

# Finance and Audit Scrutiny Committee

Tuesday 27 November 2018

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A meeting of the Finance and Audit Scrutiny Committee will be held at the Town Hall, Royal Leamington Spa on Tuesday 27 November 2018 at 6.00pm.

## Membership:

	Councillor Quinney (Chair)
Councillor Cain	Councillor Mrs Knight
Councillor Day	Councillor Margrave
Councillor Gifford	Councillor Murphy
Councillor Howe	Councillor Noone
Councillor Illingworth	Councillor Wright

## Emergency Procedure

At the commencement of the meeting, the Chairman will announce the emergency procedure for the Town Hall.

## Agenda

### Part A – General Items

#### 1. Apologies and Substitutes

- (a) to receive apologies for absence from any Councillor who is unable to attend; and
- (b) to receive the name of any Councillor who is to act as a substitute, notice of which has been given to the Chief Executive, together with the name of the Councillor for whom they are acting.

#### 2. Declarations of Interest

Members to declare the existence and nature of interests in items on the agenda in accordance with the adopted Code of Conduct.

Declarations should be entered on the form to be circulated with the attendance sheet and declared during this item. However, the existence and nature of any interest that subsequently becomes apparent during the course of the meeting must be disclosed immediately. If the interest is not registered, Members must notify the Monitoring Officer of the interest within 28 days.

Members are also reminded of the need to declare predetermination on any matter. If Members are unsure about whether or not they have an interest, or about its nature, they are strongly advised to seek advice from officers prior to the meeting.

#### 3. Minutes

To confirm the minutes of the meeting held on 30 October 2018 (**Pages 1-6**)

## **Part B - Audit Items**

4. **Treasury Management Activity Report for the period 1 April 2018 to 30 September 2018**  
To consider a report from Finance (Pages 1 to 22)
5. **Annual Governance Statement 2017/18 Action Plan: Review of Progress**  
To consider a report from Finance (Pages 1 to 7)
6. **Internal Audit Quarter 2 2018/19 Progress Report**  
To consider a report from Finance (Pages 1 to 25)
7. **Corporate Fraud Team Update**  
To consider a verbal report from Finance
8. **Review of the Assigning of Parent Company Guarantees and Other Types of Securities to Council Contracts**  
To consider a report from Finance (Pages 1 to 6)
9. **Statement of Accounts**  
To consider a report from Finance To follow

## **Part C – Scrutiny Items**

10. **Scrutiny of Service Area Performance – Development Services**  
To consider a report from Development Services (Pages 1 - 30)
11. **Review of the Work Programme, Forward Plan and Comments from the Executive**  
To consider a report from Civic & Committee Services (Pages 1 - 9)
12. **Executive Agenda (Non Confidential Items and Reports) – Wednesday 28 November 2018**  
To consider the non-confidential items on the Executive agenda which fall within the remit of this Committee. The only items to be considered are those which Committee Services have received notice of by 9.00am on the day of the meeting.

**You are requested to bring your copy of that agenda to this meeting.  
(Circulated separately)**

13. **Public and Press**

To consider resolving that under Section 100A of the Local Government Act 1972 that the public and press be excluded from the meeting for the following items by reason of the likely disclosure of exempt information within the paragraphs of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

14. **Executive Agenda (Confidential Items and Reports) – Wednesday 28 November 2018**

To consider the confidential items on the Executive agenda which fall within the remit of this Committee. The only items to be considered are those which Committee Services have received notice of by 9.00am on the day of the meeting.

**You are requested to bring your copy of that agenda to this meeting.  
(Circulated separately)**

Agenda published Monday 19 November 2018

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You can e-mail the members of the Committee at  
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**The agenda is also available in large print, on request, prior to the meeting by calling 01926 456114.**

# Finance and Audit Scrutiny Committee

Minutes of the meeting held on Tuesday 30 October 2018 at the Town Hall, Royal Leamington Spa at 6.00pm.

**Present:** Councillor Quinney (Chair); Councillors Cain, Day, Gifford, Mrs Hill, Howe, Illingworth, Margrave, Murphy, Noone and Weed.

**Also present:** Councillors Butler, Coker, Mobbs, Rhead and Whiting.

## 71. Apologies and Substitutes

- (a) there were no apologies for absence; and
- (b) Councillor Mrs Hill substituted for Councillor Wright and Councillor Weed substituted for Councillor Knight.

## 72. Declarations of Interest

Minute 80 - Executive Agenda (Confidential Items & Reports – Wednesday 31 October 2018)

Councillor Day declared a personal interest because he had previously given the school some procedural advice.

Councillor Whiting declared a prejudicial interest because his wife was a governor at the school and left the room whilst the item was discussed.

## 73. Minutes

The minutes of the meeting held on 25 September 2018 were taken as read and signed as a correct record.

## 74. Public & Press

**Resolved** that under Section 100A of the Local Government Act 1972 that the public and press be excluded from the meeting for the following item by reason of the likely disclosure of exempt information within paragraph 3 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

## 75. Executive Agenda (Confidential Items & Reports – Wednesday 31 October 2018)

The Committee considered the following item which would be discussed at the meeting of the Executive on Wednesday 31 October 2018.

Item 17 – Review of Final Accounts

The Finance & Audit Scrutiny Committee thanked officers for a very thorough and concise report and full discussion of this. Members also looked forward to receiving future updates on progress and supported the recommendations in the report and the proposed action plan.

Councillor Gifford expressed concerns that the Council had failed to balance the accounts and meet the statutory deadline.

(The meeting resumed in public session)

**76. Executive Agenda (Non Confidential Items & Reports – Wednesday 31 October 2018)**

The Committee considered the following item which would be discussed at the meeting of the Executive on Wednesday 31 October 2018.

Item 13 – Significant Business Risk Register

The Finance & Audit Scrutiny Committee noted the report.

**77. National Fraud Initiative**

The Committee received a report from Finance which presented the final results of the Council's investigations into the data matches from the 2016-17 National Fraud Initiative (NFI) programme.

The National Fraud Initiative (NFI) was a national inter-organisational data matching service managed by the Cabinet Office.

The NFI considered itself to be a major contributor to public sector counter-fraud activity and continually sought to expand its influence in both the public and private sectors. From Warwick District Council's perspective, the contribution of NFI to counter fraud activity had always been marginal overall, but offered significant value as a source of independent assurance on the effectiveness the Council's preventative controls and as a deterrent against fraud.

The final results from the 2016-17 NFI programme were outlined in Section 9 of the report.

In order to meet its obligations under the NFI, Warwick District Council was required to:

- extract and supply data to the managing body (currently the Cabinet Office);
- review and, where appropriate, investigate output referred back from the data matching processes and report the outcomes to the managing body.

In addition, to comply with law and best practice in handling and sharing personal information, the process was governed by a Code of Data Matching Practice adopted (and currently under review by) the Cabinet

Office. The Responsible Financial Officer had overall management responsibility for the NFI at each local authority and NFI operations at Warwick District Council were overseen by a member of Internal Audit as designated 'Key Contact'.

Results of NFI data matches were processed through a secure web-based application system. Only a small number of Council and contracted-in staff had access to this system and they were required to observe special data handling instructions in addition to the Council's policies on information security.

An addendum was circulated prior to the meeting which advised Members of a number of errors discovered in table 9.1 of the report. The correct data was set out in a revised table in the addendum.

The overall national outcomes from the 2016-17 round of the NFI had been recently published in the Cabinet Office's report. Table 9.1 of the report summarised the local outcomes for Warwick District with the corresponding outcomes from the 2014-15 round for comparison. This table showed that there had been two cases of duplicate payment in 2016/17.

Councillors received clarification on one of these instances because it had appeared that the Council had paid an individual twice, by mistake. This had since been resolved and officers highlighted that if it had not been for the National Fraud Initiative, this would not have been discovered.

The Committee thanked the officers for the report and for attending and

**Resolved** that the final outcomes from the 2016-17 round of the NFI, along with relevant explanations, are noted.

**78. Executive Agenda (Non Confidential Items & Reports – Wednesday 31 October 2018)**

The Committee considered the following items which would be discussed at the meeting of the Executive on Wednesday 31 October 2018.

Item 12 – Funding for Norton Lindsey Village Hall Re-Build

The Finance & Audit Scrutiny Committee supported the recommendations in the report.

Item 4 – Code of Procurement Practice

The Finance & Audit Scrutiny Committee supported the recommendations in the report with a number of modifications as agreed with officers.

**79. Procurement Progress Update – half year to 30 September 2018**

The Committee received a report from Finance which updated Members on the progress with procurement during the six months to 30 September 2018. This was a snapshot of how procurement was organised within the Council and the resources being utilised to deliver effective procurement.

It was agreed at the July 2010 Executive as part of the Procurement Strategy that Members would receive updates on the progress of procurement and the procurement strategy. This was one of the actions within the Procurement Action Plan.

The report advised that the Council's combined expenditure was approximately £38 million a year on the acquisition of goods and commissioning of works and services through procurement activity and the provision of grants to third party organisations.

The Procurement Team had been extremely busy over the past six months supporting the delivery of a large number of procurement exercises for goods, services and works, including the Covent Garden re-development.

Significant progress had been made in improving the Council's procurement practice since the development of the current Procurement Strategy. Many elements had been implemented and were now fully integrated as part of the Council's standard procurement processes.

The appendices to the report detailed progress on procurement during the year.

In January 2018 the Executive agreed that the Council would enter a partnership with Warwickshire County Council for strategic procurement support. This was partly due to the problems that the Council had encountered in recruiting and retaining senior procurement officers.

Since April 2018 Warwickshire County Council's Procurement Team had provided the following support and assistance to the Council:-

- lead on certain key procurement projects, for example Covent Garden redevelopment;
- reviewed and prepared updated Code of Procurement Practice (agenda item 4 on Executive agenda of 31 October 2018);
- attendance at Procurement Board and Procurement Champions meetings;
- advised the Council's Procurement Business Partners on high profile projects;
- supported the Procurement Business Partners' attendance at WCC Procurement Team meetings; and
- contract Management Framework drafted, to be launched to Council officers in the Autumn. Training is being arranged with the Council's Learning and Development Officer.

Feedback from officers within the Council, including the Procurement Board, was that the new arrangements were working well. For the key projects for which WCC Procurement was taking the Procurement lead, officers were pleased with the support, challenge and advice being given. The WDC Procurement Team valued having the experience and advice available to them, especially given their more limited experience and their attendance at the WCC Team meetings had been particularly welcomed.

The Head of Procurement at WCC advised that he was pleased with how the partnership had worked and the level of additional work had been within their expectations. The additional variety of work had also been welcomed.

The main problems encountered, which were not significant, related to differences in practices and procedures between WCC and WDC. These were being addressed by the teams. However, the aim was that the new Code of Procurement Practice and supporting documentation would enable more streamlined workings into the future.

The Senior Procurement Business Partner outlined the report and referred Members to the responses to questions from Councillors which had been circulated prior to the meeting.

Members received clarification on a number of specific entries in the report including the Coventry Cyrenians and Poolcare contracts.

The Chairman suggested that it may be useful for Members to see a value chart included in the report in future.

