

**NORTHAMPTON BOROUGH COUNCIL
AUDIT COMMITTEE**

Your attendance is requested at a meeting to be held in the
The Guildhall, St. Giles Square, Northampton, NN1 1DE.
on Monday, 16 January 2017
at 6:00 pm.

**D Kennedy
Chief Executive**

AGENDA

1. APOLOGIES

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

2. MINUTES

3. DEPUTATIONS / PUBLIC ADDRESSES

4. DECLARATIONS OF INTEREST

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

6. INTERIMS AND VACANCIES UPDATE

(Copy herewith)

7. GOVERNANCE ACTION PLAN - UPDATE

(Copy herewith)

8. ISA260 ACTION PLAN UPDATE

(Copy herewith)

9. TREASURY MANAGEMENT MID YEAR REPORT 2016-17

(Copy herewith)

10. FINANCE REPORT

(Copy herewith)

11. RISK REVIEW OF 2017/18 BUDGET REPORT

(Copy herewith)

12. DEBT MANAGEMENT REPORT

(Copy herewith)

13. LGSS INTERNAL AUDIT UPDATE

(Copy herewith)

14. PWC INTERNAL AUDIT UPDATE

(Copy herewith)

15. EXCLUSION OF PUBLIC AND PRESS

THE CHAIR TO MOVE:

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

Public Participation

Members of the public may address the Committee on any non-procedural matter listed on this agenda. Addresses shall not last longer than three minutes. Committee members may then ask questions of the speaker. No prior notice is required prior to the commencement of the meeting of a request to address the Committee.

Agenda Item 2

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 14 November 2016

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

OFFICERS: Glenn Hammons (Chief Finance Officer), Chris Randall (Interim Strategic Finance Manager), Francis Fernandes (Borough Secretary), Paul Loveday (LGSS Principal Accountant), Joseph Seliong (KPMG), Daniel Hayward (KPMG), Chris Dickens (PWC), Paul Clarke (LGSS Internal Audit), Paul Strangward (LGSS Deputy Head of Internal Audit), Dan Kalley (Democratic Services Officer), Robin Bates (Head of LGSS Revenues and Benefits), Ian Tyrer (LGSS Revenues and Benefits Manager)

1. APOLOGIES

Apologies were received from Councillors Bottwood (substituted by Councillor Oldham), Parekh and Chunga.

Councillor Golby chaired the meeting in the absence of the regular chair Councillor Bottwood.

2. MINUTES

The Minutes of the meeting held on 5 September 2016 were confirmed and signed by the Chair as a true record.

3. DEPUTATIONS / PUBLIC ADDRESSES

Councillor Beardsworth confirmed her interest in addressing the committee on items 6, 10 and 14.

4. DECLARATIONS OF INTEREST

There were none.

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

6. EXTERNAL AUDIT ACTION PLAN MONITORING

Councillor Beardsworth addressed the committee with regards to the report. She asked if officers could explain why all the permanent staff in the asset management team had left and been replaced with interim staff. She expressed concern that the team no longer had sufficient local knowledge to deal with issues if they arose. In addition she commented that there still seemed to be a number of issues outstanding within the action plan that had gone past their completion date.

The Interim Strategic Finance Manager presented the report to the committee and explained that the information contained in the report and action plan had been requested by the committee at previous meetings. This was to allow the committee to see progress against the recommendations made by KPMG in their annual ISA260 report which was presented to the previous meeting. The committee were drawn to the fact that a further recommendation had been added by KPMG since the last report.

The committee were informed that the draft letter of representation circulated to committee members at the previous meeting had been finalised, and then signed by the Chair of the committee and the S151 officer, with a copy attached to the report.

In addition the Interim Strategic Finance Manager stated that appendix 3 to the report outlined minor amendments to the Statement of Accounts on the finalisation of the external audit, these included correcting rounding errors and improving the narrative to include links to future capital plans and improved information around officers' remuneration. The amended Statement of Accounts had been signed under delegated authority by the Chair of the committee and the S151 officer.

The committee welcomed the report and asked a number of questions to which the officers replied, these included:

- Payroll staff would be taking reconciliations into consideration when the payroll process is transferred from LGSS in the New Year. In addition the current LGSS payroll staff would complete a reconciliation of information held up to the point of transfer.
- There was still work to do around ensuring that systems were kept updated when staff left employment, as there had been previous cases of staff still being on the system after they had left. Business system managers were now taking more time to do routine checks on the system to ensure they had been updated correctly.
- Even though some of the items outstanding had gone past their completion date there were no actions that were deemed time critical at this stage.

The committee were re-assured that all these actions were important to the council and being given priority. There was a reputational impact if they were not carried out and completed.

RESOLVED:

1. That the Audit Committee approved the action plan developed by the statutory S151 Chief Finance Officer to make improvements in line with the 2015/16 ISA2600 Recommendations, and noted progress achieved to date
2. That the Audit Committee notes the Letter of Representation and minor amendments to the 2015/16 SoA.
3. That directors of services present back to the Audit Committee on the impact of interim staff on certain service areas.

7. EXTERNAL AUDIT CONTRACT PROCUREMENT

The Interim Strategic Finance Manager presented a report to the committee on the extension of KPMG's contract as external auditors up to and including the audit of the 2017/18 accounts. The committee were informed that the authority had benefitted from a reduction in fees in the order of 50% compared to historic levels.

In addition the report outlined that for the audit in 2018/19 and beyond, local authorities were required to set up an 'Auditor Panel' or opt into any sector-led body that may be established as the appointing person under the Local Audit and Accountability Act. There are a three options available to the council these being:

- 1) Council can decide to make an appointment themselves, however there were specific regulations surrounding this including members that were independent of the authority.
- 2) Setup a Joint Auditor Panel with other local authorities, which would save costs but there is a risk that the decision making body would be further removed from a local point of view.

- 3) The Council can opt in to a sector led body, whereby costs would be shared nationally for those organisations who opt in. This would allow national auditing firms the opportunity to offer lower rates and fees as they would be awarded large contracts across many authorities.

The Committee were advised that officers were of the opinion that option 3 was the most beneficial to Northampton in terms of being most likely to secure best value for money as the contract would have significant economies of scale. Members were directed to the fact that this proposal would need to be presented to full Council before 9 March 2017.

In response to comments from members the Interim Strategic Finance Manager confirmed that once the council had agreed to opt in to a sector led body that it would be difficult for the authority to pull out, however any arrangements would include performance management of the auditing firm.

RESOLVED:

- 1) That the Audit Committee agree to recommend to the next council meeting that Northampton opt to join the national scheme for external auditor appointments for five financial years commencing 1st April 2018 offered by the Public Sector Audit Appointments (PSAA), and then for officers to formally respond by 9th March 2017.

8. TREASURY MANAGEMENT OUTTURN REPORT 2015/16

The Principal Accountant presented the report and outlined that this report had been presented to Cabinet on 7 September 2016 and Council on 7 November 2016. He outlined a number of key points including:

- Council continued to make use of internal borrowing to fund its capital expenditure programme, making savings in the revenue budget.
- Loans of £46 million were made to the University of Northampton to facilitate development. These were funded by the PWLB, applied for by SEMLEP.
- In house investment returns achieved 0.77% compared to the average 7 day benchmark of 0.36%, this was above national averages.
- The debt financing budget outturn was £624k under budget.
- Borrowing position at end of quarter 1 had reduced by £225k.
- Investment balances during quarter 1 2016-17 averaged £73 million, with a weighted average rate of interest of 0.84%.

With regards to the economic climate in the UK members were advised that it was unlikely that there would be another rates cut. In response to a question from members the Finance Manager confirmed that the council had accessed 3 loans from Northamptonshire County Council in order to facilitate cash flow, however members were advised that this was common practice.

RESOLVED:

- 1) That the Audit Committee note the Treasury Management Outturn Report for 2015-16.

9. FINANCE REPORT - JULY 2016

The Chief Finance Officer presented the report and informed the Committee that the report had been discussed at Cabinet in September. Members were informed that the General Fund Revenue was £902k favourable. In terms of the HRA the forecast was a £2.8 million underspend. Cabinet identified £2.3 million of this was to be invested into the Capital Programme to help fund the 141 Right to Buy receipts it currently holds.

Members were directed to appendix 5 of the report showing the monthly levels of car parking usage and income up to 30 September 2016, as requested by the Committee at the previous meeting.

The Chief Finance Officer confirmed that the income from car parking was the gross figure only.

RESOLVED:

1) That the Audit Committee considered and noted the report, and also the position on car parking income up to 30 September 2016.

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

Councillor Beardsworth addressed the Committee and outlined that there were still a large number of vacancies across the council. This would place additional pressure on existing staff within the organisation. She questioned why the report did not provide enough detail on how much it was costing the council to pay for interim staff and that this information should be brought in front of the Audit Committee. In response the Chief Finance Officer commented that the report had been to the committee for the past three meetings and was still being fine-tuned. It was possible in future to include the financial information on costs of interim staff.

The Chief Finance Officer outlined the information contained in the report and stated that there were currently 32 interim staff, which was a reduction from earlier in the year. In addition the table at 3.2.2 of the report outlined how long interims had been employed by the council. The final table showed the number of vacancies currently being advertised and the position in each directorate.

Members were advised that each director from the directorates could update the committee in the future on how they plan to tackle the vacancies and how interim staff play a role in their teams.

RESOLVED:

1) That the Audit Committee notes the report
2) That financial information on the costs associated with interim staff be included in future reports to the committee.

11. CORPORATE PERFORMANCE OUTTURN REPORT 2015/16

The Borough Secretary introduced the report and commented that 67% of performance measures reached their targets. Of the 42 performance measures 28 were within agreed tolerances and 14 fell short.

Members of the committee asked whether it was possible to know how many of the new start-ups were still in business two or three years after they launched. It was important to know if they were sustainable in the current economic climate. The Chair agreed to discuss this with other members and see if the information around sustainability could be gathered.

RESOLVED:

1) That the Audit Committee note the report.
2) That information on the sustainability of start-ups be presented to the committee.

12. CORPORATE DEBT - PROGRESS AND AGE DEBT ANALYSIS

The Head of LGSS Revenues and Benefits presented the report and outlined that the amount of unmanaged debt should never be more than 4.5%. Members were advised that the current schedules were promising and placed the authority in a strong position.

In response to questions from Members the Head of LGSS Revenues and Benefits explained that the consultation on the Council Tax Reduction Scheme (CTRS) will be analysed in detail when the results are released next year. In addition members were advised that transparency on the scheme was paramount to the consultations response.

RESOLVED:

1) That the Audit Committee considered and noted the latest position in relation to the Council's outstanding debts as at 30 September 2016.

13. INTERNAL AUDIT LGSS UPDATE

Paul Strangward from LGSS Internal Audit presented the report and outlined that LGSS finance staff had met with both LGSS and PWC internal auditors to discuss their audit plans. This has helped shape the internal audit plans. Members were advised that this information was to come back to the committee going forward.

RESOLVED:

1) That the Audit Committee noted the report.

14. INTERNAL AUDIT PWC UPDATE

Councillor Beardsworth addressed the committee and asked to know the cut off figure for financial amounts to be delegated to officers. She queried why the third trench of the loan to Northampton Town Football Club (NTFC) for £1.5 million did not go to Cabinet or full Council. She asked that the Audit Committee investigate this as a matter of urgency.

In response the Borough Secretary commented that the Councils constitution made provision for officer delegated authority, however it was not, at this time, appropriate to answer questions while the investigations were still ongoing. Issues around the loan and its procedures would be answered by the reviews being carried out by PWC and KPMG.

Chris Dickens from PWC presented the report to members and outlined that risks and actions were now being captured. There were a number of changes to the internal audit plan including looking at governance arrangements within the council. The audit plan was also taking into account payroll controls with the imminent transfer back into the council from LGSS.

Members of the committee were informed that there had been a number of findings to be considered, including whether it was appropriate to add a 15% fee to all invoices relating to the cost of the Council administering the DFG scheme.

He explained that PWC were now finalising their report on the NTFC loan and this will be presented at a later date.

In addition members were advised that the list of previous internal audit reports was to be reviewed to identify those where issues had been dealt with or were no longer relevant. He advised that he would be discussing with the Chief Finance Officer how the report tracking system for internal audit reports could be used, and whether it could incorporate the ISA260

report actions.

In response to questions from members Chris Dickens from PWC confirmed that there was no set date on the final report on the NTFC loans, in addition the information used to make recommendations had to fall within the scope of the task given to the auditors.

RESOLVED:

- 1) That the Audit Committee note the report and agree to note the changes to the audit plans.

15. EXTERNAL AUDIT KPMG UPDATE

Joseph Seliong and Daniel Hayward from KPMG introduced the report and asked members of the committee to note the annual audit letter and that the audit did not identify any significant audit differences in the accounts which meant an unqualified opinion. However a qualified opinion was issued on value for money.

In response to a question from Members the Chief Finance Officer commented that the additional recommendation around business rate appeals will need to be taken into account. This was due to a higher number of successful appeals in urban areas.

In addition the Chief Finance Officer stated that measures were now in place to reduce the number of retrospective purchase orders being raised. This was done by training staff on the system.

In response to comments from members Daniel Hayward from KPMG confirmed that at this stage it was not possible to make statements on what information was being used on the NTFC loan report. He also responded when asked by members of the Committee that he felt the authority was taking their ISA260 recommendations seriously and the level of detail that was being provided to members within the action plan was greater than he experienced with other authorities

RESOLVED:

- 1) That the Audit Committee noted the annual audit letter which confirmed that the audit did not identify any significant audit differences in the accounts which meant an unqualified opinion on the statements, that a qualified opinion was issued on value for money and the additional recommendation relating to business rate provisions.
- 2) That the Audit Committee noted the technical update paper and briefing papers attached.

16. EXCLUSION OF PUBLIC AND PRESS

None required.

The meeting concluded at 7.20pm

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 5 December 2016

PRESENT: Councillor Bottwood (Chair); Councillor Golby (Deputy Chair); Councillors Chunga, J Hill, Marriott, Stone and Parekh

APOLOGIES:

1. APOLOGIES

Apologies were received from Councillor Bottwood, who was substituted by Councillor Oldham.

2. DEPUTATIONS / PUBLIC ADDRESSES

Mr Brendan Glynane addressed the Committee and thanked the Internal Auditors (PwC) for their report which he considered to be very decisive. He stated that he detail within the report was worrying and voiced his concerns; he noted that at the Cabinet meeting on the 17th July 2013 he, alongside another Liberal Democrat Councillor and Labour Councillor had expressed concerns about due diligence and had urged Cabinet to pass their recommendations on to the Overview and Scrutiny Committee. He further commented that the minutes to the Cabinet meeting stated that the Leader of the Council had commented that *'the decision was transparent and had been scrutinised by officers'* and called on Cabinet members at the time to seriously consider their current positions.

3. DECLARATIONS OF INTEREST

There were none.

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

There were none.

5. INTERNAL AUDIT REPORT ON LOAN POLICIES AND PROCEDURES RELATING TO LOAN FINANCE TO NORTHAMPTON TOWN FOOTBALL CLUB

Councillor Beardsworth thanked the Internal Auditors for the informative report. She stated that reference had been made to the loss of £10.25 million, but stated that the total cost was considerably higher as it included interest on the loan, professional fees and relocation of the Athletics Track and asked that the Council pursue the recovery of all of the money. She stated that the previous Liberal Democrat Portfolio Holder for Finance had been approached by the football club for a loan and having undertaken due diligence had refused. She stated that she had not witnessed a major project loan being rushed through as quickly as this was and stated that there had been insufficient investigations into the Club finances.

In response to questions asked by the Committee, Councillor Beardsworth commented that she considered that the decision was made in haste due to the ambitions of a former Councillor.

The Internal Auditors submitted a report and elaborated thereon explaining the scope of the report had been defined by the Audit Committee and had followed normal internal audit report proceedings. It was explained that the report had been fully accepted by the Council and that the internal auditors had worked very closely with colleagues in the Police and

External Audit. The terms of reference were elaborated on including the scope of the work, key findings and lessons learnt.

In response to questions asked by the Committee, the Internal Auditor explained that the decision regarding the loan of monies to the Football Club had been identified and displayed as a key decision, in accordance with the Constitution. He noted that the decision had been collectively taken by Cabinet and that the approval for an extra £1.5 million had not been taken by Cabinet, but had been taken under delegated authority, as legal advice had indicated that it was not necessary for the further loan to be taken by Cabinet. The internal auditor commented that in the interest of openness and transparency, the decision to increase the loan should have gone back to cabinet even though there was no legal requirement to do so. It was further explained that no formal risk assessment had been undertaken and the lack of progress on the stadium site had not been identified.

Replying to further questions, the Internal Auditor elaborated on the fact that an extensive number of emails had been identified which clearly indicated significant time pressure and emphasised the haste in getting the loan in place. It was also explained that the report presented was a review of the circumstances and procedures leading to the decision being made and it was not within the remit to interview individuals, as stated in the terms of reference. It was explained that there was no evidence that Officers were attempting to reduce the speed of the deal and that there should have been more formality in the structure and the framework of decision making; there was evidence that the deal was progressing but very little to indicate that it was being properly managed. He further noted that the risks should have been identified through the risk management strategy and should have been monitored from the start but that this had not happened.

The Internal Auditor explained that a number of emails raised concerns about the short timescales and pressure from management and politicians to conclude arrangements. Had there been good governance in place the consequences would have had less of an impact and good practice would have been to have more independent involvement as the senior officer involvement resulted in independent perspective being lost.

Responding to further questions as to whether other Council loans had been similarly rushed, it was explained that it was entirely possible to put a loan in place in a very quick timeframe, should proper governance be put in place and risks well considered. The more information available upfront the less risks are likely to arise prior to any decision making process.

RESOLVED:

That the Audit Committee noted the findings and lessons learnt outlined in the report from the Council's Internal Auditor attached at Appendix 1 of the report.

6. GOVERNANCE ACTION PLAN

Councillor Beardsworth commented that she was surprised to learn that when Northampton Town Football Club (NTFC) had requested an extra £1.5 million the decision had not been referred back to Cabinet but had been undertaken through a delegated decision. She further questioned whether the processes that were being put in place would be adhered to as there had been a lack of compliance with the guidance set out in the Constitution. Councillor Beardsworth asked that assurance be given that the new processes would be followed and that future transactions be open and transparent and strict guidance followed. In response to questions asked by the Committee, Councillor Beardsworth explained that the Liberal Democrat Group had not called-in the decision as she had already asked that it be reviewed

by the Overview and Scrutiny Committee and was assured by the previous leader that there had been significant consultation and the decision “*was transparent and had been scrutinised by officers*”.

David Kennedy, the Chief Executive, submitted a report and offered an unreserved apology for the failings that were identified within the report. He stated that the Council did seek to set high standards but that they had not been met. He stated that the 11 recommendations within the Internal Auditors report had been accepted in their entirety and that he had been fully supportive of the work also being undertaken by the external auditors and the Police. He reported that a Governance Action Plan was now in place alongside renewed governance arrangements by statutory officers. It was noted that as part of the new decision making process, no significant decisions would be made unless they went through the new structure. Recruitment for the role of Governance and Risk Manager was progressing as well as a number of other supportive roles.

It was explained that there was little structure around the Sixfields project and that a formal structure was now being put in place. It was explained that a Corporate Governance and support officer programme board had been established and the terms of reference had been agreed and a number of key priorities had been set. It was noted that a lack of structure around the due diligence process had been identified as a key factor in the report on the loan to Sixfields and noted that explained that a number of actions had been taken including an extensive loans compliance checklist, reviewed by the Council’s banker Barclays, which would be mandatory. It was reported that the Audit Committee would receive regular reports on progress to the ISA 260 recommendations and progress reports would be made to Management Board.

It was noted that all audit recommendations would be reported to Audit Committees and members would be updated on the progress. Software, developed by PwC to track status and progress of the aforementioned recommendations had been implemented.

The Chief Executive explained that more information would be made available with regards to delegated decisions and the Cabinet clearance process would be modified to ensure that more time would be given to allow statutory officers to review and consider Cabinet reports. It was explained that a two stage approach would be implemented to review and clear Cabinet reports and that there would be tighter consideration of the circumstances in which delegated decisions would be referred back to Cabinet should there have been changes in the context which would also be monitored and reported to the Leader of the Council and the Audit Committee.

In response to questions asked by the Committee, the Chief Executive gave reassurance that every effort would be made to ensure that the Council would not find itself in a similar predicament and that the reporting back of the Governance Action Plan to the Committee would allow members to pick up on certain issues they would like to give further consideration to. The Chief Executive answered further questions by explaining that PwC had identified some good procedures and processes being in place, they had not always been adhered to and that there would be a drive to ensure compliance and spot checks would be carried out on major projects. He further reported that decisions taken needed to be owned by the collective and that they would be subject to extensive discussions and assured Members that all decisions would need to be made based on a full and comprehensive amount of information.

In response to questions regarding political pressures, it was explained that the Constitution clearly states that Officers were to work with all political parties, regardless of political persuasion. There was mounting pressure from various sources as at the time the Council were carrying out other major projects such as the Decent Homes Programme and a

contract with LGSS.

It was explained, in response to questions, that all 3rd party loans would have to be put through a review process and a loan that had been approved to the Cricket Club had never been given and there were currently no new loans with 3rd parties. In the future, all further loans would be looked at by PwC.

Asked whether the processes put in place could potentially stall progress on projects, the Chief Executive confirmed that assessments would have to be carried out on a case by case basis and that major decision would go through the necessary processes and reported back to Cabinet. It was noted that there would be financial implications of implementing the changes in process and the recruitment of staff to improve governance but that additional costs would be put through a proper governance process.

The Committee agreed that the Deputy Chair report back to Council the recommendations and actions of the report.

RESOLVED:

- 2.1 That the Committee noted that all 11 recommendations in the PwC report be accepted by officers and be implemented and enforced with immediate effect.
- 2.2 That the Committee noted that officers were totally committed to acting to ensure that a situation like that couldn't be allowed to happen again.
- 2.3 That the Committee make comment on the Governance Action Plan to inform further work on its development and implementation.
- 2.4 That the Committee receive update reports on the implementation of the Governance Action Plan from the Chief Executive, Borough Secretary and Chief Finance Officer at every future meeting until it determines otherwise.

The meeting concluded at Time Not Specified

Appendices: Nil



AUDIT COMMITTEE REPORT

Report Title	Position Statement on Vacant Posts and Interim/Agency Staff
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	16 January 2017
Policy Document:	No
Directorate:	Finance Directorate LGSS
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

- 1.1 To present Audit Committee with a position statement as to the numbers of staff vacancies and interims/agency staff engaged.

2. Recommendations

- 2.1 To consider the contents of this finance report.
- 2.2 To consider whether Audit Committee requires any additional information in order to fulfil its governance role.

3. Issues and Choices

3.1 Report Background

- 3.1.1 A Finance report is presented to Cabinet quarterly (including the outturn report) which are then brought to the first available Audit Committee meeting following their production.
- 3.1.2 At it's meeting on the 14 March Audit Committee raised a query requesting further information on:
- The number of interim/agency staff and vacant positions currently held at the Council

3.1.3 The collection and review of this information is now part of the monthly financial monitoring within the council, including being reviewed by management board.

3.2 Interim/Agency Staff and Vacant Positions

3.2.1 The number of interim and agency staff engaged is summarised in the table below.

Directorate	February	October	November
Borough Secretary	9	6	5
Director of Customers & Communities	*13	*3	*7
Director of Regeneration, Enterprise & Planning	13	9	8
Housing and Well Being	4	6	7
Total	39	24	27

3.2.2 The number of interim and agency staff engaged and the length of engagement is summarised in the table below.

Directorate	November	Length of time engaged				
		<1 month	1-3 months	3-6 months	6-12 months	12+ months
Borough Secretary	5	0	0	0	1	4
Director of Customers & Communities	7	1	3	0	2	1
Director of Regeneration, Enterprise & Planning	8	0	3	2	2	1
Housing and Well Being	7	0	1	1	3	2
Total	27	1	7	3	8	8

***12 Posts removed from total relating to Enterprise Contract as costs are being recovered through the contract.**

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

Directorate	Total Posts	Vacancies (March)	Vacancies (October)	Vacancies (November)	Recruiting to	Covered by Interims/ Agency
Borough Secretary	28	11	9	8	3	5
Director of Customers & Communities	169	23	18	11	3	7
Director of Regeneration, Enterprise & Planning	65	13	13	13	3	8
Housing and Well Being	37	5	9	9	7	7
Total	299	52	49	41	16	27

3.2.4 Borough Secretary. The department has had to recruit additional staff in Elections to support changes arising from Individual Registration, brought about by changes in the law. The department is actively considering what departmental structures it needs to adequately and proportionally resource this important statutory function. Of the 8 vacancies, through the department, 1 have been offered a permanent role, 2 have been re-advertised and the date for applicants has now closed, 1 is under review and the remainder are being held pending restructures.

3.2.5 Of the 11 vacancies in the Directorate of Customers & Communities, 2 have been filled and are just waiting on start dates, 1 is currently out to advert and the remainder are being held pending restructures to find further savings.

3.2.6 Of the 13 vacancies within the Directorate of Regeneration, Enterprise and Planning, three posts were unsuccessfully recruited to; these posts are under review. One post is out to advert, 2 have been offered a permanent role and the remaining posts are held for review.

3.2.7 Of the 9 vacant positions in the Housing and Wellbeing service, 3 have been recruited (start dates are imminent) and 4 are in the process of being recruited. Of the 7 Interims in the Housing and Wellbeing service, the 7 interims are covering vacant posts until successful appointments are made.

3.2.8 The financial cost of interim / agency staff will be collated from Directorates for the period to the end of December 2016 and reported to the next audit committee.

3.3 Choices (Options)

3.3.1 None

4. Implications (including financial implications)

4.1 Policy

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

4.2 Resources and Risk

4.2.1 Ongoing monitoring of the Council's budget and capital programme enables early intervention and appropriate remedial action, thus mitigating risks to the Council's financial viability and to its reputation.

4.3 Legal

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

4.4 Equality

4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 None at this stage.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Regular reporting of the Council's financial position helps to ensure the proper stewardship of the Council's resources. Active financial management contributes to the delivery of value for money services, enabling public money to be used to maximum benefit.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

None

Glenn Hammons
Chief Finance Officer, Telephone 01604 366521

Appendices
3



AUDIT COMMITTEE REPORT

Report Title	Governance Action Plan – Progress Update
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date: 16th January 2017

Policy Document: No

Directorate: Chief Executive, Borough Secretary and Chief Finance Officer

Accountable Cabinet Member: Leader of the Council

1. Purpose

To provide Audit Committee with an update on actions taken to date to implement the Governance Action Plan considered by Audit Committee at its meeting on 5th December 2016 and any broader governance issues arising.

2. Recommendations

Audit Committee is recommended to:

- 2.1 Note the progress against the Governance Action Plan.
- 2.2 Consider the actions taken to date and to provide guidance to Officers on any area's of the Governance Action Plan they would require further action or prioritisation.

3. Issues and Choices

3.1 Report Background

- 3.1.1 At the time of publication of this report, just a month had passed since this Committee endorsed the Governance Action Plan, or 20 working days. Officers and Members have been working hard on implementing the Plan, including setting up key capacities and Boards, developing and implementing new processes and policies. The Plan has been discussed with all senior managers and at a session for all managers in the Council. There is strong

commitment from members and officers to create the stronger governance arrangements set out in the Plan and, whilst some actions necessarily take more time to deliver, there is clear momentum behind the Plan and bringing it into practice.

- 3.1.2 The Governance Action Plan considered by Audit Committee on 5th December contained a number of short term, medium term and long term actions. Officers are focussed on implementing the Governance Action Plan to protect the Council going forwards. The Governance Action Plan presented to the last Committee is attached at **Appendix 1**.
- 3.1.3 This report provides an update to Audit Committee on actions to date against the Governance Action Plan.

3.2 Issues

- 3.2.1 The new broad governance architecture and arrangements outlined to Audit Committee on 5th December 2016 are operational and are shown diagrammatically at **Appendix 2**. The following section outlines progress to date in establishing this structure.

Executive Programme Board

- 3.2.2 The Executive Programme Board has been set up and commenced its work. By the date of this meeting the Board will have met 4 times. The Board provides the top level point at which the Member and Officer executives meet and co-ordinate the Executive's preparation for making decisions and accounting for these to the Council and its Committees. It also monitors the actions of officers and members in delivering against decisions made and monitors the budget and performance. It does not, as a body, have decision-making authority.

Cabinet Processes

- 3.2.3 A new process for the preparation and approval of Cabinet papers has been implemented and is further referred to below. This includes closer and more collective consideration of Executive Decision Notices, draft Cabinet Reports, and the potential implications and risks of draft recommendations before presentation to Cabinet.
- 3.2.4 A more forward looking Forward Plan for Cabinet is to be produced and it is intended that the first of these will appear in February.

Corporate Governance and Support Officer Programme Board

- 3.2.5 This Board's role is to drive the actions arising from the Governance Action Plan specifically and to consider broader governance issues requiring consideration and action. This Board has now met 4 times, has agreed terms of Reference and currently meets weekly. The group is Chaired by the Borough Secretary and reports to Management Board. There is representation on the group from the Chief Finance Officer and has other senior

memberships across the Directorates. This Board has considered a number of governance priorities outlined below.

Risk Management – Priority 1

- 3.2.6 The Council commissioned PwC to undertake a full review of the Council's Risk Management Policy and framework, to identify any changes and to advise the Council on best practice, bearing in mind the specific issues identified in their internal report on Sixfields. The work has now been completed and a draft Risk Management Policy and Strategy has been drafted and presented to Management Board for initial consideration. The Policy and Strategy emphasises the need for Risk Management to be driven from the top of the organisation together with the development of a risk culture in the way the Council goes about doing its business. This Policy and Strategy will be critically evaluated and adopted by Management Board, following which the Policy and Strategy will be formally approved through the Council's normal Governance processes. A copy of the draft policy is attached at **Appendix 3**
- 3.2.7 An important aspect of the Risk Strategy and Policy is the embedding process which will be supported by targeted training of officers across the Council, at different levels and members. There will also be effective monitoring of Risk through the New Governance processes.

