

# Corporate Audit Committee

**Date: Thursday, 6th February, 2020**  
**Time: 4.30 pm**  
**Venue: Kaposvar Room - Guildhall, Bath**

## Agenda

**To: All Members of the Corporate Audit Committee**

Councillors: Andrew Furse (Chair), Colin Blackburn, Mark Elliott, Lucy Hodge and Brian Simmons

Independent Member: John Barker

Chief Executive and other appropriate officers

Press and Public

The agenda is set out overleaf.



NOTES:

1. **Inspection of Papers:** Papers are available for inspection as follows:

Council's website: <https://democracy.bathnes.gov.uk/ieDocHome.aspx?bcr=1>

Paper copies are available for inspection at the Guildhall - Bath.

2. **Details of decisions taken at this meeting** can be found in the minutes which will be circulated with the agenda for the next meeting. In the meantime, details can be obtained by contacting as above.

3. **Recording at Meetings:-**

The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control. Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators. We request that those filming/recording meetings avoid filming public seating areas, children, vulnerable people etc; however, the Council cannot guarantee this will happen.

The Council will broadcast the images and sounds live via the internet [www.bathnes.gov.uk/webcast](http://www.bathnes.gov.uk/webcast). The Council may also use the images/sound recordings on its social media site or share with other organisations, such as broadcasters.

4. **Public Speaking at Meetings**

The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group. They may also ask a question to which a written answer will be given. **Advance notice is required not less than two full working days before the meeting. This means that for meetings held on Thursdays notice must be received in Democratic Services by 5.00pm the previous Monday.** Further details of the scheme:

<https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=12942>

5. **Emergency Evacuation Procedure**

When the continuous alarm sounds, you must evacuate the building by one of the designated exits and proceed to the named assembly point. The designated exits are signposted. Arrangements are in place for the safe evacuation of disabled people.

6. **Supplementary information for meetings**

Additional information and Protocols and procedures relating to meetings

<https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=13505>

## Corporate Audit Committee-Thursdays, 6th February, 2020

at 4.30 pm in the Kaposvar Room - Guildhall, Bath

### AGENDA

1. EMERGENCY EVACUATION PROCEDURE

The Chair will draw attention to the emergency evacuation procedure as set out under Note 7.

2. ELECTION OF VICE-CHAIR

To elect a Vice-Chair (if required) for this meeting.

3. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

4. DECLARATIONS OF INTEREST

At this point in the meeting declarations of interest are received from Members in any of the agenda items under consideration at the meeting. Members are asked to indicate:

(a) The agenda item number in which they have an interest to declare.

(b) The nature of their interest.

(c) Whether their interest is a **disclosable pecuniary interest** *or* an **other interest**, (as defined in Part 2, A and B of the Code of Conduct and Rules for Registration of Interests)

Any Member who needs to clarify any matters relating to the declaration of interests is recommended to seek advice from the Council's Monitoring Officer or a member of his staff before the meeting to expedite dealing with the item during the meeting.

5. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair will announce any items of urgent business.

6. ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

7. ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

To deal with any petitions, statements or questions from Councillors and, where appropriate, co-opted and added Members.

8. MINUTES: 21 NOVEMBER 2019 (Pages 5 - 12)

The Committee is invited to approve the public and exempt minutes of the meeting of 21 November 2019 as a correct record.

9. EXTERNAL AUDIT UPDATE REPORT (Pages 13 - 36)

10. TREASURY MANAGEMENT STRATEGY (Pages 37 - 42)

Appendices to follow.

11. INTERNAL AUDIT PLAN (Pages 43 - 50)

12. ANNUAL GOVERNANCE STATEMENT (Pages 51 - 84)

The Committee Administrator for this meeting is Sean O'Neill who can be contacted on 01225 395090.

**CORPORATE AUDIT COMMITTEE**

**Minutes of the Meeting held**

Thursday, 21st November, 2019, 4.30 pm

**Councillors:** Andrew Furse (Chair), Colin Blackburn, Lucy Hodge and Brian Simmons

**Independent Member:** John Barker

**Officers in attendance:** Jeff Wring (Service Director - One West) and Andy Cox (Head of Audit and Assurance (One West))

**Guests in attendance:** Peter Barber (Grant Thornton) and Sophie Morgan-Bower (Grant Thornton)

**14 EMERGENCY EVACUATION PROCEDURE**

The Democratic Services Officer advised the meeting of the procedure.

**15 ELECTION OF VICE-CHAIR**

**RESOLVED** that a Vice-Chair was not required on this occasion.

**16 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies were received from Cllr Mark Elliott.

**17 DECLARATIONS OF INTEREST**

There were none.

**18 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR**

There was none.

**19 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS**

There were none.

**20 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS**

There were none.

**21 MINUTES: 30 JULY 2019**

These were approved as a correct record and signed by the Chair.

**22 EXTERNAL AUDIT UPDATE REPORT**

Mr Barber presented the report.

He commented on the Annual Audit Letter, which had been circulated as a late supplement to the agenda. He said that the Letter summarised the key findings of the external auditors in their work on the 2018/19 accounts for the Council and the Avon Pension Fund. Hopefully it would contain no surprises, since a detailed audit findings report had been presented to the 30 July meeting of the Committee. The Annual Audit Letter differed from the findings report in that it was the formal mechanism by which the external auditor communicated with the Council, and it was made available to the public and stakeholders. The external auditors had a twofold responsibility, to the Council and to the Avon Pension Fund. The materiality thresholds set for these two bodies were detailed on page 5 of the letter.

The external auditors had given an unqualified opinion on the Council and Pension Fund accounts on 30 July, and the message for the Committee as the body charged with oversight of governance in the Council was a generally positive one. There were no matters in relation to which the external auditors had had to invoke their additional statutory powers, and an overall positive value-for-money conclusion has been given, subject to two recommendations. Further to the statement at the bottom of page 3 of the Letter, he could now certify that the audit of the Council and Pension Fund based on code requirements was complete, because the Pension Fund annual report had been published and the work on the whole of government accounts had been completed.

Mr Barber noted that the accounts for the Council's subsidiary, Aequus Developments Ltd (ADL), were not consolidated with the Council's accounts in 2018/19. However, the projected turnover for this business in 2019/20 is likely to exceed the threshold for group accounts, and the external auditors are discussing with the Council's Finance Team whether ADL's accounts should be consolidated in 2019/20.

The Interim Director – Finance drew Members' attention to the turn round from a Council overspend last year to an underspend this year.

A Member asked whether ADL was responsible for valuing its own properties, or whether its property assets were grouped with other Council-owned properties. Mr Barber replied that ADL had to value its own assets every year for its own accounts. His understanding was that the basis on which ADL valued its assets was slightly different from the Council, though he was not entirely sure, as ADL have separate auditors. In response to a question from the Chair Mr Barber explained that Council property assets have to be valued every five years, but should be valued more frequently if the level of risk of material change in value justified this. If the accounts of ADL were consolidated with those of the Council, the valuation methods would have to be harmonised. A Member asked what the effect on ADL was of the rescheduling of the building work they were engaged in; that he understood that the purpose of ADL was to construct properties for sale and return the capital receipts to the Council. The Chair, however, said that he thought that the ambition ADL was that, while they might sell some properties, they should have a portfolio of properties for rent in order to generate income for the Council. The Interim Director – Finance explained that the Council received money from ADL in the form of capital receipts from land transfers, from dividends, though these were delayed until Riverside was completed, tax receipts and loan repayments. The Chair suggested that it would be useful to have a report showing how cash flowed between ADL and the Council, as

this is a matter of interest to the Committee. This might be something that Resources PDS Panel would also wish to see.

Mr Barker presented the Audit Progress Report and Sector Update. He commented on the certification work for Housing Benefits and the Teachers' Pensions Claim, for both of which the deadline for completion is 30 November 2019. The external auditors had had long conversations with the Council about the Housing Benefits claims in the past, as some Members would recall. The external auditor had made good progress on Housing Benefits this year, but issues had arisen in relation to the samples selected for testing and the integrity of the workbooks used by the external auditor. He understood that this was not because of any fault of the Council. The issue had been referred to DWP. Because of the problem the Council had written to the DWP asking for an extension of the deadline to 31 December. It was projected that the Teachers' Pensions claims work would be completed by the 30 November deadline. Reports on these two matters would be made to a future meeting of the Committee.

Mr Barber drew attention to the information on MHCLG's independent probe into local government audit on agenda page 20 and on the new NAO Code of Barber Audit Practice on agenda page 21. The Chair asked whether it was anticipated that a body resembling the abolished Audit Commission would be created. Mr Barber said that he had no information on this at the present time. A Member suggested that there should be a report to the Committee when the Redmond review was published.

After the discussion was concluded, the Committee **RESOLVED** to note the report and appendices.

## **23 TREASURY MANAGEMENT SIX MONTH UPDATE REPORT**

The Interim Director of Finance presented the report. She reminded Members that the strategy for some years had been to fund capital expenditure from cash reserves while interest rates on invested cash were low. This had resulted in a reduction in in-year borrowing costs greater than the return that would have been earned on cash investments. She drew attention to the 1% rise in Public Works Loans Board interest rates in October. It was expected that this would eventually be reversed.

A Member noted that the PWLB interest rate increase had been a response to a substantial increase in the use of PWLB loans by some authorities, and that the NAO was due to publish a review early next year that could recommend tighter restrictions on the use to which PWLB loans could be put. It might be that they were restricted to capital developments and not permitted for commercial investments. The Interim Director of Finance replied that most local authorities do not borrow for individual acquisitions, but to finance their capital programmes. However, it did seem that the rate rise was intended to curb local authorities' aspirations for commercial acquisitions.

The Chair asked why there was a difference between the Capital Funding Requirement of £300.7m and the current borrowing of £234.4m. The Interim Director of Finance explained that there had been slippage on three big projects and there would be some catch up. The Chair asked about the monitoring of the delivery of the capital programme. The Interim Director of Finance pointed out that there was a regular report to Cabinet.

The Chair noted that the Committee was not provided with the risk register for Treasury Management activity, and asked that this be provided with the next Treasury Management report. It was particularly necessary when the Treasury Management Strategy was presented to the Committee.

A Member noted paragraph 7 of the covering report headed 'Climate Change' and asked how the Council engaged with fund managers about ethical investments. In particular, how did the Council engage with investment managers about pooled funds? The Interim Director of Finance replied that the Council did encourage fund managers to disinvest from fossil fuels and did review their investment strategies. It could be relatively expensive to withdraw from some funds because they were long-term investments.

**RESOLVED** to note:

1. the Treasury Management Report to 30<sup>th</sup> September 2019, prepared in accordance with the CIPFA Treasury Code of Practice;
2. the Treasury Management indicators to 30<sup>th</sup> September 2019.

## **24 INTERNAL AUDIT SIX MONTH UPDATE REPORT**

The Head of Audit and Assurance (One West) presented the report. Members noted that less of the plan had been completed at the half year than expected and the reasons given for this in paragraph 4.2.2 of the report. One issue had been service restructuring and the loss of a number of staff. There had been recent recruitment and it was expected that the service would be fully staffed by January 2020. Other issues were work carried forward, the level of unplanned work and a high uptake of annual leave in the summer. 46% of critical/high risk audit recommendations had been implemented, well below the expected 80-90%. Information about the implementation of recommendations from the 5 audits followed up was given in paragraph 4.5.1.

Two out of the three investigations undertaken in the first half year had resulted from internal whistleblowing. A verbal update on one of these investigations would be given to Members in a private session at the end of the meeting.

A Member noted the 100% customer satisfaction shown by chart 3 on agenda page 42. However, he thought it was puzzling that this was accompanied by the implementation of only 46% of audit recommendations. The Service Director explained that there was a time lag: customer satisfaction was assessed immediately after the audit, but the follow up could take place six to nine months later, so the two sets of figures could not be directly correlated. The figures from last year showed a high level of implementation. The Member suggested that the time lag should be made clear in the commentary in future reports. If key recommendations are not being implemented, that needs to be escalated. Failure to implement recommendations could, in the light of the Redmond review, be viewed as impacting on the financial and management resilience of the Council. The Member recalled that in the past management had been invited to address the Committee. The Chair agreed that management should be invited to explain failure to implement



recommendations to the Committee. The Service Director – One West said that there was an escalation process. If an audit assessment of ‘poor’ was given to a service, it was expected that an officer from the service would give a report at a meeting of the Committee. The same applied if management had failed to implement a critical or high-risk recommendation. He said that Members who wished to do so could come to his office to inspect audit reports and ask questions about the details.

**RESOLVED** to note progress made against the Internal Audit Plan for 2019/20.

## 25 FRAUD AND CORRUPTION UPDATE REPORT

The Service Director – One West introduced this item. He noted that this meeting was taking place during International Fraud Awareness Week, as part of which CIPFA was sponsoring a number of initiatives. CIPFA had released a national survey that day on pensions fraud and corruption. He reminded Members that the Committee had a duty under its terms of reference to review the Council’s Anti-Fraud and Corruption Policy periodically. He introduced Joanne Buchan from One West who had assisted the Council in developing its anti-fraud and anti-corruption policies.

The Head of Audit and Assurance presented the 4 policy documents contained in Appendices 1-4. He explained that the Anti-Fraud and Corruption Strategy was an umbrella strategy that brought together the specific policies contained in the other documents. The Strategy adheres to the themes and principles of the CIPFA Local Government Counter Fraud and Corruption Strategy and links in to the Council’s Corporate Strategy Priorities. As a key part of fraud prevention the strong anti-fraud culture that had developed in the Council had to be maintained. Members, staff and partners of the Council must follow the principles of the policy. The policy had been updated to take account of the Bribery Act 2010, which makes it an offence for a commercial organization to fail to prevent bribery carried out on its behalf.

The Service Director – One West said that it was important that the Committee was seen to endorse these policies, so it was proposed that the Anti-Fraud and Corruption Policy would be preceded by a short foreword written by the Chair. The Chair said that it would have been helpful if the documents had included tracked changes, so that the extent of the revisions was visible at a glance. He asked for an estimate of how much the documents had changed from the previous versions. Ms Parker said that an attempt to make the Strategy document more interesting and easier to read. Otherwise the amendments related to a change in the anti-money laundering regulations in 2017 and an update of contact details.  
May change on money laundering.

Before receiving a presentation on a current fraud case the Committee, having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED** that the public should be excluded from the meeting, and that the reporting of this part of the meeting should be prevented, in accordance with the provisions of section 100(A)(4) of the Local Government Act 1972, because of the likely disclosure of exempt information as defined in paragraphs 1, 2 and 3 of Schedule 12A of the Act as amended.

After the presentation the Committee **RESOLVED**:

- a) to review and comment the updated Anti-Fraud & Corruption Strategy (Appendix 1);
- b) to review and comment on the updated Whistle Blowing Policy (Appendix 2);
- c) to review and comment on the updated Anti-Money Laundering Policy & Guidance (Appendix 3);
- d) to review and comment on the updated Anti-Bribery and Corruption Policy (Appendix 4);
- e) to note work carried out by the Internal Audit Team related to Anti-Fraud & Corruption.

The meeting ended at 6.24 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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<b>Bath &amp; North East Somerset Council</b>		
<b>MEETING:</b>	<b>Corporate Audit Committee</b>	
<b>MEETING DATE:</b>	<b>6<sup>th</sup> February 2020</b>	<b>AGENDA ITEM NUMBER</b>
<b>TITLE:</b>	<b>External Audit Update</b>	EXECUTIVE FORWARD PLAN REFERENCE:  <b>E</b>
<b>AN OPEN PUBLIC ITEM</b>		
<p><b>List of attachments to this report:</b></p> <p><b>Appendix 1 – External Audit Update &amp; Progress Report</b></p> <p><b>Appendix 2 – Fees Letter</b></p>		

## **1 THE ISSUE**

1.1 The External Auditor will update progress against their plan and a general sector update.

## **2 RECOMMENDATION**

2.1 The Corporate Audit Committee is asked to note the report and appendices.

## **3 FINANCIAL IMPLICATIONS**

3.1 Financial implications of the Audit Fee are being considered as part of the budget process.

## **4 THE REPORT**

4.1 Appendix 1 details an update report on the work of the External Auditor as well as links to national reports on areas of potential interest to the Committee. Also included is the outcome of their work regarding Grant certification. Appendix 2 details their request for higher audit fees and variation to the scope of the audit.