The Committee therefore

**Resolved** that

- (1) the progress across the procurement function over the past six months is noted, along with the following documents;
  - Appendix One: Record of Progress against Procurement Action Plan 2018/19
  - Appendix Two: Procurement Activity from April 2018-September 2018
  - Appendix Three: Key Performance Indicators - April 2018 – September 2018
  - Appendix Four: Warwick District Council's Progress towards National Procurement Strategy
  - Appendix Five: Contract Exemptions Permitted: April 2018 – September 2018
- (2) the progress to date on the Strategic Procurement Partnership with Warwickshire County Council, is noted.

80. **Executive Agenda (Non Confidential Items & Reports – Wednesday 31 October 2018)**

The Committee considered the following items which would be discussed at the meeting of the Executive on Wednesday 31 October 2018.

Item 12 – Royal Pump Rooms – Catering & Events Investment

The Finance & Audit Scrutiny Committee supported the recommendations in the report and noted the confidential appendix.



Executive Item 9 – Discretionary Business Rates Relief as a Tool for  
Business Growth and Inward Investment

The Finance & Audit Scrutiny Committee fully supported the recommendations in the report.

Executive Items 3 and 15 – Kenilworth School Loan and land purchase


The Finance & Audit Scrutiny Committee supported the recommendations in the report & noted the confidential appendix.

81. **Review of the Work Programme, Forward Plan Comments from the Executive**

The Committee received a report from Democratic Services that set out its current work programme, the Forward Plan and responses from the comments made by the Committee to the Executive.

**Resolved** that the report be noted.

(The meeting ended at 9.05 pm)

 <b>Finance and Audit Scrutiny Committee.</b> <b>27th November 2018.</b>		<b>Agenda Item No.</b> <b>4</b>
<b>Title</b>	Treasury Management Activity Report for the period 1st April 2018 to 30th September 2018.	
<b>For further information about this report please contact</b>	Karen Allison, Assistant Accountant 01926 456334 <a href="mailto:Karen.allison@warwickdc.gov.uk">Karen.allison@warwickdc.gov.uk</a>	
<b>Wards of the District directly affected</b>		
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	N/a	
<b>Background Papers</b>	Treasury Management File L2/9 Treasury Management Information via External Advisers, Brokers, External Investment Agents etc.	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality Impact Assessment Undertaken</b>	No-not relevant.

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	07/11/2018	Andrew Jones
Head of Service	N/A	
CMT	N/A	
Section 151 Officer	06/11/2018	Mike Snow
Monitoring Officer	N/A	
Finance	06/11/2018	Roger Wyton
Portfolio Holder(s)	13/11/2018	Peter Whiting
Consultation & Community Engagement		
None.		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

## 1. **Summary**

- 1.1 This report details the Council's Treasury Management performance for the period 1<sup>st</sup> April 2018 to 30<sup>th</sup> September 2018.

## 2. **Recommendation**

- 2.1 That Finance and Audit Scrutiny Committee notes the contents of this report.

## 3. **Reasons for the Recommendation**

- 3.1 The Council's 2018/19 Treasury Management Strategy and Treasury Management Practices (TMP's) require the performance of the Treasury Management Function to be reported to Members on a half yearly basis in accordance with the Treasury Management Code of Practice.

## 4. **Policy Framework**

### 4.1 **Fit for the Future (FFF)**

The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects. This report shows the way forward for implementing a significant part of one of the Council's Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy."

<b>FFF Strands</b>		
<b>People</b>	<b>Services</b>	<b>Money</b>
<b>External</b>		
<b>Health, Homes, Communities</b>	<b>Green, Clean, Safe</b>	<b>Infrastructure, Enterprise, Employment</b>
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/ productivity of local economy Increased employment and income levels
<b>Impacts of Proposal</b>		

The Treasury Management function enables the Council to meet its vision.	The Treasury Management function enables the Council to meet its vision.	The Treasury Management function enables the Council to meet its vision.
<b>Internal</b>		
<b>Effective Staff</b>	<b>Maintain or Improve Services</b>	<b>Firm Financial Footing over the Longer Term</b>
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
<b>Impacts of Proposal</b>		
The Treasury Management function enables the Council to meet its vision.	The Treasury Management function enables the Council to meet its vision.	The Treasury Management function enables the Council to meet its vision.

## 4.2 Supporting Strategies

Each strand of the FFF Strategy has several supporting strategies. The Treasury Management function is consistent with the relevant supporting strategies.

## 4.3 Changes to Existing Policies

The Treasury Management function is in accordance with existing policies. The Prudential Code 2017 introduced a new requirement for local authorities to produce an annual Capital Strategy with full implementation in 2019/20. This will be reported alongside the 2019/20 Budget and Treasury Management reports in February 2019.

- 4.4 The Money Market Fund sector is introducing new regulations which will see existing non-government Constant Net Asset Value (CNAV) funds such as those currently invested in by the Council e.g. Invesco and Goldman Sachs convert to Low Volatility Net Asset Value (LVNAV) pricing. It is understood that there is little likelihood of the unit price in such funds varying from the current CNAV practice i.e. £1 in= £1 out and the current credit rating for CNAV funds also applies to the new LVNAV funds. This change is expected to occur in the very early stages of 2019. Therefore this needs to be reflected in the 2018/19 Treasury Management Strategy and investment counterparty list in order for the Council to continue using the current CNAV funds that it invests in. There is no change to the current regulations affecting Variable Net Asset Value (VNAV) funds such as those utilised by the Council e.g. the RLAM Cash Plus Fund.
- 4.5 It is therefore recommended that in addition to the current CNAV and VNAV MMF categories within the Council's approved investment counterparty list, a new category of LVNAV fund is introduced with immediate effect and that the

current counterparty limits for CNAV funds will also apply to the new LVNAV funds.

- 4.6 **Impact Assessments** – No impacts of new or significant policy changes proposed in respect of Equalities.

## 5. **Budgetary Framework**

- 5.1 Treasury Management has a potentially significant impact on the Council's budget through its ability to maximise its investment interest income and minimize borrowing interest payable whilst ensuring the security of the capital. The Council is reliant upon interest received to help fund the services it provides. The current estimate for investment interest in 2018/19 is shown in the following table:

	<b>Latest 2018/19 Budget £</b>	<b>Original 2018/19 Budget (Jan 18) £</b>
Gross Investment Interest	651,400	651,400
Less HRA allocation	(213,300)	(213,300)
Net interest to General Fund	<b>438,100</b>	<b>438,100</b>

\*Note- the figure of £461,500 for net interest to General Fund in the budget book 2018/19 includes £23,400 of deferred capital receipts interest.

The original estimate will be revised during the budget setting process.

## 6. **Risks**

- 6.1 Investing the Council's funds inevitably creates risk and the Treasury Management function effectively manages this risk through the application of the SLY principle. Security(S) ranks uppermost followed by Liquidity (L) and finally Yield(Y). It's accepted that longer duration investments increase the security risk within the portfolio, however this is inevitable in order to achieve the best possible return and still comply with the SLY principle which is a cornerstone of treasury management within local authorities.
- 6.2 In addition to credit ratings themselves, the Council will also have regard to any ratings watch notices issued by the 3 agencies as well as articles in the Financial press, market data and intelligence from Link Asset Services benchmarking groups. It will also use Credit Default Swap (CDS) data as supplied by Link Asset Services – Treasury Solutions to determine the suitability of investing with counterparties.
- 6.3 Corporate Bonds and Floating Rate Notes (FRN's) introduce counterparty credit risk into the portfolio by virtue of the fact that it is possible that the institution invested in could become bankrupt leading to the loss of all or part of the Council's investment. This is mitigated by only investing in Corporate Bonds or FRN's with a strong Fitch credit rating, in this case A and issued as Senior Unsecured debt which ranks above all other debt in the case of a bankruptcy.
- 6.4 Covered Bonds also reduce risk in the portfolio as the bond is "backed" by high quality assets such as prime residential mortgages thus ensuring that if the bond issuer defaults there are sufficient assets that can be realised in order to repay the bond in full.

- 6.5 While Corporate Equity Funds can help to ensure capital security in real (as opposed to nominal) terms, they consequently introduce the risk of capital loss due to market price fluctuations. This is mitigated by ensuring the investments are held for a sufficiently long period. In addition, mitigation is achieved by having a spread of funds with differing risk appetites. "Stop loss" limits (whereby if the value in the fund(s) goes below a defined limit, the holdings in that fund will be sold) reduce risk by limiting losses. Finally, a volatility reserve has been created - a proportion of the annual return on the funds will be credited to this reserve and then when required can be released to revenue either to cover or at least mitigate the impact of any deficits.

## **7. Alternative Option(s) considered**

- 7.1 This report retrospectively looks at what has happened during the last 6 months. It is a statement of fact.

## **8. Background**

- 8.1 A detailed commentary by our Treasury Consultants, Link Asset Services, of the economic background surrounding this report appears as Appendix C.

## **9. Interest Rate Environment**

- 9.1 The major influence on the Council's investments is the Bank Rate. The Monetary Policy Committee voted to raise the bank rate from 0.50% to 0.75% on 2<sup>nd</sup> August 2018. The Council's Treasury Management Advisors, Link Asset Services, provided the following forecast as at October 2018 for future Bank Rates:-

Qtr End- ing	Now- Sept 2018	Dec 2018	Mar 2019	June 2019	Sept 2019	Dec 2019	Mar 2020	Jun 2020	Sept 2020	Dec 2020	Mar 2021
<b>Current Forecast, as at October 2018:</b>											
Bank Rate %	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.25	1.25	1.50	1.50
<b>Forecast, as at January 2018, (when Original Budgets were set):</b>											
Bank Rate %	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.25	1.25	1.25

The forecast as at January 2018 is shown for comparison purposes as this forecast was used in calculating the original budgets.

- 9.2 The Council aims to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. The Annual Investment Strategy 2018/19 was approved by Council on 21<sup>st</sup> Feb 2018. This approved the current lending criteria which reflect the level of risk appetite of the Council. However, the Council continues to review its Standard Lending List as a result of frequent changes to Banking Institutions' credit ratings, to ensure that it does not lend to those institutions identified as being at risk. A copy of the current lending list is shown as Appendix D.

## **10 INVESTMENT PERFORMANCE**

## **Core Investments**

- 10.1. During 2018/19, the in house function has invested core cash funds in fixed term deposits in the Money Markets. Table 1 in Appendix A illustrates the performance of the in house function during this first half year for each category normally invested in.
- 10.2 All the LIBID rates in the table and referred to below include a margin of 0.0625% to give the Benchmark.
- 10.3 During April to September eight core investments matured. In all the periods up to 365 days the Council out-performed against the benchmark.
- 10.4 In April 2018 a 365 day floating rate note was purchased based on the fact that interest rates could rise. The interest rate applicable to this particular note was 3 month LIBOR (London Inter-Bank Borrowing Rate) plus 12 basis points. The interest rate on this instrument is refixed every 3 months. Therefore it was anticipated to produce a better yield as LIBOR was expected to increase over the period of the investment. When LIBOR re-set in July it unfortunately decreased from 0.87662% to 0.8325% but has subsequently increased to 0.92513% in October. It is still expected that this investment will provide a useful pick-up in interest for the Council on maturity.
- 10.5 Given that Bank Rate only increased in August 2018 from 0.50% to 0.75% and counterparty security is of the utmost importance over return of yield, the level of performance achieved in this first half year continues to be satisfactory.