Due Diligence – Priority 2

- 3.2.8 As reported to Audit Committee at its meeting on 5th December 2016, all uncommitted loans or similar facilities have been held pending a full due diligence review and that remains the case at the date of writing this report. A due diligence checklist has been developed, is operational and will be used in all relevant transactions, pending the completion of a due diligence manual which is currently a work in progress. The requirement for external advice in specialist areas will be complied with.

Project and Programme Support – Priority 3

- 3.2.9 The Council is in the process of transferring back Project and Programme Support from LGSS. Whilst it was hoped that this would be completed by the beginning of January 2017, certain legal formalities have meant that the Council has been unable to implement the transfer within the expected time-frames. However, it is anticipated that this will be concluded sometime in January 2017 and every effort is being made to expedite this.
- 3.2.10 Regarding the new Governance and Risk Manger Post, PwC as part of their commission (see 3.2.1 above), have advised the Council on the role specification, the detail of which is being actively considered by the Statutory Officers. The Council will go out to advert as soon as the Job Specification is finalised. Audit Committee will be updated on progress at its next meeting.

Priority 4 - ISA 260

- 3.2.11 This meeting of the Audit Committee will consider a separate report on progress in this area, against its own specification plan.

Priority 5 – Internal Audit Recommendations

3.2.12 A review of all audit recommendations from 2013 to now has been completed. The recommendations and progress against these are now on TRaction, a specialist monitoring tool developed by PwC. Regular reporting of performance against audit recommendations will be part of the council's normal governance processes, including reporting to Audit Committee.

Priority 6- Effective Decisions- Cabinet Clearance

3.2.13 The internal Cabinet clearance process has been overhauled as described earlier. Cabinet clearance process has been incorporated into the wider Governance changes. There is now an emphasis on early forward planning and consideration of reports by various governance bodies at the formative stage.

Priority 7- Governance

3.2.14 This priority focusses on compliance with the CIPFA/Solace, Good Governance Standard (2016). The key to providing the Audit Committee with an assurance that Council processes are robust is to attain external validation of compliance against the standard. Officers have been in discussions with CIPFA about the support that organisation can give the Council in terms of identifying where it is now on its Governance journey and to provide a gap analysis against which further actions can be targeted with a view to external validation against the standard. One Officer from CIPFA was scheduled to attend the Officer, Corporate Governance and Support Board on 3rd January 2017 to discuss the above. However he was unable to attend because he was unwell. The meeting will be rescheduled early in the New Year and Audit Committee will be updated on progress at its next meeting.

Priority 8- Financial Governance

3.2.15 This priority focusses on the improvement to and compliance with good financial governance standards and financial standing orders and regulations across the Council. As reported to Audit Committee at the meeting on 5th December 2016 there had been significant progress made in implementing this priority. Since the last meeting there has been further progress made including:

- Purchase Order Process – continued implementation of improvements in line with the actions set out in the ISA260 Recommendation Update report elsewhere on the Audit Committee agenda.
- Reserve drawdown and supplementary estimate process – the improvements to the process have been implemented and the focus is now on ensuring compliance.
- Virement process – the review has been completed and the focus is now on implementing the improvements.

- Capital programme management – the gateway approach to managing capital schemes has been reflected in the draft budget approved by Cabinet for consultation on 14th December 2016. Work is continuing to refine the process to ensure it is fit for purpose and will be proposed as part of the final budget decisions in February 2017.
- Raising financial awareness – discussion have taken place to consider the best approach to deliver this improvement. It was concluded this would form part of the ‘Licence to Practice’, an update for which is given at paragraph 3.2.11 below.

Priority 9- Whistleblowing and Miscellaneous

3.2.16 The Governance Action Plan includes the need to have effective whistleblowing arrangements.

3.2.17 Whistleblowing refers to the act of reporting or exposing wrongdoing either internally, within the organisation, or externally, for example to a regulator. Whistleblowing is an important aspect of good governance within organisations. Maintaining an effective Whistleblowing Policy contributes to an organisational environment where the prevention of malpractice is encouraged and where its detection is promoted, all to the overall benefit of the organisation.

3.2.18 The Council has a Whistleblowing Policy in place as part of its overall Anti-Fraud and Corruption Policy and Strategy, which is now due for a full review.

3.2.19 The Standards Committee is a key ethical governance Committee for the Council and will therefore be involved in the monitoring and review of the Council’s Whistleblowing Policy and Procedures. The Standards Committee considered a report on the Whistleblowing Policy at its meeting on 19th December 2016.

3.2.20 The Standards Committee has set up a Working Group of Standards Committee Members and the Monitoring Officer to develop a Work Plan for the Committee. It is anticipated that this Work Plan will include a number of good governance aspects including a refresh of the Council’s Whistleblowing Policy and Procedures, a consideration and review of the type and way member and Officer Interests are declared and monitored by the Committee and a training for members and Officers on ethical governance issues.

3.2.21 The Audit Committee asked for details of the “Licence to Practice” compliance proposal outlined in the presentation of the Governance Plan to the Audit Committee. Key aspects of the mandatory training will be on Risk; Project and Programme Management, Financial Regulations, Due Diligence and Compliance. Given the intervening public holidays during the festive period it has proved impossible to contact external providers to discuss training packages to supplement internal training. Officers have therefore not yet been able to develop a plan outlining the internal/external support mix of training required and to be provided in the key areas. A report will be brought to the next meeting of this Audit Committee.

Efficiency/MTFS Officer Programme Board

3.2.22 The Efficiency and MTFS Programme Board, led by the Director of Customers and Communities, has held its first meeting and is developing its scope and terms of reference.

4. Implications (including financial implications)

4.1 Policy

4.1.1 This report does not of itself change policy. However the actions arising from the implementation of the Governance Action Plan will have policy implications.

4.2 Resources and Risk

4.2.1 None specifically arising from this report. However many of the actions arising from the Governance Action Plan will have financial implications and will be considered on an item to item basis.

4.3 Legal

4.3.1 None specifically from this report, although many of the changes will have specify legal implications which will be considered on an item to item basis.

4.4 Equality

4.4.1 None specifically. However the actions outlined in the Governance Action Plan will be supported by appropriate Equality/Community Impact assessments.

4.5 Consultees (Internal and External)

4.5.1 There has been no separate consultation on this report

4.6 Other Implications

4.6.1 None specifically

5. Background Papers

5.1 Internal Files on Governance Action Plan maintained by the Borough Secretary

David Kennedy, Chief Executive
Francis Fernandes, Borough Secretary
Glenn Hammons, Chief Finance Officer

Governance Action Plan - Appendix 1

Headline Issue	Governance Action Plan	Progress To Date	Owner	
This action plan addresses each and every one of the eleven recommendations in the PwC report on Sixfields.				
Priority 1 – Risk Management				
22 a.	Review of all policy and procedures including risk	<ul style="list-style-type: none"> • Review and refresh current risk policy and framework <ul style="list-style-type: none"> ○ Ensuring effectiveness ○ Apply learning from the Internal Audit Report • Review and refresh all related policies and important policies • Risk management training of key officer and member groups • Review schedule for policies and procedures to be devised for 6 monthly/annual and bi annual reviews • Refresh and cascade risk strategy and framework 	<ul style="list-style-type: none"> • Policy and procedures index completed • Policies and procedures index published on the intranet • Review of risk policy and framework underway with the assistance of specialist external support 	Borough Secretary Chief Finance Officer
b.	Embedding of risk within the organisation through training	<ul style="list-style-type: none"> • Review and log all projects currently live and in the pipeline • Carry out in-depth risk, review of high value/high impact projects 	<ul style="list-style-type: none"> • PwC by 25th November 2016 will have assessed the 'As Is' risk management position; undertaken a gap analysis and devising a risk management action plan 	Borough Secretary Chief Finance Officer
c.	Proper reporting of risk through the current governance process	<ul style="list-style-type: none"> • Specialist risk management training to become mandatory for all Officers involved in projects. This to apply to current projects and future projects • Specialist training, workshops arranged and delivered with external and internal resources and in consultation with the Council's internal auditors 	<ul style="list-style-type: none"> • Northampton Alive project summary with pipelines projects are reviewed monthly for the Northampton Alive programme board • Re-provision of environmental services risk register reviewed by 25th November 2016 	
d.	Review of current project risk processes	<ul style="list-style-type: none"> • Risk reporting to be reviewed ensuring that there is an effective cascade of risk through governance arrangements • Refreshed monitoring and tracking process <ul style="list-style-type: none"> ○ i.e. project/service risks may also become a corporate risk • Clarity on risk exception reporting process 	<ul style="list-style-type: none"> • Improvement project summary and pipeline projects are reported monthly • IT project summary with pipeline projects are reviewed bi-monthly by the IT Governance Board • Audit of Northampton Alive project risk registers underway as the first stage of high value/high impact projects • Specialist risk training in the process of being commissioned • Review of risk policy and framework 	

		<ul style="list-style-type: none"> ○ Corporate, service and project risks reviewed monthly ● Establish and embed risk management surgeries 		
Priority 2 – Due Diligence (including Loans to Third Parties)				
a.	Review of current loans	<ul style="list-style-type: none"> ● Review existing loan agreements against lessons learnt identified by PwC 	<ul style="list-style-type: none"> ● A summary of existing loans and key documentation has been compiled and is in one centralised place ● All non-committed loans held pending due diligence checks ● All non-committed loans to comply with checklist ● Mandatory requirement for legal and financial close down reports implemented 	Chief Finance Officer Borough Secretary
b.	Review of due diligence process and implementation of enhanced due diligence	<ul style="list-style-type: none"> ● Establish an extensive due diligence compliance checklist for 3rd party loans ● Establish a due diligence and compliance Manual ● Review Treasury Management Strategy to ensure it is fit for purpose with regards to 3rd party loans ● Ensure that all future 3rd party loans are reviewed by an external advisor and that review considered in all decisions before loan is granted 	<ul style="list-style-type: none"> ● 3rd party loans checklist has been developed and reviewed by the Council's banker Barclays ● Treasury Management Strategy was updated to reflect 3rd party loans in Feb 2014 and has been refreshed annually. 	Chief Finance Officer Borough Secretary
Priority 3 – Project and Programme Support				
a.	Transfer of programme and project capacity from LGSS to NBC	<ul style="list-style-type: none"> ● Transfer to be completed on 1st January 2017 	<ul style="list-style-type: none"> ● Consultation underway ● Expedite transfer back through TUPE/secondment ● Reallocation of priorities to due diligence and compliance 	Borough Secretary
b.	Review of Corporate Governance for Programme and Project Governance	<ul style="list-style-type: none"> ● Develop and implement enhanced Corporate Project and Programme Management framework and arrangements. To include a Corporate Governance & Support Officer Programme Board; Northampton Alive Officer Programme Board and an 	<ul style="list-style-type: none"> ● An enhanced Corporate and Programme management structure has been developed with expert external input ● Structure implemented with immediate effect ● JD and Person Specification for the role of 	Borough Secretary

24		<p>Efficiency/MTFS Officer Programme Board</p> <ul style="list-style-type: none"> • Increase officer capacity in programme/project governance • Mandatory gateway training for Officers involved in Programmes and Projects • All relevant projects will go through a “gateway” process: <ul style="list-style-type: none"> ○ Categorise and apply rigorous but proportionate methodologies and documentation ○ Requirement for a Project Initiation Document (PID), minuted project /programme meetings and a full risk assessment ○ Programmes/projects will be required to be maintained on central paper records, with clear documented minutes of meetings and professional advice received • Each project/programme will require the completion of a declaration of interests form by each participant (member or officer or advisor) • Mandatory training programme on the Council’s constitution, including contract procedure rules and financial procedure rules for all managers in the authority 	<p>Governance and Risk Manager in the process of being prepared</p> <ul style="list-style-type: none"> ○ Input to be provided by PwC • Increased project support capacity agreed and currently being provided by a temporary staff member • Increased focus of Internal Audit activity on Programme and Project management, currently in the Regeneration area and this to continue for a minimum 3 years • Temporary Recruitment of project staff completed and operational • Transfer back of LGSS project staff currently underway 	
Priority 4 – ISA260 Recommendation Action Plan				
a.	Delivery of ISA260 Action Plan	<ul style="list-style-type: none"> • Implementation Action Plan agreed by Audit Committee on 14th November 2016 	<ul style="list-style-type: none"> • Progress was reported to Audit Committee at its meeting on 14th November 2016 • Further iterations prepared since 14th November 2016 and further action completed • Audit Committee agreed to receive update reports at future meetings 	Chief Finance Officer
Priority 5 – Internal Audit Recommendations				

a.	Review internal audit recommendations	<ul style="list-style-type: none"> Review all internal audit recommendations since June 2013 Assess delivery of all internal audit recommendations since June 2013 where not already delivered. 	<ul style="list-style-type: none"> All PwC audit reports since June 2013 were notified to Audit Committee at its meeting on 14th November 2016 All internal audit recommendations (PwC and LGSS) have been collated and are in the process of being reviewed 	Chief Finance Officer
b.	Improve reporting of internal audit recommendations	<ul style="list-style-type: none"> Improve internal audit reporting to Audit Committee Report progress on delivery of internal audit recommendations to Audit Committee Implement PwC audit recommendation tracking software, TrAction Regular reporting / monitoring to and by management board/audit committee 	<ul style="list-style-type: none"> At Audit Committee on 14th November 2016 reports were presented by both internal audit providers, PwC and LGSS demonstrating enhanced reporting Regular meetings between PwC, LGSS and Finance have been taking place to review audit plans to ensure they complement each other. TrAction internal audit recommendation tracking system has been implemented for all PwC recommendations and rolled out to appropriate staff at NBC LGSS internal audit recommendation have been tracked using their own software since June 2013 	Chief Finance Officer
Priority 6 – Effective Decisions – Cabinet Clearance Process				
a.	Call over process	<ul style="list-style-type: none"> Revise and cascade changes to the call over process Evaluation period and process for the new arrangements Deliver training on standards requirements Deliver training on Equality Impact Assessments 	<ul style="list-style-type: none"> Call over process reviewed Two stage Call Over Process implemented with Management Board oversight of standards and content of reports Deadlines published on the intranet to assist Officers 	Chief Executive
b.	Outline of process			
c.	Report writing guide	<ul style="list-style-type: none"> Provide better Cabinet clearance report guidance Requirement for “frontloading” of full information at the Cabinet clearance stage 	<ul style="list-style-type: none"> Initial Cabinet report writing guide developed and issued More comprehensive guide addressing compliance issues to be developed and issued Focus on compliance 	

d.	Cabinet clearance	<ul style="list-style-type: none"> Review process for formal clearance Review and refresh clearance process Basic guidelines on Cabinet process circulated Clearance subject to compliance with final Council business case Reports to contain adequate and evidenced information to support decision needed Requirement for regularly reporting back to cabinet on significant projects Relevant decisions to have mandatory and financial business models produced by the Council 	<ul style="list-style-type: none"> Cabinet report writing guide published and implemented to include issues raised in 6 d and e. Recommendations in the PwC report on Sixfields, implemented and enforced immediately by statutory officers 	<p>Borough Secretary</p> <p>Chief Finance Officer</p>
e.	Report compliance	<ul style="list-style-type: none"> Monitoring of Cabinet decisions, implementation and compliance, including delegated decisions. To include regular reporting to the Leader and Audit Committee. 	<ul style="list-style-type: none"> 	
Priority 7 - Governance				
a.	Corporate Governance review	<ul style="list-style-type: none"> Carry out fundamental review of all current NBC governance arrangements against the CIPFA/SOLACE 2016 standard <ul style="list-style-type: none"> Full gap analysis and action plan to address any identified weaknesses Update the local code with annual reporting against the Code to Audit Committee 	<ul style="list-style-type: none"> Initial advice given by external expert Review to be undertaken as a defined project Scope, timelines and identification of resources for the review in the process of being prepared 	<p>Borough Secretary</p> <p>Management Board</p>
b.	CIPFA/Solace External Validation	<ul style="list-style-type: none"> External validation support of progress against the standard 	Accreditation assurance options being actively considered	Chief Executive
Priority 8 – Financial Governance				
a.	Improve Purchase Order Process	<ul style="list-style-type: none"> Communicate importance of raising purchase orders with budget managers Enhance reporting of non-compliant purchase orders to Management Board, 	<ul style="list-style-type: none"> Finance team have communicated with all managers the benefits to financial governance and management of purchase order, including training on the process 	Chief Finance Officer

		<p>Directorate Management Teams and Service Management Teams by improving dashboard</p> <ul style="list-style-type: none"> • Write to suppliers to inform them they must request an order number for any NBC work • Review system controls and implement improvements 	<p>through monthly meeting with budget managers.</p> <ul style="list-style-type: none"> • Monthly reporting of non-compliant purchase order is now part of the financial dashboard reported at management teams throughout the Council. • A letter to suppliers has been drafted. 	
b.	Review and improve reserves drawdown process	<ul style="list-style-type: none"> • Review the reserves drawdown process • Improve compliance • Improve reporting 	<ul style="list-style-type: none"> • Reserves drawdown form has been updated to include enhanced signed off • All reserve drawdowns are reported to Management Board as part of monthly financial dashboard • Quarterly Finance reports to Cabinet include a list of reserves drawdowns 	Chief Finance Officer
c.	Review and improve supplementary estimate process	<ul style="list-style-type: none"> • Review the supplementary process • Improve compliance • Improve reporting 	<ul style="list-style-type: none"> • Supplementary estimate process has been reviewed • A new supplementary estimate form has been introduced 	Chief Finance Officer
d.	Review and improve virement process	<ul style="list-style-type: none"> • Review virement process • Improve compliance • Improve reporting 	<ul style="list-style-type: none"> • Virement process is currently under review • reviewed 	Chief Finance Officer
e.	Improve management of capital programme	<ul style="list-style-type: none"> • Establish a gateway process for progressing schemes through each stage of their capital programme lifecycle 	<ul style="list-style-type: none"> • Gateway approach in process of development as part of budget planning work for 2017/18 	Chief Finance Officer
f.	Raise financial awareness	<ul style="list-style-type: none"> • Mandatory training covering all aspects of financial management • Tailored training for specific staff depending upon requirements of role (budget management, business cases/plans, financial administration) • Establish approach to validate/evidence learning 	<ul style="list-style-type: none"> • Training material in process of being developed. 	Chief Finance Officer
Priority 9 - Miscellaneous				
a.	Whistleblowing	<ul style="list-style-type: none"> • Effective Whistleblowing arrangements 	<ul style="list-style-type: none"> • The current Whistleblowing Policy has been reviewed and uploaded on the intranet. 	Borough Secretary

			<ul style="list-style-type: none"> • Consideration being given to provide external whistleblowing reporting • Consideration being given to increase the profile of Whistleblowing 	
b.	Officer & Member hospitality	<ul style="list-style-type: none"> • Review policy and guidance • Publish guidance 	<ul style="list-style-type: none"> • Review of guidance currently underway • Compliance audit to be undertaken as part of the next internal Audit Plan • Regular Reporting to Standards Committee • Training on register currently being delivered to members • Training planned for Council Officers • Written guidance on registering interests being prepared for Officers and members 	Borough Secretary
c.	Cabinet process	<ul style="list-style-type: none"> • Review Cabinet clearance process • Identify risks from lack of compliance • Report writing Guide and compliance standards 	<ul style="list-style-type: none"> • Standards in place and adhered to • Financial clearing process in place • Timely reporting meeting legal requirement 	Chief Executive

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Option for Renewed Governance Arrangements

Members

Full Council

Cabinet

Audit Committee

Regulatory Committees

Member and Officer Executive Meetings

Corporate Asset Board

Executive Programme Board

Capital Programme Board

Cabinet Member/DMT meetings

Officers

Management Board

Lead: Chief Executive

Overall Management and
Governance

Policy and Budget Framework

DMTs

Transformation and People Officer Programme Board

Lead: Chief Executive

Corporate Governance & Support Officer Programme Board

Lead: Borough Secretary

- Governance
- Risk
- Business Continuity
- Audit
- LGSS
- Legal
- ICT
- Performance

Northampton Alive Officer Programme Board

Lead: Regeneration Director of Regeneration
Enterprise and Planning

- Assets
- Capital Programme
- Housing Development
- Key Capital Projects
- Place Marketing

Efficiency/MTFS Officer Programme Board

Lead: Director of Customers and
Communities

- Efficiency Plan
- Service Projects

Project Level

Project Boards

Project Boards

Project Boards

Note: Other officer and member or joint bodies exist which are not shown in detail on this diagram



Northampton Borough Council

Risk Management Strategy and Policy

Risk Management Strategy and Policy

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Appendix 3 Reviewing and Reporting Arrangements

Northampton Borough Council

Risk Management Policy Statement

Northampton Borough Council provides a wide range of services that are delivered to the community. The council sets strategic aims that help us focus on priorities and deliver our vision: “**Securing Northampton’s Future**”.

Inherent in our corporate aims and outcomes are “risks” that create uncertainty. The Council recognises it has a duty to manage these risks in a structured way to help ensure delivery of its priorities and to provide value for money services.

Whilst an element of risk is an integral part of everyday life, the level of exposure to risk is controllable. Northampton Borough Council will take all reasonable steps to remove or reduce sources of significant risk to its employees, assets and stakeholders.

The Accounts and Audit Regulations 2015 (Responsibility for internal control) states that:

A relevant authority must ensure that it has a sound system of internal control which— (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the authority is effective; and (c) **includes effective arrangements for the management of risk.**

This policy statement confirms our commitment to manage our business risks in a consistent cost effective manner. Risk Management at Northampton Borough Council is a management priority and this policy statement is endorsed by Council Members, the Chief Executive, the Section 151 Officer, the Corporate Governance & Support Officer Programme Board and the Management Board who hold accountability for the effective management of risk within The Council.

Our risk management objectives

We will;

- adopt a strategic approach to risk management to make better informed decisions which is vital to successful transformational change;
- set the ‘tone from the top’ on the level of risk we are prepared to accept on our different service delivery activities and priorities;
- acknowledge that even with good risk management and our best endeavours, things can go wrong. Where this happens we use the lessons learnt to try to prevent it from happening again;
- develop leadership capacity and skills in identifying, understanding and managing the risks facing the council;
- integrate Risk Management into how we run council business/services. Sound risk management processes help us to achieve our core purpose, priorities and outcomes;

- support a culture of well-measured risk taking throughout the council's business, including strategic, partnership, project, and operational. This includes setting risk ownership and accountabilities and responding to risk in a balanced way, considering the level of risk, reward, impact and cost of control measures;
- ensure that the council continues to meet all statutory and best practice requirements in relation to risk management; and
- ensure risk management continues to be a key and effective element of our Corporate Governance arrangements.

We will meet these objectives by:

- establishing and articulating our Risk Culture; setting out expectations of behaviour throughout the Council;
- maintaining a robust and consistent Risk Management approach that will:
 - identify and effectively manage strategic, operational and project risks; and
 - focus on those key risks that, because of their likelihood and impact, make them priorities;
- ensuring accountabilities, roles and responsibilities for managing risks are clearly defined and communicated;
- considering risk as an integral part of service improvement planning, key decision making processes, and project and partnership governance*;
- communicating risk information effectively through a clear reporting framework; and
- increasing understanding and expertise in Risk Management through targeted training and the sharing of good practice.

The Risk Management Framework will be reviewed periodically to take account of changing legislation, government initiatives, best practice and experience gained within the council.

*In conjunction with the Council's Partnership Protocol and Project Management processes.

Risk Management Approach

1. Introduction

The purpose of the risk management approach outlined in this document is to:

- Provide standard definitions and language to underpin the risk management process
- Ensure risks are identified and assessed consistently throughout the council through the clarification of key concepts
- Clarify roles and responsibilities for managing risk
- Implement an approach that meets current legislative requirements and follows best practice and relevant standards.

2. Definitions

“Risk is the effect of uncertainty on objectives, where effect is any deviation from the expected – positive or negative.”

ISO 31000 Definition

Risk management is the “systematic application of principles, approach and processes to the identification, assessment and monitoring of risks.” By managing our risk process effectively we will be in a better position to safeguard against potential threats and exploit potential opportunities to improve services and provide better value for money.

Risk management is applied at all levels of service delivery and include:

- Corporate Strategic Risks – risks that could have an effect on the successful achievement of our long term core purpose, priorities and outcomes. These are:
 1. risks that could potentially have a council-wide impact and/or
 2. risks that cannot be managed solely at a service area level because higher level support/intervention is needed.
- Operational Risks – risks at a service area level that could have an effect on the successful achievement of the service area outcomes / objectives. Potentially these risks could have a significant financial, reputational and/or service delivery impact on the service area as a whole.
- Programme/Project Risks – risks that could have an effect on the successful achievement of the programme or project’s outcomes / objectives in terms of service delivery, benefits realisation and engagement with key stakeholders (service users, third parties, partners etc.).
- Partnership Risks – risks relating to the delivery or outcomes of a specific partnership. This could include shared risks in addition to those applicable to the council alone.

3. Approach

This section details the agreed arrangements that are needed to ensure the effective management of risk across the organisation. The council’s approach to risk management is based on best practice and involves a number of key steps as outlined in Diagram 1.

Diagram 1: NBC’s Risk Management approach



Effective communication and consultation is critical to the successful management of risk. These are not one off standalone events but important factors at every point of the process and it is vital that staff at all levels across the organisation are involved if risk management is to be truly embedded and a useful management tool.

Training is provided for staff at all levels, including senior officers and members.

Step 1: Objectives

Before we can identify our risks we need to establish the context by looking at what we are trying to achieve and what our proposed outcomes are. Depending on the area under review, the relevant objectives and outcomes will usually be detailed in existing documents, including the following:

- Corporate Plan (for core purpose, priorities and outcomes)
- Service Plans (for service area outcomes /objectives and actions)
- Project Brief/Project Initiation Document (for project aims and objectives)
- Partnership Agreements (for partnership aims and objectives)

Step 2: Identify Risks

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

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

P olitical	O pportunities/Outcomes	N ew Partnerships/Projects/Contracts
E conomic	R eputation	C ustomers/Citizens
R egulatory	M anagement	E nvironment
F inancial	A ssets	

Examples of risks from each category are detailed in the Risk Identification Checklist (Appendix 1).

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

Once identified, all risks are recorded in a 'Risk Register'.

A risk owner must be allocated and recorded against each risk on the risk register. Such accountability helps to ensure 'ownership' of the risk is documented and recognised. A risk owner is defined as a person with the accountability and authority to effectively manage the risk.

At this stage there may well be a long list of possible risks. The next step will help to prioritise these in order of importance.

Step 3: Assess Gross (Inherent) Risk Level

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

The risk management process requires each risk to be assessed twice – gross (or inherent) and net (or residual) risk levels.

The first assessment (the 'gross' risk level) is taken on the basis that there is no action being taken to manage the identified risk and/or any existing actions are not operating effectively. In other words, the worst case scenario if the risk were to occur.

To ensure that a consistent scoring mechanism is in place across the Council, risks are assessed using the agreed criteria for likelihood and impact detailed in Appendix 2. When assessing the risk, the highest measure identified in each table is the score taken to plot the risk level on the risk matrix (Diagram 2).

Where Likelihood and Impact meet, this determines the risk level. For example, possible likelihood (3) and major impact (4) would result in a risk level of 12.

The matrix uses a “traffic light” approach to show high (red), medium (amber) and low (yellow/green) risks.

Diagram 2: NBC’s Risk Matrix

		Likelihood				
		Remote 1	Unlikely 2	Possible 3	Probable 4	Highly Probable 5
Impact	5 Catastrophic	Low	Medium	Medium	High	High
	4 Major	Low	Low	Medium	High	High
	3 Moderate	Low	Low	Low	Medium	Medium
	2 Minor	Low	Low	Low	Low	Medium
	1 Insignificant	Low	Low	Low	Low	Low

The council considers the gross risk to ensure that:

- informed decisions can be made about the consequences of stopping risk actions that are currently in place; and
- resources are not wasted over-controlling risks that are not likely to happen and would have little impact.

Step 4: Identify Existing Risk Actions (controls)

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

Step 5: Assess Net (residual) Risk Level

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

Net risks are prioritised by applying the same criteria and matrix used for assessing the gross risk level (Step 3). It is the risk owner's responsibility to ensure that the agreed net risk level for each risk is an accurate reflection of the likelihood and impact measures detailed in Appendix 2.

The council considers the net risk to ensure that:

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

Step 6: Risk Response and Further Actions

Not all risks can be managed all of the time, so having assessed and prioritised the identified risks, cost effective action needs to be taken to manage those that pose the most significant threat

It is important to note that the council has a risk appetite, where it is prepared to accept the risk. This is illustrated by the black line on diagram 2 and means that any risk that has been assessed as a 'net red' risk must be a priority for immediate management action

Risk Appetite

Recognising that the Council should not manage all risks to the same extent, scoring helps to prioritise each risk enabling the Council to understand where time and resources should be focussed.

One of the key stages for the implementation of a risk management framework is the need to define the 'risk appetite'. Risk appetite refers to the Council's attitude to taking risk and defines the amount of risk the Council considers acceptable in order to achieve its objectives.

The Council's risk appetite can be defined as set out in Table 1 below. Any residual risk scoring 15 or more is above the acceptable tolerance level and further work needs to be done to effectively manage this risk.

