> A section on the website has been created for the minutes of the NWEZ Board meetings to be loaded onto. The past five minutes have been uploaded onto it and future minutes will continue to be added onto this web page.  <b>IA Comments:</b> We reviewed the website and were satisfied the minutes have been uploaded onto it.
<b>2019/20. Enterprise Zone</b>	As Accountable Body, the Council should prioritise creating a website for the NWEZ, including a list of all projects, the aims of these projects, and the economic growth that these projects are forecasted to bring	M	Economic Growth & Regeneration Manager	30/11/2019	<b>Council Comments:</b> A section has been created on the NBC website for a description of all the projects and the economic growth that they will bring.  <b>IA Comments:</b> We reviewed the website and the information about the projects was included.
<b>2019/20. GDPR</b>	Management should highlight the status and type of data breached for each complaint as this should ensure breaches are reported to the ICO within the 72 hour timeframe	M	Data Protection Officer	30/11/2019	<b>Council Comments:</b> The finding refers to a single data breach case. Upon receiving more information from the complainant the data breach was taken down. Additionally, to ensure future data breaches can be picked up even in their absence we have been highly proactive at promoting the joint mailbox <a href="mailto:dataprotection@northampton.gov.uk">dataprotection@northampton.gov.uk</a> as the only place to report breaches and developed and deployed a breach reporting tool.

					<p><b>IA Comments:</b></p> <p>As the case in the finding was partially due to the Data Protection Officer being on annual leave when the report was made, the new mail box being set up provides stronger communication within the team to ensure breaches are reported compliantly.</p>
2019/20. Health & Safety	The Council should implement a clear sign-off process for events. This should be sufficiently documented to improve accountability	H	Town Centre Manager	30/11/2019	<p><b>Council Comments:</b></p> <p>Events are signed off at the SAG meeting with verbal approval given to sign-off events. Objections to the events are recorded in the minutes of the meetings.</p> <p><b>IA Comments:</b></p> <p>An approval process is in place and there is an adequate documentation procedure of objections to events.</p>
2019/20. Health & Safety	The Council should create an event risk assessment pro-forma to be completed for every event. This should include a risk rating system, and detail any mitigating controls that are required for the event to be held. The pro-forma should be reviewed at SAG meetings and additionally by a member of the Council's H&S team, ensuring that third-party RAs are not readily accepted	H	Town Centre Manager	30/11/2019	<p><b>Council Comments:</b></p> <p>A health &amp; safety risk assessment form is already in place and it is reviewed annually. Most smaller events organisers use this template risk assessment form, however, major event organisers provide their own risk assessment as part of the Events Management Plan which the Council review.</p> <p><b>IA Comments:</b></p> <p>The current risk assessment pro forma is in place and reviewed with sufficient regularity. There is oversight of all risk assessments presented to the Council for events.</p>
2019/20. Health & Safety	Within the 'Use of Contractors' guidance notes that are currently being developed, the Council should include a check list that must be completed when evaluating a contractor in a tender process. This should include detail such as: <ul style="list-style-type: none"> <li>• Have H&amp;S responsibilities been clearly defined within the contract</li> <li>• Has the prospective contractor provided examples of task/site</li> </ul>	M	Health, Safety & Well-being Adviser	31/10/2019	<p><b>Council Comments:</b></p> <p>The 'Use of Contractors' guidance has been reviewed and the updated document is now on the Intranet. The information within the guide the process that should be followed when engaging with contractors in relation to health &amp; safety.</p> <p>As LGSS run the procurement process for the Council we will make them aware of the requirements for health &amp; safety within the tenders.</p> <p><b>IA Comments:</b></p> <p>The recommendation has been implemented as there is a single procedure which staff should follow prior to engaging with contractors.</p>

	<p>specific risk assessments</p> <ul style="list-style-type: none"> <li>Has this documentation been reviewed by the contract manager and a H&amp;S representative.</li> </ul> <p>It is important to note that accountability will remain with the contract managers, with H&amp;S providing support accordingly</p>				
2019/20. Health & Safety	As soon as reasonably possible, the Council should look to include a H&S session in the corporate training provided to new starters. This should include topics such as the Health and Safety Policy, First Aid at work and incident reporting	M	Health, Safety & Well-being Adviser	31/10/2019	<p><b>Council Comments:</b></p> <p>The presentation slides for the Corporate Induction have been amended to include a session on health &amp; safety. The Health &amp; Safety Adviser attended the Corporate Induction to present these slides on 21 October 2019.</p> <p><b>IA Comments:</b></p> <p>The recommendation has been implemented. Health &amp; Safety training is now included in the corporate inductions.</p>
2019/20. Health & Safety	The Council should regularly monitor and track when new starters have completed their e-learning, ensuring that training has been completed within a certain time period after starting, for example two months	M	Health, Safety & Well-being Adviser	31/10/2019	<p><b>Council Comments:</b></p> <p>A report of all staff within service area teams is run from the e-learning system and they are presented at service areas Health &amp; Safety meetings, team meetings and the Health &amp; Safety Committee.</p> <p><b>IA Comments:</b></p> <p>A monitoring process has been put in place with information presented through the appropriate channels.</p>
2019/20. Health & Safety	For existing staff, the Council should look to just require the knowledge test to be redone, with the entire refresher course only needed if the marks gained are below a certain threshold. This could help ease the time commitment		Health, Safety & Well-being Adviser	31/10/2019	<p><b>Council Comments:</b></p> <p>The low cost e-learning system does not have this capability to require all existing staff to re-do the knowledge test. The Health &amp; Safety team prefer the service area reports to identify staff that require health &amp; safety training and then full module completion to ensure knowledge of the requirements are up to date.</p> <p><b>IA Comments:</b></p> <p>The Council are ensuring that training has been completed, albeit due to the limitations of the e-</p>

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learning system it is achieved via monitoring of the service area report.

## Recommendations: In Progress

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Current Progress
2018/19. Temporary Accommodation	Training on rent collection should be provided to a dedicated rental incomes officer	H	Housing Advice & Options Manager	31/10/2019 31/01/2020	<p><b>Council Comments:</b> The Council have re-advertised the Rent Income Collection Officer role with interviews due to be held on 22/11/2019. Since the audit the Council have recruited a new Temporary Accommodation Team Leader and Temporary Accommodation Officer who started on 18/11/2019.</p> <p><b>IA Comments:</b> The progress of this recommendation will be followed up at the next Audit Committee.</p>
2018/19. Temporary Accommodation	Weekly meetings to discuss rent arrears accounts should continue and a representative from Revenues & Benefits should be required to attend. N.B. These meetings began in February 2019 and review the top 25 cases of arrears (by value) and each week the following ten rent arrears accounts are added to the meeting discussions. The aim of these meetings is to create action plans for these tenants, whether it be to issue a letter, an NTQ or contact the tenant to set up a payment plan.	H	Housing Advice & Options Manager	31/10/2019 31/01/2020	<p><b>Council Comments:</b> The last meeting took place on 23/08/2019. As there have been changes in the Temporary Accommodation team recently, these will recommence once the team is at capacity.</p> <p><b>IA Comments:</b> The progress of this recommendation will be followed up at the next Audit Committee.</p>
2018/19. Temporary Accommodation	The Council should discuss and document its appetite for collecting rent arrears from vulnerable individuals	H	Housing Advice & Options Manager	31/10/2019 31/01/2020	<p><b>Council Comments:</b> Once the team has reached full capacity and recruitment for vacant positions is complete this will be reviewed.</p> <p><b>IA Comments:</b> The progress of this</p>

					recommendation will be followed up at the next Audit Committee.
<b>2018/19. Temporary Accommodation</b>	All TA and prevention officers and managers should receive specialist training on conducting interviews with applicants that may be dealing with sensitive issues to ensure they are capably equipped to identify and support the TA application for vulnerable individuals. The attendance for this training should be documented and the material retained for staff to refer to at a later date	M	Housing Advice & Options Manager	31/10/2019 29/02/2020	<p><b>Council Comments:</b> The Temporary Accommodation team has gone through major restructuring and have recruited a lot of new staff members (new team structure has been effective from 02/12/2019). Each individuals training will be reviewed based on their needs for their new role. Also, the Housing Options and Advice Manager will make sure conducting interview techniques training (when dealing with vulnerable client group) is given to relevant officers and managers.</p> <p><b>IA Comments:</b> The progress of this recommendation will be followed up at the next Audit Committee.</p>
<b>2018/19. Temporary Accommodation</b>	The Rent Incomes Officer should receive training on techniques for recovering arrears	M	Housing Advice & Options Manager	31/10/2019 31/01/2020	<p><b>Council Comments:</b> The Council have re-advertised the Rent Income Collection Officer role with interviews due to be held on 22/11/2019. Training will be provided to the officer once they have been recruited.</p> <p><b>IA Comments:</b> The progress of this recommendation will be followed up at the next Audit Committee.</p>
<b>2018/19. Temporary Accommodation</b>	The Spend to Save Policy should be updated with limits on funds that can be granted/loaned to clients. Once updated, the Council should review the funds allocated to the Scheme and assess whether they are adequate	M	Housing Advice & Options Manager	31/10/2019 29/02/2020	<p><b>Council Comments:</b> The Spend to Save Policy will be reviewed and updated once the team is at full capacity and the new Homeless Strategy is in place.</p> <p><b>IA Comments:</b></p>

					The progress of this recommendation will be followed up at the next Audit Committee.
<b>2018/19. Temporary Accommodation</b>	A Homelessness Strategy should be created and published onto the Council website. This should include a section on the prevention strategy with tangible action plans that expand the current wording of 'persuading' private landlords and families/friends to not evict people	M	Housing Advice & Options Manager	31/10/2019 29/02/2020	<p><b>Council Comments:</b> Homeless Strategy workshop took place on 15/11/2019. Draft policy for the feedback should be prepared and ready by the end of November 2019. The policy will then be formally approved by Cabinet in February 2020.</p> <p><b>IA Comments:</b> The progress of this recommendation will be followed up at the next Audit Committee.</p>
<b>2018/19. Temporary Accommodation</b>	All officers working in TA should receive refresher training which should include a reminder of the procedures to placing an applicant in accommodation. This training should also be provided to any new starters following the restructure	M	Housing Advice & Options Manager	31/10/2019 31/01/2020	<p><b>Council Comments:</b> All officers in TA team will get the training on revised TA placement procedures, monitoring move on, rent collection &amp; recovery process, registering new property, voids turn around, conversion and systems.</p> <p><b>IA Comments:</b> The progress of this recommendation will be followed up at the next Audit Committee.</p>
<b>2019/20. Planning Service &amp; S106</b>	Additionally, the Council should review a selection of older schemes, i.e. where the Agreement was signed before 2010, and trace any evidence to support the spending of the S106 income, focussing on the highest value and/or highest risk schemes. All evidence of expenditure found should be retained in Civica	M	Head of Planning	30/11/2019 31/03/2020	<p><b>Council Comments:</b> On older sites, as documents are identified, these are added to the files. An exercise is also being carried out to identify S106 agreements in a particular ward, dates of receipts of payments and spend. The aim is to try to work through all 544 agreements to update these with this information over an extended period of time. Examples where this process has been undertaken to support money being received</p>

				<p>and allocated at S106 Board meetings;</p> <p>LA/2016/0013 Former Ecton Brook Primary School - money received and allocated for play equipment LA/2014/0016 Nunn Mills (University Campus) - money received and allocated to EVCP.</p> <p><b>IA Comments:</b> Work has been taken towards implementing this recommendation and we will follow up on further progress prior to next Audit Committee</p>
<b>2019/20. GDPR</b>	Management should agree a contractual addendum as part of the outsourced agreement held with LGSS for the provision of revenues and benefits.	<b>H</b>	Data Protection Officer	<p>30/11/2019 No specific date but to follow up at next AC</p> <p><b>Council Comments:</b> LGSS contract management team have been made aware and will work with NBC legal to rectify.</p> <p><b>IA Comments:</b> The progress of this recommendation will be followed up at the next Audit Committee.</p>
<b>2019/20. Contract Management</b>	The Council should ensure that the PDA extension with LGSS is signed by both parties	<b>M</b>	Chief Finance Officer	<p>30/11/2019 No specific date but to follow up at next AC</p> <p><b>Council Comments:</b> The PDA will remain outstanding for now, there are some complications surrounding LGSS that need to be resolved before we go any further.</p> <p><b>IA Comments:</b> The progress of this recommendation will be followed up at the next Audit Committee.</p>

## Recommendations: Overdue

These recommendations have been marked as overdue as they have previously revised their implementation date. Therefore, they have now missed at least two implementation dates.

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Current Progress
2018/19. Procurement	The Council should give procurement and contract refresher training for staff involved with high-value contracts	M	Chief Finance Officer & Monitoring Officer	30/06/2019 31/10/2019 31/10/2019 31/01/2020	<p><b>Council Comments:</b> Training sessions will be held once the Best Practice guide has been updated.</p> <p><b>IA Comments:</b> The progress of this recommendation will be followed up at the next Audit Committee.</p>
2018/19. Procurement	The Council should amend the Contract Procedure Rules to ensure the correct information is conveyed within	M	Chief Finance Officer	30/04/2019 31/08/2019 31/10/2019 31/01/2020	<p><b>Council Comments:</b> A meeting was held between the SICO, Legal and the auditor on 18/09/2019 and it was agreed that the CPR were correct and that the Best Practice Guide needed to be updated to reflect it.</p> <p><b>IA Comments:</b> The progress of this recommendation will be followed up at the next Audit Committee.</p>
2018/19. People	Managers should remind all staff in team meetings of their responsibilities with regards to appraisal. This should be backed up by an email from the Chief Executive to all staff stating the responsibilities of staff in the appraisal process	H	HR Manager	30/09/2019 31/10/2019 31/03/2020	<p><b>Council Comments:</b> The Corporate Plan is in the process of being refreshed, once that has been completed the appraisal documents will be reviewed and updated to ensure the 'Golden Thread' feeds from the Corporate Plan through to the appraisals. An email will be issued by the CEO at that time.</p> <p><b>IA Comments:</b> The progress of this recommendation will</p>

					be followed up at the next Audit Committee.
<b>2018/19. People</b>	The Council should complete the Workforce Monitoring Report for 2018/19 and report on website	H	Governance Manager	30/09/2019 31/10/2019 29/02/2020	<p><b>Council Comments:</b> There is currently a breakdown in communication between LGSS support and NBC HR. This was raised at the LGSS contract meeting on 23rd October and the contract manager is to speak with the Agresso HR team to resolve.</p> <p><b>IA Comments:</b> The progress of this recommendation will be followed up at the next Audit Committee.</p>
<b>2018/19. People</b>	CMB should identify and discuss the management information that they would like to capture and monitor. Management information on these areas should be discussed on a monthly or quarterly basis at CMB and actions should be included in the action plan on the Board minutes	H	Governance Manager	30/09/2019 31/10/2019 29/02/2020	<p><b>Council Comments:</b> The Section 151 Officer is to instigate discussions with IT analyst to produce a useful report for CMB that would capture HR information.</p> <p><b>IA Comments:</b> The progress of this recommendation will be followed up at the next Audit Committee.</p>
<b>2018/19. Housing Rents</b>	The Council should assess whether the resources for the Recovery Team are sufficient to recover debts of former tenants or whether they want to pursue these debts given the typically low return rate	M	Head of Housing	30/09/2019 31/12/2019 31/03/2020	<p><b>Council Comments:</b> This will be addressed by Phil Morrison but work is yet to commence.</p> <p><b>IA Comments:</b> The progress of this recommendation will be followed up at the next Audit Committee.</p>
<b>2018/19. Housing Rents</b>	The Recovery Team should be retrained on effective methods to recover debts.	M	Head of Housing	30/09/2019 31/12/2019 31/03/2020	<p><b>Council Comments:</b> This will be addressed by Phil Morrison but work is yet to commence.</p>

					<p><b>IA Comments:</b> The progress of this recommendation will be followed up at the next Audit Committee.</p>
<p><b>2018/19. Housing Rents</b></p>	<p>The Council obtain a signed agreement with NPH to allow access to review their internal controls for the management of the Council's HRA. Alternatively, the Council should, as a minimum, ensure that NPH provide appropriate independent assurance to the Council of their management of the HRA.</p>	M	<p>Chief Finance Officer</p>	<p>30/09/2019 31/12/2019 31/03/2020</p>	<p><b>Council Comments:</b> This will be addressed by Phil Morrison but work is yet to commence.</p> <p><b>IA Comments:</b> The progress of this recommendation will be followed up at the next Audit Committee.</p>

## Recommendations: Removed

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Current Progress
2018/19. Procurement	The Council should put in place a process to check that contractual requirements on high-value contracts are included	M	Chief Finance Officer	31/05/2019 31/08/2019 31/10/2019	A meeting between the BDO Auditor, the SICO and the Legal Contracts & procurement Advisor was held on the 18/09/2019. The findings relating to this recommendation were discussed and as a result it was agreed that the recommendation was removed. It was agreed that sufficient arrangements were in place to ensure that bonds and guarantees were considered where it was deemed necessary.
2018/19. Major Capital Projects	The Council should review and report on why these agreements and contracts were not signed. The report should contain a 'lessons learnt' section to ensure that contracts/agreements are promptly signed and evidence that the project outcomes are agreed	H	Economic Growth & Regeneration Manager	30/09/2019 31/08/2019 30/09/2019	<p>A formal review will not be undertaken but the following update should be noted:</p> <p>Vulcan Works - Procurement had just completed and the letter of intent issued, these generally take 4-8 weeks to get signed as they form the basis of a legal agreement so the council were well within this time period and the letter has now been signed. The letter of intent has since expired and the contract should have been signed by now. KM still awaiting evidence of this but it is understood that it is the contractor causing the delay and the project manager has been proactively chasing this.</p> <p>Delapré Abbey - Project effectively complete with only minor snagging works still taking place. Grant funding has been fully signed off and handover complete.</p>

					Museum - We accept this comment and have updated our Scheme of Delegation to prevent this type of delay in signing a contract from happening again.
<b>2018/19. Major Capital Projects</b>	Site meeting reports for the Museum project should include an action plan with implementation dates. RAG status column should be added to the minutes	M	Economic Growth & Regeneration Manager	30/06/2019 31/07/2019 30/09/2019	Discussion with the head of service, project manager and the museum cultural services manager confirmed that whilst they note the recommendation made, they are satisfied that the current format of the site meeting agenda and minutes meets their needs in terms of tracking actions. The project manager is experienced and has always used this method. NBC's project management framework requires that each project manager maintains a project log, which is to be used as a project diary to record required actions or significant events not covered by other project control documents. The framework was updated and launched after the museum project commenced. Any future projects will be compliant with the requirements of this framework.
<b>2018/19. Building Control</b>	Assessment is made for the development of reports for monitoring individually determined fees, standard fees, hours and miles spent on a case to assist with the future fee charging process	M	Building Control Manager/ Head of Planning	30/06/2019 30/09/2019	It is unlikely that this will be progressed. The resource implications (so time and money) are likely to outweigh any benefit that will be delivered in the timeframe for Unitary going live.
<b>2018/19. Cash Handling</b>	The Council should conduct an investigation into the variance and have a minuted meeting with Jade Security Services Ltd into the missing money	H	Chief Finance Officer	30/06/2019 30/09/2019 31/10/2019	Following the reconciliation, the Council are satisfied that there has been no missing money as the variance can be explained by other sources of cash collection that Jade do for the Council that identified that variance from the parking system to the

					bank account. Therefore this recommendation is no longer relevant.
<b>2018/19. Member - Officer Protocols</b>	When updating the Council's Member-Officer protocol, focus on providing clarity on those areas where the survey undertaken for this review suggests that aspirations set out in the current protocol do not match reality	M	Monitoring Officer	31/05/2019 30/09/2019 30/04/2020	The draft was protocol was presented to the Standards Committee on 30 September 2019. Working group for members/officers appointed at that meeting, however, the first date on which all those appointed can meet is 27 January 2020. Therefore, the report on its findings will now be considered at the Standards Committee meeting on 23 March 2020 when appropriate recommendations can be made to Council.
<b>2018/19. Member - Officer Protocols</b>	Convene an Officer-Member working group to focus on areas where disparity between Member perception of current roles, and Officer perception of current roles differ most - i.e. those highlighted by the survey for this review	M	Monitoring Officer	31/05/2019 30/09/2019 30/04/2020	The draft was protocol was presented to the Standards Committee on 30 September 2019. Working group for members/officers appointed at that meeting, however, the first date on which all those appointed can meet is 27 January 2020. Therefore, the report on its findings will now be considered at the Standards Committee meeting on 23 March 2020 when appropriate recommendations can be made to Council.
<b>2018/19. Member - Officer Protocols</b>	Run an organisation-wide training programme on the Protocol once it has been refreshed - cascading training down through political groups, Heads of Service and to CMT meetings run by Heads of Service	M	Monitoring Officer	31/05/2019 31/01/2020 30/04/2020	The draft was protocol was presented to the Standards Committee on 30 September 2019. Working group for members/officers appointed at that meeting, however, the first date on which all those appointed can meet is 27 January 2020. Therefore, the report on its findings will now be considered at the Standards Committee meeting on 23 March 2020 when appropriate recommendations can be made to Council.
<b>2018/19. Member -</b>	When updating the Council's Member-Officer	M	Monitoring Officer	31/05/2019 30/09/2019	The draft was protocol was presented to the

<b>Officer Protocols</b>	Protocol, the Council should incorporate a description of a Member's role in the Member-Officer Protocol, building on the description currently set out in Article 2 of the Council's Constitution			30/04/2020	Standards Committee on 30 September 2019. Working group for members/officers appointed at that meeting, however, the first date on which all those appointed can meet is 27 January 2020. Therefore, the report on its findings will now be considered at the Standards Committee meeting on 23 March 2020 when appropriate recommendations can be made to Council.
<b>2018/19. Member - Officer Protocols</b>	When updating the Council's Member-Officer Protocol, draw on expectations of Members and Officers highlighted for this review, and undertake a wider engagement exercise of Members and Officers to determine expectations which are bespoke to the needs and views of the Council	M	Monitoring Officer	<del>31/05/2019</del> <del>31/12/2019</del> 30/04/2020	The draft was protocol was presented to the Standards Committee on 30 September 2019. Working group for members/officers appointed at that meeting, however, the first date on which all those appointed can meet is 27 January 2020. Therefore, the report on its findings will now be considered at the Standards Committee meeting on 23 March 2020 when appropriate recommendations can be made to Council.
<b>2018/19. Member - Officer Protocols</b>	The updated Member-Officer Protocol should make recommendations more understandable by couching them in everyday examples. For example "Councillors should not walk the floors of the Council and instruct Officers to undertake certain tasks"	M	Monitoring Officer	<del>31/05/2019</del> <del>30/09/2019</del> 30/04/2020	The draft was protocol was presented to the Standards Committee on 30 September 2019. Working group for members/officers appointed at that meeting, however, the first date on which all those appointed can meet is 27 January 2020. Therefore, the report on its findings will now be considered at the Standards Committee meeting on 23 March 2020 when appropriate recommendations can be made to Council.
<b>2018/19. Member - Officer Protocols</b>	Hold a joint Member-Officer session focussed on understanding respective expectations of one another. This would focus on developing an improved culture to underpin the refreshed Member-Officer	M	Monitoring Officer	<del>31/05/2019</del> <del>30/09/2019</del> 30/04/2020	The draft was protocol was presented to the Standards Committee on 30 September 2019. Working group for members/officers appointed at that meeting, however, the

	Protocol				first date on which all those appointed can meet is 27 January 2020. Therefore, the report on its findings will now be considered at the Standards Committee meeting on 23 March 2020 when appropriate recommendations can be made to Council.
<b>2018/19. Member - Officer Protocols</b>	When updating the Member-Officer Protocol, the Council should introduce a clear process for complaints by Officers about the conduct of individual Members. Such a process exists in protocols held by other Councils which were reviewed as part of this audit. This process should set out who Officers can raise complaints with, provide an appeal route if they are not happy with how this complaint has been treated, and a method for logging complaints received. The updated Protocol should also state that Group Leaders have a responsibility for the behaviour of their Group Members towards Officers	M	Monitoring Officer	<del>31/05/2019</del> <del>30/09/2019</del> 30/04/2020	The draft was protocol was presented to the Standards Committee on 30 September 2019. Working group for members/officers appointed at that meeting, however, the first date on which all those appointed can meet is 27 January 2020. Therefore, the report on its findings will now be considered at the Standards Committee meeting on 23 March 2020 when appropriate recommendations can be made to Council.
<b>2018/19. Member - Officer Protocols</b>	When holding training for Members on the Officer-Member Protocol, the importance of appropriate tone, and not influencing Officer reports, should be emphasised through a series of scenario-based exercises to reduce the likelihood that either element of the Protocol is unintentionally breached	M	Monitoring Officer	<del>31/05/2019</del> <del>21/12/2019</del> 30/04/2020	The draft was protocol was presented to the Standards Committee on 30 September 2019. Working group for members/officers appointed at that meeting, however, the first date on which all those appointed can meet is 27 January 2020. Therefore, the report on its findings will now be considered at the Standards Committee meeting on 23 March 2020 when appropriate recommendations can be made to Council.
<b>2018/19. Member - Officer Protocols</b>	Update the Member-Officer Protocol to express that Members are entitled to receive a timely response to enquiries on behalf of ward residents, and agree with Members what this timescale might	M	Monitoring Officer	<del>31/05/2019</del> <del>30/09/2019</del> 30/04/2020	The draft was protocol was presented to the Standards Committee on 30 September 2019. Working group for members/officers appointed at that meeting, however, the

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be

first date on which all those appointed can meet is 27 January 2020. Therefore, the report on its findings will now be considered at the Standards Committee meeting on 23 March 2020 when appropriate recommendations can be made to Council.

**FOR MORE INFORMATION:**

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Appendices:  
1. External Audit Plan 2018-19



## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>External Audit Plan &amp; Update</b>
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**AGENDA STATUS: PUBLIC**

**Audit Committee Meeting Date: 6th February 2020**

**Policy Document: No**

**Services: Chief Finance Officer**

**Accountable Cabinet Member: Cllr Brandon Eldred – Portfolio Holder Finance**

### 1. Purpose

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1.1 This report presents the external Audit Plan for acceptance by the Audit Committee.

### 2. Recommendations

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2.1 That the Committee review and accept the Audit Plan presented by the Council's external auditor, EY.

2.2 That the Committee notes the verbal update on progress to be provided by the Auditor at the meeting.

### 3. Issues of note

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#### 3.1 Report Background

3.1.1 The Audit Committee are required to receive and accept the Audit Plan by the external auditor. There have been delays in arriving at this audit plan due to the changeover of auditors from KPMG to EY, the known delays in final clearance of the 2017-18 Statement of Accounts, which prevented EY from commencing their audit planning and preparation.

3.1.2 EY commenced work on the Council's SoA 2018-19 in December 2019 with preliminary work. The Audit itself is live and underway.

## **3.2 Issues**

3.2.1 There are no specific issues relating to this report.

3.2.2 There is risk that in working through the 2018-19 accounts, errors, omissions or presentational issues identified by EY, may impact on 2019-20 due to timing.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 There are no policy changes as a result of this report.

4.1.2 There may be impacts and changes to current policies required, dependent on the Auditors findings and recommendations.

### **4.2 Resources and Risk**

4.2.1 There continues to be a risk that in undertaking their preliminary work and the timing of the audit itself, that there may be a request for additional audit fees.

4.2.2 The Council's Closedown Team continues to be provided by LGSS which is undertaking a reorganisation review by the three owner Section 151, this may impact on resources availability.

### **4.3 Legal**

4.3.1 No legal issues.

### **4.4 Equality**

4.4.1 There are no specific equality implications with this report.

### **4.5 Consultees (Internal and External)**

4.5.1 Internal consultation has taken place with Corporate Management Board, other senior officers where required and LGSS.

### **4.6 Other Implications**

4.6.1 None specifically

## **5. Background Papers**

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5.1 None

**Stuart McGregor**  
**Chief Finance Officer (Section 151 Officer)**



Northampton  
Borough Council  
Audit planning report  
Year ended 31 March 2019

26 January 2020

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Private and Confidential  
Members of the Audit Committee  
Northampton Borough Council  
The Guildhall,  
St Giles' Square  
Northampton  
NN1 1DE

26 January 2020

Dear Audit Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

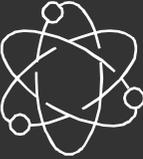
This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 6 February 2020 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Stephen Clark  
For and on behalf of Ernst & Young LLP

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01	Overview of our 2018/19 audit strategy	02	Audit risks	03	Value for Money Risks	04	Audit materiality	05	Scope of our audit
									
									
06	Audit team	07	Audit timeline	08	Independence	09	Appendices		

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of Northampton Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Northampton Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Northampton Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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01

# Overview of our 2018/19 audit strategy



## Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

### Audit risks and areas of focus

Risk / area of focus	Risk identified	Details
Misstatements due to fraud or error	Fraud risk	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. In addition to our overall response, we consider where these risks may manifest themselves and identify separate fraud risks as necessary below.
Risk of fraud in revenue and expenditure recognition: Inappropriate capitalisation of Expenditure	Fraud risk	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have evaluated the perceived fraud risks and consider that this risk is more likely to occur through the capitalisation of expenditure that should be accounted for in the Comprehensive Income and Expenditure Statement (CIES)
Valuation of non-current assets	Significant risk	<p>The net value of Non current assets includes the following</p> <p>Property, Plant and Equipment - £719.6 million            Investment Properties - £13.7 million            Heritage Assets £28.2 million</p> <p>These balances are subject to valuation changes, impairment reviews, and depreciation charges. In calculating amounts recorded in the Council's balances sheet, management are required to make material judgements and apply estimation techniques. We consider that where assets are valued at either depreciated replacement cost or existing use value, or on the basis of their market value, the judgments and estimates made by management are more likely to have a significant impact on the valuation of the asset. We will therefore focus our work on assets valued on these bases.</p>

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## Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

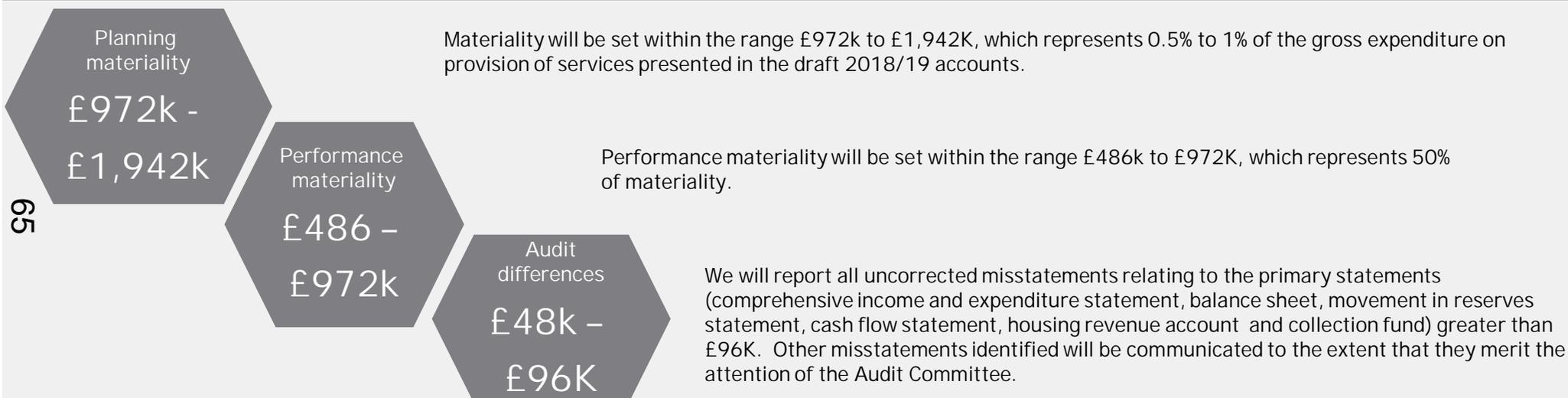
### Audit risks and areas of focus

Risk / area of focus	Risk identified	Details
64 Pensions liability valuations	Inherent risk	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the pension fund administered by the Council.</p> <p>The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £339 million.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management specialists and the assumptions underlying fair value estimates.</p>
Implementation of new accounting standards – IFRS 9 and IFRS 15	Inherent risk	<p>The 2018/19 CIPFA Code of practice on local authority accounting confirms that the Local Government will implement International Financial Reporting Standard ("IFRS") 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers.</p> <p>Whilst our expectation is that the impact on 2018/19 accounts will not be material for most public sector bodies, the Council will need to consider the impact of the Standards on their financial statements and complete an impact assessment.</p>
Contract and Procurements	Other area of focus	<p>The Council incurs material annual expenditure under contracts with third parties. We will obtain and read significant contracts, agreements, and similar documents and consider their accounting or auditing implications. We will undertake sample testing to confirm the correct procurement processes were followed. We will analyse the results of our expenditure testing and whether this indicates the contracts register may not be complete.</p>

## Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

### Materiality



The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

# Overview of our 2018/19 audit strategy

## Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Northampton Borough Council give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.



# 02

## Audit risks



## Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error

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### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

The specific fraud risks identified relate to the inappropriate capitalisation of expenditure when considering revenue and expenditure recognition, which we have set out on the following slide. As such, we have not repeated those here

### What will we do?

We will:

- Identify fraud risks during the planning stages.
- Enquire of management about risks of fraud and the controls put in place to address those risks.
- Understand the oversight given by those charged with governance of management's processes over fraud.
- Consider of the effectiveness of management's controls designed to address the risk of fraud.
- Determine an appropriate strategy to address those identified risks of fraud.
- Perform mandatory procedures regardless of specifically identified fraud risks, including:
  - testing of journal entries and other adjustments in the preparation of the financial statements;
  - assessing accounting estimates for evidence of management bias; and
  - evaluating the business rationale for significant unusual transactions.