## **Cash Flow Derived Funds & Accounts**

- 10.6 The in house function utilises Money Market Funds and Call Accounts to assist in managing its short term liquidity needs. Performance in this period is shown in table 2 of Appendix A.
- 10.7 During the half year, the Council's cash flow investments were mainly into the Money Market Funds.
- 10.8 As with the Money Market investments in paragraph 10.1, the LIBID benchmark which in this case is the 7 day rate, has been increased by a margin of 0.0625% and it can be seen from table 2 in Appendix A that the total interest out performance of the benchmark remains satisfactory.
- 10.9 The Council continued to concentrate its investments in the highest performing funds Federated (variable and constant net asset value funds), Standard Life, Invesco and Royal London Cash Plus along with the HSBC Business Deposit Account (base rate linked) from August when interest rates increased.
- 10.10 During the first half of 2018/19 the Council earned £121,700 interest on its Money Market Fund investments at an average rate of 0.60% and the average balance in the funds during the period was £20,415,900.

## **Call Accounts**

- 10.11 As with the Money Market investments in paragraph 10.1, the LIBID benchmark, which in this case is the 7 day rate for HSBC and 1 month for Svenska Handelsbanken, has been increased by a margin of 0.0625%.

10.12 The Council earned £17,500 interest on its call accounts in the first half year at an average rate of 0.49% and the average balance in the funds during the period was £3,541,000.

10.13 The following table brings together the investments made in the various investment vehicles during the first half year to give an overall picture of the investment return:-

Vehicle	Return (Annualised)	Benchmark (Annualised)	Performance
	£	£	£
Money Markets	82,500	75,700	6,800
Money Market Funds	121,700	120,200	1,500
Call A/c's	17,500	18,400	-900
<b>Total</b>	<b>221,700</b>	<b>214,300</b>	<b>7,400</b>

It should be noted that the total investment return of £221,700 shown in the table above will not all be received in 2018/19 as it is an annualised figure and will include interest relating to 2017/18 and 2019/20.

10.14 An analysis of the overall in house investments held by the Council at the end of September 2018 is shown in the following table:

(The balance at 31<sup>st</sup> March 2018 is shown for comparison)

Type of Investment	Closing Balance @ 30th September 2018	Closing Balance @ 31st March 2018
	£	£
Money Markets incl. CD's & Bonds	37,822,700	46,745,000
Money Market Funds	35,957,000	23,000,000
Business Reserve Accounts incl. Call Accounts	4,503,300	6,055,000
<b>Total In House Investments</b>	<b>78,283,000</b>	<b>75,800,000</b>
Corporate Equity Funds	6,458,700	5,895,300
<b>Total Investments</b>	<b>84,283,000</b>	<b>81,695,300</b>

## 11. CORPORATE EQUITY FUNDS

11.1 The equity income fund values for the first half year are as follows:-

Fund	Value of Fund @ 30th September 2018	Value of Fund @ 31st March 2018	Variation in 1st half year
	£	£	£



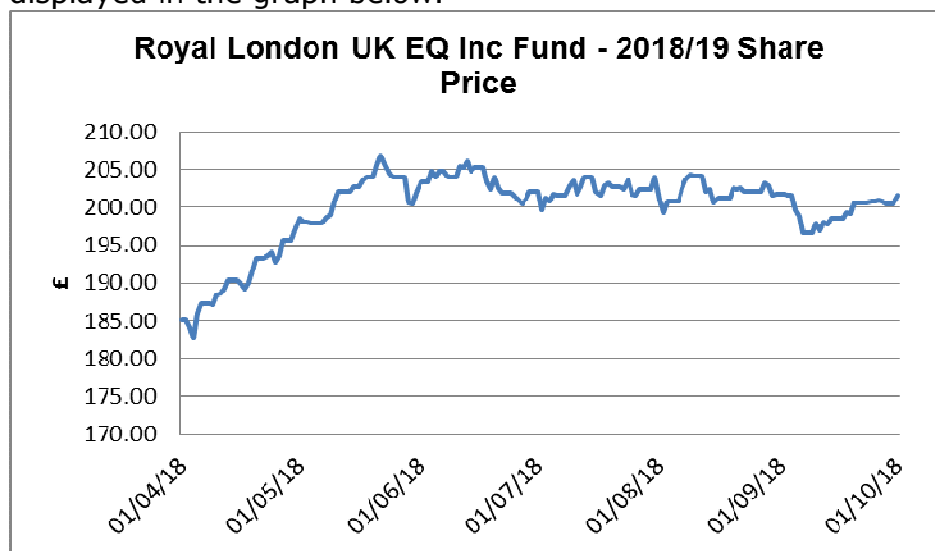
Royal London UK Equity Fund	3,272,600	3,019,600	253,000
Columbia Threadneedle UK Equity Income Fund	3,186,100	2,875,700	310,400
<b>TOTAL</b>	<b>6,458,700</b>	<b>5,895,300</b>	<b>563,400</b>

11.2 It can be seen from the table above that both funds had a positive variation in value from April 2018 to September 2018.

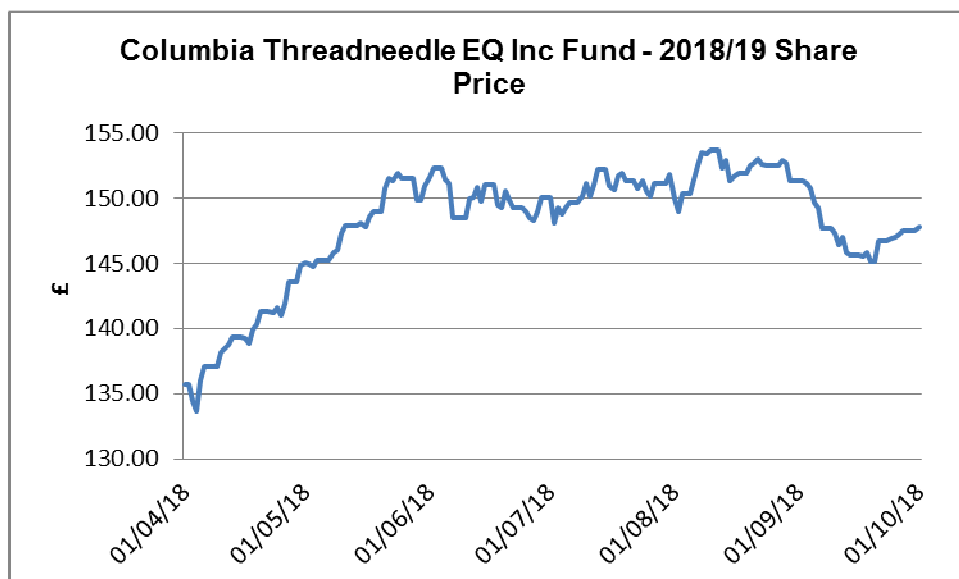
11.3 The table below gives a breakdown of income and capital elements of growth.

	Investment	Value as at 30.09.2018	Total Growth	Income element of growth	Income element of growth	Capital element of growth	Capital element of growth
	£	£	£	£	%	£	%
Royal London	3,000,000	3,272,600	272,600	35,800	13%	236,800	87%
Columbia Threadneedle	3,000,000	3,186,100	186,100	39,900	21%	146,100	79%

11.4 Royal London UK Equity Fund enjoyed a steady rise in share price from April to May 2018. Thereafter, for the remainder of the first half year, it fluctuated as displayed in the graph below.



11.5 Columbia Threadneedle Equity Fund had a similar pattern in share price.



- 11.6 Members will be aware that stock market prices have recently dropped. This has impacted on the value of these funds. A further update will be given to the meeting. However, members will remember that these investments are classed as long term investments.

## 12. COUNTERPARTY CREDIT RATINGS

- 12.1 The investments made in the first half year and the long and short term credit ratings applicable to the counterparty at the point at which the investment was made is shown in Appendix B.
- 12.2 All investments made within the first half year were in accordance with the Council's credit rating criteria.
- 12.3 Also attached for the Committee's information as Appendix B is the Council's current 2018/19 Counterparty lending list.

## 13. BENCHMARKING

- 13.1 With regard to the Link Asset Services Treasury Management Benchmarking Club, the Council is part of a local group comprising both District and County Councils and the results are published quarterly. Analysis of the results for the first quarter show that the Councils weighted average rate of return (WARoR) on its investments at 0.62% was in-line with Link's model portfolio.
- 13.2 The result for the September quarter was 0.72% WARoR which again was in-line with Link's model portfolio band range.
- 13.3 A comparison between Warwick District Council and the benchmarking group reveals that during both quarters the Council's WARoR was only marginally lower than the group and its weighted average risk was in the lower band.

## 14. BORROWING

- 14.1 During the half year, there was no long term borrowing activity other than to pay the first half year interest instalment on the £136.157m PWLB borrowing for the HRA Self Financing settlement which amounted to £2.383m.

- 14.2 During the half year it was not necessary to undertake any Money Market borrowing to fund cash flow deficits, with any deficits being managed within the Council's £50,000 overdraft facility. The interest rate on this facility is 2.8% above Bank Rate and is charged on the cleared balance at the end of each day when that balance is in debit i.e. overdrawn. In the half year there was a minimal amount of overdraft interest.
- 14.3 The Council is due to take out long term borrowing to part finance the works to the leisure centres. However, as long term borrowing will cost more than the investment interest earned on internal balances, it has not been appropriate to take out any long term debt so far. However, it is expected that a proportion of the long term debt will be taken out in this financial year, for which officers are in discussion with the Council's Treasury Management advisors.

## **15 PRUDENTIAL INDICATORS**

- 15.1 The 2018/19 Treasury Management Strategy included a number of Prudential Indicators within which the Council must operate. The two major ones are the Authorised Limit and Operational Boundary for borrowing purposes. It is confirmed that during the half year neither indicator has been exceeded.

## **16. 2019/20 Treasury Management Strategy.**

- 16.1 Work is about to commence on preparing the 2019/20 Treasury Management and Investment Strategies. Whilst security of the funds will be paramount, it is intended that the Council will continue to achieve the best returns possible. Details will be included within the forthcoming Treasury Management report in February.