Diagram 3: Risk appetite as it relates to residual risk score

Overall Residual Risk Score	RISK APPETITE	
16-25	Unacceptable level of risk exposure which requires <i>immediate corrective action to be taken or escalation to next level</i>	EXCEEDS OUR RISK APPETITE
15	Unacceptable level of risk exposure which requires <i>constant active monitoring, and measures to be put in place to reduce exposure and/or escalation to next level</i>	
5-12	Acceptable level of risk exposure subject to <i>regular active monitoring measures</i>	WITHIN OUR RISK APPETITE
3-4	Acceptable level of risk exposure subject to <i>regular passive monitoring measures</i>	
1-2	Acceptable level of risk exposure subject to <i>periodic passive monitoring measures</i>	

Step 7 – Review and Report

Risk management should be thought of as an ongoing process and as such risks need to be reviewed regularly to ensure that prompt and appropriate action is taken to reduce their likelihood and/or impact.

Northampton BC’s approach is one where such reviews:

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

Regular reporting, through the regular reporting process, enables senior managers and members to be more fully aware of the extent of the risks and progression being made to manage them. Appendix 4 details the agreed reviewing and reporting arrangements aimed at providing the most appropriate and up to date information.

Risk registers are currently created and maintained on standard spreadsheets but will eventually be held on Performance + the Councils performance measurement system. This enables the council to create a corporate risk profile, record and manage risks in a consistent way, monitor and review risks and produce meaningful management reports.

4. Roles and Responsibilities

To ensure risk management is effectively implemented, all NBC members and officers should have a level of understanding of the council's risk management approach and regard risk management as part of their responsibilities:

All Employees

- a. Manage day to day risks and opportunities effectively and report risk management concerns to their line managers
- b. Participate fully in risk workshops and action planning as appropriate
- c. Attend training and awareness sessions as appropriate

All Members

- a. Support and promote an effective risk management culture
- b. Constructively review and scrutinise the risks involved in delivering the council's core purpose, priorities and outcomes.

Some individuals and groups have specific leadership roles or responsibilities and these are identified below:

Corporate Governance & Support Officer Programme Board

- a. Risk manage the council in delivering its core purpose, priorities and outcomes
- b. Approve the risk management framework
- c. Consider and challenge the risks involved in making any 'key decisions'

Audit Committee

Provide independent assurance to the council on the overall adequacy of the risk management framework

Management Board

- a. Champion an effective council-wide risk management culture
- b. Ensure the Internal Audit work plan is focused on the key risks facing the council

Internal Audit

- a. Provide assurance that risks are being effectively assessed and managed
- b. During all relevant audits challenge the content of risk registers
- c. Periodically undertake specific audits of the council's risk management process and provide an independent objective opinion on its operation and effectiveness.

Departmental Management Teams

Risk manage their service areas in delivering the council's core purpose, priorities and outcomes.

Heads of Service

- a. Responsible for the effective leadership and management of risk in their service area to meet service area objectives/outcomes in line with the council's risk management framework.
- b. With the appropriate risk owner, maintain the relevant service area risk registers ensuring all key risks are identified, managed and reviewed in line with the corporate risk management approach
- c. Promptly escalate risks appropriately
- d. Encourage staff to be open and honest in identifying risks and opportunities
- e. Ensure risk management process is an explicit part of transformation programmes and all significant projects

Project Boards and Project Managers

- a. Responsible for the effective leadership and management of risk in their area of responsibility in line with the council's risk management framework
- b. identify, assess and appropriately document significant risks
- c. clearly identify risk ownership
- d. manage risks in line with corporately agreed timescales/policies
- e. escalate risks appropriately.

Risk Owners

- a. ensure that appropriate resources and importance are allocated to the process
- b. confirm the existence and effectiveness of existing actions and ensuring that any further actions are implemented
- c. provide assurance that the risks for which they are the risk owner are being effectively managed.

Chief Financial Officer

- a. Design and facilitate the implementation of a risk management framework within NBC ensuring it meets the needs of the organisation
- b. promote the adequate and proper consideration of risk management to senior managers and more widely within the council.

Governance and Risk Manager

- b. Act as a centre of expertise, providing support and guidance as required
- c. Collate risk information and prepare reports as necessary
- d. Develop, support and promote the integration of the council's risk management framework and performance management system

5. Embedding Risk Management

For risk management to be effective and a meaningful management tool, it needs to be an integral part of key management processes and day-to-day working. As such risks and the monitoring of associated actions should be considered as part of a number of the council's significant business processes, including:

- Corporate Decision Making – significant risks, which are associated with policy or action to be taken when making key decisions, are included in appropriate committee reports.
- Service Improvement/Budget Planning – this annual process includes updating the individual service area risk registers to reflect current aims/outcomes.
- Project Management – all significant projects should formally consider the risks to delivering the project outcomes in accordance with the Council's project management process before and throughout the project. This includes risks that could have an effect on service delivery, benefits realisation and engagement with key stakeholders (service users, third parties, partners etc.).
- Partnership Working – partnerships should establish procedures to record and monitor risks and opportunities that may impact the council and/or the partnership's aims and objectives.
- Health and Safety – the Council has a specific risk assessment policy to be followed in relation to health and safety risks.

6. Culture

The Council will be open in its approach to managing risks and will seek to avoid a blame culture. Lessons from events that lead to loss or reputational damage will be shared as well as lessons from things that go well. Discussion on risk in any context will be conducted in an open and honest manner.

Appendix 1: Example Check List for Risk Identification

Political

- Change in Government policy
- Member support / approval
- Political personalities
- New political arrangements

Economic

- Demographics
- Economic downturn - prosperity of local businesses/local communities

Regulatory

- Legislation and internal policies/regulations including:
- Health & Safety at Work Act, Data Protection, Freedom of Information, Human Rights, Equalities Act 2010 and Public Sector Equality Duty 2011, Employment Law, TUPE, Environmental legislation etc.
- Grant funding conditions
- Legal challenges, legal powers, judicial reviews or public interest reports

Financial

- Budgetary pressures
- Loss of/reduction in income/funding, increase in energy costs
- Cost of living, interest rates, inflation etc.
- Financial management arrangements
- Investment decisions, Sustainable economic growth
- Affordability models and financial checks
- Inadequate insurance cover
- System/procedure weaknesses that could lead to fraud

Opportunities/Outcomes

- Add value or improve customer experience/satisfaction
- Reduce waste and inefficiency
- Raising educational attainment and improving the lives of children, young people and families
- Maximising independence for older people with disabilities
- Developing sustainable places and communities
- Protecting the community and making Northamptonshire a safer place to live

Reputation

- Negative publicity (local and national), increase in complaints

Management

- Loss of key staff, recruitment and retention issues
- Training issues
- Lack of/or inadequate management support
- Poor communication/consultation
- Capacity issues - availability, sickness absence etc.
- Emergency preparedness / Business continuity

Assets

- Property - land, buildings and equipment,
- Information – security, retention, timeliness, accuracy, intellectual property rights
- ICT – integrity, security, availability, e-government
- Environmental - landscape, countryside, historic environment, open space

New Partnerships/Projects/Contracts

- New initiatives, new ways of working, new policies and procedures
- New relationships – accountability issues / unclear roles and responsibilities
- Monitoring arrangements
- Managing change

Customers/Citizens

- Changing needs and expectations of customers - poor communication/consultation
- Poor quality / reduced service delivery - impact on vulnerable groups
- Crime and disorder, health inequalities, safeguarding issues

Environment

- Recycling, green issues, energy efficiency, land use and green belt issues, noise, contamination, pollution, increased waste or emissions,
- Impact of planning or transportation policies
- Climate change – hotter drier summers, milder wetter winters and more extreme events – heat waves, flooding, storms etc.

Appendix 2: Measures of Likelihood and Impact

Impact

	FACTOR	SCORE	EXPECTED IMPACT		
THREATS	CATASTROPHIC	5	<ul style="list-style-type: none"> ◆ Adverse and persistent national media coverage ◆ Failure to fulfil statutory duties ◆ Adverse central government response, involving (threat of) removal of delegated powers 	<ul style="list-style-type: none"> ◆ Virtual inability to function ◆ Multiple fatalities 	<ul style="list-style-type: none"> ◆ Costing more than £5,000,000
	MAJOR	4	<ul style="list-style-type: none"> ◆ Adverse publicity in professional/municipal press, affecting perception/standing in professional/local government community ◆ Adverse local publicity of a major and persistent nature 	<ul style="list-style-type: none"> ◆ Major loss of service, including several important areas of service and/or protracted period. ◆ Fatality 	<ul style="list-style-type: none"> ◆ Costing between £500,000 and £5,000,000
	MODERATE	3	<ul style="list-style-type: none"> ◆ Significant local publicity of an adverse nature ◆ Statutory prosecution of a non-serious nature 	<ul style="list-style-type: none"> ◆ Complete loss of an important service area for a short period ◆ Major effect to services in one or more areas for a period of weeks ◆ Serious disabling injury / ill health 	<ul style="list-style-type: none"> ◆ Costing between £5,000 and £50,000

	MINOR	2	<ul style="list-style-type: none"> ◆ Adverse local publicity with limited effect on public opinion 	<ul style="list-style-type: none"> ◆ Major effect to an important service area for a short period ◆ Adverse effect to services in one or more areas for a period of weeks ◆ Minor injury / ill health 	<ul style="list-style-type: none"> ◆ Costing between £5,000 and £50,000
	INSIGNIFICANT	1	<ul style="list-style-type: none"> ◆ Negative, but little coverage ◆ Complaint from individual/small group, of arguable merit 	<ul style="list-style-type: none"> ◆ Brief disruption of important service area ◆ Significant effect to non-crucial service area 	<ul style="list-style-type: none"> ◆ Costing less than £5,000

OPPORTUNITIES	FACTOR	SCORE	EXPECTED IMPACT		
	EXCEPTIONAL	5	<ul style="list-style-type: none"> ◆ Positive national press ◆ National award or recognition/elevated status by national government 	<ul style="list-style-type: none"> ◆ Major improvement to services, generally or across a broad range 	<ul style="list-style-type: none"> ◆ Producing more than £500,000
	SIGNIFICANT	4	<ul style="list-style-type: none"> ◆ Recognition of successful initiative ◆ Sustained positive recognition and support from local press 	<ul style="list-style-type: none"> ◆ Major improvement to service or significant improvement to critical service area 	<ul style="list-style-type: none"> ◆ Producing up to £500,000

Likelihood

FACTOR	SCORE	EXPECTED FREQUENCY	
Inevitable	5	◆ Regular occurrence	Weekly
Very likely	4	◆ Circumstances frequently encountered – daily/weekly/monthly	Monthly
Feasible	3	◆ Likely to happen at some point within the next 1-2 years ◆ Circumstances occasionally encountered (few times a year)	Annually
Unlikely	2	◆ Only likely to happen 3 or more years	3 yearly
Very unlikely	1	◆ Has happened rarely/never before	10 yearly

Appendix 3: Reviewing and Reporting Framework

Net Risk Level and Score Frequency of Risk Reviews (applies to all risk registers)

High 16-25. As a minimum, review monthly.

There are significant risks, which may have a serious impact on the council and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk. Any net red risks at service area level will be included, alongside corporate risks, in the performance and risk management reports to Corporate Governance & Support Board and Audit Committee.

Medium 5-15. As a minimum, review quarterly

Although usually accepted, these risks may require some additional mitigating to reduce likelihood if this can be done cost effectively. Reassess to ensure conditions remain the same and existing actions are operating effectively.

Low 1-4. As a minimum, review 6-monthly

These risks are being effectively managed and any further action to reduce the risk would be inefficient in terms of time and resources. Ensure conditions remain the same and existing actions are operating effectively.

Appendices 1:

ISA260 Action Plan



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	ISA260 2015/16 Action Plan Progress
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	16 January 2017
Policy Document:	No
Directorate:	Management Board
Accountable Cabinet Member:	Cllr B Eldred

1. Purpose

- 1.1 To inform Audit Committee of the progress against the recommendations raised as part of the External Auditor's 2015/16 ISA260 Report.

2. Recommendations

- 2.1 That the Audit Committee notes the progress achieved to date against the action plan developed by the statutory S151 Chief Finance Officer (CFO) to make improvements in line with the 2015/16 ISA260 Recommendations.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Audit Committee received the annual ISA260 External Auditor report from KPMG at the meeting on 5th September which included a number of recommendations for improvements, and initial responses from management. The 2015/16 annual external auditor letter reported to audit committee on 14th November also included a further recommendation around business appeal provisions.
- 3.1.2 Audit Committee requested from management that a regular report be brought to each subsequent audit committee detailing progress against the audit recommendations.

3.2 Progress against external audit recommendations

3.2.1 The ISA260 action plan included 41 separate actions to deal with the 9 recommendations from the 2015/16 ISA260 and audit letter, and 2 recommendations brought forward from 2014/15. To the end of December significant progress has been made and 27 of the actions have now been completed, with 14 outstanding. The table below is a summary of the progress against each of the recommendations:

KPMG recommendation area	Total actions	Completed	Outstanding
Retrospective orders	6	5	1
Internal Audit coverage and assurance	4	4	0
General IT controls	4	3	1
Controls/processes for issuing loans	6	3	3
Audit working papers	5	3	2
Revaluation of council dwellings	3	2	1
Reconciliations	6	4	2
Accrual levels	1	0	1
Pensions data	1	1	0
Payroll data quality	2	2	0
Business rate appeal provision	3	0	3
Total	41	27	14

3.2.2 Since the last progress report to audit committee in November 2016 a further 10 actions have been completed, and many are on the way to completion within the next month.

3.2.3 The 14 outstanding actions include 4 where the original target completion date was not until after December 2016. There have been a number of competing priorities including developing the governance action plan, setting the draft budget and supporting the enhanced due diligence process for bringing forward cabinet reports which have impacted on available resource over the last few months to progress some areas of the action plan. However in relation to the 10 outstanding actions which have missed their target date, work has been undertaken which means that these are either close to completion during January or have been assigned a revised completion date. All actions are still planned to be completed by the end of April 2017 in accordance with the year end timetable requirements.

3.2.4 The two recommendations around year end accrual levels and business rate appeals provision still have all actions outstanding, however there has been progress made in both these areas. The accrual level review has taken place, work is being finalised so that the proposed revisions will come for approval along with the accounting policy review to the March 2017 audit committee. Significant work has also been done analysing the business rate appeal provision information prior to the end of December (making use of external

advisors information as well) to allow a review by senior finance management in January.

3.2.5 Appendix 1 includes the detail and progress around all the action plans to address the external audit recommendations.

3.3 Choices (Options)

3.3.1 The Committee are being asked to review the ISA260 action plan and note progress against it.

3.3.2 The Committee could request that following review, amendments are made to the action plan.

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no policy implications arising from this report.

4.2 Resources and Risk

4.2.1 There are no direct financial implications arising from this report.

4.3 Legal

4.3.1 There are no legal implications arising from this report.

4.4 Equality

4.4.1 There are no equality implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 Management Board has been engaged in the production of the management action plan, and have been reviewing it at regular intervals

4.6 Other Implications

4.6.1 There are no other implications arising from this report.

5. Background Papers

5.1 The External Audit ISA260 report presented to Audit Committee on 5th September 2016 and External Audit Annual Audit Letter presented to Audit Committee on 14th November 2016.

Chris Randall, Strategic Finance Business Partner, LGSS, 0776 936 5372

ISA260 Management Action Plan Progress Tracker

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Outstanding / Completed
The Authority should ensure that purchase orders should be raised for the purchasing of goods and services through the purchase order process (where appropriate), prior to the Authority committing itself to the purchase. Reports should be run on a regular basis to identify all non compliance and take appropriate follow up action	LGSS Strategic Finance Manager(s)	Finance will continue to train, liaise with and advise the necessary staff to ensure that retrospective orders continue to be reduced in future.	30th September 2016 and monthly thereafter	Finance business partners have been and continue to engage budget managers in providing information and challenging the numbers and level Reported monthly to management board. Month 6 monitoring shows the position is improving		Completed
	LGSS Finance Business Partner Team	Roll out mandatory training for all appropriate staff involved in order processing and authorising	30th November 2016 and monthly thereafter for new starters	All appropriate staff have been briefed as part of management meetings and individual budget meetings as to the requirement of raising orders in advance. The formal training will form part of the overall governance planning		Completed
52	LGSS Head of Business Systems	Explore system options to ensure accountability	30th November 2016	Automatic system report created to email on a weekly basis any staff raising retrospective orders to advise them that this is in contravention of financial regulations		Completed
	LGSS Strategic Finance Manager(s)	Dashboard report to be shared at DMT meetings.	Period 6 monitoring budget monitoring meetings during October 2016	Rolled out as part of period 6 monitoring process		Completed
	LGSS Exchequer Manager	Communicate to all suppliers that the council requires purchase orders to be sent prior to goods / services being delivered	30th November 2016	Communication drafted to suppliers, exchequer team sent out 1.12.16		Completed
	LGSS Exchequer Manager	Establish and implement a policy and related procedures to deal with emergency expenditure	31st December 2016	LGSS Exchequer Manager has produced an urgent payments protocol by 20.12.16. Will test with a selection of appropriate NBC staff prior to publishing on the intranet in early January 2017		Outstanding
The Authority should ensure that it undertakes a thorough assessment of both internal audit providers annual audit plans for 2015/16 to ensure that appropriate assurance and systems coverage is provided during 2015/16	LGSS Strategic Finance Manager	Regular Joint meetings with LGSS and NBC Internal Audit providers and Strategic Finance Manager to be held in advance of each Audit Committee	30th November 2016	First meeting held 8.09.16, and areas for review agreed. Follow up meeting between LGSS Internal Audit and Chief Finance Officer. Regular joint meetings, scheduled on a quarterly basis starting 7th December 2016		Completed

ISA260 Management Action Plan Progress Tracker

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Outstanding / Completed
	LGSS Strategic Finance Manager	Arrange bi-annual meetings between NBC finance, all internal audit providers and NBC external auditors	30th November 2016	Met with Internal Auditors and agreed best date in timetable to meet with external auditors. Meeting scheduled for 1st Feb 2017		Completed
	LGSS Strategic Finance Manager	Review of Internal Audit Workplans to ensure that risks identified by the 2015/16 External Auditors are appropriately considered / reviewed	30th November 2016	Initial joint meeting reviewed risks identified by External Auditors to discuss coverage within internal audit plans, amended IA plans still to be reviewed. Reports to next Internal Audit Committee on workplans following liaison. Review on 16.11.16 by Strategic Finance Manager and Group Accountant (closure) of Internal Audit plans presented to 14th November 2016 Audit Committee. Confirmed all key areas covered where appropriate, except for asset valuations that will be covered as part of the Interim External Audit.		Completed
53	LGSS Strategic Finance Manager	All Internal Audit Providers to ensure regular attendance at Audit Committee to approve and monitor Audit Plans and issues	31st October 2016 and ongoing	Internal Audit providers advised of the requirement for regular monitoring reports for Audit Committee with reports on 14th November Committee		Completed
Timely leaver forms need to be completed and cascaded to the relevant departments, including to IT. User access to applications needs to be reviewed on a periodic basis. In addition, the departing employee's access rights should be revoked as part of the standard leaving procedures. This process should be co-ordinated between HR and IT.	LGSS Audit and Risk Manager (NBC)	IT – LGSS systems access these need reviewing by LGSS internal audit with in an depth review of the IBS and ICON systems in particular	31st January 2017	Workplan report by LGSS Internal Audit includes this, with the work timetabled for December / January		Outstanding
	LGSS Audit and Risk Manager (NBC)	Both LGSS internal audit and PwC internal audit to consider systems access in general, and advise NBC CFO on what they suggest is a priority for review / testing during 2016/17.	31st October 2016	14th November Audit Committee - LGSS Internal Audit planned audit work report identifies areas to be undertaken		Completed
	LGSS Business Systems Manager	IBS Housing System - the need for timely leaver forms to be completed and distributed to relevant departments needs to be cascaded to departments	31st August 2016	This requirement has been cascaded to relevant areas by the officer undertaking system administration		Completed

ISA260 Management Action Plan Progress Tracker

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Outstanding / Completed
	LGSS Exchequer Team Leader	ICON System - the ICON system administrator to ensure a regular review and disablement of users who have left roles requiring access to the ICON system	31st August 2016	A review of HR leavers information has been incorporated into the monthly processes of the LGSS exchequer manager responsible for ICON system administration		Completed
54	NBC Chief Finance Officer	Internal review of all existing loans to assess against recommendations arising in ISA260	30th November 2016 31st January 2017	Information collated. Review being undertaken by a senior member of the LGSS finance team and has been extended to use the checklist to assess each of the loans		Outstanding
	NBC Chief Finance Officer	Develop and implement a loans framework / checklist	31st December 2016	First draft is completed. Has been informed by meetings with external experts (Council bankers) in November		Completed
	NBC Chief Finance Officer	Meet with external experts to review due diligence approach and checklist	30th November 2016	Meeting occurred with Barclays on 14th November. Checklist amended following meeting		Completed
	NBC Chief Finance Officer	External validation of loans checklist	31st December 2016 31st January 2017	Pwc & LGSS Internal Audit to review first draft which was completed at end of December and available for review during January		Outstanding
	NBC Monitoring Officer	Review governance arrangements (decision making, project management, reporting, officer, member, cabinet/council)	TBC	This now forms part of the governance action plan and is being reviewed by the governance programme board to determine most appropriate approach		Outstanding

ISA260 Management Action Plan Progress Tracker

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Outstanding / Completed
	NBC Monitoring Officer	Review risk management arrangements	31st December 2016	PwC were commissioned and have completed their review of the strategy and framework (guidance document) and role specification of a new governance and risk manager post. A draft risk management policy and strategy has been presented to management board for consideration		Completed
The Authority should ensure that all key closedown staff receive and review the <i>Accounts Audit Protocol</i> prior to producing working papers for the audit. The overarching principle is working papers should provide a clear and concise audit trail from the financial statements through to sufficient and appropriate evidence within supporting working papers. Working papers need to: — Be clear, with explanations if needed. The working papers need to be written from the view point of someone external to the organisation; and Be supported by strong evidence, for example, third party documentation.	LGSS Strategic Finance Manager	NBC and KPMG post final accounts debrief and action planning meeting (also a joint debrief with LGSS integrated closedown team)	31st October 2016	Debrief sessions arranged between LGSS finance and KPMG for 19th and 21st October 2016		Completed
	LGSS Group Accountant (Integrated Closedown Team)	Implement any agreed actions resulting from debrief meeting	31st December 2016	KPMG have provided the draft 2016/17 PBC (Audit Working Paper Requirements) on 2nd Dec 2016. These have been reviewed for the interim audit work and data analytics requirements, the final audit PBC requirements are to be reviewed as part of the year end timetable process.		Completed
	LGSS Strategic Finance Manager	Establish and implement key performance requirements for proposed phase 2 integrated closedown team, between expanded LGSS integrated closedown team and NBC finance team	31st December 2016 31st January 2017	The integrated team is now operational and the process for establishing the workload/requirements (performance) between the integrated and business partner teams has made significant progress in relation to the Interim Audit PBC and is now working on the final audit timetable etc.		Outstanding

ISA260 Management Action Plan Progress Tracker

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Outstanding / Completed
	LGSS Group Accountant (Integrated Closedown Team)	Review 'Prepared by Client' list requirements with KPMG and agree key quality standards prior to commencement of interim audit	31st December 2016 28th February 2017	Draft PBC received on 2nd December and has been reviewed by Intergrated Team for Interim Audit requirements and revisions confirmed by KPMG on 21st December. The final audit part of the PBC will be cross referenced with the closure working papers during January and February. Feedback from KPMG on specific areas needing improvement was requested at the closure review and is yet to be received		Outstanding
	LGSS Group Accountant (Integrated Closedown Team)	Review internal LGSS quality control and assurance process for Statement of Account, WGA working papers by the finance team etc	31st December 2016	LGSS Group Accountant (Integrated Team) has reviewed the QA process and has identified more emphasis is needed on staff responsible for reviewing working papers and supporting evidence		Completed
8 The information requested, and provided by the valuer, should meet all the criteria within the Code and provide a clear and concise audit trail relating to the methodology and assumptions used in the valuation process. All evidence should be maintained and made available prior to the start of the audit. The Authority should ensure that it fully fulfils its responsibility to review, challenge and understand the information provided by the valuers as required by guidance.	NBC Corporate Asset Manager	Review and document the revaluation of council dwellings process to ensure they meet the requirements of the code.	31st March 2017	Regular meetings between Estates and Finance are taking place , whereby the valuation process and challenge have been documented. The lack of documentation re the year end impairment exercise was of particular concern to the auditors and this has been agreed to be documented following the same format as the final audit evidence for 2015/16. This can only be completed after the year end exercise has taken place.		Outstanding
	NBC Corporate Asset Manager	Ensure that Asset Management Team have appropriate capacity and knowledge to undertake valuation work to achieve the closedown timescales - Head of Asset Management	30th November 2016	The update meetings that have been held during October 2016 have confirmed that the timeframes for the valuations will be met, this needs to be regularly reviewed as currently there is a high number of interims within estates, and some of the work is being undertaken by third parties		Completed

ISA260 Management Action Plan Progress Tracker

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Outstanding / Completed
	LGSS Group Accountant (Integrated Closedown Team)	Finance staff to review and challenge both revaluation work and process documentation	30th November 2016	Finance staff have undertaken during October 2016 a challenge on the revaluation work for the revaluation of council dwellings as at 1st April 2016. Asset management have agreed to document their response to this challenge. The documentation to support the year end impairment review exercise for 31st March 2017 reflecting the annual change in property prices will now be provided by asset management in line with the format developed for the 2015/16 final audit by finance.		Completed
The Authority needs to ensure that quality checks are undertaken on all key controls. This should be embedded within the reconciliation process. The Authority should ensure all the issues above are dealt with and that full reconciliations are carried out across all appropriate systems and balances. All unreconciled balances should be identified and cleared, or written-off in a timely manner.	LGSS Payroll Manager	Review and monitor the payroll reconciliations process to ensure reconciliation items are identified and cleared within a timely period	30th September 2016, 31st October 2016 and ongoing	LGSS Business Systems have made a concerted effort since this was raised as part of the ISA260 and of the 99 unreconciled payroll items 37 have now been cleared and corrected. The ongoing reconciliations are now being undertaken monthly by the payroll team who have more complete knowledge to resolve unreconciled items, and make appropriate system corrections. LGSS Business Partner team reviewing reconciliations done by payroll team in December		Outstanding
	LGSS Audit and Risk Manager (NBC)	A comprehensive risk assessed payroll systems audit needs to be undertaken by Internal Audit	31st January 2017	The LGSS Internal Audit plan now includes proposals for a payroll audit, including a review of actions on data quality		Completed
	PwC - NBC's Internal Auditors	A payroll review to be undertaken by NBC's Internal Auditors post the implementation of the new payroll service provider planned during 2016/17	31st March 2017	LGSS Finance have raised this action with PwC internal audit manager. This is now included in the PwC audit plan for 2016/17 likely March 2017		Outstanding
	LGSS Revenues Manager	Ensure that discrepancies between the properties included on the NDR and Valuation Officer reports are identified and corrected in a timely manner	30th September and on going	this is now being done on a regular basis by the LGSS Revenues manager.		Completed

ISA260 Management Action Plan Progress Tracker

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Outstanding / Completed
	LGSS Audit and Risk Manager (NBC)	Internal Audit need to review and consider what Revenues system work is included within their Audit Plan for 2016/17 and present to the NBC S151 officer for sign-off	31st October 2016	LGSS Internal Audit have confirmed as part of their proposed audit work for 2016/17 to undertake high level control testing for the three revenues systems. Part of the audit report to the November Audit Committee		Completed
	LGSS Accountant (Housing)	Review and improve existing reconciliation process.	31st October 2016	LGSS Finance have reviewed the process, and have incorporated an improvement to the year end working papers to ensure correct year end balances included. This has been done using an additional control check box on the reconciliation spreadsheet		Completed
<p>The Authority should ensure it strengthens its year end cut-off procedures and that controls are sufficiently-robust to ensure correct procedure is followed. The Authority may wish to consider the impact on raising its de minimis level to reduce the manual input required in this process. A review of cut-off is particularly important given the move to a shorter timetable for the accounts process from 2017/18, and the reduced time to produce the financial statements.</p>	LGSS Group Accountant (Integrated Closedown Team)	Undertake a review of de-minimis level and if required amend closedown procedures/guidelines accordingly, communicate to NBC budget managers and liaise with external auditors	30th November 2016 (review), 31st December 2016 (refresh procedures & liaise with external auditors) and 31st January 2017 (communicate to NBC budget managers with closedown guidance) timetable)	Neighbouring district authorities within the County all had accrual levels of £5,000 or above. Following this a comparison of these against the council's accounts has been undertaken (initial data produced 24.11.16, being further reviewed). KPMG have advised that this is a S151 officer/Council decision and Audit Committee approval will be requested in March 2017 alongside other proposed changes to the accounts and policies to comply with the 2016/17 accounting code of practice.		Outstanding
The Authority should review all information provided to the pensions authority on a monthly basis. This should be evidenced via sign-off by a senior individual.	LGSS Strategic Finance Manager	Ensure more a complete reconciliation is done which is then signed off by an appropriate senior manager	30th November 2016	Confirmation from payroll manager and pensions teams that monthly reconciliations being done between payroll reports and transfers to the pension authority, and signed off by the payroll service manager. Where differences are identified these are corrected in the following month		Completed

ISA260 Management Action Plan Progress Tracker

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Outstanding / Completed
The Authority should investigate instances of data quality issues. In addition, the Authority should investigate all incidences of salary payments to staff after the end dates.	LGSS Payroll Manager	Review findings.	31st August 2016	Management have reviewed the findings and whilst there are no significant issues, processes have already been updated during 2015/16 to address issues around national insurance numbers		Completed
	LGSS Payroll Manager	Implement quarterly review of payroll data quality to ensure system information is maintained to an appropriate level of quality.	31st October and on going	Review undertaken and confirmed in December 2016 by Payroll Manager on NI numbers using the government gateway with reports also being reviewed on address info. The task will be passed to the new NBC payroll team from January 2017 as part of the handover		Completed
The Authority should continue to use its own historical data to inform and refine its estimate of its share of liability arising from successful appeals. Notwithstanding whether the Authority decides it should change its provision based on this information, sufficient and appropriate audit evidence should be maintained and provided to evidence the decision process undertaken, as well as management review and sign-off of the final position. The Authority should provide appropriate and sufficient narrative explanations with regards to why the Authority believes that the approach taken is the most appropriate or prudent, especially when there are valuation differences between methodologies.	LGSS Strategic Finance Manager	Ensure that a clear audit trail is maintained to evidence the methodology and approach undertaken to arrive at the appeals provision, and justify this in line with the code (this will form part of the working papers to produce the year end accounts)	30th April 2017	Finance and Revenues staff have been reviewing the appeals data during November/December 2016 to improve estimation methodology. Planned 1st review by the CFO during January 2017 prior to further work		Outstanding
	LGSS Strategic Finance Manager	Engage external support to provide validation of the authority's methodology and approach in estimating its appeals provision	31st December 2016 30th April 2017	Initial external advice has been sought to help inform the methodology of calculation, and following review by the CFO in January further specific external advice may be required		Outstanding

ISA260 Management Action Plan Progress Tracker

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Outstanding / Completed
	LGSS Strategic Finance Manager	Compare and contrast the approach to appeal provisions with other councils to inform best practice	31st December and ongoing	Initial discussions have taken place at the Northamptonshire Chief Finance Officer and Chief Accountant meetings. All agreed to share approaches. Sharing of approaches has also been undertaken between LGSS councils. This will be information will be reviewed as part of any revised approach		Outstanding

On track for delivery, substantial progress already made
On track for delivery, some progress made
Concerns on delivery

<p>Appendices</p> <p>1</p>



AUDIT COMMITTEE REPORT

Report Title	TREASURY MANAGEMENT MID YEAR REPORT 2016-17
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	16 January 2017
Policy Document:	No
Directorate:	LGSS
Accountable Cabinet Member:	Brandon Eldred

1. Purpose

- 1.1 To put the Treasury Management Mid-Year Report for 2016-17 before Audit Committee for scrutiny.
- 1.2 To advise Audit Committee of plans for treasury management training for members to be delivered in the new financial year

2. Recommendations

- 2.1 That Audit Committee reviews the Treasury Management Mid-Year Report for 2016-17 and makes comments or recommendations as they think appropriate.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The CIPFA Treasury Management Code of Practice requires the Council to nominate the body (such as an audit or scrutiny committee) responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices. The Audit Committee has been nominated for this role, which includes the review of all treasury management policies and procedures, the

review of all treasury management reports to Cabinet and Council, and for making recommendations to Council.