## Our response to significant risks (continued)

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

<p>Risk of fraud in revenue and expenditure recognition – Inappropriate capitalisation of expenditure*</p>	<p><b>What is the risk?</b></p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>As the Council is more focussed on its financial position over the medium term we do not consider there to be a heightened risk for the Council’s standard income and expenditure streams, except for the capitalisation of expenditure on Property, Plant and Equipment (PPE) given the extent of the Council’s capital programme.</p> <p>We will address this through our testing of the valuation assertion linked to Property Plant &amp; Equipment i.e. are assets recorded at an appropriate amount in the financial statements.</p>	<p><b>What will we do?</b></p> <p>We will undertake additional procedures to address the specific risk we have identified, which will include:</p> <ul style="list-style-type: none"> <li>➤ Sample testing additions to property, plant and equipment at a lower testing threshold to ensure they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised;</li> <li>➤ Review and testing of Revenue Expenditure Funded from Capital Under Statute (REFCUS), if material, to verify that revenue costs have not been inappropriately funded from capital</li> <li>➤ As part of our journal testing strategy, we will review unusual journals related to capital expenditure posted around the year-end; for example where the debit is to capital expenditure and the credit to income and expenditure</li> </ul>
<p><b>Financial statement impact</b></p> <p>Misstatements that occur in relation to the risk - incorrect capitalisation of revenue expenditure could affect the comprehensive income and expenditure account and the balance sheet by decreasing revenue expenditure and increasing capital expenditure.</p> <p>Amounts reported in the 2018/19 financial statements were:</p> <p>Capital additions (reported in Note 4): £36 million</p>		

## Our response to significant risks (continued)

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	What is the risk?	What will we do?
<p data-bbox="120 437 517 464">Valuation of non current assets</p> <p data-bbox="120 802 472 829">Financial statement impact</p> <p data-bbox="109 887 524 1171">Misstatements that occur in relation to the incorrect valuation of non-current assets do not directly affect the net cost of services but could affect both the value of assets in the Balance Sheet and the CIES under Other Comprehensive Income &amp; Expenditure</p>	<p data-bbox="580 459 1099 486">Valuation of Property, Plant &amp; Equipment</p> <p data-bbox="580 555 1162 906">The fair value of Property, Plant and Equipment (PPE) Investment Properties (IP) and Heritage Assets represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet for land and buildings, surplus assets and investment properties in particular.</p> <p data-bbox="580 927 1173 1310">The Council will engage an external expert valuer who will apply a number of complex assumptions to these assets. Annually assets are assessed to identify whether there is any indication of impairment. As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/ overstated. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates</p>	<p data-bbox="1207 459 1301 486">We will:</p> <ul data-bbox="1207 491 2110 1075" style="list-style-type: none"> <li>• Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;</li> <li>• Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);</li> <li>• Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for Property, Plant and Equipment, and annually for Investment Property. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;</li> <li>• Review assets that are not subject to valuation in 2018/19 to confirm the remaining asset base is not materially misstated;</li> <li>• Consider changes to the useful economic lives as a result of the most recent valuation; and</li> <li>• Test accounting entries, ensuring these have been correctly processed in the financial statements,</li> </ul>

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## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>Pension Liability Valuation – Higher inherent risk</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Havering Pension Fund.</p> <p>The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2019 this totalled £339 million.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Pension Fund.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management specialists and the assumptions underlying fair value estimates.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Liaise with the auditors of Northamptonshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to Northampton Borough Council;</li> <li>• Assess the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team;</li> <li>• Review Northamptonshire Pension Fund's draft financial statements and compare the year end asset values with the estimate used by the actuary in producing the Council's IAS 19 report and consider the impact on the Council's pension fund liability and IAS19 disclosures; and</li> <li>• Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.</li> </ul>

## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

### What is the risk/area of focus?

### What will we do?

#### IFRS 9 financial instruments

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:

- How financial assets are classified and measured;
- How the impairment of financial assets are calculated; and
- The disclosure requirements for financial assets.

There are transitional arrangements within the standard; and the 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.

#### IFRS 15 Revenue from contracts with customers

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year.

The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

The 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.

The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

We will:

- Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- Consider the classification and valuation of financial instrument assets;
- Review new expected credit loss model impairment calculations for assets; and
- Check additional disclosure requirements.

We will:

- Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19. This will include Local Authority Trading Companies consolidated into the Authority's Group Accounts;
- Consider application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- Check additional disclosure requirements.

## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p><b>Contract and Procurements</b></p> <p>The Council incurs material annual expenditure under contracts with third parties. We will obtain and read significant contracts, agreements, and similar documents and consider their accounting or auditing implications.</p> <p>This impacts our consideration of whether amounts are recorded at the appropriate amount and in the correct accounts (measurement) and whether transactions took place in the period (occurrence).</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• obtain and read significant contracts, agreements, and similar documents and consider their accounting or auditing implications;</li> <li>• undertake sample testing to confirm the correct procurement processes were followed; and</li> <li>• analyse the results of our expenditure testing and whether this indicates the contracts register may not be complete.</li> </ul>



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## Value for Money Risks





## Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- 75 Work with partners and other third parties.

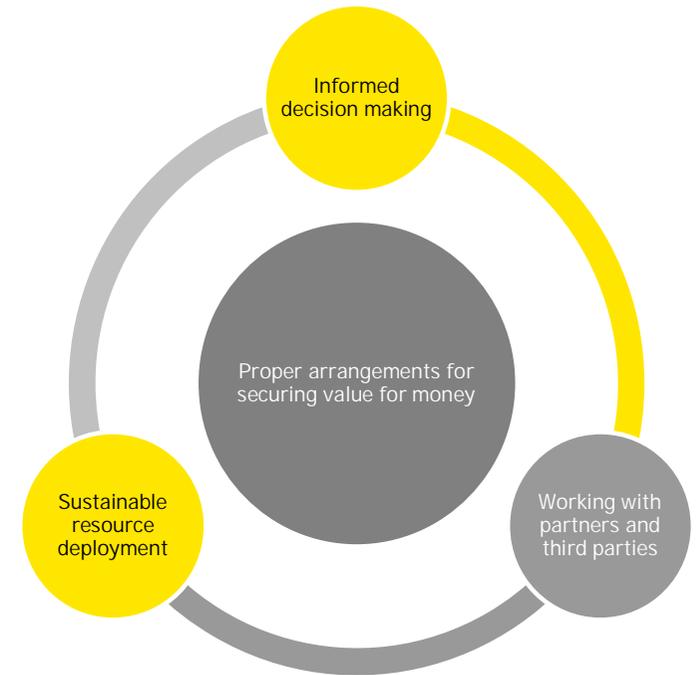
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level. For 2018/19, this will include a consideration of the steps taken by the council to consider the impact of Brexit on its future service provision, medium-term financing and investment values. We anticipate that Authorities would have been carrying out scenario planning and that Brexit and its impact will feature on operational risk registers.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. We will keep our risk assessment under review throughout the audit and will report any additional risks identified to the Audit Committee.





## Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
<p>Governance Action Plan</p> <p>The Council has a Governance Action Plan that was established in December 2016. The predecessor auditor reported that while good progress had been made, as of 31 March 2018 the plan had not been fully implemented in that year. This resulted in an adverse value for money conclusion.</p>	<p>Informed Decision Making</p>	<p>We will review the status of the Governance Action Plan as at 31 March 2019 and assess whether the actions have been fully implemented and embedded throughout the year.</p>
<p>Football Club Loan</p> <p>In 2015/16, the Council advanced a £10.25m loan to Northampton Town Football Club, which has not been repaid or the proceeds recovered. The predecessor auditor identified a lack of a formalised system for documenting the due diligence process for loans, and that the accountability and decision making process was not sufficiently robust.</p> <p>In the 2017/18 ISA 260 report, the predecessor auditor concluded that the actions agreed to address these issues had not been fully implemented as at 31 March 2018. This resulted in an adverse value for money conclusion.</p> <p>The Council has expended significant resources to date to recover monies.</p>	<p>Informed Decision Making Sustainable resource deployment Working with partners and third parties</p>	<p>We will</p> <ul style="list-style-type: none"> <li>review the status of the actions to address the control issued identified as at 31 March 2019, and assess whether the actions have been fully implemented and embedded throughout the year</li> <li>review the Councils consideration of the cost of further recovery against its judgement (and advice obtained) on the likelihood of the council recovering the loan.</li> </ul>



## Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
<p>Financial resilience</p> <p>The local government sector is facing financial challenges.</p> <p>For 2018/19, the Council set a net budget of £28.490 million. This included £1.8 million of savings and efficiencies, incorporating £320k from organisation redesign; £1.36 million of increased income and £142k of service reductions. The outturn report shows an overspend of £732k against budget.</p> <p>Over the medium term, the net budget requirement increases from £27,438 million in 2019/20 to £28,897 million in 2022/23. The Council has identified a savings requirement of £10.8 million over this period. The medium term financial strategy includes assumptions on the level of business rates income and new homes bonus, which will need to be reviewed regularly to ensure they are supportable and any changes reflected in the MTFP.</p> <p>The MTFP also includes use of reserves over the medium term of £4.5m. The Council does hold £25m of general reserves to mitigate against specific and general risks faced by the Council.</p>	<p>Informed decision making</p> <p>Sustainable resource deployment</p> <p>Working with partners and third parties</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Review the financial performance for 2018/19, including delivery against both revenue and capital budgets.</li> <li>Review the MTFS including evidence to support the adequacy of major assumptions</li> <li>Review the Council's arrangements to develop a robust savings plan to address the future financial challenges, including sample testing of those savings.</li> </ul>



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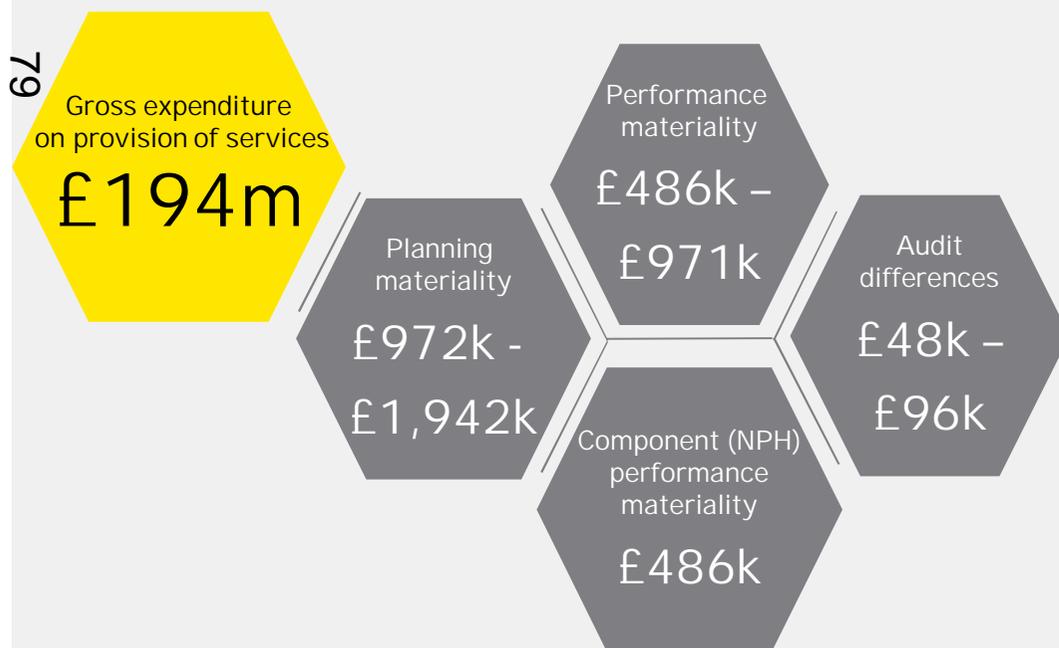
# Audit materiality



# Materiality

## Materiality

Materiality will be set within the range £972k to £1,942K, which represents 0.5% to 1% of the gross expenditure on provision of services presented in the draft 2018/19 accounts. It will be reassessed throughout the audit process.



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

## Key definitions

**Planning materiality** – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

**Performance materiality** – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £486K which represents 50% of planning materiality. This is due to errors found in the prior year accounts by KPMG.

**Component performance materiality range** – we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group.

**Audit difference threshold** – we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account and collection fund financial statements that have an effect on income or that relate to other comprehensive income.

**Other uncorrected misstatements**, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the audit committee, or are important from a qualitative perspective.

**Specific materiality** – We will set a lower level of materiality for the following: Remuneration disclosures (including severance payments, exit packages and termination benefits), related party transactions, members' allowances and audit fees. This reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.



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# Scope of our audit



## Our Audit Process and Strategy

### Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

#### 1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

#### Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

#### Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO [delete if not applicable]

#### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

## Our Audit Process and Strategy (continued)

### Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

Our intention is to carry out a fully substantive audit in 2018/19 as we believe this to be the most efficient audit approach. Although we are therefore not intending to rely on individual system controls in 2018/19, the overarching control arrangements form part of our assessment of your overall control environment and will form part of the evidence for your Annual Governance Statement.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit planning, where they raise issues that could have an impact on the financial statements.

## Scoping the group audit

### Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

1. Significant components: A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
2. Not significant components: The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

### Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below. We provide scope details for each component within Appendix E.

2	A	Full scope audits
0	B	Specific scope audits
0	C	Review scope audits
0	D	Specified procedures
0	E	Other procedures

### Scope definitions

**Full scope:** locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

**Specific scope:** locations where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

**Review scope:** locations where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

**Specified Procedures:** locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

**Other procedures:** For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations. We have no components within this definition.

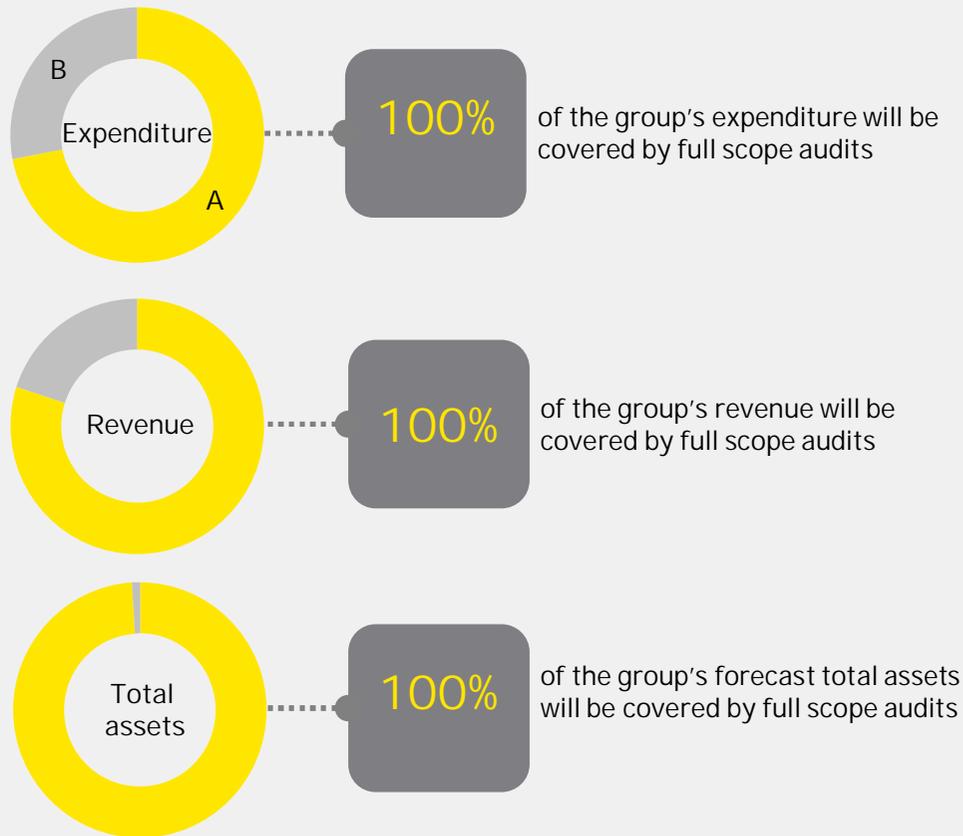
## Scoping the group audit (continued)

### Coverage of Revenue/Expenditure/Total assets

Based on the group's year end outturn, our scoping is expected to achieve the following coverage of the group's expenditure, total assets and revenue.

A/Yellow = Northampton Borough Council; B/Grey = Northampton Partnership Homes

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Our audit approach is risk based and therefore the data above on coverage is provided for your information only. Further details on the scoping of the Group audit can be found at Appendix D.

## Scoping the group audit (continued)

### Group audit team involvement in component audits

Auditing standards require us to be involved in the work of our component teams. We have listed our planned involvement below.

The audit of Northampton Partnership Homes for 2018/19 was completed by Mazars prior to us commencing our audit. We will liaise with them, reviewing their work and satisfying ourselves that they have the appropriate competence and capabilities. Having completed this work we will then assess whether we need to carry out any additional procedures.



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Audit team



# Audit team

Audit team structure:

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Stephen Clark  
Partner

Carol Ryan  
Senior Manager

Martin Grinham  
Lead Senior

EY Pensions  
(Pensions  
Specialist)

EY Real Estate  
(Valuations  
Specialist)

# Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists may provide input for the current year audit are set out below. We will assess whether we require specific input from EY Real Estate in relation to the valuation of PPE once we have received and reviewed the 2018/19 valuers report:

Area	Specialists
Valuation of Land and Buildings	Management's specialist: GVA and Bruton Knowles EY Real Estate (if required)
 Pensions disclosures	Management's specialist: Hymans Robertson (Actuary to Northamptonshire Pension Fund) PwC (Consulting Actuary to the NAO) EY Pensions Advisory Team

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



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Audit timeline





# Audit timeline

## Timetable of communication and deliverables

### Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	January 2020		
Walkthrough of key systems and processes	January 2020	Audit Committee	Audit Planning Report
Year end audit Final Accounts testing	January 2020 to February 2020		
Year end audit Audit Completion procedures	April 2020	Audit Committee	Audit Results Report Audit opinions and completion certificates

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Independence



## Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<p>92</p> <ul style="list-style-type: none"> <li>▶ The principal threats, if any, to objectivity and independence identified by Ernst &amp; Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]</li> </ul>	<ul style="list-style-type: none"> <li>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</li> <li>▶ Written confirmation that all covered persons are independent;</li> <li>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</li> <li>▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

## Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

### Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Stephen Clark, your audit engagement partner and the audit engagement team have not been compromised.

### Self interest threats

A self interest threat arises when EY has financial or other interests in the Group. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and where we do so, we will comply with the policies that you have approved, and the Financial Reporting Council's Ethical Standards, and the National Audit Office's Auditor Guidance Note 01. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, we do not undertake any non-audit work on behalf of the Council. Therefore no additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

### Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

### Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

## Relationships, services and related threats and safeguards

### Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

### EY Transparency Report 2017

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2018 and can be found here:

<https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018>



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# Appendices



## Appendix A

### Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2018/19	Scale fee 2018/19
	£	£
Total Fee - Code work	62,000	62,000
Total audit	62,000	62,000
Total other non-audit services	0	0
Total fees	62,000	62,000

All fees exclude VAT

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

#### Scale fee variations

Where we have identified significant risks and other areas of audit focus in this Audit Plan, we will be undertaking additional procedures to obtain the appropriate levels of evidence to support our opinion. This work is over and above that assumed in the scale fee. We will therefore be considering the level of scale fee variation required due to this additional work. We will provide further detail and the proposed fee in our Audit Results Report. Any scale fee variation will be discussed with the s151 officer and will be submitted to PSAA for approval.

## Appendix B

# Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

### Our Reporting to you

Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> <li>• Findings and issues regarding the opening balance on initial audits</li> </ul>	Audit results report

## Required communications with the Audit Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>	Audit results report	
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Corrected misstatements that are significant</li> <li>• Material misstatements corrected by management</li> </ul>	Audit results report	
Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• A discussion of any other matters related to fraud</li> </ul>	Audit results report	
Related parties	<ul style="list-style-type: none"> <li>• Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</li> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit results report	

## Required communications with the Audit Committee (continued)

		 Our Reporting to you
 Required communications	 What is reported?	 When and where
<p>Independence</p> <p>66</p>	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<p>Audit Planning Report and Audit Results Report</p>

## Appendix B

# Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
External confirmations	<ul style="list-style-type: none"> <li>Management's refusal for us to request confirmations</li> <li>Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit results report
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of</li> </ul>	Audit results report
Internal controls	<ul style="list-style-type: none"> <li>Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit results report
Group audits	<ul style="list-style-type: none"> <li>An overview of the type of work to be performed on the financial information of the components</li> <li>An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements</li> </ul>	Audit planning report Audit results report

## Appendix B

# Required communications with the Audit Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report	
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report	
Auditors report	<ul style="list-style-type: none"> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report	
101 Fee Reporting	<ul style="list-style-type: none"> <li>Breakdown of fee information when the audit plan is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul>	Audit planning report Audit results report	

## Additional audit information

### Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

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- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

## Additional audit information (continued)

### Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the Group financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

## Appendix D

# Scoping the group audit

The below table sets out the scoping details of all locations. We set audit scopes for each reporting unit which, when taken together, enable us to form an opinion on the group accounts. We take into account the size, risk profile, changes in the business environment, and other factors when assessing the level of work to be performed at each reporting unit. The percentages below are based on an initial assessment based on the draft accounts and will be updated during the course of the audit.

Detailed scoping							
In scope locations	Scope	Statutory audit performed by EY	Coverage			Current year rationale for scoping	
			Revenue	Expenditure	Total assets	Size	Risk
104							
Northampton Borough Council	Full	✓	80%	72%	99%	Yes	Yes
Northampton Partnership Homes	Full		20%	28%	1%	Yes	No
<b>TOTAL FULL &amp; SPECIFIC SCOPE</b>			<b>100%</b>	<b>100%</b>	<b>100%</b>		

**Appendices:**

1. Governance Report
2. Q3 19/20 Corporate risk register
3. Temporary workers register



## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>Governance Report Update</b>
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**AGENDA STATUS: PUBLIC**

**Audit Committee Meeting Date: 6th February 2020**

**Policy Document: Governance Report**

**Services: Chief Finance Officer**

**Accountable Cabinet Member: Jonathan Nunn - Leader**

### 1. Purpose

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1.1 This report presents the quarterly Governance Report.

### 2. Recommendations

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2.1 That the Committee review, comment and request additional information be included or, if not required, items are omitted for future quarterly Governance Reports.

2.2 That the Committee agree that the Governance report continue to be presented quarterly with appendices where relevant.

### 3. Issues of note

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#### 3.1 Report Background

Previously, the Audit Committee was presented with the Governance Action plan that was introduced in 2016. This has now been completed and it has been identified that a quarterly governance statement is required to give assurance of controls and process improvements within NBC.

## **3.2 Issues**

### **Q3 Corporate Risk register**

Risk management is a key priority for the Council. Critical to the development of better risk management is the development of a tighter culture of risk identification, assessment and mitigation at all levels of the Council, including at the corporate level, with proper and regular updates to assessments of potential risks.

- 3.2.1 20 risks were stated on the corporate risk register as of December 2019. Of these 11% are rated red, 84% amber and 5% rated green.
- 3.2.2 Two new risks were identified and added in Q3:
  - :
  - 1. Climate change
  - 2. The impact of the loss of LGSS services.
- 3.2.3 There has been no movement in the risk ratings from Q2 to Q3.
- 3.2.4 The corporate risk register will be updated for Q4 2019/20 during March 2020. Any significant changes will be reported to Cabinet.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

- 4.1.1 There are no policy changes as a result of this report.
- 4.1.2 There may be various impacts and changes to current policies. The governance report will assure Audit Committee that policies and procedures are being strengthened to contribute to building a strong control environment at the Council.
- 4.1.3 Compliance with policies will be monitored through the Internal Control reviews and reported upon through the governance structure and to the Audit Committee starting in the new financial year.

### **4.2 Resources and Risk**

- 4.2.1 The Governance team are fully resourced to cover the areas reported within the Governance report. Financial implications will be reported through the budget process.

### **4.3 Legal**

- 4.3.1 None to report at present.

#### **4.4 Equality**

4.4.1 Whilst there are no specific equality implications at this stage, various policies will be reviewed through the improvements in procedures throughout NBC. All reviews will be supported by equality and community impact assessments.

#### **4.5 Consultees (Internal and External)**

4.5.1 Internal consultation has taken place with Corporate Management Board and other senior officers where required.

#### **4.6 Other Implications**

4.6.1 None specifically

#### **5. Background Papers**

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5.1 None at present

**Joanne Bonham, Governance & Risk Manager**

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**NORTHAMPTON**  
**BOROUGH COUNCIL**

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## **Governance Report to Audit Committee**

**6 February 2020**

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### **CONTRIBUTION LIST**

<b>Service Area:</b>	<b>Responsible:</b>
LGSS Contract Management Risk/policies/emergency planning/AOB Temporary workers GDPR H & S	Stuart McGregor Jo Bonham Karen Middleton David Taylor Julian Bissaker

## 1. LGSS Contract Management:

- LGSS Contract meetings ongoing
- Previous KPI's and management information improved through discussions between both parties
- Highlighted issues mainly within IT service delivery and HR Agresso issues and reporting
- Working relationship with LGSS very positive

## 2. Risk registers:

- Brexit risk register – ongoing live document. Awaiting instruction from MHCLG with regards to Brexit preparedness. Monthly calls ongoing between LA's and MHCLG.
- Corporate risk register – Q3 update completed January 2020 (appendix 2)

## 3. Emergency Planning:

- Business continuity plans to be finalised
- Additional request to heads of service to identify further volunteers for emergency roles – to be followed up January 2020
- Incident room training October and December 2019 – further training required following feedback on the July 2019 exercise at NBC
- Counter terrorism training December 2019
- Duty rota updated to Unitary 2021
- Involvement with LGR unitary team to discuss how emergency planning will be delivered in the new world

## 4. Temporary workers register

See appendix 3

## 5. Health & Safety:

Accident / Incident Statistics 2019/20													
	April	May	June	July	August	September	October	November	December	January	February	March	
Borough Secretary		1		1	0								2
Customers and Communities	3	2	1	1	5	7	7	3	4	1			34
Housing & Wellbeing	2			2	0		2		1				7
LGSS					0				1				1
Chief Finance Officer					0			1					1
Chief Executive					0								0
Planning	1			1	0	2		1					5
Economy, Assets & Culture	2		1	3	4	6		3	4	2			25
<b>Grand Total</b>	<b>8</b>	<b>3</b>	<b>2</b>	<b>8</b>	<b>9</b>	<b>15</b>	<b>9</b>	<b>8</b>	<b>10</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>75</b>

Type of Accident / Incident 2019/20														
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total	
Aggressive behaviour including verbal abuse	5	2	1	3	4	4	5	3	2	1			30	
Dangerous occurrence								1	1	1			3	
Exposed to fire or explosion													0	
Exposed to, or in contact with hazardous substance					1								1	
Fall from Height					2								2	
Hit by a moving vehicle													0	
Injured by an animal or insect													0	
Injured while handling, lifting, and carrying	1					2							3	
Medical condition				1		2	1	1					5	
Near miss					1		1						2	
Other									1	1			2	
Physical assault						1	2						3	
Property and plant damage as a result of an accident				1	1								2	
Needle Stick Injury			1										1	
Road traffic accident								2	1				3	
Slip, trip and fall on the same level	2	1		2		2		1	3				11	
Struck by moving, flying, falling parts or objects				1		1							2	
Struck, caught, trapped by something fixed or stationery						3			2				5	
<b>Grand Total</b>	<b>8</b>	<b>3</b>	<b>2</b>	<b>8</b>	<b>9</b>	<b>15</b>	<b>9</b>	<b>8</b>	<b>10</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>75</b>	

Month on Month Difference from 2018/2019	-2	-8	-9	-2	-3	3	1	3	2	-4	-3	-7	-29
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## 6. GDPR:

1st April 2019 to 31st December 2019											
Overall						Improvement					
Service	Total	Reportable Breaches	Non Reportable	Non Breaches	Deferred to another controller	Investigation ongoing	Procedure improvement	Correct Data Set	Update contact details	Staff Training	Notes
Borough Secretary	2	0	1	1	0	0	0	0	0	1	* Data subjects name published in LGBT online Committee Meeting minutes
Customers and Communities	2	0	1	1	0	0	0	0	0	1	* Front and back of payment card copied and added to electronic document management system as proof of ID.
Economy Assets and Culture	1	0	0	1	0	0	0	0	0	0	
Finance and Governance	2	0	2	0	0	0	2	0	0	0	* Email response to police including DWP request in email chain. Police confirmed deletion within 20 minutes. * File Transfer Protocol issue with the NBC computer network.
Planning	6	0	6	0	0	0	5	0	0	1	* Published applicants' signature online * Document not fully redacted published online * Email intended for Cllr sent to a member of the public * Member of public sent copy of third-party comments as part of confirmation that comments had been received.

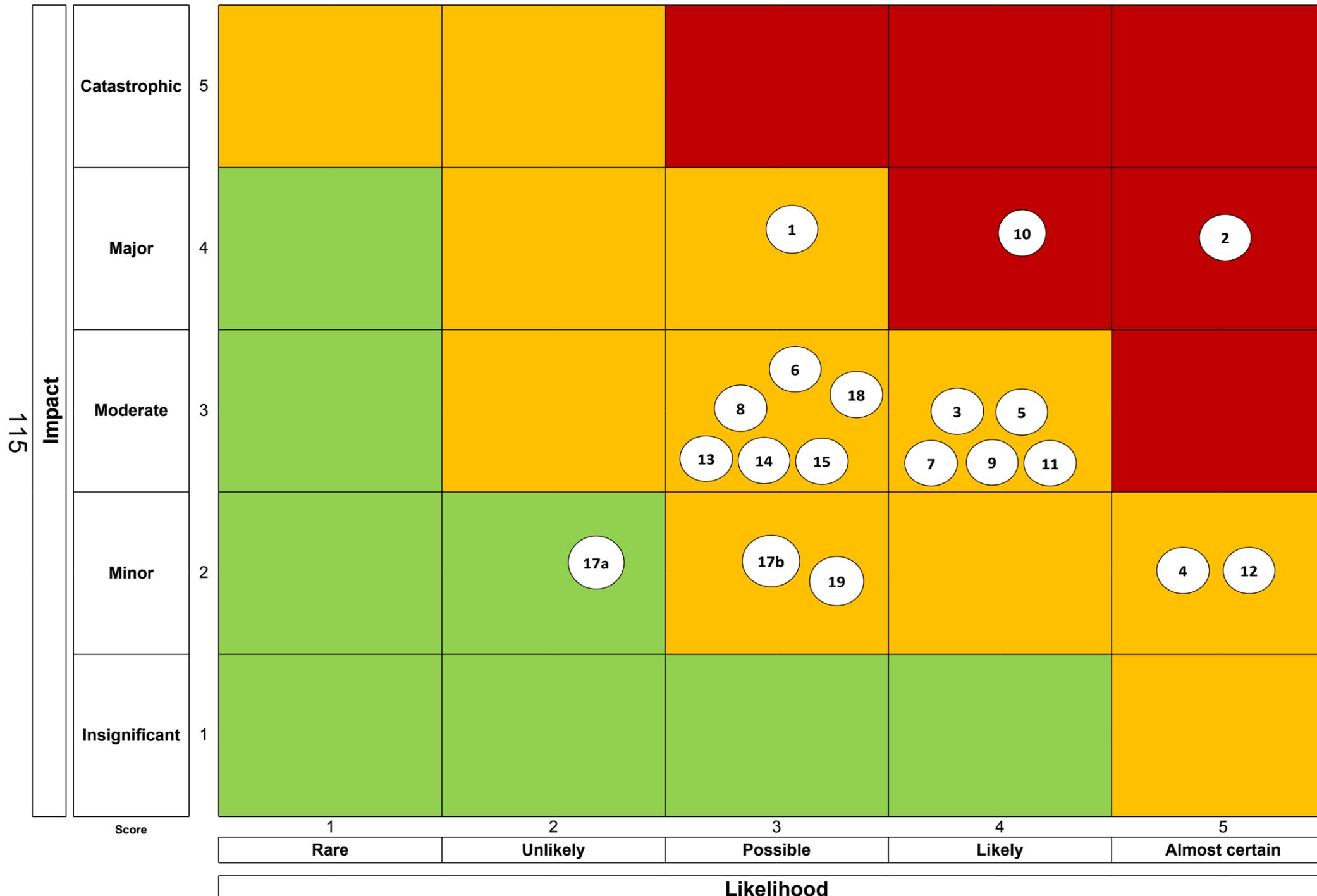


<b>Housing and Wellbeing</b>	6	1	3	2	0	0	2	0	0	2	* Reportable breach. Letter notifying tenant of landlords impending loss of property due to failure to pay mortgage sent to wrong address. * Homeless decision notice delivered by hand to the wrong address. * Handwritten note including data subject mobile number posted though wrong door *Template sent to Social Services with some personal data left on it.
<b>NNDR</b>	1	0	0	1	0	0	0	0	0	0	
<b>External Agency</b>	2	0	0	1	1	0	0	0	0	0	
<b>External Contractor</b>	1	0	1	0	0	0	0	0	0	1	* Fine document to wrong address
<b>NLT</b>	0	0	0	0	0	0	0	0	0	0	
<b>NPH</b>	1	0	0	0	1	0	0	0	0	0	
<b>Total</b>	41	3	22	13	3	0	13	0	1	11	

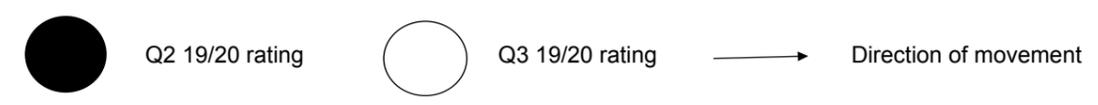
## 7. AOB:

- Performance reporting to be updated following the issue of the new Corporate Plan.
- Service plans are being updated to accurately reflect the objectives of the Corporate Plan and to clearly show progress against the plan through the measures identified and reported quarterly. New report format as of April 2020.