**Investment Performance Analysis****Table 1**

<b>Core Investments</b>	<b>Period</b>	<b>Investment Return (Annualised)</b>	<b>LIBID Benchmark (Annualised)</b>	<b>Out/(Under) Performance</b>
<b>Up to 7 days</b>				
	April to September 2018	0.50%	0.50%	0.00%
	Interest earned 1st half year £	240	239	1
<b>Over 7 days &amp; Up to 3 months</b>				
	April to September 2018	0.75%	0.67%	0.08%
	Interest earned 1st half year £	5,610	4,999	611
<b>Over 3 months &amp; Up to 6 months</b>				
	April to September 2018	0.79%	0.78%	0.01%
	Interest earned 1st half year £	15,893	15,704	189
<b>Over 6 months to 365 days</b>				
	April to September 2018	1.08%	0.94%	0.14%
	Interest earned 1st half year £	52,310	45,339	6,971
<b>1 year and over</b>				
	April to September 2018	0.85%	0.94%	-0.09%
	Interest earned 1st half year £	8,466	9,381	-915
<b>TOTAL INTEREST FIRST HALF YEAR £</b>		<b>82,519</b>	<b>75,662</b>	<b>6,245</b>

**Table 2**

<b>Cash Flow Derived Funds &amp; Accounts</b>	<b>Period</b>	<b>Investment Return (Annualised)</b>	<b>LIBID Benchmark (Annualised)</b>	<b>Out/(Under) Performance</b>
<b>Deutsche (CNAV)</b>				
	April to September 2018	0.46%	0.50%	-0.04%
	Interest earned 1st half year £	3,561	3,872	-311
<b>Goldman Sachs(CNAV)</b>				
	April to September 2018	0.49%	0.50%	-0.01%
	Interest earned 1st half year £	10,475	10,582	-107
<b>Invesco(CNAV)</b>				
	April to September 2018	0.53%	0.50%	0.03%
	Interest earned 1st half year £	23,596	22,097	1,499
<b>Standard Life(CNAV)</b>				
	April to September 2018	0.56%	0.50%	0.06%
	Interest earned 1st half year £	25,148	22,592	2,556
<b>Federated Constant Net Asset Value (CNAV)</b>				
	April to September 2018	0.61%	0.50%	0.11%
	Interest earned 1st half year £	15,362	12,559	2,803
<b>Federated Variable Net Asset Value (VNAV)</b>				
	April to September 2018	0.70%	0.50%	0.20%
	Interest earned 1st half year £	21,197	15,093	6,104
<b>Royal London Cash Plus Account (VNAV)</b>				
	April to September 2018	0.74%	0.50%	0.24%
	Interest earned 1st half year £	22,312	15,083	7,229

<b>TOTAL INTEREST FIRST HALF YEAR £</b>	<b>121,651</b>	<b>101,878</b>	<b>19,773</b>
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**Table 3**

<b><u>Call Accounts</u></b>	<b>Period</b>	<b>Investment Return (Annualised)</b>	<b>LIBID Benchmark (Annualised)</b>	<b>Out/(Under) Performance</b>
<b>HSBC Business Deposit Account</b>				
	April to September 2018	0.57%	0.50%	0.07%
	Interest earned 1st half year £	7,266	6,356	910
<b>Svenska Handelsbanken Account</b>				
	April to September 2018	0.45%	0.53%	-0.08%
	Interest earned 1st half year £	10,202	11,997	-1,795
	<b>TOTAL INTEREST FIRST HALF YEAR £</b>	<b>17,468</b>	<b>18,353</b>	<b>-885</b>

**Warwick District Council Counterparty Lending List**

Counterparty	Investment Amount £	Credit Rating		Duration of Investment (days)
		Long Term	Short Term	
Banks				
WDC Minimum	( Fitch )	A+	F1	
Lloyds Bank	£2,000,000	A+	F1	294
DBS Bank Ltd	£3,000,000	AA-	F1+	91
DBS Bank Ltd	£3,000,000	AA-	F1+	185
Standard Charter-CD	£1,000,000	A+	F1	184
WDC Minimum	( Fitch )	A	F1	
Close Brothers Ltd	£2,000,000	A	F1	275
WDC Minimum	( Fitch )	A	n/a	
Metropolitan Life Global Funding-FRN	£1,000,000	AA-	n/a	365
GE Capital UK Funding- Bond	£2,000,000	A	n/a	313
Local Authority				
Manchester City Council	£2,500,000	n/a	n/a	7
MoneyMarket Funds (Investment amount is average principal in fund during the half year)				
WDC Minimum	Fitch AAA & Volatility rating VR1+ or S & P AAAM or Moodys AAA & Volatility Rating MR1+			
Deutsche	£1,547,869	Fund retained its rating throughout half year		liquid
Goldman Sachs	£4,230,537	Fund retained its rating throughout half year		liquid
Invesco	£8,833,698	Fund retained its rating throughout half year		liquid
Federated	£11,049,420	Fund retained its rating throughout half year		liquid
Standard Life	£9,000,000	Fund retained its rating throughout half year		liquid
Royal London Asset Management	£6,000,000	Fund retained its rating throughout half year		liquid
Call Accounts				
WDC Minimum	( Fitch )			
HSBC Business Deposit Account	£2,540,965	Counterparty retained its rating throughout period of AA- long term, F1+ short term,		liquid
Svenska Handelsbanken	£4,500,000	Counterparty retained its rating throughout period of AA- long term, F1+ short term.		liquid

**LINK ASSET SERVICES COMMENTARY ON THE CURRENT ECONOMIC BACKGROUND**

- 1.1 UK.** The first half of 2018/19 has seen UK economic growth post a modest performance, but sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase Bank Rate on 2<sup>nd</sup> August from 0.5% to 0.75%. Although growth looks as if it will only be modest at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report forecast that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.

Some MPC members have expressed concerns about a build-up of inflationary pressures, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation rose unexpectedly from 2.4% in June to 2.7% in August due to increases in volatile components, but is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.

As for the labour market, unemployment has continued at a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 2.9%, (3 month average regular pay, excluding bonuses) and to a one month figure in July of 3.1%. This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 0.4%, near to the joint high of 0.5% since 2009. (The previous high point was in July 2015.) Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC were right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy. However, the MPC will need to tread cautiously before increasing Bank Rate again, especially given all the uncertainties around Brexit.

In the political arena, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

- 1.2 USA.** President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2, but also an upturn in inflationary pressures. With inflation moving towards 3%, the Fed increased rates another 0.25% in September to between

2.00% and 2.25%, this being four increases in 2018, and indicated they expected to increase rates four more times by the end of 2019. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, (China in particular), could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second half of 2019.

- 1.3 EUROZONE.** Growth was unchanged at 0.4% in quarter 2, but has undershot early forecasts for a stronger economic performance in 2018. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of 2% for 2018, the horizon is less clear than it seemed just a short while ago.
- 1.4 CHINA.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.
- 1.5 JAPAN** - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.



**WARWICK DISTRICT COUNCIL STANDARD LENDING LIST AS AT OCTOBER 2018**

**BANKS**

**INVESTMENTS UP TO 364 DAYS** (3 months for explicitly guaranteed subsidiaries)

<b>Investment / Counterparty type:</b>	<b>S/term</b>	<b>L/term minimum</b>	<b>Security / Min credit rating</b>	<b>Max limit per counterparty</b>	<b>Max. Maturity period</b>	<b>Use</b>
Bank deposits	F1	A	UK Sovereign	£7m AA- & above, £6m if L/term rating minimum A+, £4m if L/Term rating A.	364 days	In House +Advice & EFM*
Bank - part nationalised UK	F1	A	UK Sovereign	£9m	364 days	In House +Advice & EFM*
Bank subsidiaries of UK Banks	Unrated	Unrated	Explicit Parent Guarantee	£5m	3 months	In House +Advice & EFM*

**NB.** Includes Business Call Reserve Accounts and special tranches and any other form of investment with that institution e.g. Certificate of Deposits, Corporate Bonds and Repo's except where the Repo collateral is more highly credit rated than the counterparty in which case the counterparty limit is increased by £3m with a maximum in Repo's of £3m. Counterparty Limit is also the Group Limit where investments are with different but related institutions.

**INVESTMENTS OVER 364 DAYS**

<b>Investment / Counterparty type:</b>	<b>S/term</b>	<b>L/term minimum</b>	<b>Security / Min credit rating</b>	<b>Max limit per counterparty</b>	<b>Max. Maturity period</b>	<b>Use</b>
Bank deposits	F1	A	UK Sovereign	£7m AA- & above, £6m if L/term rating minimum A+, £4m if L/Term rating A.	2 years	In House +Advice & EFM*
Bank - part nationalised UK	F1	A	UK Sovereign	£9m	2 years	In House +Advice & EFM*

**NB.** Includes Business Call Reserve Accounts and special tranches and any other form of investment with that institution e.g. Certificate of Deposits, Corporate Bonds and Repo's. Counterparty limit is also the Group Limit where investments are with different but related institutions.

£15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.

**NB** - £20m over 364 day limit only applies to those investments where at 1<sup>st</sup> April the remaining term is greater than 364 days. Any over 364 day investment with 364 days or less to maturity at 1<sup>st</sup> April is deemed to be short term.

<b>BANK NAME</b>	<b>OTHER BANKS IN GROUP (* = Not on list but included for information re potential problems etc.)</b>	<b>GROUP LIMIT APPLIES</b>
<b>AUSTRALIA ( AAA )</b>		
Australia & New Zealand Banking Group Ltd –		
Commonwealth Bank of Australia		
Macquarie Bank Ltd		
National Australia Bank Ltd	Bank of New Zealand* Yorkshire Bank *( Trading name of Clydesdale Clydesdale Bank*	Yes
Westpac Banking Corporation		
<b>BELGIUM (AA)</b>		
BNP Paribas Fortis		
KBC Bank NV		
<b>CANADA ( AAA )</b>		
Bank of Montreal	Bank of Montreal Ireland plc*	
Bank of Nova Scotia	Scotia Bank* Scotia Bank ( Ireland ) Ltd* Scotia Bank Capital Trust ( United States )* Scotia Bank Europe plc*	
Canadian Imperial Bank of Commerce	Canadian Imperial Holdings Inc New York* CIBC World Markets Holdings Inc*	
National Bank of Canada	National Bank of Canada New York Branch*	
Royal Bank of Canada- negative outlook	Royal Trust Company* Royal Bank of Canada Europe* Royal Bank of Canada Suisse* RBC Centura Banks Inc*	
Toronto Dominion Bank	TD Banknorth Inc*	
<b>DENMARK (AAA)</b>		
Danske Bank		
<b>FINLAND ( AA+ )</b>		
Nordea Bank Finland	Nordea Bank Denmark* Nordea Bank AB Nordea Bank Norge* Nordea Bank North America*	Yes
<b>FRANCE (AA)</b>		
BNP Paribas		
Credit Agricole Corporate & Investment Bank		
Credit Industriel et Commercial		
Credit Agricole SA		
Societe Generale		
<b>GERMANY (AAA)</b>		
DZ Bank AG (Deutsche Zentral-genossenschaftsbank)		
Landesbanken Hessen-		