3.2 Issues

Treasury Management Mid-Year Report 2016-17

3.2.1 The Council's Treasury Management Mid-Year Report for 2016-17 is attached at Appendix 1. This report was presented to Cabinet on 11 January 2017 and will be presented a Council on 23 January 2017.

3.2.2 Audit Committee are asked to review the report and to make comments or recommendations as they think appropriate.

Treasury Management Training for Members

3.2.3 The Council's agreed Treasury Management Practices (TMPs) state that

"The responsible officer will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively."

3.2.4 A training session for Members was delivered by the Council's treasury management advisers, Capita, in October 2016.

3.2.5

3.3 Choices (Options)

3.3.1 Audit Committee have the option to comment on the areas considered in the report and to make recommendations to Officers and to Cabinet and Council.

4. Implications (including financial implications)

4.1 Policy

4.1.1 See attached Cabinet report.

4.2 Resources and Risk

4.2.1 See attached Cabinet report.

4.3 Legal

4.3.1 See attached Cabinet report.

Equality

4.4.1 See attached Cabinet report.

4.5 Consultees (Internal and External)

4.5.1 See attached Cabinet report.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 See attached Cabinet report.

4.7 Other Implications

4.7.1 No other implications have been identified

5. Background Papers

None

Report Author: Mike Batty, Group Accountant (Treasury) – LGSS
Tel: 01604 367858



CABINET REPORT

Report Title	TREASURY MANAGEMENT OUTTURN 2015-16
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	7 September 2016
Key Decision:	NO
Within Policy:	YES
Policy Document:	NO
Directorate:	LGSS
Accountable Cabinet Member:	Brandon Eldred
Ward(s)	Not Applicable

1. Purpose

1.1 To inform Cabinet of the Council's performance in relation to its borrowing and investment strategy for 2015-16, and provide an update of the same in respect of the first quarter of 2016-17.

2. Recommendations

2.1 That Cabinet recommend to Council that they note the Council's treasury management performance for 2015-16 (outturn), and treasury management data for quarter 1 of 2016-17.

3. Issues and Choices

3.1 Report Background

CIPFA Code of Practice on Treasury Management in the Public Services

3.1.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (“the Treasury Management Code of Practice”).

3.2 Issues

Summary of Key Headlines

3.2.1 The main headlines for the period are as follows:

- The Council continued to make use of internal borrowing to fund its capital expenditure programme, generating savings in the revenue budget. This benefits the Council’s revenue budget position as the costs of external borrowing are avoided, at least until such time as the Council’s cash position or interest rate conditions change and there are drivers to go to the external market. See paragraph 3.2.16 to 3.2.21
- Loans to the value of £46m were made to the University of Northampton in March 2016 to facilitate the construction of a new waterside campus. The loans were funded by PWLB borrowing of £46m at a special ‘project rate’ applied for by SEMLEP. See paragraphs 3.2.9 and 3.2.46
- In house investment returns received on cash balances compared favourably to the benchmarks. A return of 0.77% was achieved compared to the average 7 day LIBID benchmark of 0.36%. In respect of local authority benchmarks the NBC performance has been above the comparator group averages throughout the year. See paragraphs 3.2.27 to 3.2.34.
- The debt financing budget outturn was £624k under budget. This saving arose from a number of factors, including internal funding of borrowing requirements, higher cash balances and investment rates than budgeted and reduced Minimum Revenue Provision (MRP) requirements on borrowing to fund prior years’ capital programme expenditure. See paragraphs 3.2.47 to 3.2.48
- The Council has operated throughout the year within the Treasury and Prudential Indicators set out in the Council’s Treasury Management Strategy Statement (TMSS) and in compliance with the Council’s Treasury Management Practices. See paragraphs 3.2.49 to 3.2.51
- The borrowing position at the end of quarter 1 2016-17 has reduced by £225k due loan repayments and capitalisation of interest on government borrowing, and movements in temporary borrowing. See paragraph 3.2.22

- Investment balances during quarter 1 2016-17 averaged £73m, with a weighted average rate of interest of 0.84%. See paragraph 3.2.35 to 3.2.37

The Economic Environment

3.2.2 A detailed commentary for the quarter ending 30 June 2016 is provided in **Appendix 1** to advise Members of the latest economic position. This information has been provided by Capita Asset Services – Treasury Solutions (CAS Treasury Solutions), the Council’s treasury management advisors.

3.2.3 The key UK economic messages are as follows:

- The growth rate in 2015 and the first quarter of 2016 was disappointing compared with the two previous years;
- The Governor of the Bank of England, Mark Carney, has warned that the vote for Brexit is anticipated to cause a slowing in growth, and the Monetary Policy Committee (MPC), are likely to cut the bank rate and would consider doing further quantitative easing purchasing of gilts in order to support growth;
- Sterling has fallen against the Euro by 14% from its peak in November 2015;
- The government target of achieving a UK budget surplus by 2020 has been eased;
- The May Bank of England Inflation Report forecasts inflation barely getting back up to the 2% target within the 2-3 year time horizon. However beyond that period there is likely to be an acceleration in the pace of increase in inflation

Risk implications of decisions taken and transactions executed

3.2.4 The Treasury Management Code of Practice identifies eight main treasury management risks. Definitions of these are included in the Council’s Treasury Management Practices (TMPs) for 2015-16. The management of these risks during 2015-16 is covered in the following paragraphs.

- a) Credit and counterparty risk – This continued to be an area of considerable risk for all local authority investors, given the prevailing uncertain economic and banking environment. The Council managed this risk extremely closely during the year through strict adherence to its treasury management policies and practices and a tightly controlled counterparty list that took into account a range of relevant factors including sovereign rating, credit ratings, inclusion in the UK banking system support package and credit default swap spreads. The advice of the Council’s treasury management advisors was also an underlying feature. None of the Council’s counterparties failed to meet the contractual obligations of their treasury transactions with the Council during 2015-16.
- b) Liquidity risk – This was managed effectively during 2015-16 through proactive management of the Council’s cashflow, including the choice of suitable investment values and maturity dates and the maintenance of sufficient levels of liquid cash in money market funds and deposit

accounts. The Council also maintained access to temporary borrowing facilities, and overnight loans from Northamptonshire County Council (NCC) were arranged on three occasions in the final quarter of the year to meet the Council's liquidity requirements.

- c) Interest rate risk - The Council's upper limits for fixed and variable interest rate exposures in respect of investments, borrowing and net external debt are managed as treasury indicators. These are reported at **Appendix 2**. The indicators were not breached during 2015-16.
- d) Exchange rate risk - The Council has a policy of only entering into loans and investments that are settled in £ sterling, and has no treasury management exposure to this category of risk.
- e) Refinancing risk – The Council did not refinance any of its debt during 2015-16 and was therefore not exposed to this category of risk during the year.
- f) Legal and regulatory risk - The Council carried out its treasury management activities for 2015-16 within the current legal and regulatory framework. LGSS officers responsible for strategic and operational treasury management decisions are required to keep abreast of new legislation and regulations impacting on the treasury management function, and have applied any changes as necessary. Legal and regulatory risks associated with other organisations with which the Council deals in its treasury management activities have been managed through counterparty risk management policies.
- g) Fraud, error and corruption and contingency management – LGSS officers involved in treasury management are explicitly required to follow treasury management policies and procedures when making investment and borrowing decisions on behalf of the Council. All treasury activities must be carried out in strict accordance with the agreed systems and procedures in order to prevent opportunities for fraud, error and corruption. The measures in place to ensure this include a scheme of delegation and segregation of duties, internal audit of the treasury function, detailed procedure notes for dealing and other treasury functions, and emergency and contingency planning arrangements (including a business continuity plan for treasury management).
- h) Market risk – Investments that may be subject to fluctuations in market value in some circumstances include certificates of deposit, gilts, bonds and money market funds.

The Council has deposits placed in money market funds whereby the underlying assets of the fund are subject to capital fluctuations as a result of interest rate risk and credit risk. However the structure of the AAA rated funds minimises the movement of capital value due to the restrictions laid down by the credit rating agencies. The Council did not experience any fluctuations in the capital value of its money market funds in 2015-16.

The Council purchased Certificates of Deposit (CDs) in 2015-16. In the main these were held to maturity and were not therefore subject to

movement in capital value. Three CDs were sold prior to maturity and a capital gain was realised.

The Council did not invest in gilts or bonds during 2015-16.

Summary Portfolio Position

3.2.5 A snapshot of the Council's debt and investment position is shown in the table below:

	Actual as at 31 March 2015		TMSS 2015-16		Actual at 31 March 2016		Actual at 30 June 2016	
			31 March 16 Forecast (as agreed by Council Feb 2015)					
	£m	Rate %	£m	Rate %	£m	Rate %	£m	Rate %
Borrowing								
HRA	193.0	3.29%	193.0	3.29%	193.0	3.29%	193.0	3.29%
GF	15.1	3.22%	20.7	3.51%	23.2	2.94%	23.0	2.72%
GF - Third Party Loans	15.5	3.14%	15.3	3.13%	51.1	2.16%	51.1	2.16%
Total Borrowing	223.6	3.28%	229.0	3.30%	267.3	3.04%	267.1	3.05%
Investments	64.3	0.73%	27.0	0.70%	65.9	0.90%	69.2	0.84%
Total Net Debt / Borrowing	159.3		202.0		201.4		197.8	
Third party loans	16.9		15.30		52.38	2.28%	52.29	2.28%

Note – TMSS 2015-16 Third Party Loan figures exclude the loan to the University of Northampton, which at the time was planned but not budgeted (net nil budgetary effect)

3.2.6 Further analysis of borrowing and investments is covered in the following two sections.

Borrowing

3.2.7 The Council can take out loans in order to fund spending for its capital programme for the benefit of Northampton. The amount of new borrowing needed each year is determined by capital expenditure plans and projections of the Capital Financing Requirement (CFR), forecast reserves and current and projected economic conditions.

New loans and repayment of loans:

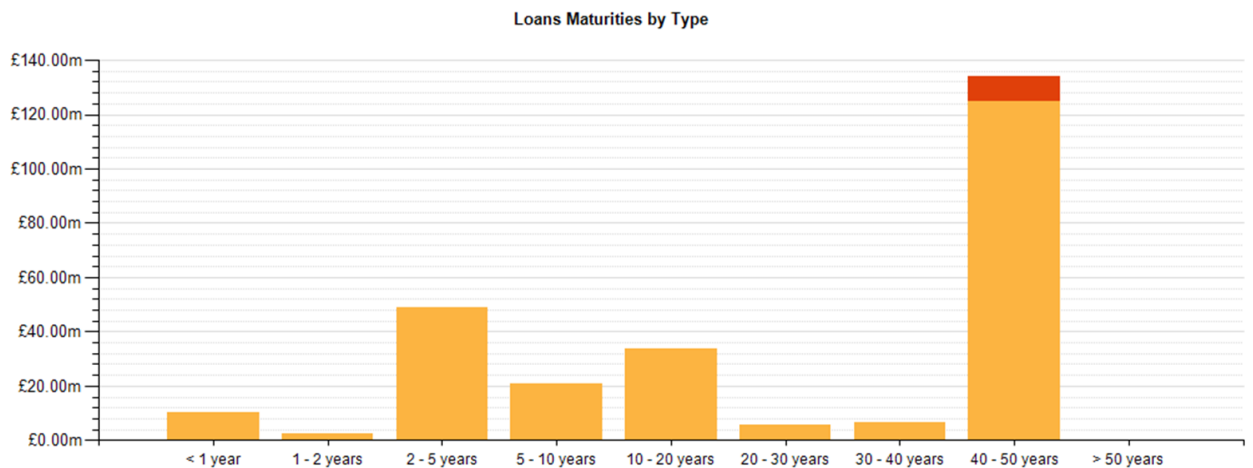
3.2.8 The table below shows the details of new long term loans raised and loans repaid during 2015-16. All borrowing movements shown relate to the General Fund.

Lender	Loan Type	Start Date	Maturity Date	£m	Interest Rate %	Duration (yrs)	Comments
Raised							
Public Works Loan Board	Maturity	10/03/2016	20/03/2021	28.50	1.38	5	To fund third party loan
Public Works Loan Board	Annuity	10/03/2016	10/03/2056	17.50	3.82	40	To fund third party loan
Repaid							
Public Works Loan Board	Maturity	12/01/2010	12/01/2016	2.02	3.47	6	Repayment on maturity
Public Works Loan Board	EIP	22/01/2014	22/01/2039	0.05	3.97	25	Repayment of annual EIP amount re borrowing to fund third party loan
Public Works Loan Board	EIP	22/01/2014	22/01/2039	0.05	3.97	25	
Public Works Loan Board	EIP	22/01/2014	22/01/2039	0.05	3.97	25	
Public Works Loan Board	EIP	22/01/2014	22/01/2039	0.05	3.97	25	
Public Works Loan Board	EIP	22/01/2014	22/01/2039	0.07	3.97	25	
Public Works Loan Board	Annuity	22/07/2014	22/07/2039	0.04	3.82	25	Repayment of annual annuity amount
Homes & Communities Agency	Annuity	01/04/1985	01/10/2033	0.02	9.25	49	

3.2.9 Loans totalling £46m were raised in 2015-16 and relate to PWLB borrowing at the project rate to fund loans to the University of Northampton to support the creation of a waterside campus. Loans repaid include a £2m PWLB maturity loan in January 2016, and annual amounts on EIP and annuity loans.

Profile of borrowing:

3.2.10 The following graph and table show the maturity profile of the Council's loans, including borrowing to fund loans to third parties.



Year Ended	Fixed	LOBO Vanilla	Total
< 1 year	£10.088m		£10.088m
1 - 2 years	£2.496m		£2.496m
2 - 5 years	£49.039m		£49.039m
5 - 10 years	£20.753m		£20.753m
10 - 20 years	£33.513m		£33.513m
20 - 30 years	£5.715m		£5.715m
30 - 40 years	£6.416m		£6.416m
40 - 50 years	£125.000m	£9.000m	£134.000m
> 50 years			£0.000m
Grand Total	£253.020m	£9.000m	£262.020m

3.2.11 The graph is dominated by maturities in the 40-50 year period, made up of a 50 year loan of £125m taken out in March 2012 as part of the HRA self-financing and a LOBO loan of £9m assigned to the HRA (represented in red on the graph) maturing in 2066.

3.2.12 The presentation differs from that in the treasury indicator for maturity structure of borrowing at Appendix 2 in that:

- a) The graph above includes borrowing to fund loans to third parties; and
- b) The Council's remaining LOBO loan is included at final maturity rather than the next call date. In the current low interest rate environment the likelihood of the interest rates on this loan being raised and the loan requiring repayment at the break period is extremely low;

3.2.13 All the Council's borrowing is at a fixed interest rate which limits the Council's exposure to interest rate fluctuations.

Loan restructuring

3.2.14 When market conditions are favourable long term loans can be restructured to:

- generate cash savings,
- reduce the average interest rate,
- enhance the balance of the portfolio by amending the maturity profile and/or the level of volatility. (Volatility is determined by the fixed/variable interest rate mix.)

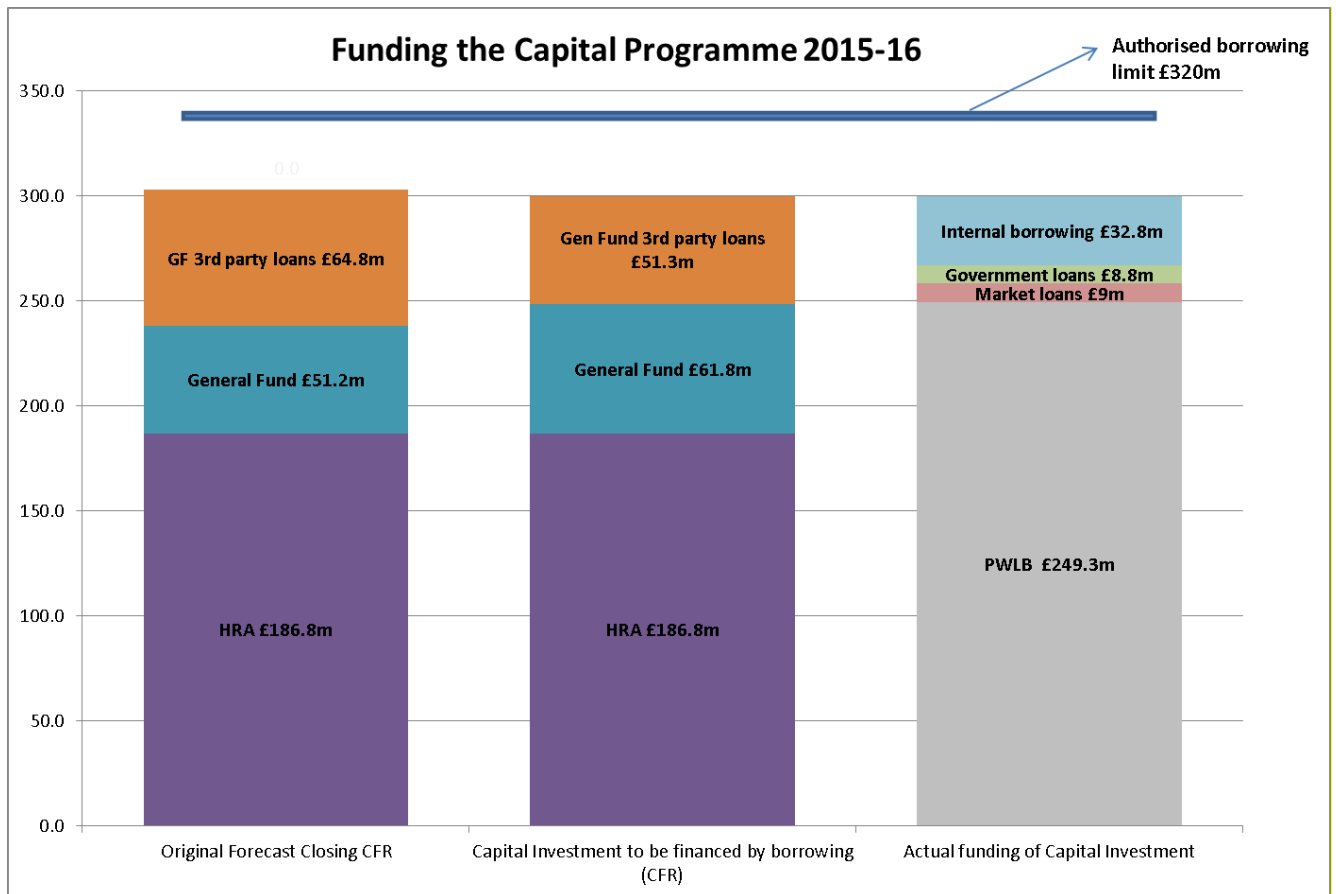
3.2.15 During 2015-16 there were no opportunities for the Council to restructure its borrowing due to the position of the Council's debt portfolio compared to market conditions. Further debt rescheduling will be considered subject to conditions being favourable but it is unlikely that opportunities will present themselves in the near future. The position will be kept under review, and

when opportunities for savings do arise, debt rescheduling will be undertaken to meet business needs.

Funding the Capital Programme

3.2.16 The Treasury Management Strategy Statement (TMSS) sets out the plan for treasury management activities over the next year. It identifies where the authority expects to be in terms of borrowing and investment levels. When the 2015-16 TMSS was set, it was anticipated that the Capital Financing Requirement (CFR), the Council’s liability for financing the agreed Capital Programme (including loans to third parties), would be £256.2m. This figure is naturally subject to change as a result of changes to the approved capital programme and carry forwards that might occur.

3.2.17 The graph below compares the maximum the Council could borrow in 2015-16 with the forecast CFR at 31 March 2016 and the actual position of how this was financed as at 31 March 2016.



3.2.18 The graph shows the Council’s estimated CFR at budget build and actual CFR at year end split between HRA, General Fund and GF borrowing to fund loans to third parties.

3.2.19 Council’s current capital investment financed via borrowing as at 31 March 2016 was £20.1m below the Authorised Borrowing Limit set for by Council at the start of the year.

3.2.20 The Council continued to make use of internal borrowing to fund its capital expenditure programme, generating savings in the revenue budget. Internal borrowing is the use of the Council's surplus cash to finance the borrowing liability instead of borrowing externally. This benefits the Council's revenue budget position as the costs of external borrowing are avoided, at least until such time as the Council's cash position or interest rate conditions change and there are drivers to go to the external market.

3.2.21 The graph shows how the Council is currently financing its borrowing requirement. As at 31 March the Council was using £32.8m of internal borrowing to finance capital investment. The strategy of internally borrowing, by carefully managing the Council's balance sheet, is currently the most appropriate strategy which enables savings to be generated and reduces the level of cash invested and credit risk associated with investing.

Quarter 1 2016-17

3.2.22 The borrowing position at the end of quarter 1 2016-17 has reduced by £225k. Movements in the period include loan repayments on Growing Places Fund loans, capitalisation of interest on Local Infrastructure Fund loans and movements in balances deposited with NBC by local organisations under long standing arrangements.

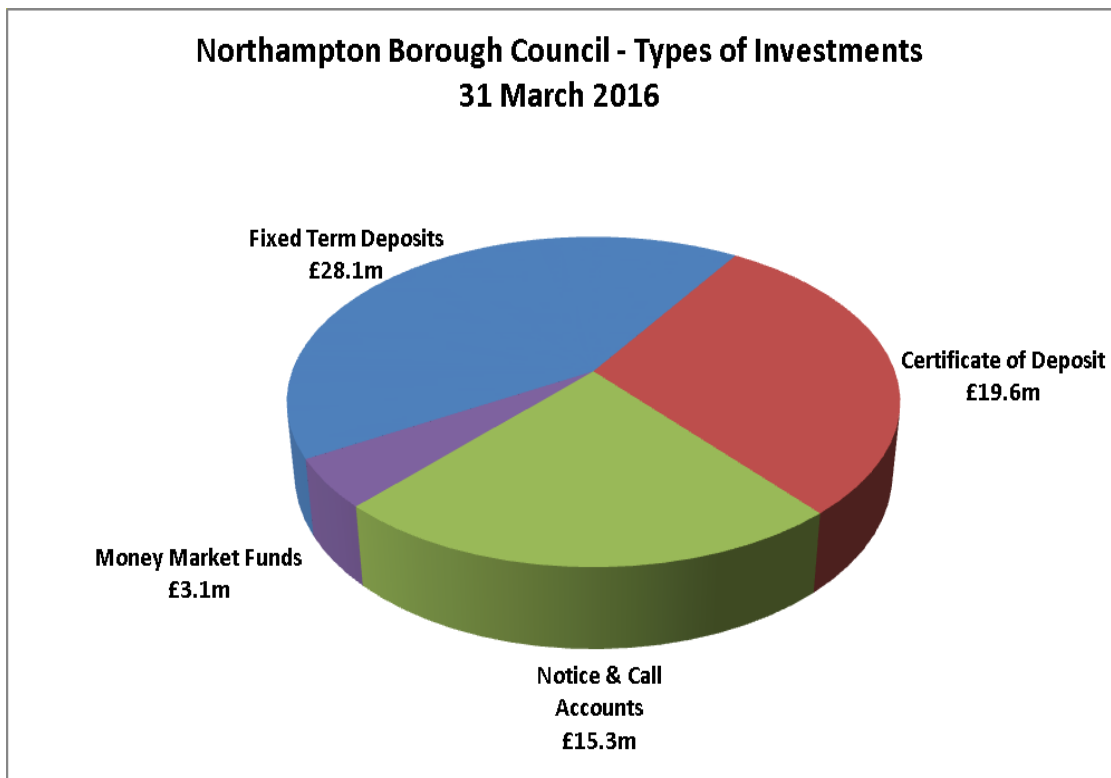
Investments

3.2.23 Investment activity is carried out within the Council's counterparty policies and criteria, and with a clear strategy of risk management in line with the Council's treasury strategy for 2015-16. This ensures that the principle of considering security, liquidity and yield, in that order (SLY), is consistently applied. The Council will therefore aim to achieve the optimum return on investments commensurate with proper levels of security and liquidity. Any variations to agreed policies and practices are reported to Cabinet and Council

3.2.24 The strategy currently employed by the Council of internal borrowing also has the effect of limiting the Council's investment exposure to the financial markets, thereby reducing credit risk.

3.2.25 The Council's investment portfolio as at 31 March 2016 is attached at **Appendix 3**. As at 31 March the level of investment totalled £65.9m. This excludes loans to third parties, which are classed as long term debtors. The level of cash available for investment is as a result of reserves, balances and working capital the Council holds. These funds can be invested in money market deposits, placed in funds or used to reduce external borrowings.

3.2.26 A breakdown of investments as at 31 March by type is shown in the graph below. The majority of investments are fixed term deposits with banks for periods up to one year. Investments are made within the boundaries of the Investment Strategy and credit worthiness criteria. The weighted average time to maturity is 131 days.



Investment Performance

3.2.27 The Council's average rate of return on investments in 2015-16 was 0.77%. Performance above the 7 day LIBID (London Interbank Bid Rate) of 0.36% averaged 0.41% against a target of 0.29%. The average differential to 7 day LIBID represents an uplift of £4,100 per £1m invested.

3.2.28 The ability to meet the 7 day LIBID performance target is reliant on the market providing financial products with suitable rates that also comply with the risk requirements set out within the Council's Treasury Management Strategy.

3.2.29 The Council has benchmarked its investment performance against other local authorities, using the Capita Investment Benchmarking Forum, which provides quarterly benchmarking data on investment returns, on a snapshot basis. The following table sets out the Council's performance compared with other local authorities during 2015-16 using this indicator.

Average Investment Returns 2015-16				
Benchmarking Forum Classification	30 June 2015	30 Sept 2015	31 Dec 2015	31 March 2016
Northampton Borough Council	0.75%	0.75%	0.84%	0.90%
Benchmarking Group	0.68%	0.65%	0.71%	0.69%
Non Metropolitan Districts	0.68%	0.68%	0.69%	0.74%
Whole population	0.69%	0.68%	0.70%	0.74%

- 3.2.30 The circumstances and risk appetite of individual local authorities will be reflected in their returns. For example some local authorities will invest in non-rated building societies and consequently have access to higher rates, but with an increased level of risk; others will limit their investments to the least risky counterparties and investment types such as the DMO and/or government gilts, but with a commensurate reduction in returns. The aim is to optimise returns within the parameters of the Council's Treasury Strategy, which reflects its assessment of risk.
- 3.2.31 The NBC performance has been above all the comparator group averages throughout the year.
- 3.2.32 Data produced by CAS shows that, for the value of risk undertaken, the returns generated are above the Model Band. Using credit ratings, the investment portfolio's historic risk of default at 31 March stood at 0.022%. This provides a calculation of the possibility of average default against the historical default rates.
- 3.2.33 Money market funds have been used for liquidity requirements, and core cash has been locked out for periods of up to one year in fixed term investments, including certificates of deposit, at higher rates of interest. The Council has also made use of notice accounts (up to 180 days) offered by Santander at competitive rates.
- 3.2.34 Leaving market conditions to one side, the Council's return on investment is influenced by a number of factors, the largest contributors being the duration of investments and the credit quality of the institution or instrument. Credit risk is a measure of the likelihood of default and is controlled through the creditworthiness policy approved by Council. The duration of an investment introduces liquidity risk, the risk that funds can't be accessed when required, and interest rate risk, the risk that arises from fluctuating market interest rates. These factors and associated risks are actively managed by the LGSS Treasury team together with the Council's Treasury Advisors (CAS).
- 3.2.35 To ensure the Council is maximising the current opportunities contained in the Treasury Management Strategy it will continue to work with its external treasury management advisers to review the position, and if opportunities exist outside of the existing strategy, it will propose these to senior management and members for consideration.