4.4 The External Auditor and Officers will provide a fuller verbal briefing on all these areas at the meeting.

**5 RISK MANAGEMENT**

5.1 A proportionate risk assessment has been carried out in relation to the Councils risk management guidance. There are no new significant risks or issues to report to the Committee as a result of this report.

**6. EQUALITIES**

6.1 A proportionate equalities impact assessment has been carried out using corporate guidelines, no significant issues to report.

**7 CONSULTATION**

7.1 Consultation has been carried out with the Section 151 Finance Officer.

<b>Contact person</b>	Jeff Wring (01225 47323)
<b>Background papers</b>	
<b>Please contact the report author if you need to access this report in an alternative format</b>	

# Audit Progress Report and Sector Update

Bath and North East Somerset Council and Avon Pension Fund  
Year ending 31 March 2020

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January 2020



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# Introduction

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**Peter Barber**

**Engagement Lead**

T 0117 305 7897

E Peter.A.Barber@uk.gt.com

This paper provides the Corporate Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)



**Sophie Morgan-Bower**

**Engagement Manager**

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Members of the Corporate Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications

[www.grantthornton.co.uk](http://www.grantthornton.co.uk)

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at January 2020

## Financial Statements Audit

We have started our planning for the 2019/20 audit and will issue a detailed audit plan, setting out our proposed approach to the audit of the Council and Pension Fund's 2019/20 financial statements.

We will begin our interim audit in in early 2020. Our interim fieldwork includes:

- Updated review of the Council and Pension Fund's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We will report our work in the Audit Findings Reports and provide you with regular updates on the progress during the audits.

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "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".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach will be included in our Audit Plan.

We will report our work in the Audit Findings Report where we will provide our Value For Money Conclusion.

The NAO is consulting on a new Code of Audit Practice from 2020 which proposes to make significant changes to Value for Money work.

# Progress at January 2020 (Cont.)

## Other areas

### Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The certification work for the 2018/19 claims for Bath and North East Somerset Council was completed on 9 January, following an extension to the 30 November 2019 deadline to 10 January 2020. Our detailed findings are set out on page 6- 7 of this report.

We finalised the certification of the Teachers Pension claim on 28 November 2019.

### Meetings

We meet with Finance Officers regularly as part of our liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also meet with your Chief Executive in January to discuss the Council's strategic priorities and plans.

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers have been invited to our Financial Reporting Workshop in February, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

## Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of our audits. We have discussed this with your s151 Officer including proposed variations to the Scale Fee set by PSAA Limited. A separate letter setting out more detail on the proposed additional fees is included in the February Corporate Audit Committee papers.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

# Certification of claims and returns

We completed the certification of the 2018-19 Housing Benefit claims for Bath and North East Somerset Council on 9 January 2020. Our findings are set out below:

## Bath and North East Somerset Council

The claim was qualified, and the following errors were noted in our report:

Cell 011 – Non HRA Rent Rebates – A number of errors were identified in our initial testing.

In 2016/17 and 2017/18 the following errors were identified within cell 11:

- Non HRA Rent rebate Universal credit application error
- Non HRA Rent rebate Incorrect calculation of ineligible service charges
- Non HRA Rent Rebate Expenditure up to the lower of the one bedroom self-contained LHA rate and the upper limit, and up to the lower of 90% of the appropriate LHA Rate and the upper limit
- Non HRA Rent Rebate Backdated Expenditure
- Non HRA Rent Rebate Incorrect classification of overpayments

These errors have also been identified in 2018/19. All cell 11 cases have been tested in 2018/19.

Initial testing in 2018/19 identified the following additional errors within cell 11:

- Non HRA Rent Rebate WMS Bug 61274: Error in Cell 011 where a change in tenancy type applies
- Non HRA Rent rebate Earned Income application error

The combined impact of these errors is as follows:

- Cell 11: £3,339
- Cell 12: £675
- Cell 13: (£309)
- Cell 14: (£28)
- Cell 15: (£5)
- Cell 26: £2,846
- Cell 27: £1,448
- Cell 28: (£1,288)
- Cell 38: (£2,055)

# Certification of claims and returns (cont.)

## Bath and North East Somerset Council (cont.)

Cell 094 – Rent Allowances – An error was identified in the prior year in relation to rental liability error. As it was not possible to correctly establish the error for amendment, additional testing of 40 cases was completed for the error. The test returned no errors and the CAKE test is considered as closed.

Cell 094 – Rent Allowances – An error was identified in the prior year in relation to incorrecion calculation of earned income. As it was not possible to correctly establish the error for amendment additional testing of 40 cases was completed for the error, resulting in an extrapolated error value of £47,959.

Cell 094 – Rent Allowances - An error was identified in the prior year in relation to calculation of State Pension and Variable Occupational Pension. As it was not possible to correctly establish the error for amendment additional testing of 40 cases was completed for the error, resulting in an extrapolated error value of £2,508.

Cell 094 – Rent Allowances - An error was identified in the prior year and current year in relation to misclassification of overpayments. The full population of claims which converted to Universal Credit during 2018/19 in Cell 114 were tested. Cell 114 is overstated by £1,244 and Cell 112 is understated by the same amount. The claim was amended.

Cell 094 – Rent Allowances - An error was identified in the prior year in relation to Working Tax Credit disregard error. As it was not possible to correctly establish the error for amendment additional testing of 40 cases was completed for the error, resulting in an extrapolated error value of £nil.

Cell 094 – Rent Allowances - An error was identified in the prior year in relation to miscalculation of Childcare costs. As it was not possible to correctly establish the error for amendment additional testing of 40 cases was completed for the error, resulting in an extrapolated error value of £6,400.

## We have completed the certification of the 2018-19 Council's Teachers Pension Award return

The claim was unqualified, and no exceptions or error were identified.

# Audit Deliverables

2018/19 Deliverables	Planned Date	Status
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report was reported to the July and November Audit, Governance and Standards Committee.</p>	July 2019	Complete
<p><b>Auditors Report</b></p> <p>This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	July 2019	Complete
<p><b>Annual Audit Letter</b></p> <p>This letter communicates the key issues arising from our work.</p>	September 2019	Complete
2019/20 Deliverables	Planned Date	Status
<p><b>Fee Letter</b></p> <p>Confirming audit fee for 2019/20.</p>	April 2019	Complete
<p><b>Accounts Audit Plan (both the Council and Pension Fund)</b></p> <p>We are required to issue a detailed accounts audit plan to Corporate Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements.</p>	March 2020	Not yet due
<p><b>Interim Audit Findings</b></p> <p>We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.</p>	March 2020	Not yet due
<p><b>Audit Findings Report (both the Council and Pension Fund)</b></p> <p>The Audit Findings Report will be reported to the July Corporate Audit Committee.</p>	July 2020	Not yet due
<p><b>Auditors Report</b></p> <p>This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	July 2020	Not yet due
<p><b>Annual Audit Letter</b></p> <p>This letter communicates the key issues arising from our work.</p>	September 2020	Not yet due

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# Sector Update

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Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with Corporate Audit Committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

A teal rectangular button with the text "Public Sector" in white, sans-serif font.

Public Sector

A purple rectangular button with the text "Local government" in white, sans-serif font.

Local  
government

# MHCLG – Independent probe into local government audit

In July, the then Communities secretary, James Brokenshire, announced the government is to examine local authority financial reporting and auditing.

At the CIPFA conference he told delegates the independent review will be headed up by Sir Tony Redmond, a former CIPFA president.

The government was “working towards improving its approach to local government oversight and support”, Brokenshire promised.

“A robust local audit system is absolutely pivotal to work on oversight, not just because it reinforces confidence in financial reporting but because it reinforces service delivery and, ultimately, our faith in local democracy,” he said.

“There are potentially far-reaching consequences when audits aren’t carried out properly and fail to detect significant problems.”

The review will look at the quality of local authority audits and whether they are highlighting when an organisation is in financial trouble early enough.

It will also look at whether the public has lost faith in auditors and whether the current audit arrangements for councils are still “fit for purpose”.

On the appointment of Redmond, CIPFA chief executive Rob Whiteman said: “Tony Redmond is uniquely placed to lead this vital review, which will be critical for determining future regulatory requirements.

“Local audit is crucial in providing assurance and accountability to the public, while helping to prevent financial and governance failure.”

He added: “This work will allow us to identify what is needed to make local audit as robust as possible, and how the audit function can meet the assurance needs, both now and in the future, of the sector as a whole.”



In the question and answer session following his speech, Brokenshire said he was not looking to bring back the Audit Commission, which appointed auditors to local bodies and was abolished in 2015. MHCLG note that auditing of local authorities was then taken over by the private, voluntary and not-for-profit sectors.

He explained he was “open minded”, but believed the Audit Commission was “of its time”.

Local authorities in England are responsible for 22% of total UK public sector expenditure so their accounts “must be of the highest level of transparency and quality”, the Ministry of Housing, Local Government and Communities said. The review will also look at how local authorities publish their annual accounts and if the financial reporting system is robust enough.

Redmond, who has also been a local authority treasurer and chief executive, is expected to report to the communities secretary with his initial recommendations in December 2019, with a final report published in March 2020. Redmond has also worked as a local government boundary commissioner and held the post of local government ombudsman.

The terms of reference focus on whether there is an “expectation gap” between the purpose of external audit and what it is currently delivering. It will examine the performance of local authority audit, judged according to the criteria of economy, effectiveness and efficiency.

Other key areas of the review include whether:

- 1) audit recommendations are effective in helping councils to improve financial management
- 2) auditors are using their reporting powers appropriately
- 3) councils are responding to auditors appropriately
- 4) Financial savings from local audit reforms have been realised
- 5) There has been an increase in audit providers
- 6) Auditors are properly responding to questions or objections by local taxpayers
- 7) Council accounts report financial performance in a way that is transparent and open to local press scrutiny



# Financial Reporting Council – Summary of key developments for 2019/20 annual reports

On 30 October the Financial Reporting Council (FRC) wrote an Open Letter to Company Audit Committee Chairs. Some of the points are relevant to local authorities.

## The reporting environment

The FRC notes that, “In times of uncertainty, whether created by political events, general economic conditions or operational challenges, investors look for greater transparency in corporate reports to inform their decision-making. We expect companies to consider carefully the detail provided in those areas of their reports which are exposed to heightened levels of risk; for example, descriptions of how they have approached going concern considerations, the impact of Brexit and all areas of material estimation uncertainty.” These issues equally affect local authorities, and the Statement of Accounts or Annual Report should provide readers with sufficient appropriate information on these topics.

## Critical judgements and estimates

The FRC wrote “More companies this year made a clear distinction between the critical judgements they make in preparing their accounts from those that involve the making of estimates and which lead to different disclosure requirements. However, some provided insufficient disclosures to explain this area of their reporting where a particular judgement had significant impact on their reporting; for example, whether a specific investment was a joint venture or a subsidiary requiring consolidation. We will continue to have a key focus on the adequacy of disclosures supporting transparent reporting of estimation uncertainties. An understanding of their sensitivity to changing assumptions is of critical value to investors, giving them clearer insight into the possible future changes in balance sheet values and which can inform their investment decisions.” Critical judgements and estimates also form a crucial part of local authority statements of account, with the distinction often blurred.

## IFRS 16 Leases

The FRC letter notes “IFRS 16 is effective for periods beginning on or after 1 January 2019. We recently conducted a thematic review looking at how companies reported on their adoption of the new standard in their June 2019 interim accounts. In advance of our detailed findings which will be published shortly, I set out what we expect to see by way of disclosures in the forthcoming accounts, drawing on the results of our work.

- Clear explanation of the key judgements made in response to the new reporting requirements;
- Effective communication of the impact on profit and loss, addressing any lack of comparability with the prior year;
- Clear identification of practical expedients used on transition and accounting policy choices; and
- Well explained reconciliation, where necessary, of operating lease commitments under IAS 17, ‘Leases’, the previous standard and lease liabilities under IFRS 16.”

The implementation of IFRS is delayed until 1 April 2020 in the public sector when it will replace IAS 17 Leases and the three interpretations that supported its application. Authorities will need information and processes in place to enable them to comply with the requirements. They will need to make disclosures in the 2019/20 accounts about the impact of IFRS 16 in accordance with IAS 8/ Code 3.3.4.3 requirements for disclosure about standards which are issued but are not yet effective.



# What is the future for local audit?

Paul Dossett, Head of Local Government at Grant Thornton, has written in the Municipal Journal “Audit has been a hot topic of debate this year and local audit is no exception. With a review into the quality of local audit now ongoing, it’s critical that part of this work looks at the overarching governance and management of the audit regime. We believe there is a strong need for new oversight arrangements if the local audit regime is to remain sustainable and effective in the future.”

Paul goes on to write “Local (local authority and NHS) audit has been a key part of the oversight regime for public services for more than a century. The National Audit Office (NAO) has exercised this role in central government for several generations and their reporting to Parliament via the Public Accounts Committee is a key part of the public spending accountability framework.

Local audit got a significant boost with the creation of the Audit Commission in 1983 which provided a coordinated, high profile focus on local government and (from 1990) NHS spending and performance at a local level. Through undertaking value for money reviews and maintaining a tight focus on the generational governance challenges, such as rate capping in the 1980s and service governance failings in the 1990s, the Commission provided a robust market management function for the local audit regime. Local audit fees, appointments, scope, quality and relevant support for auditors all fell within their ambit.

However, the Commission was ultimately deemed, among other things, to be too expensive and was abolished in 2010, as part of the Coalition Government’s austerity saving plans. While the regime was not perfect, and the sector had acknowledged that reform of the Commission was needed, complete abolition was not the answer.

Since then, there has been no body with complete oversight of the local audit regime and how it interacts with local public services. The Ministry of Housing, Communities and Local Government; Department of Health; NHS; NAO; Local Government Association (LGA); Public Sector Audit Appointments Ltd (PSAA); the Financial Reporting Council (FRC); the Chartered Institute of Public Finance & Accountancy (CIPFA), audit firms and the audited bodies themselves all have an important role to play but, sometimes, the pursuit of individual organisational objectives has resulted in sub-optimal and even conflicting outcomes for the regime overall.

These various bodies have pursued separate objectives in areas such as audit fee reduction, scope of work, compliance with commercial practice, earlier reporting deadlines and mirroring commercial accounting conventions – to name just a few.

This has resulted in a regime that no stakeholder is wholly satisfied with and one that does not ensure local audit is providing a sufficiently robust and holistic oversight of public spending.

To help provide a more cohesive and co-ordinated approach within the sector, we believe that new oversight arrangements should be introduced. These would have ultimate responsibility for ensuring the sustainability of the local audit regime and that its component parts – including the Audit Code, regulation, market management and fees – interact in an optimal way. While these arrangements do not need to be another Audit Commission, we need to have a strategic approach to addressing the financial sustainability challenges facing local government and the NHS, the benchmarking of performance and the investigation of governance failings.

There are a number of possible solutions including:

- 1) The creation of a new arm’s length agency with a specific remit for overseeing and joining up local audit. It would provide a framework to ensure the sustainability of the regime, covering fees, appointments, and audit quality. The body would also help to create a consistent voice to government and relevant public sector stakeholders on key issues arising from the regime. Such a body would need its own governance structure drawn from the public sector and wider business community; and
- 2) Extending the current remit of the NAO. Give it total oversight of the local audit regime and, in effect, establish a local audit version of the NAO, with all the attendant powers exercised in respect of local audit. In this context, there would be a need to create appropriate governance for the various sectors, similar to the Public Accounts Committee.

While the detail of the new arrangements would be up for debate, it’s clear that a new type of oversight body, with ultimate responsibility for the key elements of local audit, is needed. It would help to provide much-needed cohesion across the sector and between its core stakeholders.