Thuringen Girozentrale (Helaba)		
Landwirtschaftliche Rentenbank		
NRW Bank		
<b>HONG KONG ( AA+ ) –</b>		
The Hong Kong & Shanghai Banking Corporation Ltd		
<b>LUXEMBOURG ( AAA )</b>		
Clearstream Banking		
<b>NETHERLANDS (AAA)</b>		
ABN AMRO Bank N.V		
Bank Nederlandse Gemeenten		
Cooperatieve Centrale Raiffeisen Boerenleenbank BA (Rabobank Nederland)		
ING Bank NV		
<b>QATAR (AA)OUT OF RANGE—negative watch</b>		
Qatar National Bank-monitoring		
<b>SINGAPORE ( AAA )</b>		
DBS Bank Ltd	DBS Bank ( Hong Kong )*	
Oversea Chinese Banking Corporation Ltd		
United Overseas Bank Ltd		
<b>SWEDEN (AAA )</b>		
Nordea Bank AB	Nordea Bank Denmark* Nordea Bank Finland Nordea Bank Norge* Nordea Bank North America*	Yes
Skandinaviska Enskilde Banken AB	SEB Bolan*	
Svenska Handelsbanken AB	Stadshypotek* Svenska Handelsbanken Inc USA*	
Swedbank AB		
<b>SWITZERLAND (AAA)</b>		
Credit Suisse AG		
UBS AG		
<b>UNITED ARAB EMIRATES (AA)-out of range</b>		
First Abu Dhabi Bank PJSC		
<b>UNITED KINGDOM (AA)negative outlook</b>		
Abbey National Treasury Services plc		
Barclays Bank plc- LT Watch		
Close Brothers		
Goldman Sachs International Bank		
HSBC Bank plc	HSBC AM* HFC Bank Ltd* Hong Kong & Shanghai Banking Corporation*	Yes

	HSBC Finance Corp* HSBC Finance* HSBC USA Hang Seng Bank*	
Lloyds Banking Group :- Lloyds TSB Bank of Scotland	Halifax plc* Bank of Western Australia Ltd*. Cheltenham & Gloucester* Scottish Widows Investment Partnership* Scottish Widows plc*	Yes
Santander UK plc		
Standard Chartered Bank		
Sumitomo Mitsui Banking Corporation Europe Ltd		
UBS Ltd		
<b>UNITED STATES OF AMERICA ( AAA )MONITORING</b>		
HSBC Bank USA NA	HSBC AM* HFC Bank Ltd* Hong Kong & Shanghai Banking Corporation* HSBC Finance Corp* HSBC Finance* HSBC UK Hang Seng Bank*	Yes
Bank Of America		
Bank of New York Mellon	Bank of New York ( Delaware USA )* Bank of New York ( New York USA )* Bank of New York Trust Company*	
Citibank		
JP Morgan Chase Bank NA	Bank One Corp* Bank One Financial LLC* Bank One NA * First USA Inc* NDB Bank NA* Chemical Bank * Chemical Banking Corp* JP Morgan & Co Inc* Chase Bank USA* Robert Fleming Ltd*	
Wells Fargo Bank NA	Wachovia Bank* Wachovia Bank NA North Carolina USA*	

### **BUILDING SOCIETIES**

#### **INVESTMENTS 364 DAYS OR LESS**

<b>Investment / Counterparty type:</b>	<b>S/term</b>	<b>L/term</b>	<b>Security / Min credit rating</b>	<b>Max limit per counterparty</b>	<b>Max. Maturity period</b>
Building Societies - category A	F1	A	UK Sovereign	£4m	364 days
Building Societies - category B <ul style="list-style-type: none"> <li>Coventry</li> <li>Nationwide</li> </ul>	F1		UK Sovereign	£2m	364 days
Building societies - assets > £500m (Category C) <ul style="list-style-type: none"> <li>Yorkshire</li> <li>Skipton</li> </ul>				£1m	3 months

<ul style="list-style-type: none"> <li>Leeds</li> <li>Principality</li> <li>West Bromwich</li> <li>Newcastle(Fitch removed ratings 7.9.16)</li> <li>Nottingham</li> <li>Progressive</li> <li>Cumberland</li> <li>National Counties</li> <li>Saffron</li> <li>Cambridge</li> <li>Monmouthshire</li> <li>Furness</li> <li>Leek United</li> <li>Newbury</li> <li>Hinckley &amp; Rugby</li> <li>Ipswich</li> </ul>					
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### **INVESTMENTS OVER 364 DAYS**

<b>Investment / Counterparty type</b>	<b>S/term</b>	<b>L/term</b>	<b>Security / Min credit rating</b>	<b>Max limit per counterparty</b>	<b>Max. Maturity period</b>
Building societies Category A & B (see above)	F1	A	UK Sovereign	£1m	2 years

**NB.** Group limit of £8m.

### **OTHER COUNTERPARTIES**

<b>Investment / Counterparty type</b>	<b>S/term</b>	<b>L/term</b>	<b>Security / Min credit rating</b>	<b>Max limit per counterparty</b>	<b>Max. Maturity period</b>
DMADF	n/a	n/a	UK Sovereign	£12m	364 days
UK Govt. (includes Gilt Edged Securities & Treasury Bills), Local Authorities / Public Corporations /Nationalised Industries.	n/a	n/a	High viability/support	£9m	364 days
Money Market Fund(CNAV)	AAA-m / Aaa-mf/AAAmmf			£9m	liquid
Money Market Fund (VNAV)	AAAf S1 / Aaa-bf/AAA/V1			£6m	liquid
<b>Corporate bonds</b> - category 1		A	UK Sovereign	£4m	2 years
		A+		£5m	
		AA - & ABOVE		£6m	
Corporate bonds - category 2		A		£9m	2 years
Corporate bonds - category 3		A	UK Sovereign	£4m	2 years
		A+		£5m	
		AA - & ABOVE		£6m	
<b>Covered bonds</b> - category 1		A		£4m	
		A+		£5m	

		AA - & ABOVE	UK Sovereign	£6m	2 years
Covered bonds - category 2		A		£9m	2 years
Covered bonds - category 3		A	UK Sovereign	£4m	2 years
		A+		£5m	
		AA - & ABOVE		£6m	
<b>Bonds -</b> Supranational / Multi Lateral Development Banks European Community European Investment Bank African Development Bank Asian Development Bank Council of Europe Development Bank European Bank for Reconstruction & Development Inter-American Development Bank International Bank of Reconstruction & Development Or any other Supranational/Multi-Lateral Development Bank meeting criteria.	AAA / Govt Guarantee			£5m	364 days
<b>Floating Rate Notes</b> - category 1		A		£4m	364 days
		A+		£5m	
		AA - & ABOVE		£6m	
Floating Rate Notes - category 2		A		£9m	364 days
Floating Rate Notes - category 3		A		£4m	364 days
		A+		£5m	
		AA - & ABOVE		£6m	
Eligible Bank Bills	n/a		Determined by EFM	£5m	364 days
Sterling Securities guaranteed by HM Government	n/a		UK Sovereign	£9m	Not defined
Local Authorities	n/a	Viability/support= High £15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.		£9m	5 years
<b>Corporate Equity Funds</b> - low risk (UK Equity Income Funds)	n/a	Maximum investment limit subject to 10% capital growth i.e. maximum is 110% of original investment.		£4m	10 years
Corporate Equity Funds - medium risk (UK Capital Growth	n/a	Maximum investment limit subject to 10% capital growth i.e. maximum is 110% of original		£2m	10 years


Funds)		investment.			
Corporate Bond Funds		BBB	£15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.	£5m	10 years
Pooled property fund eg: REITS	£15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.			£5m	10 years
CCLA property funds	n/a	Security of Trustee of fund (LAMIT) controlled by LGA, COSLA who appoint the members and officers of LAMIT. £15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.		£5m	10 years

**Categories for Covered Bonds, Corporate Bonds (must be Senior Unsecured), Floating Rate Notes:-**

Category 1: Issued by private sector Financial Institutions

Category 2: Issued by Financial institutions wholly owned or part owned by the UK Govt

Category 3: Issued by Corporates

 <b>Finance and Audit Scrutiny Committee</b> <b>27 November 2018</b>		<b>Agenda Item No.</b> <b>5</b>
<b>Title</b>		Annual Governance Statement 2017/18 Action Plan: Review of Progress
<b>For further information about this report please contact</b>		Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk
<b>Wards of the District directly affected</b>		Not applicable
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006</b>		No
<b>Date and meeting when issue was last considered and relevant minute number</b>		This is the first time the Action Plan relating to the Annual Governance Statement 2017/18 has been considered by Finance and Audit Scrutiny Committee.
<b>Background Papers</b>	Accounts and Audit (England) Regulations 2015 Delivering Good Governance in Local Government: Framework (CIPFA in association with SOLACE, 2016) Delivering Good Governance in Local Government: Guidance Notes for English Authorities 2016 Edition (CIPFA in association with SOLACE) The Annual Governance Statement – Rough Guide for Practitioners (CIPFA Financial Advisory Network) Minutes of Senior Management Team	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality Impact Assessment Undertaken</b>	N/A: no direct service implications

<b>Officer/Councillor Approval</b>		
With regard to officer approval all reports <i>must</i> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	7 Nov 2018	Chris Elliott
Head of Service	7 Nov 2018	Mike Snow
SMT	7 Nov 2018	SMT
Section 151 Officer	7 Nov 2018	As Head of Service
Monitoring Officer	7 Nov 2018	Andrew Jones
Finance	7 Nov 2018	As Section 151 Officer
Portfolio Holders	14 Nov 2018	Councillors A Mobbs & P Whiting



<b>Consultation and Community Engagement</b>	
Consultation with members and officers listed above. Plus Senior Management Team review of Annual Governance Statement Action Plan.	
<b>Final Decision?</b>	Yes
<b>Suggested next steps (if not final decision please set out below)</b>	

## 1 Summary

- 1.1 The purpose of this report is for Committee to review the progress that is being made in addressing the 'Significant Governance Issue' facing the Council set out in its Annual Governance Statement 2017/18. The appendix accompanying this report sets out the progress in addressing the Significant Governance Issue.

## 2 Recommendations

- 2.1 That Committee should review the Action Plan set out in the Appendix and confirm whether it is satisfied with the progress being made in addressing the Significant Governance Issue pertaining to the Annual Governance Statement 2017/18.

## 3 Reasons for the Recommendations

- 3.1 To help fulfil Members' responsibility for effective corporate governance within the Council.
- 3.2 To provide assurance to Members that the governance issue identified as part of the compilation of the Annual Governance Statement is being addressed.

## 4 Policy Framework

### 4.1 Fit for the Future (FFF)

The Council's FFF Strategy is designed to deliver the District's Vision of making it a Great Place to Live, Work and Visit. With those objectives the FFF Strategy contains several Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities.	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB.	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy Increased employment and income levels.
Impacts of Proposal		
Although there are no direct policy implications, the Annual Governance Statement is an essential part of corporate governance and will be a major		

factor in shaping the Policy Framework and Council policies.		
<b>Internal</b>		
<b>Effective Staff</b>	<b>Maintain or Improve Services</b>	<b>Firm Financial Footing over the Longer Term</b>
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours.	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services.	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money.
<b>Impacts of Proposal</b>		
Although there are no direct policy implications, the Annual Governance Statement is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.		

## 4.2 **Supporting Strategies**

Each strand of the FFF Strategy has several supporting strategies but description of these is not relevant for the purposes of this report.

## 4.3 **Changes to Existing Policies**

This section is not applicable.

## 4.4 **Impact Assessments**

This section is not applicable.