Quarter 1 2016-17

- 3.2.36 Investment balances in quarter 1 of 2016-17 averaged £73m, with a weighted average rate of interest of 0.84%. Performance above the 7 day LIBID (London Interbank Bid Rate) of 0.36% averaged 0.48% against a target of 0.29%.
- 3.2.37 Following the Brexit vote, investment rates are falling and the MPC has cut the bank rate to 0.25%. It is too early to fully assess the Council's likely performance against benchmarks going forward following these changes in the interest rate environment. However the expectation is that the LIBID rate will drop and that the Council's investment performance will also gradually

move downwards as existing fixed term investments fall out and are replaced by new investments at lower rates. The gap between the average monthly investment performance compared to 7 day LIBID is expected to reduce as 2016-17 proceeds, with the greatest impact being seen in 2017-18.

3.2.38 At 30 June 2016 the Council's performance continues to compare well with other councils, with a portfolio weighted average rate of return of 0.84%, compared to 0.72% for the benchmarking population average (227 authorities).

Outlook

3.2.39 The Council's treasury advisor, Capita Asset Services, has provided the following forecast of interest rates:

	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.50%	0.50%	0.50%
5yr PWLB rate	1.00%	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%	1.20%	1.20%	1.20%	1.30%	1.30%
10yr PWLB rate	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.70%	1.80%	1.80%	1.80%	1.80%	1.90%
25yr PWLB rate	2.40%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%	2.50%	2.60%	2.60%	2.70%	2.70%
50yr PWLB rate	2.20%	2.20%	2.20%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%

3.2.40 Capita Asset Services undertook a quarterly review of its interest rate forecasts on 4 July 2016 after letting markets settle down somewhat after the Brexit result of the referendum on 23 June. It is generally agreed that this outcome will result in a slowing in growth in the second half of 2016 at a time when the Bank of England has only limited ammunition in its armoury to promote growth by using monetary policy. Capita therefore expect that Bank Rate will be cut by 0.25%, probably at the 14 July MPC meeting but possibly at its quarterly Inflation Report meeting on 4 August when it has a greater opportunity to report in depth on its research and findings. Bank Rate could even be cut to 0% or 0.10% over this period. Thereafter, Capita do not expect the MPC to take any further action on Bank Rate in 2016 or 2017 as they expect the pace of recovery of growth to be weak during a period of great uncertainty as to the final agreement between the UK and the EU on arrangements after Brexit. However, the MPC may also consider renewing a programme of quantitative easing; the prospect of further purchases of gilts in this way has already resulted in 10 year gilt yields falling below 1% for the first time ever. Capita do not expect Bank Rate to start rising until quarter 2 2018 and for further increases then to be at a slower pace than before. The Governor of the Bank of England, Mark Carney, has repeatedly stated that increases in Bank Rate will be slow and gradual after they do start. The MPC is concerned about the impact of increases on many heavily indebted consumers, especially when the growth in average disposable income is still weak and for some consumers, who have had no increases in pay, could be non-existent (other than through some falls in prices).

3.2.41 From a strategic perspective, the Council is continually reviewing options as to the timing of any potential borrowing and also the alternative approaches around further utilising cash balances and undertaking shorter term borrowing which could potentially generate savings subject to an assessment of the interest rate risks involved. Cash flows this year have been sufficiently robust for the Council to use its balance sheet strength and avoid taking on new borrowing.

Third Party Loans

3.2.42 The Council has made a number of loans to third parties, and details are set out in the following paragraphs

3.2.43 Cosworth - A loan of £1.4m was made to Cosworth in 2014-15 to fund the acquisition of machinery at their new factory in the Enterprise Zone. Repayments of principal are on an EIP basis, with the final payment due on 1 January 2019.

3.2.44 Northampton Town Football Club – Loans were made to Northampton Town Football Club during 2013-14 and 2014-15 to improve stadium facilities at Sixfields (£9m) and to develop a hotel at Sixfields (£1.25m). These were funded by PWLB borrowing. However, following failure by NTFC to pay due payments on the loan interest between May and September 2015, NBC made the decision to protect the public purse and exercised its rights under the loan agreement requiring immediate repayment of the remaining £10.22m of loans in totality (consisting of the original loan of £10.25m less repayments that had been made). When this did not materialise, the Council took action to formally cancel the loan agreements. In November 2015, new owners purchased NTFC. In order for NBC to recover the full £10.22m from the previous owners, the Council agreed to assign the £10.22m loan debt from NTFC back to NBC. The loan has been fully impaired in NBC's accounts for 2015-16.

3.2.45 Northampton Town Rugby Football Club – Loans totalling £5.5m were made to the Rugby Club during 2013-14. The loan arrangements are in the form of 25 year EIP loans. Funding for the loans was through PWLB borrowing.

3.2.46 Unity Leisure – A 5 year loan of £300k was made to Northampton Leisure Trust on 10 July 2015 to facilitate the purchase a soft play facility in Northampton. Repayments of principal are on an EIP basis.

3.2.47 University of Northampton –The Council worked with the South East Midlands Local Enterprise Partnership (SEMLEP) to secure the LEP project rate from PWLB for a loan facility of £46 million to support the creation of a waterside campus. The loan, which is guaranteed by HM Treasury, was drawn down by the UoN in two tranches on 10 March 2016, comprising a £28.5m 5 year maturity loan and a £17.5m 40 year annuity loan. Northamptonshire County Council, working with the Northamptonshire Enterprise Partnership (NEP) have provided a further £14m of loan funding for the same project.

Debt Financing Budget

3.2.48 The table below shows the budget, outturn and variance for the Council's General Fund debt and investment portfolio in 2015-16. This demonstrates the revenue (current) effects of the treasury transactions executed.

	Budget	Outturn	Variance
	£000	£000	£000
Interest payable	1,225	1,032	(193)
Interest receivable	(709)	(1,155)	(446)
Soft Loan Accounting Adjustments	925	925	0
MRP	1,468	1,262	(206)
Recharges from/(to) HRA – interest on balances	102	323	221
Total	3,011	2,387	(624)

3.2.49 The main reasons for the variances were as follows:

- Interest payable – budgeted new and replacement borrowing was funded internally from cash balances creating a saving.
- Interest receivable – cash balances and interest rates were both higher than budgeted.
- Third party loans – Included in the interest payable and receivable variances are loss of interest receivable from the cancellation of the NTFC loan agreement and additional unbudgeted net interest receipts on third party loans after allowing for PWLB borrowing costs.
- MRP – there was a lower level of funding by borrowing in 2014-15 than budgeted due to carry forwards in the capital programme. This was partially offset by budget adjustments relating to self-funded borrowing. Further savings arose from the refinancing of previous years capital expenditure, with borrowing repaid on short life assets
- HRA recharges - cash balances and interest rates achieved were both higher than budgeted.

Compliance with Treasury Limits and Prudential Indicators

3.2.50 With effect from 1st April 2004 The Prudential Code became statute as part of the Local Government Act 2003 and was revised in 2011.

3.2.51 The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable. To ensure compliance with this the Council is required to set and monitor a number of Prudential Indicators.

3.2.52 During the financial year 2015-16 the Council operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management

Strategy Statement (TMSS) and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in **Appendix 2**.

Bank Contract

3.2.53 The Council has tendered for a new bank contract with effect from 1 October 2016. The contract was awarded to Barclays Bank and work is underway to deliver the work required to change to the new provider. There will be a transitional period of dual running with both HSBC and Barclays until all transactions are moved to the new accounts, but this will be kept to a minimum

3.3 Choices (Options)

3.3.1 This report is provided for information only.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The Council is required to adopt the latest CIPFA Treasury Management Code of Practice, and to set and agree a number of policy and strategy documents. These policy documents are reported to Cabinet and Council as part of the budget setting process. The Council's Treasury Strategy for 2015-16 was approved by Council on 23 February 2015.

4.1.2 This report complies with the requirement to submit an annual treasury management review report to Council.

4.3.2 The CIPFA Treasury Management Code of Practice requires the Council to nominate the body (such as an audit or scrutiny committee) responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices. The Audit Committee has been nominated for this role, which includes the review of all treasury management policies and procedures, the review of all treasury management reports to Cabinet and Council, and for making recommendations to Council.

4.2 Resources and Risk

4.2.1 The resources required for the Council's debt management and debt financing budgets are agreed annually through the Council's budget setting process. The debt financing budget outturn position is shown at paragraphs 3.2.47 to 3.2.48.

4.2.2 The risk management of the treasury function is specifically covered in the Council's Treasury Management Practices (TMPs), which are reviewed annually. Treasury risk management forms an integral part of day-to-day treasury activities.

4.2.3 The risk implications of decisions taken and transactions executed during 2014-15 financial year are discussed in the body of the report at paragraph 3.2.4.

4.3 Legal

4.3.1 The Council is obliged to carry out its treasury management activities in line with statutory requirements and associated regulations and professional guidance.

4.4 Equality and Health

4.4.1 An Equalities Impact Assessment was carried out on the Council's Treasury Strategy for 2015-16, and the associated Treasury Management Practices (TMPs) and the Schedules to the TMPs. The EIA assessment is that a full impact assessment is not necessary, as no direct or indirect relevance to equality and diversity duties has been identified

4.5 Consultees (Internal and External)

4.5.1 Consultation on treasury management matters is undertaken as appropriate with the Council's treasury advisors, Capita Asset Services, and with the Portfolio holder for Finance.

4.5.2 Under the regulatory requirements, the Audit Committee has been nominated by Council as the body responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices. This role includes the review of all treasury management policies and procedures, the review of all treasury management reports to Cabinet and Council, and the making of recommendations to Council. This report will be presented to Audit Committee at their meeting of 14 November 2016.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes ("the Treasury Management Code of Practice").

4.6.2 Under the umbrella of the Treasury Management Code of Practice, the Council's Treasury Management Policy Statement "...acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management."

4.6.3 This supports the Council's priority of **Working Hard and Spending your Money Wisely**.

4.7 Other Implications

4.7.1 No other implications have been identified.

5. Background Papers

None

Glenn Hammons, Chief Finance Officer 0300 330 7000

Economic Update (provided by CAS Treasury Solutions)

Quarter Ended 30th June 2016

1. UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country. However, the 2015 growth rate finally came in at a disappointing 1.8% so this shows that growth had slowed down, though it still remained one of the leading rates among the G7 countries. Growth improved in quarter 4 of 2015 from +0.4% to 0.7% but fell back again to +0.4% (2.0% y/y) in quarter 1 of 2016. During most of 2015, the economy had faced headwinds for exporters from the appreciation during the year of sterling against the Euro, and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme and uncertainty created by the Brexit referendum. However, since the peak in November 2015, sterling has fallen against the Euro by 14% which will help to make British goods and services much more competitive and will increase the value of overseas earnings by multinational companies based in the UK. In addition, the Chancellor has announced that the target of achieving a budget surplus in 2020 will have to be eased in order to help the economy recover from the expected slowing of growth during the second half of 2016.
2. The Bank of England May Inflation Report included a forecast for growth for 2016 of 2.0% and 2.3% for 2017 on the assumption that the referendum result was a vote to remain. The Governor of the Bank of England, Mark Carney, warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. In his 30 June and 1 July speeches, Carney indicated that the Monetary Policy Committee (MPC), would be likely to cut Bank Rate and would consider doing further quantitative easing purchasing of gilts, in order to support growth. However, he did also warn that the Bank cannot do all the heavy lifting and suggested that the Government will need to help growth by increasing investment expenditure and possibly by using fiscal policy tools (taxation).
3. The May Bank of England Inflation Report forecast was notably subdued with inflation barely getting back up to the 2% target within the 2-3 year time horizon. However, the falls in the price of oil and food twelve months ago will be falling out of the calculation of CPI during 2016 and in addition, the recent 10% fall in the value of sterling is likely to result in a 3% increase in CPI over a time period of 3-4 years. There is therefore likely to

be an acceleration in the pace of increase in inflation which could make life interesting for an MPC which wants to help promote growth in the economy by keeping Bank Rate low.

4. The American economy had a patchy 2015 – quarter 1 0.6% (annualised), 3.9% in quarter 2, 2.0% in quarter 3 and 1.4% in quarter 4, leaving growth in 2015 as a whole at 2.4%. Quarter 1 of 2016 came in at +1.1% but forward indicators are pointing towards a pickup in growth in the rest of 2016. The Fed embarked on its long anticipated first increase in rates at its December meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene and then the Brexit vote, has caused a re-emergence of caution over the timing and pace of further increases. It is likely there will now be only one more increase in 2016.
5. In the Eurozone, the ECB commenced in March 2015 its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month; this was intended to run initially to September 2016. In response to a continuation of weak growth, at the ECB's December meeting, this programme was extended to March 2017 but was not increased in terms of the amount of monthly purchases. At its December and March meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. This programme of monetary easing has had a limited positive effect in helping a recovery in consumer and business confidence and a start to some improvement in economic growth. GDP growth rose by 0.6% in quarter 1 2016 (1.7% y/y) and is expected to continue growing but at only a modest pace. The ECB is also struggling to get inflation up from near zero towards its target of 2%.

Prudential & Treasury Indicators – 2015-16 Outturn Position

Background and Definitions

For the background, definitions and risk analysis for the prudential and treasury indicators for 2015-16, please see the Treasury Management Strategy 2015-16 report to Council 23 February 2015.

Prudential Indicators

Affordability

a) Estimate of the ratio of financing costs to net revenue stream

Ratio of financing costs to net revenue stream		
	2015-16	2015-16
	Estimate	Actual
	%	31 March 2016
		%
General Fund	7.04%	9.43%
HRA	35.94%	34.50%

Actual financing costs on the General Fund were lower than budgeted. There was an underspend of £624k on the debt financing budget, the reasons for which are set out in the main body of the report.

Actual financing costs on the HRA were in line with the budget, other than depreciation charges, which were lower than anticipated, and interest on cash balances, which were higher than budgeted.

b) Estimate of the incremental impact of capital investment decisions on the council tax

<i>Estimates of incremental impact of new capital investment decisions on the Council Tax</i>	
	2015-16
	Estimate
	£.p
General Fund	0.47

This indicator is set before the start of the financial year, in the context of the budget setting process, which feeds into the setting of Council Tax and Housing Rents. As these are set and fixed for the financial year ahead, any capital investment decisions made during the year cannot impact on the existing Council Tax and Housing rent levels. This means that new capital investment plans approved during the year must be funded externally or from within existing resources.

c) Estimate of the incremental impact of capital investment decisions on the housing rents

Estimates of incremental impact of new capital investment decisions on weekly housing rents	
	2015-16
	Estimate £.p
HRA	20.10

This indicator is set before the start of the financial year, in the context of the budget setting process, which feeds into the setting of Council Tax and Housing Rents. As these are set and fixed for the financial year ahead, any capital investment decisions made during the year cannot impact on the existing Council Tax and Housing rent levels. This means that new capital investment plans approved during the year must be funded externally or from within existing resources.

Prudence

d) Net borrowing and the capital financing requirement (CFR)

Gross external debt less than CFR					
	Excluding third party loans			Including third party loans	
	2015-16 Budgeted	2015-16 Actual 31 March 2016		2015-16 Budgeted	2015-16 Actual 31 March 2016
	£000	£000		£000	£000
Gross external debt at 31 March 2016	206,850	216,593		222,396	267,653
2014-15 Closing CFR	236,473	235,714		253,738	251,229
Changes to CFR:					
2015-16	1,533	12,859		49,082	48,674
2016-17	910	11,738		657	11,458
2017-18	7,379	10,125		7,125	9,845
Adjusted CFR	246,295	270,436		310,602	321,206
Gross external debt less than adjusted CFR	Yes	Yes		Yes	Yes

This is the key indicator of prudence. It is intended to show that external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital requirement for the current and new two financial years.

The forward looking changes to CFR (2016-17 and 2017-18) are estimates that will be firmed up on an ongoing basis as new capital programme expenditure decisions are made and more accurate forecasts on existing schemes in the programme become available.

Gross external debt during the year, and at 31 March 2016, remained below the adjusted Capital Financing Requirement

Capital Expenditure

e) Estimate of capital expenditure

Capital Expenditure		
	2015-16	2015-16
	Estimate £000	Outturn £000
General Fund	13,187	12,655
HRA	26,593	33,693
Total	39,780	46,348
Loan to Third Parties	47,800	46,300
Total	87,580	92,648

In the General Fund and HRA the original capital programme expenditure estimate was increased by scheme carry forwards from 2015-16, and the addition of new schemes during the year, but then reduced at outturn by carry forwards to 2016-17.

Expenditure on loans to third parties was lower than budgeted due to the removal of planned loan tranches to Northampton Town Football Club from this category.

Full details of the 2015-16 capital programme outturn, variances and budget carry forwards to 2016-17 are set out in the Finance and Monitoring Outturn Report to Cabinet on 13 July 2016.

f) Estimates of capital financing requirement (CFR)

Capital Financing Requirement (Closing CFR)		
	2015-16	2015-16
	Estimate	31 March 2016
	£000	Actual
		£000
General Fund	51,203	61,770
HRA	186,803	186,803
Total	238,006	248,573
Loan to Third Parties	64,814	51,330
Total	302,820	299,903

The CFR can be understood as the Council's underlying need to borrow money long term for a capital purpose – that is, after allowing for capital funding from capital receipts, grants, third party contributions and revenue contributions. Changes to the CFR are linked directly to the use of borrowing to finance new capital expenditure (including finance leases), and to the repayment of debt through Minimum Revenue Provision (MRP).

The General Fund CFR at 31 March 2016 is higher than the estimate primarily due to existing borrowing for loans to Northampton Town Football Club being transferred to the Council's main GF loan portfolio.

The HRA CFR has remained unchanged as none of the HRA capital programme in 2015-16 was financed by borrowing.

The CFR related to loans to third parties has reduced due to the removal of loans (existing and planned) to Northampton Town Football Club from this category.

External Debt

g) Authorised limit for external debt

Authorised Limit for external debt		
	2015-16	2015-16
	Boundary	31 March 2016
	£000	Actual
		£000
Borrowing	315,000	267,304
Other long-term liabilities	5,000	348
TOTAL	320,000	267,652

The long term liabilities figure relates to finance leases.

External debt remained below the authorised limit throughout 2015-16.

h) Operational boundary for external debt

Operational boundary for external debt		
	2015-16	2015-16
	Boundary £000	31 March 2016 Actual £000
Borrowing	305,000	267,304
Other long-term liabilities	5,000	348
TOTAL	310,000	267,652

The long term liabilities figure relates to finance leases.

External debt remained below the operational boundary throughout 2015-16.

i) HRA Limit on Indebtedness

HRA Limit on Indebtedness	
2015-16	2015-16
Limit £000	Closing HRA CFR 31 March 2016 £000
208,401	186,803

The HRA limit on indebtedness is £208.041m. This is the HRA debt cap set by the Department for Communities and Local Government in "The Northampton Borough Council (Limits on Indebtedness) Determination 2015". The HRA CFR of £186.803m, which is the measure of indebtedness, is below the limit.

Compliance

j) Adoption of the CIPFA code of Practice for Treasury Management in the Public Services

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes. The adoption is included in the Council's Constitution, approved by the Council on 14 March 2011, at paragraph 6.10 of the Financial Regulations

Treasury Indicators

l) Upper limits on interest rate exposures

Upper limits on interest rate exposures - Investments and Borrowing		
	2015-16	2015-16
	Limit	Actual 31 March 2016
	%	%
Fixed Interest Rate Exposures	150%	105%
Variable Interest Rate Exposures	150%	-5%

Upper limits on interest rate exposures - Investments		
	2015-16	2015-16
	Limit	Actual 31 March 2016
	%	%
Fixed Interest Rate Exposures	100%	72%
Variable Interest Rate Exposures	100%	28%

Upper limits on interest rate exposures - Borrowing		
	2015-16	2015-16
	Limit	Actual 31 March 2016
	%	%
Fixed Interest Rate Exposures	100%	97%
Variable Interest Rate Exposures	100%	3%

The purpose of these three indicators is to express the Council’s appetite for exposure to variable interest rates, which may, subject to other factors, lead to greater volatility in payments and receipts. However this may be offset by other benefits such as lower rates. Separate indicators have been set and monitored for debt and investments, as well as for the net borrowing position. Maximum exposure for fixed and variable rates during the year may add up to more than 100% (or 150% in the case of the combined indicator) as each is likely to occur on a different date. Actual exposure at 31 March 2016, and during the year, remained within the agreed limits.

m) Total principal sums invested for periods longer than 364 days

Upper limit on investments for periods longer than 364 days		
	2015-16	2015-16
	Upper Limit	Actual 31 March 2016
	£000	£000
Investments longer than 364 days	4,000	0

Investment periods have generally been kept to 364 days or below to maintain liquidity and to minimise counterparty risk in line with the Council's treasury strategy.

k) Maturity Structure of Borrowing

The table excludes PWLB borrowing taken by the Council to fund loans to third parties. Repayment of such borrowing is matched to loan repayments from the third party, and the loan maturity profile does not therefore have a direct impact on the Council's cash flows.

Maturity structure of borrowing			2015-16	2015-16
	Lower Limit	Upper Limit	Actual 31 March 2016	Actual 31 March 2016
	%	%	%	£000
Under 12 months	0%	20%	7%	15,619
1-2 years	0%	20%	0%	-
2-5 years	0%	20%	9%	20,127
5-10 years	0%	20%	12%	25,463
10-20 years	0%	40%	13%	27,212
20-30 years	0%	60%	0%	319
30-40 years	0%	80%	0%	-
Over 40 years	0%	100%	58%	125,000

The Treasury Management Code of Practice requires the maturity of borrowing to be determined by reference to the earliest date on which the lender can require payment. The Council's has one LOBO loan, which is shown as maturing within 12 months, due to the six monthly break clauses, whereby the lender can opt to increase the rate, and the Council can choose to accept or decline the new rate. In the current interest rate environment it is not to the lender's advantage to increase the rate at the break dates and this option is not likely to be exercised.

Appendix 3

NBC Investment Portfolio as at 31 March 2016

Class	Type	Start / Purchase Date	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
Deposit	Fixed	28/04/15	26/04/16	Bank of Scotland plc	Maturity	1.0000%	-2,000,000.00
Deposit	Fixed	14/05/15	13/05/16	Royal Bank of Scotland plc	Maturity	0.8700%	-5,000,000.00
Deposit	Fixed	01/06/15	27/05/16	Skandinaviska Enskilda	Maturity	0.8100%	-5,000,000.00
Deposit	Fixed	04/06/15	02/06/16	Royal Bank of Scotland plc	Maturity	0.8900%	-5,000,000.00
Deposit	Fixed	04/08/15	02/08/16	Skandinaviska Enskilda	Maturity	0.7700%	-3,000,000.00
Deposit	Fixed	09/09/15	07/09/16	Royal Bank of Scotland plc	Maturity	0.9400%	-5,000,000.00
Deposit	Fixed	16/12/14	16/12/16	Blaenau Gwent County	Maturity	0.9300%	-2,500,000.00
Deposit	Fixed	06/11/15	06/05/16	Nationwide Building Society	Maturity	0.6600%	-3,000,000.00
Deposit	Fixed	09/11/15	07/11/16	The Toronto-Dominion Bank	Maturity	0.8900%	-2,000,000.00
Deposit	Fixed	24/11/15	22/11/16	Landesbanken Hessen-	Maturity	1.0700%	-3,000,000.00
Deposit	Fixed	18/12/15	16/12/16	The Toronto-Dominion Bank	Maturity	0.9900%	-4,000,000.00
Deposit	Fixed	07/01/16	07/07/16	Landesbanken Hessen-	Maturity	0.7900%	-2,500,000.00
Deposit	Fixed	16/02/16	16/08/16	Landesbank Baden	Maturity	0.7250%	-2,500,000.00
Deposit	Fixed	19/02/16	17/02/17	Landesbanken Hessen-	Maturity	0.9200%	-3,000,000.00
Fixed Total						0.8771%	-47,500,000.00
Deposit	Call	07/12/15		Santander UK plc	Maturity	1.1500%	-7,000,000.00
Deposit	Call	06/10/15		Santander UK plc	Maturity	0.9000%	-5,000,000.00
Deposit	Call	07/12/15		Santander UK plc	Maturity	1.0500%	-3,000,000.00
Deposit	Call	31/03/14		HSBC Bank plc	Maturity	0.0700%	-250,000.00
Call Total						1.0307%	-15,250,000.00
Deposit	MMF	01/07/14		LGIM Sterling Liquidity 4	Maturity	0.4968%	-20,000.00
Deposit	MMF	31/03/14		Insight Liquidity Sterling C3	Maturity	0.5176%	-2,671,000.00
Deposit	MMF	31/03/14		SLI Sterling Liquidity/CI 2	Maturity	0.5039%	-454,000.00
MMF Total						0.5155%	-3,145,000.00
Deposit Total						0.8954%	-65,895,000.00

Appendices: 5



AUDIT COMMITTEE REPORT

Report Title	Financial Monitoring Report
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	16 January 2017
Policy Document:	No
Directorate:	Finance Directorate LGSS
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

- 1.1 To present Committee with the financial position to 30 September.
- 1.2 To update Committee on car parking income and usage to 30 November.

2. Recommendations

- 2.1 To consider the contents of the following finance reports:
 - General Fund Revenue Monitoring (Appendix 1);
 - General Fund Capital Monitoring (Appendix 2);
 - HRA Revenue Monitoring (Appendix 3);
 - HRA Capital Monitoring (Appendix 4).
- 2.2 To note the position on car parking income and usage as at 30 November (Appendix 5).
- 2.3 To consider whether Committee requires any additional information in order to fulfil its governance role.

3. Issues and Choices

3.1 Report Background

- 3.1.1 A Finance and Performance report is presented to Cabinet quarterly (including the outturn report).
- 3.1.2 Committee has asked to receive these reports which are brought to the first available meeting following their production.
- 3.1.3 Committee has also asked for more detailed information regarding car parking income and usage, and debt recovery.

3.2 Issues

- 3.2.1 The Council's revenue and capital position as at 30 September 2016 (Period 6) is set out in Appendices 1-4.

Significant variances at this point in the year are as follows:

- 3.2.2 General Fund Revenue – (£763k) favourable

Note: for ease of understanding adverse variations (i.e. additional costs or reductions income) are shown without brackets, while favourable variations (increased income or cost savings) are shown within them.

	£000
Controllable Service Budgets	(394)
Debt Financing & HRA Recharges	(369)
Contribution From Reserves	0
General Fund Revenue	(763)

The major variations are detailed below.

- 3.2.2.1 Asset Management
Asset Management £107k adverse mainly relates to additional temporary staff covering vacant positions and professional services to carry out valuations. Offset by overachievement of NNDR rebates following challenges.
- 3.2.2.2 Head of Planning
Head of Planning (£284k) favourable is due to the higher level of development control income for the whole year offset by a drop in anticipated building control income due to market conditions.
- 3.2.2.3 Head of Housing and Wellbeing
Head of Housing and Wellbeing £116k adverse is mainly due to additional costs for agency staff in Housing Options and Advice, Home Adaptations and Housing Standards.

- 3.2.2.4 Director of Customers and Communities
Director of Customers and Communities (£598k) favourable reflecting additional deductions made through the Environmental Services Contract and additional car parking income.
- 3.2.2.5 Corporate
Corporate £260k adverse due to additional costs for Bed and Breakfast and the use of temporary accommodation at County Chambers..
- 3.2.2.6 Corporate Debt Financing
Debt Financing (£369k) favourable due to lower Interest on borrowing and lower MRP charges due to repayment of borrowing on short-life assets during 2015-16 and carry forward of some capital expenditure into 2016-17.
- 3.2.3 HRA Revenue – (£306k) favourable
- 3.2.3.1 The forecast favourable position on the HRA of £306k relates mainly to staff vacancy savings within NPH and lower expenditure on the maintenance of communal gas heating systems. In line with September Cabinet decision it should be noted that £2m has been vired from the Revenue Voids Management Budget to the HRA Capital Programme to help fund a programme of additional units and help to ensure that the Council fully utilises the retained 141 Right to Buy receipts it currently holds.
- 3.2.4 Capital Programme
- 3.2.4.1 General Fund Capital Programme - The General Fund Capital Programme remains at £21.9m, unchanged over the last two months. As at the end of September the forecast expenditure for the year is £20.0m, around £1.9m below the budget for the year. This includes £1.1m forecast carry forwards and £0.8m underspends. The most significant forecast variances are:
- Forecast underspend of £770k on the St Giles Street public realm improvements. The cost of completing these works was less than originally budgeted. The Council will consider how best to use this underspend. Any future schemes will be subject to a report to Cabinet seeking approval or the monies may be used to finance the existing programme as capital receipts, outlined in paragraph 3.4.1.4 below, are behind forecasts.
 - Forecast carry forward of £400k in relation to Disabled Facilities Grants, due to a decreased level of demand in 2016/17.
 - Forecast carry forward of £439k on the Central Museum Redevelopment project due to delayed access to the Old Gaol Block.