**CORPORATE RISK REGISTER**  
Q3 December 2019



- Risks**
1. Failure to deliver a balanced budget.
  2. Insufficient clarity around Member and Officer roles.
  3. Inadequate succession planning and staff retention.
  4. Inability to meet and manage the demands of homelessness.
  5. Failure to manager or failure to deliver or expose new risks as a result of poor project management practice.
  6. Legal obligations under GDPR are breached.
  7. Plans for improving the economic prosperity and regeneration of Northampton are not delivered.
  8. NBC fails to manage its partnerships (LGSS, NPH, NLT).
  9. Major or large scale incident causes business interruption.
  10. Impropriety or improper business activities leading to fraud or malpractice.
  11. Decisions made at Council or Cabinet level are not robust to withstand legal challenge..
  12. Inability og IT to service future requirements due to cyber attack.
  13. Non-compliance with Fire and Health & Safety legislation.
  14. Safeguarding arrangements are not adequate to protect vulnerable adults and children.
  15. Failure to deliver enough new housing.
  16. REMOVED: LGR risk - To be included in LGR project risk register.
  - 17a. Impact of Brexit on NBC services.
  - 17b. Impact of Brexit on Northampton economy.
  18. NEW RISK: Climate change.
  19. NEW RISK: Loss of LGSS services



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**CORPORATE RISK REGISTER  
Q3 DECEMBER 2019**

No	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage The Risk  (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Target Risk Rating	Risk Owner	Update & date
						Q2 19/20	Q3 19/20				
1	<b>Failure to deliver a balanced budget 20/21 – 23/24</b>	<ul style="list-style-type: none"> <li>• Council unable to deliver sufficient savings to balance budget</li> <li>• Major projects don't deliver planned benefits</li> <li>• Complacency in the organisation</li> <li>• Increased organisational change and complexity</li> <li>• Changes in govt. funding particularly NNDR and NHB including late Government Financial Settlement due to change in Prime minister/Cabinet</li> <li>• Complex challenges of addressing both the controllable and uncontrollable pressures and events that can act on both income and expenditure</li> <li>• Challenges of working with partnership or arms- length organisations where there is a loss of direct management control</li> </ul>	<ul style="list-style-type: none"> <li>• Inability to set a legal budget</li> <li>• Depleted Reserves</li> <li>• Need to realise capital receipts</li> <li>• Inability to deliver services to meet customer need/demand and expectations of the Council</li> </ul>	16	<ul style="list-style-type: none"> <li>• Review reserves strategically</li> <li>• Robust monitoring of budgets by services and taking early remedial action where issues identified.</li> <li>• Management Board action to limit spending where appropriate and communicate to staff on spending restrictions</li> <li>• Bi-monthly financial reporting to Cabinet</li> <li>• Monthly financial reporting to the Management Board</li> <li>• Finance Away Days for Boards and HoS</li> <li>• Bi-monthly meetings between LGSS Contract Managers and the S151 officer. Improved management reporting and KPI's.</li> <li>• Cabinet/CMB awayday held 3rd October and 7th November 2019.</li> </ul>	12	12	<ul style="list-style-type: none"> <li>• Change in Government funding restricts District &amp; Borough council tax increase to 1.99%, previously increase limit was 2.99%</li> <li>• Draft balanced budget to Cabinet 23/12/19</li> <li>• Public consultation to 31/1/20</li> </ul>	4	CFO (S151)	Updated by CFO December 2019

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No	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage The Risk  (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Target Risk Rating	Risk Owner	Update & date
						Q2 19/20	Q3 19/20				
2	<p>Projects may be instigated outside normal process where there is a lack of clarity around Member and Officer roles.</p> <p>Reputational damage may occur should promises to the public by Members not be realised.</p>	<ul style="list-style-type: none"> <li>Members and Senior Officers roles (formulating and administrating policy respectively) are not always clear</li> <li>The culture does not resonantly promote a separation of the respective roles and duties of members and officers</li> <li>Officers feel inhibited in giving full, objective, professional and technical advice to Members in charged political atmospheres</li> <li>Officers in their role seek to frustrate the strategic choices, policy and direction-setting of Members</li> <li>Weak management of Members by leadership in the past</li> </ul>	<ul style="list-style-type: none"> <li>Significant decision-making with significant outcomes and impacts is not robust and is not properly administered or processed by the organisation</li> <li>The intended outcomes and objectives of decisions are not achieved or are achieved in sub-optimal terms</li> <li>Maladministration occurs</li> <li>The control environment is weakened and controls could be bypassed</li> <li>Potential for reputational damage and loss of public and stakeholder confidence</li> <li>Regulatory criticism</li> <li>Legal challenge may be made and increased costs incurred</li> </ul>	20	<ul style="list-style-type: none"> <li>Council Constitution (incl. the Member-Officer Protocol)</li> <li>Cabinet reporting system</li> <li>Scheme of Delegation</li> <li>Contract Procedure Rules</li> <li>EPB set up to aid interface between Members and Officers.</li> <li>Weekly meeting with CMB and Cabinet to discuss general updates and any potential issues/gaps in information communicated.</li> <li>Review of EPB terms of reference (Sept 2018)</li> <li>Independent review by BDO as the internal auditors.</li> </ul>	20	20	<ul style="list-style-type: none"> <li>Implementation of Member-Officer Protocol audit recommendations following BDO review (by Mar 20)</li> <li>Provision of training on Member-Officer Protocol (by April 20)</li> <li>Corporate training to Officers plus briefings to all staff to reiterate the standards to be enforced (by April 20)</li> <li>Political skills training took place 17th October.</li> </ul>	12	Borough Secretary	Updated by Borough Secretary December 2019

No	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage The Risk  (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Target Risk Rating	Risk Owner	Update & date
						Q2 19/20	Q3 19/20				
3	<b>Inadequate succession planning, capacity and retention leading to service disruptions/non delivery</b>	<ul style="list-style-type: none"> <li>Salaries not competitive with LAs outside the local catchment area</li> <li>Reputation of the Council is not positive</li> <li>Perception of organisational instability</li> <li>Continual cost cutting</li> <li>Drift in staff morale</li> <li>Differing levels of engagement within the organisation</li> <li>Historic failure and disconnect of leadership to engage with staff</li> <li>Impact of unitary causing uncertainty</li> <li>Lack of HR strategic profile in the organisation</li> <li>Extension to Unitary launch 2020 to 2021</li> </ul>	<ul style="list-style-type: none"> <li>Inability to recruit to roles (particularly key roles)</li> <li>Inability to retain staff (particularly key talent staff)</li> <li>Depressed staff morale</li> <li>Increased staffing costs due to agency/interim costs</li> <li>Staff leaving (particularly key staff) take their organisational knowledge out of the organisation when they leave</li> <li>No succession planning is possible particularly around specialist and qualified posts</li> <li>Reduced organisational effectiveness and performance</li> <li>Lack of organisational resilience</li> </ul>	20	<ul style="list-style-type: none"> <li>Recruitment process changed eg. to advertise more widely, use of dynamic job ads and increase use of specialised agencies to find permanent staff or fixed term applicants</li> <li>Benefit of council pension scheme headlined to attract staff</li> <li>Performance appraisal rewards highly effective staff</li> <li>Family friendly policies, eg maternity and paternity leave</li> <li>Generous holiday allowance</li> <li>Subsidised car-parking</li> <li>Guildhall location</li> <li>Flexible working hours</li> <li>Inflation pay rises provided</li> <li>Learning and Development strategy including succession planning in draft, due to be finalised Spring 2020.</li> </ul>	12	12	<ul style="list-style-type: none"> <li>Review of staff Terms and Conditions (ongoing)</li> <li>Review of performance appraisal process (ongoing)</li> <li>A number of initiatives in wellbeing and communication being considered for deployment (On-going)</li> <li>Roll-out of Leadership Development Programme (On-going)</li> <li>Promote unitary as an opportunity for development</li> <li>CMB is considering all options to reduce the risk and any impact, CMB is being informed by views from MTUCM</li> <li>Uncertainty around Unitary may increase risk.</li> <li>Regular reporting on use of interims and spend to CMB</li> <li>CMB through OD &amp; HR identifying risks and mitigations</li> <li>Further CMB/Cabinet review Jan/Feb 2020 - priorities and implication of unitary</li> </ul>	9	CFO (S151)	Updated by CFO December 2019
4	<b>Inability to meet and manage the demands of homelessness in the Borough</b>	<ul style="list-style-type: none"> <li>Significant increases in the numbers of people who are homeless</li> <li>Significant increases in the number of people in temporary accommodation (TA)</li> <li>Welfare reform, eg. extension of the benefit cap reducing affordability of housing</li> <li>Households loss of private rented accommodation</li> <li>Difficulty in accessing private rented accommodation</li> <li>Shortage of social rented housing</li> <li>Homelessness Reduction Act increasing use of TA</li> </ul>	<ul style="list-style-type: none"> <li>Increased demand leads to significantly greater costs for the Council</li> <li>Follow-on significant budgetary overspend occurs</li> <li>Pressure of financial impact of overspend of c£1.5m</li> <li>More homelessness applications</li> <li>Increased statutory duty to rehouse</li> <li>Increases of numbers of people in BB and TA accommodation</li> </ul>	16	<ul style="list-style-type: none"> <li>Rigorous budget monitoring in place</li> <li>Regular financial reporting to Management Board, Portfolio-Holder &amp; Cabinet</li> <li>Budget increases 19/20 for service provision and improved staffing levels.</li> <li>3/4/19 - Cabinet approved a 14 point action plan for reducing the use and cost of TA</li> <li>Further mitigate cost <ul style="list-style-type: none"> <li>Strategy for procuring cheap accommodation</li> <li>Slow demand</li> </ul> </li> <li>Fortnightly meetings of multi-disciplinary TA Action Plan Implementation Group</li> <li>Restructure of Housing &amp; options team Consultation completed August 2019. Restructure focussed on increasing management capacity, homelessness prevention and more effective management of homelessness and TA</li> </ul>	10	10	<ul style="list-style-type: none"> <li>Recruitment of additional posts commenced October 2019 and is due to be completed January 2020</li> <li>Implemented property acquisitions scheme (initially for 30 properties) to provide extra 'settled' housing for homeless households.</li> <li>Developing business case for purchasing up to 120 apartments (in two office block conversions) for use as temporary accommodation</li> </ul>	10	Head of Housing	Updated by Head of Housing December 2019

No	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage The Risk (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Target Risk Rating	Risk Owner	Update & date
						Q2 19/20	Q3 19/20				
5	<p><b>Failure to manage, deliver or expose new risks as result of poor project management practice.</b></p> <p><b>Reputational damage possible.</b></p>	<ul style="list-style-type: none"> <li>Lack of a clearly-defined project management governance structure</li> <li>Lack of written procedures and related compliance as a source of assurance</li> <li>Inadequate checks and balances</li> <li>Inadequate project documentation maintained - business cases in particular</li> </ul>	<ul style="list-style-type: none"> <li>Wrong decisions made on an unviable business case</li> <li>Continual review of projects – stopping unviable projects</li> <li>Reputation</li> <li>Financial costs</li> <li>Pressure on resources</li> <li>Pay back on investment funds if not delivering</li> </ul>	16	<ul style="list-style-type: none"> <li>Gateway reviews conducted and reported to CMB for approval</li> <li>More robust governance processes (as per above risk on governance)</li> <li>Completion of Project Management Framework document</li> <li>Highlight reports reported monthly to CMB</li> <li>Project Managers are made accountable for reporting issues and risks to the Head of Economy, Assets and Culture</li> <li>Review of project management documentation to simplify and make it easier for reporting purposes (April 2019).</li> </ul>	12	12	<ul style="list-style-type: none"> <li>Continue to develop and install more robust governance processes (On-going)</li> </ul>	4	Economic Growth & Regeneration Manager	Updated by Economic Growth & Regeneration Manager December 2019
6	<p><b>Legal obligations under the Data Protection Act 1998 (and also the superseding GDPR EU Regulations in 2018) are breached and there is inappropriate access and/or disclosure, corruption or loss of data</b></p>	<ul style="list-style-type: none"> <li>Not implementing the new EU data protection legislation</li> <li>Lack of staff knowledge of policy and procedure</li> <li>Ineffective implementation of GDPR Regulation requirements</li> <li>Lack of an implementation plan for GDPR</li> </ul>	<ul style="list-style-type: none"> <li>Data breaches</li> <li>Prosecution</li> <li>Fines</li> <li>Lack of confidence and public trust</li> <li>Reputational issues</li> <li>Member criticism</li> </ul>	20	<ul style="list-style-type: none"> <li>Data sweeps</li> <li>Data governance</li> <li>Staff awareness</li> <li>Campaigns/refresher online training</li> <li>Data Protection Policy update May 2018</li> <li>Follow up actions and lessons learnt communication to all staff through newsletters/all staff emails</li> <li>GDPR implementation plan in place</li> <li>Inclusion within re-launched corporate induction</li> <li>BDO Internal Audit review (June 2019)</li> </ul>	9	9	<ul style="list-style-type: none"> <li>Continue with training on GDPR refresher courses for officers and members (ongoing)</li> <li>e-learning module available to all staff</li> <li>review and update of all policies and procedures (ongoing)</li> <li>Implement improved management of data storage (ongoing)</li> <li>Data audits (ongoing)</li> </ul>	3	Governance & Risk Manager	Reviewed by Governance & Risk Manager December 2019

No	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage The Risk (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Target Risk Rating	Risk Owner	Update & date
						Q2 19/20	Q3 19/20				
7	<b>There are no clear plans for improving the economic prosperity and regeneration of Northampton.</b>	<ul style="list-style-type: none"> <li>Lack of skilled resource and vision</li> <li>Lack of local knowledge</li> <li>LGR creates political uncertainties</li> <li>No cohesive decision making in relation to regeneration strategy for Northampton between Officers and Members.</li> </ul>	<ul style="list-style-type: none"> <li>Investors not investing in the town or pulling out of partnership arrangements</li> <li>Jeopardising current and future regeneration and growth projects</li> <li>Damage to Northampton as a place of choice</li> </ul>	16	<ul style="list-style-type: none"> <li>Lessons-learned reviews being held</li> <li>Improved reporting through to CMB and EPB</li> <li>Plans being developed in terms of QA and process and service capability in structure</li> <li>Town Centre Masterplan developed by 'Northampton Forward' and adopted by The Council in October 2019.</li> <li>Development of growth team</li> </ul>	8	8	<ul style="list-style-type: none"> <li>Delivery of Economic Growth Strategy (April 2020)</li> <li>Expression of interest for Government Town Centre Fund successful with full business case being developed for an April 2020 submission</li> <li>Further development of growth team</li> </ul>	2	Economic Growth & Regeneration Manager	Updated by Economic Growth & Regeneration Manager December 2019
8	<b>NBC fails to manage its contractual partnerships with:</b> <ul style="list-style-type: none"> <li>LGSS</li> <li>NPH</li> <li>Veolia</li> </ul>	<ul style="list-style-type: none"> <li>Loss of direct management control over activities</li> <li>Poor governance</li> <li>Lack of contract monitoring at officer level</li> <li>Lack of quality control</li> <li>Performance monitoring information is not developed</li> <li>Poor contract specification and understanding</li> <li>LGSS Services and structure review by owners</li> </ul>	<ul style="list-style-type: none"> <li>Services not delivered to quality, time and cost</li> <li>Failure in fulfilling legal responsibilities</li> <li>Hindering the achievement of the councils objectives</li> <li>Negative impact to customers and stakeholders</li> <li>reputational risk to NBC</li> <li>Drop in services from LGSS</li> </ul>	12	<ul style="list-style-type: none"> <li>Taking remedial action where required e.g. HR and Payroll coming back in-house</li> <li>Quarterly reports and meetings</li> </ul>	9	9	<ul style="list-style-type: none"> <li>robust contract monitoring and quality control</li> <li>Continual review of LGSS contract</li> <li>Holistic/virtual team of contract managers to share good practice</li> <li>Internal audit report confirms adequate processes</li> <li>Regular discussions with LGSS MD/NCC S151/MK S151</li> </ul>	8	CFO (S151)	Updated by CFO December 2019

No	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage The Risk  (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Target Risk Rating	Risk Owner	Update & date
						Q2 19/20	Q3 19/20				
9	<b>Major or large scale incident (accident, natural hazard, riot or act of terrorism) business interruption affecting the council resources and its ability to deliver services and risk to safety of staff and loss of staff</b>	<ul style="list-style-type: none"> <li>Accident, natural hazard, riot or act of terrorism or other business interruption</li> </ul>	<ul style="list-style-type: none"> <li>Lack of business continuity Council not able to deliver front-line services</li> <li>Council failing to meet statutory responsibilities</li> <li>Risk of safety to staff and loss of staff</li> <li>Customer needs not being met</li> </ul>	20	<ul style="list-style-type: none"> <li>Updated business continuity strategy and business continuity plans partially in place with some services remaining outstanding</li> <li>Refreshed Critical Incident Plan</li> <li>Emergency Planning Work-streams facilitated by Emergency Planning lead including town centre evacuation procedures</li> <li>Establishment of Gold and Silver duty rota</li> <li>Review of high-rise buildings in the borough post-Grenfell</li> <li>On-going improvements identified and implemented as a result of participation in national and local exercises eg Cygnus (flu-pandemic) and Jerboa (flooding) exercises</li> <li>Involved in London Bridge preparedness</li> <li>Incident room manual reviewed and updated October 2019</li> <li>Request for further nominees for EP roles circulated September 2019</li> <li>Further training for emergency planning volunteers organised for October 2019</li> </ul>	12	12	<ul style="list-style-type: none"> <li>Continuing work to ensure all services at the Council put in place a business continuity strategy and plan (On-going)</li> <li>Continuing improvements to BC and Emergency Planning procedures to be implemented post operations e.g. 2018 Floods (on-going)</li> <li>Clarify arrangements for business continuity responsibility for key partner organisations (On-Going)</li> <li>Identification and risk assessments of reception centres (On-going)</li> <li>London Bridge Protocol updated October 2019</li> <li>London bridge exercise 17th December 2019</li> </ul>	9	CEO	Governance & Risk Manager December 2019
10	<b>Impropriety or improper business activities leading to fraudulent activity or malpractice</b>	<ul style="list-style-type: none"> <li>LGSS services returning - HR and Payroll - shifting accountabilities</li> <li>Lack of robust governance, procedure or process</li> <li>Lack of robust internal controls</li> <li>Inadequate reviews by internal audit on financial controls</li> <li>No assurance from LGSS on effectiveness of controls</li> </ul>	<ul style="list-style-type: none"> <li>Avoidable financial loss</li> <li>Criminal prosecution</li> <li>Civil litigation</li> <li>Fines</li> <li>Lack of confidence from staff or public</li> <li>Reputational damage</li> <li>Member criticism</li> </ul>	15	<ul style="list-style-type: none"> <li>Counter-fraud strategy in place</li> <li>NBC Fraud policy in place</li> <li>Section 151 controls</li> <li>Review of policy and procedure</li> <li>Review of LGSS Finance SLA and process</li> <li>Whistleblowing Policy approved by Council</li> <li>New suite of KPI's developed</li> <li>NBC fraud policy updated October 2019</li> </ul>	16	16	<ul style="list-style-type: none"> <li>Quarterly balance sheet reviews of financial controls within LGSS</li> <li>Continued assurance of controls through bi-monthly contract management meetings with LGSS</li> <li>Targetted use of internal audit (BDO) in risk areas/services</li> </ul>	10	Governance & Risk Manager	Updated by Governance & Risk Manager December 2019

No	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage The Risk (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Target Risk Rating	Risk Owner	Update & date
						Q2 19/20	Q3 19/20				
11	<b>Significant decisions made at Council and Cabinet level are not sufficiently robust leading to ill informed decisions being made.</b>	<ul style="list-style-type: none"> <li>Inadequate governance</li> <li>Inadequate checks and balances</li> </ul>	<ul style="list-style-type: none"> <li>Civil litigation, including judicial review</li> <li>Lack of confidence from staff or public</li> <li>Court cases</li> <li>Ombudsman reviews</li> </ul>	15	<ul style="list-style-type: none"> <li>Additional/Increased cabinet clearance protocols in place</li> <li>Reworked clearance processes</li> <li>EPB Officer/Member interface in operation to ensure greater understanding prior to cabinet/council meetings</li> <li>Cabinet reports cleared by CMB</li> </ul>	12	12	<ul style="list-style-type: none"> <li>Completeness now a higher indicator than recorded date.</li> <li>Recruitment of additional staff members in Democratic Services January 2020.</li> <li>Workshop to be arranged with staff in legal and democratic services to renew the cabinet clearance process</li> </ul>	10	Borough Secretary	Updated by Borough secretary December 2019
12	<b>Inability of IT to service future requirements and or loss of IT due to failure or cyber-attack</b>	<ul style="list-style-type: none"> <li>Poor governance</li> <li>Lack of contract monitoring</li> <li>Lack of quality control</li> <li>Increased external cyber attack numbers and complexity</li> </ul>	<ul style="list-style-type: none"> <li>Services not being delivered to customers</li> <li>Business interruption</li> <li>Inefficient business processes and technology not adequately exploited</li> </ul>	15	<ul style="list-style-type: none"> <li>Review of current LGSS SLA with IT to see what can be improved and remedial action taken</li> <li>IT policies and procedures reviewed and refreshed</li> <li>Review of IT equipment and infrastructure</li> <li>PSN Compliance achieved</li> <li>Lessons-learned review implemented following ransomware attacks in 2016/17</li> <li>LGS Cyber self assessment completion completed October 2019</li> <li>Cyber attack exercise 26th July 2019 to test staff and systems with a positive outcome</li> </ul>	10	10	<ul style="list-style-type: none"> <li>ICT Governance Meetings (On-going)</li> <li>ICT Client Meetings to assess relationships and risks (On-going)</li> <li>LGA stocktake results action plan implementation and ongoing work - 76% completed as at 30/11/19</li> </ul>	10	CFO (S151)	Reviewed by CFO December 2019

No	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage The Risk (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Target Risk Rating	Risk Owner	Update & date
						Q2 19/20	Q3 19/20				
13	<b>There is non-compliance with fire and Health and Safety legislation.</b>	<ul style="list-style-type: none"> <li>Lack of a clear strategy</li> <li>Processes not followed</li> <li>Audits and inspections not completed in a timely manner</li> <li>Recommendations not escalated or followed up by service areas</li> </ul>	<ul style="list-style-type: none"> <li>Continuing lack of a clear strategy /strategic direction</li> <li>Death or injury to public or staff</li> <li>Criminal prosecution or civil litigation</li> <li>Service stopped</li> <li>Loss of public trust</li> <li>Action by H &amp; S executive or Northants Fire and Rescue</li> <li>Fines to organisation</li> <li>Corporate manslaughter charges</li> <li>Insurance claims</li> <li>Financial loss</li> </ul>	20	<ul style="list-style-type: none"> <li>Corporate Health &amp; Safety Group set up and in place</li> <li>Upskilling of managers in terms of H&amp;S responsibilities</li> <li>Audit &amp; Inspection Framework in place</li> <li>H&amp;S Matrix in place cross-referencing role profiles to required H&amp;S training</li> <li>Review of H&amp;S policies and procedures and refreshed where appropriate</li> <li>Refresher staff comms and training</li> <li>Fire Marshal training completed</li> <li>Implementation of mandatory on-line training courses for all staff</li> <li>Corporate Health Safety and Wellbeing Policy presented to Council and signed off on 9th July 2018.</li> <li>Creation of a H &amp; S Committee</li> <li>Restructure of the H &amp; S delivery and service (2018)</li> <li>Mandatory e-learning modules</li> </ul>	9	9	<ul style="list-style-type: none"> <li>Communication and engagement with staff through information/training sessions (On-going)</li> <li>Continued progress with H &amp; S audits and inspections</li> <li>Active engagement through H &amp; S Committee of management, H &amp; S Officers, staff and TU's.</li> </ul>	6	Governance & Risk Manager	Updated by Governance & Risk Manager December 2019

No	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage The Risk (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Target Risk Rating	Risk Owner	Update & date
						Q2 19/20	Q3 19/20				
14	<b>Safeguarding arrangements are not adequate to protect or address concerns of vulnerable adults and children.</b>	<ul style="list-style-type: none"> <li>Staff lack of awareness of procedure or referral route</li> </ul>	<ul style="list-style-type: none"> <li>Children or vulnerable adults harmed or put at risk of harm</li> <li>Criminal prosecution or civil litigation</li> <li>Seriously damaging reputation or NBC</li> </ul>	20	<ul style="list-style-type: none"> <li>Procedures and referral routes reviewed and refreshed where necessary</li> <li>Refreshed procedures and referral routes communicated</li> <li>Designated Officer for Safeguarding as point of contact in place</li> <li>Series of presentations on CSE, including with Members and staff, to build awareness</li> <li>Increased joint working with County Council (Rise Team), other boroughs and districts, including with community safety. licencing and social landlords</li> <li>Scrutiny Review of CSE in the Borough</li> <li>Scrutiny Review gone to Cabinet</li> <li>Established an NBC officer group for tackling CSE.</li> <li>Commenced implementation of recommendations arising from the above Cabinet report (June 2019)</li> <li>Response to scrutiny review (December 2018)</li> <li>Identification of a Safeguarding Champion within each service area (June 2019).</li> </ul>	9	9	<ul style="list-style-type: none"> <li>Implementation of key audit recommendations from Safeguarding audit (December 2019)</li> <li>Development of a programme of e-learning training for staff (January 2020)</li> <li>BDO audit due March 2020</li> </ul>	9	Head of Housing	Updated by Head of Housing December 2019
15	<b>Failure to deliver enough new housing to meet targets and needs</b>	<ul style="list-style-type: none"> <li>Local housing market</li> <li>housebuilders not wanting to devalue their product by flooding the market</li> <li>increasing land values</li> <li>Scarcity of experienced trades people and of materials.</li> </ul>	<ul style="list-style-type: none"> <li>Not delivering enough housing to meet local demand</li> <li>Increase in homelessness and demand for temporary housing</li> <li>Failure to meet local targets</li> <li>Failure to meet Housing Delivery Test resulting in increased targets</li> <li>Potential loss of decision making role</li> <li>Inability to resist housing proposals in unsustainable locations</li> </ul>	16	<ul style="list-style-type: none"> <li>Secured Planning Delivery Funding to recruit Housing Delivery Manager to liaise with housebuilders and establish what is delaying delivery</li> <li>Regular monitoring of local and market area delivery</li> <li>Flexible approach to planning applications</li> <li>Investigating investment in infrastructure to open up allocated sites and accelerate delivery</li> <li>Development of a Growth Deal to secure additional resources for affordable housing, infrastructure and capacity, and planning freedoms</li> <li>Promotion of role within Growth Corridor</li> <li>Cabinet approval of £4.2m Dallington relief road September 2018.</li> <li>HRA cap lifted. Limitation now is capacity to deliver and the sites available.</li> </ul>	9	9	<ul style="list-style-type: none"> <li>Re-focus the Housing Delivery project to develop the Strategic Plan evidence base. Issues and options consultation has taken place (Dec 2019) and will be reported in January 2020</li> <li>Discussing Growth Package with MHCLG as part of Central Area of the OxCam Growth Arc, including infrastructure funding to accelerate existing and future housing and employment opportunities. (Ongoing)</li> </ul>	9	Head of Planning	Updated by Head of Planning December 2019

No	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage The Risk (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Target Risk Rating	Risk Owner	Update & date
						Q2 19/20	Q3 19/20				
16	REMOVED Q3 2018: LGR risk, to be included within the main LGR project risk register										
17a	Impact of Brexit on NBC services.	<ul style="list-style-type: none"> <li>Brexit deal/no deal</li> </ul>	<ul style="list-style-type: none"> <li>Has a direct impact on NBC services directly</li> </ul>	4	<ul style="list-style-type: none"> <li>Monitoring Brexit information</li> <li>Continual CMB checking on services/staffing</li> <li>2 hour training for all of CMB in Jan/Feb 2019</li> <li>Brexit lead for NBC identified</li> <li>Creation of a dedicated Brexit Risk Register</li> </ul>	4	4	<ul style="list-style-type: none"> <li>Regular Government and Regional updates</li> <li>Engagement with MHCLG re Brexit regular calls throughout September/October 2019</li> <li>Weekly brexit bulletins</li> <li>Engagement with LRF training in September 2019</li> </ul>	4	CMB	See Brexit risk register
17b	Impact of Brexit on Northampton economy.	<ul style="list-style-type: none"> <li>Brexit deal/no deal</li> <li>Uncertainty of timing of Brexit</li> </ul>	<ul style="list-style-type: none"> <li>Supply chain and people impact on businesses</li> <li>Economic impact drives up benefit claims</li> </ul>	6	<ul style="list-style-type: none"> <li>Monitoring Brexit information</li> <li>Continual CMB checking on services/staffing</li> <li>2 hour training for all of CMB in Jan/Feb 2019</li> <li>Brexit lead for NBC identified</li> <li>Creation of a dedicated Brexit Risk Register</li> </ul>	6	6	<ul style="list-style-type: none"> <li>Regular Government and Regional updates</li> <li>Engagement with MHCLG re Brexit regular calls throughout September/October 2019</li> <li>Weekly brexit bulletins</li> <li>Engagement with LRF training in September 2019</li> </ul>	6	CMB	See Brexit risk register
18	<p><b>NEW RISK:</b> Climate change: Failure to comply with:</p> <p>a) the Climate Change (2008) Act to reduce carbon omissions below 1990 levels by 2050.</p> <p>b) Making the Borough carbon neutral by 2030</p>	<ul style="list-style-type: none"> <li>Low resources</li> <li>Rapid and large scale changes to operations outside NBC's control</li> </ul>	<ul style="list-style-type: none"> <li>Contributing to the decline in short term changes to the climate</li> </ul>	9	<ul style="list-style-type: none"> <li>Engagement with other local authorities in the quarterly 'Climate Change Strategy Group'</li> </ul>	n/a	9	<ul style="list-style-type: none"> <li>Baseline report to Council in January 2020</li> <li>Strategic approach and policy to Cabinet February 2020</li> </ul>	4	Head of Planning	Updated December 2019
19	<b>NEW RISK:</b> Loss of LGSS services	<ul style="list-style-type: none"> <li>Collapse of LGSS as an entity</li> <li>LA's are requested to repatriate the services provided by LGSS i.e. finance, insurance, procurement, IT</li> </ul>	<ul style="list-style-type: none"> <li>Impact on ICT</li> <li>Impact on finance/budgets</li> <li>Year end accounts</li> <li>Procurement</li> <li>Staffing challenges</li> </ul>	6	<ul style="list-style-type: none"> <li>Monitor LGSS performance quality/volume</li> <li>Turnover of key LGSS staff</li> </ul>	n/a	6	<ul style="list-style-type: none"> <li>Regular discussions with LGSS MD/NCC S151/MK S151</li> </ul>	6	CFO (S151)	Added December 2019



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Appendices:  
1. Cabinet Budget Monitor  
Report AP08



## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>Budget Monitor Report AP08</b>
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**AGENDA STATUS: PUBLIC**

**Audit Committee Meeting Date: 6th February 2020**

**Policy Document: No**

**Services: Chief Finance Officer**

**Accountable Cabinet Member: Cllr Brandon Eldred – Portfolio Holder Finance**

### 1. Purpose

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- 1.1 This report presents the Cabinet Budget Monitor Report for AP08, for noting and to inform Agenda Item on Budget Risk review 2020-21.

### 2. Recommendations

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- 2.1 That the Committee note the report presented to Cabinet on 22 January 2020.

### 3. Issues of note

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#### 3.1 Report Background

- 3.1.1 The Audit Committee will consider budget risk for 2020-21 later on this agenda. The Chair of the Committee asked that this Cabinet Report be included to assist in understanding the current budget position and underlying risks.

#### 3.2 Issues

- 3.2.1 There are no specific issues relating to this report.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 There are no policy changes as a result of this report.

### **4.2 Resources and Risk**

4.2.1 There are no specific risks relating to this report, other than those identified in the appendix (Cabinet Report) itself and noted by Cabinet.

### **4.3 Legal**

4.3.1 No legal issues.

### **4.4 Equality**

4.4.1 There are no specific equality implications with this report.

### **4.5 Consultees (Internal and External)**

4.5.1 Internal consultation has taken place with Corporate Management Board, other senior officers and Cabinet.

### **4.6 Other Implications**

4.6.1 None specifically

## **5. Background Papers**

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5.1 None

**Stuart McGregor**  
**Chief Finance Officer (Section 151 Officer)**



## CABINET REPORT

<b>Report Title</b>	<b>Finance monitoring to 30 November 2019</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	22 January 2020
<b>Key Decision:</b>	YES
<b>Within Policy:</b>	YES
<b>Policy Document:</b>	NO
<b>Directorate:</b>	Management Board
<b>Accountable Cabinet Member:</b>	Cllr B Eldred
<b>Ward(s)</b>	N/A

### 1 Purpose

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- 1.1 Financial monitoring reports will be presented to Cabinet once every two months and will include:
- Revenue – any significant issues requiring action and details of the actions being taken.
  - Budget risks, including any unachievable savings.
  - Budget changes and corrections
  - Capital – progress on key projects
  - Capital appraisals and variations requiring approval or approved under delegation.

## 2 Recommendations

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- 2.1 That Cabinet notes the contents of the report and notes that future reports will set out the actions being taken by Corporate Management Board (CMB) to address issues arising.
- 2.2 That Cabinet note the amendments to the general fund capital programme as set out at paragraph 3.5.1.
- 2.3 That Cabinet approve a £2.4m virement within the HRA capital programme as set out at paragraph 3.6.2.

## 3 Issues and choices

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### 3.1 Report background

- 3.1.1 This report is the fourth financial monitoring report of 2019/20 and reports the forecast position as at the end of November 2019, period 8 of the financial year.

### 3.2 Key financial indicators

Budget area	Variation from budget	
	General fund	Housing Revenue Accounts (HRA)
	£m	£m
Controllable service budgets	1.057	0.133
Debt financing and corporate budgets	(0.170)	0.000
Total	0.887	0.133

### 3.3 General fund revenue budget

- 3.3.1 The overall general fund revenue budget is currently forecasting an overspend of £0.887m. This is a slight increase on the £0.793m reported at the end of period 6. The main pressures which make up this forecast overspend are as follows:
- 3.3.2 The **Chief Finance Officer** service area is forecasting an overspend of £0.442m. This pressure is in the benefits area and relates to the recovery of housing benefit overpayments from on-going benefits for rent rebates (HRA tenants) and rent allowances (£0.051m). Other pressure is linked to the overall pressure around homelessness and temporary accommodation, which manifests itself in the benefits area due to the higher cost of temporary accommodation leading to a loss of subsidy (£0.248m). There is also a pressure of £0.201m due to additional costs for those in supported and exempt accommodation. This pressure is offset by an underspend on the LGSS contract (£0.090m).
- 3.3.3 The **Housing and Wellbeing** service area is forecasting an overspend of £0.933m. Demand for temporary accommodation (TA) has increased since the approval of the TA

action plan in April 2019 resulting in a forecast pressure of £0.600m and a corresponding pressure of £0.170m due to an increase in bad debt relating to temporary accommodation. The TA Implementation Group which meets fortnightly is monitoring the use and cost of temporary accommodation with the aim of reducing the budget deficit through a series of measures. Quarterly targets to reduce demand are in place. There is also pressure in the Private Sector Housing service due to a reduction in civil penalties income of £0.306m. There are additional pressures relating to traveller sites and tenancy sustainment of £0.190m. These pressures are offset by savings on staffing costs and management recharges to the Housing Revenue Account amounting to £0.334m.

- 3.3.4 The **Customers and Communities** service area is forecasting an overspend of £0.145m. This pressure is in the environmental services area and is due to costs coming out of the recycling risk share pay mechanism. These higher costs are caused by prices for recyclable material continuing to fall creating a pressure of £0.290m. This is offset by smaller underspends within the environmental services area and vacant posts elsewhere in the Customer and Communities service area.
- 3.3.5 The **Economy, Assets and Culture** service area is forecasting an underspend of £0.255m. Pressures in this area include the car parking service with income reduced due to new parking charges not being implemented until July and additional costs incurred in relation to increased processing of payment by debit/credit card (£0.138m). This is offset by an increase in one off season tickets income and other small savings across the service bringing the overall overspend position in car parking down to £0.034m. There is also a pressure in estate management due to vacant posts being covered by interims/consultants and the use of external companies for valuation works, but this is offset by an improved forecast in income resulting in an overall underspend of £0.049m. There is a new pressure under property maintenance mainly due to responsive repairs of assets not maintained in recent years. An underspend of £0.046m is forecast for Museums and Arts due to the receipt of a backdated business rates refund. Underspends are forecast against Programmes & Enterprise (£0.201m) and Head of Economic Development and Regeneration (£0.091m) due to in year vacancies. The pressure in the markets area has worsened to £0.068m, with a revised forecast based on the reduction in income due to lower market stall occupancy.
- 3.3.6 There were small variances forecast in the **Chief Executive area**, the **Borough Secretary** service area, and the **Planning** service area, with a combined underspend of £0.187m mainly associated with vacant posts. There is also a projected underspend of £170k on the **debt financing and corporate budgets**, due to the authority having to take out less borrowing than originally forecast due to a strong cash position.
- 3.3.7 Corporate Management Board (CMB) are actively seeking options and actions to manage and mitigate the impact of the risk of an overspend in 2019/20.

#### **3.4 HRA revenue budget**

- 3.4.1 The HRA revenue budget is currently forecasting a minor overspend of £0.133m.

There is a forecast potential pressure on income (dwelling and non-dwelling rents) of approximately £0.104m offset by an increase in service charge income of £0.090m.

In addition, there is a forecast underspend of £0.207m on staffing budgets (NPH) offset by a housing management recharge of £0.127m.

There is also a forecast underspend against the bad debt provision transfer of £0.150m following a review of the provision.

There is a forecast pressure of £0.230m on electrical testing offset by an underspend on compliance team programmed repairs of £0.198m.

### 3.5 General fund capital programme

3.5.1 The approved general fund capital programme is currently forecast to spend up to the latest budget of £27.7m. There have been 4 in-year changes since the previous Cabinet report. These schemes have all transferred in from the development pool and are detailed in the table below.

Any further additions to the capital programme, including any strategic property purchases, will be subject to the development of a robust business case. In line with the financial regulations, any proposed additions to the programme greater than £0.25m and / or requiring additional funding from council resources, will be brought to Cabinet for approval.

Reference	Scheme Title	£k	Comments
BA271	Commercial acquisition	5,500	Acquisition of commercial properties for regeneration and income purposes.
BA272	Abington Park Middle Lakes Footpath	250	Repairs and improvements to the footpath.
BA273	Community Asset Acquisition	400	To acquire the Old Black Lion Pub, enabling the regeneration of a grade II listed public house which will strengthen the sense of place in the historic landscape of the Heritage Gateway area.
BA274	North West Relief Road	1,165	NBC contribution to the construction of the NW Relief Road. A balance of £3.035m remains in the development pool

### 3.6 HRA capital programme

3.6.1 The HRA capital programme for 2019/20 totals £71.551m, of which £45.641m is to be managed on behalf of the Council by Northampton Partnership Homes (NPH) through a programme of planned investment and new build development.