The online article is available here:

<https://www.themj.co.uk/What-is-the-future-for-audit/214769>

# Grant Thornton's Sustainable Growth Index Report

Grant Thornton has launched the Sustainable Growth Index (formerly the Vibrant Economy Index) – now in its third year. The Sustainable Growth Index seeks to define and measure the components that create successful places. Our aim in establishing the Index was to create a tool to help frame future discussions between all interested parties, stimulate action and drive change locally. We have undergone a process of updating the data for English Local Authorities on our online, interactive tool, and have produced an updated report on what the data means. All information is available on our online hub, where you can read the new report and our regional analyses.

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The Sustainable Growth Index provides an independent, data-led scorecard for each local area that provides:

- businesses with a framework to understand their local economy and the issues that will affect investment decisions both within the business and externally, a tool to support their work with local enterprise partnerships, as well as help inform their strategic purpose and CSR plans in light of their impact on the local social and economic environment
- policy-makers and place-shapers with an overview of the strengths, opportunities and challenges of individual places as well as the dynamic between different areas
- Citizens with an accessible insight into how their place is doing, so that they can contribute to shaping local discussions about what is important to them

The Index shows the 'tip of the iceberg' of data sets and analysis our public services advisory team can provide our private sector clients who are considering future locations in the UK, or wanting to understand the external drivers behind why some locations perform better than others.

Our study looks at over 50 indicators to evaluate all the facets of a place and where they excel or need to improve.

Our index is divided into six baskets. These are:

- 1 Prosperity
- 2 Dynamism and opportunity
- 3 Inclusion and equality
- 4 Health, wellbeing and happiness
- 5 Resilience and sustainability
- 6 Community trust and belonging

This year's index confirms that cities have a consistent imbalance between high scores related to prosperity, dynamism and opportunity, and low scores for health, wellbeing, happiness inclusion and equality. Disparity between the richest and poorest in these areas represents a considerable challenge for those places.

Inclusion and equality remains a challenge for both highly urban and highly rural places and coastal areas, particularly along the east coast from the North East to Essex and Kent, face the most significant challenges in relation to these measures and generally rank below average.

Creating sustainable growth matters and to achieve this national policy makers and local authorities need to do seven things:

- 1 Ensure that decisions are made on the basis of robust local evidence.
- 2 Focus on the transformational trends as well as the local enablers
- 3 Align investment decisions to support the creation of sustainable growth
- 4 Align new funding to support the creation of sustainable growth
- 5 Provide space for innovation and new approaches
- 6 Focus on place over organisation
- 7 Take a longer-term view

The online report is available here:

<https://www.grantthornton.co.uk/en/insights/sustainable-growth-index-how-does-your-place-score/>



# Institute for Fiscal Studies – English local government funding: trends and challenges in 2019 and beyond

The Institute for Fiscal Studies (IFS) has found “The 2010s have been a decade of major financial change for English local government. Not only have funding levels – and hence what councils can spend on local services – fallen significantly; major reforms to the funding system have seen an increasing emphasis on using funding to provide financial incentives for development via initiatives such as the Business Rates Retention Scheme (BRRS) and the New Homes Bonus (NHB).”

The IFS goes on to report “Looking ahead, increases in council tax and additional grant funding from central government mean a boost to funding next year – but what about the longer term, especially given plans for further changes to the funding system, including an expansion of the BRRS in 2021–22?”

This report, the first of what we hope will be an annual series of reports providing an up-to-date analysis of local government, does three things in this context. First, it looks in detail at councils’ revenues and spending, focusing on the trends and choices taken over the last decade. Second, it looks at the outlook for local government funding both in the short and longer term. And third, it looks at the impact of the BRRS and NHB on different councils’ funding so far, to see whether there are lessons to guide reforms to these policies.

The report focuses on those revenue sources and spending areas over which county, district and single-tier councils exercise real control. We therefore exclude spending on police, fire and rescue, national park and education services and the revenues specifically for these services. When looking at trends over time, we also exclude spending on and revenues specifically for public health, and make some adjustments to social care spending to make figures more comparable across years. Public health was only devolved to councils in 2013–14, and the way social care spending is organised has also changed, with councils receiving a growing pot of money from the NHS to help fund services.”

The IFS reports a number of key facts and figures, including

- 1) Cuts to funding from central government have led to a 17% fall in councils’ spending on local public services since 2009–10 – equal to 23% or nearly £300 per person.
- 2) Local government has become increasingly reliant on local taxes for revenues.
- 3) Councils’ spending is increasingly focused on social care services – now 57% of all service budgets.

The IFS report is available on their website below:

<https://www.ifs.org.uk/publications/14563>





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Donna Parham  
Section 151 Officer  
Bath and North East Somerset Council  
Guildhall  
Bath  
BA1 5AW

17 January 2020

4

Dear Donna

## Audit scope and additional work 2019/20

In recent conversations, including at Bath and North East Somerset Council's Corporate Audit Committee, we have discussed the increased regulatory focus facing all audit suppliers and the impact this will have on the scope of our work for 2019/20 and beyond. You will have also recently received a letter via email from Tony Crawley of PSAA explaining the changing regulatory landscape. In his letter, Mr Crawley highlights: *"significantly greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work across all sectors – and this includes local audit. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the current expectations."*

I promised I would set out in more detail the likely impact of this on our audit, and I am pleased to do so in this letter. Should further matters arise during the course of the audit they could also have fee and timetable implications that we would need to address at that point.

Across all suppliers, and sectors (public and private), the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, as well as to undertake additional and more robust testing. There is a general 'raising of the quality bar' following a number of recent, high-profile company failures that have also been attributed to audit performance. Alongside the FRC, other key stakeholders including the Department for Business, Energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. The FRC has been clear to us that it expects audit quality in local audit to meet the same standards as in the corporate world and the current level of financial risk within local audit bodies supports this position.

As a firm, we are absolutely committed to meeting the expectations of the FRC and other key stakeholders with regard to audit quality and public sector financial reporting. To ensure the increased regulatory focus and expectations are fully met, we anticipate that, as first seen in 2018/19, we will need to commit more time in discharging our statutory responsibilities, which will necessitate an increase in costs. I set out below the implications of this for your Council's and Pension Fund's audits.

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### Increased challenge and depth of work – raising the quality bar

The FRC has raised the threshold of what it assesses as a good quality audit. The FRC currently uses a four-point scale to describe the quality of the files it reviews, as follows:

Score	Description
1 or 2a	Acceptable with Limited Improvements Required
2b	Improvements required
3	Significant Improvements Required

Historically, the FRC's definition for 2b was 'acceptable but with improvements required' and, as such, both the Audit Commission and PSAA considered a '2b' to represent an acceptance level of audit quality for contract delivery purposes. The FRC has now set a 100% target for all audits (including local audits) to achieve a '2a'. Its threshold for achieving a '2a' is challenging and failure to achieve this level is reputationally damaging for individual engagement leads and their firm. Non-achievement of the standard can result in enforcement action, including fines and disqualification, by the FRC. Inevitably, we need to increase the managerial oversight to manage this risk. In addition, you should expect the audit team to exercise even greater challenge of management in areas that are complex, significant or highly judgmental. We will be required to undertake additional work in the following areas, amongst others:

- use of specialists
- information provided by the entity (IPE)
- journals
- management review of controls
- revenue
- accounting estimates
- financial resilience and going concern
- related parties and similar areas.

As part of our planning, we have also reflected on the level of materiality which is appropriate for your audit. As outlined above, the profile of local audit has increased considerably over the past year. The reviews led by Sir John Kingman, Sir Donald Brydon and Sir Tony Redmond are focusing attention on the work of auditors everywhere. Parliament, through the work of its Scrutiny Committees, has made clear its expectations that auditors will increase the quality of their work.

As a result, you may find the audit process for 2019/20 and beyond even more challenging than previous audits. This mirrors the changes we are seeing in the commercial sectors.

### Council Specific Property, plant and equipment (PPE or 'Fixed Assets')

The FRC has highlighted that auditors need to improve the quality of audit challenge on Property, Plant and Equipment (PPE) valuations across the sector. We will therefore increase the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations. We have also determined that, for major local audits including Bath and North East Somerset Council with your large asset base, we will now be engaging our own external valuer to provide appropriate assurance to the standards expected by the FRC for an authority of your size.



### Pensions (IAS 19)

The FRC has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Specifically, for the following areas, we will increase the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting. Our planned additional procedures include:

- verification of the accuracy and completeness of the data provided to the actuary by both the admitted body and the administering authority.
- checking the value of the Pension Fund Assets at 31 March per the Council's financial statements against the share of assets in the Pension Fund statements
- review and assess whether the significant assumptions applied by the actuary are reasonable and are followed up on areas identified by either our review or PwC as outliers.
- ensuring that the instructions from the audit team to the Pension Fund auditor include enquiries in respect of service organisation reports as well as testing in respect of material level 3 pension assets (please note that this is outside the scope of PSAA's fee variation process).

### Local issues – Aequus Construction Limited (ACL) – Potential Group Accounts

Aequus Construction Limited (ACL), a wholly owned subsidiary of the Council is close to the threshold for consolidation as a Group. Given the size of this entity we will need to understand the Council's assessment of the nature and level of control that the Council exerts over ACL and review their assessment of whether group accounts are required for 2019/20. If consolidated additional audit procedures will be required to gain assurance over the appropriateness of the accounting entries.

### Complex accounting issues and new accounting standards

You are required to respond effectively to new accounting standards and we must ensure our audit work in these new areas is robust. This year we will both be responding to the introduction of IFRS16. IFRS16 requires a leased asset, previously accounted for as an operating lease off balance sheet, to be recognised as a 'right of use' asset with a corresponding liability on the balance sheet from 1 April 2020. There is a requirement, under IAS8, to disclose the expected impact of this change in accounting treatment in the 2019/20 financial statements.

We know the Council has appreciated our responsiveness in the past and we would wish to continue to be able to do this in the future.

### Pension Specific Level 3 Investments

The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms in respect of valuations of hard to value investments needs to improve across the sector. Accordingly, we plan to enhance the scope and coverage of our work to ensure an adequate level of audit scrutiny and challenge over the assumptions and evidence that underpin the valuations of level 3 investments this year to reflect the expectations of the FRC and ensure we issue a safe audit opinion.

### Impact on the audit and associated costs

You will note we did not raise additional fees across the sector as a whole in 2018/19 in respect of the additional work required in response to the implementation of IFRS9 and IFRS15. This was a goodwill decision we took in support of the strong relationship we have with the sector. However, the volume of additional work now being required, as set out above, means we are no longer able to sustain that position. This is an issue not just across public services but also in the private sector where fees are being increased by all of the major suppliers by more than 20%.

We benefit from effective and constructive working relationships which we have established during our engagement with you to date. This allows us to absorb some of the impact of these changes. Using our strong working knowledge of you and efficiencies that we are continuously seeking to implement as part

of our focus on continued collaborative working with you, we have sought to contain the impact as much as possible to below the market average.

We have assessed the impact of the above as follows for 2019/20, with the comparative position for the two previous years shown. Please note these are subject to approval by PSAA in line with PSAA's normal process. Should other risks arise during the course of the audit which we have not envisaged, we may need to make a further adjustment to the fee.

#### The Council

Area	Cost £		
	2019/20	2018/19	2017/18
Scale Fee	95,351	95,351	123,832
Increased challenge and depth of work	5,000	0	0
PPE	4,350	3,000	0
Pensions (IAS19)	3,500	3,000	0
New standards/ developments	2,500	0	0
ACL possible group accounts (McCloud previous year)	3,000	3,000	0
<b>Total</b>	<b>113,701</b>	<b>104,351</b>	<b>123,832</b>
PPE Valuation – cost of auditor's expert	5,000	0	0
<b>Total including valuer</b>	<b>118,701</b>	<b>104,351</b>	<b>123,832</b>

This would give a scale fee for the statutory Council's accounts audit for 2019/20 of £95,351 plus VAT plus a variation of £23,350 plus VAT, giving a total of £118,701 plus VAT. This includes the cost of the external valuer which we have determined to be necessary to support our audit work in this area.

#### The Pension Fund

Area	Cost £		
	2019/20	2018/19	2017/18
Scale Fee	22,180	22,180	28,805
Increased challenge and depth of work	2,500	0	0
Level 3 investments	1,750	0	0
McCloud	0	1,500	0
<b>Total</b>	<b>26,430</b>	<b>23,680</b>	<b>28,805</b>

This would give a scale fee for the statutory Pension Fund's accounts audit for 2019/20 of £22,180 plus VAT plus a variation of £4,250 plus VAT, giving a total of £26,430 plus VAT.

Please note that PSAA's arrangements require a separation of fees and remuneration, which means that Grant Thornton does not receive 100% of the current fees charged.

The additional work we are now planning across the whole of our portfolio will inevitably have an impact on the audit timetable and whether or not your audit can be delivered to appropriate quality standards by the 31 July 2020. Grant Thornton remains the largest trainer of CIPFA qualified accountants in the UK

and is committed to continue to resource its local audits with suitably specialised and experienced staff but the pool of such staff is relatively finite in the short-term. I will be happy to explain the impact of the further work we are planning to undertake on our delivery timetable for your audit.

#### Future changes to audit scope

As I have previously mentioned in meetings and at the Corporate Governance Committee, the National Audit Office is currently consulting on revisions to the Code of Audit Practice and has also indicated its intention to consult on the accompanying Auditor Guidance Notes. This defines the scope of audit work in the public sector. The most significant change is in relation to the Value for Money arrangements. Rather than require auditors to focus on delivering an overall, binary, conclusion about whether or not proper arrangements were in place during the previous financial year, the draft Code requires auditors to issue a commentary on each of the criteria. This will allow auditors to tailor their commentaries to local circumstances. The Code proposes three specific criteria:

- a) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- b) Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- c) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

Under each of these criteria, statutory guidance will set out the procedures that auditors will need to undertake. An initial review of arrangements will consist of mandatory procedures to be undertaken at every local public body plus any local risk-based work. The consultation closed on 22 November 2019. A new Code will be laid before Parliament in April 2020 and will apply from audits of local bodies' 2020/21 financial statements onwards.

Until the consultation is finalised and more details emerge of what is expected of auditors, it is difficult to cost the impact. However, as soon as the requirements are finalised and it is clear exactly what the expectations will be, I will share with you further thoughts on the potential impact on the audit and associated costs.

I hope this is helpful and allows you to plan accordingly for the 2019/20 audit. Should you wish to discuss this further, please do not hesitate to contact me. We will be sharing our detailed Audit Plan with you in due course. We look forward to working with you again this year,

Yours sincerely



**Engagement Lead and Key Audit Partner**

For and on behalf of Grant Thornton UK LLP

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<b>Bath &amp; North East Somerset Council</b>	
MEETING:	<b>Corporate Audit Committee</b>
MEETING DATE:	<b>6<sup>th</sup> February 2020</b>
TITLE:	<b>Treasury Management Strategy Statement 2020/21</b>
WARD:	All
<b>AN OPEN PUBLIC ITEM</b>	
<p><b>List of attachments to this report:</b></p> <p><b>Appendix 1</b> - Treasury Management Strategy 2020/21 (To Follow)</p> <p><b>Appendix 2</b> –Authorised Lending List (To Follow)</p>	

## **1 THE ISSUE**

- 1.1 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 1.2 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.
- 1.3 Investments held for service purposes or for commercial profit are considered in the Capital and Investment Strategy within the Budget Report which is also included on this meeting's agenda.

**2 RECOMMENDATIONS**

The Corporate Audit Committee is asked to note and comment on:

- The actions proposed within the Treasury Management Strategy (Appendix 1) to be approved at February Council.
- The Treasury Management Indicators detailed in Appendix 1

**3 THE REPORT**

**Background**

- 3.1 The Local Government Act 2003 requires the Council to ‘have regard to’ the Prudential Code and to set Treasury Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.
- 3.2 The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare a Treasury Management Strategy; this sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 3.3 The suggested strategy for 2020/21 in respect of the following aspects of the treasury management function is based on the Treasury Officers’ views on interest rates, supplemented with leading market forecasts provided by the Council’s treasury advisor, Arlingclose.

The strategy covers:

•	Treasury limits in force which will limit the treasury risk and activities of the Council;
•	Treasury Management Indicators;
•	The current treasury position;
•	The borrowing requirement;
•	Prospects for interest rates;
•	The borrowing strategy;
•	The investment strategy.