- The capital programme includes large and complex schemes such as the Vulcan Works and Delapre Abbey. Whilst these schemes are not forecasting any variance against the 2016/17 approved budgets as at the end of September, the risks inherent in these schemes mean that some variances are possible. Any variances identified during the remainder of the financial year will be reported to future Cabinet meetings.
- 3.2.4.2 It will be proposed as part of the 2017/18 budget process that the governance of the capital programme is tightened in order to ensure that cost estimates are robust before schemes are commenced. The detail of these proposals is currently under development.
- 3.2.4.3 The financing of the capital programme assumes that around £5m of capital receipts will be received during 2016/17. It is not now expected that these will all be received in year, although on the assumption that they will be received next year, and given the expected carry forward of expenditure, the existing programme can be funded. This position does however reinforce the need to not add new schemes unless absolutely necessary.
- 3.2.4.4 Any further additions to the capital programme, including further strategic property purchases, will be subject to the development of a robust business case. In line with Financial Regulations, any proposed additions to the programme greater than £250k and/or requiring additional funding from Council resources, will be brought to Cabinet for approval.
- 3.2.4.5 HRA Capital Programme – The approved HRA Capital Programme has been increased by £2m to £38.85m. This increase is as a result of the virement from the HRA Revenue Budget for Voids management. In line with what was reported to September Cabinet this additional capital funding will support schemes that contribute towards the provision of additional social housing as part of the Governments 141 RTB Receipts initiative.
- 3.2.4.6 141 Right to Buy Receipts
- 3.2.4.6.1 It was reported to September Cabinet that the Council has, since April 2012, been able to retain a proportion of its RTB receipts after signing up to a formal agreement with the DCLG. As at 31 March 2016 the Council has not had to pay over any of the retained receipts but was under increasing pressure to use the balance of receipts within the terms of the agreement. These retained receipts must be spent on re-provision of social housing within 3 years of receipt.
- For quarter 2 the Council will have to pay back £26,190 of receipts to the Treasury with interest of approximately £3,700 The Council is working closely with Northampton Partnership Homes to mitigate the risk of any further retained 141 capital receipts, in quarter 3 and future quarters, being paid back. Work is continuing to identify and bring forward a mix of RTB Buybacks and schemes that will bring

additionality to the HRA stock base, addressing the housing need of the Borough.

- As reported to September Cabinet discussions are still ongoing with the Government on the Local Growth Fund Dallington project. Delays in start on site are likely to see a re-phasing of works into 2017/2018 with budget of £8.3m being rolled forward into this year. As reported previously further update will be provided to a later Cabinet.

3.2.5 Appendix 5 shows the monthly levels of car parking usage and income to 30 November.

3.3 Choices (Options)

3.3.1 None

4. Implications (including financial implications)

4.1 Policy

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

4.2 Resources and Risk

4.2.1 Ongoing monitoring of the Council's budget and capital programme enables early intervention and appropriate remedial action, thus mitigating risks to the Council's financial viability and to its reputation.

4.3 Legal

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

4.4 Equality

4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 None at this stage.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Regular reporting of the Council's financial position helps to ensure the proper stewardship of the Council's resources. Active financial management contributes to the delivery of value for money services, enabling public money to be used to maximum benefit.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

None

Glenn Hammons
Chief Finance Officer, Telephone 01604 366521

NB General Fund

Revenue Budget Forecasts 2016/17

September 2016

Key to BRAG where Forecast variance is:

Greater than (£100k)

Between £50k and (£100k)

Between £51k and £100k

Greater than £100k

Division	Ksa	Service Area	Revised Budget	Forecast	Period 6 Forecast Variance	RAG Status	Notes on Forecast
			£000's	£000's	£000's		Variances
CG	FA01	Asset Management	982	1,079	97	A	Additional temporary staff covering vacant positions and professional services to carry out valuations £168k. Offset by overachievement of NNDR rebates following challenges (£73k)
	FA06	Other Buildings & Land	(1,477)	(1,467)	11	G	
Asset Management			(495)	(388)	107	R	
	DR02	Director of Regeneration, Enterprise and Planning	256	244	(11)	G	
Director of Regeneration, Enterprise & Planning			256	244	(11)	G	
	RG01	Head of Economic Development and Regeneration	109	146	37	G	Overspend due to Interim Cover of vacant post £77k, partially offset by Recharge to EZ £40k
	RG02	Programmes & Enterprise	1,191	1,117	(74)	G	Underspend relates to employee savings and recharge to EZ
Economic Development and Regeneration			1,300	1,264	(36)	G	
	PE02	Building Control	(45)	2	47	G	Anticipated drop in income of £68k due to market conditions and reduction in market share. This has been offset by employee savings due to officer reducing hours and other minor variations
	PE03	Development Control	64	(162)	(226)	B	Due to the level of income received to date forecast income for the whole year has been increased by £250k compared to the budget. There has been a good level of income received to date, the forecast will be reviewed for the Period 7 position. There were a couple of large appeals, that were being dealt with. One of these been lost, and the Council is liable to pay partial costs to the developer, at present the value of these are unknown. These costs are likely to be funded from corporate reserves, and are therefore not included in the Directorate forecasts. The other claim is still ongoing.
	PE06	Head of Planning	110	73	(36)	G	Underspend due to forecast expenditure on Head of Service less than employee budget allocated
	PE15	Joint Planning Unit	108	47	(61)	G	Additional refund of £28k due re 15/16 Contribution to JPU, savings on 16/17 contribution £47k. Offset by reduced recharges to JPU of £14k
	PE17	Planning & Regn Project Support	49	51	2	G	
	RG04	Planning Policy & Heritage	593	584	(9)	G	

Division	Ksa	Service Area	Revised Budget	Forecast	Period 6 Forecast Variance	RAG Status	Notes on Forecast
Head of Planning			879	595	(284)	B	
Director of Regeneration, Enterprise & Planning			1,939	1,715	(224)		
	HS05	Housing Options & Advice	658	744	86	A	Mainly due to additional staff costs for agency staff and unmet savings targets.
	HS13	Head of Housing and Wellbeing	129	124	(4)	G	
	PE09	Travellers Sites	38	57	19	G	
	PE12	Private Sector Housing	82	189	106	R	Mainly due to additional costs for agency staff in Home Adaptations and Housing Standards.
	RG03	Housing Strategy & Wellbeing	157	67	(90)	G	Saving due to Housing Restructure
Head of Housing and Wellbeing			1,064	1,180	116	R	
Housing			1,064	1,180	116		
	GC08	Communications	254	243	(11)	G	
	GC15	Emergency Planning	52	52	0	G	
	PI20	Performance and change	55	39	(16)	G	Small underspend on staffing
Business Change			361	334	(27)	G	
	CX01	Chief Executive	185	185	(0)	G	
	GC02	Civic and Mayoral Expenses	91	87	(4)	G	
	GC05	Overview & Scrutiny	47	48	1	G	
	GC06	Councillor & Managerial Support	535	527	(8)	G	
	LD02	Electoral Services	303	415	111	R	Spend on the Association of Electoral Administrators while the Elections Manager post is being recruited to.
	LD04	Legal	138	165	26	G	Small staffing overspend
	LD08	Democratic Services	260	213	(47)	G	Staffing underspend due to vacancy
Borough Secretary			1,560	1,639	79	A	
Borough Secretary			1,921	1,973	52		
	DR01	Director of Customers & Communities	182	187	5	G	
Director of Customers & Communities			182	187	5	G	
	CE03	Events	285	279	(7)	G	
	CE06	Museums and Arts	767	814	46	G	New posts being created due to restructure in this service but offset against vacant posts £31k. Corporate sickness savings and vacancy factor not being met £17k.
	CE17	CCTV	177	177	0	G	
	CE23	Town Centre Management	40	40	0	G	
	CE24	Car Parking	(909)	(1,364)	(455)	B	Underspend on NNDR demands (£12k). Revised income forecast for daily and season tickets (£426k). This includes an assumption of 880 additional season tickets from NCC following move to new offices at Angel Street from January 2017. Reduced rent costs for St Peter Way Car Park (£25k).
	CE26	Bus Station	114	103	(11)	G	

Division	Ksa	Service Area	Revised Budget	Forecast	Period 6 Forecast Variance	RAG Status	Notes on Forecast	
100	CS02	Call Care	(20)	(13)	7	G		
	CS03	Head of Customer & Cultural Services	87	88	1	G		
	CS04	Customer Services	278	347	68	A	The forecasted overspend is due to corporate sickness and vacancy factor totalling £32k not being able to be met due to this being a front line service so required to be fully staffed at all times. Additional demands from changes in legislation etc has meant additional staff costing £19k on fixed term contracts. There is also income budgeted of £23k to be met from decent homes capital programming queries, which would have been funded by NPH but is no longer an option. However there is additional rent being received of (£10k) from external sources.	
	FA08	Facilities Management	1,275	1,231	(44)	G	(£56k) due to a vacant post being left held unfilled ready for an efficiency saving for the next financial year and another post being unfilled for part of the year to further increase efficiency savings. Reduction in income generated from courier services but offset partly by reduction in expenditure on postages £12k	
	FA09	Markets	(42)	(37)	5	G		
	Head of Customer & Cultural Services			2,053	1,664	(389)	B	
	CE02	Community Safety	198	189	(9)	G		
	CE04	Leisure Contract	75	75	0	G		
	GC04	Policy	5	5	0	G		
	GC09	Community and Other Grants	1,218	1,218	0	G		
GC10	Community Developments	88	100	12	G			
GC11	Community Centres	20	20	0	G			
LD05	Licensing	(255)	(306)	(51)	G	Additional income from Taxi licences and reduced expenditure		
PE07	Pest Control	2	2	0	G			
PE10	Commercial Services	230	242	12	G			
PE11	Environmental Protection	371	390	20	G			
SS09	Environmental Services Contract	7,102	6,871	(232)	B	Estimated deductions made to the monthly core contract payment (£600k). Pension changes of £194k been incurred. Additional costs of £130k for pro active work on fly tipping. £12k on agency for park duties. £13k on NWP membership. £18k for legalcosts incurred on the EMS claim.		
SS11	Parks & Open Spaces and Neighbourhood Wardens	471	491	20	G			
SS20	Environmental Services	(341)	(327)	14	G			
Head of Communities and Environment			9,185	8,971	(214)	B		
Director of Customers & Communities			11,420	10,822	(598)			
FA03	Audit	160	160	0	G			
FA04	Non Distributed Costs	5,561	5,561	(0)	G			
FA20	Corporate Finance	173	173	0	G			
HS01	Benefits	(1,368)	(1,109)	260	R	Additional costs for B&B and County Chambers		
HS03	Revenues	(913)	(913)	0	G			

Division	Ksa	Service Area	Revised Budget	Forecast	Period 6 Forecast Variance	RAG Status	Notes on Forecast
Corporate			3,613	3,873	260	R	
	LGSS	Local Government Shared Service	8,321	8,321	0	G	
LGSSX			8,321	8,321	0	G	
Total Service Budgets			28,278	27,884	(394)		
Item 01 101		Debt Financing	1,851	1,482	(369)	B	<p>Interest payable on borrowing - The interest rate forecast has been cut from 3.70% to 1.50% based on current PWLB rate forecasts. The forecast saving is (£52k), but if the borrowing is delayed further the savings will increase.</p> <p>Interest receivable on investments - An overspend of £74k is forecast due to reduced interest rate forecasts since the start of the year and following the Brexit vote. Capita are suggesting that a suitable rate for investments of up to about three months duration would now be 0.25%, compared to 0.90% budgeted rate.</p> <p>MRP - Significant savings (£227k) generated due to repayment of borrowing on short-life assets during 2015-16 and carry forward of some capital expenditure into 2016-17.</p> <p>Recharges from/(to) the HRA - Forecast at (£145k) below budget due to lower opening balances than budgeted, and lower average rate of interest assumed on investments (0.60% compared to 0.90% budgeted).</p>
Total Corporate Budgets			1,851	1,482	(369)		
Total General Fund			30,129	29,366	(763)		

NB Capital Monitoring

Capital GF Budget Forecasts 2016/17

September 2016

Head of Service	Scheme Code	Scheme Description	Original Budget £000's	Approved Changes In Year £000's	Latest Approved Budget £000's	YTD Actual Expenditure £000's	Committed Expenditure £000's	Forecast Year End Spend £000's	Expected Carry Forward £000's	Foecast Under/Overspend £000's	Summarised Transaction Description
	BA220	St Crispins Community Centre	1,150	959	2,109	867	1,134	2,109	0	(0)	
	BA230	St. Crispins Allotments	0	265	265	0	0	265	0	0	
	BA232	Southfields Recreation Park Play Equipment	0	25	25	0	25	25	0	0	
	BA233	Banbury Lane Pocket Park Play Equipment	0	24	24	23	0	24	0	0	
	BA234	Hardingstone Recreation Ground	0	42	42	37	0	42	0	0	
	BA241	Improvements to town centre cleansing	0	17	17	17	0	17	0	0	
	BA245	Berrywood Road Footpath	0	10	10	9	1	10	0	0	
	BA246	Southfield Park Footpaths	0	20	20	0	2	20	0	0	
	BA673	Parks / Allotments / Cemeteries Enhancements	250	20	270	8	14	270	0	0	
Julie Seddon			1,400	1,382	2,782	960	1,176	2,782	0	(0)	
	BA165	Corporate EDRMS	0	57	57	0	7	37	20	0	
	BA207	ICT Improvement / Refresh	215	247	462	33	13	300	162	0	
	BA216	Central Museum Development	495	94	589	2	0	150	439	(0)	To reflect current works programme
	BA225	Car Park Pay Machines	0	0	0	8	3	0	0	0	
	BA231	LED Lighting - Mayorhold & St Johns MSCP	0	128	128	65	5	128	0	0	
	BA235	CCTV Technology Upgrade	200	0	200	0	0	200	0	0	
	BA240	Abington Park Museum - Renewal of Displays	210	0	210	0	1	100	110	0	First phase of works to go to tender by end of November
	BA659	Call Care Project (part of prevention programme)	0	9	9	0	0	9	0	0	
	BA764	One Stop Shop, CRM	0	0	0	4	0	0	0	0	
	BA893	Microsoft Office 2010 Upgrade	0	8	8	0	0	8	0	0	
Marion Goodman			1,120	543	1,663	112	28	931	731	(0)	
	BK015	DFG's Owner Occupiers	1,875	(57)	1,818	379	411	1,418	400	(0)	
Phil Harris			1,875	(57)	1,818	379	411	1,418	400	(0)	
	BA211	Extension of Duston Cemetery	0	0	0	3	4	0	0	0	
	BA215	Moulton Athletic Track	0	631	631	421	559	631	0	0	
	BA221	Vulcan Works	3,940	(210)	3,730	(33)	6	3,730	0	0	
	BA223	Eastfield Park Additional Play Equipment	0	47	47	45	2	45	0	(2)	Underspend due to savings from contractor
	BA224	Delapre Abbey and Parklands Infrastructure	100	197	297	5	13	297	0	0	
	BA229	Weston Favell Improvement Project	0	33	33	9	0	33	0	0	
	BA226	Purchase of National Grid Land	0	1,500	1,500	0	0	1,500	0	0	
	BA227	Duston Arts Project	40	1	41	11	28	41	0	0	
	BA243	Lodge Farm Community Centre	0	53	53	0	0	53	0	0	
	BA652	Visitor Signage in Town Centre	0	73	73	0	0	73	0	0	
	BA653	Delapre Abbey Restoration	595	2,710	3,305	1,681	69	3,305	0	0	
	BA663	Duston Wetlands Development & Implementation	0	201	201	0	0	201	0	0	
	BA666	Greyfriars Bus Station Demolition	0	30	30	(6)	83	30	0	0	
	BA668	Abington Street - Opening Up to Traffic	0	0	0	(2)	2	0	0	0	
	BA669	St Giles Street Improvements	2,200	488	2,688	1,916	171	1,918	0	(770)	Underspend due to actual costs being below estimates
	BA670	Waterside Improvements (Southbridge)	0	40	40	20	0	40	0	0	
	BA671	Heritage Gateway	0	88	88	6	1	88	0	0	
	BA672	Capital Improvements - Regeneration Areas	250	253	503	181	0	503	0	0	
	BA684	Superfast Broadband	45	0	45	0	412	45	0	0	
	BA685	Northampton Bike Hire Scheme	0	55	55	45	10	55	0	0	
	BA687	St Peters Waterside	0	1,021	1,021	0	19	1,021	0	0	
	BA696	Pig & Whistle Refurbishment Works	0	0	0	0	11	0	0	0	

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Head of	Scheme Code	Scheme Description	Original Budget	Approved Changes In Year	Latest Approved Budget	YTD Actual Expenditure	Committed Expenditure	Forecast Year End Spend	Expected Carry Forward	Foecast Under/Overspend	Summarised Transaction
John Dale			7,170	7,210	14,380	4,303	1,389	13,609	0	(772)	
	BA645	S106 Contributions to Other Organisations	0	74	74	74	0	74	0	0	
	BA883	Planning IT Improvements (HPDG)	17	0	17	0	0	7	0	(10)	
Peter Baguley			17	74	91	74	0	81	0	(10)	
	BA236	Car Park Lifts	250	0	250	0	0	250	0	0	
	BA674	Operational Buildings - Enhancements	250	166	416	(19)	339	416	0	0	
	BA675	Commercial Landlord Responsibilities	120	292	412	25	45	412	0	0	
	BA889	Mayorhold Car Park - Drainage Works	0	77	77	0	0	77	0	0	
Glenn Miller			620	535	1,155	6	384	1,155	0	0	
Total Scheme Budgets			12,202	9,686	21,888	5,834	3,389	19,975	1,131	(782)	

Sources of Funding

Grants	4,310	2,289	6,599		6,189	400	(10)
Section 106	1,260	2,080	3,340		3,338		(2)
Revenue/Reserves	0	2,321	2,321		2,321		0
Self-funded Borrowing	415	247	662		501	162	0
Corporate Borrowing	3,967	(331)	3,636		2,866		(770)
Capital Receipts	2,250	3,080	5,330		4,761	569	(0)

Total Financing	12,202	9,686	21,888		19,975	1,131	(782)
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Housing Revenue Account

Revenue Budget Forecasts 2016/17

September 2016

Key to BRAG where Forecast variance is:

Greater than £(100k)

Between £50k and £(100k)

Between £51k and £100k

Greater than £100k

Type	SEADIV	Service Area	TOTAL Current Budget £000's	NPH Managed Budget £000's	Actuals £000's	Forecast Outturn £000's	Forecast Variance £000's	BRAG Status	Notes on Forecast Variances
INCOME									
	H1	Dwelling Rents	(50,494)	0	(22,076)	(50,389)	105	R	Higher level of RTB sales than anticipated
	H2	Non-Dwelling Rents	(1,109)	0	(488)	(1,137)	(28)	G	
	H3	Other Charges for Services	(2,077)	0	(951)	(2,074)	3	G	
	H4	Contribution To Expenditure	(55)	0	(0)	(20)	35	G	
Total Income			(53,734)	0	(23,514)	(53,620)	115	R	
EXPENDITURE									
104	H10	Repairs & Maintenance	14,625	14,625	5,017	14,502	(122)	B	Lower costs in relation to void repairs and Gas Central Heating system repairs and maintenance.
	H8	General Management	7,462	6,917	3,677	7,341	(121)	B	
	H9	Special Services	4,599	4,519	1,229	4,430	(170)	B	Primarily staff savings as a result of vacant posts
	H7	Rents, Rates, Taxes	279	0	51	279	0	G	
	H13	Provision for Bad Debts	550	0	250	500	(50)	G	
Total Expenditure			27,515	26,061	10,224	27,052	(463)	B	
Net Cost of Services			(26,220)	26,061	(13,290)	(26,568)	(348)	B	
		Net Recharges from the General Fund	2,945		1,472	2,945	0	G	
		Interest & Financing Costs	6,270		3,156	6,312	42	G	
		Depreciation/MRA	13,008		6,504	13,008	0	G	
		Revenue Contributions to Capital	11,513		5,757	11,513	0	G	
		Net Contribution (from) / to Earmarked Reserves	(7,517)		(3,605)	(7,211)	306	R	Lower net contribution required from HRA Reserve
Net Transfer From / (To) Working Balance			0	26,061	(7)	0	0	G	
		Working Balance b/f	(5,000)		(5,000)	(5,000)	0		
Working Balance Outturn			(5,000)	26,061	(5,007)	(5,000)	0	G	

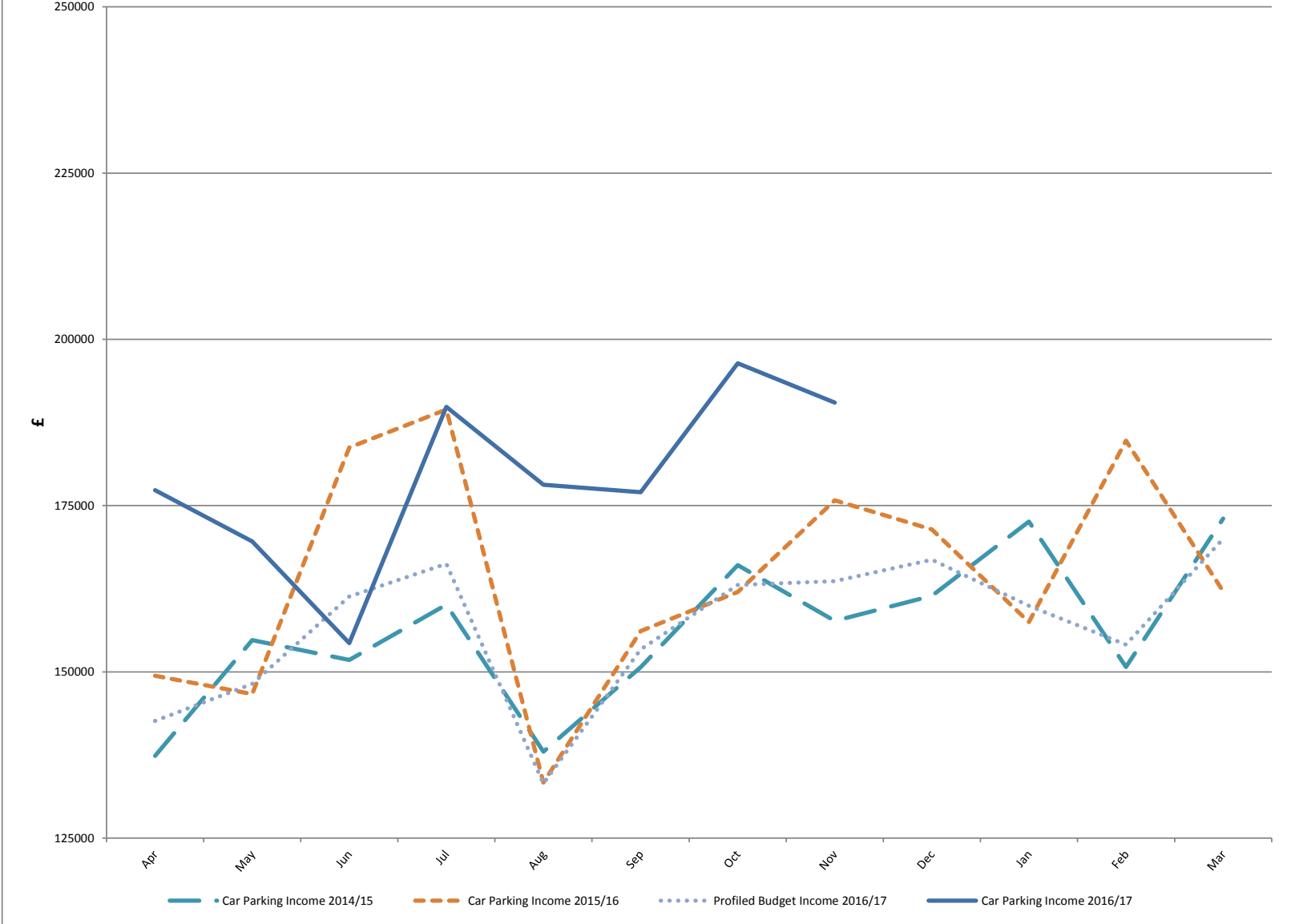
NB Capital Monitoring

Capital HRA Budget Forecasts 2016/17

September 2016

Head of Service	Scheme Code (NBC)	Scheme Description	Original Budget £000's	Approved Changes In Year £000's	Latest Approved Budget £000's	YTD Actual Expenditure £000's	Committed Expenditure £000's	Forecast Year End Spend £000's	Expected Carry Forward £000's	Forecast Under/Overspend £000's	Narrative
S Boyes	BH370	Repurchase of Former Council Houses	1,138	587	1,725	735	0	1,725	0	0	
P Harris	BH384	New Build - Dallington	8,706	600	9,306	0	0	1,000	0	(8,306)	Scheme rephased.
NBC Retained Capital Schemes			9,844	1,187	11,031	735	0	2,725	0	(8,306)	
NPH	BH801	NPH Capital - Managed Budget Improvement to Homes	20,636	2,521	23,157	9,698	5,854	23,157	0	0	
NPH	BH802	NPH Capital - Managed Budget Improvement to Environment	3,970	0	3,970	722	3,000	3,970	0	0	
NPH	BH803	NPH Capital - ITC	0	689	689	102	126	689	0	0	
NPH Managed Capital Schemes			24,606	3,210	27,816	10,522	8,981	27,816	0	0	
Total Scheme Budgets			34,450	4,397	38,847	11,257	8,981	30,541	0	(8,306)	

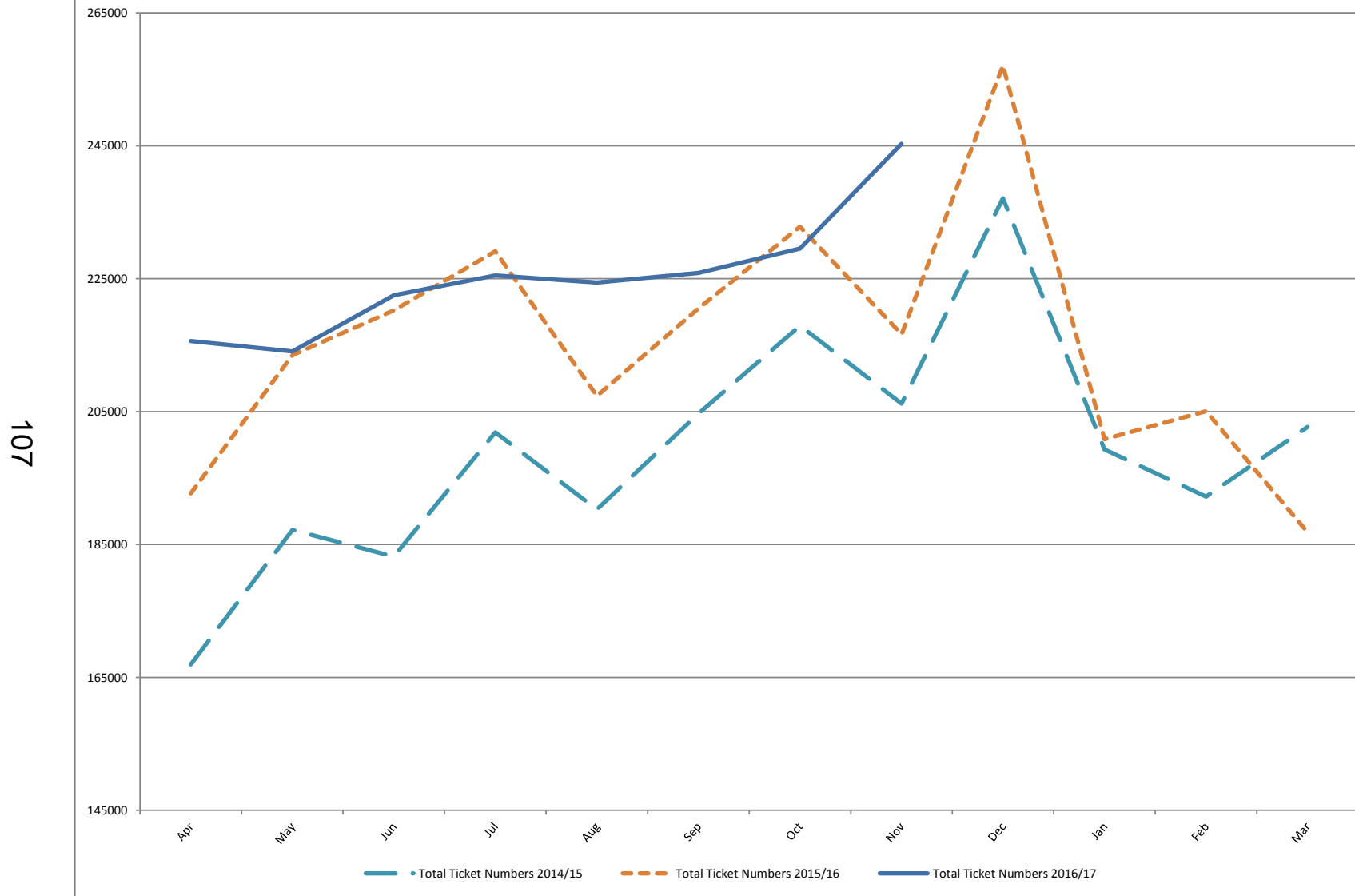
Total Daily Ticket Income 2013/14 - 2016/17



106

Income to the end of November was £201k greater than budgeted profile for the first 8 months of 2016/17

Total Summary Daily Ticket Numbers 2013/14 - 2016/17



The volume of tickets issued up to and including the end of period 8 was 70k higher than for the same period in 2015/16.

Appendices
5



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Risk Review of 2017/18 Budget Report
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	16 January 2017
Policy Document:	No
Directorate:	Resources
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

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

2. Recommendations

2.1 That the Audit Committee considers issues in relation to risk within the budget proposals for 2017/18 and comments appropriately.

3. Issues and Choices

3.1 Report Background

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

3.2 Issues

3.2.1 For 2017/18 a balanced budget has been achieved through the Council's prudent financial management and continued commitment to delivering efficiency savings. Only one saving and one growth proposal are included in the budget proposals and these are detailed in Appendix 1.