3.6.2 The HRA capital programme includes a £24.5m budget to enable additional HRA capital programme expenditure if developer affordable home opportunities become available. It is recommended that Cabinet approve a virement to move £2.4m of this budget to the NBC buyback/spot purchase budget to meet increased opportunities to purchase affordable homes in 2019/20.

3.6.3 This will bring the total budget for NBC buybacks/spot purchases for 2019/20 to £4.3m. It is anticipated that this budget would be fully spent in 2019/20.

- 3.6.4 Some new build schemes are experiencing slippage due to various reasons, for example, protracted tender negotiations, site clearance delays, service (BT) installation delays, and relocation of retail tenants. This has resulted in a forecast slippage on these schemes of £2.3m into 2020/21.
- 3.6.5 Planned Works is progressing well and ahead of profile resulting in brought forward spend of £0.090m from 2020/21 on structural repairs and £0.500m on component works.
- 3.6.6 Landscaping works are accelerating and progressing well resulting in budget being brought forward from the 2020/21 programme of £0.800m.
- 3.6.7 During 2019/20 the following schemes have transferred from the New Build Pool:

<b>Scheme</b>	<b>£k</b>
Farmfield Court	2,228
Toms Close	2,119
Duston - Northfield Road	171
Kings Heath - West Oval, Witham Way & Medway Drive	1,697
Eastfield - Longland Drive, Garage sites - Grange Road & Thirlmere Avenue	884
Town Centre - Stockley Street garage site	820
Lings - Garage sites - Tyes Court garage site 1 & 2, & Old Barn Court	1,095
Lumbertubs - Garage Sites - Smythe Court & Fulleburn Court	770
Kingsthorpe - Nursery Lane garage site	310
Delapre - Garage sites - Camborne Close & Gloucester Avenue	1,020
Lakeview - Keswick Drive garage site	230
Briar Hill - 5 x Briar Hill Garage Sites	1,700
Roof Gardens - New Build - Roof Gardens	2,022
Adapted Housing Schemes	650

### **3.7 Choices (options)**

- 3.7.1 Cabinet is asked to note the reported financial position and agree the recommendations 2.1 and 2.2. There are no alternative options, other than not to agree the recommendations.

## **4 Implications (including financial)**

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### **4.1 Policy**

- 4.1.1 The Council agreed a balanced budget for the capital programme and revenue budgets for both the general fund and the HRA in February 2019. Delivery of the budget is monitored through the budget monitoring framework.

### **4.2 Resources and risk**

- 4.2.1 This report informs the Cabinet of the forecast outturn positions for capital and revenue, for both the general fund and HRA, as at the end of November 2019. It also highlights the key risks identified to date in delivering those budgets.

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

#### **4.3 Legal**

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

#### **4.4 Equality and health**

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

#### **4.5 Consultees (internal and external)**

4.5.1 Heads of Service, budget managers and Corporate Management Board (CMB) are consulted as part of the budget monitoring process on a monthly basis.

#### **4.6 How the proposals deliver priority outcomes**

4.6.1 Regular financial monitoring is a key control mechanism and contributes directly to the priorities of sustaining “effective and prudent financial management” and being “an agile, transparent organisation with good governance”.

#### **4.7 Environmental Implications**

4.7.1 There are no direct environmental implications arising from this report.

#### **4.8 Other Implications**

4.8.1 There are no other implications arising from this report

### **5. Background papers**

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5.1 Cabinet and Council budget and capital programme reports February 2019.

**Stuart McGregor, Section 151 Officer, 01604 838347**

Appendices  
6



**NORTHAMPTON**  
BOROUGH COUNCIL

## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>Risk Review of 2020/21 Budget</b>
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**AGENDA STATUS: PUBLIC**

<b>Audit Committee Meeting Date:</b>	06 February 2020
<b>Policy Document:</b>	No
<b>Directorate:</b>	Chief Finance Officer
<b>Accountable Cabinet Member:</b>	Cllr Brandon Eldred-Portfolio Holder Finance

### 1. Purpose

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

### 2. Recommendations

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2.1 That the Audit Committee considers issues in relation to risk within the budget proposals for 2020/21 and comments appropriately.

### 3. Issues and choices

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#### 3.1 Report background

3.1.1 The draft proposals for the 2020/21 budget for both the general fund and the Housing Revenue Account (HRA) were approved by Cabinet on 23 December 2019 and put out for public consultation. The final 2020/21 budget proposals will go back to Cabinet on 19 February 2020 and will then go for a final decision to Council on 24 February 2020. Overview and Scrutiny Committee met on 9 January 2020 to scrutinise the budget proposals (see appendix H).

3.1.2 The Chief Finance Officer is required to make a statement on the robustness of budget estimates when the proposed final budget is brought to Council for approval.

3.1.3 This report provides the opportunity for the Audit Committee to consider the risk issues in relation to the draft budget and to provide comments to the Chief Finance Officer, Cabinet and Council for their consideration when agreeing the final budget proposals.

## 3.2 Issues

3.2.1 The 2020/21 budgets have been developed in the context of the medium term financial strategy for the general fund and the 30-year HRA business plan forecasts. In order to ensure that the Council's financial position is sustainable, not just for the next year, but over the medium term, efficiencies have been made as well as making tough choices and putting forward proposals for savings and additional income generation.

3.2.2 The summary 2020/21 general fund budget and medium term financial plan (MTFP) is set out in **appendix B**. The MTFP provides a forecast of the Council's expenditure and income over the next four years. This is set in the context of the proposed local government reorganisation and creation of a new unitary authority. Whilst this means that the Council may cease to exist in its current form beyond 2020/21, the budget set for that year must be sustainable. Therefore, forecasts are prepared for three financial years beyond 2020/21 on a no-change basis.

3.2.3 The MTFP shows a forecast further savings requirement of £1.991m from 2021/22, increasing to £2.815m by 2023/24. The exact figure is subject to any changes to government funding and other forecast changes to budgets. These further savings can be achieved through the strands set out in the approved medium term financial strategy.

3.2.4 Proposals for general fund savings, income generation and growth are set out in **appendix C**. These are currently out for public consultation prior to final decisions to be made in February.

3.2.5 **Appendix D** sets out the planned general fund capital programme for 2020/21 to 2023/24.

3.2.6 Proposed budgets for HRA revenue and capital are shown in **appendices F and G**. This shows a balanced position over the period from 2020/21 to 2023/24.

3.2.7 The table below identifies the strategic risks within the budgets and mitigation against these risks:

<b>Risk</b>	<b>Mitigation</b>
The Council's financial position over the medium term is not sustainable	The Council are in a good financial position as at January 2020 with a balanced budget and reasonable levels of reserves
Conflict between corporate plan priorities and medium term financial strategy (MTFS) savings targets	The workstreams of the corporate plan and MTFS are aligned. Cabinet approval of MTFS, regular meetings with Leader/Cabinet Member Finance
Non-delivery of financial targets set out in the budget and Medium Term Financial Plan (MTFP)	Appropriate governance arrangements are a key part of the MTFP, to monitor progress and take action if targets are not being delivered.
High level of capital investment required to deliver plan	Effective treasury management to minimise interest and the minimum revenue provision
High level of earmarked reserves required to deliver plan	Consolidation of reserves and controls over future allocations

3.2.8 As part of the budget process the Council determines a prudent minimum level of general fund balances to hold against general risks. This is informed by a risk assessment, which has been refreshed in the development of the draft budget and currently suggests that £4.0m remains a prudent level of general reserves. This may change as the budget is finalised and any change in the Council's exposure to risk is identified.

### **3.3 Choices (options)**

3.3.1 The Audit Committee is asked to consider the risk issues in relation to the draft budget for 2020/21 and make comments or recommendations to the Chief Finance Officer.

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

## **4. Implications (including financial implications)**

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### **4.1 Policy**

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

## **4.2 Resources and risk**

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

## **4.3 Legal**

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

## **4.4 Equality**

4.4.1 Equality and diversity are considered as a part of the budget build process, and a final impact assessment will be completed for the relevant budget proposals before they are brought to Council for final decision later in February 2020.

## **4.5 Consultees (internal and external)**

4.5.1 Internally Heads of Service and Corporate Management Board, have been consulted, and involved in the budget risk assessment process. Cabinet reviewed the budget in public on 23 December 2019. Overview and Scrutiny Committee publicly reviewed their selected items on 9 January 2020.

4.5.2 Externally, the public are being consulted as part of the budget consultation exercise.

## **4.6 Other implications**

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

## **5. Background papers**

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5.1 Cabinet draft budget reports, 23 December 2019.

5.2 Appendices: [Note A is the Cabinet Report itself, B-G Appendices to that report and H is a new document]

Appendix A General Fund Cabinet Budget Report

Appendix B General fund budget summary

Appendix C General fund savings and growth list

Appendix D General fund capital programme and funding

Appendix E Special Expenses

Appendix F Housing Revenue Account Cabinet Report

Appendix G Housing Revenue Account Cabinet Report Appendices

Appendix H Draft extract O&S Budget Scrutiny Meeting Jan 2020

**Stuart McGregor, Chief Finance Officer (S151 Officer)**



## CABINET REPORT

<b>Report Title</b>	<b>DRAFT GENERAL FUND BUDGET 2020/21 AND MEDIUM TERM FINANCIAL PLAN 2020/21 TO 2023/2024</b>
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**AGENDA STATUS: PUBLIC / PRIVATE**

<b>Cabinet Meeting Date:</b>	23 December 2019
<b>Key Decision:</b>	YES
<b>Within Policy:</b>	YES
<b>Policy Document:</b>	NO
<b>Service Area:</b>	Chief Finance Officer
<b>Accountable Cabinet Member:</b>	Cllr B Eldred
<b>Ward(s)</b>	N/A

### 1. Purpose

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- 1.1 To present for consultation draft budget proposals for 2020/21 and forecast budgets for 2021/22 to 2023/24, covering both general fund revenue and general fund capital.
- 1.2 The report also presents for approval the Council's draft capital strategy and draft treasury management strategy.

### 2. Recommendations

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- 2.1 That the draft general fund revenue budget 2020/21, as summarised in **appendix 1**, be approved for public consultation.
- 2.2 That the proposed growth and savings options for 2020/21, as set out in **appendix 2**, be approved for public consultation.
- 2.3 That the proposed council tax increase for 2020/21 of £5.00 per band D property be approved for public consultation, as set out in paragraphs 3.2.13.

- 2.4 That the draft capital strategy, as set out in **appendix 3**, be approved for public consultation.
- 2.5 That the draft general fund capital programme and financing 2020/21 to 2023/24, as detailed in **appendix 4**, be approved for public consultation.
- 2.6 That the draft treasury management strategy, as set out in **appendix 5**, be approved for public consultation.
- 2.7 That authority be delegated to the Chief Executive, in consultation with s151 Officer and the Leader, to represent the Borough Council on the Board of the Business Rates Pilot and to agree any allocation of business rates in line with the specified projects approved by the Secretary of State for Housing, Communities and Local Government.
- 2.8 That authority be delegated to the Chief Executive and the s151 Officer, in consultation with the Leader, to monitor and track the spending of the agreed £500,000 plus additional agreed £500,000 to the Future Northants programme in line with the Implementation Plan and regularly report back to Cabinet. The proposed £1.4m additional contribution is subject to the forthcoming budget consultation therefore any future delegation on this amount will be subject to the outcomes of the consultation.

### **3. Issues and Choices**

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#### **3.1 Report Background**

- 3.1.1 The Council is required to set a balanced budget and its council tax for 2020/21 by 1 March 2020. The proposals in this report have been developed by officers in consultation with Cabinet Members.
- 3.1.2 The draft budget proposals and options presented in this report will be subject to a period of consultation prior to final recommendations being made to Council by Cabinet in February 2020.

#### **3.2 Issues**

##### **3.2.1 Economic context**

There continues to be uncertainty around the national and global economic outlook, caused by various factors including the UK's planned withdrawal from the European Union. Therefore, the draft budget is built on prudent assumptions around inflation, interest rates, business rates growth and growth in the tax base.

##### **3.2.2 Medium term financial strategy**

In September 2019 Cabinet approved the medium term financial strategy, which provides the framework and context for the development of the detailed budget and medium term financial plan.

3.2.3 The medium term financial strategy included the following strategic principles:

- The Council will, within available resources, seek to maximise delivery of services and levels of performance and ensure that resources are targeted to meet its objectives and priorities;
- The Council will set a balanced budget, which is stable and sustainable and fully represents the cost of providing the levels of service and performance set out in the corporate plan and service plans;
- Income streams will be maximised through the delivery of high quality, cost effective services;
- Council tax will be increased up to the maximum allowed without requiring a referendum;
- Investment decisions will take into account both revenue and capital implications;
- Where requirements to undertake borrowing are identified, the costs and benefits of doing so will be assessed as required in line with CIPFA's prudential code;
- Financial implications will be underpinned by robust risk assessment;
- Decision making will be business case led. There will be a focus on the short, medium and long term financial implications of decisions;
- Reserves will be utilised to fund investments that will deliver a long term sustainable financial position.

#### 3.2.4 Medium term financial plan

The medium term financial plan, set out in **appendix 1**, provides a forecast of the Council's expenditure and income over the next four years. This is set in the context of the proposed local government reorganisation and creation of a new unitary authority. Whilst this means that Northampton Borough Council may cease to exist in its current form beyond 2020/21, the budget set for the year must be sustainable. Therefore, forecasts are prepared for three financial years beyond 2020/21 on a no-change basis.

3.2.5 The medium term financial plan forecasts that there are further savings required of £1.991m in 2021/22, rising to £2.815m in 2023/24. These further savings can be achieved through the strands set out in the medium term financial strategy.

#### 3.2.6 General fund revenue budget 2020/21

The proposed general fund revenue budget for 2020/21 is set out as the first year in **appendix 1** and is summarised in the table below. Each of the lines in the table below are then addressed in more detail in paragraphs 3.2.7 to 3.2.16 below.

<b>Description</b>	<b>2020/21 £000s</b>
Service base budget	30,954
Proposed savings	(1,397)
Proposed growth	320
Corporate budgets	(1,328)
Contribution to reserves	343
<b>Net budget</b>	<b>28,892</b>
Business rates	(9,307)
New homes bonus grant	(2,400)
Council tax	(17,185)
Collection fund surplus	0
<b>Total funding</b>	<b>(28,892)</b>
<b>Savings to be identified</b>	<b>0</b>

3.2.7 Service base budget – this has increased by £0.807m on the forecast service base budget for 2020/21 that was set out in last year’s medium term financial plan. Changes to the service base budget are made up of non-controllable changes to the budget for items such as inflation and increases in demand for services due to things such as demographic changes. The table below sets out the main changes to the service base budget:

<b>Continuation budget change</b>	<b>£000s</b>
Benefits pressure	350
Drop in price of recycling material	300
Cost of incremental pay increases	106
Reduction in HMO licence income	101
Increased costs of required valuations of assets	100
Pension deficit cost freeze	(330)
Changes to grant assumptions	(350)
Other items	186
<b>Total increase to service base budget</b>	<b>463</b>

3.2.8 Proposed savings and growth – savings proposals of £1.397m and growth proposals of £0.320m are set out in **appendix 2**. Implementation of the proposed savings will enable the Council to set a balanced budget for 2020/21.

3.2.9 Corporate budgets – these include budgets for debt financing, recharges to the HRA and parish grants and precepts. This figure is broken down into more detail in **appendix 1**.

3.2.10 Contribution to/from reserves – this shows the planned contribution to / from reserves.

3.2.11 Business rates – under the business rates retention scheme, the Council benefits from growth in the rateable value in the borough, but also bears some of the risk of volatility, including successful appeals by businesses against their rateable value. A prudent forecast of future business rates is built into the budget assumptions.

3.2.12 New homes bonus (NHB) grant – this has provided an additional source of funding in previous years, but has been reducing from a peak of £4.9m in 2016/17. For 2020/21 it is forecast that the Council will receive £0.846m. In future years beyond 2020/21 it is now anticipated that this funding will drop off even quicker than previously forecast, with nil NHB forecast to be received in 2023/24. This has had a significant impact on the forecast budget funding gap in future years.

3.2.13 Council tax – the draft budget for 2020/21 assumes an increase in the annual average council tax of £5.00 (or 2.21%) per average band D property. This is the maximum increase allowed without triggering a referendum and is less than the £6.56 (or 2.99%) increase in 2019/20.

3.2.14 The average band D council tax (excluding parishes) for the last five years is shown in the table below:

<b>Preceptor</b>	<b>2016/17 £</b>	<b>2017/18 £</b>	<b>2018/19 £</b>	<b>2019/20 £</b>	<b>2020/21 £</b>
Northampton Borough Council	207.91	212.91	219.28	225.84	230.84
Northamptonshire County Council	1,111.25	1,166.59	1,177.35	1,236.10	TBC
Northamptonshire Police & Crime Commissioner	204.96	209.04	221.04	245.04	TBC
Northamptonshire Fire & Rescue Authority	0.00	0.00	59.00	60.76	TBC
<b>Total</b>	<b>1,542.12</b>	<b>1,588.54</b>	<b>1,676.67</b>	<b>1,767.74</b>	<b>TBC</b>

3.2.15 Special expenses – the Council charges special expenses to its residents as part of its council tax charge. Special expenses relate to expenditure deemed solely to apply to a part if the borough where precepting authorities in other parts of the borough have chosen to precept and supply the same service separately. Northampton Borough Council charges special expenses for the maintenance of its smaller parks and open spaces as this service is also carried out by Parish Councils in some areas. Further explanation and details of the special expenses are set out in **appendix 6**.

3.2.16 Collection fund surplus / deficit – there is not currently expected to be any surplus or deficit on the collection fund. The Council is required to update the estimated surplus / deficit on 15 January, so this may change for the final budget.

3.2.17 Fees and charges – these are being reviewed as part of the process of finalising the budget.

3.2.18 Reserves

As part of the budget process the Council determines a prudent level of general fund balances to hold against general risks. This is informed by a risk assessment, which has been refreshed in the development of the draft budget and currently suggests that £4.0m remains a prudent level of general fund balance. This may change as the budget is finalised and any change in the Council's exposure to risk identified.

3.2.19 General fund reserves at 1 April 2020 are forecast to be at a total of £28.5m. A breakdown is shown in the table below:

<b>Reserves</b>	<b>Forecast Balance 1 April 2020</b>	<b>Purpose</b>
Service specific earmarked reserves	£1.5m	To cover specific known spending commitments
Corporate earmarked reserves	£18.0m	Held to mitigate against corporate risks and to fund future budget pressures
Technical reserves	£5.0m	To deal with technical accounting differences across financial years
General fund balance	£4.0m	To cover general unquantified risks
<b>Total general fund reserves</b>	<b>£28.5m</b>	

3.2.20 Earmarked reserves are held to mitigate against specific risks as well as for regulatory reasons, such as grant conditions.

3.2.21 Draft capital strategy

The aim of the capital strategy is to provide a clear framework for capital funding and expenditure decisions. This is in the context of the Council's vision, values, objectives and priorities, financial resources, and spending plans. The capital programme is designed to support the delivery of the Council's priorities as set out in the corporate plan. It takes into account proposed changes to CIPFA's prudential code and latest minimum revenue provision guidance from central government. The draft capital strategy can be found at **appendix 3**.

3.2.22 General fund capital programme 2020/21 to 2023/24

The draft general fund capital programme and funding for the next 4 years is detailed in **appendix 4** and summarised in the table below. The value of the proposed programme for 2020/21 is £47.760m. Proposed new schemes

include enhancements to parks and sports facilities, car park improvements, replacement of footbridges and the upgrade of IT assets.

3.2.23 The proposed capital programme would require funding from a variety of sources. The revenue impact of borrowing is reflected in the debt financing budget and the treasury management strategy and prudential indicators.

3.2.24 Further significant schemes supporting the achievement of the medium term financial strategy may be brought into the capital programme over the next 12 months, supported by robust capital appraisals and business cases.

Description	Budget 2020/21 £k
Schemes in the current approved Capital Programme	7,450
Schemes in the current Development Pool awaiting formal approval	37,900
New proposals	2,411
<b>Total Draft GF Capital Programme</b>	<b>47,760</b>
Funding Source:	
Grants and contributions	3,359
s106 funded schemes	318
Self funded schemes	12,150
Borrowing.	31,934
<b>Total Funding</b>	<b>47,760</b>

### 3.2.25 Treasury management strategy

The treasury management strategy covers the requirements of the Local Government Act 2003, the CIPFA prudential code, MHCLG MRP guidance, the CIPFA treasury management code and MHCLG investment guidance. The draft treasury management strategy can be found at **appendix 5**.

### 3.2.26 Consultation

Formal consultation with the public and stakeholders will be launched following the publication of this draft budget and will continue until the budget is formally adopted in February 2020 in line with an agreed consultation programme. An online questionnaire will be available until 4 February 2020, and a public meeting will be held on the consultation on 27 January 2020.

## 3.3 Choices (Options)

3.3.1 Cabinet can agree the budget proposals in this paper to go forward for budget consultation, or they can propose changes, subject to the advice of the Chief Finance Officer.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 The revenue and capital budgets are set out in support of the Council's priorities and within the context of the medium term financial strategy and capital strategy.

### **4.2 Resources and Risk**

4.2.1 The resource and risk implications are detailed throughout the report and the appendices.

### **4.3 Legal**

4.3.1 The Council has a legal duty to set a balanced budget, bearing in mind its fiduciary duties to the taxpayer, and to set a council tax for the coming year.

### **4.4 Equality and Health**

4.4.1 Equality and diversity is considered as part of the budget construction and an impact assessment is published as part of the budget consultation documents. Equality and diversity were considered as part of each of the medium term planning options submitted. Impact assessments are "living" documents and will be updated to take into account relevant feedback from the consultation process. Where these documents identify mitigating actions, these will be undertaken in implementing the relevant option should it be taken forward and approved in February 2020.

### **4.5 Consultees (Internal and External)**

4.5.1 Internally, Heads of Service and budget managers have been consulted and Corporate Management Board has varied out a detailed challenge of the budget with Members. As options have been developed, relevant stakeholders were engaged as appropriate.

4.5.2 This paper is to agree a draft general fund revenue and capital budget and council tax to public consultation, which is to be consulted on with the general public, partners of the Council and businesses. This is in line with best practice and the statutory requirements of the Local Government Finance Act 1992.

### **4.6 How the Proposals deliver Priority Outcomes**

4.6.1 The draft budget is a key ingredient of effective financial governance, which contributes to the priority of "spending your money wisely". More broadly, the Council's budget is the financial representation of the Council's plans, and so setting a balanced budget contributes to all of the Council's priority outcomes.

#### **4.7 Environmental Implications (including climate change issues)**

4.7.1 Environmental impacts were considered as part of each of the medium term planning options submitted.

#### **4.8 Other Implications**

4.7.1 None not already covered above.

#### **5. Background Papers**

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5.1 None.

5.2 Appendices:

1. Draft general fund revenue summary
2. Proposed growth and savings
3. Draft capital strategy
4. Draft general fund capital programme and financing
5. Draft treasury management strategy
6. Special expenses

#### **6. Next Steps**

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6.1 The final general fund revenue and capital budgets for 2020/21 will go back to Cabinet in February 2020, and also to full Council for approval in February 2020.

**Stuart McGregor**  
**Chief Finance Officer (S151)**

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Description	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24
	£	£	£	£
<b>Service Base Budget</b>	<b>30,953,541</b>	<b>31,483,338</b>	<b>31,851,007</b>	<b>32,295,799</b>
Total Savings	(1,397,000)	(1,397,000)	(1,397,000)	(1,397,000)
Total Growth	320,000	300,000	300,000	300,000
<b>Total MTP Options</b>	<b>(1,077,000)</b>	<b>(1,097,000)</b>	<b>(1,097,000)</b>	<b>(1,097,000)</b>
<b>Gross Revenue Budget</b>	<b>29,876,541</b>	<b>30,386,338</b>	<b>30,754,007</b>	<b>31,198,799</b>
<b>Corporate Budgets</b>				
Debt Financing	2,053,423	2,636,901	2,753,930	2,707,364
Recharges from General Fund to HRA	(2,650,000)	(2,650,000)	(2,650,000)	(2,650,000)
Parish Grants	(18,634)	(18,634)	(18,634)	(18,634)
Parish Precepts	1,170,692	1,170,692	1,170,692	1,170,692
Other Corporate Budgets	(1,883,000)	(854,000)	(678,000)	3,364,000
Contribution to/(from) Earmarked Reserves	342,747	(724,408)	(551,000)	(4,555,000)
<b>Total Corporate Budgets</b>	<b>(984,772)</b>	<b>(439,449)</b>	<b>26,988</b>	<b>18,422</b>
<b>Net Budget</b>	<b>28,891,769</b>	<b>29,946,889</b>	<b>30,780,995</b>	<b>31,217,221</b>
<b>Funding</b>				
Business Rates Baseline	(6,868,442)	(6,870,000)	(6,870,000)	(6,870,000)
Other Business Rates elements	(2,438,053)	(2,590,000)	(2,690,000)	(2,790,000)
New Homes Bonus	(2,400,000)	(800,000)	(600,000)	0
<b>Total Government Funding</b>	<b>(11,706,495)</b>	<b>(10,260,000)</b>	<b>(10,160,000)</b>	<b>(9,660,000)</b>
<b>Council Tax</b>				
Band D Council Tax	230.84	235.84	240.84	245.84
Tax Base	69,376	70,070	70,771	71,478
NBC Council Tax	(16,014,582)	(16,525,078)	(17,044,182)	(17,572,016)
Parish-related Council Tax	(1,170,692)	(1,170,692)	(1,170,692)	(1,170,692)
<b>Total Council Tax</b>	<b>(17,185,274)</b>	<b>(17,695,770)</b>	<b>(18,214,874)</b>	<b>(18,742,708)</b>
Surplus on Collection Fund	0	0	0	0
<b>Total Funding</b>	<b>(28,891,769)</b>	<b>(27,955,770)</b>	<b>(28,374,874)</b>	<b>(28,402,708)</b>
<b>Budget Gap</b>	<b>0</b>	<b>1,991,119</b>	<b>2,406,121</b>	<b>2,814,513</b>

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**Savings and Growth Options**

**Appendix 2**

Head of Service	Key service area	MTP Reference	MTP description	Savings / growth (£000)			
				2020/21	2021/22	2022/23	2023/4
			<b>Savings options</b>				
C&C	Commercial Services	S01	Environmental Protection Business support. Income generation by increasing the provision of charged for services. Potential to expand provision of some primary authority advice in respect to environmental protection. Officers already provide pre-application advice in relation to noise, air quality, contaminated land and odour control to applicants for planning permission. It is possible to charge for this service on a full cost recovery basis.	-25	-25	-25	-25
C&C	Commercial Services	S02	Food and safety Business Support. Income generation by increasing the provision of charged for services. Currently the Council provides business support to four companies through the primary authority scheme. This work is carried out on a full cost recovery basis. There is opportunity to expand this service through additional partnerships with businesses operating in the area.	-25	-25	-25	-25
C&C	Digital Team	S03	A request has been received from the LGR Project to utilise staff resources from the digital team. This saving is based on a decrease in business as usual work for the team with the focus being on the unitary work.	-40	-40	-40	-40
C&C	Environmental Services Core Contract	S04	The Environmental Services Contract is multi-faceted, providing refuse/recycling collections, street and environmental management along with allotments, cemeteries and public conveniences. Various options are being drawn up to reduce existing costs.	-200	-200	-200	-200
CFO	Information Technology	S05	Efficiency reduction in managed ICT budget	-50	-50	-50	-50
CFO	LGSS	S06	Reducing contract costs in conjunction with Shared Service provider	-90	-90	-90	-90
CEO	Community and Other Grants	S07	Reduction in grants funding. Includes Small Grants scheme and members grants.	-90	-90	-90	-90
EAC	Estates Management	S08	Increase in Commercial Property income, through rent reviews and planned acquisitions	-300	-300	-300	-300
EAC	Events	S09	Remove support for commercial events	-10	-10	-10	-10
EAC	CCTV	S10	Efficiency measure to reduce the number of fibre lines used	-20	-20	-20	-20
EAC	Car Parking	S11	Deletion of vacant post	-22	-22	-22	-22

**Savings and Growth Options**

**Appendix 2**

Head of Service	Key service area	MTP Reference	MTP description	Savings / growth (£000)			
				2020/21	2021/22	2022/23	2023/4
EAC	Facilities Management	S12	Deletion of vacant post	-37	-37	-37	-37
EAC	Facilities Management	S13	Deletion of vacant post	-27	-27	-27	-27
EAC	Facilities Management	S14	Postage and print savings. Electronic transfer of mail to central hub for printing, enveloping and dispatch, with the option for customers to opt into an e-mail or texted version of the information and a push towards this methodology.	-40	-40	-40	-40
EAC	Markets	S15	Review of market operations	-50	-50	-50	-50
H&W	Housing Advice and Options	S16	Additional saving in the net cost of temporary accommodation	-40	-40	-40	-40
H&W	Housing Advice and Options	S17	Deletion of vacant post within Housing Service	-30	-30	-30	-30
H&W	Housing Advice and Options	S18	Delete the vacant part time post Landlord Liaison team	-25	-25	-25	-25
BS	Councillor & Managerial Support	S19	A reduction in the Member training budget	-3	-3	-3	-3
BS	Borough Secretary Group	S20	Restructure of posts within Borough Secretary Group	-78	-78	-78	-78
BS	Electoral Services	S21	Electoral Services postage cost reduction. The method of the annual canvass is due to change in 2020. Initially the electoral register data will be electronically matched with council tax. Any properties/electors who match do not need to have a form sent out.	-13	-13	-13	-13
BS	Legal	S22	Review and Increase the amount of fees charged to external companies for commercial property and planning S106 agreements.	-5	-5	-5	-5
BS	Democratic Services	S23	Reduction in printing costs through 'paper light committees'	-5	-5	-5	-5
PLA	Building Control	S24	Building control increased income from building regulation charges	-12	-12	-12	-12
PLA	Development Control	S25	Deletion of vacant post	-27	-27	-27	-27
PLA	Development Control	S26	Efficiency reduction of professional services budget	-30	-30	-30	-30
PLA	Development Control	S27	Increase pre-application fee income	-20	-20	-20	-20
PLA	Head of Planning	S28	Removal of advertising publicity budget	-10	-10	-10	-10
PLA	Planning Policy & Heritage	S29	Deletion of vacant post	-38	-38	-38	-38

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**Savings and Growth Options**

**Appendix 2**

Head of Service	Key service area	MTP Reference	MTP description	Savings / growth (£000)			
				2020/21	2021/22	2022/23	2023/4
PLA	Planning Policy & Heritage	S30	Joint working efficiency savings through working with other organisations	-35	-35	-35	-35
			<b>Total savings</b>	<b>-1,397</b>	<b>-1,397</b>	<b>-1,397</b>	<b>-1,397</b>
			<b>Growth options</b>				
C&C	Environmental Services Core Contract	G01	The Environmental Services Contract provides for tree maintenance but the amount of actual tree maintenance is limited by budget, by increasing the budget by 10K, it is hoped that increased works can be undertaken thus improving the local environment.	10	10	10	10
EAC	Property Maintenance	G02	Asset maintenance. To improve the information held on NBC assets, condition and structural data. Including bridges, monuments and large structures. To deliver improved maintenance and management of the NBC assets.	200	200	200	200
EAC	Economy, Assets & Culture	G03	Increase budget for feasibility, design and development works, recognising more regeneration projects and schemes are being brought forward.	90	90	90	90
PLA	Planning	G04	Sustainability action plan	20	0	0	0
			<b>Total growth</b>	<b>320</b>	<b>300</b>	<b>300</b>	<b>300</b>
			<b>Net total budget options</b>	<b>-1,077</b>	<b>-1,097</b>	<b>-1,097</b>	<b>-1,097</b>

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General Fund Capital Programme	Funding source	Scheme Budget pre 2020-21	Indicative				Scheme Total
			2020-21	2021-22	2022-23	2023-24	
			£	£	£	£	
<b><u>Ongoing schemes in the current Capital Programme</u></b>							
Vulcan Works	G,C,S-F	9,467,300	4,872,600	-	-	-	14,339,900
Market Stall Covers	C	20,000	20,000	-	-	-	40,000
Capital Improvements - Regeneration Areas	C	333,000	50,000	50,000	50,000	50,000	533,000
Commercial Landlord Responsibilities	C	59,500	50,000	50,000	50,000	50,000	259,500
Disabled Facilities Grant	G	1,778,400	1,457,200	1,457,200	1,457,200	1,457,200	7,607,200
Environmental Services Vehicles	C	657,500	262,200	190,800	262,200	262,200	1,634,900
IT Infrastructure	S-F	138,300	150,000	150,000	150,000	150,000	738,300
Operational Buildings - Enhancements	C	579,500	250,000	250,000	250,000	250,000	1,579,500
Parks/Allotments/Cemeteries Enhancements	C	319,200	250,000	250,000	250,000	250,000	1,319,200
Revenues and Benefits Capital Investments	C	306,400	14,900	14,900	14,900	-	351,100
Upton Country Park	G	2,085,000	53,000	-	-	-	2,138,000
Car Park Machines	C	40,000	20,000	20,000	20,000	-	100,000
<b>Total schemes in current capital programme (ongoing into future years)</b>		<b>15,784,100</b>	<b>7,449,900</b>	<b>2,432,900</b>	<b>2,504,300</b>	<b>2,469,400</b>	<b>30,640,600</b>
<b><u>Schemes in the current Development Pool awaiting formal approval</u></b>							
Economic Regeneration Property Schemes	S-F/C	10,000,000	10,000,000	-	-	-	20,000,000
Office Block	S-F	1,000,000	7,000,000	-	-	-	8,000,000
Mayorhold Car Park	C	-	-	500,000	-	-	500,000
Four Waterside Development	S-F	5,000,000	10,000,000	-	-	-	15,000,000
Temporary Accommodation/Housing	C, S-F	8,000,000	7,000,000	-	-	-	15,000,000
Town Centre Regeneration	S-F	1,000,000	1,000,000	1,000,000	1,000,000	-	4,000,000
Unitary Transformation work	C	500,000	1,400,000	-	-	-	1,900,000
Vulcan Works - fitting out	S-F	-	1,000,000	-	-	-	1,000,000
Vulcan Works Roof	C	-	500,000	-	-	-	500,000
<b>Total schemes in current development pool</b>		<b>25,500,000</b>	<b>37,900,000</b>	<b>1,500,000</b>	<b>1,000,000</b>	<b>-</b>	<b>65,900,000</b>
<b>Total</b>		<b>41,284,100</b>	<b>45,349,900</b>	<b>3,932,900</b>	<b>3,504,300</b>	<b>2,469,400</b>	<b>96,540,600</b>

Draft Capital Programme 2020-21 to 2023-24

Appendix 4

General Fund Capital Programme	Funding source	Scheme Budget pre 2020-21	2020-21	2021-22	2022-23	2023-24	Total
<b><u>New schemes</u></b>							
Northampton Parks and Open Spaces	G, C		50,000	50,000	50,000	-	150,000
Dallington Car Park Improvements	C		50,000	-	-	-	50,000
Racecourse Enhancement and Restoration of Basketball / Netball pitches	G, C		139,000	-	-	-	139,000
Telecare Digital Switch	C		46,500	46,500	46,500	-	139,500
Replacement of Guildhall Boilers	C		350,000	-	-	-	350,000
Elgar Centre M and E	G		125,000	-	-	-	125,000
Hazelrigg House	C		50,000	-	-	-	50,000
Guildhall Roof	C		500,000	-	-	-	500,000
Derngate Theatre Roof	C		50,000	-	-	-	50,000
IT Infrastructure Refresh	C		300,000	300,000	500,000	-	1,100,000
IT Server Assets	C		190,000	40,000	50,000	60,000	340,000
Footbridge replacements / rebuild	C		200,000	250,000	-	-	450,000
Obelisk Monument	C		20,000	80,000	-	-	100,000
Further Monument Work	C		-	-	50,000	50,000	100,000
Standens Barn shop roof replacement	C		20,000	-	-	-	20,000
Blackthorn Community Centre Extension	G		200,000	-	-	-	200,000
Billing Brook Lakes Phase 2	G		70,000	-	-	-	70,000
Rectory Farm Community Centre Phase 2	G		50,000	-	-	-	50,000
Penvale Park - footpath	C		-	300,000	-	-	300,000
<b>Total proposed new schemes 2020-21 onwards</b>			<b>2,410,500</b>	<b>1,066,500</b>	<b>696,500</b>	<b>110,000</b>	<b>4,283,500</b>
<b>Draft General Fund Capital Programme - Total</b>		<b>41,284,100</b>	<b>47,760,400</b>	<b>4,999,400</b>	<b>4,200,800</b>	<b>2,579,400</b>	<b>100,824,100</b>

**Key to Funding Sources**

G - Grants & Contributions

SF - Self-funded Borrowing

C - Corporate Resources - Capital Receipts or Borrowing

### **Special expenses**

#### **Introduction: what are special expenses?**

Special expenses are a part of the overall council tax charged by Northampton Borough Council. Most of the Borough's council tax is evenly distributed across all areas of the Borough. However, special expenses allow some specific costs to be distributed according to where the services are provided.