3.4 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy’s Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code). This requires the Treasury Management Strategy and policies to be scrutinised by an individual / group of individuals or committee, and the Corporate Audit Committee have been nominated by Council to carry out this function.

**2020/21 Treasury Management Strategy Statement**

3.5 The Strategy Statement for 2019/20 set Treasury Indicators for 2019/20 – 2021/22, which included a forecast for total borrowing requirement at the end of 2019/20 of

£402 million. At the end of December 2019, actual external borrowing was at £233.3 million, which may increase before the end of the 2019/20 financial year should a review of the Council's cashflow and capital investment decisions highlight additional borrowing is required. The level of borrowing is in line with the policy of utilising internal cash to reduce net borrowing costs and investment counterparty risk.

- 3.6 The proposed Treasury Management Strategy is attached as **Appendix 1** and includes the Treasury Management Indicators required by the Treasury Management Code.
- 3.7 Although the indicators provide for a maximum level of total borrowing, this should by no means be taken as a recommended level of borrowing as each year affordability needs to be taken into account together with other changes in circumstances, for example revenue pressures, levels and timing of capital receipts, changes to capital projects spend profiles, and levels of internal cash balances.
- 3.8 The Budget Report, which is also on the agenda, includes appropriate provision for the revenue costs of the capital programme in accordance with this Treasury Management Strategy.
- 3.9 **Appendix 1** also details the Council's current portfolio position as at 31<sup>st</sup> December 2019, which shows after the netting off of the £60.7 million investments, the Council's net debt position was £172.6 million.
- 3.10 The Treasury Investment Strategy section of **Appendix 1** sets 'outer limits' for treasury management operations. While the strategy uses credit ratings in a "mechanistic" way to rule out counterparties, in operating within the policy, officers complement this with the use of other financial information when making investment decisions, for example Credit Default Swap (CDS) prices, Individual Ratings, and the financial press. This has been the case in previous years, which has protected the Council against losses of investment, for example in Icelandic banks.
- 3.11 The Counterparty listing in **Appendix 2** includes credit ratings from three agencies, as well as a sovereign rating for each country. Counterparties who now meet the minimum criteria as recommended in **Appendix 1** as at 31<sup>st</sup> December 2019 are included in the listing in **Appendix 2**.
- 3.12 The Council has met the conditions to opt up to MiFID II professional status and intends for this to continue in 2020/21 in order to continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to continue to receive the same level of support from our treasury management advisors.

#### **4 STATUTORY CONSIDERATIONS**

- 4.1 This report is a statutory requirement.

#### **5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

- 5.1 The resource implications are included in the report and appendices.

#### **6 RISK MANAGEMENT**

- 6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

- 6.2 The Council's lending & borrowing list is regularly reviewed during the financial year and credit ratings are monitored throughout the year. All lending/borrowing transactions are within approved limits and with approved institutions. Investment & Borrowing advice is provided by our Treasury Management consultants Arlingclose.
- 6.3 The 2017 edition of the CIPFA Treasury Management in the Public Services: Code of Practice requires the Council nominate a committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. The Corporate Audit Committee carries out this scrutiny.
- 6.4 In addition, the Council maintain a risk register for Treasury Management activities, which is regularly reviewed and updated where applicable during the year.

## 7 CLIMATE CHANGE

- 7.1 The Council will continue to review its investments to minimise direct investment in fossil fuel related companies.

## 8 OTHER OPTIONS CONSIDERED

- 8.1 The Chief Financial Officer, having consulted the Cabinet Member for Resources, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are the table below.

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties and/or for shorter times.	Interest income will be lower.	Lower chance of losses from credit related defaults, but any such losses may be greater.
Invest in a wider range of counterparties and/or for longer times.	Interest income will be higher.	Increased risk of losses from credit related defaults, but any such losses may be smaller.
Borrow additional sums at long-term fixed interest rates.	Debt interest costs will rise; this is unlikely to be offset by higher investment income.	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain.
Borrow short-term or variable loans instead of long-term fixed rates.	Debt interest costs will initially be lower.	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain.
Reduce level of borrowing.	Saving on debt interest is likely to exceed lost investment income.	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain.



## 9 CONSULTATION

9.1 Consultation has been carried out with the Cabinet Member for Resources, Section 151 Finance Officer and Monitoring Officer.

9.2 Consultation was carried out via e-mail.

<b>Contact person</b>	<i>Donna Parham- 01225 477468; Jamie Whittard - 01225 477213</i> <a href="mailto:Donna.Parham@bathnes.gov.uk">Donna.Parham@bathnes.gov.uk</a> ; <a href="mailto:Jamie.Whittard@bathnes.gov.uk">Jamie.Whittard@bathnes.gov.uk</a>
<b>Background papers</b>	<i>2019/20 Treasury Management &amp; Investment Strategy</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	

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<b>Bath &amp; North East Somerset Council</b>		
MEETING:	Corporate Audit Committee	
MEETING DATE:	6th February 2020	<b>AGENDA ITEM NUMBER</b>
TITLE:	Audit Plan – Audit Committee Consultation	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b>		
None		

**1 THE ISSUE**

1.1 The aim of the report is to update the Audit Committee on the methodology used to create the Internal Audit Plan and asks for comments on any areas or themes they would like to be considered in the process to develop the 2020/21 which will be submitted to this Committee in April 2020 for approval.

**2 RECOMMENDATION**

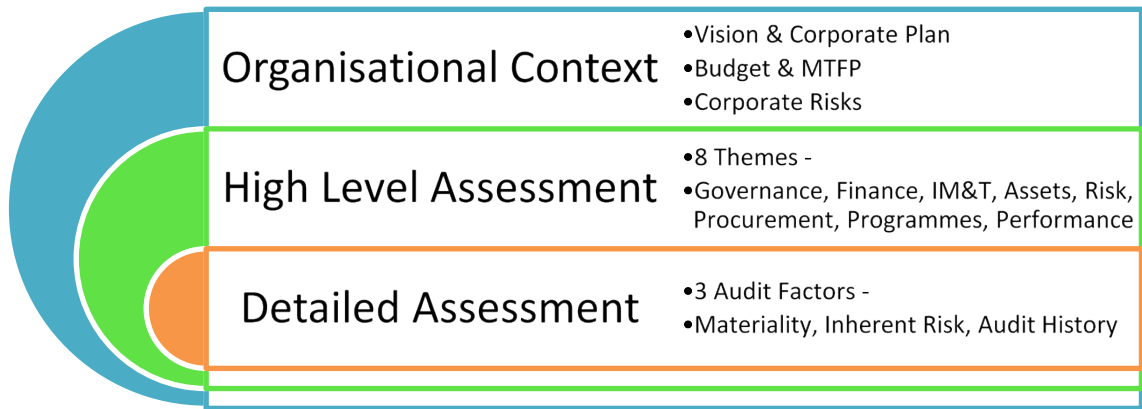
2.1 The Corporate Audit Committee is to note the audit planning methodology and contribute any areas or themes they would like to be considered in relation to the Internal Audit Plan for 2020/21.

**3 THE REPORT**

3.1 The planning process is based on the fundamental requirement that the audit plan proposed will deliver sufficient work to enable the Chief Internal Auditor to independently assess the internal control framework and give a reasonable assurance opinion at the end of each year. In a stable environment where resources were relatively fixed this has been possible by using traditional methods of risk assessing the ‘audit universe’.

3.2 However since the ‘era of austerity’ in the public sector became the norm this approach has no longer been adequate and so a new methodology – the Reasonable Assurance Model - was created and adopted in conjunction with a number of other councils in the South West and indeed its approach won a Public Finance award in 2017

3.3 The outline of the model is as follows with the key elements in the middle section which introduced a high-level assessment of themes based on good governance:



### 3.4 Reasonable Assurance Model – Purpose

The purpose of the model is to:

- Focus on Corporate Governance & Organisational Health
- Consider Thematic Risk and levels of Assurance
- Not to be a Performance Metric
- Adapt to different Organisations
- Act as a Prioritisation & Planning Tool
- Support Audit Planning & Annual Governance Statement
- Support Organisational Improvement
- Not be static and be refreshed periodically

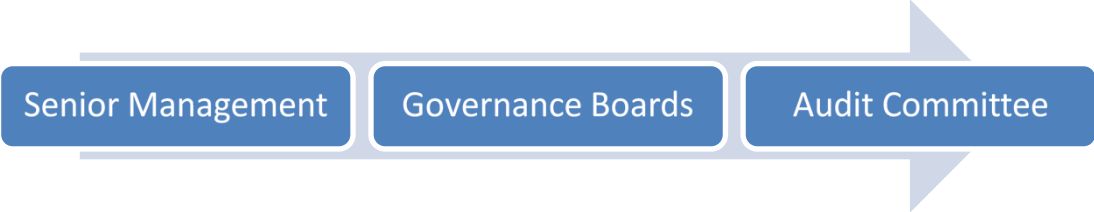
### 3.5 Reasonable Assurance Model – Principles

The principles are:

- Plan should be a strategic top down assessment which is risk based
- Levels of assurance should be compared to levels of risk
- Resources should be focussed first on areas where assurance is low and risk is high
- Plan should be dynamic and not fixed, no need for a fixed Audit Universe
- Risk Assessment should be simplified around a small number of key factors
- Plan should lead to sufficient reviews to reach a 'reasonable assurance' opinion

3.6 The plan will be developed in three key stages as detailed below

- 1) High Level Assessment of Reasonable Assurance Model
- 2) Detailed Risk Assessment of auditable areas
- 3) Consultation & Approval



**3.7 Risk Assessment – Reasonable Assurance Model**

The model assesses level of Assurance in place over eight themes (and any new areas)

Each Theme has a set of overview questions which assess the level of assurance and the level of risk for each theme. (An example of these has been provided at the informal Committee briefing meetings)

Purpose is to identify what assurance there is that sound strategies, policies and procedures are in place to deliver a healthy organisation that we can rely on or that enables us to rely on assurance provided by a third party.

The results should enable audit resources to be prioritised on areas where assurance is low and risk is high and also identify gaps or areas of high risk that we need to include in our Audit Plan. This therefore creates a new Audit Universe each year.



### **3.8 Examples of Areas being assessed for each Theme are as follows:**

#### **Theme 1 – Corporate Governance**

- Overall Governance Framework/ Ethical Framework
- Vision & High Level Priorities
- Constitution, Structure & Decision Making
- Codes of Conduct/Ethical Framework

#### **Theme 2 – Financial Management**

- Medium Term Finance & Resource Planning
- Annual Budget Setting
- Financial Performance & Resilience – Revenue/Capital/Reserves
- Key Financial Management Systems/Rules & Regulations

#### **Theme 3 – Risk Management**

- Risk Management Strategy & Framework
- Decision Making Guidance
- Corporate/Strategic/Operational/Major Project Risks

#### **Theme 4 – Performance Management**

- Corporate Plan & Corporate Performance
- Service Planning & Service Performance
- Internal & External Benchmarking

#### **Theme 5 – Procurement & Commissioning**

- Procurement & Commissioning Framework
- Contract & Commercial Management
- Governance & Gateways/Knowledge & Skills

#### **Theme 6 – Programme & Project Management**

- Programme/Project Management Methodologies
- Major Project Governance/Change Control/Project Reporting
- Benefit Realisation

#### **Theme 7 – Information Management**

- Information Management Strategy/ Standards & Security Requirements
- Information Security/Compliance/Data Quality, Classification & Integrity
- Business Continuity & Disaster Recovery

#### **Theme 8 – Asset Management**

- Asset Management Strategy (& Plans)
- Safeguarding & Security/Asset Utilisation (& Realisation)
- Workforce Planning/HR Framework/ Skills & Organisational Development

### 3.9 Risk Assessment – Audit Factors

Using the results of –

- a) Reasonable Assurance Model Work
- b) Views & Requests of Senior Management/Audit Committee
- c) Views & Requests of Audit West Senior Management/National/Regional Factors

We then carry out risk assessment of potential audit areas using the following factors –

#### **MATERIALITY** **INHERENT RISK** **AUDIT HISTORY**

Each area would then have a simple risk assessment as follows

#### **Materiality**

Budget (Income + Expenditure + Savings in Medium Term Financial Plan)

High Risk > £1M  
Medium Risk £250K - £1M  
Low Risk <£250K

Or Direct Linkage to –

Achievement of a Corporate Priority and/or  
Mitigation of a Corporate Risk

#### **Inherent Risk**

Risk Management Judgement – Factors involved for H/M/L

Inherent Operational Risk – i.e. Cash, Stocks, dependency on third party

Inherent Reputational Risk – i.e. Level of Damage to Council

Inherent Technical Risk – i.e. Technical reliance/IT/Systems led

Inherent People Risk – i.e. Lack of Separation of duties or known staffing issues

#### **Audit History**

Audit Opinion:

High Risk – Level 1 or Level 2 Opinion at Last Audit (No or limited assurance)

Medium – Level 3 Opinion or no previous audit in last 3 years (Adequate Assurance)

Low – Level 4 or Level 5 Opinion at Last Audit (Robust or significant Assurance)

The results of this risk assessment process would generate a long list of areas which could then be refined into a suitable audit plan which could be matched to available resources and then prepared for consultation.

### **3.10 Consultation & Input – Audit Committee**

The Audit Committee is a key stakeholder and ultimately approve the Audit Plan and therefore the request is for any feedback on areas of concern or issues which the planning process can consider and take account of before it is finalised.

To help in this process the Chartered Institute of Internal Auditors has drawn up ten key areas for 2020 which organisations should take account of in preparing their audit plans and these are detailed below as a point of reference to help the committee in understanding where they feel audit coverage may be beneficial.

- 1) Increasing expectations from GDPR on Cybersecurity & Data Privacy;
- 2) Level of Regulatory/Statutory Burden;
- 3) Increasing Digitilisation of Services;
- 4) Delivery of Services through Third parties & Contract Management;
- 5) Maintaining Business Resilience;
- 6) Increasing Financial Risks;
- 7) Level of Political instability and economic impacts;
- 8) Organisational Development & Skills;
- 9) Maintaining high standards of Ethics & Culture;
- 10) Developing appropriate response to Climate Change.

## **4. STATUTORY CONSIDERATIONS**

- 4.1 Accounts & Audit Regulations set out the expectations of provision of an Internal Audit service. This is supported by S151 of the Local Government Act and CIPFA Codes of Practice and the IIA professional standards for delivery of an adequate Internal Audit Service. Implications of not providing this service would include qualification of the Accounts, increase in External Audit fees, potential rise in fraud and corruption and missappropriation of assets and resources.

## **5. RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

- 5.1 The Annual Planning process is carried out by the Head of Audit & Assurance.

## **6. RISK MANAGEMENT**

- 6.1 Significant risks to the council arising from an ineffective Internal Audit Service include lack of internal control, failures of governance and weak risk management. Specific risks include supplementary External Audit Fees and undetected fraud. Internal Audit assists the council in identifying risks, improvement areas and recommending good practice.



## 7. CLIMATE CHANGE

- 7.1 No direct implications however the review process will consider key risks (& assurances) which may include Climate Change and any associated significant issues where identified through the review process.

## 8. OTHER OPTIONS CONSIDERED

- 8.1 Audit Methodology is driven by professional standards and legislative requirements and the model created subjected to external assessment. The plan itself is subject to wide consultation in order to ensure sufficient options and approaches have been considered.

## 9. CONSULTATION

- 9.1 In developing and delivering the Annual Audit Assurance Plan the Internal Audit Service has consulted widely with officers and members and with the external auditors. The Council's S151 Officer has specifically been consulted based on their statutory responsibilities.

<b>Contact person</b>	Andy Cox (01225 477316) Jeff Wring (01225 477323)
<b>Background papers</b>	
<b>Please contact the report author if you need to access this report in an alternative format</b>	

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<b>Bath &amp; North East Somerset Council</b>		
MEETING:	Corporate Audit Committee	
MEETING DATE:	6th February 2020	<b>AGENDA ITEM NUMBER</b>
TITLE:	Annual Governance Statement 2019/20	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b>		
Appendix 1 – Local Code of Corporate Governance		
Appendix 2 - Annual Governance Review – Outline of Framework.		
Appendix 3 – Annual Governance Statement 2018/19		

## **1 THE ISSUE**

- 1.1 The aim of the report is to inform the Committee on the Annual Governance Review process and enable the Committee to fulfil its responsibilities associated with the publication of the Council’s Annual Governance Statement 2019/20.