## 5 **Budgetary Framework**

- 5.1 Although there are no direct budgetary implications arising from this report, an effective Budgetary Framework is a key element of corporate governance. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.

## 6 **Risks**

- 6.1 Risk management is an intrinsic element of corporate governance. There are various risks associated with the Significant Governance Issue and the item not being addressed satisfactorily.

## 7 **Alternative Options Considered**

- 7.1 This report is not concerned with recommending a particular option in preference to others so this section is not applicable.

## 8 **Corporate Governance in Local Authorities**

- 8.1 CIPFA/SOLACE emphasise that corporate governance is everyone's business and define it as:

*"How the local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities."* CIPFA/SOLACE (Chartered Institute of Public Finance & Accountancy/Society of Local Authority Chief Executives)

- 8.2 CIPFA/SOLACE has issued a framework and guidance on delivering good governance in local government. The framework is built on the six core principles set out in the Good Governance Standard for Public Services that were themselves developed from earlier work by Cadbury and Nolan. The principles in relation to local government as set out in the framework are:

- a clear definition of the body's purpose and focusing on the outcomes for the community and creating and implementing a vision for the local area;
- members and officers are working together to achieve a common purpose with clearly defined functions and roles;
- promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- developing the capacity and capability of members and officers to be effective;
- engaging with local people and other stakeholders to ensure robust public accountability.

Both the Annual Governance Statement and the Council's Code of Corporate Governance reflect these six themes.

## 9 **Annual Governance Statement**

- 9.1 The production of an Annual Governance Statement is a statutory requirement for local authorities (Regulation 6 of The Accounts and Audit (England) Regulations 2015).
- 9.2 The CIPFA Financial Advisory Network has published an advisory document entitled "The Annual Governance Statement: Rough Guide for Practitioners". Its advice is that the Annual Governance Statement is a key corporate document and the most senior member and the most senior officer (Leader and Chief Executive respectively) have joint responsibility as signatories for its accuracy and completeness. It advises that it should be owned by all senior members and officers of the authority and that it is essential that there is buy-in at the top level of the organisation. It advises that the work associated with its production should not be delegated to a single officer.

9.3 The Leader and Chief Executive of the Council as signatories to the Annual Governance Statement need to ensure that it accurately reflects the governance framework for which they are responsible. In order to achieve this they will rely on many sources of assurance, such as that from:

- Members of the Council
- Deputy Chief Executives and Service Area Managers
- the Responsible Financial Officer
- the Monitoring Officer
- the Audit and Risk Manager
- performance and risk management systems
- third parties, e.g. partnerships
- external audit and other review agencies.

## 10 **The Significant Governance Issue**

10.1 The governance issue facing the Council has been identified from production of the statutory Annual Governance Statement and is summarised in the Action Plan element of the Annual Governance Statement for 2017/18.


10.2 The governance issue had not been identified at the time the accounts were initially approved by Finance & Audit Scrutiny Committee on 30 May and so did not feature in the Annual Governance Statement that accompanied those set of accounts. Since then, errors were found in the accounting statements and the statements have had to be re-presented to the Committee. This has led to the identification of a governance issue concerning production of the accounting statements. Further information this is provided is set out in another report on this evening's agenda – the "2017/18 Statement of Accounts and Audit Findings Report".

10.3 The appendix accompanying this report sets out the progress in addressing the Significant Governance Issue. Progress in addressing it is reported by the officer who is leading on it and has been endorsed by the Senior Management Team at a recent meeting. Further information in respect of progress in addressing the governance issue is set out in the "Update on Action Plan following Review of Closure of Accounts" report being considered by Executive tomorrow evening (29 November).

## Annual Governance Statement 2017/18: Action Plan for Governance Issues

### Review of Progress to end of Oct 2018

AGS Ref.	Governance Issue	Responsible Officer	Progress Implementing Governance Issue	
			Position as at previous quarter	Position as at end Oct 2018
5.1	<p>The Council will conduct an examination into the conditions that led to the failure to meet the statutory deadline for publication of its financial statements and will initiate an action plan to ensure that this does not happen again.</p> <p>Progress in achieving this action plan will be monitored by the Council's Senior Management Team and reported quarterly to its Finance and Audit Scrutiny Committee.</p>	Head of Finance.	Not applicable.	<p>A review of the final accounts process was undertaken by the Chief Executive and reported to Executive on 31 October.</p> <p>An action plan to ensure that the deadline for submission of the financial statements is achieved in future years has been produced and this formed part of the report to Executive.</p> <p>Significant progress has been made in addressing several of the issues contained in the action plan. Progress is summarised in Appendix 1 to the "Update on Action Plan following Review of Closure of Accounts" report being considered by Executive 28 November.</p>

 <b>Finance and Audit Scrutiny Committee</b> <b>27 November 2018</b>		<b>Agenda Item No.</b> <b>6</b>
<b>Title</b>	Internal Audit Quarter 2 2018/19 Progress Report	
<b>For further information about this report please contact</b>	Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk	
<b>Wards of the District directly affected</b>	Not applicable	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	Finance and Audit Scrutiny Committee – 29 August 2018	
<b>Background Papers</b>	Internal Audit Reports	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality Impact Assessment Undertaken</b>	N/A: no direct service implications

Officer/Councillor Approval		
With regard to officer approval all reports <u>must</u> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	7 Nov 2018	Chris Elliott
Head of Service	7 Nov 2018	Mike Snow
CMT	7 Nov 2018	Andrew Jones
Section 151 Officer	7 Nov 2018	As Head of Service
Monitoring Officer	7 Nov 2018	Andrew Jones
Finance	7 Nov 2018	As Section 151 Officer
Portfolio Holder	7 Nov 2018	Councillor Whiting
Consultation and Community Engagement		
None other than consultation with members and officers listed above.		
Final Decision?	Yes	
Suggested next steps (if not final decision please set out below)		

## 1 **Summary**

- 1.1 Report advises on progress in achieving the Internal Audit Plan 2018/19, summarises the audit work completed in the second quarter and provides assurance that action has been taken by managers in respect of the issues raised by Internal Audit.

## 2 **Recommendations**

- 2.1 That the report should be noted and its contents be accepted or, where appropriate, acted upon.

## 3 **Reason for the Recommendations**

- 3.1 Members have responsibility for corporate governance, of which internal audit forms a key part.

## 4 **Policy Framework**

### 4.1 **Fit for the Future (FFF)**

The Council's FFF Strategy is designed to deliver the District's Vision of making it a Great Place to Live, Work and Visit. With those objectives the FFF Strategy contains several Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

<b>FFF Strands</b>		
<b>People</b>	<b>Services</b>	<b>Money</b>
<b>External</b>		
<b>Health, Homes, Communities</b>	<b>Green, Clean, Safe</b>	<b>Infrastructure, Enterprise, Employment</b>
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities.	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB.	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/ productivity of local economy Increased employment and income levels.
<b>Impacts of Proposal</b>		
Although there are no direct policy implications, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.		



<b>Internal</b>		
<b>Effective Staff</b>	<b>Maintain or Improve Services</b>	<b>Firm Financial Footing over the Longer Term</b>
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours.	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services.	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money.
<b>Impacts of Proposal</b>		
Although there are no direct policy implications, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.		

## 4.2 **Supporting Strategies**

Each strand of the FFF Strategy has several supporting strategies but description of these is not relevant for the purposes of this report.

## 4.3 **Changes to Existing Policies**

This section is not applicable.

## 4.4 **Impact Assessments**

This section is not applicable.

## 5 **Budgetary Framework**

- 5.1 Although there are no direct budgetary implications arising from this report, Internal Audit provides a view on all aspects of governance including that of the Budgetary Framework. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.

## 6 **Risks**

- 6.1 Internal Audit provides a view on all aspects of governance, including corporate and service arrangements for managing risks.
- 6.2 It is impractical to provide a commentary on risks as the report is concerned with the outcome of reviews by Internal Audit on other services. Having said that, there are clear risks to the Council in not dealing with the issues raised within the Internal Audit reports (these risks were highlighted within the reports). There is also an overarching risk associated with the Finance & Audit

Scrutiny Committee not fulfilling its role properly e.g. not scrutinising this report robustly.

## 7 **Alternative Options Considered**

7.1 This section is not applicable.

## 8 **Role and Responsibilities of Audit Committees**

8.1 Finance and Audit Scrutiny Committee is operating, in effect, as an audit committee in the context of receiving and acting upon this report. Guidance on the role and responsibilities of audit committees is available from a number of sources. That which relates to audit committees' relationship with internal audit and in particular the type and content of reports they should receive from internal audit is summarised in Appendix 1.

8.2 Essentially, the purpose of an audit committee is:

To provide independent assurance of the associated control environment.

To provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.

8.3 To help fulfil these responsibilities audit committees should review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.

8.4 The following sections provide information to satisfy these requirements.

## 9 **Progress against Plan**

9.1 At the start of each year Members approve the Audit Plan setting out the audit assignments to be undertaken. An analysis of progress in completing the Audit Plan for 2018/19 is set out as Appendix 2.

## 10 **Assurance**

10.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Authority, Internal Audit review, appraise and report on the efficiency, effectiveness and economy of financial and other management controls.

10.2 Each audit report gives an overall opinion on the level of assurance provided by the controls within the area audited. The assurance bands are shown below:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with the controls that do exist.

These definitions have been developed following extensive investigation of other organisations' practices (including commercial operations).

## 11 **Internal Audit Assignments Completed During Quarter**

- 11.1 Six assignments were completed in the second quarter of 2018/19. Copies of all the reports issued during the quarter are available for viewing on the online agenda for the meeting.
- 11.2 The action plans accompanying all Internal Audit reports issued in the quarter are set out as Appendix 3. These detail the recommendations arising from the audits together with the management responses, including target implementation dates.
- 11.3 As can be seen, responses have been received from managers to all recommendations contained in audit reports issued during the quarter in question.
- 11.4 No audits completed in the quarter were awarded a lower than substantial assurance opinion.

## 12 **Implementation of Recommendations Issued Previously**

- 12.1 Managers are required to implement recommendations within the following timescales:
  - (a) Recommendations involving controls assessed as high risk to be implemented within three months.
  - (b) Recommendations involving controls assessed as low or medium risk to be implemented within nine months.
- 12.2 The state of implementation of **low and medium risk** recommendations made in the **third quarter of 2017/18** is set out in Appendix 5 to this report. There were no **high risk** recommendations issued in the **first quarter of 2018/19** so none is included in this appendix.
- 12.3 As can be seen, responses have been received from all managers in order to provide the state of implementation of recommendations issued in this earlier quarter.

## 13 **Review**

- 13.1 Members are reminded that they can see any files produced by Internal Audit that may help to confirm the level of internal control of a service, function or activity that has been audited or that help to verify the performance of Internal Audit.

**GUIDANCE ON THE ROLE AND RESPONSIBILITIES OF AUDIT COMMITTEES**

**Public Sector Internal Audit Standards 2013**

Independence and Objectivity

The chief audit executive must...establish effective communication with, and have free and unfettered access to...the chair of the audit committee.

Glossary

Definition: Audit Committee

The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.

**Audit Committees: Practical guidance for Local Authorities (CIPFA)**

Core Functions

Audit committees will:

... Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.