Special expenses relate to expenditure deemed solely to apply to a part of the Borough where precepting authorities in other parts of the Borough have chosen to precept and supply the same service separately. These are known as concurrent services.

The Borough charges special expenses for the maintenance of its smaller parks and open spaces as this service is also carried out by Parish Councils in some areas. Because these smaller parks and open spaces are not evenly distributed across the borough, the special expense charge (unlike the main council tax element) differs across the parishes of the Borough.

#### **Legal regulations**

The use of special area charges is permitted in accordance with Section 35 of the Local Government Act 1992 (1992 Act). The 1992 Act provides for different amounts of council tax to be calculated for different parts of a council's areas, usually between parished and unparished areas. The legislation provides for a range of special items to achieve this – special expenses and parish precepts being the most common.

Section 35(2)(d) specifically defines a special expense as *“any expenses incurred by a billing authority in performing in a part of its area a function performed elsewhere in its area by a parish council are the authority's special expenses unless a resolution of the authority to the contrary effect is in force.”*

Special expenses are therefore the costs associated with concurrent services provided by a parish in some part of the authority, and by the authority in another part. The costs of the maintenance of parks and open spaces in the Borough fall under this definition as some parks and open spaces in the borough are maintained by the authority, and others are maintained by the parish councils.

#### **Methodology for calculating special expenses**

The basic mechanism is to deduct the relevant expenditure from the total council tax applying to the total tax base, and then re-apply that expenditure over the parishes affected.

The relevant expenditure is the budgeted cost of providing parks and open spaces in the Borough. It is assumed that a proportion of these costs are met through central government grant, therefore this amount is reduced so that only a proportion of these costs that are considered to be met through council tax are charged as special expenses.

This amount is divided by the total acreage of parks and open spaces maintained by the Borough to give a cost per acre.

Some of the larger parks in the Borough are deemed to be of benefit to the whole Borough. The costs of these parks are therefore not redistributed through special expenses. The costs of the smaller, local parks and open spaces are redistributed. The total acreage of relevant parks and open spaces in each borough is then used to determine the specific charge for each area.

This means that residents in different parts of the Borough will pay different amounts according to the distribution of parks and open spaces across the Borough.

**Council tax position for 2020/21**

The draft budget for 2020/21 is based on an average band D council tax for NBC of £230.84. However, this figure is only an average figure across all areas of the Borough – this figure will vary from area to area due to special expenses.

NBC charges special expenses for the maintenance of its smaller parks and open spaces as this service is also carried out by Parish Councils in some areas. Because these smaller parks and opens spaces are not evenly distributed across the borough, the special expense charge (unlike the main council tax element) differs across the parishes of the Borough.

The table below shows the draft special expenses adjustments made in each area of the Borough for 2020/21:

Area within the Borough	Basic amount of NBC council tax before special expense redistribution	Total special expense amount in NBC budget to be redistributed	Redistributed special expense amount by parish area	Net special expenses adjustment	Total NBC tax payable
	(a)	(b)	(c)	(d)	(e)
Billing	230.84	-9.97	10.25	0.28	231.12
Collingtree	230.84	-9.97	0.00	-9.97	220.87
Duston	230.84	-9.97	4.31	-5.66	225.18
Great Houghton	230.84	-9.97	0.00	-9.97	220.87
Hardingstone	230.84	-9.97	2.42	-7.55	223.28
Upton	230.84	-9.97	0.00	-9.97	220.87
Wootton	230.84	-9.97	3.51	-6.46	224.38
East Hunsbury	230.84	-9.97	15.98	6.01	236.85
Hunsbury Meadows	230.84	-9.97	0.00	-9.97	220.87
West Hunsbury	230.84	-9.97	6.45	-3.52	227.31
Unparished	230.84	-9.97	11.80	1.83	232.67
<b>Average</b>	<b>230.84</b>	<b>-9.97</b>	<b>9.97</b>	<b>0.00</b>	<b>230.84</b>

In the table above:

- Column (a) is the total amount of council tax to be raised by NBC divided by the total tax base. If there was no special expense adjustment, this would be the band D tax for NBC across all areas.
- Column (b) relates to the cost of parks and open spaces to be redistributed by special expenses. This amount is taken off all areas, before being redistributed in column (c).
- Column (c) is the redistribution of special expenses. This redistribution is based on the acreage of parks and open spaces whose costs are being redistributed.
- Column (d) is the net adjustment, ie, (b) + (c). This shows that some areas pay more due to special expenses and some pay less. However, note that overall this produces a net nil adjustment across all areas. Special expenses do not affect the overall amount raised by Council Tax and do not affect the average council tax for the Borough as a whole.
- Column (e) is then the total NBC council tax payable by each area. Again, note that the average amount has not changed from column (a).

It should be noted that the above figures are based on the latest draft tax base figures and the latest draft budget figures for the costs of the maintenance of the Borough’s parks and open spaces. It is

possible that these figures may change between the draft budget and the final budget, but it is anticipated that the principles behind the calculation of the special expenses will remain the same.

The total special expense amount to be distributed in 2019/20 was £9.77. The draft figure of £9.97 in the table above is an increase of £0.20, or 2.05%. This change is due to changes to the costs of maintaining parks and open spaces; the reduction of central government funding, which increases the amount of these costs to be recovered through council tax and special expenses; and an overall increase in the tax base.

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NORTHAMPTON  
BOROUGH COUNCIL

## CABINET REPORT

<b>Report Title</b>	<b>Housing Revenue Account (HRA) Budget, Rent Setting 2020/21 and Budget Projections 2021/22 to 2023/24</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	23 December 2019
<b>Key Decision:</b>	NO
<b>Within Policy:</b>	YES
<b>Policy Document:</b>	NO
<b>Directorate:</b>	Management Board
<b>Accountable Cabinet Member:</b>	Cllr B Eldred
<b>Ward(s)</b>	N/A

### 1. Purpose

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- 1.1 The purpose of this report is to present for consultation the Cabinet's draft budget proposals for 2020/21, including Rent setting for 2020/21, and forecast budgets up to 2023/2024 for the draft Housing Revenue Account (HRA) and the draft HRA Capital Programme and financing proposals.
- 1.2 To note the draft capital programme new build programme that is expected to deliver up to 600 new council homes over the next 4 years.
- 1.3 The report also outlines the draft Total Fees for Northampton Partnership Homes (NPH) based on the draft 2020/21 budgets.

### 2. Recommendations

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- 2.1 That Cabinet approve the draft Housing Revenue Account (HRA) budget including charges and rents as detailed in **appendices 1 and 4** for public consultation.
- 2.2 That Cabinet approve the draft HRA Capital Programme and financing, as detailed in **appendix 2** for public consultation.
- 2.3 That Cabinet note the draft Total Fees proposed for NPH in **appendix 3** to deliver the services in scope.

- 2.4 That Cabinet approve a further £500k amount in 2019-20 for buybacks and spot purchases of properties by bringing forward the amount proposed from 2020-21 within the HRA capital programme. As set out at paragraph 3.2.34
- 2.5 That Cabinet approve up to a further £1.5m of capital spend in addition to the £6m previously approved by Council for the NCC Supported Living Provision property schemes. The total budget of up to £7.5m to be managed by NPH with NBC as part of the revised Capital Programme for 2019-20. As set out at paragraphs 3.2.35-3.2.37.
- 2.6 Cabinet notes the above approval is subject to the completed amended financial appraisal review.
- 2.7 Cabinet delegates to the Chief Finance Officer, the authority to approve any variations within the £7.5m budget.
- 2.8 Cabinet delegate to the Chief Executive in consultation with the Cabinet Member for Housing and Wellbeing, the Head of Housing and Wellbeing and the Chief Finance Officer, the authority to approve any variations required to be made to the Management Agreement between Northampton Borough Council and Northampton Partnership Homes dated 5 January 2015 that may be required to implement any Cabinet approvals arising from this report.

### **3. Issues and Choices**

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#### **3.1 Report Background**

- 3.1.1 Local housing authorities are required by Section 754 of the Local Government and Housing Act 1989 (the 1989 Act) to keep an HRA. The HRA reflects a statutory obligation to account separately for local authority housing provision. It identifies the major elements of the HRA expenditure and how these are funded, mainly from rents. The HRA budget process incorporates the calculation for the continuation of delivery of the HRA services by NPH. The details of the arrangements and indicative financial Total Fees were presented to Cabinet on the 12th November 2014. This report provides the updated financial position and indicative Total Fee for NPH for 2020/21 to provide the services in scope. It should be noted that the Total Fee for NPH in 2020/21 will be subject to approval of the HRA and General Fund Budgets by Council at its meeting in February 2020.
- 3.1.2 The Council has statutory responsibility for the HRA and will therefore retain management of the HRA. NPH, as part of their responsibilities, will provide the Council with information on its activities and advice on how best to make use of the resources within the HRA.

#### **3.2 Issues**

##### **3.2.1 Economic Context.**

There continues to be uncertainty around the national and global economic outlook, caused by various factors including the UK's planned withdrawal from the European Union. Therefore, the draft budget is built on prudent assumptions around inflation, interest rates, the continuing strong demand for housing and the impact of high numbers of instances of homelessness.

### 3.2.2 Medium Term Financial Strategy

In September 2019 Cabinet approved the medium term financial strategy, which provides the framework and context for the development of the detailed budget and medium term financial plan.

### 3.2.3 The medium term financial strategy included the following strategic principles:

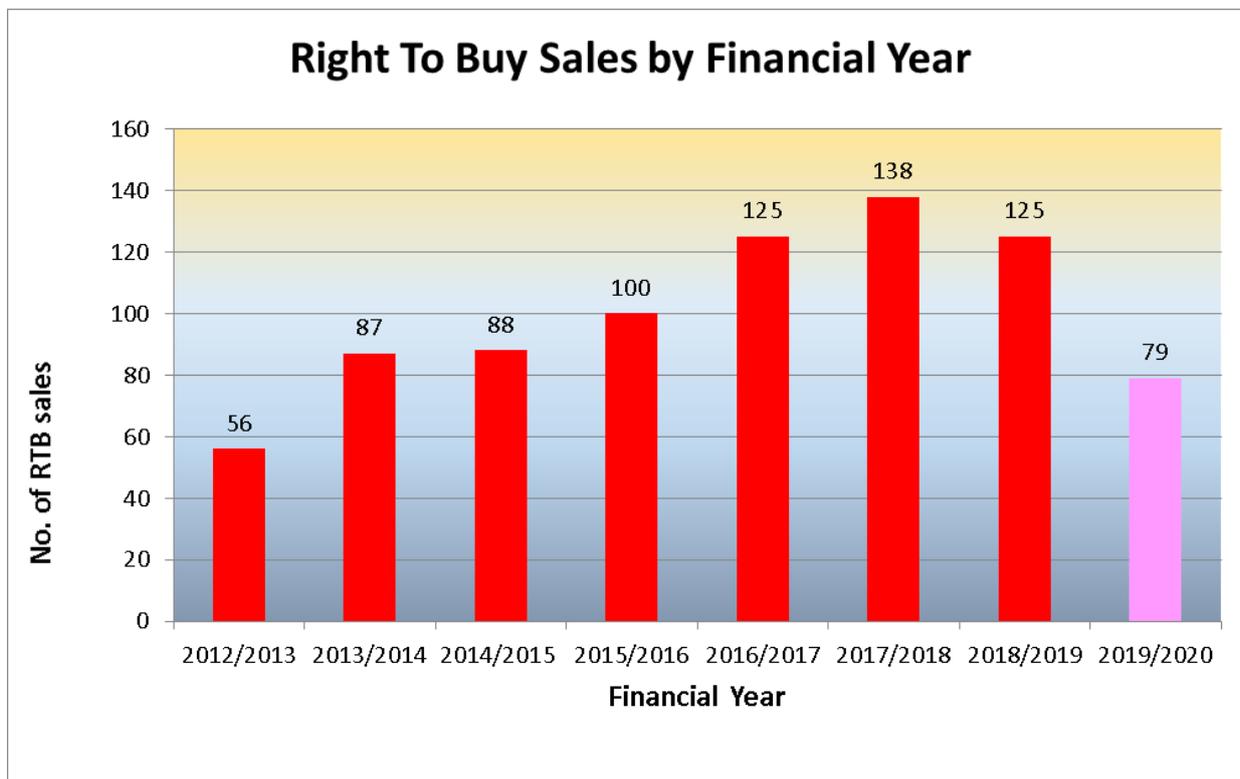
- The Council will, within available resources, seek to maximise delivery of services and levels of performance and ensure that resources are targeted to meeting its objectives and priorities
- The Council will set a balanced budget, which is stable and sustainable and fully represents the cost of providing the levels of service and performance set out in the corporate plan and service plans
- Income streams will be maximised through the delivery of high quality, cost effective services.
- Investment decisions will take into account both revenue and capital implications.
- Where requirements to undertake borrowing are identified, the costs and benefits of doing so will be assessed as required in line with CIPFA's prudential code.
- Financial implications will be underpinned by a robust risk assessment.
- Decision making will be business case lead. There will be a focus on the short, medium and long-term financial implications of decisions.
- Reserves will be utilised to fund investments that will deliver a long-term sustainable financial position.

### National and Local Policy

3.2.4 Since the introduction of self-financing in 2012 there have been a host of government policy initiatives that have impacted upon housing finances. Some of the major impacting ones are the legislative backed 1 % rent reductions for 4 years from 1 April 2016, the encouraging of right to buy (RTB) by increasing RTB discounts, and the introduction of Universal Credit and Benefit Cap.

3.2.5 More recently the Government has pledged to spend an additional £2bn on affordable housing and a new policy will come into effect from 1 April 2020 for future rent increases from 2020/21 with increases to be capped at CPI plus 1% for 5 years.

3.2.6 **Right to Buy (RTB)** sales have increased compared to recent years following an increase in discount levels introduced from April 2012. The current years sales at the end of November are 79. The total RTB sales by financial year, including the current year to date is shown in the graph below:



Assumptions based on these increased resources are included within the indicative HRA capital programme financing shown at Appendix 2. There are two additional considerations arising from this change:

- a) Additional pressure is placed on the revenue budgets through reduced rental income; assumptions around this have been built into the HRA budgets being considered in the draft budget; and
- b) The additional capital receipts, (retained “141” RTB receipt element 2020/21, must be used towards the provision of new social housing and can only be used to finance 30% of this cost. If the Council does not spend the capital receipts within a 3 year rolling timeframe, the receipts, plus an amount for interest, are payable to Government. Paragraph 3.2.10 provides more detail.

#### 3.2.7 **Housing Consultation** – A new deal for Social Housing.

The consultation ran until November 2018. Government have yet to enact any such changes so the future is not certain.

#### 3.2.8 **Pay to Stay** The Housing and Planning Bill 2016 made provision for the charging “high income social tenants” with reference to the market rate or other factors based on income and housing area. The Government decided not to proceed with the policy in its current compulsory form. Local authorities and housing associations have discretion as to whether to implement the

policy for tenants with incomes over £60k. This policy is currently not applied by the Council.

- 3.2.9 **New Council House Build** and the Use of 1-4-1 RTB Receipts. NPH has been working closely with the Council on a 10 year development plan for delivering more than 1,000 new affordable homes (including hundreds of new council homes) over the next ten years. This will help the Council to address the severe shortage of affordable housing in Northampton and reduce the rate at which the Council's housing stock is reducing through RTB. The new build programme is kept under constant review to ensure that it maximizes HRA capacity, safeguards the use of 1-4-1 RTB receipts and, where there is a robust business case, enables the delivery of affordable housing.
- 3.2.10 **1-4-1 RTB Receipts** The use of prudential Borrowing in the HRA enables borrowing that is affordable to fund the part of new build expenditure that 141 RTB receipts cannot meet under the rules. The 1-4-1 RTB receipts must be used to fund up to a maximum of 30% of new build, additionality projects or grants to Housing Association schemes. The RTB receipts must be spent within 3 years from receipt under the rules of the 2012 agreement, otherwise they are paid back to Treasury with interest at 4% above base. The outcome of a government consultation, concluded in October 2018, could increase the flexibilities around use of 1-4-1 RTB receipts in the future. However Government have yet to enact any such changes so the future is not certain.

### **Housing Revenue Account Budget 2020/2021**

- 3.2.11 The HRA is a ring-fenced account that represents the costs of holding the Council housing stock. There are strict rules surrounding the costs and income that can be charged to this account. Much of the income and expenditure is dictated by legislation and regulation leaving the Council with direct control over a limited number of these budgets. The HRA Budget proposed for 2020/21 reflects the current service levels and any proposed changes in service delivery.
- 3.2.12 The HRA budget estimates are attached at Appendix 1 to this report. The main areas to the HRA are reported below
- 3.2.13 **Rental income**, by far the largest single budget within the HRA, has previously been calculated in accordance with national rent policy. In October 2017, the government announced its intention to set a long term rent deal for both local authority landlords and housing associations. This would permit annual rent increases on both social rent and affordable rent properties of up to CPI plus 1 percentage point from 2020, for a period of at least five years ('the new policy'). The new policy will come into effect from 1 April 2020.
- 3.2.14 The proposal for rent increases in 2020/21 is therefore the maximum 2.7%,(September 2019 CPI 1.7% plus 1%) on average across the housing stock in line with the new policy.
- 3.2.15 **Application of the rent standard to local authority registered providers** for the first time, the government has directed the Regulator to apply its rent standard to all registered providers – i.e. to both local authority registered providers and private registered providers (the vast majority of which are housing associations). The government intends that the rent standard should apply to local authority registered providers from 2020 onwards because the previous arrangements for limiting the welfare costs associated with local

authority rents (the Rent Rebate Subsidy Limitation scheme) will not operate alongside Universal Credit.

- 3.2.16 **Service Charges.** The schedule of draft Service Charges for 2020/21 is attached at Appendix 3. The level of Service Charges should be set to enable the full recovery of eligible costs incurred, further work is ongoing to review the position. It is proposed that general Service Charges are increased in line with CPI as at September 2019 (1.7%). The Service Charges have been reflected in the draft budgeted income figures.
- 3.2.17 **Repairs and Maintenance.** The revenue repairs and maintenance budget represent the non-capital costs of responsive and cyclical maintenance programmes. These are determined both with current service levels and the latest stock condition survey information.
- 3.2.18 **Capital Financing Costs.** The interest fixed rate costs to the HRA, (approx. £6.5m), are reflective of the move to a Self-financing HRA in 2012 where the Council under the Governments prescription took on the debt for its stock as calculated by the Self Financing Determinations. They reflect the preferential rates provided to Councils at that time from the Public Works Loans Board (PWLB). The debt is subject to close management with rigorous monitoring to ensure that the financial position for the HRA is optimised. In addition to this the draft budget also reflects an increase in prudential borrowing to fund the new build programme.
- 3.2.19 The Business Plan since Self-financing model in 2012 assumed a level of increasing balances available to repay debt in the future. The changes imposed by government through the rent decreases 2016-20, increasing reductions in housing stock, and the current economic outlook have undermined this position and therefore these surpluses are forecast not to materialise until later in the life of the 30 year plan.
- 3.2.20 **Welfare Reform.** Universal Credit (UC) and other welfare reform is available to people who are on a low income or are out of work. It aims to make the welfare system simpler by replacing six benefits and tax credits with a single monthly payment. The Council initially went live with the delivery of UC in November 2015 for certain aspects. The DWP have now rolled out the full Digital service for new UC cases, which went live for the Council last year. New claims to legacy benefits are now closed and the migration of existing benefit claims will follow, expected to be completed by March 2022. The Council continues to monitor closely the impact of welfare reforms which will have an impact on rent collection for the Council and therefore impact on the overall HRA position. The level of arrears and required level of bad debt provision will continue to be monitored closely throughout 2019/20 financial year and future years in light of the welfare reform roll out and the performance levels in the management of arrears.
- 3.2.21 **NPH Management Agreement / services being provided** The Council pays NPH a Total Fee to provide both the Housing Landlord services and those Housing General Fund Services in scope. NPH receive what is defined in the Management Agreement as the "Total Fee" which will comprise of the majority of HRA budgets including the Capital Programme; Repairs and Maintenance and Operations Budgets. The Capital Programme (Improvement Programme) and the Repairs and Maintenance budgets are managed budgets, whilst the

Operations budget is a devolved budget. NPH will receive some Housing General Fund (HGF) budgets in relation to relevant service attributable to these. NPH operate using the management fee and manage the capital programme budget and revenue repairs and maintenance budget in accordance with what has been agreed by the Council.

3.2.22 **The Draft NPH Total Fee** has been worked through in partnership with NPH taking into account the current level of budgets, the detailed 30 year Draft HRA Business Plan and the changes in available funding services in scope. The Asset Management Plan will be updated for the purposes of setting the final budget. It should be noted that further work with NPH is ongoing and the HRA Business Plan is to be updated between Draft budget and Final which could lead to changes. The Draft NPH fee will be formerly confirmed by the NPH Board at its meeting scheduled in February 2020. The table below shows a summary of the draft 2020/21 Total Fee proposed. Further breakdown and detail can be found at Appendix 4.

**Summary Table of Total Fee to NPH for 2020/21**

NPH Management Fee	£'000s
Management - HRA	14,172
Management - General Fund Housing	291
Maintenance - Responsive & Cyclical (Managed Budget)	12,219
Capital - Improvements to Homes (Managed Budget)	36,050
Capital - Improvement to Environment (Managed Budget)	3,000
Capital - Managed Budget ICT	250
<b>Total Fee</b>	<b>65,982</b>

3.2.23 The funding pressures for 2020/2021 have been managed jointly by NBC and NPH, working together to maximise resources out of current budgets and minimising, where possible, any re-phasing of the capital programme. Prior to the final HRA budget being approved in February 2020 the Council will continue to work closely with NPH in relation to the draft budgets and the medium term financial plan. Medium term planning pressures and any emerging pressures and savings will need to be built into NPH future budget plans.

3.2.24 A summary of the overall draft HRA budget for 2020/21 and 2021 to 2024 is contained in Appendix 1.

**HRA Reserves**

3.2.25 In previous years, Cabinet has approved the prudent set aside of funds into specific HRA Reserves to finance future HRA expenditure including capital financing, risks of Leaseholder claims, Service Improvements, and an Insurance reserve. The use of the capital reserve is incorporated into the

capital programme financing considerations included later in this report. The table below shows the forecast opening balance on the reserves as at 1 April 2020. Any variations in the current financial year that requires the use of reserves not currently known will reduce this forecast starting position and impact on the finances available

### **Summary of HRA Earmarked Reserves and Working Balances**

<b>Reserves</b>	<b>Balance B/f 01/04/2020</b>	<b>Earmarked in Year</b>	<b>Applied in Year</b>	<b>Balance C/f 31/03/2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
HRA Reserves	(2,846)	0	1,917	(929)
HRA Leaseholder Reserve	(500)	0	0	(500)
HRA Service Improvement Reserve	(1,000)	0	0	(1,000)
HRA Insurance Reserve	(300)	0	0	(300)
<b>Total HRA Reserves</b>	<b>(4,646)</b>	<b>0</b>	<b>1,917</b>	<b>(2,729)</b>
<b>Min Level of Working Balances</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>(5,000)</b>
<b>Total HRA Reserves</b>	<b>(9,646)</b>	<b>(5,000)</b>	<b>(3,083)</b>	<b>(7,729)</b>

3.2.26 These reserves can be drawn down as required, to finance the future strategic requirements of the service, and will be subject to change as forecasts of funding are updated.

#### **Adequacy of Working Balances**

3.2.27 A prudent level of working balance, along with appropriate application of reserves, should be part of the overall budget. The Chief Finance Officer reviews the level of balances required to support the Housing Revenue Account spend annually as part of a robust risk assessment. This risk assessment suggests that the minimum level of balances, taking all known risks into account should remain at the current level of £5m for 2020/21. This minimum level is designed to cope with unpredictable circumstances, which cannot be addressed by management or policy action within the year. Under the Management Agreement with NPH to recognise the change in service delivery NPH will continue to have available to it £1m of this working balance to call upon to maintain cash flow if required. Further work is ongoing, taking into account the government's latest budget, to assess the level of working balances in conjunction with NPH and any changes will be reported to Cabinet in February 2020.

3.2.28 This does not represent a medium to long term safe level of reserves. The level can only accommodate the impact of significant events up to the level set and would need to be replenished if one or more such events occur.

## Housing Revenue Account Capital Programme

- 3.2.29 Capital expenditure is essential for the Housing Revenue Account in order to maintain and improve the Council's housing stock. The HRA is an asset driven service and as such the capital programme plays a key part in the delivery of the HRA service.
- 3.2.30 The proposed HRA capital programme for 2020/21 to 2023/24 is attached at Appendix 2 and summarised in the table below for 2020/21. The value of the total proposed HRA capital programme for 2020/21 is £39.8m.

<b>Capital Programme 2020/21</b>	<b>HRA £000</b>
External Improvements	9,300
Internal Works	4,600
Structural Works and Compliance	600
Disabled Adaptations	1,300
Environmental Improvements	3,000
IT Development	250
New Build Programme / Major Projects	20,250
Buybacks / Spot Purchases / Pool	500
<b>Total HRA Capital Programme</b>	<b>39,800</b>
Funding Source	
Borrowing	13,968
Major Repairs Reserve/Depreciation	12,000
Capital Receipts	7,543
Revenue/Earmarked Reserve	6,289
<b>Total Funding</b>	<b>39,800</b>

- 3.2.31 The Asset Management Plan has been reviewed by NPH but is due for a refresh with the latest information. This will need to be ran through the HRA Business Plan and future budgets. In addition to this included in the draft capital programme includes for a significant investment to the Councils' New Build and Major works 2020/2021 programme, (£20.25M to deliver up to 150 new homes in year), reflecting ability to prudentially borrow within the HRA. This has been included in the draft budget and will inform the refresh of the Council's HRA Business Plan for 2020/2021. The HRA Capital Programme has been developed within the context of the 30-year Business Plan and the existing Asset management plan. The capital programme has a direct impact on the revenue position of the HRA.
- 3.2.32 Although the focus of the Capital Programme is to maintain and improve the Council's homes, there is also a focus on environmental improvements and an increased focus on the development of new homes to help address the shortage of affordable housing in the Borough. The New Build/ Major projects draft budget and indicative budgets from the following 4 years is expected to deliver up to 600 new council homes.
- 3.2.33 The detail of the HRA capital programme for 2020/21 and beyond will be refined in line with annual updates to the Business plan, Asset management plan, and any changes to government policy and legislation.

3.2.34 The proposed HRA capital programme for 2020/21 includes a £500k budget to purchase former council properties and spot purchase properties available on the market which are of a strategic importance. It is recommended that Cabinet approve the use of this £500k in 2019-20 to meet increased opportunities to purchase affordable homes.

### **NCC Supported Living Provision property schemes**

3.2.35 Council at its meeting on 3<sup>rd</sup> June 2019 approved the increase in HRA borrowing and the total cost of these schemes to the HRA Capital Fund should not exceed £6m. Cabinet at its meeting 12<sup>th</sup> June 2019 approved the schemes.

3.2.36 Following a procurement process the schemes total cost has risen to £7.045m. It is recommended that the additional cost is approved, with an approval for an additional budget of up to £1.5m, a total budget of up to £7.5m.

3.2.37 The main reasons for the increase in costs are due to

- a higher specification due to planning requirements
- making them wheelchair accessible
- drive to construct sustainable homes and cease installing gas in new homes

### **Capital Strategy**

3.2.38 The aim of the Capital Strategy is to provide a clear framework for capital funding and expenditure decisions in the context of the Council's vision, values, objectives and priorities, financial resources and spending plans. The HRA element is closely aligned to the Council's Asset Management Plan and the NPH Delivery Plan. The overall strategy has been refreshed and is part of the General Fund budget setting report for consultation.

## **3.3 The Next Steps**

3.3.1 The timetable for the 2020/21 budget process requires a meeting of the Council in February 2020, at which consideration will be given to the recommendations of this Cabinet in relation to the expenditure, income, and rent proposals that relate to HRA spending.

## **3.4 Consultation**

3.4.1 Formal consultation with the public and stakeholders including local businesses will be launched in December 2019 and will continue until the budget is formally adopted in February 2020 in line with an agreed consultation programme.

## **3.5 Choices (Options)**

3.5.1 Cabinet can agree that the budget proposals for 2020/21 for the HRA and HRA Capital programme and indicative budgets for 2021/22 to 2023/24 as summarised in the appendices to this report can be approved for consultation.

3.5.2 Cabinet can agree the proposed Rent increase of 2.7% for 2020/21 and increases in service charges.

3.5.3 Cabinet can choose to make amendments to the proposed budgets and the proposed rent and service charge increases prior to agreeing the budget to consult on, subject to the advice of the Chief Finance Officer.

### **NCC Supported Living Provision property schemes Choices (Options)**

- 3.5.4 Cabinet to not approve the additional budget of up to £1.5m this would limit the opportunity for residents within the Borough and County to access suitable housing for their needs and continue to drive Social Care costs through the need to place clients with complex needs out of area.
- 3.5.5 To approve selected schemes, this would limit the opportunity for residents within the Borough and County to access suitable housing for their needs and continue to drive Social Care costs through the need to place clients with complex needs out of area.
- 3.5.6 To approve all schemes, with associated delegations to officers to enable progression on all three schemes. This will improve provision of specialist supported living accommodation within the Borough and contribute to the financial sustainability of Adult Social Care, which will in addition assist with the financial sustainability of the new Unitary Authority West Northamptonshire Council.
- 3.5.7 Cabinet are recommended to approve option 3.5.6 above.

## **4. Implications (including financial implications)**

### **4.1 Policy**

- 4.1.1 The revenue and capital budgets are set in support of the Council's priorities.
- 4.1.2 The HRA revenue budget is set in the overall context of the HRA 30 year business plan.
- 4.1.3 The Capital Programme for the HRA is set in the context of the Council's Capital Strategy and HRA 30 year Business Plan.

### **4.2 Resources and Risk**

- 4.2.1 HRA budgets may be subject to further changes to reflect the Governments settlement and any Housing White Papers.
- 4.2.2 The HRA 30 Year Business Plan for 2020/2021 is currently being built and will be subject to external review to assess for accuracy and robustness, the result of which could require revisions to the HRA Capital programme. This will be reported on and reflected in the final budget report.

### **4.3 Legal**

- 4.3.1 The Council has a legal duty to set a balanced budget each year, bearing in mind its fiduciary duties to the taxpayer, and the HRA is not allowed to go into deficit by law. In exercising these duties, the Council must comply with various legislation and administrative duties.

#### **4.4 Equality**

- 4.4.1 The Public Sector Equality Duty (PSED) requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out its activities. Failure to comply with this duty would be challengeable in the courts.
- 4.4.2 Equality and diversity were considered as part of each of the medium term planning options submitted. Equality impact assessments are 'living' documents and will be updated to take into account relevant feedback from the consultation process. Where these documents identify mitigating action, this will be undertaken in implementing the relevant option should it be taken forward and approved in February 2020.

#### **4.5 Consultees (Internal and External)**

- 4.5.1 Internally heads of service and budget managers have been consulted, along with finance officers of NPH. Management Board has carried out a detailed challenge of the budget with Members.

#### **4.6 How the Proposals Deliver Priority Outcomes**

- 4.6.1 Consulting on the draft budget is a key ingredient of effective financial governance, which contributes to the priority of "spending your money wisely" and specifically for the HRA contributes to the priority of "Better homes for the future". More broadly, the Council's budget is the financial representation of the Council's plans, and so setting a balanced budget contributes to all of the Council's priority outcomes.

#### **4.7 Environmental Implications (including climate change issues)**

- 4.7.1 Environmental impacts were considered as part of each of the medium term planning options submitted. In addition, major projects and new build capital programme schemes are subject to a business case. Each business case includes for the environmental implications of a scheme.

#### **4.8 Other Implications**

None not already covered above.

#### **4.9 Appendices**

The **Appendices** are set out as follows:

- 1 Housing Revenue Account Summary
- 2 Proposed Housing Revenue Account Capital Programme and Financing
- 3 HRA Fees and Charges
- 4 NPH Total Fee

## **5. Background Papers**

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5.1 Property Transactions relating to Supported Living Provision – 12<sup>th</sup> June 2019 Cabinet

## **6. Next Steps**

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6.1 The final Housing Revenue Account budget for 2020/21 will go back to Cabinet in February 2020, and also to full Council for approval in February 2020.

George Candler, Chief Executive  
Stuart McGregor, Section 151 Officer

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**DRAFT Housing Revenue Account Budget Summary 2020-2024**

Description	Note	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24
<b>INCOME</b>					
		£	£	£	£
Rents - Dwellings Only	(1)	(50,126,700)	(51,851,700)	(53,618,300)	(55,266,100)
Rents - Non Dwellings Only		(967,100)	(920,300)	(878,100)	(840,100)
Service Charges		(2,583,080)	(2,619,120)	(2,666,120)	(2,716,120)
Other Income		(24,000)	(24,000)	(24,000)	(24,000)
<b>Total Income</b>		<b>(53,700,880)</b>	<b>(55,415,120)</b>	<b>(57,186,520)</b>	<b>(58,846,320)</b>
<b>EXPENDITURE</b>					
Repairs and Maintenance	(3)	13,855,415	14,149,346	14,358,484	14,568,249
General Management	(3)	8,814,172	9,161,167	9,212,676	9,285,477
Special Services	(3)	4,607,699	4,717,098	4,782,133	4,848,127
Rents, Rates, Taxes & Other Charges		289,300	289,300	289,300	289,300
Increase in Bad Debt Provision		600,000	600,000	600,000	600,000
<b>Total Expenditure</b>		<b>28,166,586</b>	<b>28,916,912</b>	<b>29,242,593</b>	<b>29,591,153</b>
<b>Continuation Budget</b>		<b>(25,534,294)</b>	<b>(26,498,208)</b>	<b>(27,943,927)</b>	<b>(29,255,167)</b>
Net Recharges from the General Fund		2,650,000	2,650,000	2,650,000	2,650,000
Interest & Financing Costs					
- Interest on balances		(63,702)	(55,453)	(56,648)	(58,813)
- Internal Borrowing (Under funded CFR)		45,914	54,659	109,319	109,319
- Interest Fixed Rate		6,529,686	7,202,328	7,934,849	8,658,183
Revenue Contributions to Capital		6,288,929	3,731,459	3,416,353	3,758,774
Depreciation		12,000,036	12,289,430	12,633,339	12,984,244
Contribution to / (from) Reserves		(1,916,568)	625,784	1,256,716	1,153,460
<b>Remaining Deficit / (Surplus)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Notes**

(1) CPI (1.7%) plus 1% increase from 2020/21

(2) Expenditure budgets above are proposed to be split between NBC and NPH as per the table below.