## **2 RECOMMENDATION**

- 2.1 The Corporate Audit Committee is asked to note the process to be followed to produce the Annual Governance Statement within the prescribed timescales.

## **3 THE REPORT**

- 3.1 The Council adopted a Local Code of Corporate Governance (Appendix 1) in May 2018 and a methodology is followed to enable the production of an Annual Governance Statement based on the Accounts & Audit Regulations and the CIPFA / SOLACE ‘Delivering Good Governance in Local Government’ framework.
- 3.2 The purpose of the Framework is to assist authorities individually in reviewing and accounting for their own unique approach, with the overall aim to ensure that:
- Resources are directed in accordance with agreed policy and according to priorities.
  - There is sound and inclusive decision making.
  - There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

3.3 Good governance enables the Council to effectively achieve its intended outcomes, whilst acting in the public interest at all times.

3.4 Our Local Code of Corporate Governance is based on the following key principles of good governance –

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable, economic, social and environmental benefits
- Determining the interventions necessary to optimize the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit, to deliver accountability

3.5 The Annual Governance Statement is a 'management' statement and as such is signed by the Chief Executive and Leader of the Council. The Audit Committee oversee the governance review process and delivery of any actions where significant issues are identified

3.6 An overview of the process for the compilation and approval of the Annual Governance Statement for 2019/20 is attached (Appendix 2). This is well established process which has been used for a number of years.

3.7 The methodology of the governance review requires 'Management Assurances' and 'Corporate Assurance Sources' including:

- The involvement of Statutory Officers and Directors
- Input from 'key' Corporate Officers and Service Managers with relation to:
  - Finance
  - Performance
  - Information Governance
  - Human Resources
  - Health & Safety
  - Climate Emergency (Environmental Impact & Sustainability)
  - Safeguarding
  - Procurement

3.8 The review of governance covers all significant corporate systems, processes and controls, spanning the whole range of Council activities, including in particular those designed to ensure:

- Council policies are implemented;
- Quality services are delivered efficiently and effectively;
- Council's values and ethical standards are met;
- Compliance with laws and regulations;
- Financial statements and other published performance information are accurate and reliable;
- Human, financial, environmental and other resources are managed efficiently and effectively.

3.9 Key milestones in finalising the Annual Governance Statement are:

1) Report to Audit Committee - At the next meeting in April we will update the position in relation to the last statement and provide an opportunity for the committee to input any views they have on governance or significant issues. It remains likely that significant financial challenges will remain as key issue moving forward for potential inclusion.

2) Report to Senior Leadership Team.

3) Chief Executive & Leader of the Council sign the Statement linked to the approval of the Annual Accounts. It should be noted that the 2019/20 audited Statement of Accounts (including the annual governance statement) will be published by the 31st July 2020.

3.10 The Annual Governance Statement will record any 'significant issues' and associated action plans. The definition of a significant issue can be summarised as follows:

- Significant failures in decision making at Council or Executive
- Significant unexpected use of Resources
- Significant performance failings or failures in service delivery
- Significant issues from inspections, audits, complaints etc
- Significant issues failures in respect of statutory duties
- Significant issues from operational issues and third parties

3.11 As part of the agreed process the Corporate Audit Committee is required to monitor the implementation of any agreed actions which have been recorded against 'Significant Issues' reported in the previous year's Annual Governance Statement. The 2018/19 Annual Governance Statement continued to record the 'financial challenge' faced by the Council as a 'Significant Issue' (See Appendix 3).

3.12 'Financial challenge' continues to be a 'Significant Issue' and it is expected that it will be recorded as an issue in the 2019/20 Statement.

3.13 At the next meeting of the Committee in April we will update the position in relation to the Financial Challenge issue and provide an opportunity for the Committee to input any views they have on governance or significant issues.

**4. STATUTORY CONSIDERATIONS**

4.1 The review and publication of the Annual Governance Statement is a requirement of the Accounts and Audit (England) Regulations 2015.

**5. RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

5.1 The Annual Governance Review is carried out by Audit West on behalf of the Council. The Chief Executive & Leader of the Council sign off the Annual Governance Statement which are incorporated into the Council’s statement of Accounts. The resource implications are therefore limited to the time spent by Audit West Officers to complete the review.

**6. RISK MANAGEMENT**

6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance. The key risk of failing to complete a governance review and sign off an Annual Governance Statement by the required deadline is that the Council’s External Auditors would have to report non-compliance with the Accounts and Audit (England) Regulations 2015.

**7. CLIMATE CHANGE**

7.1 No direct implications however the review process will consider key risks (& assurances) which may include Climate Change and any associated significant issues where identified through the review process.

**8. OTHER OPTIONS CONSIDERED**

8.1 None.

**9. CONSULTATION**

9.1 The report was consulted on with the S151 Officer for comment.

<b>Contact person</b>	Andy Cox (01225 477316) Jeff Wring (01225 477323)
<b>Background papers</b>	Report to Council 10 <sup>th</sup> May 2018 – Appointment of Committees & Panels & Other Annual Business (Local Code of Corporate Governance)  <a href="https://democracy.bathnes.gov.uk/documents/s50927/Appointme nt%20of%20Committees%20Panels.pdf">https://democracy.bathnes.gov.uk/documents/s50927/Appointme nt%20of%20Committees%20Panels.pdf</a>
<b>Please contact the report author if you need to access this report in an alternative format</b>	

**Bath & North East Somerset Council**  
**Local Code of Corporate Governance 2018**

# 1 Delivering Good Governance

- 1.1 *Delivering Good Governance in Local Government; Framework*, published by CIPFA in association with SOLACE, sets the standard for local authority governance in the UK. The concept underpinning the framework is to support local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The purpose of the Framework is to assist authorities individually in reviewing and accounting for their own unique approach, with the overall aim to ensure that :
- Resources are directed in accordance with agreed policy and according to priorities
  - There is sound and inclusive decision making
  - There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities
- 1.2 Governance is a term used to describe the arrangements (including political, economic, social, environmental, administrative, legal, and other arrangements) put in place to ensure that the intended outcomes for stakeholders are defined and achieved.
- 1.3 Good governance enables the Council to effectively achieve its intended outcomes, whilst acting in the public interest at all times.
- 1.4 The *Delivering Good Governance in Local Government; Framework*, sets out seven core principles of governance as detailed in the diagram below. Bath and North East Somerset Council is committed to these principles of good governance and confirms this through the adoption, monitoring and development of this document - the Council's Local Code of Corporate Governance.
- 1.5 Our Local Code is underpinned by the *Delivering Good Governance in Local Government; Framework* and is comprised of policies, procedures, behaviours and values by which the Council is controlled and governed. These key governance areas and how the Council provides assurance that it is complying with these are set out in more detail within its Governance Assurance Framework.
- 1.6 The Council recognises that establishing and maintaining a culture of good governance is as important as putting in place a framework of policies and procedures. The Council expects members and officers to uphold the highest standards of conduct and behaviour and to act with openness, integrity and accountability in carrying out their duties.



## 2. Principles of Good Governance

2.1 This diagram illustrates how good governance is integral to supporting the delivery of the organisations priorities.



2.2 The principles of good governance therefore describe the outcomes this code is attempting to deliver. The guidance prescribes these as follows –

- **Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law**
- **Ensuring openness and comprehensive stakeholder engagement**
- **Defining outcomes in terms of sustainable, economic, social and environmental benefits**
- **Determining the interventions necessary to optimize the achievement of the intended outcomes**
- **Developing the entity’s capacity, including the capability of its leadership and the individuals within it**
- **Managing risks and performance through robust internal control and strong public financial management**
- **Implementing good practices in transparency, reporting and audit, to deliver accountability**

2.3 Further information regarding each of the above principles and the behaviours and actions that demonstrate good governance in practice are detailed at Appendix A

## 3 Status

- 3.1 Regulation 6(1)(a) of the Accounts and Audit regulations 2015 require an authority to conduct a review at least once in a year of the effectiveness of its systems of internal control and include a statement reporting on the review with any published statement of Accounts. This is known as an Annual Governance Statement.
- 3.2 The Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be prepared in accordance with proper practices in relation to accounts. Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government Framework (2016) and this section of the Code.

## 4 Monitoring and review

- 4.1 The Council will monitor its governance arrangements for their effectiveness in practice and will review them on a continuing basis to ensure that they are up to date. This process of review to produce the Annual Governance Statement sets out in more detail how the Council will seek assurance on its adherence to the adopted principles of governance detailed in this code.
- 4.2 On an annual basis, the Chief Executive and Leader of the Council will therefore publish an Annual Governance Statement which will:
- assess how the Council has complied with this Code of Corporate Governance
  - provide an opinion on the effectiveness of the Council's arrangements
  - Provide details of how continual improvement in the systems of governance will be achieved.

## 5 Certification

- 5.1 We hereby certify our commitment to this Code of Corporate Governance and will ensure that the Council continues to review, evaluate and develop the Council's Governance arrangements to ensure continuous improvement of the Council's systems.

**Leader of the Council**

**Chief Executive**

Date:

Date:

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
<b>A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law</b>	<b>Behaving with integrity</b>	<ul style="list-style-type: none"> <li>• Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation</li> <li>• Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)</li> <li>• Leading by example and using the above standard operating principles or values as a framework for decision making and other actions</li> <li>• Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</li> </ul>
	<b>Demonstrating strong commitment to ethical values</b>	<ul style="list-style-type: none"> <li>• Seeking to establish, monitor and maintain the organisation's ethical standards and performance</li> <li>• Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation</li> <li>• Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values</li> <li>• Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation</li> </ul>
	<b>Respecting the rule of law</b>	<ul style="list-style-type: none"> <li>• Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations</li> <li>• Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements</li> <li>• Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders</li> <li>• Dealing with breaches of legal and regulatory provisions effectively</li> <li>• Ensuring corruption and misuse of power are dealt with effectively</li> </ul>

Core Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
<b>B. Ensuring openness and comprehensive stakeholder engagement</b>	<b>Openness</b>	<ul style="list-style-type: none"> <li>• Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness</li> <li>• Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided</li> <li>• Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear</li> <li>• Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action</li> </ul>
	<b>Engaging comprehensively with institutional stakeholders</b>	<ul style="list-style-type: none"> <li>• Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably</li> <li>• Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively               <ul style="list-style-type: none"> <li>- Ensuring that partnerships are based on: trust</li> <li>- a shared commitment to change</li> <li>- a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit</li> </ul> </li> </ul>
	<b>Engaging with individual citizens and service users effectively</b>	<ul style="list-style-type: none"> <li>• Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes</li> <li>• Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement</li> <li>• Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs</li> <li>• Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account</li> <li>• Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity</li> <li>• Taking account of the impact of decisions on future generations of tax payers and service users</li> </ul>

Core Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
<b>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</b>	<b>Defining outcomes</b>	<ul style="list-style-type: none"> <li>• Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions</li> <li>• Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer</li> <li>• Delivering defined outcomes on a sustainable basis within the resources that will be available</li> <li>• Identifying and managing risks to the achievement of outcomes</li> <li>• Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available</li> </ul>
	<b>Sustainable economic, social and environmental benefits</b>	<ul style="list-style-type: none"> <li>• Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision</li> <li>• Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints</li> <li>• Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs</li> <li>• Ensuring fair access to services</li> </ul>

Core Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
<b>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</b>	<b>Determining interventions</b>	<ul style="list-style-type: none"> <li>• Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided</li> <li>• Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts</li> </ul>
	<b>Planning interventions</b>	<ul style="list-style-type: none"> <li>• Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets</li> <li>• Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered</li> <li>• Considering and monitoring risks facing each partner when working collaboratively, including shared risks</li> <li>• Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances</li> <li>• Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured</li> <li>• Ensuring capacity exists to generate the information required to review service quality regularly</li> <li>• Preparing budgets in accordance with objectives, strategies and the medium term financial plan</li> <li>• Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy</li> </ul>
	<b>Optimising achievement of intended outcomes</b>	<ul style="list-style-type: none"> <li>• Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints</li> <li>• Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term</li> <li>• Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage</li> <li>• Ensuring the achievement of 'social value' through service planning and commissioning</li> </ul>

Core Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
<p><b>E. Developing the entity's capacity, including the capability of its leadership and the individuals within it</b></p>	<p><b>Developing the entity's capacity</b></p> <p><b>Developing the capability of the entity's leadership and other individuals</b></p>	<ul style="list-style-type: none"> <li>• Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness</li> <li>• Improving resource use through application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved</li> <li>• Recognising the benefits of partnership working where added value can be achieved</li> <li>• Developing &amp; maintaining an effective workforce plan to enhance the strategic allocation of resources</li> <li>• Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained</li> <li>• Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body</li> <li>• Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority</li> <li>• Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged             <ul style="list-style-type: none"> <li>- ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis</li> <li>- ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external</li> <li>- Ensuring that there are structures in place to encourage public participation</li> <li>- Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections</li> <li>- Holding staff to account through regular performance reviews which take account of training</li> <li>- Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing</li> </ul> </li> </ul>

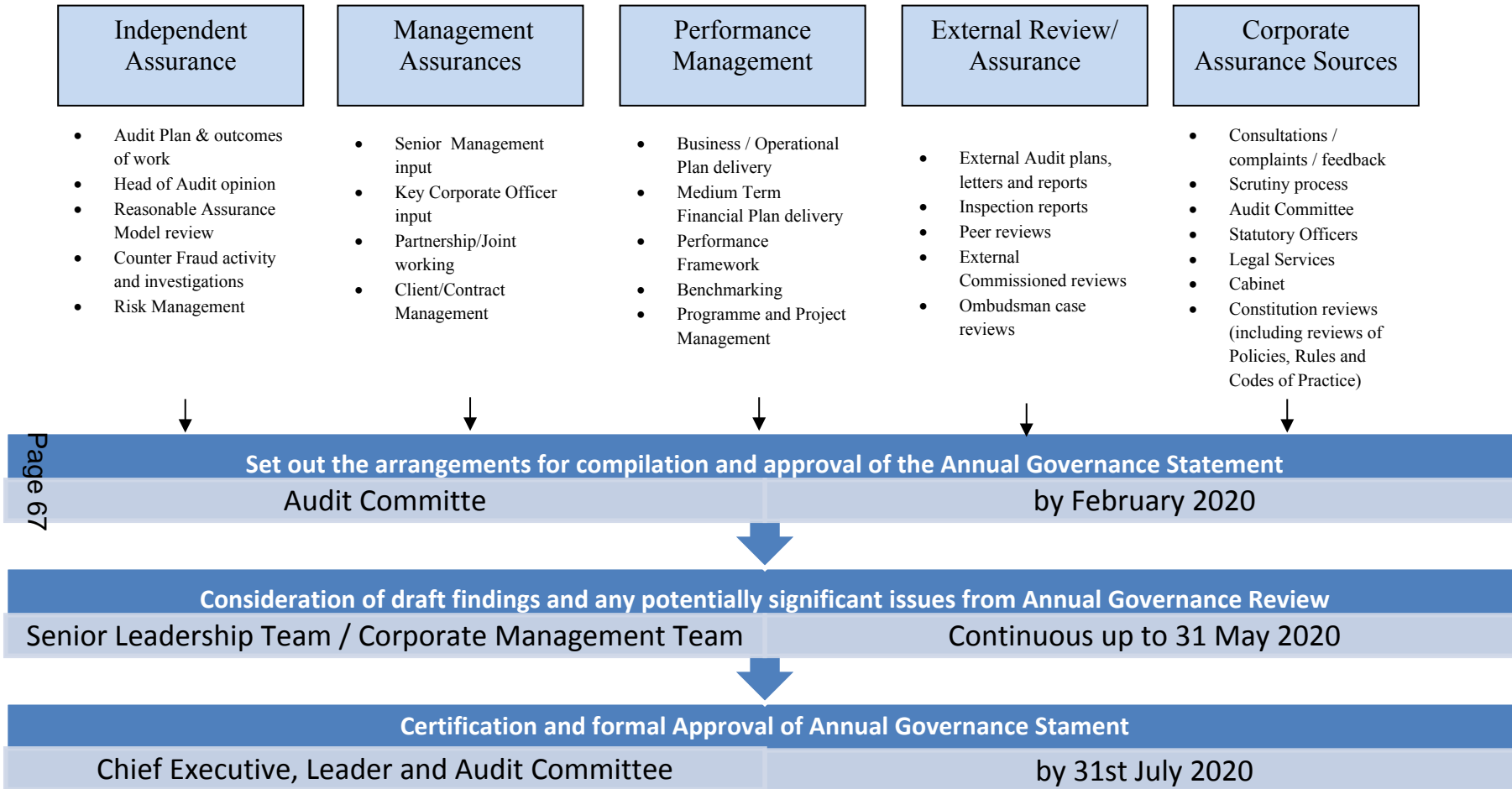
Core Principles	Sub-principles	Behaviour and actions that demonstrate good governance in practice:
<b>F. Managing risks and performance through robust internal control and strong public financial management</b>	<b>Managing risk</b>	<ul style="list-style-type: none"> <li>• Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making</li> <li>• Implementing robust and integrated risk management arrangements and ensuring that they are working effectively</li> <li>• Ensuring that responsibilities for managing individual risks are clearly allocated</li> </ul>
	<b>Managing performance</b>	<ul style="list-style-type: none"> <li>• Monitoring service delivery effectively including planning, specification, execution and independent post implementation review</li> <li>• Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook</li> <li>• Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (Or, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making</li> <li>• Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</li> <li>• Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)</li> </ul>
	<b>Robust internal control</b>	<ul style="list-style-type: none"> <li>• Aligning the risk management strategy and policies on internal control with achieving objectives</li> <li>• Evaluating and monitoring risk management and internal control on a regular basis</li> <li>• Ensuring effective counter fraud and anti-corruption arrangements are in place</li> <li>• Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor               <ul style="list-style-type: none"> <li>- Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment</li> <li>- that its recommendations are listened to and acted upon</li> </ul> </li> </ul>