3.2.2 The key financial challenge that the Council is facing is the forecast budget gap over the medium term, showing a requirement to make savings of £4.8m

in 2018/19, rising to £7.2m in 2020/21. This challenge will be met through the delivery of the Efficiency Plan approved by Cabinet in September 2016. The financial targets within the Efficiency Plan generate a high level of financial risk, due to their scale and diversity. The key risks and mitigations are set out in the table below:

Risk	Mitigation
The Council's financial position over the medium term is not sustainable	NBC are in a good financial position as at September 2016 with a balanced budget and reasonable levels of reserves
Conflict between Corporate Plan priorities and Efficiency Plan financial targets	The workstreams of the Corporate Plan and Efficiency Plan are aligned. Cabinet approval of Efficiency Plan, regular meetings with Leader/Cabinet Member Finance
Non delivery of financial targets set out in the Efficiency Plan	Appropriate governance arrangements are a key part of the Efficiency Plan to monitor progress and take action if targets are not being delivered.
High level of capital investment required to deliver plan	Effective treasury management to minimise interest and MRP
High level of earmarked reserves required to deliver plan	Consolidation of reserves and controls over future allocations

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

3.2.4 The Audit Committee on 5th December considered a Governance Action Plan part of which is designed to deliver improvements directly affecting financial governance, risk management and project management. All of these improvements will reduce the risks associated with the Council's revenue and capital budgets.

3.2.5 The new governance arrangements also include an officer Efficiency and Improvement Board which will ensure the delivery of the Efficiency Plan.

3.3 Choices (Options)

3.3.1 The Audit Committee is asked to consider the risk issues in relation to the draft budget for 2017/18 and make comments or recommendations to the Chief Finance Officer.

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

4. Implications (including financial implications)

4.1 Policy

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

4.2 Resources and Risk

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

4.3 Legal

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

4.4 Equality

4.4.1 Equality and Diversity are being considered as a part of the budget build process, and an equalities assessment will be completed for the relevant budget proposals before they are brought to Council for final decision later in February 2017.

4.5 Consultees (Internal and External)

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

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

4.6 Other Implications

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

5. Background Papers

5.1 Appendices

Appendix 1 General Fund Savings and Growth List

Appendix 2 General Fund Capital Programme

Appendix 3 Housing Revenue Account Medium Term Planning Options
Savings and Growth List

Appendix 4 Housing Revenue Account Capital Programme List

Appendix 5 NPH Total Fee Schedule

Glenn Hammons Chief Finance Officer, Telephone 01604 366521



General Fund MTP Savings Options

MTP Reference	MTP Option Description	2016/2017 £	2017/2018 £	2018/2019 £	2019/2020 £	2020/2021 £
Customers & Communities						
	Contribution to Waste Partnership	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)
	SAVINGS AND EFFICIENCIES TOTAL	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)

↳ ↳ General Fund MTP Growth Options

MTP Reference	MTP Option Description	2016/2017 £	2017/2018 £	2018/2019 £	2019/2020 £	2020/2021 £
Customers & Communities						
	Maintenance of Play equipment	15,000	15,000	15,000	15,000	15,000
Total Growth		15,000	15,000	15,000	15,000	15,000

General Fund Capital Programme 2017-18 to 2021-22

Project Title	Funding Source	2016-17 Latest £	2017-18 £	2018-19 £	2019-20 £	2020-21 £	2021-22 £	Total £
<u>Housing - General Fund</u>								
Disabled Facilities Grant	G, C	1,393,000	1,475,000	1,475,000	1,475,000	1,475,000	1,475,000	8,768,000
<u>Self-funded</u>								
IT Infrastructure	S-F	462,225	150,000	150,000	150,000	150,000	150,000	1,212,225
CCTV Technology Upgrade	S-F	200,000						200,000
<u>Town Centre Improvements</u>								
St Giles Street	G, C	1,918,499						1,918,499
Town Centre Traffic Enhancements - Design Stage	R	50,000						50,000
Superfast Broadband	C	45,000	205,000	162,000				412,000
<u>Heritage & Culture</u>								
Vulcan Works	G, C	3,729,716	2,860,000					6,589,716
Delapre Abbey Restoration	G, R, C	3,305,303						3,305,303
Delapre Abbey Parklands Infrastructure	G, R, C	296,890						296,890
Central Museum Development	C	589,179	5,773,000	300,000				6,662,179
Abington Park Museum - Renewal of Displays	C	210,000						210,000
<u>Block Programmes - specific schemes to be agreed</u>								
Capital Improvements - Regeneration Areas	C	502,875	50,000	50,000	50,000	50,000	50,000	752,875
Parks/Allotments/Cemeteries Enhancements	C	269,986	200,000	250,000	250,000	250,000	250,000	1,469,986
Car Park Lifts	C	250,000	250,000	200,000				700,000
Operational Buildings - Enhancements	C	416,046	250,000	250,000	250,000	250,000	250,000	1,666,046
Commercial Landlord Responsibilities	C	411,778	50,000	50,000	50,000	50,000	50,000	661,778
<u>Other</u>								
Play Equipment	G, R, C		100,000					100,000
Planning IT Improvements	G	17,000	17,000					34,000
<u>Development Pool (Estimated Costs)</u>								

St James Mill Link Road	G, EZ	1,000,000	1,000,000					2,000,000
Town Centre Traffic Enhancements	C		200,000					200,000
Fish Street Public Realm	C		509,000					509,000
Market Stall Covers	C		20,000					20,000
9 Guildhall Road - purchase	R		462,000					462,000
<u>Schemes Due to Complete in 2016/17*</u>	G, R, C	6,675,163						6,675,163
Total General Fund Capital Programme		21,742,660	13,571,000	2,887,000	2,225,000	2,225,000	2,225,000	44,875,660

* as previously reported to Cabinet

Key to Funding Sources

G - Grants & Contributions

R - Revenue and Reserves

EZ - Enterprise Zone Business Rates

→ SF - Self-funded Borrowing

C - Corporate Resources - Capital Receipts or Borrowing

Proposed General Fund Capital Funding	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	Total
	£	£	£	£	£	£	£
Grants & Contributions:							
Disabled Facilities Grant - Better Care Fund	950,000	1,092,000	1,092,000	1,092,000	1,092,000	1,092,000	6,410,000
Heritage Lottery Funding - Delapre Abbey	1,280,075						1,280,075
HPDG	17,000	17,000					34,000
Local Growth Fund - Vulcan Works	3,440,000	2,860,000					6,300,000
Local Growth Fund - St James Mill Link Road	562,000						562,000
Section 106	3,339,600	25,000					3,364,600
Other Grants and Contributions	1,267,698						1,267,698
Sub-total Grants & Contributions	10,856,373	3,994,000	1,092,000	1,092,000	1,092,000	1,092,000	19,218,373
NBC Earmarked Reserves - Delapre Abbey	1,316,110						1,316,110
Other Revenue/Reserves	1,005,020	487,000					1,492,020
Capital Receipts - Heritage	689,179	5,773,000	300,000				6,762,179
Capital Receipts - Other	4,640,973	305,000	162,000				5,107,973
Growing Places Fund and Local Infrastructure Fund (to be repaid from EZ business rate uplift) - St James Mill Link Road	438,000	1,000,000					1,438,000
Self-funded Borrowing	662,225	150,000	150,000	150,000	150,000	150,000	1,412,225
Corporate Borrowing	2,134,780	1,862,000	1,183,000	983,000	983,000	983,000	8,128,780
Total Funding	21,742,660	13,571,000	2,887,000	2,225,000	2,225,000	2,225,000	44,875,660

HRA PRESSURES FOR THE MEDIUM TERM

	DIRECT IMPACT Retained or NPH	2017/2018 £	2018/2019 £	2019/2020 £	2020/2021 £	2021/2022 £
HRA Budget Pressures / Changes:						
Reduction in Rents of 1% 4 years from 16/17 and other rent adjustments	Retained	953,545	1,841,884	1,715,554	2,114,442	1,506,988
Reduction in Insurance claim income and tenant recharges	Retained	48,000	48,000	48,000	48,000	48,000
Increase in Contribution to Bad Debt Provision Budget	Retained	50,000	100,000	100,000	100,000	100,000
Reduction in contribution for past years pensions	Retained	(292,390)	(292,390)	(292,390)	(292,390)	(292,390)
Reductions in HRA Audit / Fraud and Other costs	Retained	(73,859)	(73,859)	(73,859)	(73,859)	(73,859)
Reduction in CDC charges to the HRA	Retained	(200,000)	(300,000)	(420,000)	(420,000)	(420,000)
(Reduction) / Increase in Interest and Financing costs	Retained	(125,630)	380,885	357,800	423,980	371,080
		359,666	1,704,520	1,435,105	1,900,173	1,239,819

Proposed Capital Programme 2017-18 to 2021-22 - HRA

	2017-18	2018-19	2019-20	2020-21	2021-22	Total
	£	£	£	£	£	£
External Improvements	6,042,300	3,026,600	6,404,800	9,851,500	11,536,300	36,861,500
Internal Works	4,300,000	4,100,000	4,100,000	4,100,000	4,100,000	20,700,000
Energy Works	0	2,130,000	0	0	0	2,130,000
Major Projects	6,791,700	7,519,000	4,488,000	1,500,000	1,500,000	21,798,700
Environmental Improvements	4,502,900	2,099,300	2,098,500	2,089,800	2,113,800	12,904,300
Structural Works and Compliance	550,000	500,000	450,000	450,000	450,000	2,400,000
Disabled Adaptations	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	6,500,000
IT Development	500,000	500,000	500,000	500,000	500,000	2,500,000
Buybacks / 141 Receipts	0	1,301,000	3,166,700	3,166,700	3,166,700	10,801,100
New Build	11,028,000	0	0	0	0	11,028,000
Total	35,014,900	22,475,900	22,508,000	22,958,000	24,666,800	127,623,600

SPLIT:						
Improvements to Homes	19,484,000	19,075,600	17,242,800	17,701,500	19,386,300	92,890,200
Improvements to Environment	4,502,900	2,099,300	2,098,500	2,089,800	2,113,800	12,904,300
Total NPH	23,986,900	21,174,900	19,341,300	19,791,300	21,500,100	105,794,500
NBC Retained (New Build and Buy Backs)	11,028,000	1,301,000	3,166,700	3,166,700	3,166,700	21,829,100
Total Capital Programme	35,014,900	22,475,900	22,508,000	22,958,000	24,666,800	127,623,600

FINANCING:						
Major Repairs Reserve/Depreciation	13,437,000	14,013,000	14,319,000	14,535,000	14,670,000	70,974,000
Capital Receipts - Right to Buy (excl 1-4-1)	2,000,000	2,000,000	2,000,000	1,700,000	1,500,000	9,200,000
Capital Receipts - RTB 1-4-1 Receipts	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	7,000,000
Revenue/Earmarked Reserve	8,671,900	0	4,789,000	4,435,000	7,096,800	24,992,700
Borrowing	0	5,062,900	0	888,000	0	5,950,900
Section 106 - New Build	906,000	0	0	0	0	906,000
Additional Borrowing Cap re New Build	8,600,000	0	0	0	0	8,600,000
Total Financing - HRA	35,014,900	22,475,900	22,508,000	22,958,000	24,666,800	127,623,600

DRAFT Schedule 5 - NPH Management Fee

		NPH				
		2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
		£	£	£	£	£
Housing Management & Maintenance(HRA)						
Total	Repairs & Maintenance	12,439,562	12,036,091	12,116,919	11,977,393	12,175,507
Total	General Management	5,520,118	5,284,769	5,331,916	5,250,529	5,366,091
Total	Special Services	3,858,218	3,757,355	3,777,561	3,742,681	3,792,207
Total	Recharges	3,888,031	3,888,031	3,888,031	3,888,031	3,888,031
TOTAL HRA		25,705,929	24,966,245	25,114,426	24,858,634	25,221,836
Housing General Fund						
Total	Travellers Site	180,330	180,330	180,330	180,330	180,330
Total	Home Choice & Resettlement	80,000	80,000	80,000	80,000	80,000
TOTAL GF HOUSING		260,330	260,330	260,330	260,330	260,330
TOTAL REVENUE		25,966,259	25,226,576	25,374,757	25,118,964	25,482,166
HRA Capital Programme						
		23,986,900	21,174,900	19,341,300	19,791,300	21,500,100
GRAND TOTAL		49,953,159	46,401,476	44,716,057	44,910,264	46,982,266

Analysed by

Management - HRA (including Special Services)	10,984,933	10,644,899	10,713,039	10,595,407	10,762,424
Management - GF Housing	260,330	260,330	260,330	260,330	260,330
Maintenance - Managed Budget Responsive	11,335,167	11,027,437	11,089,068	10,982,685	11,133,747
Maintenance - Managed Budget Cyclical	3,385,829	3,293,910	3,312,319	3,280,542	3,325,665
Capital - Managed Budget Improvement to Homes	19,484,000	19,075,600	17,242,800	17,701,500	19,386,300
Capital - Managed Budget Improvement to Environment	4,502,900	2,099,300	2,098,500	2,089,800	2,113,800

Total	49,953,159	46,401,476	44,716,057	44,910,264	46,982,266
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Notes:

(*) Recharges comprise approximately £2.1m from LGSS and £1.8m from the General Fund

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

Estimated figures for future years are shown in real terms excluding inflation.

Capital programme based upon figures provided in support of the Asset Management Strategy, adjusted in line with the Draft HRA Business Plan.

All items of income associated with the service are assumed to be collected directly to the Council's account

Appendices: 1



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Corporate debt – Progress and Age debt analysis
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	16 January 2017
Policy Document:	No
Directorate:	Finance Directorate LGSS
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

- 1.1 To update Committee on the position regarding the Council's outstanding debts as at 30 November 2016.
- 1.2 The detailed focus of the report this month is primarily on Council Tax as this is the area that has been receiving the most scrutiny recently.

2. Recommendations

- 2.1 To note the latest position in relation to the Council's outstanding debts as at 30 November 2016.
- 2.2 To consider whether Committee requires any additional information in order to fulfil its governance role.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Revenues and Benefits Service compile a corporate debt summary that monitors the % of debt not currently managed (inactive debt) within the Council. This has been in place for a number of years and provides assurance that all debt is managed to a high standard and not left idle. The % that is shown relates to debt that has fallen out of one status

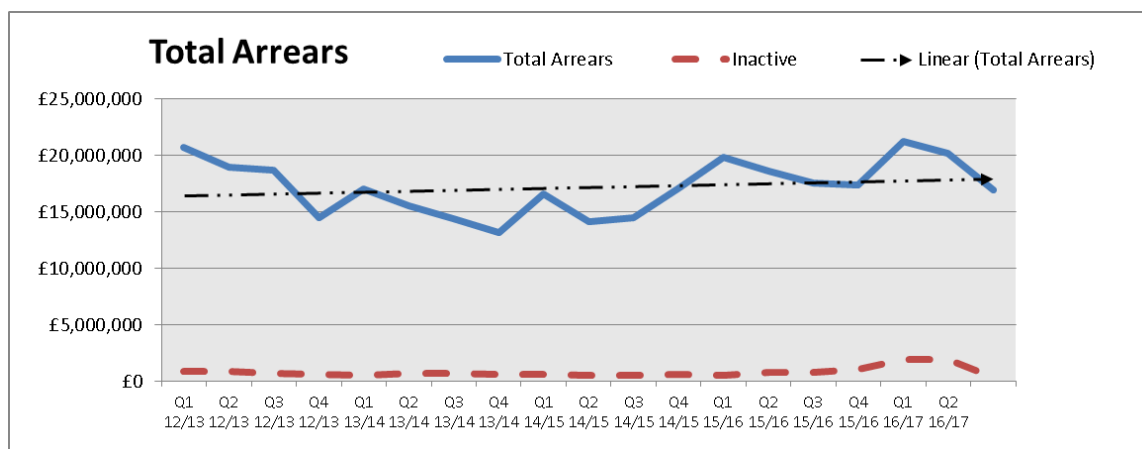
and is in the process of being moved to another stage. This summary also provides a view of the current status of debt.

- 3.1.2 Managed debt is where a debt type is within a specific set of clearly measurable criteria, and unmanaged debt is outside these criteria. An example of this is:

Criteria “Invoiced debt will be sent a reminder if it remains unpaid after 28 days”. All debts invoiced and outstanding less than 29 days is “managed”, any debt outstanding after 28 days, outstanding and not issued with a reminder is “unmanaged”. The debt that has just had a reminder issued would then become subject to a new set of criteria for invoices at reminder stage, which it is measured against.

- 3.1.3 This principle supports the theory that managed debt is more likely to be paid, and more promptly. It can be applied to all stages in the life of a debt, how long a disputed debt is on hold, how long a debt is with enforcement agents, or how long it takes to go through a legal process etc.
- 3.1.4 The process supports evidence gathering for process change and improvement, identifying blockages, removing hearsay and myth busting, and the write-off of irrecoverable debts at an earlier stage.
- 3.1.5 Each service area has a detailed recovery timetable, with definitions of debt type and criteria that recovery is taken against.
- 3.1.6 The amount of unmanaged debt is a corporate KPI. Currently being no more than 4.5% of the total amount of outstanding arrears.
- 3.1.7 Although the KPI is measured on a monthly basis for internal performance purposes, it is reported quarterly, and the graphs used below provide a pictorial illustration of performance since the 1st April 2012.
- 3.1.8 Half-yearly performance for the same period, demonstrated by value of managed, unmanaged and total arrears outstanding can be found in **Appendix A**.

3.1.9 Overall debt levels as at 30th November 2016

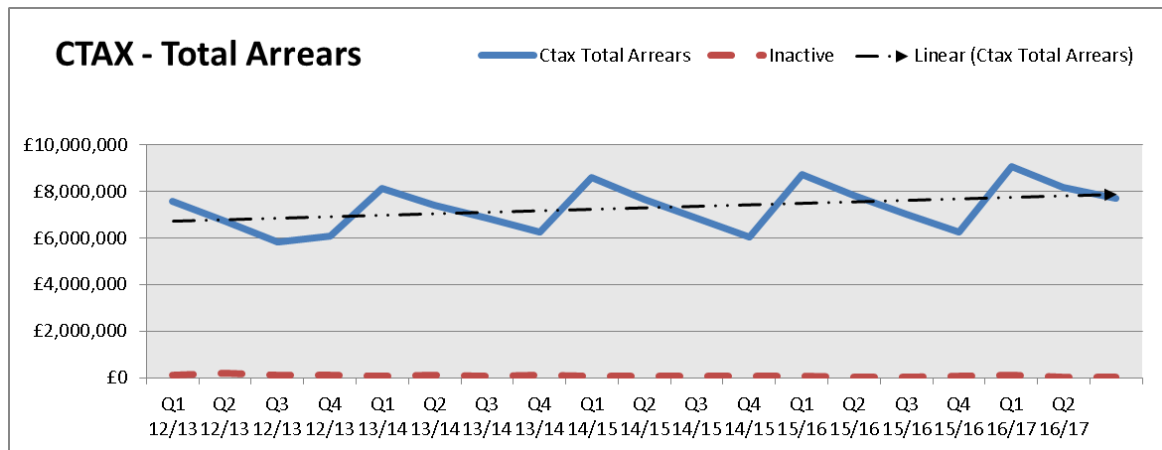


3.1.10 The overall outstanding arrears have increased by £766k compared to the same point last year. Please see individual debt types for explanation of the increase.

3.1.11 Unmanaged debt is £1,019k more than the same time last year. The majority of unmanaged debt within the Council sits within Asset management and is currently standing at £1.5m. The Asset management debt type is the collection and recovery of the commercial rent and any associated insurance, for council land and buildings. This does not include the Council's housing stock.

3.1.12 A significant part (£1,080k) of the unmanaged debt in the asset management debt type relates to County Developments (Northampton) Ltd, which is currently part of the Council's on-going discussions with the Liquidators.

3.1.13 Council Tax as at 30th November 2016



3.1.14 The overall outstanding arrears are £373k more than at the same point last year, which is due to an increase in the Council Tax charge in 2016/17 and a reduction in the 2016/17 Council Tax Reduction Scheme.

3.1.15 Unmanaged debt is £20k less than the same time last year and the amount of debt collected against arrears is £399k higher during this financial year.

3.1.16 The continued introduction of Welfare Reforms continue to increase the pressure on those liable for Council Tax and on a low income. There has also been a significant rise in the number of attachment of benefits orders.

3.1.17 The current amount of unmanaged (inactive debt) is 0.44%, which is seen as good performance and maximising the opportunity to collect any outstanding arrears.

3.1.18 Whilst there are pressures on in-year collection, the table shows that the Council is making efforts to collect monies over the longer term. This is more often than not, arrangements of smaller amounts over the longer term. This is the most proven way of helping our customers make sustainable repayment plans and equally allowing the balancing of their personal budgets.

3.1.19 Comparison between the 30th November 2016 and the 30th November 2015

3.1.20 The continued introduction of Welfare Reforms continues to increase the pressure on those liable for Council Tax and on a low income. There has also been a significant rise in the number of attachment of benefits orders.

3.1.21 The table below 3.1.25 provides some context around the impact that the welfare reforms are having on both our service users and the service.

3.1.22 The Council Tax Reduction Scheme (CTRS) is the support provided towards the Council Tax for those customers on a low income.

3.1.23 An Attachment of Benefit (AOB) is a deduction from a debtor's benefit, which can only be made after a liability order has been granted. The current rate is £3.70 per week.

3.1.24 Special Arrangements (SPARs) are non-statutory arrangements made on accounts where a summons has been issued and a customer has agreed to repay the debt over a period of time, based on their personal circumstances.

3.1.25 The table below highlights some of the key impacts, predominately as a result of the introduction of welfare reforms

In-year collection rate	74.76%	30-Nov-16	74.80%	30-Nov-15
Annual CTRS award	£11m	2016/17	£11.7m	2015/16
Uncollected liability CTRS cases	£1.7m	30-Nov-16	£1.514m	30Nov15adj
CTRS caseload	15,709	30-Nov-16	16,670	30-Nov-15
AOB	£1.1m	30-Nov-16	£775k	30-Nov-15
Monthly amount collected	£31k	30-Nov-16	£26.9k	30-Nov-15
AOB hold	620k	30-Nov-16	£276k	30-Nov-15
SPARs	£1.9m	30-Nov-16	£0.65m	30-Nov-15
Reminders & Finals issued	46,710	30-Nov-16	38,734	30-Nov-15
Summons	9,874	30-Nov-16	8,130	30-Nov-15

3.1.26 The Council has implemented cut of 8% in the amount of CTRS awarded in 2016/17, the overall collection rate has fallen from 74.80% in 15/16 to 74.76%, in comparison to the end of November

3.1.27 The Council continues to be collecting debt from people, who in previous years, were used to receiving more financial support for their Council Tax.

3.1.28 Whilst the annual amount of CTRS awarded has reduced by 6%, the amount of uncollected liability on the same cases has increased by £186k.

3.1.29 The CTRS caseload falling by 5.75% means that the uncollected liability is also being borne by fewer customers.

3.1.30 The amount of debt subject to an attachment of benefit is significantly higher than last year, as is the amount of debt that is being held awaiting an existing attachment to be paid off. A customer can only

have one attachment for council tax in operation at any given time. The increase in the monthly amounts being paid direct from the DWP has increased by over £4k per month, which demonstrates a large increase in the number of customers subject to an attachment.

3.1.31 The issue of recovery documents has increased as compared to last year, with reminders and final notices being up 12%, and summonses being up 21.5%.

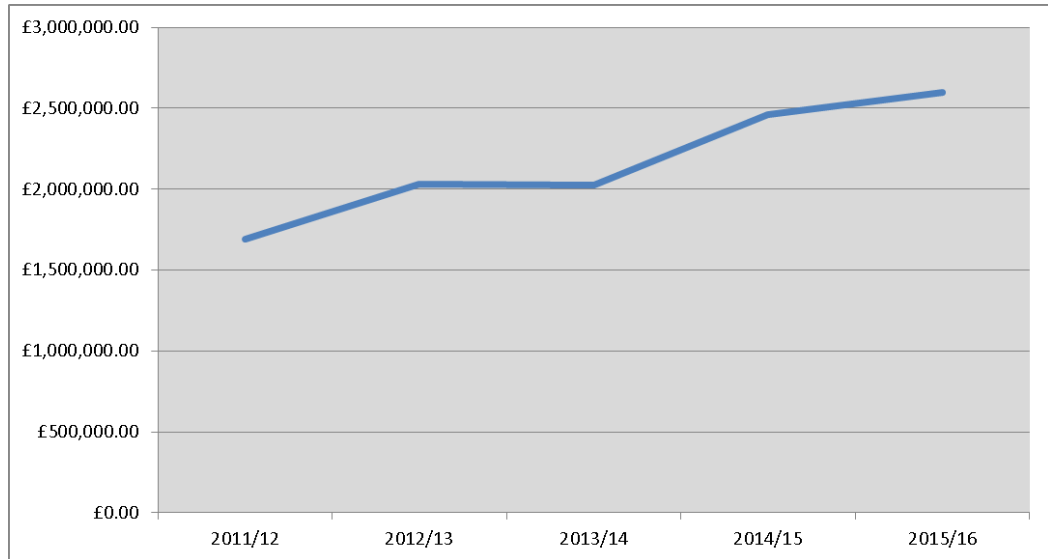
3.1.32 Collection Rates for CTRS cases

3.1.33 The table below highlights the comparison between the claimant types between the 30th November 2016 and the 30th November 2015.

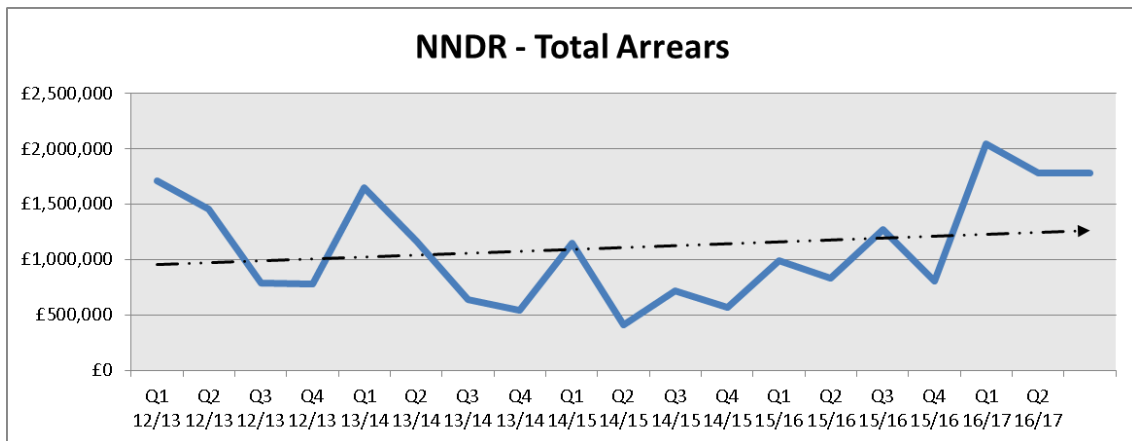
November		2016/17			<i>UNCOLLECTED</i> £
CTRS SCHEME	LIABILITY	RECEIPTS	COLLECTION RATE		
	£	£			
Vulnerable households are claimants who are either lone parents or couples with at least one dependent under 5 years old.	475,927.57	232,641.40	48.88%	243,286.17	
Vulnerable are claimants on NBCs local scheme or modified scheme e. g. War widows and disablement pension cases	317.31	416.11	131.14%	-98.8	
Pensionable cases are claimants who are of pensionable age and are exempt from the CTRS reduction.	902,184.79	775,657.66	85.98%	126,527.13	
Working age employed are claimants who are either single people or couples who are in paid employment.	1,159,017.39	687,937.79	59.36%	471,079.60	
Working age other are claimants who are either single people or couples not in paid employment, and in receipt of DWP benefits.	1,914,556.17	1,047,242.34	54.70%	867,313.83	
TOTALS	4,452,003.23	2,743,895.30	61.63%		
November		2015/16			<i>UNCOLLECTED</i> £
CTRS SCHEME	LIABILITY	RECEIPTS	COLLECTION RATE		
	£	£			
Vulnerable households	417,177.33	211,306.44	50.65%	205,870.89	
Vulnerable	1,274.15	1,297.85	101.86%	-23.7	
Pensionable	909,304.08	786,225.88	86.46%	123,078.20	
Working age employed	1,106,391.96	645,908.31	58.38%	460,483.65	
Working age others	1,527,966.04	834,092.88	54.59%	693,873.16	
TOTALS	3,962,113.56	2,478,831.36	62.56%		

- 3.1.34 Whilst the overall collection for CTRS cases is 61.63% for 2016/17, it should be noted that the collection rate, excluding pensioners, remains at 55.44%. This is a higher reduction than reported in 3.1.26 above, and suggests that not only is this customer group finding it more difficult to pay, but disproportionately also.
- 3.1.35 For those customers that cannot, or won't, make an arrangement, they will be issued with a summons. Although there is not much attendance at court, the Council will still make an arrangement at this stage.
- 3.1.36 There has been an increase in the number of summons issued in the first eight months of the financial year.
- 3.1.37 Where a Liability Order is obtained, the Council's preferred option is to serve an attachment of benefit, and the use of this method of repayment is on the increase compared to previous years. The Council currently collects £31k per month through AOB, as compared to £27k last year.
- 3.1.38 It should be noted that the maximum amount of money that can be deducted is £3.70 per week, regardless of how much a customer owes, and the recovery of council tax is not a priority debt for deduction by the DWP. The maximum a customer in these circumstances can repay is £192.40 per year. In 2016/17, an unparished band A property with two adults would be liable for £1,026.90, reducing by maximum CTR would leave the customer liable to pay £279.95. The issue of a summons would add a further £82.40, leaving a customer with an annual charge of nearly £170 more than the Council is able to recover.
- 3.1.39 There is also a process to support customers whose debt is passed to Enforcement Agents, similar to that provided by the Council.
- 3.1.40 Where customers are making realistic arrangements to pay these are often small amounts, over a long period of time, regardless of what point of the recovery cycle a customer has reached. Customers have struggled to maintain even these small value arrangements and this increases the cost to the Council to administer.
- 3.1.41 Historic council tax arrears collection**

The table below demonstrates the increase in arrears collected in each of the last 5 financial years.