(3) Medium Term Planning Pressures could affect NPH Fee in future years

Description	£'000
Repairs and Maintenance	14,160
General Management	8,803
Special Services	4,601
Less NBC Retained Budgets	(887)
<b>NPH Budget as per Appendix 4</b>	<b>26,678</b>

	2020-21	2021-22	2022-23	2023-24	Total
	£	£	£	£	£
External Improvements	9,300,000	11,650,000	12,450,000	12,450,000	45,850,000
Internal Works	4,600,000	3,050,000	2,250,000	2,250,000	12,150,000
Structural Works and Compliance	600,000	450,000	450,000	450,000	1,950,000
Disabled Adaptations	1,300,000	1,300,000	1,300,000	1,300,000	5,200,000
Environmental Improvements	3,000,000	3,000,000	3,000,000	3,000,000	12,000,000
IT Development	250,000	250,000	250,000	250,000	1,000,000
New Build Development Pool	20,250,000	20,250,000	20,250,000	20,250,000	81,000,000
Buybacks and Spot Purchases	500,000	500,000	500,000	500,000	2,000,000
<b>Total</b>	<b>39,800,000</b>	<b>40,450,000</b>	<b>40,450,000</b>	<b>40,450,000</b>	<b>161,150,000</b>

<b>SPLIT:</b>					
Improvements to Homes	15,800,000	16,450,000	16,450,000	16,450,000	65,150,000
Improvements to Environment	3,000,000	3,000,000	3,000,000	3,000,000	12,000,000
IT Development	250,000	250,000	250,000	250,000	1,000,000
New Build Programme/Major Projects	20,250,000	20,250,000	20,250,000	20,250,000	81,000,000
<b>Total NPH</b>	<b>39,300,000</b>	<b>39,950,000</b>	<b>39,950,000</b>	<b>39,950,000</b>	<b>159,150,000</b>
NBC Retained - Buy Backs	500,000	500,000	500,000	500,000	2,000,000
<b>Total Capital Programme</b>	<b>39,800,000</b>	<b>40,450,000</b>	<b>40,450,000</b>	<b>40,450,000</b>	<b>161,150,000</b>

<b>FINANCING:</b>					
Major Repairs Reserve/Depreciation	12,000,036	12,289,430	12,633,339	12,984,244	49,907,050
Capital Receipts - RTB (excl 1-4-1)	2,845,400	2,921,100	2,998,800	3,078,500	11,843,800
Capital Receipts - RTB 1-4-1 Receipts	4,697,599	5,192,599	5,192,599	6,225,000	21,307,796
Revenue/Earmarked Reserve	6,288,929	3,731,459	3,416,353	3,758,774	17,195,514
Borrowing / CFR	13,968,037	16,315,412	16,208,909	14,403,482	60,895,840
<b>Total Financing - HRA</b>	<b>39,800,000</b>	<b>40,450,000</b>	<b>40,450,000</b>	<b>40,450,000</b>	<b>161,150,000</b>

**SCHEDULE OF SERVICE CHARGES 2020/21**

<b><u>SERVICE CHARGES</u></b>		<b>PRESENT</b>	<b>PROPOSED</b>
		<b>£</b>	<b>£</b>
<b>Garages</b> (+VAT in some cases)		9.45	9.61
<b>Commuter Surcharge on Garages</b> (+VAT in some cases)		15.02	15.28
<b>Communal Heating</b>		10.56	10.74
<b>Sheltered Charges</b> - Level 1 Low		6.32	6.42
<b>Brookside Meadows New Build - Service Charges</b>			
- Tarmac and Block Paving		3.95	4.02
- Electric Gates		1.10	1.12
<b>Centenary House New Build - Service Charges</b>			
Communal Area Maintenance		1.76	1.79
Communal Area Cleaning		3.45	3.51
Grounds Maintenance		1.15	1.17
Electric		3.42	3.48
<b>Little Cross Terrace New Build - Service Charges</b>			
Communal Area Cleaning		1.83	1.86
Grounds Maintenance		1.21	1.23
TV Aerials		0.31	0.32
<b>Eleanor Lodge - Service Charges</b>			
Grounds Maintenance		0.98	1.00
Electric		4.79	4.87
Gas		3.25	3.31
Water		6.13	6.23
Furniture		4.82	4.90
Electric (Self-contained areas)		3.28	3.34
Gas (Self-contained areas)		2.23	2.27
<b>CCTV</b>		3.89	3.95
<b>Grounds Maintenance</b>		2.12	2.16
<b><u>Non- Standard Service Charges</u></b>			
<b>Electricity Communal</b>	<b>Low</b>	0.12	0.12
	<b>High</b>	7.12	7.24
<b>Estate Services - Cleaning and Caretaking</b>			
	- Service Level 1	0.40	0.40
	- Service Level 2	0.96	0.98
	- Service Level 3	1.20	1.22
	- Service Level 4	1.60	1.62
	- Service Level 5	2.40	2.44
	- Service Level 6	3.60	3.66
	- Service Level 7	4.79	4.87
	- Service Level 8	4.79	4.87

## DRAFT Schedule 5 - NPH Management Fee

		NPH				
Housing Management & Maintenance(HRA)		2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
		£	£	£	£	£
<b>Total</b>	<b>Repairs &amp; Maintenance</b>	12,218,960	12,434,416	12,621,911	12,811,085	12,811,085
<b>Total</b>	<b>General Management</b>	7,053,071	7,331,167	7,376,446	7,441,024	7,441,024
<b>Total</b>	<b>Special Services</b>	4,001,754	4,083,860	4,142,228	4,201,808	4,201,808
<b>Total</b>	<b>Recharges</b>	3,117,000	3,289,270	3,321,359	3,354,090	3,354,090
<b>TOTAL HRA</b>		<b>26,390,786</b>	<b>27,138,712</b>	<b>27,461,945</b>	<b>27,808,008</b>	<b>27,808,008</b>
<b>Housing General Fund</b>						
<b>Total</b>	<b>Travellers Site</b>	210,972	211,752	212,546	213,357	213,357
<b>Total</b>	<b>Temporary Accommodation R&amp;M</b>	0	0	0	0	0
<b>Total</b>	<b>Home Choice &amp; Resettlement</b>	80,000	80,000	80,000	80,000	80,000
<b>TOTAL GF HOUSING</b>		<b>290,973</b>	<b>291,752</b>	<b>292,546</b>	<b>293,357</b>	<b>293,357</b>
<b>TOTAL REVENUE</b>		<b>26,681,758</b>	<b>27,430,464</b>	<b>27,754,491</b>	<b>28,101,365</b>	<b>28,101,365</b>
<b>HRA Capital Programme</b>		39,300,000	39,950,000	39,950,000	39,950,000	39,950,000
<b>GRAND TOTAL</b>		<b>65,981,758</b>	<b>67,380,464</b>	<b>67,704,491</b>	<b>68,051,365</b>	<b>68,051,365</b>
<b>Analysed by Funding Pots</b>						
	Management - HRA (including Special Services)	14,171,826	14,704,297	14,840,034	14,996,922	14,996,922
	Management - GF Housing	290,973	291,752	292,546	293,357	293,357
	Maintenance - Managed Budget Responsive	9,408,599	9,574,500	9,718,871	9,864,536	9,864,536
	Maintenance - Managed Budget Cyclical	2,810,361	2,859,916	2,903,040	2,946,550	2,946,550
	Capital - Managed Budget Improvement to Homes	36,050,000	36,700,000	36,700,000	36,700,000	36,700,000
	Capital - Managed Budget Improvement to Environment	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
	Capital - Managed Budget ICT	250,000	250,000	250,000	250,000	250,000
<b>Total</b>		<b>65,981,758</b>	<b>67,380,464</b>	<b>67,704,491</b>	<b>68,051,365</b>	<b>68,051,365</b>

**Notes:**

Recharges comprise approximately £1.4m from LGSS and £1.8m from the General Fund

All figures are subject to the annual approval, by Council, of the HRA and General Fund budgets in accordance with clause 10

Estimated figures for future years are shown in real terms including inflation on supplies and services.

Capital programme based upon figures provided in support of the revised Asset Management Strategy.

Indicative year 5 included to comply with management agreement (based on 2023/24 figures)

Medium Term Planning Pressures could affect NPH Fee in future years

**Appendix 10H – Consultation Responses – Overview and Scrutiny Committee**

As part of the overall consultation process, the budget was reviewed by the Overview and Scrutiny Committee on 9 January 2020. Below is an extract of the minutes of that meeting relating to this item. The full minutes can be found at this link: <http://www.northamptonboroughcouncil.com/councillors/documents/g8982/Printed%20minutes%20Thursday%2009-Jan-2020%2018.00%20Overview%20Scrutiny%20Committee.pdf?T=1>

**REPORT OF THE OVERVIEW AND SCRUTINY REPORTING AND MONITORING WORKING GROUP - GENERAL FUND MTFP 2020/2021 AND DRAFT BUDGET PROPOSALS**

Councillor Beardsworth addressed the Committee conveying her concerns regarding budget cuts to the Voluntary Sector; in her opinion, she felt it would be better for the Councillor Empowerment Fund to be cut to zero for each Councillor. She noted the budgetary pressures in respect of homelessness. In response to a query from the Committee, Councillor Beardsworth suggested that £90,000 should be allocated to the Voluntary sector; there is a need for people to receive the right care and treatment.

Councillor Beardsworth was concerned that charges for the collection of green waste would be implemented and heard that this had been resolved at full Council in February 2019 to be implemented in 2020.

Councillor Beardsworth raised concern regarding the number of households in temporary accommodation of 348. This was felt to be a big number. She commented that a number of staff had been employed to deal with this and help the homeless but there are not the homes available for them. There is a need to look at different ways to acquire temporary accommodation.

Councillor Beardsworth was thanked for her contribution.

The Chair advised that the O&S Working Group had met recently and considered the draft budget in detail and had proposed six items from the draft budget for the Committee to budget-scrutinise, three of which a written response was received. He highlighted the Committee would not be scrutinising the proposed budget in its entirety at this meeting.

Councillor Eldred, Cabinet Member for Finance, advised that a consultation drop in session on the budget is scheduled for 27 January 2020 and all are welcome to attend.

**Housing – Temporary accommodation and income streams**

The Committee heard that temporary accommodation is a serious issue and puts a strain on the budget; if required, funds would be used from reserves. Officers are investigating options for temporary accommodation such as “buy back” of former Right to Buy properties that have come back onto the market. One bedded bed and breakfast accommodation that is used as temporary accommodation costs around £12,500 per year; should NBC have its own accommodation this cost would reduce to £5,000. Borrowing would need to take place to acquire such buildings.

Councillor Hibbert, Cabinet Member for Housing and Wellbeing, and Phil Harris, Head of Housing and Wellbeing, addressed the Committee commenting that temporary accommodation and homelessness is a massive challenge. Families in temporary accommodation has increased by 6%. Regular updates are produced and there is a detailed action plan.

It was noted that 100 less affordable houses had become available than had been forecasted. NBC is working with NPH regarding acquiring the first 22 ex-right to buy homes for homeless families. These are additional homes to those that are already being purchased.

The Committee made comment, asked questions and heard:

In response to a query whether temporary prefab accommodation could be used; Phil Harris advised that this had been previously investigated but there was a need for more permanent solutions to be looked at. A summary of choices and cost benefits would be produced for a future scrutiny meeting.

The Committee raised concerns regarding the increase in temporary accommodation of 6% and how it would be endeavoured to reduce this. The Committee further commented that planning decisions with less than 35% affordable housing is making an impact.

Councillor Hibbert confirmed that preventing homelessness is a successful area of work since the new team has been appointed. Phil Harris added that it is a priority to prevent homelessness where possible. £500,000 has been invested into the restructure of housing, money and advice services. The lack of affordable housing does have an impact.

The Committee further commented that 130 properties were sold under the right to buy scheme in the last 12 months and queried what impact this had made on affordable housing and whether right to buy could be prevented. In response, the Committee heard that Rent Plus and other affordable rent options are being investigated, there is a real benefit for there to be a variety of affordable housing models. Belgrade House will be for 120 key worker homes, under a lease agreement.

NBC is purchasing former Council homes that NBC and NPH is aware of the history of and are already in an NPH maintenance area. The first 24 homes have been purchased successfully. Other housing stock will also be investigated. Each purchase is looked at on a case by case basis. A trial is in place. The Committee suggested that it undertakes scrutiny of this trial and a report is submitted to a future meeting.

Regarding Right to Buys, the Committee heard that the receipt of these are split 30% to the local authority and 70% to central Government.

In response to a query regarding Women's Refuges, the Committee heard that NBC gave support and funding to EVE; a local church has also opened a Women's Shelter.

In response to a query regarding meeting the budget next year, Phil Harris advised that he was confident that the Action Plan would set out to achieve its targets. However, more people had come for help and presented as homeless than expected.

### **Unitary – Budget of £2.4 million**

The Chair confirmed that the Committee has asked for information how the budget of £2.4 million for Unitary would be monitored. Councillor Jonathan Nunn, Leader of the Council, advised that the West Northamptonshire Joint Committee had met on 7 January 2020 and received an update on the entire budget for Unitary which was £43.5 million; which includes NCC's transformation budget, Business Rates Uplift monies (Kettering act as accountable body) and funding from all 8 local authorities (Daventry act as accountable body). Adult Social Care and Children's Services are being transformed. Savings of £80 million per year are being aimed for.

A Member Briefing is scheduled for 27 January 2020, all Members have been invited to attend, this briefing will include details regarding the budget.

The Committee made comment, asked questions and heard:

- In response to a query, the budget of £2.4 million for Unitary had been put together following a lot of detailed planning and estimating. £1 million had previously been set aside for Unitary and £1.4 million is included in the forthcoming proposed budget for 2020/2021. Budget monitoring will take place.
- In answer to a query regarding the transformation period, the Committee heard that this was the biggest change exercise for any Council to go through.
- The Committee was advised that major change creates uncertainty but there is also positivity. George Chandler, Chief Executive, advised that one of his roles is to ensure communication to staff and Members stays consistent and upbeat. The next 15 months will be very busy and there will be real opportunities.
- £500,000 has been spent so far. The initial budget estimate of £1 million required from each local authority was incredibly low and it has been refined. It is a programmed budget over a 2-3 year period and not an annualised budget; it is possible there may be the need for virements between individual budgets as the work progresses. A further report will be considered by the West Northamptonshire Joint Committee at its meeting in February 2020.

### **Staff and Resources – Capacity and Sustainability**

George Candler, Chief Executive, advised that there is always an element of risk in relation to retention of staff and resources during a period of change such as local government reorganisation. Currently there are 322 FTEs employed at NBC; there is always a level of vacancies, and some areas are proving difficult to recruit to. 42 employees left in 2019/2020. Exit Interviews are undertaken and based on analysis from the last 12 months the majority of staff leave due to promotion, sometimes outside local government. A small number leave because they are not happy in the role. No one stated they were leaving due to Unitary. It is understood, however, that employees want certainties and may look for another job during this period of change. It is important to make sure that regular, consistent and honest dialogue takes place with staff. There will also be regular briefings on the programme and newsletters will shortly be coming out for all staff and elected members. Training and development is key for

staff and succession planning has also been identified to ensure long term continuity for roles. The Chief Executive concluded stating he felt, based on previous experience, that the majority of Officers will have roles in the new Unitary Authority.

The Committee heard that there will be a challenge to deliver BAU, Unitary and 'sprint to the line' work which may lead to a need to prioritise workloads.

At this point clarification of the charge for green waste collection was provided. This had been approved in the budget for 2019/2020 and the charge will come into effect in April 2020; it had originally been anticipated that it would come into force in January 2020.

The Chair thanked Officers for the written responses on the following, the contents of which were noted.

- EAC – Maintenance budgets
- Sustainability issues
- Councillor Empowerment Fund

AGREED: That:

(1) The Committee was content with the responses and information provided regarding the 3 issues and the written responses provided to the three further issues.

(2) The Committee undertakes pre decision scrutiny on the trial of the buy back scheme.



## AUDIT COMMITTEE REPORT

<b>Report Title</b>	Risk Based Verification (RBV) Policy.
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**AGENDA STATUS: PUBLIC**

<b>Audit Committee Meeting Date:</b>	06 February 2020
<b>Policy Document:</b>	Yes
<b>Directorate:</b>	Chief Finance Officer
<b>Accountable Cabinet Member:</b>	<b>Cllr Brandon Eldred – Portfolio Holder - Finance</b>

### 1. Purpose

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1.1 To review the approach to verifying claims for Housing Benefit and Council Tax Reduction and to seek approval of the Risk Based Verification (RBV) Policy.

### 2. Recommendations

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2.1 It is recommended that the audit committee be requested to approve the Risk Based Verification Policy (Appendix A).

### 3. Issues and Choices

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#### 3.1 Report Background

3.1.1 Risk Based Verification (RBV) is currently being used and is a method of applying different levels of verification checks to benefit claims according to the predicted risk associated with those claims. The main benefits associated with the RBV approach are twofold:

- In low risk cases we are able to ‘fast track’ HB/CTR applications which deliver significant customer service improvements and service efficiencies
- In high risk cases we are able to ‘more accurately’ detect fraud and error at the point of data entry

- 3.1.2 The DWP have developed and approved a Risk Based Verification policy which sets out the information and evidence required before assessing claims for Housing Benefit and Council Tax Reduction (Appendix B).
- 3.1.3 In order to implement this approach the council is required to create its own RBV policy.
- 3.1.4 DWP consider it to be good practice for the RBV policy to be examined by the Local Authority Audit and Risk Committee annually. The policy must be submitted for Member's approval and sign off, along with a covering report confirming the Section 151 Officer's agreement and recommendation. The information held in the RBV policy should not be made public due to the sensitivity of its contents.
- 3.1.5 The Risk Based Verification policy defines the risk categories and the checks required for each category. This information is system based so that claims are automatically allocated a risk category prior to payment. Claims are put into 1 of 3 risk categories – Low, Medium or High.

#### **4. Implications (including financial implications)**

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##### **4.1 Policy**

- 4.1.1 Northampton Borough Council is committed to the prevention, deterrence, detection and investigation of all forms of fraud and corruption. This policy links with Whistleblowing and the Anti-Fraud and Corruption Policy & Strategy.

##### **4.2 Resources and Risk**

- 4.2.1 There are no direct financial implications to adopting this policy. However, the experience of other Local Authorities who have adopted Risk based Verification is that more Fraud and Error has been identified at the Benefits Gateway representing a saving to the public purse.
- 4.2.2 The adoption of a RBV policy also means being able to focus resources appropriately on those claims that pose the greatest risk of fraud and simplifying the administrative process for those that pose the least risk.

##### **4.3 Legal**

- 4.3.1 DWP HB/CTB circular S11/2011 states that all LAs opting to apply RBV will be required to have in place a RBV Policy detailing the risk profiles, verification standards which will apply and the minimum number of claims to be checked. The relevant extract of the circular is held at appendix B
- 4.3.2 The councils legal obligation to verify information for Housing Benefit claims is defined in Housing Benefit Regulation 86 which states;

*“a person who makes a claim, or a person to whom housing benefit has been awarded, shall furnish such certificates, documents, information and evidence*

*in connection with the claim or award, or any question arising out of the claim or the award, as may reasonably be required by the relevant authority in order to determine that person`s entitlement to, or continuing entitlement to housing benefit”*

#### **4.4 Equality and Health**

4.4.1 There should not be any equalities and/or Health impacts arising from the RBV policy. The selection of risk cases is based on the algorithms developed by the supplier that take account of declared circumstances. It is used by many Local Authorities and the DWP. Should as a result of request for information an individual struggle to meet our requirements based on a protected characteristics every effort would be made to assist the individual in complying.

#### **4.5 Consultees (Internal and External)**

4.5.1 None

#### **4.6 How the Proposals deliver Priority Outcomes**

4.6.1 The RBV policy supports the council's priority of making every £ go further by protecting the public purse and thereby ensuring that public money is used to maximum benefit.

4.6.2 The calculations made indicate that 2.08 FTE has been freed to be deployed elsewhere in the service as a result of RBV implementation.

#### **4.7 Other Implications**

4.7.1 None

#### **5. Background Papers**

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- 5.1 Appendix A – RBV Policy (confidential)  
Appendix B – Extract DWP Circular S11/2011  
Appendix C – Break down of RBV statistic for 18/19

**Matthew Steele, Service Delivery Manager, 07766 776250**

**Stuart McGregor, Chief Finance Officer, S151**

# **NORTHAMPTON BOROUGH COUNCIL RISK BASED VERIFICATION POLICY**

Northampton Borough Council



# **RBV POLICY FOR NORTHAMPTON BOROUGH COUNCIL ASSESSMENTS OF HOUSING BENEFIT AND LOCAL COUNCIL TAX REDUCTION**

## **RISK BASED VERIFICATION (RBV) POLICY**

### **Introduction:**

NBC is responsible for the calculation and award of Housing Benefit and Local Council Tax Reduction. This is subject to an acceptable claim form being submitted.

### **Background:**

RBV is a method of applying different levels of checks to benefit claims according to the predicted risk associated with those claims. Local Authorities adopting RBV will still be required to comply with relevant legislation whilst making use of greater intelligence to target more extensive verification activity on those claims predicted to be at greater risk of fraud and error.

In all cases a National Insurance Number and original proof of identity is required.

RBV is practiced on aspects of claims in Jobcentre Plus (JCP) and the Pension Disability and Carers Service (PDCCS). The DWP have confirmed it is the intention that RBV will be applied to all Universal Credit claims.

It has identified that adopting RBV it will provide the following benefits to customers and local authorities.

- \* Improve claim processing times, especially in relation to claims deemed “low risk”.
- \* Identify any efficiencies through reduced administrative costs mainly in relation to ‘low risk’ claims
- \* Improve opportunity to identify fraud and error at the claim gateway
- \* Better targeting of resources.
- \* Enable out of hours claims/changes to be made with the customer being informed of the information that is required to support the claim/change of circumstances

### **Purpose of the Policy:**

The purpose of this policy is to specify how Northampton Borough Council’s Benefit Service will operate the RBV solution and to indicate the factors and processes that need to be followed to maximise its effectiveness.

The policy will enable a more efficient service, reducing the burden on customers to provide excessive levels of evidence. It will also reduce the cost of administering claims by reducing correspondence with customers and the subsequent scanning of evidence.

**The main objectives relating to the policy are as follows:**

- Understand the impact of the risk scores in terms of the likelihood of fraud and error being present
- To highlight any efficiency savings being targeted from the implementation of RBV for proactive in-claim reviews
- Setting out and initiating the required process changes in support of the risk score
- How checks and balances will be introduced into business as usual processes
- Performance reporting implications
- Outlining the baseline position in relation to the current levels of fraud and / or error that exists at the point of claim

**Understand the impact of the risk scores in terms of the likelihood of fraud and error being present:**

At the claim gateway the IT solution will determine the risk score of the claim / change in circumstance (CIC) and that in turn will determine the level of verification that needs to be applied to that claim by the assessment officer.

Each member of staff responsible for processing claims will be made fully aware of the changes introduced by this policy and full training will be given.

An integral part of the IT solution being used in RBV is a specially developed risk algorithm. This risk algorithm has been developed to identify the likelihood that fraud and error exists in a claim. This has been built using historical local authority data and its performance validated across a number of local authorities.

The estimated risk framework which is embedded in the IT solution is shown below:

Risk Score	Risk Group	Approximate percentage of claims in the risk group	
		New	CIC
1	HIGH	21%	24%
2			
3			
4	MEDIUM	27%	25%
5			
6			
7			
8	LOW	52%	51%
9			
10			
11			
12			
13			
14			
15			
This score will be calculated based on the claim details put forward for RBV	The risk group is determined by the risk score – the level of local verification required on the reported details is derived from the risk group	This is the expected percentage of claims that will fall into each risk group	

The above model is illustrative, the percentages for New Claims are as described and split over 15 risk scores, for Changes the high, medium and low risks are spread over 20 risk scores. Upon receipt of a change in circumstance or new claim the assessment officer will apply different verification procedures depending on the risk group reported by RBV.

If there is any doubt as to the score provided the assessment officer has an override option to **escalate** the claim to a higher risk group but cannot downgrade the risk score provided to a lower risk option.

**To highlight the service efficiencies being targeted from the implementation of RBV**

In addition to effectively targeting fraud and error (particularly in the high risk category) there may be significant processing efficiency implications with fewer customer interactions required for the low risk claims.

## **Setting out and initiating the required process changes in support of the risk score - Impact on verification process**

A National Insurance number and identity confirmation must be made in all cases irrespective of the risk grouping; this is to comply with current legislation. Where photocopies have been supplied, the assessment office may still request original documents if there is any doubt as to the validity of the information provided.

### **Low risk claims / changes**

On the basis of the risk algorithm outlined was estimated that 52% of claims / changes received will be low risk. In this instance only essential checks are made. (I.e. National Insurance Numbers and Id proof will be requested)

It is estimated that without checks there is a 3% chance in this risk category that fraud and error could enter the system at the point of entry, this is deemed to be acceptable in line with DWP guidelines.

Low risk claims / changes will be fast-tracked to calculation and claimant notification. The only checks / documents required for this risk group is:

- Proof of National Insurance Number's
- Proof of residency / ID.
- Student formal confirmation of student status. (If applicable).
- CIS check for State Benefits.

This will improve the customers experience as they will be able to amend their claims without supplying excessive data in support of the claim. This in turn will allow for an improved turnaround in the assessment process.

### **Medium risk claims**

It was estimated that 26% of claims and changes will be deemed to be medium risk. Cases in this category must have the same checks as low risk. In addition proofs will be required on all information that needs verification. The documentation can be photocopies, scanned documents, emails or telephone conversations either recorded or un-recorded (with a suitably detailed case note).

It is estimated that without checks there is an 11% chance in this risk category that fraud and error could enter the system at this point.

### **High risk claims**

It was estimated that 23% of claims and changes will be deemed to be high risk. In this instance documentation provided for each declared type of income or capital must be original documents or the best available evidence where original do not exist (e.g. online banking statements) and these claims will require additional checks to be made over and above the normal checks currently undertaken.

There is about 27% chance in this risk category that fraud and error could enter the system at the point of claim / change, this will lead to fraud and error being identified in claim, thus minimising subsequent overpayments and collection cost

These additional checks may involve, but are not limited to:

- Telephone interviews – voice recorded or detailed summary on a notepad
- Interviews at home or in the office.
- Original Proofs
- Cross referencing
- Interventions follow up after a period of time.

(Processes will be confirmed in the procedures when determined).

Each member of staff responsible for processing claims / changes will be trained in the use of the IT solution and the subsequent process change that will need to be implemented to support this policy has been developed prior to implementing the solution.

Cases cannot be downgraded by an assessment officer, but can be increased with approval from a Team Leader or senior officer. All cases which are upgraded are recorded along with the reasons for this so that this information can be fed through to the parameters if errors are found. Reasons for upgrading a case may include previous fraud, previous late notification of changes in circumstances, or where there is good reason to doubt the veracity of information provided.

Existing monitoring arrangements will be used to ensure that the policy is being enacted at the front line.

### **Setting the base line position in relation to the current level of fraud and error that exists at the point of entry to the system**

The DWP expect local authorities that participate in RBV to set a robust baseline which to record the impact of RBV. The DWP are now recording baseline data for fraud and error which is published quarterly. This information can be reported from subsidy cells 222 and 231 of the Single Housing Benefit Extract which can be produced and monitored locally on a monthly basis.

### **How checks and balances will be introduced into business as usual processes**

The RBV IT solution procured will have the ability to automatically select 5% of cases that will be deemed to be a 'blind sample'. The blind sample will, without the knowledge of the claim processor, randomly select a group of claims marking them as having a higher level of risk than that calculated by the risk model itself.

### **Performance reporting implications**

There is a monthly performance report to ensure the effectiveness of the approach. The report will include the percentage of cases presented in each risk category and the levels of fraud and error detected in each.

The report will also outline how much fraud and error has been detected in blind sample cases. In addition to this it is our responsibility to ensure that our officers adhere to our RBV procedures to ensure that the policy is suitably enacted on a case by case basis. This means we will incorporate the RBV assessments under our normal quality checking procedures.

**Policy approval:**

This Policy has been produced in line with Department for Work and Pensions Guidance on the use of Risk-Based Verification as detailed in HB/CTS circular S11/2011 **Appendix A**

This policy is approved by:

Audit Committee:

Date: 06 February 2020

Chief Finance Officer (Section 151 Officer)

Name: Stuart McGregor

Signed:

Date: 07 February 2020

## What we need to adhere to comply with the DWP requirements for RBV

### ***Housing Benefit and Council Tax Benefit Circular HB/CTB S11/2011(extract)***

RBV allows more intense verification activity to be focussed on claims more prone to fraud and error.

It is practiced on aspects of claims in Jobcentre plus (JCP) and the Pension Disability and Carers Service (PDCS).and the intention is, RBV will be applied to all Universal Credit claims.

From April 2012 the DWP said that LA's could volunteer to use a RVB process.

### **What is RBV?**

RBV is a method of applying different levels of checks to benefit claims according to the risk associated with those claims. The idea is so LA's can take more time on the claims that are more likely to allow Fraud and Error in to the system.

In all cases LA's are required to see proof of National Insurance Numbers and to provide evidence of their identity.

LA's have to still take in to account HB Reg 86:

*"a person who makes a claim, or a person to whom housing benefit has been awarded, shall furnish such certificates, documents, information and evidence in connection with the claim or the award, or any question arising out of the claim or the award, as may reasonably be required by the relevant authority in order to determine that person's entitlement to, or continuing entitlement to housing benefit and shall do so within one month of being required to*

These Regulations do not impose a requirement on authorities in relation to what **specific** information and evidence they should obtain from a claimant. However, it does require an authority to have information which allows an **accurate assessment** of a claimant's entitlement, both when a claim is first made and when the claim is reviewed. A test of reasonableness should be applied.

### **How does RBV work?**

RBV assigns a risk rating to each HB/CTR claim. This determines the level of verification required. The idea is that we will target the medium and high risk claims in more depth. It is down to the individual LA's to classify the risk groups. Example below:

**Low Risk Claims:** Only essential checks are made, such as proof of identity. Consequently these claims are processed much faster than before and with significantly reduced effort from Benefit Officers without increasing the risk of fraud or error.

**Medium Risk Claims:** These are verified in the same way as all claims currently, with evidence of original documents required. As now, current arrangements may differ from LA to LA and it is up to LAs to ensure that they are minimising the risk to fraud and error through the approach taken.

**High Risk Claims:** Enhanced stringency is applied to verification. Individual LAs apply a variety of checking methods depending on local circumstances. This could include Credit Reference Agency checks, visits, increased documentation requirements etc. Resource that has been freed up from the streamlined approach to low risk claims can be focused on these high risk claims.

We would expect no more than around:

- Around 55% of claims to be assessed as low risk.
- Around 25% medium risk
- Around 20% high risk.

**These figures could vary from LA to LA according to the LA's risk profiling. An additional expectation is that there should be more fraud and error detected in high risk claims when compared with medium risk claims and a greater % in medium risk than low risk. Where this proves not to be the case the risk profile should be revisited.**

LAs may adopt different approaches to risk profile their claimants. Typically this will include the use of IT tools in support of their policy; however, the use of clerical systems is acceptable. We are using the Northgate profile.

#### **The requirements for LAs that adopt RBV:**

All LAs opting to apply RBV will be required to have a **RBV Policy** detailing the risk profiles, verification standards which will apply and the minimum number of claims to be checked.

We consider it to be good practice for the Policy to be examined by the authority's Audit and Risk Committee or similar appropriate body if they exist. The Policy must be submitted for Members' approval and sign-off along with a covering report confirming the Section 151 Officer's agreement/recommendation. The information held in the Policy, which would include the risk categories, should not be made public due to the sensitivity of its contents.

The Policy must allow Members, officers and external auditors to be clear about the levels of verification necessary. It must be reviewed annually but not changed in-year as this would complicate the audit process.

Every participating LA will need a robust baseline against which to record the impact of RBV. The source of this baseline is for the LA to determine. Some LAs carry out intensive activity (along the lines of the HB Review) to measure the stock of fraud and error in their locality. We suggest that the figures derived from cells 222 and 231 of SHBE would constitute a baseline of fraud and error currently identified by LAs.

Performance using RBV would need to be monitored monthly to ensure its effectiveness. Reporting, which must be part of the overall Policy, must, as a

minimum, include the % of cases in each risk category and the levels of fraud and error detected in each.

### **How RBV claims will be certified?**

Auditors will check during the annual certification that the subsidy claim adheres to the LA's RBV Policy which will state the necessary level of verification needed to support the correct processing of each type of HB/CTR claim. The risk category will need to be recorded against each claim. Normally the LA's benefit IT/clerical system will allow this annotation.

### **Other Considerations:**

The sample selection for HB/CTR cases will not change i.e. 20 cases will be selected for each headline cell on the claim form. The HB COUNT guidance used by the external auditors for certification will include instructions for how to deal with both non-RBV and RBV cases if selected in the sample. For non-RBV cases, the verification requirements will remain the same i.e. LAs will be expected to provide all the documentary evidence to support the claim.

### **What are the subsidy implications?**

Failure by a LA to apply verification standards to HB/CTR claims as stipulated in its RBV Policy will cause the expenditure to be treated as LA error. The auditor will identify this error and if deemed necessary extrapolate the extent and, where appropriate, issue a qualifying letter. In determining the subsidy implications, the extrapolation of this error will be based on the RBV cases where the error occurred. For this reason, it is important that RBV case information is routinely collected by ensuring that LA HB systems incorporate a flag to identify these RBV cases. If sub-populations on RBV cases cannot be identified, extrapolations will have to be performed across the whole population in the particular cell in question.

The information for these stats relates to data collected November 2018 to September 2019

Risk category	Initial estimate	2018/19 actual
High	23%	19.7%
Medium	26%	30.15%
Low	52%	50.15%

Table 1 breaks down the way in which RBV software has apportioned claims made to Northampton Borough Council. From the Approximations given by the supplier based on their customer base new claims is seeing smaller percentages of high risk claims with a larger volume of Medium risk cases and a lower volume of low risk claims. At the moment 39% of customers new to HB have been able to make a claim quickly online with little or no further interaction with the R&B officers.

For Changes in Circumstances all categories broad reflect the initial estimation with 49% of customers who are reporting changes will complete an online form and have little or no interaction with the team.

Making the assumption that Medium risk would be the normal standard for processing without RBV, High would take longer and Low Less and using average processing times for each **it is calculated that the RBV process has saved the equivalent of 2.08 FTE** which has already been redeployed to other areas of R&B work.

Table 1

New claims	Average % of claims	volumes
High	17.74	694
Med	41.21	1773
Low	39.60	1873
	98.55	4340
CoC		
High	20.23	4411
Med	28.22	6039
Low	49.86	11123
	98.30	21573

Appendices:  
1. Treasury Management Strategy



## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>Treasury Management Strategy 2020-21</b>
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**AGENDA STATUS: PUBLIC**

**Audit Committee Meeting Date: 6th February 2020**

**Policy Document: Treasury Management Strategy 2020-21**

**Services: Chief Finance Officer**

**Accountable Cabinet Member: Cllr Brandon Eldred – Portfolio Holder Finance**

### 1. Purpose

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- 1.1 This report presents the proposed Treasury Management Strategy, attached as an appendix) for review by the Committee

### 2. Recommendations

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- 2.1 That the Committee review and note the proposed Treasury Management Strategy for 2020-21.
- 2.2 That the Committee recommends the adoption of the Treasury Management Strategy to the Council which will consider this strategy on 24<sup>th</sup> February 2020 as part of the wider Budget and Council Tax setting agenda.