	<b>Managing data</b>	<ul style="list-style-type: none"><li>• Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data</li><li>• Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies</li><li>• Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring</li></ul>
	<b>Strong public financial management</b>	<ul style="list-style-type: none"><li>• Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance</li><li>• Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and control</li></ul>

Core Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
<b>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b>	<b>Implementing good practice in transparency</b>	<ul style="list-style-type: none"> <li>• Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate</li> <li>• Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand</li> </ul>
	<b>Implementing good practices in reporting</b>	<ul style="list-style-type: none"> <li>• Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way</li> <li>• Ensuring members and senior management own the results reported</li> <li>• Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)</li> <li>• Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate</li> <li>• Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations</li> </ul>
	<b>Assurance and effective accountability</b>	<ul style="list-style-type: none"> <li>• Ensuring that recommendations for corrective action made by external audit are acted upon</li> <li>• Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon</li> <li>• Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations</li> <li>• Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement</li> <li>• Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met</li> </ul>

**APPENDIX 2 - High Level Methodology for Preparing the Annual Governance Statement**



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## **ANNUAL GOVERNANCE STATEMENT 2018/19**

### **CERTIFICATION**

To the best of our knowledge the governance arrangements as defined have been effectively operating during the year 2018/19. Significant governance issues identified through the Annual Governance Review are recorded in Section 4.

We propose to take actions to address the issues raised with the objective of enhancing the Council's governance arrangements. The issues and related actions will be monitored as part of the annual governance review process.

### **SIGNED BY:**

**DINE ROMERO**

**LEADER OF THE COUNCIL**

**ASHLEY AYRE**

**CHIEF EXECUTIVE**

**DATE:**

## 1. Scope of Responsibility

- 1.1 The council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- 1.2 In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs, which includes ensuring a sound system of internal control and effective arrangements for the management of risk.
- 1.3 The council has adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of our code is available from our website.
- 1.4 This Statement explains how the Council has complied with our Local Code of Corporate Governance and also meets the requirements of:
  - The Accounts and Audit (England) Regulations 2015, specifically Regulation 6 (1) in respect of the annual review of the effectiveness of its system of internal control and preparation and publication of an Annual Governance Statement.
- 1.5 The governance framework described in this Statement has been in place at the council for the year ended 31 March 2019, and up to the date of the approval of the statement of accounts.

## 2. The Purpose of the Governance Framework and Local Code

- 2.1 Good governance enables Bath & North East Somerset Council to effectively achieve its intended outcomes, whilst acting in the public interest at all times and the following diagram illustrates how good governance is integral to supporting the delivery of the organisations priorities.



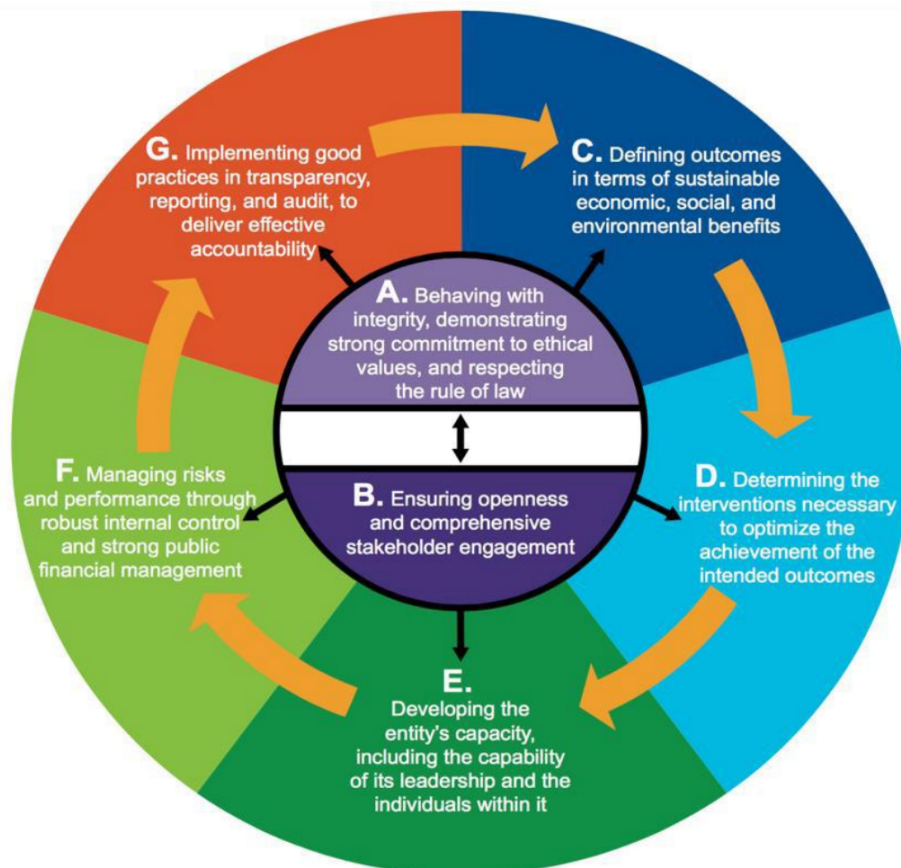
The Council's local code of corporate governance aims to ensure that in conducting its business the Council:

- operates in a lawful, open, inclusive and honest manner
- makes sure public money is safeguarded, properly accounted for and spent wisely
- has effective arrangements in place to manage and control risk
- secures continuous improvements in the way it operates.

The Code comprises the systems and processes, culture and values and structures by which the Council is directed and controlled. The Code is the sum total of all of these things, and it includes those activities required to enable the Council to engage with, account to and lead the communities it serves. The Code enables the Council to set its strategic objectives and to manage the achievement of the objectives whilst ensuring delivery of appropriate, cost effective services.

The system of internal control is a significant part of that Code and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The CIPFA/SOLACE framework envisages that the Code will be organised to ensure a continuous process of seven principles based around two core principles (A and B).



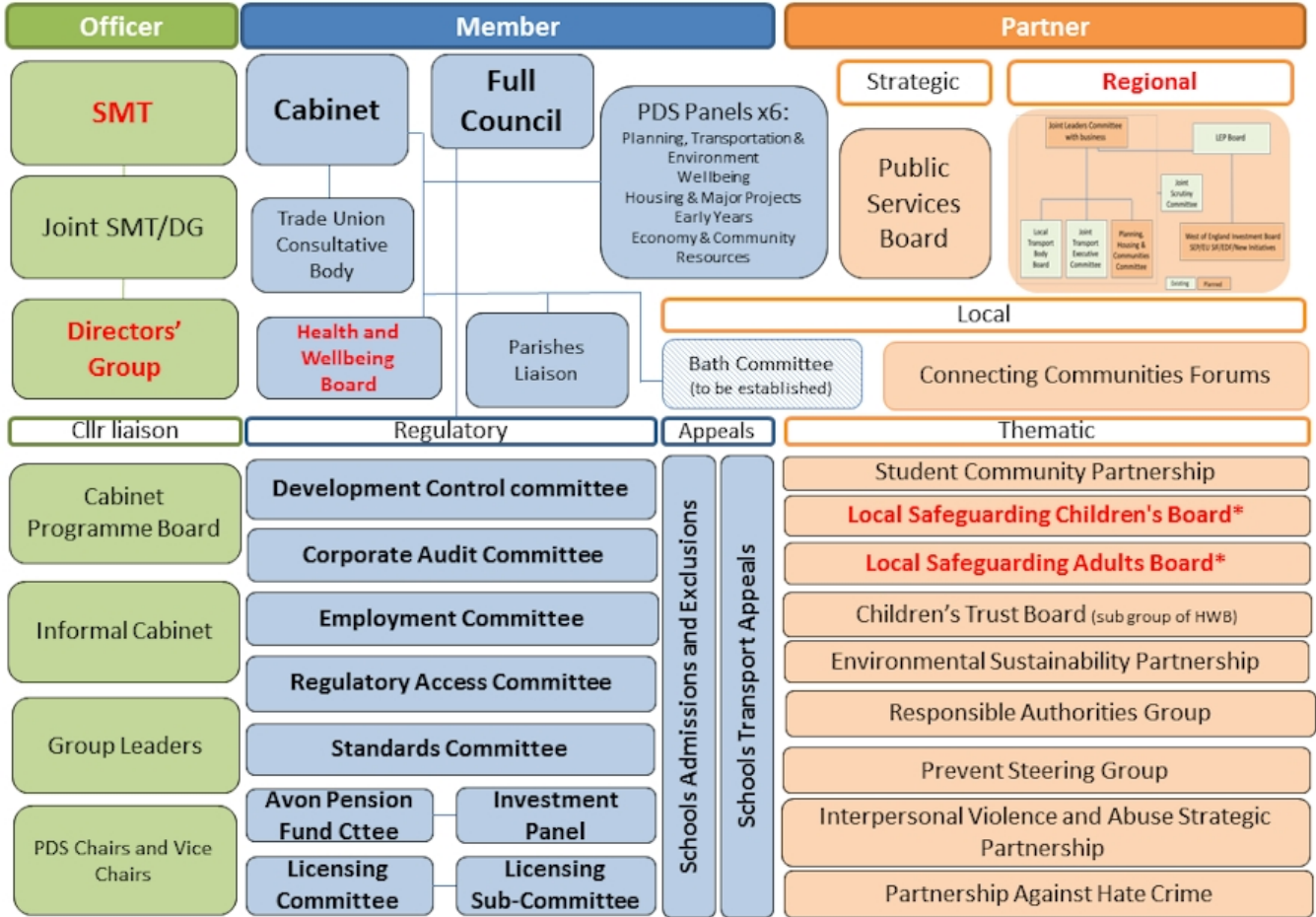
Source: CIPFA/SOLACE

The governance framework and an attendant Code has continued to be in place at Bath & North East Somerset Council for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

### 3. Key Elements of our Code of Corporate Governance

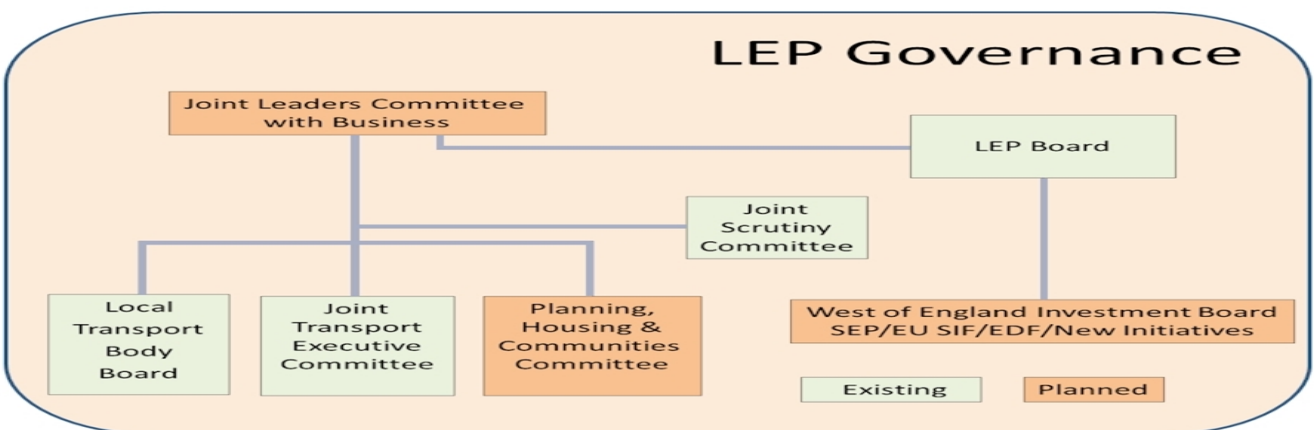
The Council's Constitution is kept under constant review and updated as necessary through the year and sets out how the Council operates. It clearly defines the roles of councillors and officers and this clarity contributes to effective working relationships.

The diagram records the Council's governance structure for both formal member meetings, key partnership bodies and key internal officer groups.



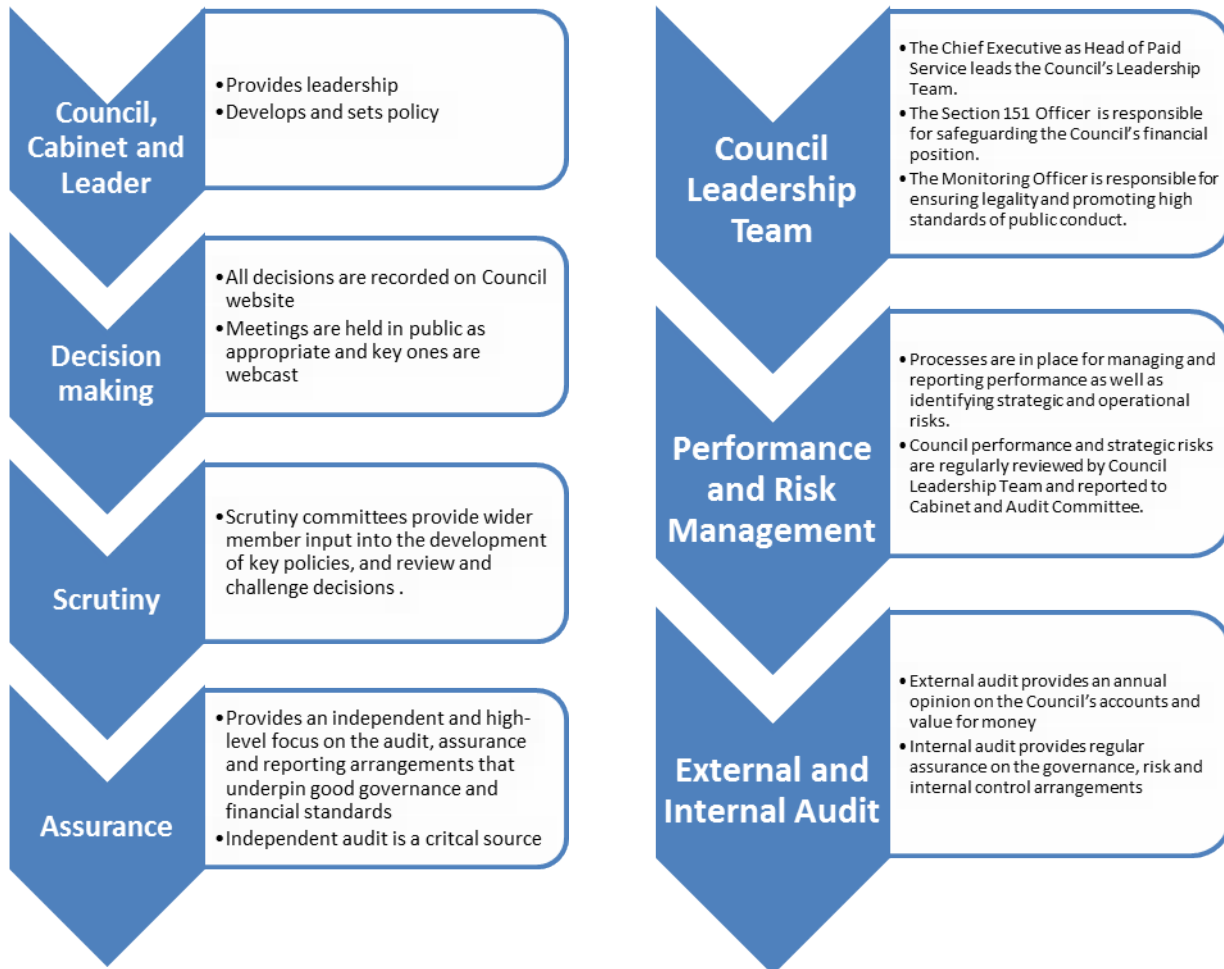
\*new statutory powers, TBA

(Key: formal decision-making bodies = **bold**; operational decision-making bodies = **bold**;) )





The wider elements of the framework of our governance arrangements at the Council during 2018/19 were:



**How we have fulfilled the principles of good governance**

**Review of the Council's Code of Governance**

As above, the Council's Code of Corporate Governance is made up of the arrangements that the Council has in place to deliver the requirements of each principle of the Framework. The Code is not a document, it is the sum total of all these systems and processes, culture and values and structures by which the Council is directed and controlled.