Suggested Audit Committee Terms of Reference

Audit Activity:

- To consider the Head of Internal Audit's report and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
- To consider summaries of specific internal audit reports as requested.
- To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.

## **Called to Account: The Role of Audit Committees in Local Government (Audit Commission)**

### Monitoring Audit Performance

#### *Auditor/officer collaboration*

Slow delivery and implementation of recommendations reduces the audit's impact and can allow fraud to flourish or service delivery to deteriorate. Audit committees can play a key role in ensuring that auditors and officers collaborate effectively. This can enable auditors' reports to be dovetailed into the relevant service committee cycles and ensure that officers respond promptly to completed audit reports.

#### *Management response*

An audit committee can ensure that officers consider these recommendations promptly, and act on them where auditors have raised valid concerns.

#### *Implementation*

Agreed recommendations arising from audit work need to be implemented. Councils should have a forum for considering the contribution of internal and external audit and for ensuring that audit is, in practice, adding value to corporate governance.

Audit committees can be a powerful vehicle for securing implementation of audit recommendations and thereby improve the operation and delivery of Council activities.

## **CIPFA Technical Information Service Online**

### Audit Reporting

#### *Introduction*

Internal auditors should produce periodic summary reports of internal audit's opinion and major findings.

The...report could also be issued to senior management of the organisation but should primarily be issued to the audit committee to report upon the soundness or otherwise of the organisation's internal control system. This report will form the conclusion of the work undertaken by internal audit during the period of the report. A summary of the scope of this internal work should also be included in the report.

### *Periodic Internal Audit Reports*

Audit committees should not normally be provided with the full text of internal audit reports. Audit reports are mainly concerned with operational details while audit committees and members or non-executive directors should be concentrating on ensuring that the organisation's system of internal control is effective and that the strategic or corporate objectives are being achieved efficiently. Members or non-executive directors' interest in internal audit should normally be restricted to gaining an assurance that the organisation's systems of internal control are adequate and that where audit does not consider this to be the case that action is taken to ensure that any short comings are rectified promptly.

Audit committee members should not usually get involved in discussing individual internal audit findings or recommendations but should concentrate their attentions on the opinions internal audit express on the activities and systems they have reviewed. These opinions should be summarised and should provide a clear opinion on the overall quality of the organisation's internal control system and the general level of performance across the organisation. Members or non-executive directors should not be over concerned with adverse internal audit conclusions if reasonable recommendations suggested by internal audit have been accepted and that these have been promptly implemented.

If, however, major internal control weaknesses are discovered these should be reported to the audit committee as this may indicate general weaknesses in the management of the section or the department concerned. Audit findings that appear to show a common thread of similar weaknesses throughout the organisation should also be reported to the audit committee.

**INTERNAL AUDIT PROGRESS 2018/19: QUARTER 2****ANALYSIS OF PERFORMANCE****Time Spent: Audit Plan – Planned Vs Actual**

ACTIVITY	ANNUAL ALLOCATION (DAYS)	PROFILE ALLOCATION (DAYS)	ACTUAL TO DATE (DAYS)	VARIATION (DAYS)
<u>Planned Audit Work</u>	227.0	113.5	118.0	-4.5
<u>Other Time</u>				
Sundry audit advice	25.0	12.5	10.4	+2.1
Special investigations (e.g. Fraud/Irregularities)	20.0	10.0	0.8	+9.2
Corporate and departmental Initiatives	35.0	17.5	19.3	-1.8
Non-chargeable activities	117.0	58.5	64.6	-6.1
Leave and other absences	100.0	50.0	64.0	-14.0
<i>Total Other Time</i>	297.0	148.5	159.1	-10.6
<i>Total Time</i>	524.0	262.0	277.1	-15.1

**Time spent: Assignments Completed – Planned Vs Actual**

AUDIT ASSIGNMENT	PLAN (DAYS)	TIME TAKEN (DAYS)	UNDER (+) / OVER (-)
Corporate Governance: Ethics	12.0	11.7	+0.3
Insurances	Contracted Out		
Places and Projects	10.0	11.0	-1.0
CCTV Services	10.0	10.5	-0.5
Leaseholder Service Charges	8.0	8.0	-
Asbestos Management	10.0	9.9	+0.1

**Explanation for variances greater than 2 days (unless within 20%):**

Not applicable – all variances within 2 days.

**Completion of Audit Plan: Target Vs Actual**

NO. OF AUDITS PER AUDIT PLAN	PROFILED TARGET COMPLETION		ACTUAL NO. COMPLETED TO DATE		VARIATION	
	NO.	%	NO.	%	NO.	%
36	11	30.0	10	27.8	-1	-9.1



**SUMMARY OF RECOMMENDATIONS AND MANAGEMENT RESPONSES FROM INTERNAL AUDIT REPORTS**  
**ISSUED QUARTER 2, 2018/19**

<b>Report Reference</b>	<b>Recommendation</b>	<b>Risk Rating<sup>1</sup></b>	<b>Responsible Officer</b>	<b>Management Response and Target Implementation Date (TID)</b>
<b>Corporate Governance: Ethics – 22 August 2018</b>				
4.2.5	A programme of 'refresher' postings on Meta Compliance in respect of the Employee Code of Conduct should be considered following re-launch of the revised Code.	Low	Deputy Chief Executive and Monitoring Officer	Agreed. I will discuss with Graham Leach and Karen Weatherburn. TID: 1 February 2019
4.2.6	Incorporation of ethical risks in the Risk Management Framework as a standard category should be considered.	Low	Deputy Chief Executive and Monitoring Officer	I will discuss with Senior Management Team colleagues to determine whether this merits taking forward. TID: 1 October 2019
<b>Insurances – 25 September 2018</b>				
4.2.9	Development of a formal insurance strategy be considered that provides the framework to ensure that the Council has in place an optimal balance between external insurance and self-insurance.	Low	Insurance & Risk Officer	Agreed. Consideration will be given to the introduction of an insurance strategy. TID: End of March 2019

<sup>1</sup> Risk Ratings are defined as follows:

- High: Issue of significant importance requiring urgent attention.  
Medium: Issue of moderate importance requiring prompt attention.  
Low: Issue of minor importance requiring attention.

<b>Report Reference</b>	<b>Recommendation</b>	<b>Risk Rating<sup>1</sup></b>	<b>Responsible Officer</b>	<b>Management Response and Target Implementation Date (TID)</b>
4.3.3	An action tracker be included as part of the update to SMT.	Low	Insurance & Risk Officer	This will be included from the next report. TID: November 2018
4.3.4	The Risk Management Strategy be updated and made available on the Council web site.	Low	Audit & Risk Manager	Agreed and now done. TID: September 2018
4.3.6	Oversight of risk registers by the IARO be embedded to ensure that insurance is considered in all cases.	Low	Audit & Risk Manager / Insurance & Risk Officer	Audit & Risk Manager in process of putting all risk registers on intranet site viewable by all staff. When set up these will be updated quarterly. Insurance & Risk Officer can then view these documents systematically and ensure that due provision has been made for insurance aspects of risks. TID: End of October 2018
4.5.6	The claim forms should be refreshed and reflective of GDPR requirements.	Medium	Insurance & Risk Officer	Wording was reviewed and updated in May 2018 taking into account advice and examples from other authorities in the absence of an Information Governance Manager. Advice will be sought from the Information Governance Manager and wording updated accordingly. TID: End of March 2019
<b>Places and Projects – 13 July 2018</b>				
4.2.4	The 'policy' documents for the Pest Control and Dog Warden services should be reviewed and updated as appropriate.	Low	Services Team Leader	Policies will be reviewed at the earliest opportunity. TID: March 2019

<b>Report Reference</b>	<b>Recommendation</b>	<b>Risk Rating<sup>1</sup></b>	<b>Responsible Officer</b>	<b>Management Response and Target Implementation Date (TID)</b>
4.4.5	Staff should be reminded when new fees come into force.	Low	Services Team Leader	New fees are circulated at the beginning of each year. Reminders have been sent following this report. TID: January each year.
4.5.5	All relevant staff should attend the Conflict Management training, with the Pest Control Officers also attending the Lone Worker training.	Low	Services Team Leader	Staff have been requested to attend internal courses relating to Lone Working and Courageous Conversations from the WDC 2018/19 training guide following this report. TID: January 2019
<b>CCTV Services – 14 September 2018</b>				
4.2.8	Service level agreements should be drawn up for those internal customers where they do not currently exist, with existing SLAs being reviewed and revised appropriately to bring them up to date.	Low	Safer Communities Manager / CCTV Manager	This was picked up as an issue and detailed in next steps in the original version of the most recent CCTV report to Executive. It was removed. We will diarise meetings with internal customers to re-visit the SLA's and bring them up to speed with transformation proposals. TID: End of March 2019
4.2.8	An agreement should be drafted between the Council and the landlord of Regent Court setting out the terms and conditions for the provision of CCTV.	Medium	Safer Communities Manager / CCTV Manager	As above but first we will confirm the VAT situation. TID: End of March 2019
4.4.2	Training in the use of TOTAL should be arranged for the CCTV Manager.	Low	Safer Communities Manager	Already identified in the CCTV Managers PDP. TID: End of October 2018

<b>Report Reference</b>	<b>Recommendation</b>	<b>Risk Rating<sup>1</sup></b>	<b>Responsible Officer</b>	<b>Management Response and Target Implementation Date (TID)</b>
4.4.8	The charge being made for the provision of CCTV to Regent Court should be reviewed.	Medium	Safer Communities Manager / CCTV Manager	This will be considered as part of 4.2.8. TID: End of March 2019
4.4.9	Arrangements should be made to apply VAT to all future invoices for Regent Court CCTV.	Medium	Safer Communities Manager	CCTV Manager to meet with FAST team. TID: End of October 2019
4.5.3	An up to date, priced inventory, including office furniture, should be compiled and a copy forwarded to the Insurance & Risk Officer in Finance.	Low	CCTV Manager	We already have an inventory for CCTV equipment but will add furniture and other equipment to this. TID: End of January 2019
<b>Leaseholder Service Charges – 17 September 2018</b>				
4.4.5	A more regular debt monitoring and recovery regime should be introduced and, where possible, leaseholders should be required to pay regularly in advance in accordance with the lease.	Medium	Business Administration Manager.	Agreed –implement quarterly reminders for non-payment and actively pursue debt before end of financial year. TID: December 2018 (end of quarter 3)
<b>Asbestos Management – 17 September 2018</b>				
4.4.14	The Contracts Administrator (Asbestos) should be consulted during the planning stages of all housing works projects.	Low	Individual project surveyors	Agreed – will be taken forward as part of the Asset restructure. TID: 1 November 2018
4.5.4	The contractors should be requested to provide annual evidence of their insurance cover, with the request being timetabled in line with the policy renewal dates.	Low	Compliance Administrator (revised structure)	Agreed – will be taken forward as part of the Asset restructure. TID: 1 November 2018

<b>Report Reference</b>	<b>Recommendation</b>	<b>Risk Rating<sup>1</sup></b>	<b>Responsible Officer</b>	<b>Management Response and Target Implementation Date (TID)</b>
4.5.7	Entries should be included on AssessNet for other (relevant) corporate buildings and for staff that may come into contact with asbestos containing materials during their day to day work.	Medium	Compliance Team Leader (revised structure)	Agreed but needs ITC support to develop AssessNet to accommodate Asbestos Survey. TID: 1 April 2019

**CURRENT IMPLEMENTATION POSITION FOR LOW AND MEDIUM RISK RECOMMENDATIONS**  
**ISSUED IN QUARTER 3 2017/18**

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<b>Collection of National Non-Domestic Rates – 2 November 2017</b>		
NNDR write-offs greater than £1,000 should be authorised by the Head of Finance or his representative.	<i>Head of Finance / Exchequer Manager:</i> We are to undergo an internal review of our write-off arrangements and document a new policy as the existing arrangements are no longer appropriate in terms of the different levels of authorisation that now occur and the amounts involved. PID: January 2018	Review undertaken and new delegated limits introduced chiefly that all Council tax debts over £1500 and Business Rates over £5000 are delegated to the Exchequer Manager.
<b>Events Management – 31 January 2018</b>		
On completion of the next extension or re-let of the two market contracts (whichever is the sooner), procedures should ensure that the both agreements are properly executed and signed originals duly lodged in the Document Store.	<i>Business Support Team Leader:</i> This will be completed when it is necessary as determined by the expiry of the current contract. PID: October 2019.	No update on this situation – we will complete this action when we the re-let's take place (extensions took place prior to the Audit).