### 3. Issues of note

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#### 3.1 Report Background

- 3.1.1 The strategy sets the overall limits and parameters within which the operational delivery strategy operates and as such needs to be flexible enough to cope with operational changes in the delivery of the strategy. The Council purchases Treasury Management from LGSS, who in turn procure wider market advice and services from Link Asset Services (LAS).

3.1.2 The Audit Committee are not responsible for determining the strategy. It has responsibility for the scrutiny and monitoring of the strategy.

### **3.2 Issues**

3.2.1 There are no specific issues relating to this report.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 There is one policy change proposed within this report, which is to increase the investment limit for Pooled Property Funds (EG CCLA) from £10M to £15M.

### **4.2 Resources and Risk**

4.2.1 There are no specific risks relating to this report. The Treasury Management Strategy highlights the wider sector and market risks inherent with Treasury Management across the sector.

4.2.2 The Chief Finance Officer will arrange for the external advisors (LAS) to deliver a training and awareness session for members of the Audit Committee during 2020.

### **4.3 Legal**

4.3.1 No legal issues.

### **4.4 Equality**

4.4.1 There are no specific equality implications with this report.

### **4.5 Consultees (Internal and External)**

4.5.1 Internal consultation has taken place with Corporate Management Board, other senior officers where required, LGSS Treasury Management Function and Link Asset Services.

### **4.6 Other Implications**

4.6.1 None specifically

## **5. Background Papers**

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5.1 None

**Stuart McGregor**  
**Chief Finance Officer (Section 151 Officer)**

# Northampton Borough Council Treasury Management Strategy 2020/21

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# 1. Introduction

## Background

- 1.1. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 1.2. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.3. The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
- 1.4. Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.
- 1.5. CIPFA defines treasury management as:

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

## Reporting Requirements

### *Capital Strategy*

- 1.6. CIPFA's revised Prudential and Treasury Management Codes requires local authorities to prepare a capital strategy report to provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
  - an overview of how the associated risk is managed;
  - the implications for future financial sustainability;
- 1.7. The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
- 1.8. The capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.
- 1.9. Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.
- 1.10. If any non-treasury investment present a book-value loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.
- 1.11. To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

### ***Treasury Management Reporting***

- 1.12. Full Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals:

**a) Prudential and treasury indicators and treasury strategy (this report)** - The first, and most important report is forward looking and covers:

- the capital plans, (including prudential indicators);
- a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
- an investment strategy, (the parameters on how investments are to be managed).

**b) A mid-year treasury management report** - This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

**c) An annual treasury report** - This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

## **Treasury Management Strategy**

1.13. This strategy covers two main areas:

### **Capital;**

- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

### **Treasury Management;**

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

1.14. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

## **Training**

1.15. The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management have access to training in treasury management. The Council's treasury advisory contract includes provision for annual delivery of member training, as necessary. The training needs of treasury management officers are also periodically reviewed.

## **Treasury Advisors**

1.16. The Council uses Link Asset Services (LAS) as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisors.

1.17. The Council also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

## **Non-treasury Investment Advice**

1.18. The scope of investments within the Council's operations now includes both conventional treasury investments (the placing of residual cash from the Council's functions) and more commercial type investments, such as investment

properties. Commercial type investments may require specialist advice, and therefore the Council will undertake appropriate due-diligence on a case-by-case basis.

## 2. Current Treasury Management position

- 2.1. The Council's projected treasury portfolio position at 31<sup>st</sup> March 2020, with forward estimates, is summarised below. Table 1 shows external borrowing against the Capital Financing Requirement (CFR) - which is a measure of the need to borrow for capital expenditure purposes - highlighting any forecast over or under borrowing.
- 2.2. The figures exclude any borrowing undertaken or planned for third party loans so as to focus on the Council's own cash position:

<b>Table 1: Treasury Portfolio at 31 March 2020</b>						
<b>£m</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>
<b>External borrowing</b>						
Borrowing at 1 April	230	255	254	261	261	261
Expected change in borrowing	25	7	7	-	-	-
<b>Borrowing at 31 March (1)</b>	<b>255</b>	<b>262</b>	<b>261</b>	<b>261</b>	<b>261</b>	<b>261</b>
<b>CFR (exc 3<sup>rd</sup> Party Loans) at 31 March (2)</b>	<b>334</b>	<b>343</b>	<b>348</b>	<b>345</b>	<b>342</b>	<b>339</b>
<b>Under/(over) borrowing (2-1)</b>	<b>79</b>	<b>81</b>	<b>87</b>	<b>84</b>	<b>81</b>	<b>78</b>
<b>Investments</b>						
Investments (exc 3 <sup>rd</sup> Party Loans) at 1 April	25	10	10	10	10	10
Expected change in investments	(15)	-	-	-	-	-
<b>Investments (exc 3<sup>rd</sup> Party Loans) at 31 March (3)</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Net borrowing (exc 3<sup>rd</sup> Party Loans) (1-3)</b>	<b>245</b>	<b>252</b>	<b>251</b>	<b>251</b>	<b>251</b>	<b>251</b>

- 2.3. The Council's prudential and treasury indicators for 2020/21 to 2024/25 are set out at Appendix 3.

### 3. Interest Rates

- 3.1. The Council has appointed Link Asset Services (LAS) as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their central view at November 2019.

Link Asset Services Interest Rate View														
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

- 3.2. Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK, not least Brexit. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact.

- 3.3. A summary of the balance of risks to this forecast is included at Appendix 5.

#### Investment and borrowing rates

- 3.4. Investment returns are likely to remain low during 2020/21 but to be on a gently rising trend over the next few years.
- 3.5. The general situation is for volatility in bond yields – from which borrowing rates are derived - to endure as investor fears and confidence ebb and flow between favouring relatively more “risky” assets i.e. equities, or the “safe haven” of government bonds. The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently, although there are likely to also be periods of sharp volatility from time to time.
- 3.6. There will remain a cost of carry (the difference between higher borrowing costs and lower investment returns) to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

### 4. Borrowing Strategy

- 4.1. The Council is currently maintaining an under-borrowed position against borrowing capacity. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt as cash supporting the Council’s reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

- 4.2. Against this background and the risks within the economic forecast, caution will be adopted with the 2020/21 treasury operations. The CFO will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
- if it was felt that there was a significant risk of a sharp **FALL** in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will likely be postponed, and potential rescheduling from fixed rate funding into short term borrowing may be considered.
  - if it was felt that there was a significant risk of a much sharper **RISE** in long and short term rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in bank rate, an increase in global economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding may be drawn whilst interest rates are lower than they are projected to be in the next few years.
- 4.3. Borrowing decisions are treated as separate from the capital schemes that derive an overall borrowing requirement and are instead based on the overall cashflows and risk management of the Councils debt portfolio. However, the financial viability of certain capital schemes funded by unsupported borrowing will be heavily influenced by the cost of borrowing associated with them. Where the CFO determines that the Council would benefit most from the certainty of fixing borrowing costs for particular capital schemes, the Council may borrow on that basis.

#### **Policy on Borrowing In Advance of Need**

- 4.4. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved CFR estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.
- 4.5. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanisms.

#### **Debt Rescheduling**

- 4.6. Where short-term borrowing rates are considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings are considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).
- 4.7. The reasons for any rescheduling to take place will include:
- the generation of cash savings and / or discounted cash flow savings;
  - helping to fulfil the treasury strategy;

- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).
- 4.8. Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.
- 4.9. All rescheduling will be subsequent reported through the mid-year or annual reporting mechanisms.

### **Municipal Bonds Agency**

- 4.10. The Municipal Bond Agency was established with the purpose of offering loans to local authorities at rates lower than those offered by the Public Works Loan Board (PWLB). To date, the Agency has not issued any bonds. In the future, the Council may make use of this new source of borrowing should it prove cost effective to do so.

### **Temporary Borrowing**

- 4.11. The Council may occasionally undertake short-term temporary borrowing if this is needed to cover its cash flow position.
- 4.12. The CFO may also authorise the taking of short-term deposits under mutually agreed and documented terms from other local not-for-profit organisations.

## **5. Annual Investment Strategy (AIS)**

- 5.1. MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy (a separate report).
- 5.2. The Council’s investment policy has regard to the latest versions of the following:
  - MHCLG’s Guidance on Local Government Investments (“the Guidance”);
  - CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (“the Code”);
  - CIPFA Treasury Management Guidance Notes.
- 5.3. The Council’s counterparty and credit risk management policies and its approved instruments for investments are set out in Appendix 6. The Council’s investment priorities will be security first, liquidity second and then yield (return) – in that order.
- 5.4. The above guidance from MHCLG and CIPFA place a high priority on the management of risk. This Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

5.4.1. Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification

and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

- 5.4.2. Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.
  - 5.4.3. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
  - 5.4.4. This Council has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in Appendix 6 under the categories of ‘specified’ and ‘non-specified’ investments:
    - Specified investments are those with a high level of credit quality and subject to a maturity limit of one year.
    - Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
  - 5.4.5. Counterparty lending limits (amounts and maturity) will be set through applying the matrix table in Appendix 6.
  - 5.4.6. Transaction limits are set for each type of investment in Appendix 6.
  - 5.4.7. This authority will set a limit for the amount of its investments which are invested for longer than 365 days.
  - 5.4.8. Investments will only be placed with counterparties from countries with a specified minimum sovereign rating.
  - 5.4.9. The Council has engaged external consultants to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
  - 5.4.10. All investments will be denominated in sterling.
- 5.5. Consummate to these risk management parameters, the Council will pursue value for money in treasury management and will regularly monitor the yield from investment income against an appropriate time-weighted benchmark for investment performance.

## **Approach to Investments**

- 5.6. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.
- If it is thought that Bank Rate is likely to **RISE** significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short-term or variable.
  - Conversely, if it is thought that Bank Rate is likely to **FALL** within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods

## **Loans to Third Parties**

- 5.7. The Council may make grants or loans to third parties for the purpose of capital expenditure, as allowable under paragraph 25 (1) (b) of the Local Authorities (Capital Financing and Accounting) (England) Regulations 2003 (Statutory Instrument No. 3146). This will usually be to support local economic development, and may be funded by external borrowing.
- 5.8. The Council also has powers to provide financial support to organisations under general powers of competence under the Localism Act 2011.
- 5.9. Enhancement to the governance and due diligence in respect of the awarding of grants and third party loans has been developed. This covers:
- Checklists and a guidance;
  - The incorporation of external independent advice as part sign-off process.
- 5.10. Loans of this nature that remain outstanding have been lent to Northampton Town Rugby Football Club (NTRFC). The Council has also acted as intermediary to advance PWLB loans at cost to the University of Northampton (UoN) which are 100% guaranteed by HM Treasury.

## **Enterprise Zones**

- 5.11. The Council continues to take forward infrastructure improvements to enable development and to attract investment into the Enterprise Zone, supporting employment growth. Loans have been granted from the Government's Growing Places Fund (GPF) and Local Infrastructure Fund (LIF). The repayment of funding (principal and interest) will be met, for the most part, from business rates uplift in line with the Enterprise Zone financial model.

## **6. List of appendices**

- Appendix 1: Treasury Management Scheme of Delegation and Role of Chief Finance Officer (Section 151 Officer)
- Appendix 2: Policy for attributing income and expenditure and risks between the General Fund and the HRA
- Appendix 3: Prudential and Treasury Indicators 2020/21
- Appendix 4: Minimum Revenue Provision (MRP) Policy Statement 2020/21
- Appendix 5: Interest Rate Forecast Commentary
- Appendix 6: Annual Investment Strategy 2020/21

# Appendix 1

## Treasury Management Scheme of Delegation and role of the Chief Finance Officer (Section 151 Officer)

### Treasury Management Scheme of Delegation

#### Council

The Council is responsible for:

- Adoption of the CIPFA Code of Practice on Treasury Management in the Public Services;
- Approval of the Treasury Management Policy Statement;
- Approval of the annual Treasury Management Strategy and annual Investment Strategy;
- Setting and monitoring of the Council's prudential and treasury indicators;
- Approval of the treasury management mid-year and outturn reports;
- Approval of the debt financing revenue budget as part of the annual budget setting process.

#### Cabinet

The Cabinet is responsible for:

- Consideration and scrutiny of the all of the above and recommendation to Council;
- Receiving monitoring information on the debt financing budget as part of the revenue budget monitoring process;
- Approving the selection of external service providers and agreeing terms of appointment in accordance with the Council's procurement regulations.

### Treasury management role of the Section 151 Officer

The Council's Chief Finance Officer (CFO) is the officer designated for the purposes of Section 151 of the Local Government Act 1972 as the Responsible Officer for treasury management at the Council.

The Council's Financial Regulations delegates responsibility for the execution and administration of treasury management decisions to the CFO, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

The CFO has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.

Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction

## Appendix 1 cont.

does not breach any statute, external regulation or the Council's Financial Regulations.

The CFO may delegate his power to borrow and invest to members of his staff.

The CFO is responsible for:

- Ensuring that the schedules to the Treasury Management Practices (TMPs) are fully reviewed and updated annually and monitoring compliance to the Treasury Management in the Public Services: Code of Practice and Guidance Notes;
- Submitting regular treasury management reports to Cabinet and Council;
- Submitting debt financing revenue budgets and budget variations in line with the Council's budgetary policies;
- Receiving and reviewing treasury management information reports;
- Reviewing the performance of the treasury management function and promoting value for money;
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- Ensuring the adequacy of internal audit, and liaising with external audit;
- Recommending the appointment of external service providers (e.g. treasury management advisors) in line with the approval limits set out in the Council's procurement rules;
- Ensuring that the Council's Treasury Management Policy is adhered to, and if not, bringing the matter to the attention of elected members as soon as possible.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe.
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money.
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority.
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing.
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources.
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities.
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees.
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority.
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above.
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed.



## Appendix 2

### Policy for attributing income and expenditure and risks between the General Fund and the HRA

- 1.1 The Council is required to have a clearly agreed policy for attributing income and expenditure and risks between the General Fund and the HRA.
- 1.2 The Council uses a two pool approach to splitting debt between the HRA and General Fund, whereby loans are assigned to either the HRA or the General Fund.
- 1.3 The Council applies the requirements of the CLG Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2012 in recharging debt financing and debt management costs between the HRA and the General Fund. The interest rates to be applied are determined as follows:

<b>Principal Amount</b>	<b>Interest Rate</b>
HRA Credit Arrangements CFR: concession agreements and finance leases	Average rate on HRA credit arrangements
HRA Loans CFR: long term loans (external)	Average rate on HRA external debt
HRA Loans CFR: short term loans payable (under-funded CFR)	Average rate on GF external debt/or for formally agreed borrowing from GF resources an agreed PWLB equivalent rate.
HRA Loans CFR: short term loans receivable (over-funded CFR)	Average rate on external investments/or for earmarked medium term reserves an actual external investment rate
HRA Cash balances: short term loans payable (cash balances overdrawn)	Average rate on external investments
HRA Cash balances: short term loans receivable (cash balances in hand)	Average rate on external investments/or for earmarked medium term reserves an actual external investment rate

- 1.4 For the purpose of calculating interest rates:
  - HRA cash balances are based on the average of opening and closing HRA cash balances;
  - HRA CFR external debt is based on actual external debt;
  - Other HRA CFR balances based on the mid-year position.
- 1.5 Debt management costs are charged to the HRA on an apportioned basis that takes into account the weighting of time spent on managing debt and investments respectively.

## **Appendix 2 cont.**

- 1.6 Risk associated with external loans sit with either the GF or HRA depending on which of these the loan has been earmarked to. This will include interest rate risk, for example the risk of interest rate rises associated with variable loans.
- 1.7 Similarly, risk associated with any external investment of earmarked medium term HRA reserves sits with the HRA. This will include the risk of impairment in the event of the failure of an investment counterpart.
- 1.8 Where risk cannot be earmarked specifically to either the General Fund or HRA, it is apportioned fairly between the two using relevant available data. For example, in the event of impairment of an investment counterpart, any losses will be apportioned between the two funds based on an estimated proportion of cash balances held.

## Appendix 3

### Prudential and Treasury Indicators

The prudential indicators for 2020/21 to 2024/25 are set out below, each one with a commentary and risk analysis.

#### Affordability

##### a) Estimate of financing costs to net revenue stream

###### *Commentary*

This indicator has been calculated as the estimated net financing costs for the year divided by the amounts to be met from government grants and local taxpayers for the non-HRA element, and by total HRA income for the HRA element. However, it should be recognised however that ultimately all debts of a local authority fall on the taxpayer. The objective is to enable trends to be identified.

The figures below reflects the cumulative impact of borrowing costs (interest and MRP where applicable) for capital programme schemes agreed each year, set against the backdrop of net revenue streams in future years.

Financing costs to net revenue stream					
	2020/21	2021/22	2022/23	2023/24	2024/25
	Estimate %				
General Fund	8.49	9.74	10.11	10.46	10.39
HRA	31.42	31.75	31.32	30.77	30.49

Effectively, each respective fund has a debt servicing cost to income cover ratio of:

- General Fund – ranging from 9.5 to 11.8 times
- HRA – ranging from 3.1 to 3.3 times

###### *Risk Analysis*

Debt financing costs relating to past and current capital programmes have been estimated in accordance with proper practices. Actual costs will be dependent on the phasing of capital expenditure and prevailing interest rates, and will be closely managed and monitored on an ongoing basis. Carry forwards in the capital programme, whether planned or unplanned, will delay the impacts of debt financing costs to future years.

## **Appendix 3 cont.**

### **Prudence**

#### **Capital Expenditure**

##### **b) Estimates of capital expenditure**

###### ***Commentary***

This indicator requires reasonable estimates of the total of capital expenditure to be incurred during the forthcoming financial year and at least the following two financial years.

The draft capital programme for 2020/21 to 2024/25 for both the GF and HRA is included elsewhere on this agenda and sets out the levels of estimated capital expenditure.

Estimates include continuation schemes from previous years, new bids for the coming year, and block programmes for the coming and future years. The programme is agreed annually and will be adjusted in the context of future bids submitted and available resources when the annual programmes for the future years are agreed. Variations to the existing programme may also be agreed during the year.

###### ***Risk Analysis***

There is a real risk of cost variations to planned expenditure against the capital programme, arising for a variety of reasons, including tenders coming in over or under budget, changes to specifications, and slowdown or acceleration of project phasing. There is also the possibility of needing to bring urgent and unplanned capital works into the capital programme. The risks are managed by officers on an ongoing basis, by means of active financial and project monitoring. Any significant issues are reported to Cabinet as part of the finance and performance reporting cycle.

The availability of financing from capital receipts, grants and external contributions also carries significant risk. This can be particularly true of capital receipts, where market conditions are a key driver to the flow of funds, causing particular problems in a depressed or fluctuating economic environment. The financing position of the capital programme is closely monitored by officers on an ongoing basis and any significant issues are reported to Cabinet as part of the finance and performance reporting cycle.

##### **c) Estimates of capital financing requirement (CFR)**

###### ***Commentary***

External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. The CFR can be understood as the Council's underlying need to borrow money long term for a capital purpose – that is, after allowing for capital funding from capital receipts, grants, third party contributions and revenue contributions.

## Appendix 3 cont.

The Council is required to make reasonable estimates of the total CFR at the end of the forthcoming financial year and the following two years thereafter. A local authority that has an HRA must identify separately estimates of the HRA and General Fund CFR.

The CFR has been calculated in line with the methodology required by the relevant statutory instrument and the guidance to the Prudential Code. It incorporates the actual and forecast borrowing impacts of the Council's previous, current and future capital programmes.

The table below shows the impact of proposed new capital expenditure funded by borrowing offset by annual repayments of principal (MRP – General Fund only, the HRA is not required to make an annual MRP charge). The table also splits out the impacts of loans to third party organisations funded by borrowing, where these are included in the Council's capital programme.

The changes to CFR are subject to future Council decisions in respect of the capital programme for those years.

<b>Capital Financing Requirement (Closing CFR)</b>					
	2020/21	2021/22	2022/23	2023/24	2024/25
	31 March £m				
General Fund	118	120	119	116	113
HRA	216	223	229	229	229
<b>Total</b>	<b>334</b>	<b>343</b>	<b>348</b>	<b>345</b>	<b>342</b>
Loans to third parties (GF)	20	20	19	19	19
<b>Total</b>	<b>354</b>	<b>363</b>	<b>367</b>	<b>364</b>	<b>361</b>

### ***Risk Analysis***

The capital financing requirement will vary from the estimates if there are changes to capital programme plans that result in reduced or increased borrowing to support expenditure. This will include adjustments between years as a result of carry forwards in the capital programme, which can impact on the profile of capital expenditure and the profile of the minimum revenue provision.

All borrowing plans must be affordable in revenue terms and to this end additional borrowing to fund capital expenditure will only be approved through the normal capital project approval process and where it has been demonstrated to be prudent affordable and sustainable.

## Appendix 3 cont.

### External Debt

#### d) Authorised limit for external debt

##### *Commentary*

For the purposes of this indicator the authorised limit for external debt is defined as the authorised limit for borrowing plus the authorised limit for other long term liabilities.

This requires the setting for the forthcoming financial year and the following four financial years of an authorised limit for total external debt (including temporary borrowing for cash flow purposes), gross of investments, separately identifying borrowing from other long term liabilities.

The authorised limit represents the maximum amount the Council may borrow at any point in time in the year. It has to be set at a level the Council considers is “prudent” and be consistent with plans for capital expenditure and financing. It contains a provision for forward funding of future years capital programmes, which may be utilised if current interest rates reduce significantly but are predicted to rise in the following year.

This limit is based on an estimate of the most likely but not worst case scenario, with additional sufficient headroom over and above this to allow for operational management, for example unusual cash movements. It includes headroom for any planned loans to third party organisations where applicable.

The authorised limit is set at an amount that allows a contingency for any additional unanticipated or short-term borrowing requirements over and above the operational boundary during the period (see (e) below).

Other long-term liabilities relate to finance leases and credit arrangements.

The CFO will have delegated authority to effect movement between the separately agreed figures for borrowing and other long-term liabilities. Any such changes will be reported to Council.

<b>Authorised limit for external debt</b>					
	2019-20	2020-21	2021-22	2022-23	2023-24
	Limit £m	Limit £m	Limit £m	Limit £m	Limit £m
Borrowing	404	413	417	414	411
Other long-term liabilities	5	5	5	5	5
<b>Total</b>	<b>409</b>	<b>418</b>	<b>423</b>	<b>419</b>	<b>416</b>

## Appendix 3 cont.

### *Risk Analysis*

Risk analysis and risk management strategies have been taken into account in setting this indicator, as have plans for capital expenditure, estimates of the capital financing requirement and estimates of the Council's cashflow requirements.

#### **e) Operational boundary for external debt**

##### *Commentary*

The proposed operational boundary is based on the same estimates as the authorised limit. However it excludes the additional headroom included within the authorised limit to allow for unusual cash movements.

The operational boundary represents a key management tool for in year monitoring by the CFO. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified.

The borrowing element of the operational boundary has been set with reference to the maximum Capital Financing Requirement (CFR) over the coming three years. It includes headroom for any planned loans to third party organisations.

Other long-term liabilities relate to finance leases and credit arrangements.

The CFO will have delegated authority to effect movement between the separately agreed figures for borrowing and other long-term liabilities. Any such changes will be reported to Council.

<b>Operational boundary for external debt</b>					
	2019-20	2020-21	2021-22	2022-23	2023-24
	Limit £m	Limit £m	Limit £m	Limit £m	Limit £m
Borrowing	384	393	397	394	391
Other long-term liabilities	5	5	5	5	5
<b>Total</b>	<b>389</b>	<b>398</b>	<b>403</b>	<b>399</b>	<b>396</b>

### *Risk Analysis*

Risk – Risk analysis and risk management strategies have been taken into account in setting this indicator, as have plans for capital expenditure, estimates of the capital financing requirement and estimates of the Council's cash flow requirements.

## Appendix 3 cont.

### Treasury Indicators

#### f) Maturity structure of borrowing

This indicator sets both upper and lower limits with respect to the maturity structure of the Council's borrowing.

The indicator represents the amount of projected borrowing that is maturing in each period expressed as a percentage of total projected borrowing at the start of the period.

The proposed limits for the forthcoming year are:

<b>Maturity Structure of Borrowing</b>		
	Lower Limit %	Upper Limit %
Under 12 months	0%	50%
Between 1 and 2 years	0%	50%
Between 2 and 5 years	0%	50%
Between 5 and 10 years	0%	50%
Between 10 and 20 years	0%	50%
Between 20 and 30 years	0%	60%
Between 30 and 40 years	0%	80%
Over 40 years	0%	100%

#### ***Risk Analysis***

The debt maturity profile is actively managed to ensure that debt maturity is prudently spread across future years. This ensures that the Council can properly plan for the maturity of its borrowings, and is not exposed to unmanageable risks.

#### g) Total principal sums invested for periods longer than 365 days

Under the Local Government Act 2003 and the MHCLG Guidance on Local Authority Investments, all Councils are permitted to invest for periods exceeding 1 year (or 365 days). The Council is required to set a limit to the level of such investments it might wish to make.

This limit can be expressed as a percentage or as an absolute amount (i.e. a monetary figure). The Council has chosen to work to a limit represented as an absolute amount as officers consider this to be the most transparent method and the more straightforward to monitor.

The limits have been set at a level that would allow for monies not anticipated to be spent in year to be invested for longer periods if interest rates are favourable.

## Appendix 3 cont.

The proposed limits – excluding Third Party Loans – for the forthcoming and following four financial years are as follows:

<b>Upper limit on investments for periods longer than 365 days</b>					
	2020-21	2021-22	2022-23	2023-24	2024-25
	Upper Limit £m				
Investments > 365 days	15	15	15	15	15

## Appendix 4

### Minimum Revenue Provision Policy Statement

- 1.1 The Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008, which came into force in February 2008, require local authorities to make 'prudent provision' for the repayment of its General Fund debt. This debt repayment is known as the Minimum Revenue Provision (MRP).
- 1.2 A number of options for prudent provision are set out in the regulations. The underlying principle is that the repayment of debt should be aligned to the useful life of the asset or assets for which the borrowing has been carried out.
- 1.3 Since 2007-08 the Council has used the transitional measures available to calculate MRP for all capital expenditure prior to 1 April 2008 as if the previous regulations were still in force.
- 1.4 The authority is required, under the 2008 regulations, to prepare an annual statement of their policy on making MRP for submission to Council. The Council's policy statement on MRP for 2020/21 is set out below. The policy is considered by the Chief Finance Officer (CFO) to provide for the prudent repayment of debt.
  - 1.4.1 The Council has implemented the 2008 CLG Minimum Revenue Provision (MRP) guidance from 2008-09 onwards, and assessed their MRP from 2008-09 onwards in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.
  - 1.4.2 MRP relating to the historic debt liability incurred for years up to and including 2007-08 will continue to be charged at the rate of 4% on the reducing balance, in accordance with option 1 of the guidance, the "regulatory method".
  - 1.4.3 The debt liability relating to capital expenditure incurred from 2008-09 onwards will be subject to MRP under option 3, the "asset life method", and will be charged over a period that is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.
  - 1.4.4 Estimated life periods will be determined in line with accounting guidance and regulations. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, the Council will generally adopt these periods. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

## Appendix 4 cont.

- 1.4.5 As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis that most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner that reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.
- 1.4.6 The Council will seek to spread MRP charges prudently in relation to asset lives, and with regard to the revenue impact of MRP charges. Where prudent to do so, capital receipts will be used to repay borrowing previously taken out in relation to assets with a short life. MRP on residual debt will be based on the lives of the remaining asset for which borrowing was undertaken.
- 1.4.7 MRP will be charged from the financial year after the asset comes into use.
- 1.4.8 In cases where the Council has approved the use of capital receipts to fund the asset, this funding will be assumed when the receipt is contractually certain, even if not actually received. In such cases no MRP charge will be made.
- 1.4.9 No MRP will be charged in respect of capital expenditure funded by borrowing where the expectation is that a future capital receipt will be applied to the CFR as a voluntary debt repayment for the borrowing - for example capital expenditure on preparing assets for sale. Where this approach is used it will be reviewed on an annual basis, in consideration of updated expectations over the timing and certainty of capital receipts, and to ensure that the latest estimate of proceeds is sufficient to cover the MRP liability.
- 1.4.10 In respect of Finance leases held on the balance sheet, the MRP will be set at a charge equivalent to the element of the annual lease charge that goes to write down the balance sheet liability, thereby applying Option 3 in a modified form.
- 1.4.11 The Council will take advantage of any transitional arrangements introduced to minimise or negate the impact of retrospective accounting adjustments as a result of new accounting guidance or proper practice.
- 1.4.12 In respect of loans to third parties supported by borrowing, where these are treated as capital expenditure, and contractual terms are in place to secure repayment over a period not exceeding the life of the asset, the Council will not charge MRP on the related expenditure; the CFR will be reduced by the third party loan repayments as and when these are received.

## Appendix 4 cont.

- 1.4.13 In respect of infrastructure improvements and other capital schemes where repayment of the funding (principal and interest) will be met from business rates uplift in line with the Enterprise Zone financial model, and the repayment does not exceed the life of the asset, the Council will not charge MRP on the related expenditure; the CFR will be reduced by the amount of repayment of principal through business rates as and when these are made.
- 1.4.14 The Minimum Revenue Provision Policy Statement will be continuously reviewed throughout the financial year and particularly with respect to any developments in the Council's Efficiency Plan. Any required amendments or changes will be brought back to Council for approval.

## Appendix 5

### Interest Rate Forecast Commentary – Link Asset Services (LAS)

The interest rate forecasts applied in this Strategy are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU.

In the event of an orderly non-agreement exit, it is likely that the Bank of England would take action to cut Bank Rate in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.

If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly.

It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

#### **Balance of risks to the UK includes:**

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal is fully agreed with the EU, including the new terms of trade, and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

One risk that is both an upside and downside risk is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

#### **Downside risks to current forecasts for UK gilt yields and PWLB rates include:**

- Brexit – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- Bank of England takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the Eurozone sovereign debt crisis.
- Weak capitalisation of some European banks.
- Germany and other EU minority governments

## Appendix 5 cont.

- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was potential for a rerun of the 2008 financial crisis, but this time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.
- Geopolitical risks, for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

### **Upside risks to current forecasts for UK gilt yields and PWLB rates include:**

- Brexit – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

# Appendix 6

## Annual Investment Strategy

### 1. Investment policy

- 1.1 The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments managed by the treasury management team. Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.
- 1.2 The Council's appetite for risk must be clearly identified in its strategy report. The Council affirms that its investment policies are underpinned by a strategy of prudent investment of funds held on behalf of the local community. The objectives of the investment policy are firstly the security of funds (protecting the capital sum from loss) and then liquidity (keeping money readily available for expenditure when needed). Once approved levels of security and liquidity are met, the Council will seek to maximise yield from its investments, consistent with the applying of the agreed parameters. These principles are carried out by strict adherence to the risk management and control strategies set out in the TMP Schedules and the Treasury Management Strategy.
- 1.3 Responsibility for risk management and control lies within the Council and cannot be delegated to an outside organisation.

### 2. Creditworthiness policy

- 2.1 The Council's counterparty and credit risk management policies and its approved instruments for investments are set out below. These, taken together, form the fundamental parameters of the Council's Investment Strategy.
- 2.2 The Council defines high credit quality in terms of investment counterparties as those organisations that:
- 2.3 Meet the requirements of the creditworthiness service provided by the Council's external treasury advisors and;
  - UK banking or other financial institutions or are;
  - UK national or local government bodies or are;
  - Triple-A (AAA) rated Money Market funds.

### 3. Sovereign limits

- 3.1 The Council will distinguish between UK and Non-UK domiciled entities when determining counterparty and duration limits. These limits are set out in the table at paragraph 7.4 below. Sovereign credit ratings form part of the creditworthiness service provided by the Council's external treasury advisors and the Council may further restrict the use of certain domicile countries as necessary.

## **Appendix 6 cont.**

### **4. Investment position and use of Council's resources**

- 4.1 The application of resources, such as capital receipts, reserves etc, to either finance capital expenditure or for other budget decisions to support the revenue budget will have an ongoing impact on investments balances and returns unless resources are supplemented each year from new sources such as asset sales.
- 4.2 Investment decisions will be made with reference to the core balance, cash flow requirements and the outlook for interest rates.

### **5. Specified investments**

- 5.1 Under the Local Government Act 2003 the Council is required to have regard to the CLG Guidance on Local Government Investments. This requires that investments are split into two categories:
- i. Specified investments – broadly, sterling investments, not exceeding 365 days and with a body or investment scheme of high credit quality.
  - ii. Non-specified investments – do not satisfy the conditions for specified investments. This may include investment products that would normally be considered as specified investments, but are judged to have a higher level of risk than normal attached to them.
- 5.2 The detailed conditions attached to each of these categories are set out in the TMP Schedules.
- 5.3 The majority of the Council's investments in 2020/21 will fall into the category of specified investments.

### **6 Non-specified investments**

- 6.1 Prior to the start of each financial year, Officers review which categories of non-specified investments they consider could be prudently used in the coming year.
- 6.2 The recommendation for 2020/21 is that the following non-specified investments may be entered into:
- 6.3 Long-term investments (those for periods exceeding 365 days), which could prudently be used where interest rates are favourable and funds are not required for short-term cashflow management. Amounts deposited for over 365 days will be determined by liquidity considerations and by whether longer term interest rates are favourable, and all deposits will be in accordance with counterparty limits. Only counterparties in the Council's current approved counterparty list that have duration limits of over 365 days will be used for such investments. Any overall stricter limits in force in the Council's investment counterparty policies at any time will take precedence.

## Appendix 6 cont.

6.4 The following items, being non-specified only by virtue of the Council's lack of previous exposure to these instruments, are:

- UK Government Gilts;
- Treasury Bills;
- Bonds issued by a financial institution that is guaranteed by the UK Government and multi-lateral development banks as defined in Statutory Instrument 2004 No. 534;
- Reverse Gilt Repos;
- Commercial paper;
- Gilt funds and other bond funds;
- Enhanced money market funds;

6.5 Before proceeding with any of the above treasury management staff will take advice from the Council's external treasury advisors as appropriate, ensure that they fully understand the product and its risks, and prepare a business case to be signed off by the CFO.

## 7. Counterparties

7.1 Over-arching policies for the management of counterparty and credit risk are set out in the TMP Schedules. The Council's approach to counterparties for 2020/21 is set out below.

7.2 The CFO will use the recommendations of the creditworthiness service provided by the Council's external treasury advisors to determine suitable counterparties and the maximum period of investment, using the ratings assigned.

7.3 The CFO will determine, in the context of the above, and taking into account appropriate risk management factors:

- Any further criteria to be put in place to determine suitable counterparties;
- The maximum investment amount to be held with each type of counterparty assigned a rating;
- The maximum investment period with each type of counterparty assigned a rating.