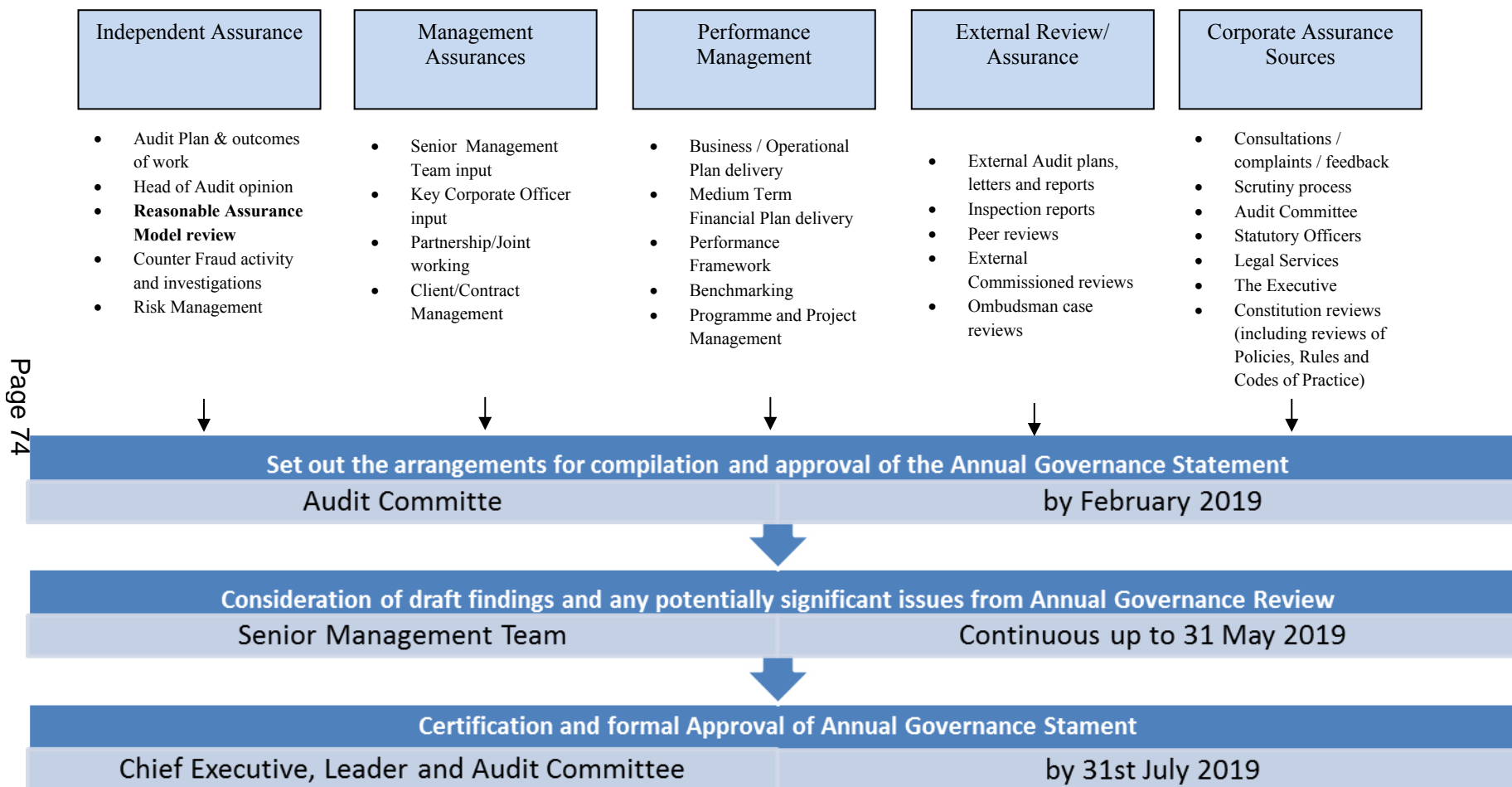
In preparing this Annual Governance Statement the Council has:

- reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Government framework - 2016 Edition' good practice guidance;
- thereby assessed the effectiveness of the Council's Local Code of Corporate Governance.
- Taken into consideration the findings of external inspection agencies and the Chief Audit Executive's formal opinion on the internal control framework.

The remainder of this document sets out some key aspects of how the Council's has complied with the principles set out in the Framework during 2018/19 however it is not intended to be exhaustive.

## 4. REVIEW OF GOVERNANCE FRAMEWORK

Throughout the year the Council will review the effectiveness of its governance framework. The methodology is recorded below.



A key component of the review is using the adopted 'Reasonable Assurance Model' to assess the level of Assurance in place over eight themes.



Each Theme has a set of questions and the answers to these questions help assess the level of assurance and the level of risk for each theme. The Reasonable Assurance Model informs the Internal Audit Annual Plan and also enables an assessment of compliance with the seven principles of good governance as recorded in the Council's Local Code of Corporate Governance.

This Local Code was adopted by the Council at its meeting of 10<sup>th</sup> May 2018 and a copy of the Code is accessible through the Council's website at <http://www.bathnes.gov.uk/content/bathnes-local-code-corporate-governance>.

An explanation – but not exhaustive list - is now provided on how the authority has complied with its Local Code – the seven principles of good governance.

## 5. Principles of our Governance Framework

### i. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

#### Behaving with integrity

Bath & North East Somerset Council has both a Members Code of Conduct and an Employees Code of Conduct which the respective individuals are required to adhere to in their respective roles. The Members Code is recorded within the Council's Constitution (Part 6). The Employees Code of Conduct is planned to be reviewed and updated during 2019/20.

All members of the Council are obliged to sign an "acceptance of office" and following election to office they have a full induction and training programme, including the Members Code of Conduct. Dependent on the roles allocated to members additional tailored training is provided. The Council's Monitoring Officer is overall responsible for member induction and support services for elected members. Part 4 of the Constitution records the 'Procedural Rules' of the Council.

Officers sign contracts of employment and are required to complete a probationary period of employment as standard. All relevant HR policies are in place and made available from the Council Information Service (intranet). These include a formal disciplinary procedure, a Whistleblowing Policy, Information Governance Policies, Counter Fraud Strategy bringing together the Council's Anti-Fraud and Corruption Policy, Anti-Bribery Policy and Money Laundering Policy under one umbrella. We maintain electronic registers of interests and gifts & hospitality for staff. Members are required to declare interests and this and the Councillors attendance record and declarations at meetings are recorded against their individual Councillors page accessible through the Council's internet webpages.

#### Demonstrating strong commitment to ethical values

Bath & North East Somerset Council maintain a Standards Committee which under the Constitution (Part 5) records the Committee's Terms of Reference. The Terms of Reference includes:

- Promote and maintain high standards of conduct by Councillors; Parish Councillors; co-opted members and church and parent governor representatives;
- Oversee the effectiveness of the Council's Constitutional arrangements from an ethical perspective and make recommendations to the Council on any desirable or necessary changes.

The Committee is scheduled to meet every two months (if required) and reports to Council at least annually. The last annual report was submitted to the 12<sup>th</sup> July 2018 Council Meeting. It recorded that the 12 members (5 B&NES Councillors, 4 Parish Councillors and 3 independents) and Independent Person met on four occasions in 2017/18 to fulfil its role and responsibilities. In 2018/19 the Committee also had four meetings and during these meetings it included consideration of : 1) a local hearing into the conduct of a Parish Councillor; 2) a report on Local Government Ombudsman Complaints; 3) a report on the assessment of complaints; 4) a report on Gifts & Hospitality (it was agreed that the Monitoring Officer draft a Gifts and Hospitality policy); 5) a protocol between B&NES Council and Avon and Somerset Constabulary for Investigations and Offences under the Localism Act 2011 Section 34; and, received a training session on the 'Code of Conduct'.

The Code of Conduct for Members and Co-opted Members makes specific reference to the need to adhere to seven principles of public life (the Nolan principles).

All formal meetings of the Council (i.e. Committees) require declarations of interest from Members of those Committees as a standing item and meetings are minuted / recorded. There is also a member complaint policy which is overseen and administered by the Council's Monitoring Officer.

#### Respecting the rule of law

The Council's Constitution sets out the legal requirements around Council business including decision making. Guidance is available on both the Council's Information Service (Intranet) and public accessible website (Internet) to guide Officers in ensuring that Decisions are taken by the appropriate committee, Member or Officer under the Scheme of Delegation (Part 3 of the Constitution). The Constitution is reviewed by a Constitution Working Group and amendments are reported to Full Council to ensure it remains fit for purpose and is legally compliant.

All reports requiring decision must be cleared by the Council's S151 and Monitoring Officers. The adopted report template requires the author to record 'Statutory considerations and basis for the proposal' and this section should

contain details of any relevant considerations regarding equalities, crime & disorder, sustainability, natural environment, planning, human rights, children, public health & inequalities. It should also specify the legal power or duty that authorises the decision to be made. Specific Report Writing guidance is available to Officers to provide clarification of actions required.

All Council contracts must comply with the Council's Contract Standing Orders and guidance from specialist procurement and legal Officers is available in order to comply with legal requirements e.g. EU Procurement regulations.

Additional guidance is available to Members and Officers to ensure compliance with other legislation including: Proceeds of Crime Act 2002 (e.g. Anti-Money Laundering Policy) Bribery Act 2010 (e.g. Anti-Bribery Policy 2016)

The Council also considers Motions submitted by political groups / Councillors e.g. 15<sup>th</sup> Sept 2016 motion against modern slavery linked to the Modern Slavery Act 2015.

## **ii. Ensuring openness and comprehensive stakeholder engagement**

### Openness and engaging with individual citizens and service users effectively

The Constitution outlines the Citizens rights to access information (Part 2 – Article 3 Citizens and the Council) in addition Part 4 – Procedural Rules record the access to information procedure rules (Part 4B). It details: rights to attend meetings; notice of meetings being held; access to agendas and reports; provision of agenda and report copies; access to meeting minutes; and rules around the exclusion of access by the public to meetings.

Key decisions are all publically recorded and the templates for decisions require officers to provide all necessary and pertinent information to make an informed decision. The Cabinet forward plan of business is published in advance in accordance with access to information requirements.

To help ensure decision making rules are followed an intranet page provides officers with information about the stages to be followed for single member, Cabinet, Officer and urgent decisions.

The Council's website contains information about services and provides easy access key links such as 'Cabinet Decisions'.

We monitor compliance with the Department for Communities and Local Government Transparency Code and the Transparency page on the internet provides the links to access business operations and outcomes (such as payments to suppliers / expenditure over £500) as required by the Code.

We are very open with our communications and digital communication channels are used including a library of webcasts e.g. Council and Cabinet meetings. The Council and its services use Social Media such as Twitter, Facebook, and Instagram. A weekly e-connect newsletter is accessible and in addition to digital communications the Council produces a quarterly residents magazine called 'Together'. Staff also receive a weekly communications e-mail.

### Engaging Comprehensively with Institutional Stakeholders

The Council has consultation webpages which records current, future and closed consultations plus a consultation results section. Some of the key consultation / engagement work carried out over the last year include:

- Additional HMO Licensing
- Locally Listed Heritage Assets Supplementary Planning Document Questionnaire
- Housing Services Enforcement & Licensing Policy
- Charlotte Street Car Park Extension
- Strategic Transport Studies
- School Admission Arrangements 2020/21
- Home Care Review
- Community Asset Transfer Policy
- Mental Health Services Review

Partnership working with our health and West of England partners is of critical importance in both service delivery and in shared financial efficiencies. NHS England has challenged the health and care system to develop a Sustainability and Transformation Plan (STP) and the Council has been fully engaged in the STP development process. The Clinical Commissioning Group (CCG) and B&NES Council are joining their commissioning functions and continuing to pool budgets. The Health & Wellbeing Board is responsible for preparing a Joint Health and

Wellbeing Strategy and reviewing and reporting on health and social care commissioning. The Council and CCG are represented on the Board.

Following the transfer of functions to the West of England Combined Authority (WECA) on 1st February 2017 the Authority represents Bath and North East Somerset Council, Bristol City Council and South Gloucestershire Council. A Joint Committee, Overview & Scrutiny Committee and an Audit Committee assist in the good governance of the Combined Authority.

### **iii. Defining outcomes in terms of sustainable, economic, social and environmental benefits**

#### Defining outcomes

The Council's vision and priorities are recorded in the Corporate Strategy 2016 – 2020.

The 2020 Vision is:

'Bath and North East Somerset will be internationally renowned as a beautifully inventive and entrepreneurial 21st century place with a strong social purpose and a spirit of wellbeing, where everyone is invited to think big – a 'connected' area ready to create an extraordinary legacy for future generations.'

To deliver this Vision the Council will focus on four priorities:

- A strong economy and growth.
- A focus on prevention.
- A new relationship with customers and communities.
- An efficient business.

The Operational Plan is an important component of the Council's strategic planning and budget framework. It set out the key activities and projects that the Council planned to deliver.

#### Sustainable economic, social and environmental benefits

The Capital Programme 2018 to 2022 includes investments that provide economic, social and environmental benefits including: Bath Quays development; Highways maintenance; Leisure Centre refurbishment and modernisation; schools expansion; and Property Company Investments.

In terms of Property Company Investments this is linked to the Council's wholly owned property investment company, Aqueus Development Ltd (ADL) and its subsidiary company ACL, to develop, deliver, own and manage property as well as delivering new development. The Council also maintains Bath Tourism Plus (BTP) as a company limited by guarantee and its objective is to promote the destination at home and abroad to benefit the local economy.

### **iv. Determining the interventions necessary to optimize the achievement of the intended outcomes**

#### Determining interventions

As stated earlier in the Statement the Council's decision making processes are set by its Constitution and citizens and service users are consulted where appropriate prior to decisions being taken.

The decision making process requires objective and rigorous analysis of options and associated risks. A Risk Management Strategy and Toolkit has been adopted and this provides guidance on the assessment of risks related to recommended actions / decisions.

The Monitoring and S151 Officers are consulted on all decision making reports and they are able to provide their professional opinion on the matter being reported and actions / decisions to be taken.