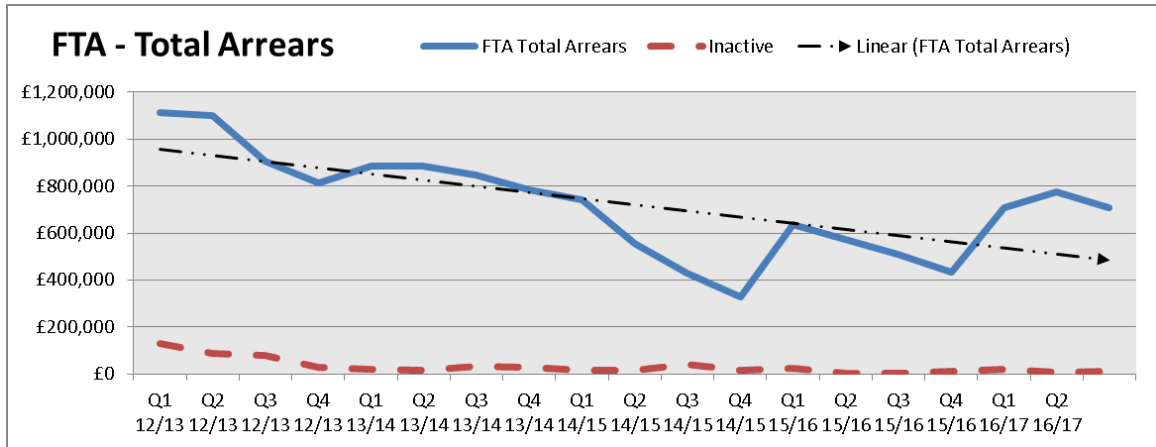
3.1.42 Business Rates (NNDR) as at 30th November 2016



3.1.43 The overall outstanding arrears are £96k more than at the same point last year. This is primarily due to an increase the 2015/16 business rates multiplier and one business which has a backdated account. This is expected to be paid by the end of March 2017.

3.1.44 Unmanaged debt remains unchanged in NNDR as all accounts continue to be monitored on a monthly basis, due to the low number and high value of cases.

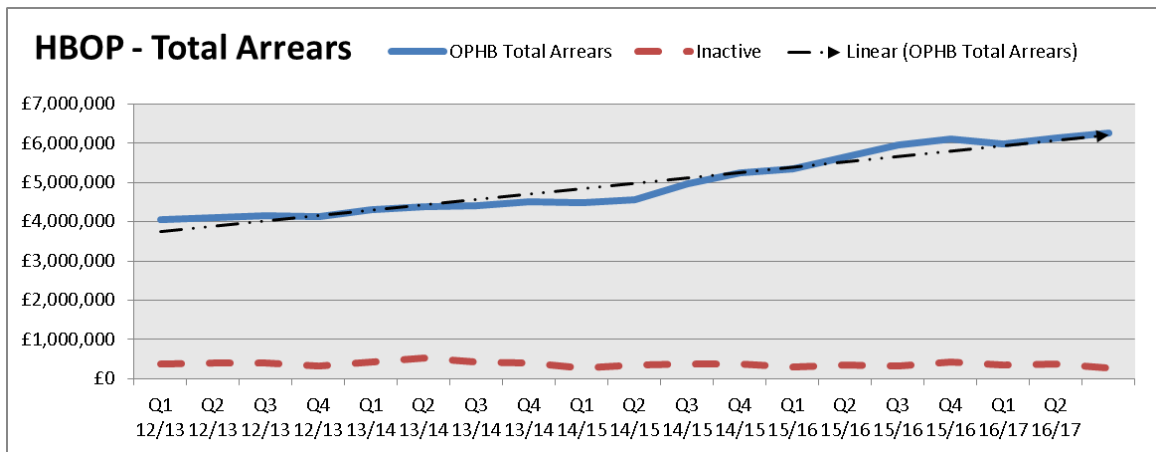
3.1.45 Former Tenant Arrears as at 30th November 2016



3.1.46 The overall outstanding arrears are £24k less than at the same point last year.

3.1.47 Unmanaged debt is £10k more than the same time last year, and the amount of unmanaged debt continues to remain consistently low.

3.1.48 Housing Benefit Overpayments Payments as at 30th November 2016



3.1.49 The overall outstanding arrears are £447k more than at the same point last year. This increase is in line with the national trend for overpayments and relates to the Department for Work and Pensions ongoing initiatives to identify overpayments. These two schemes, “Real Time Information” and “Fraud and Error Reduction Incentive Scheme”, are being fully supported in Northampton and the Council receives an incentive payment for the successful identification and reduction of error.

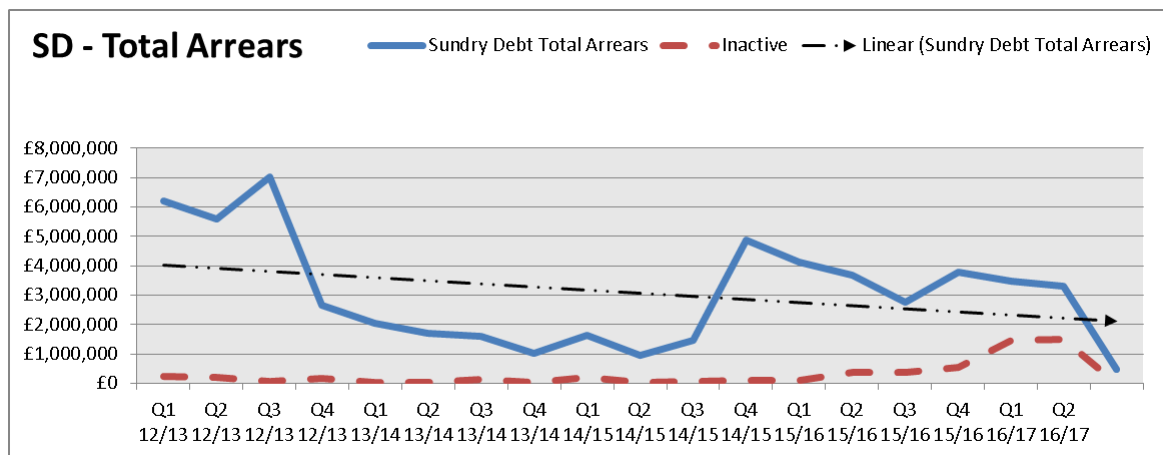
3.1.50 The current performance by our teams has reduced the impact on the Council of these new overpayments. By focusing resource on this debt has the team have supported better outcomes, which can be demonstrated by the reduction in the percentage of unmanaged debt. These debts remain very difficult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

3.1.51 Unmanaged debt is £288k less than the same time last year, demonstrating that the Council is working hard to try to recover the outstanding monies.

3.1.52 The national Welfare Reform measures underway are increasing the pressure on individual debtors and their ability to pay debts. Housing benefit overpayments are deemed as a lower priority, as per the Corporate Debt policy, when compared to other debt types, and arrangements tend to be small amounts over a long period of time.

3.1.53 There has also been an increase in direct debit payers for this type of debt, but once again small amounts over a longer period of time.

3.1.54 Sundry Debts (SD) as at 30th November 2016



3.1.55 The overall outstanding arrears are £339k less than at the same point last year.

3.1.56 The unmanaged debt is £1,159k more than the same time last year. The majority of this is controlled within individual service areas in the Council. The unmanaged debt controlled by the Revenues and Benefits Service is £35.

3.1.57 To allow some context around where the unmanaged debt is sitting within the council is detailed below.

	Level 4 Analysis (Number)			Level 4 Analysis (£)			Level 4 Analysis (%)		
	Managed	Unmanaged	Total	Managed	Unmanaged	Total	Managed	Unmanaged	Total
Asset Management	3	226	229	795.92	1,542,884.80	1,543,680.72	0.01%	0.05%	94.01%
Call Care	6	21	27	433.05	14,402.68	14,835.73	0.19%	3.01%	0.90%
Car Parks	0	29	29	0.00	51,362.04	51,362.04	0.06%	0.00%	3.13%
Environmental Health	0	13	13	0.00	2,994.66	2,994.66	0.43%	0.00%	0.18%
Exchequer Section	0	7	7	0.00	16,198.12	16,198.12	0.04%	0.00%	0.99%
Insurance	0	8	8	0.00	2,820.70	2,820.70	0.28%	0.00%	0.17%
Licensing	2	45	47	45.00	10,025.00	10,070.00	0.47%	0.45%	0.61%
Market Office	0	2	2	0.00	131.25	131.25	1.52%	0.00%	0.01%
	11	351	362	1,273.97	1,640,819.25	1,642,093.22	0.08%	99.92%	100.00%

3.1.58 Level 4 debt is debt that has received an invoice, reminder and a second reminder/final notice and the later stages of the recovery process is managed within the individual service areas.

3.1.59 A significant part (£1,080k) of the unmanaged debt in the asset management debt type relates to County Developments (Northampton) Ltd, which is currently part of the Council's on-going discussions with the Liquidators.

3.2 Issues

3.2.1 The managed debt analysis and commentary to 30 November are contained within this report.

3.3 Choices (Options)

3.3.1 None

4. Implications (including financial implications)

4.1 Policy

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

4.2 Resources and Risk

4.2.1 Ongoing monitoring of the Council's debt position enables early intervention and appropriate remedial action, thus mitigating risks to the Council's financial position and to its reputation.

4.3 Legal

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

4.4 Equality

4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 None at this stage.

4.6 Other Implications

4.6.1 Regular reporting of the Council's financial position helps to ensure the proper stewardship of the Council's resources. Active financial management contributes to the delivery of value for money services, enabling public money to be used to maximum benefit.

5. Background Papers

5.1.1 Not applicable

Ian Tyrer, Revenues Manager, Extension 7451

Appendix A		Half-yearly performance from 2012/13 to present by value of managed, unmanaged and total arrears									
YEAR on YEAR PERFORMANCE	2012/13		2013/14		2014/15		2015/16		2016/17		
	SEP	MAR	SEP	MAR	SEP	MAR	SEP	MAR	SEP	NOV	
TOTAL ARREARS	18,990,764	14,448,119	15,552,879	13,133,970	14,124,390	17,079,190	22,074,394	17,405,921	20,164,989	19,193,723	
Total Awaiting Action	889,537	635,627	686,348	578,997	499,008	580,064	552,182	1,084,977	1,924,839	1,973,707	
Managed Debt	18,101,227	13,812,492	14,866,531	14,052,291	13,625,382	16,499,126	21,522,212	16,320,944	18,240,150	17,220,016	
% unmanaged debt [PI]	4.68%	4.40%	4.41%	4.41%	3.53%	3.40%	2.50%	6.23%	9.55%	10.28%	
CTAX	6,748,461	6,090,189	7,430,390	6,281,511	7,664,327	6,053,552	7,857,713	6,280,780	8,167,738	7,715,016	
unmanaged debt	190,988	111,528	123,521	103,752	81,410	63,263	43,391	96,208	49,717	33,762	
managed debt	6,557,474	5,978,660	7,306,869	6,177,759	7,582,917	5,990,289	7,814,322	6,184,572	8,118,021	7,681,254	
unmanaged debt	2.83%	1.83%	1.66%	1.65%	1.06%	1.05%	0.55%	1.53%	0.61%	0.44%	
NNDR	1,454,169	776,782	1,162,504	543,491	407,858	568,644	830,958	807,217	1,777,515	1,784,677	
unmanaged debt	0	0	0	0	0	0	0	0	0	0	
managed debt	1,454,169	776,782	1,162,504	543,491	407,858	568,644	830,958	807,217	1,777,515	1,784,677	
unmanaged debt	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
FTA	1,101,424	814,503	886,670	784,750	557,708	328,049	573,762	435,545	773,435	493,910	
unmanaged debt	87,568	30,016	17,649	28,324	16,431	17,761	4,015	11,925	7,560	11,299	
managed debt	1,013,856	784,487	869,021	756,426	541,277	310,288	569,747	423,620	765,875	482,611	
unmanaged debt	7.95%	3.69%	1.99%	3.61%	2.95%	5.41%	0.70%	2.74%	0.98%	2.29%	
HBOP	4,090,115	4,122,698	4,381,953	4,515,411	4,555,039	5,243,926	5,645,801	6,094,450	6,127,991	6,251,798	
unmanaged debt	409,456	328,701	528,023	399,861	355,323.49	386,239	340,936	439,155	377,010	287,792	
managed debt	3,680,659	3,793,997	3,853,930	4,115,550	4,199,716	4,857,687	5,304,865	5,655,295	5,750,982	5,964,006	
unmanaged debt	10.01%	7.97%	12.05%	8.86%	7.80%	7.37%	6.04%	7.21%	6.15%	4.60%	
Sundry Debt	5,596,594	2,643,948	1,691,362	1,008,807	939,457.37	4,885,020	7,166,160	3,787,929	3,318,311	2,948,322	
unmanaged debt	201,526	165,382	17,155	47,060	45,844.00	112,802	163,839	537,689	1,490,553	1,640,854	
managed debt	5,395,068	2,478,566	1,674,207	961,747	893,613	4,772,218	7,002,321	3,250,240	1,827,758	1,307,468	
unmanaged debt	3.60%	6.26%	1.01%	4.66%	4.88%	2.31%	2.29%	14.19%	44.92%	55.65%	

Appendices
1: LGSS Auditor Report



AUDIT COMMITTEE REPORT

Report Title	Internal Audit (LGSS) Progress Update
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	16 th January 2017
Policy Document:	No
Directorate:	LGSS Finance
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

- 1.1 To inform the Audit Committee on the current plan of internal audit work being carried out by LGSS, and any proposed changes or areas needing further consideration.

2. Recommendations

- 2.1 It is recommended that the Audit Committee note this report.

3. Issues and Choices

3.1 Report Background

- 3.1.1 LGSS Internal Audit are the 'in house' internal audit service providing assurance to LGSS management on risks and issues surrounding any systems operated by, or services provided by LGSS.
- 3.1.2 The LGSS internal audit are providing assurance to NBC on those processes, systems and procedures for services provided by LGSS to NBC.
- 3.1.3 The attached LGSS internal audit report (appendix 1) provides an update on delivering the audit plan for 2016/17.

3.2 Choices (Options)

3.2.1 The report is just for noting, however audit committee have the opportunity to ask questions direct to the auditors.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None to report.

4.2 Resources and Risk

4.2.1 None to report at present.

4.3 Legal

4.3.1 None to report at present.

4.4 Equality

4.4.1 Not applicable.

4.5 Consultees (Internal and External)

4.5.1 Both LGSS Internal Audit and LGSS Finance have discussed with PwC areas of audit work coverage.

4.6 Other Implications

4.6.1 None.

5. Background Papers

5.1 None to date.

Glenn Hammons
Chief Finance Officer, Telephone 01604 366521

REPORT TO AUDIT COMMITTEE
NORTHAMPTON BOROUGH COUNCIL
JANUARY 2017

LGSS INTERNAL AUDIT 2016-17

Background

Many financial activities transferred from Northampton Borough Council to LGSS during the 2013/14 financial year. It was agreed with the S151 Officer and the council's internal auditors (PwC) that where LGSS have the responsibility to undertake the functions, LGSS Internal Audit would complete the assurance work relating to LGSS functions, whilst PwC would continue to audit those aspects which remain in the direct control of the council. This approach was used each year and we have worked with PwC to plan and undertake our work to enable us to provide the assurance opinions, whilst minimising duplication of work.

Follow up of 2015-16 Action Plans

We have followed up actions agreed following the 2015-16 audits. Of 17 actions 16 were satisfactorily addressed and have been closed. The remaining action was partially implemented. This related to the distribution and checking of user access reports and should be fully implemented shortly.

2016-17 Internal Audits - LGSS

At the November Audit Committee the following audits were agreed to be undertaken by LGSS internal audit for 2016-17:

- Accounts Receivable
- Accounts Payable
- Payroll, including review of actions on data quality
- General Ledger
- IT System access – ICON and IBS
- Controls and processes for issuing loans
- Council Tax (High level controls)
- NNDR (High level controls)
- Housing Benefits (High level controls)

Work has commenced on these 2016-17 audits. Site visits were completed for the reviews of Council Tax, NNDR and Housing Benefits in the week commencing 19th December. The outcomes of these and the other reviews will be reported once the work is complete.

Planning and coordination

We continue to jointly plan our internal audits along with PwC. A meeting was held in December and another is timetabled for February, to include the external auditors (KPMG). This will include future planning for 2017-18. These meetings help to minimise duplication and deliver assurances as efficiently as possible.

Appendices

1: PwC Internal Auditor Report



AUDIT COMMITTEE REPORT

Report Title	Internal Audit (PwC) Progress Update
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	16 th January 2017
Policy Document:	No
Directorate:	LGSS Finance
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 To inform the Audit Committee on the current progress of internal audit work being carried out by PwC against the workplan, and any proposed changes or areas needing further consideration.

2. Recommendations

2.1 It is recommended that the Audit Committee note this report.

3. Issues and Choices

3.1 Report Background

3.1.1 As part of their engagement as internal auditors PwC provide regular updates to the Audit Committee of progress against planned work and any issues during the year.

3.1.2 The progress report is attached as Appendix 1 and contains the findings for the two final reports issued on Environmental Health and Licensing, and Economic Development and Regeneration. In both areas there were two low risk findings identified, the details of which are included in the attached report.

3.1.3 Following combined meetings of PwC, LGSS Internal Auditors and LGSS Finance staff in December further work around financial systems including payroll has been identified which will be undertaken before the end of March 2017, and the workplan has been amended accordingly.

3.2 Choices (Options)

3.2.1 The report is just for noting, however audit committee have the opportunity to ask questions direct to the auditors.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None to report.

4.2 Resources and Risk

4.2.1 None to report at present.

4.3 Legal

4.3.1 None to report at present.

4.4 Equality

4.4.1 Not applicable.

4.5 Consultees (Internal and External)

4.5.1 Both LGSS Internal Audit and LGSS Finance have discussed with PwC areas of audit work coverage.

4.6 Other Implications

4.6.1 None.

5. Background Papers

5.1 None to date.

Glenn Hammons
Chief Finance Officer, Telephone 01604 366521

Internal Audit Progress Report

Northampton
Borough Council
January 2017

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Distribution List

For information	Audit Committee
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Introduction

Purpose of this report

We are committed to keeping the Audit Committee up to date with Internal Audit progress and activity throughout the year. This summary has been prepared to update you on our activity since the last meeting of the Audit Committee and to bring to your attention matters that are relevant to your responsibilities as members of the Authority's Audit Committee.

2016/17 Internal Audit Plan Progress

The draft 2016/17 Internal Audit Plan was presented and approved by the Audit Committee at its meeting on the 27 July 2016. The Internal Audit Plan sets out the risks that were identified as part of the planning process, together with the targeted work to be performed in order to address the identified risks. We report back to you on any changes to the assessment of audit risks and on the work undertaken in response to the risks identified.

We have continued our Internal Audit fieldwork and are pleased to report field work has concluded in the following areas:

- Risk Management;
- Northampton Town Football Club;
- Economic Development & Regeneration;
- Planning;
- Environmental Health & Licencing; and
- Housing Options.

We also have work planned and ongoing in the following areas:

- Customers & Cultural Services;
- Private Sector Housing;
- Partnerships and Communities; and
- Key financial system controls.

A detailed assessment of our performance against the Internal Audit Plan, tracking assignments undertaken and planned activity is shown in Appendix One. At the time of writing this report we have completed 196 days of the 219 planned audit days.

Changes to the 2016/17 Internal Audit Plan

Following the exceptional Audit Committee in December 2016 we have worked closely with management to assess the new Governance Board and plans. We are currently identifying how best we can support the Council in implementing these plans and providing the Audit Committee with adequate assurance.

To ensure that our 2016/17 Internal Audit Plan remains suitable and appropriately responds to the Council's current risks we have reviewed the Internal Audit Plan with the Section 151 Officer during December. We have agreed to make the following changes:

<i>Auditable Unit</i>	<i>Audit days</i>	<i>Comments</i>
-----------------------	-------------------	-----------------

Previously reported available days	5	The changes to the Internal Audit Plan resulted in a spare 5 days being available from the original Internal Audit Plan
Key financial system controls	(10)	Following our meeting with LGSS Finance and LGSS Internal Audit we have identified additional controls and processes which we will test before March 2017. We have already agreed with officers 10 additional days of internal audit days to support the delivery of this review.
Total	(5)	Additional time taken to complete the review examining the internal arrangements within the Council for managing Northampton Town Football Club loan and providing lessons learnt has used a substantial amount of the allocated internal audit days. We are in discussions with officers to extend the audit provision to support delivery of the remainder of the internal audit plan.

2017/18 Internal Audit Planning

We are set to meet with the Chief Executive, Monitoring Officer and Section 151 Officer during January 2017 to identify areas where we can support the Council and confirm areas of focus for the remainder of the 2016/17 financial year and considerations for the 2017/18 Internal Audit Plan.

We have a meeting scheduled with LGSS Finance, LGSS Internal Audit and the Council’s external auditors, KPMG, in February to review the proposed 2017/18 Internal Audit Plan and confirm it satisfies their requirements and all plans are aligned.

We would like to seek input from the Audit Committee on the content of the 2017/18 Internal Audit Plan and would suggest some members of the Audit Committee are identified who can support us in identifying any particular areas of focus for the new financial year. We propose sharing a draft internal audit plan for approval by the Audit Committee at the March 2017 meeting.

Additional Internal Audit Support

Risk management

Chris Dickens has provided advice on governance during November and December 2016 during which time he supported the Council as it developed a new risk management strategy and policy, provided input into the job description for the new Governance and Risk Manager and provided training slides on risk for staff and members. This work has been undertaken in additional to the internal audit plan.

Environmental Services

We have also provided additional support to the Director of Customers and Communities by reviewing the draft Cabinet paper and Business Case prepared by the Council to support the next phase of re-provision of the Environmental Services outsourced contract. We obtained a high level understanding of the approach taken by the Council and provided feedback on any observations arising from this review. This work has been undertaken in additional to the internal audit plan.

Activity and progress

Final reports

Since our previous Internal Audit Progress Report, we have issued final reports for the following reviews performed in accordance with the 2016/17 Internal Audit Plan:

- Environmental Health and Licensing – low risk report with two low risk findings
- Economic development and regeneration - low risk report with two low risk findings
- Northampton Town Football Club - this review was not classed as an assurance review therefore there is no overall report rating or scored recommendations

We have summarised the main findings from the reports below:

Environmental Health and Licensing

We identified the following findings following conclusion of our testing:

- **Frequency of unlicensed taxi flagging operation (Low Risk):** To identify unlicensed taxi operators the Council has in place a procedure, working with the Police, for flagging taxis and then identifying whether the taxi is being used illegally. None of these flagging operations were carried out during the period from April to August 2016. This was due to staffing constraints in the licensing department and a lack of contingency plans. Since September 2016, this has been resolved with the addition of two new members of staff; and
- **Documentation on flagging exercises (Low Risk):** The Council does not currently maintain a record of the flagging exercises which have been undertaken to demonstrate sufficient proactive work is being undertaken to address unlicensed taxi operators.

Economic development and regeneration

We identified the following findings following conclusion of our testing:

- **Project summaries (low risk):** there is no record of all projects and their current status to provide an overview of current projects and to assess whether required documentation has been completed; and
- **Project manager support (low risk):** whilst the LGSS project support is available to support project managers and ensure they are compliant with the relevant policies, legislation, required documents and are working consistently within the Council's procedures this is not a formalised process and requires the project manager to request such support.

Northampton Town Football Club

The findings from our report were communicated to the Audit Committee at the specially convened meeting on the 5th December 2016.

Draft reports

We have completed the audit fieldwork and prepared draft reports for the following reviews performed in accordance with the 2016/17 Internal Audit Plan. We are in the progress of finalising these reports and will report the findings at the next meeting of the Audit Committee.

- Housing options; and
- Planning

Planned fieldwork

Work is planned in the following areas:

- **Private Sector Housing and Partnerships & Communities:** scoping meetings have been held and terms of reference, including timescales agreed. Fieldwork will be undertaken between January and March 2017;
- **Customer & Cultural Services:** work is ongoing to draft a scope of work and agree this with management; and
- **Core financial systems controls:** we held a meeting with LGS Finance and LGSS Internal Audit during December 2016 to review the current allocation of controls testing to ensure that our internal audit plans were aligned and provided an adequate level of assurance to satisfy the Council. We identified some additional areas of testing and are in the process of agreeing a terms of reference and planned timescales for this work.

Appendix 1: Detailed progress tracker

<i>Ref</i>	<i>Auditable Unit</i>	<i>Indicative number of audit days*</i>	<i>Actual audit days to date</i>	<i>Proposed fieldwork dates</i>	<i>Scoping meeting date</i>	<i>Proposed draft report date</i>	<i>Proposed management response date</i>	<i>Proposed final report date</i>	<i>Audit Committee reporting date</i>
A1	Contract management: LGSS review	20	-	Q1-2	Removed from the Internal Audit Plan				
A2	Risk management	10	10	Q1-2	Work concluded				
A3	Business Continuity	10	-	Q3	Removed from the Internal Audit Plan				
A4	Governance: Corporate Policy	10	-	Q3	Removed from the Internal Audit Plan				
A5	Performance Management	10	-	Q3	Removed from the Internal Audit Plan				
A6	NTFC	20	100	Q1	Work ongoing from 15/16	August 2016	September 2016	November 2016	November 2016
B1	Economic development and regeneration	10	10	Q4	1 st August 2016	December 2016	December 2016	January 2017	January 2017
B2	Planning	10	10	Q3	1 st August 2016	December 2016	January 2017	January 2017	January 2017
C1	Directorate governance: Borough Secretary	10	-	Q2	Removed from the Internal Audit Plan				
D1	Environmental Health and Licencing	10	10	Q3	1 st August 2016	December 2016	December 2016	December 2016	January 2017
D2	Environmental services	8.5	8.5**	Q3	1 st August 2016	September 2016	October 2016	October 2016	October 2016

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D3	Customers and cultural services	10	1.5	Q3	1 st August 2016	TBC	TBC	TBC	TBC
E1	Housing options	10	5	Q2	28 th September 2016	January 2017	January 2017	January 2017	March 2017
E2	Private Sector Housing	10	1	Q2	28 th September 2016	March 2017	June 2017	June 2017	June 2017
E3	Partnerships and Communities	10	1	Q3	28 th September 2016	March 2017	June 2017	June 2017	June 2017
F1	Internal audit management	20	18	Q1-4	NA	NA	NA	NA	NA
F2	Contingency	20	20	Q1-4	NA	NA	NA	NA	NA
	Additional review: key financial controls	10	1	Q4	December 2016	March 2017	June 2017	June 2017	June 2017
	Total audit days	218.5	196						

* Where appropriate and in agreement with client management, we are able to flex our audit service to include more senior or specialist staff to respond to the risks generated by audit reviews. Where we do this we effectively agree a fixed fee for the audit work which is derived from the combined fees of the planned audit days allocated to this audit review during the annual planning process.

** Review delivered using specialist internal audit day rate. To be undertaken in addition to the agreed audit plan.

Appendix 2: Previous internal audit reports

The following table identifies internal audit reports we have issued over the past five years. The full reports are available to all senior officers using our online TrAction tool which includes details of the specific findings. Officers are working to review the outstanding internal audit recommendations and to make sure that appropriate people within the Council take ownership for implementing internal audit recommendations, especially where the original audit sponsor is no longer in place. These will be reported on separately by officers.

Audit Year	Title	Findings
2012/13	Anti-Fraud Health Check follow up review	4
2012/13	Budgetary Control	1
2012/13	Core Financial Systems	15
2012/13	Conflicts of Interest	3
2012/13	Council Tax	1
2012/13	Decent Homes Contract Review follow up	4
2012/13	Debt Recovery	4
2012/13	Equalities	3
2012/13	Environment services contract follow up review	4
2012/13	Fixed Assets	2
2012/13	Housing Allocations	5
2012/13	Housing Benefits	4
2012/13	Housing Rents	6
2012/13	IBS Creditors	0
2012/13	Leisure Trust contract follow up review	4
2012/13	Museums Security	6
2012/13	NNDR	9
2012/13	Potentially Violent People	4
2012/13	Risk Management.	7
2012/13	Strategic Housing: Accounting for grant income	1
2012/13	Shared services transition planning	5
2012/13	Voids Management follow up review	6
2013/14	Asset Management	3
2013/14	Budgetary Control	4

2013/14	Creditors	1
2013/14	Debtors	2
2013/14	Delapre Park Concerts	2
2013/14	Debt Recovery	0
2013/14	Housing Allocations	2
2013/14	Housing Rents	NA
2013/14	IBS Creditors	5
2013/14	Planning Application Software Review	6
2013/14	Fixed assets	4
2013/14	Absence Monitoring	5
2013/14	Bus interchange project	NA
2013/14	Collection Fund	2
2013/14	Empty Homes Programme	NA
2013/14	Environmental Services - Performance Monitoring	4
2013/14	ICT - Bring your own devices	1
2013/14	Treasury Management	2
2014/15	Data Protection	8
2014/15	Directorate review: Customers and Communities	6
2014/15	Directorate Review: Regeneration, Enterprise and Planning	5
2014/15	Environmental Contract Management	4
2014/15	Financial Delegations	4
2014/15	Good Governance	NA
2015/16	LGSS contract review	7
2015/16	Scope and Effectiveness of the Section 151 Officer arrangement	2
2016/17	Disabled Facilities Grant	4
2016/17	Environmental Services report	4
2016/17	Governance action plan	11



In the event that, pursuant to a request which Northampton Borough Council has received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the “Legislation”), it is required to disclose any information contained in this terms of reference, it will notify PwC promptly and consult with PwC prior to disclosing such information. Northampton Borough Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Act to such information. If, following consultation with PwC, Northampton Borough Council discloses any such information, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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