## Appendix 6 cont.

7.4 The following table sets out the Council's counterparty criteria for 2020/21.

<b>Investments may be placed with counterparties recommended by the Council's external treasury advisors, and which meet the following criteria</b>		
<b>Counterparty Type</b>	<b>Limit; per individual counterparty or banking group</b>	<b>Limits; Duration</b>
<b>(1a)</b> UK Government	Unlimited	5 years
<b>(1b)</b> UK nationalised or part nationalised banking institutions	£15m	1 years
<b>(1c)</b> Other UK counterparties	£10m	3 years
<b>(1d)</b> Other Local Authorities	£10m	3 years
<b>(2a)</b> Non UK counterparties having a sovereign rating of AAA	£10m	3 years
<b>(2b)</b> Non UK counterparties having a sovereign rating of AA+	£10m	2 years
<b>(2c)</b> Non UK counterparties having a sovereign rating of AA	£10m	1 year
<b>(3)</b> Money Market Funds (CNAV/LNAV) having a credit rating of AAA	£15m	N/A - Liquid deposits
<b>(4)</b> Pooled Property Funds	£15m	5 years

7.5 Maximum counterparty limits may be temporarily exceeded by small amounts and for very short periods where interest is added by the counterparty to the principal investment amount, for example in the case of some call and deposit accounts. In such instances the interest amounts will be withdrawn back to the Council's main bank account as soon as reasonably practicable.

7.6 Any types of investments that fall within the category of specified investments as set out in the TMP Schedules and any types of non-specified investments approved as part of this document may be made within the bounds of the counterparty policies.

## **Appendix 6 cont.**

- 7.7 The total value of investments over 365 days at any one time is restricted by the treasury indicator for the upper limit on investments for periods longer than 365 days.
- 7.8 The Council may enter into forward agreements up to 3 months in advance of the investment commencing. If forward deposits are to be made, the forward period plus the deal period should not exceed the limits above.
- 7.9 The CFO has discretion during the financial year to lift or increase the restrictions on the counterparty list and/or to adjust the associated lending limits on values and periods should it become necessary to enable the effective management of risk in relation to investments. At all times the Council's minimum level of credit risk will be met.

## **8 Liquidity of Investments**

- 8.1 Most short-term investments are held for cashflow management purposes and officers will ensure that sufficient levels of short-term investments and cash are available for the discharge of the Council's liabilities.
- 8.2 Investment periods range from overnight to 365 days as specified investments, or 5 years as non-specified investments. When deciding the length of each investment, regard is had to both cashflow needs and prevailing interest rates. As cash balances available for investment are forecast to be somewhat reduced compared to previous years, the preservation of liquidity will be a critical determinant for treasury officers when determining the value and duration of investments.
- 8.3 Amounts deposited for over 365 days will also be determined by liquidity considerations and by whether longer term interest rates are favourable, and all deposits will be in accordance with counterparty limits and the treasury indicator for investments over 365 days. Long term investments of over 2 years will only be made in exceptional circumstances and with approval of the CFO.
- 8.4 For short term and overnight investment, the Council makes full use of triple A rated Money Market Funds (CNAV and LNAV) and bank call and deposit accounts offering competitive rates and, in most instances, instant access to funds.
- 8.5 The Council may occasionally undertake short-term temporary borrowing if this is needed to cover its cash flow position.

## **9. Investments defined as capital expenditure**

- 9.1 The acquisition of share capital or loan capital in any corporate body is defined as capital expenditure under Regulation 25(1) (d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. Such investments will have to be funded from capital or revenue resources and will be classified as 'non-specified investments'.

## **Appendix 6 cont.**

- 9.2 Investments in money market funds which are collective investment schemes and bonds issued by multilateral development banks – both defined in SI 2004 No 534 – will not be treated as capital expenditure.
- 9.3 A loan or grant or financial assistance by this Council to another body, for capital expenditure by that body, will be treated as capital expenditure by the Council.

### **10. Lending to third parties**

- 10.1 Officers will ensure that any loans to or investments in third parties comply with legislative requirements. This would normally, but not necessarily, be under one of the following Acts of Parliament:
- 10.2 The Localism Act 2011 gives local authorities a general power of competence to act in the same manner as any other legal person, except where those powers are specifically limited by statute;
- 10.3 The Local Government Act 2000 contains wellbeing powers for local government that allow local authorities to do anything, including to give financial assistance to any person, which they believe is likely to promote or improve the economic, social or environmental wellbeing of their area. Certain conditions, including consultation requirements, must be complied with in order to meet the requirements allowing the local authority to use the wellbeing powers.
- 10.4 Loans of this nature must be approved by Cabinet. The primary aims of the Investment Strategy, in order of priority, are the security of its capital, liquidity of its capital and then to obtain a return on its capital commensurate with levels of security and liquidity. These aims are crucial in determining whether to proceed with a potential loan to a third party.
- 10.5 Recipients of this type of investment are unlikely to be a financial institution and therefore unlikely to be subject to a credit rating. In order to ensure security of the Council's capital, financial due-diligence must be completed prior to any loan or investment being agreed. The Council will use specialist advisors to complete financial checks to ascertain the creditworthiness of the third party. Additional guarantees may be sought where necessary. This will be via security against assets and/or through guarantees from a parent company.

### **11. Provisions for credit related losses**

- 11.1 If any of the Council's investments appears at risk of loss due to default (i.e. this is a credit related loss and not one resulting from a fall in price due to movements in interest rates) the Council may make a prudent revenue provision of an appropriate amount.

## **Appendix 6 cont.**

### **12. Banking services**

- 12.1 It is the Council's intention that, should the event of the credit rating downgrade of the provider of its banking services lead to that bank falling below the Council's minimum investment criteria, the bank may continue to be used for short-term liquidity requirements (kept under daily review).

### **13. End of year investment report**

- 13.1 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

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**Appendices:**

1. Treasury Management Performance 2018-19
2. Treasury Management Performance 2019-20



## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>Treasury Management Performance</b>
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**AGENDA STATUS: PUBLIC**

**Audit Committee Meeting Date: 6th February 2020**

**Policy Document: No**

**Services: Chief Finance Officer**

**Accountable Cabinet Member: Cllr Brandon Eldred – Portfolio Holder Finance**

### 1. Purpose

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- 1.1 This report presents the Treasury Management performance outturn report for 2018-19 and the Treasury Management mid year performance for 2019-20.

### 2. Recommendations

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- 2.1 That the Committee review and note the attached Treasury Management Performance Reports.

### 3. Issues of note

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#### 3.1 Report Background

- 3.1.1 The Council's Treasury Management is delivered by LGSS in conjunction with Link Asset Services (LAS).
- 3.1.2 Attached as appendices, are the Treasury Management performance reports for 2018-19, outturn report and 2019-20 mid year report for review and acceptance by the Committee.

#### 3.2 Issues

- 3.2.1 There are no specific issues relating to this report.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 There are no policy implications within this report and appendices.

### **4.2 Resources and Risk**

4.2.1 There are no specific implications within this report and appendices.

### **4.3 Legal**

4.3.1 No legal issues.

### **4.4 Equality**

4.4.1 There are no specific equality implications with this report.

### **4.5 Consultees (Internal and External)**

4.5.1 Internal consultation has taken place with Corporate Management Board, other senior officers where required, LGSS Treasury Management Function and Link Asset Services.

### **4.6 Other Implications**

4.6.1 None specifically

## **5. Background Papers**

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5.1 Treasury Management Strategies 2018-19 and 2019-20

**Stuart McGregor**  
**Chief Finance Officer (Section 151 Officer)**

# Treasury Management Outturn Report 2018/19

## 1. BACKGROUND

- 1.1 Treasury Management is governed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (the Code). The Code has been developed to meet the needs of Local Authorities and its recommendations provide a basis to form clear treasury management objectives and to structure and maintain sound treasury management policies and practices.
- 1.2 The Code was adopted via the Treasury Management Strategy Statement (TMSS), which was approved for the 2018/19 financial year by Council in February 2019. It requires the Council to produce an annual treasury report and a half yearly report.
- 1.3 This report has been developed in consultation with the Council's external investment manager and treasury adviser, Link Asset Services (LAS) and provides an update to 31st March 2019.

## 2. THE ECONOMIC ENVIRONMENT

- 2.1 During the quarter ended 31st March 2019, the significant UK economic headlines were:
  - Brexit uncertainty continued to dominate;
  - Bank Rate remained unchanged at 0.75% with no changes to the quantitative easing programme;
  - There had been a rise in wage inflation and fall in CPI inflation. An increase in household spending power is likely to feed through into overall economic growth in the coming months.

## 3. SUMMARY PORTFOLIO POSITION

- 3.1 Net debt, including third party loans, at 31<sup>st</sup> March 2019 stood at £246.851m, which is lower than originally set out in the Treasury Management Strategy Statement in February 2019 as anticipated borrowing has been deferred. A balance sheet review has been carried out on the draft 2018/19 financial statements, and will be updated once the final audited financial statements for 2018/19 become available, which provides useful detailed analysis of the Councils loans, investments, Capital Financing Requirement and reserves.
- 3.2 Further analysis on borrowing and investments is set out in the next two sections. A snapshot of the Council's debt and investment position is shown in the table 1 below:

**Table 1: Debt and Investment Position at 31<sup>st</sup> March**

	TMSS 2018/19 31 Mar 2019 Forecast (Council Feb 2019)		Actual as at 31 March 2018		Actual as at 31 March 2019		Change from Mar 2018 to Mar 2019
	£m	Rate %	£m	Rate %	£m	Rate %	
<b>Borrowing</b>	<b>285.000</b>	<b>3.2</b>	<b>257.361</b>	<b>3.0</b>	<b>246.851</b>	<b>3.1</b>	<b>(10.510)</b>
<b>Treasury Investments</b>	<b>(27.200)</b>	<b>0.5</b>	<b>(65.400)</b>	<b>0.5</b>	<b>(48.044)</b>	<b>0.9</b>	<b>17.356</b>
<b>3rd Party Loans</b>	<b>(49.800)</b>	<b>2.1</b>	<b>(50.643)</b>	<b>2.2</b>	<b>(49.763)</b>	<b>2.1</b>	<b>0.880</b>
<b>Total Net Debt / Borrowing</b>	<b>208.000</b>	<b>-</b>	<b>141.318</b>	<b>-</b>	<b>149.044</b>	<b>-</b>	<b>7.726</b>

#### **4. BORROWING**

4.1 The Council can raise loan finance in order to primarily fund its Capital spending plans and also for short term cashflow purposes. The actual amount of new borrowing required each year is determined by capital expenditure plans, capital funding available, the actual Capital Financing Requirement (CFR), forecast reserves, cashflow analysis, and current and projected economic conditions.

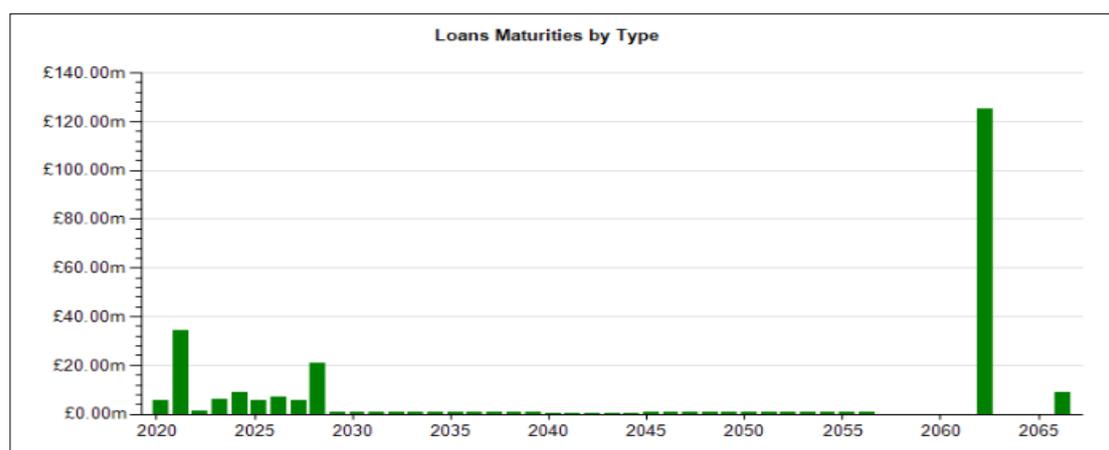
##### **New loans and repayment of loans:**

4.2 This section details new long term loans raised (i.e. loans that are for greater than one year) and loans repaid during the year, including those associated with Third Party Loans. No new loans were drawn during the year. A total of £10.510m scheduled principal repayments were made.

##### **Maturity profile of borrowing:**

4.3 Chart 1 below show the maturity profile of the Council's loan portfolio (including those associated with Third Party Loans), per loan, at 31<sup>st</sup> March 2019. The Councils long-term loans have fixed interest rates, which gives balance against short-dated loans and partly protects the Council from exposure to interest rate fluctuation.

**Chart 1: Loan Portfolio at 31<sup>st</sup> March 2019**



### **Loan restructuring:**

- 4.4 When market conditions are favourable, long term loans may be restructured in order to:
- generate cash savings;
  - reduce the average interest rate; and / or
  - enhance the balance of the portfolio by amending the maturity profile and/or the level of volatility (volatility is determined by the fixed/variable interest rate mix).
- 4.5 During the year, there were no opportunities for the Council to restructure its borrowing due to the composition of the Council's borrowing portfolio compared to prevailing market conditions and redemption rates. Debt rescheduling in 2019/20 will continue to be kept under review and considered subject to conditions being favourable. If and when opportunities for savings do arise, debt rescheduling will be undertaken to meet business needs.

### **Funding the Capital Programme**

- 4.6 The Treasury Management Strategy Statement (TMSS) set out the plan for treasury management activities over the year. It identified the expected level of borrowing and investment levels. When the 2018/19 TMSS was set, it was anticipated that the Capital Financing Requirement (CFR) – the Council's liability for financing the agreed Capital Programme – would be £322.973m. This calculated amount is naturally subject to change as a result of any changes to the approved capital programme financing or MRP policy.
- 4.7 The outturn position was:
- the Council's 2018/19 outturn CFR was £310.421m, which was:
    - £63.570m greater than total outstanding borrowing of £246.851m at 31<sup>st</sup> March 2019 – this represents internal borrowing, that is the temporary use of the Council's surplus cash to finance the borrowing liability instead of borrowing externally.

- £23.579m below the statutory Authorised Borrowing Limit of £334.000m set by Council.

## 5. INVESTMENTS

- 5.1 Investment activity is carried out using the framework of the Council's counterparty policies and criteria, with a clear strategy of risk management. This ensures that the principle of considering security, liquidity and yield (in that order) is consistently applied. The Council therefore aims to achieve the optimum return on investments commensurate with proper levels of security and liquidity. Any variations to agreed policies and practices are reported to Council
- 5.2 As described in paragraph 4.7, the strategy of internal borrowing also has the effect of limiting the Council's investment exposure to the financial markets, thereby reducing credit risk.
- 5.3 The level of cash available for investment is made up of reserves, balances and working capital that the Council holds. As at 31st March 2019 investments totalled £97.807m. This includes total third party loans as listed below:
- £45.273m of PWLB loans advanced to University of Northampton (UoN). These loans are fully guaranteed by HM Treasury;
  - £4.400m loans to Northampton Town Rugby Football Club (NTRFC). These loans are over collateralised/secured against land assets at Franklins Gardens;
  - £0.090m loan to Unity Leisure.
  - £48.044m was held in treasury management investments profiled in order to meet the liquidity demands, and long-term investment of units in the pooled CCLA Property Fund.
- 5.4 Table 2 below compares the return performance on the Council's treasury management investment against relevant benchmarks for each quarter during the 2018/19 financial year.

**Table 2: Benchmark Investment Performance – 2018/19**

	<b>Benchmark</b>	<b>Benchmark Return</b>	<b>Council Performance</b>
<b>Q1</b>	<b>3m LIBID</b>	0.55%	0.59%
<b>Q2</b>	<b>3m LIBID</b>	0.66%	0.68%
<b>Q3</b>	<b>3m LIBID</b>	0.73%	0.89%
<b>Q4</b>	<b>3m LIBID</b>	0.75%	1.25%
<b>ANNUAL</b>	<b>3m LIBID</b>	0.68%	0.84%

- 5.5 It can be seen from the table above that treasury management investments returned 0.84% for the year, which is 16bps more than the 3 month LIBID benchmark. Returns were boosted significantly from November 2018 as the Council invested £8m into the CCLA Property Fund which achieves a stable return of c. 4.2% annually.

5.6 Leaving market conditions to one side, the Council's return on investment is influenced by a number of factors, the largest contributors being the duration of investments and the credit quality of the institution or instrument. Credit risk is a measure of the likelihood of default and is controlled through the creditworthiness policy approved by Council. The duration of an investment introduces liquidity risk; the risk that funds can't be accessed when required, and interest rate risk; the risk that arises from fluctuating market interest rates. These factors and associated risks are actively managed by the LGSS Integrated Treasury team together with the Council's treasury advisers.

## **6. COMPLIANCE WITH TREASURY LIMITS AND PRUDENTIAL INDICATORS**

6.1 With effect from 1st April 2004, the Prudential Code (as amended) became statute as part of the Local Government Act 2003. The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable. To ensure compliance with this the Council is required to set and monitor a number of Prudential Indicators.

6.2 During the financial year to date the Council has operated within the treasury limits and Prudential Indicators, which were:

**Table 3: Prudential Indicators**

<b>Prudential Indicator</b>	<b>2018/19 Indicator</b>	<b>2018/19 Outturn</b>
Authorised limit for external debt (Inc' Third Party Loans)	----- £334.000m -----	-----
Operational boundary for external debt (Inc' Third Party Loans)	----- £324.000m -----	-----
Actual external debt (Inc' Third Party Loans)	----- £246.851m -----	-----
Capital Financing Requirement (CFR) (Inc' Third Party Loans and Finance Lease Liabilities)	£322.973m	£310.421m
Ratio of financing costs to net revenue streams: GF	6.13%	6.02%
Ratio of financing costs to net revenue streams: HRA	40.71%	36.89%
Principal sums invested > 365 days (Exc' Third Party Loans)	£15.000m	£7.446m
Maturity structure of borrowing limits:-		
Under 12 months	Max. 50% Min. 0%	2.2%
12 months to 2 years	Max. 50% Min. 0%	14.0%
2 years to 5 years	Max. 50% Min. 0%	6.5%
5 years to 10 years	Max. 50% Min. 0%	16.1%
10 years to 20 years	Max. 50% Min. 0%	2.9%
20 years to 30 years	Max. 60% Min. 0%	2.1%
30 years to 40 years	Max. 80% Min. 0%	1.9%
40 years and above	Max. 100% Min. 0%	54.3%

# Treasury Management Report – Mid-year update 2019/20

## BACKGROUND

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (annual, mid-year or quarterly reports). This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

## 2. ECONOMIC CLIMATE

- 2.1 In brief summary, Q2 2019/20 saw:

- Bank of England held Bank Rate at 0.75%; noting the deterioration in global activity and sentiment, they confirmed that monetary policy decisions related to Brexit could be in either direction depending on whether or not a deal is ultimately reached by 31<sup>st</sup> October;
- The UK economy contracted by 0.2%; following the 0.5% gain in Q1 which was distorted by stockpiling ahead of Brexit;
- Brexit negotiations remained at an impasse; UK equities continued to underperform given the uncertainty, generally meaning investors are holding safe-haven government bonds/gilts instead.

## 3. INTEREST RATE FORECAST

- 3.1 The latest forecast for UK Bank Rate along with PWLB borrowing rates (certainty rate) from the Council's treasury advisors is set out in Table 1 below.

### ***PWLB Rates***

- 3.2 In a surprise move and without consultation or prior warning, from 9th October 2019 the Government has:
- Increased with immediate effect the interest rates offered on new Public Works Loan Board (PWLB) loans by doubling the margin applied from 1% to 2%. The 20bps discount for providing forward capital forecast data – known as the Certainty Rate – still applies (to which this Council is eligible).
  - Legislated to increase the statutory limit on how much the PWLB can lend to eligible authorities, from £85bn to £95bn.
- 3.3 As the cost of borrowing has fallen to record lows, a number of local authorities have substantially increased their use of the PWLB in recent months. Some authorities have maximised their borrowing ability directly to invest in commercial property to produce a financial return to underpin front-line services, a practice that Government has expressed concerns over. It would appear that HM Treasury has carried out what MHCLG and CIPFA had implied should be

avoided, namely addressed concerns on borrowing at a few outlying authorities by penalising the whole sector.

- 3.4 The maximum net amount of PWLB loans that can be outstanding at any time is subject to a statutory limit. At 31st March 2019, the amount outstanding stood at £77.9bn. With PWLB rates falling to record lows, it is estimated that c.£6.2bn of new loans had been raised in the first half of 2019/20. Raising the self-imposed statutory limit from £85bn to £95bn, combined with the rate increase, reduces the likelihood of a statutory limit breach.
- 3.5 The PWLB's new pricing structure - at 180 basis points above gilts for certainty rate loans - no longer necessarily represents good value for local authorities and opens up the potential for better overall terms and flexibility from market lenders.
- 3.6 The PWLB rates shown in Table 1 below are inclusive of the new increased margins and certainty rate discount.

**Table 1: Interest Rate Forecast (%)**

Link Asset Services Interest Rate View														
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

- 3.7 There are many risks to the forecast set out above, principally around the timing and pace of further rate rises. Budget estimates prudently include sensitivity analysis of the impact that a slower than forecast economic recovery would have upon the Council and any impact of changes to interest rates is reported through the Budget Monitoring process.

#### 4. INVESTMENTS

- 4.1 The Treasury Management Strategy Statement (TMSS) for 2019/20, which includes the Annual Investment Strategy, was approved by Council in February 2019. It sets out the Council's investment priorities as being:
1. Security of Capital;
  2. Liquidity; and then
  3. Yield
- 4.2 The Council will aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity.

4.3 At 31st March 2019 investment balances totalled £48.044m, held in Money Market Funds, Call/Notice accounts, Certificates of Deposits, Local Authority loans and the CCLA Property Fund. This figure excludes third party loans and share capital. Due to the nature of various government funding streams and timing of capital expenditure, the average level of funds available for investment purposes during Q1 was £59.020m and for Q2 was £61.492m.

4.4 Table 2 below summarises the maturity profile of the Council's investment portfolio at the end of Q2 2019/20 (excluding third party loans):

**Table 2 – Investment maturity profile at end of Q2 2019/20**

Product	Access Type	Maturity Period					
		0d	0-3m	3-6m	5yrs *	Total	
		£m	£m	£m	£m	£m	%
Money Market Funds	Same-Day	15.790				<b>15.790</b>	<b>30.6</b>
Bank Call Account	Instant Access	0.200				<b>0.200</b>	<b>0.4</b>
Certificate of Deposits	Fixed Term / Tradeable		8.000	15.000		<b>23.000</b>	<b>44.6</b>
Local Authority Loans	Fixed Term		5.000			<b>5.000</b>	<b>9.7</b>
Pooled Property Fund	Redemption Period Applies				7.549	<b>7.549</b>	<b>14.7</b>
<b>Total</b>		<b>15.990</b>	<b>13.000</b>	<b>15.000</b>	<b>7.549</b>	<b>51.539</b>	<b>100.0</b>
<b>%</b>		<b>31.0</b>	<b>25.2</b>	<b>29.1</b>	<b>14.7</b>	<b>100.0</b>	

4.5 The scheduled date for the UK to leave the EU is now 31<sup>st</sup> January 2020 and there remains little political clarity as to whether a deal will be agreed by this date - the impending general election in December 2019 may change this - but there remains the possibility that the exit date could be deferred again.

4.6 Set out below are details of the amounts outstanding on loans and share equity investments classed as capital expenditure advanced to third party organisations at the end of Q2:

**Table 3 – Third Party Loans**

Loan Summary	Amount (£m)
University of Northampton (UoN) – HM Treasury backed	45.146
Northampton Town Rugby Football Club (NTRFC)	4.290
Unity Leisure	0.060
<b>Total</b>	<b>49.496</b>

4.7 Financial markets trade on confidence and certainty, and for some time now, both have been in short supply. Investment rates have increased from historical lows following bank base rate rises, but remain relatively low in short to medium-term durations, with limited pickup in value for longer durations.

- 4.8 Investment balances are forecast to reduce by the financial year end as internal resources from temporary positive cashflow surpluses are applied to fund expenditure demands in lieu of fully funding the borrowing requirement (internal borrowing) on a net basis. This process effectively reduces the cost of carrying additional borrowing at a higher cost than the income that could be generated through short term investment of those balances, as well as reducing investment counterparty credit risk.
- 4.9 The Council's investments at the mid-year point outperformed the most comparable weighted duration benchmark by 68 basis points, largely due to an average dividend return of c.4.2% on the Council's investment held in the CCLA Property Fund. Any impact upon latest budget projections for the financial year are reported through the Budget Monitoring process.

**Table 4: Benchmark Performance – Q2 2019/20**

	<b>Benchmark</b>	<b>Benchmark Return</b>	<b>Council Performance</b>
<b>Q1</b> (Last Qtr)	<b>3m LIBID</b>	0.68%	1.35%
<b>Q2</b> (This Qtr)	<b>3m LIBID</b>	0.64%	1.32%
<b>Q1+2</b> (Mid-Year)	<b>3m LIBID</b>	<b>0.66%</b>	<b>1.34%</b>

- 4.10 Leaving market conditions aside, the Council's return on investments is influenced by a number of factors, the largest contributors being the duration of investments and the credit quality of the institution or instrument:
- Credit risk is the consideration of the likelihood of default and is controlled through the creditworthiness policy approved by Council.
  - The duration of an investment introduces liquidity risk; the risk that funds can't be accessed when required.
  - Interest rate risk; the risk that arises from fluctuating market interest rates.
- 4.11 These factors and associated risks are actively managed by the LGSS Finance Treasury team.

## **5. BORROWING**

- 5.1 The Council can raise cash through borrowing in order to fund expenditure on its capital programme for the benefit of Northampton. The amount of new borrowing needed each year is determined by capital expenditure plans and projections of the Capital Financing Requirement, underlying borrowing requirement, forecast cash-backed reserves and both current and forecast economic conditions.
- 5.2 Overall borrowing outstanding has decreased during the first half of this year by £4.864m in line with scheduled debt repayments.
- 5.5 Table 5 below sets out the maturity profile of the Council's borrowing portfolio at the end of Q2. £225.521m is held with the PWLB, £16.466m from Market sources (Market loans/ Growing Places funding/ Homes & Communities Agency).

**Table 5: Borrowing Maturity Profile – Q2 2019/20**

Term Remaining	Borrowing	
	£m	%
Under 12 months	1.124	0.5
1-2 years	34.463	14.2
2-5 years	15.851	6.6
5-10 years	39.641	16.4
10-20 years	7.215	3.0
20-30 years	5.314	2.2
30-40 years	4.379	1.8
40 years and above	134.000	55.3
<b>TOTAL</b>	<b>241.987</b>	<b>100.0</b>

- 5.6 The Council does not hold any Lender Option, Borrower Option (LOBO) loans.
- 5.7 The Council is in an internally borrowed cash position and balances will need to be replenished at some point in the future (subject to expenditure demands). This strategy is prudent while investment returns are lower than the cost of servicing debt and also serves to mitigate counterparty risk. The Council therefore plans to maintain this internal borrowing position but will closely monitor those reserves, balances and cashflows supporting this approach.

## **6. BORROWING RESTRUCTURING**

- 6.1 No borrowing rescheduling has been undertaken this year. Rescheduling opportunities are limited in the current economic climate. For PWLB loans, due to the spread between the carrying rate of existing borrowing and early redemption rates, substantial exit (premium) costs would be incurred. For market borrowing, the lender uses the certainty of the loans cashflow profile to hedge against forecast interest rate movements and so would pass the cost of unwinding these instruments onto the Council as an exit (premium) cost. Officers continue to monitor the position regularly.

## **7. TREASURY AND PRUDENTIAL INDICATORS**

- 7.1 The Council's Treasury and Prudential Indicators (affordability limits) were approved alongside the TMSS. It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the financial year to date the Council has operated within the Treasury and Prudential Indicators set out in the Council's TMSS:

**Table 6: Treasury and Prudential Indicators**

<b>Prudential Indicator</b>	<b>2019/20 Indicator</b>	<b>2019/20 Q2</b>
Authorised limit for external debt (Inc' Third Party Loans)	----- £335.000m -----	-----
Operational boundary for external debt (Inc' Third Party Loans)	----- £325.000m -----	-----
Capital Financing Requirement (CFR) (Inc' Third Party Loans and Finance Lease Liabilities)	£349.000m	£351.411m
Ratio of financing costs to net revenue streams: GF	7.82%	7.41%
Ratio of financing costs to net revenue streams: HRA	30.13%	29.81%
Principal sums invested > 365 days (Exc' third party loans)	£14.000m	£7.549m
Maturity structure of borrowing limits:-		
Under 12 months	Max. 50% Min. 0%	0.5%
12 months to 2 years	Max. 50% Min. 0%	14.2%
2 years to 5 years	Max. 50% Min. 0%	6.6%
5 years to 10 years	Max. 50% Min. 0%	16.4%
10 years to 20 years	Max. 50% Min. 0%	3.0%
20 years to 30 years	Max. 60% Min. 0%	2.2%
30 years to 40 years	Max. 80% Min. 0%	1.8%
40 years and above	Max. 100% Min. 0%	55.3%

**Appendices:**

1. Constitution Terms of Reference
2. Analysis of Audit Committee agenda 2018 – 2020 and proposed quarterly agenda



**NORTHAMPTON**  
BOROUGH COUNCIL

## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>Constitution terms of reference – Audit Committee</b>
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**AGENDA STATUS: PUBLIC**

**Audit Committee Meeting Date: 6th February 2020**

**Policy Document: Constitution - Audit Committee Terms of Reference**

**Services: Chief Finance Officer**

**Accountable Cabinet Member: Jonathan Nunn - Leader**

### 1. Purpose

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- 1.1 This report presents the Constitution Terms of Reference for the Audit Committee (appendix 1). The Constitution was last updated in November 2018.

### 2. Recommendations

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- 2.1 That the Audit Committee members review and make comment on the brief of the terms of reference in relation to their role and previous audit committee agenda items (appendix 2).
- 2.2 That the Committee continue to work within the current terms of reference until vesting day 2021.

### 3. Issues of note

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#### 3.1 Report Background

It is unknown when the Constitution Audit Committee Terms of Reference were last presented to the committee members for comment and approval. A request has been made by the Independent Audit Chair that this is presented to the February 2020 committee.

## **3.2 Issues**

### **Terms of Reference content**

Although the Constitution was updated in November 2018, the information contained within the Audit Committee terms of reference is out of date in relation to documentation maintained by NBC.

- 3.2.1** Point 9.3.9 on the terms of reference refers to the 'Councils Improvement Plan'. Investigation shows that this document was converted in to the Governance Action Plan that was satisfied in September 2018 and replaced by the Governance Report. Therefore, it is recommended that the Governance Report, Internal Audit Tracker and the Corporate Risk Register are used as assurance documents for improvement.
- 3.2.2** Point 9.3.10 refers to a 'Best Value Performance Plan' and to work done around 2006 which was the time of the last Best Value Performance Plan which has now morphed into our Performance Outturn Report that is presented to Audit Committee annually.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

- 4.1.1 There are no policy changes as a result of this report.

### **4.2 Resources and Risk**

- 4.2.1 There are no issues of resource or risk.

### **4.3 Legal**

- 4.3.1 None to report at present.

### **4.4 Equality**

- 4.4.1 Whilst there are no specific equality implications at this stage, various policies may have to be reviewed should the Constitution require changes. All reviews will be supported by equality and community impact assessments.

### **4.5 Consultees (Internal and External)**

- 4.5.1 Internal consultation has taken place with Corporate Management Board and other senior officers where required.

### **4.6 Other Implications**

- 4.6.1 None specifically

## 5. Background Papers

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5.1 None at present

**Joanne Bonham, Governance & Risk Manager**

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## Article 9 – The Audit Committee

### 9.1 The Audit Committee

The Council will establish an Audit Committee:

- 9.2 **Membership:** The Audit Committee will be composed of seven Councillors, excluding members of the Cabinet. The Committee will be chaired by an Independent person who has no voting rights.

The Committee shall have delegated powers to appoint co-opted members, without voting rights but with expertise in relevant areas.

### 9.3 Role and Terms of Reference

- 9.3.1 To generally consider all relevant processes for risk, control and governance.
- 9.3.2 To approve and influence (but not direct) internal audit's strategy, plan and performance.
- 9.3.3 To review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- 9.3.4 To consider the reports of external audit and inspection agencies.
- 9.3.5 To consider the effectiveness of the Council's risk management arrangements, the control environment and associated anti fraud and anti corruption arrangements and seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
- 9.3.6 To be satisfied that the Council's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it.

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- 9.3.8 To review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.
  - 9.3.9 To monitor, the implementation of Key recommendations and actions arising from the Council's Improvement Plan.
  - 9.3.10 To consider key performance management reports and monitor the effectiveness of performance against the Best Value Performance Plan and key outcomes in the Council's Improvement Plan.
  - 9.3.11 To promote relevant value for money studies following particular themes or service areas as appropriate.
  - 9.3.12 To approve the Annual Statement of Accounts for submission to the External Auditor and for public consultation and to subsequently approve their adoption.
  - 9.3.13 To ensure effective scrutiny of the treasury management strategy and policies.

#### **9.4 Rules of Procedure**

The Council Procedure Rules contained in Part 4 of this Constitution shall apply insofar as they do not conflict with the rules herein.

Analysis of Audit Committee agenda items

COMMITTEE DATES April 2018 - March 2020

	18/06/18	30/07/18	03/09/18	29/10/18	26/11/18	18/03/19	08/07/19	29/07/19	23/09/19	16/12/2019	06/02/2020	23/03/2020
<b>Agenda items</b>		cancelled		cancelled			moved 29/7			cancelled		
Review of loan to NTFC/Sixfields update												TBA
Treasury Management	✓				✓							
Treasury Management - Policy amendment			✓									
Risk review and budget options					✓						✓	
Financial monitoring report						✓	✓					
External Audit update	✓		✓		✓	✓		✓			✓	
Internal audit update LGSS/PWC			✓		✓	✓	✓		✓		✓	
Internal audit tracker									✓			
Risk based verification (RBV) Policy			✓								✓	
Accounting policies					✓							
Internal audit annual report LGSS/PWC	✓											
Internal audit plan						✓						
Draft statement of accounts and AGS								✓	✓			
Final statement of accounts								✓				
External audit - ISA 260 report								✓				
Interim/Agency staff/vacancy report	✓				✓						✓	
Corporate performance outturn report							✓					
Governance Action Plan	✓		✓									
Governance report					✓	✓					✓	
Corporate risk register					✓	✓	✓				✓	
CFO update							✓		✓			

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**Audit Committee - Standing agenda items**

Proposed quarterly audit committee meetings:

	March	June	September	December	ToR Ref:
Internal Audit Plan/Progress	✓		✓		9.3.1/9.3.2/9.3.3/ 9.3.5
Draft Statement of Accounts/AGS		✓			9.3.8
Final statement of accounts			✓		9.3.11/9.3.12
External audit - ISA 260 report/Action plan update		✓		✓	9.3.4/9.3.5/9.3.6/ 9.3.8
External audit update				✓	
Debt analysis/management	✓		✓		
Financial Monitoring	✓		✓		
Treasury Management		✓		✓	9.3.13
Risk Based Verification (RBV)			✓		
Accounting policies	✓				
Governance report	✓	✓	✓	✓	9.3.1/9.3.5/9.3.9
Corporate risk register	✓	✓	✓	✓	9.3.1/9.3.5
Interim/Agency staff/vacancy report	✓	✓	✓	✓	
Internal audit annual report LGSS/BDO		✓			9.3.3
Financial outturn report		✓			
Corporate performance outturn report		✓			9.3.10
Risk review and budget options				✓	
AOB	✓	✓	✓	✓	

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