#### Planning interventions

The Council's Forward Plans set out clearly the forthcoming business that will be taken to the relevant decision-making committees and by key officers and members. This includes dates of Cabinet meetings and anticipated dates for Single Member Decisions. The Council conforms to all legislation and best practice in publishing such plans in advance of meetings etc.

## Optimising achievement of intended outcomes

The Medium Term Financial Strategy (MTFS) outlines how the Council's budget will be delivered over the medium to long-term. The MTFS for B&NES spans two years with a further three added to show the likely longer-term picture.

Linked to the MTFS and the annual budget process the Council's S151 Officer is required to make a statutory statement (Section 25 of the Local Government Act 2003) on the robustness of estimates and adequacy of reserves for the budget year and Financial Plan. The Directors review and completion of Robustness Statements and other financial management processes including the provision of qualified and experienced financial staff to support service areas.

The 5 year Capital Programme includes a number of economic projects including Bath Quays designed to increase opportunity and prosperity.

### **v. Developing the entity's capacity, including the capability of its leadership and the individuals within it**

#### Developing the entity's capacity

The financial challenge and the on-going need to seek budgetary savings are having a direct effect of the Council's ability to maintain and develop its capacity. Service areas including libraries and youth are proactively looking for volunteers to help with non-statutory service provision.

#### Developing the capability of the entity's leadership and other individuals

Following the May 2018 elections a full member induction programme is to be provided to allow all members but particularly new ones to understand how the Council works and the key services it provides. In addition to this specific induction training members are provided training specifically related to their roles and responsibilities.

For Council managers 'Leading and Managing Together' sessions are held periodically to provide a networking and communication forum.

The Council has developed a 'Performance Development Conversation' process with guidance and templates with the objective of improving communication and the performance of staff. It is linked to the Council's Values and Behaviours.

### **vi. Managing risks and performance through robust internal control and strong public financial management**

#### Managing Risk

The Council has adopted a Risk Management Strategy and Toolkit during 2018/19 which has been endorsed by the Bath & North East Somerset Council's Cabinet Member for Finance & Efficiency, the Council's Chief Executive and the Corporate Audit Committee. The Strategy document records key activities and frequency and the toolkit provides detailed guidance on risk management processes.

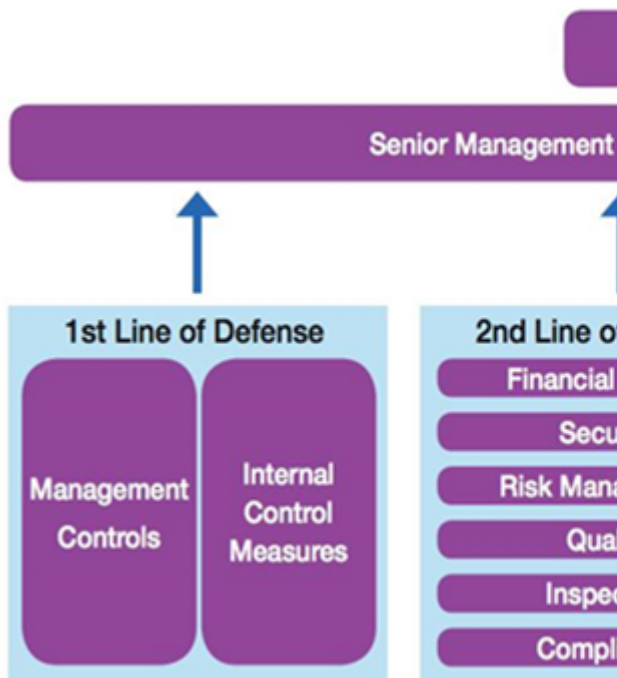
The Council continues to raise awareness of the importance of good risk management and embed the adopted processes. Directors give on-going assurance to the Chief Executive regarding the management of risks within their area of service delivery. Risk management objectives are monitored through the Corporate Audit Committee in line with its terms of reference to evaluate the effectiveness of the risk management strategy and framework.

#### Managing Performance

Performance Management has been overhauled following the Council's management restructure and is aligned with the Council's Operational Plan, Quarterly performance information and business intelligence is now being recorded and fed back to Senior Management to enable clear oversight, accountability and action.

#### Robust Internal Control

The Council's system of internal controls is managed and monitored through the 3 lines of defence and the External Auditor and other Inspectors.



The review and monitoring of internal controls by Internal Audit and other 'independent' inspectors is subject to risk assessment to ensure that resources are focussed on reviewing the controls associated with higher risk areas.

The Corporate Audit Committee Terms of Reference includes approving the Internal Audit Plan within the budget agreed by the Council and to monitor its delivery and effectiveness (including the implementation of audit recommendations). It has been agreed that in addition to receiving internal audit plan update reports which includes recording the assurance level allocated to all 'final' version internal audit reports, a more detailed explanation of findings (weaknesses and recommendations) and management response is provided to the Committee on any reports assessed as Assurance Levels 1 (Poor) or 2 (Weak). The opinion linked to Assurance Level 2 is 'The systems of internal controls are weak and reasonable assurance could not be provided over a number of areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce the risk exposure.'

The Council's Financial Regulations require Members and staff to inform the Chief Finance Officer and / or the 'Chief Audit Executive' immediately of any suspected financial irregularity. This enables the Internal Audit function to investigate all reported cases promptly to ensure the integrity of the system of internal control and to deal with the particular issues related to the matter reported.

### Managing Data

Bath and North East Somerset Council supports the objectives of increasing openness, accountability and transparency in the public sector.

Since the introduction of the Freedom of Information Act in January 2005, the Council has been committed to a proactive approach regarding access to information.

On the 25th of May 2018, Parliament enacted the Data Protection Act 2018 which is built on the European General Data Protection Regulations (GDPR).

The Council is responsible for a wide range of local functions that affect the everyday lives of residents. Information held by the Council is therefore of great relevance and interest to the public. A list of the information regularly made available by the Council to the public can be found in the Council's Publication Scheme.

Members of the public can submit a subject access request or a Freedom of Information request through the public website (submission of an electronic form) or by writing to the Council.

Members and staff can access guidance and training through the Council's Information Service. There is a comprehensive framework of Information Governance Policy that includes: Data Protection, Acceptable Use, Information Security, Information Sharing, and Security Incident Management Policy.



Information Sharing Agreements with public sector partners to ensure the effective and efficient secure sharing of information. When data is processed by a private sector body contracts include the relevant data protection, confidentiality and FOI clauses.

### Strong public financial management

Financial updates are regularly reported to Cabinet and this includes budget monitoring and outturn reports.

All decision papers for Committees, Cabinet member or Officer delegated decisions require S151 financial sign-off before the decision can be taken. Designation of Chief Financial Officer and other delegation changes were approved by full Council on 10<sup>th</sup> May 2018 based on the removal of the Strategic Director Resources post.

An updated Financial Regulations and Budget Scheme were approved by Council on the 13<sup>th</sup> September 2018.

Both the internal and external auditors report on the Council's financial management. The Council's Statement of Accounts 2017/18 were presented to the 30<sup>th</sup> July 2018 meeting of Corporate Audit Committee and approved.

The Director Finance has confirmed that the principles outlined in the CIPFA Statement on the Role of the Chief Financial Officer (s151 Officer) in Local Government have been compiled with in performing her duties. She was a member of the Councils Strategic Management Team (operated up to the 26<sup>th</sup> September 2018) and is currently a member of Directors Group / Directors Group Plus. Membership of these groups ensures she can develop and implement strategic objectives and influence material business decisions. She has taken a leading role in the promotion and delivery of good financial management by the organisation for example by reviewing the Council Financial Regulations during 2018 and having overall responsibility for the Internal Audit Plan. She as an experienced CIPFA qualified accountant has headed up a Finance Service with suitably qualified and experienced in all senior positions.

### **Vii Implementing good practices in transparency, reporting and audit, to deliver accountability**

#### Implementing good practice in transparency

Transparency is a key condition and driver for the delivery of Council services. As a publicly funded organisation, we have a duty to our residents to be transparent about our business operations and outcomes and we have a transparency webpage.

Committee meetings and reports are easily accessible through the Council's website.

#### Implementing good practices in reporting

Reporting is required to assist the Council's decision making process. The constitution requires decisions to be taken by an appropriate committee, Cabinet Member or officer and requires 'sign-off' by the Council's S151 and Monitoring Officers.

Officers write reports to assist understanding of the matter / issues and provide clarity what is being asked of the recipient of the report including recommended actions.

The annual governance review which has been carried out to produce this statement requires a robust methodology to be followed to enable a statement to be published within the statutory statement of accounts.

#### Assurance and effective accountability

The Corporate Audit Committee through its terms of reference monitors the implementation of both internal and external audit recommendations.

The Council has contracted with Virgin Care to provide community health and care services for children, young people and adults. A governance framework has been devised to monitor the Community Services Provision Contract and the related Service Development Improvement Plan (SDIP):

- 1) Community Services Steering Group - report to the Joint Commissioning Committee (Executive Group) and to the Health & Wellbeing Board.
- 2) Contract, Quality and Performance Meeting Group (CQPM) - provide a strategic/senior officer lead and a direct linkage to the Community Services Steering Group.
- 3) Financial Information Group - monitor the financial position and any budgetary issues.
- 4) The Transformation Group - produce a SDIP Performance Dashboard and report to CQPM on any delivery issues which need attention.

## 6 a) SIGNIFICANT GOVERNANCE ISSUES 2017/18

Summary of Significant Issue for 2017/18	Commentary & Mitigating actions for 2018/19	Update Position through 2018/19
<p><b>Financial Challenge</b></p> <p>As detailed for the last two years the significant issue identified around the financial challenge continues to be severe, with public sector austerity and a range of economic challenges.</p> <p>The Council has responded positively with over £55M of savings already delivered, however at least £11.7M of additional savings still need to be identified over the remaining period.</p> <p>Despite this the Council's financial sustainability is being challenged and its outturn position for 2017/18 in two of its largest service areas resulted in overspends of £1.5M in Children's Services and £1.1M in Adult Services.</p> <p>Whilst again no significant governance failures have occurred, the Council acknowledge that the level of grant reductions from central government are a significant issue and represent the most significant set of challenges it has faced in continuing to deliver services to the community.</p> <p>Nationally the pressures in Social Care and Children's Services have started to be recognised and some funding has been provided for future years. However this does not close the gap and increased health and social care integration and service transformation continues to be necessary.</p> <p>This puts additional strain on being able to meet the challenge across all services and entails making difficult choices. We therefore need robust governance and sensible plans to enable services to deliver against all of these challenges.</p>	<p>As with previous years the Council has already set out many of its plans to deliver services into the future against the backdrop of significant financial reductions.</p> <p>One of the key principles of the 2018/19 budget was to provide growth of £6.9M to meet existing and new demands in relation to social care and children's services in order to improve and robustness and sustainability of the budget.</p> <p>The budget also includes £16.9m of savings that will need to be delivered including significant staff reductions. These include a range of plans and actions in Adults and Children's which include –</p> <ul style="list-style-type: none"> <li>- Utilisation of the Improved Better Care Fund using the Adult Social Care precept along with a change programme which includes allocating £3.9M of additional growth in Social Care and £3M for Children's within the MTFP;</li> <li>- Improvements to Children's social care and SEND services and redesigning Youth Connect services to develop additional capacity;</li> <li>- Reviewing care package assessments and the single point of access to help reduce demand and enable people to live in their own homes;</li> <li>- Reviewing service provision for high cost learning disability placements, plus Direct Payment provision and in-house Fostering.;</li> <li>- Reviewing Nursery Provision, Children's Centres and preventive services;</li> <li>- Working effectively with Key Partners, especially those in Health, Virgin Care and across the West of England to support the most vulnerable;</li> <li>- Continuing the stringent cost control mechanisms on staff costs, goods, works and services at an operational level.</li> </ul>	<p>The council's financial performance is reviewed, assessed and challenged by the Senior Management team on a monthly basis, together with the key risks and assumptions that were included within the medium term financial plan.</p> <p>Clearly this increased scrutiny, which has seen the development of a range of proposals that are being implemented has given greater attention and focus upon priority areas and also delivered an improvement in the council's overall financial monitoring position.</p> <p>The projected net expenditure position has improved significantly across many areas of the council's budget forecasts, meaning that the net position by the council at the end of the year was an overspend of less than £1M (£0.92M).</p> <p>Whilst this position should be seen as a significant achievement based on earlier forecasts of much higher overspends, it should also be recognised that some of this has been accomplished through the one-off curtailment of spending and recruitment freezes; this is not sustainable and will not be without consequence. Deferring work in highways maintenance, for example, will increase the backlog of outstanding defects.</p> <p>Importantly the in-year mitigations will not change the council's strategic approach set out in the corporate plan, they will seek to progress the council onto more medium-term and sustainable solutions which are aligned with our aims and ambitions.</p>

#### 4 b) SIGNIFICANT GOVERNANCE ISSUES 2018/19

Issue in 18/19	Commentary & Mitigating actions for 19/20
<p><b><u>Financial Challenge</u></b></p> <p>As detailed for the last three years the significant issue identified around the financial challenge continues to be severe, with public sector austerity and a range of economic challenges likely to last well beyond 2020.</p> <p>The Council has responded positively with over £70M of savings already delivered, however at least £12M of additional savings still need to be identified over the coming year. Therefore the Council has been actively planning to meet this challenge with new savings initiatives already being worked on for the current and future years.</p> <p>Despite this the Council's financial sustainability is being challenged and its outturn position for 2018/19 in Children's Services resulted in an overall overspend of almost £1M and overspends of £2.7M in Children's Services £0.8M in Transport and Environment and reduced income of £0.9M from the Commercial Estate which is a worsening position than the year before.</p> <p>Whilst again no significant governance failures have occurred, the Council acknowledge that the level of grant reductions from central government are a significant issue and represent the most significant set of challenges it has faced in being able to continue to deliver excellent services to the whole community at all times.</p> <p>Nationally the pressures in Social Care and Children's Services have started to be recognised and some temporary funding has been provided for future years. However this does not close the gap and increased health and social care integration and service transformation continues to be necessary.</p> <p>This puts additional strain on being able to meet the challenge not just in Social Care and Children's Services but across all services and entails making difficult choices. We therefore need robust governance and sensible plans to enable services to deliver against all of these challenges</p>	<p>As with previous years the Council has already set out many of its plans to deliver services into the future against the backdrop of significant financial reductions. Overseeing delivery against this agenda is a key role for the Cabinet and Senior Management and they will continue to be pro-active in working to ensure that significant risks to the organisation are appropriately mitigated &amp; controlled.</p> <p>For 2019/20 the total budget gap before savings is £8.9m, this is comprised of budget pressures brought forward from 2018/19, reviewed savings plans, budgets updated for inflation and demographics, the loss of Revenue Support Grant in 2019/20 but partially offset by business rates, tax base growth and other budget changes.</p> <p>The assessment of the plans to close the gap outlines a requirement for up to £1.5m of funds from the Financial Planning Reserve to smooth the delivery of savings in 2019/20 as they cannot all be delivered by the 1st April. It will also require a Revenue Budget Contingency sum of £2.0m to reflect the assessed level of risk associated with the scale of savings and further unknown pressures and demographics in 2019/20.</p> <p>In addition to this putting forward a balanced budget for 2019/20 continues to be dependent on the flexible use of capital receipts to fund redundancies and once-off costs such as transformation to deliver the savings required.</p> <p>In high risk areas such as Adult Social Care and Children's Services the Government announced further grant distribution including £0.73m in 2019/20, for winter pressures grant funding to be pooled through the Better Care Fund. A further one-off grant of £1.247m was announced that can be utilised for pressures within Adult Social Care or Children's Services and will be used to fund Care placement pressures in 2019/20.</p> <p>The Better Care Fund ensures the integration of health and social care and to agree an integrated spending plan. Extra funding for adult social care was announced in the 2017 national budget with local allocations of one-off funding of £1.028m in 2019/20 and this funding is pre-committed to protect current Social Care spending levels.</p> <p>Many of the previous year's action also remain in place to control costs and continuing the stringent cost control mechanisms on staff costs, goods, works and services at an operational level whilst using the Corporate Plan and Medium Term Financial Plan to help focus services at a strategic level will remain a key role for Senior Management.</p>

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