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>A retrospective review of stallholder statistics from the start of the general markets contract should be instituted to determine and recover the shortfall of income to the Council to date.</p>	<p><i>Business Support Team Leader:</i> I will undertake this review in due course to assess if income has been lost, and if appropriate whether it can be retrieved. PID: End of Q1 2018.</p>	<p>In depth analysis has been undertaken in conjunction with the Finance Team which has confirmed that there is a shortfall in the income due to the council. Further discussions are taking place to consider the viability of recovering these arrears and how that may impact on the future viability of the stallholders going forward. The recommendation is still outstanding but I anticipate that a decision will be made to recover or not in mid November and would look to have this closed off by end of November dependant on the outcome and actions arising from the final decision.</p>
<p>Measures should be taken to ensure that meetings with the contractor incorporate a review at least six-monthly to set the ongoing monthly instalment amounts to be billed in accordance with the general markets contract.</p>	<p><i>Business Support Team Leader:</i> The meetings already incorporate a review of stallholder numbers, but I will ensure that a record is kept, and that the stallholder numbers is reflected in what we charge the contractor. PID: End of Q1 2018.</p>	<p>Regular meetings are taking place with the contractor. Stallholder numbers are now accurately maintained.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Missing periodic returns on weekly stallholder numbers should be re-requested from the contractor. Procedures should ensure that all returns are submitted promptly by the contractor and retained for reference.	<i>Business Support Team Leader:</i> I will ensure that these numbers are kept and updated, and that the evidence of these is kept. PID: End of Q1 2018.	Contractor does not keep stall holder numbers after they have been submitted to WDC.
Periodic officer spot-checks on stallholder numbers should be undertaken and results logged.	<i>Business Support Team Leader:</i> I will ensure that a system is put in place to ensure that spot checks are completed going forward. PID: In place for end of Q1 2018.	Planned visits take place in a random pattern – this is an ongoing action point.
The status of the Operational Agreement as a true 'licence' document should be clarified with the aid of legal advice.	<i>Business Support Team Leader:</i> I will speak to legal to assess what the status is of the documents that relate to the Mop. PID: Q2 2018.	This recommendation is still outstanding but engagement with Legal Services has begun in order to get assurances of the status of the licence. There has been a delay in this due to diversion to major events over the Summer, but Legal Services have now been chased for a response which will now be progressed to full implementation which I would estimate to be by the end of November
An update on the management of Mop Fairs should be reported to Members, including deviations from the 2014 Executive resolution.	<i>Business Support Team Leader:</i> I will assess any deviations that have been made from the 2014 Executive resolution, and update management. PID: End of Q2 2018	Deviations were reported on from the 2017 event to management. No deviations will take place at the 2018 event.



RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Any proposal to extend the opening time beyond 10.00pm on any Mop day in 2018 or 2019 should be submitted for Executive approval.	<i>Business Support Team Leader:</i> We have no plans to extend the opening time, but will ensure that the Operator only opens within the set hours. PID: Oct 2018.	No plans to extend the opening time. The Operator has been reminded to keep to the agreed opening times. This will be checked during the event.
Unless formally withdrawn in the meantime, the approved changes to the Mop licence under the 2014 Executive resolution should be revisited as part of the re-letting process for the Operational Agreement covering Mop Fairs in 2020 and beyond.	<i>Business Support Team Leader:</i> Any changes that are required to the 2014 Executive resolution will be revisited as part of the re-letting process. PID: Oct 2019.	Re-letting process not due to take place yet. No further updates to report.
Procedures should ensure that the financial security provisions of the Operational Agreement for the Mop Fairs (Clause 12) are complied with and retrievable copies kept of any bonds.	<i>Business Support Team Leader:</i> I will address any issues around the deposit or bond by Mop 2018. PID: Oct 2018.	Bond has been agreed with the Operator, and has been invoiced for this amount.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>The Markets Policy should be revised to:</p> <ul style="list-style-type: none"> <li>• update (or remove) the market operator contact details;</li> <li>• clarify the distinction between notice requirements under Section 37 and the Council rights of prohibition under Food Act 1984;</li> <li>• reinforce the one-month period of notice required under Section 37 and liability to summary conviction for an offence if flouted.</li> </ul>	<p><i>Business Support Team Leader:</i> I will ensure that these points are addressed with regards to the details and distinctions made within the Markets Policy, and correct these where applicable. PID: End of Q2 2018.</p>	<p>Operators details have been removed; The clarification on the points is as follows: Part III of the Food Act 1984 provides the modern legislative framework for the establishment and operation of markets. This legislation enables Warwick District Council to hold the weekly Retail Market in Kenilworth, the Autumn Markets and Yuletide Fayres in Leamington and monthly Farmers' Markets in Warwick and Leamington. Under Section 37 of The Local Government (Miscellaneous Provisions) Act 1982, any person or organisation intending to hold a temporary market or car boot sale within Warwick District must give notice to Warwick District Council. One month period can be enforced, but there have been no incidences of an offence taking place.</p>
<p>Appropriate publicity should be initiated for the Markets Policy following revision, including publication on the Council's website.</p>	<p><i>Business Support Team Leader:</i> I will ensure that the marketing of the District's Markets Policy is appropriate. PID: Q2 2018.</p>	<p>Market policy is now on the WDC website, which organisers of such events can be directed towards.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
An update to the Scheme of Delegation should be sought to the effect that authority to determine applications for markets and exercise the Council's rights of prohibition under Part III of the Food Act 1984 are delegated to the Head Development Services.	<i>Business Support Team Leader:</i> I shall seek an update to the Scheme of Delegation. PID: Q2 2018.	Delegated responsibility to "Deal with applications from market operators for change of trade" already sits with the Head of Development Services. "Additional controls for temporary markets on Sundays" sits with the Head of Community Protection, which is an Environmental Health issue, so sits with the right delegated authority.
<b>Licensing Services – 7 December 2017</b>		
Policy documents should be reviewed to ensure that they remain current.	<i>Licensing Team Leader / Regulatory Manager:</i> Licensing Act 2003, Gambling Act 2005, Taxi Handbook and Street Trading Policies are all due to be formally reviewed in 2019. PID: 2019 All other policies will be reviewed accordingly. PID: July 2018	Gambling Act and Licensing Act policies have been review – LA2003 was approved by Council in August, Gambling Act will be presented to Council in November. Review of Taxi handbook is underway.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Whilst physical income is still accepted, Reception and CST should be issued with reminders about the relevant coding of income.	<p><i>Licensing Team Leader:</i></p> <p>Reception and CST have been issued with Fee Information for 2018 that includes the licence name, fee and cost centre it should be allocated against. Conversations have taken place with Finance about improving the PARIS system, which is used for receipting income.</p> <p>PID: Complete but also on-going.</p>	On-going process. Monthly lists of vehicle fee information sent to reception. Updated animal licensing fees were provided when new cost codes were introduced.
<b>Energy Management – 11 December 2017</b>		
A procurement process compliant with the Code of Procurement Practice should be undertaken for the supply of biomass fuel.	<p><i>Contract Administrator M&amp;E (IR):</i></p> <p>Revised contract arrangements, that are fully procurement compliant, will be in place by 31 March 2018.</p> <p>PID: April 2018</p>	Complete – procurement process undertaken using a framework and a contract to supply fuel for our biomass boilers has been in place since June 2018.
The contract register should be updated to reflect the existence of the Gazprom contract document.	<p><i>Contract Administrator M&amp;E (IR):</i></p> <p>A copy of the contract has been scanned and retained by Assets and the contract register up dated.</p> <p>PID: Complete.</p>	Further update not required. Recommendation already implemented.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
The Harbury Lane Sports Pavilion should be connected to the building management system.	<i>Contract Administrator M&amp;E (RJ):</i> We are currently obtaining quotes to assess if it will be cost effective to get the pavilion connected. A new Wi Fi connection would be required for the remote location. PID: April 2018	Not fully implemented – The controls have been installed at site. The delay is due to providing a stable comms. link. ICT had worked with BT to establish whether a landline facility was possible to site but this is not feasible due to the remote location. We are now due to complete with a mobile sim option. Expected completion 31/12/2018.
Training should be obtained by the Contract Administrators to ensure best use of the building management system is made.	<i>Interim Asset Manager:</i> Training has been booked for both CA's scheduled for end of January 2018. PID: February 2018	Training undertaken through Sertec in January 2018 so action is complete.
Actual meter readings should be taken and provided wherever possible.	<i>Business Administration Manager:</i> Procedures are being developed to ensure that meter readings are captured. PID: April 2018	100% implemented for gas usage through smart metering. New electrical contract with ESPO starts October 2018. Where the level of usage in corporate stock dictates Half Hour meters this is in place All other stock have an actual reading at least once a year and due to explore expansion of SMART meters with new provider.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Correct recharges should be raised for the leaseholders of the flats at St Margaret's Shopping Centre.	<i>Business Administration Manager:</i> Bill payments have been moved to the correct cost centre and charges recorded to be apportioned to the leaseholders. PID: Completed.	Further update not required. Recommendation already implemented.
A formal sign up document should be implemented for Sayer Court that includes details of energy charges.	<i>Sustaining Tenancies Manager:</i> Legal Services have been contacted for advice. PID: April 2018.	A formal sign-up document will be implemented for Sayer Court that includes details of energy charges. This will be completed by the end of December 2019.  The reason for the delay is that other priorities have taken precedence and the issue regarding energy use at Sayer Court is complex and will involve three teams within Housing Services.

**CURRENT IMPLEMENTATION POSITION FOR HIGH RISK RECOMMENDATIONS**

**ISSUED IN QUARTER 1 2018/19**

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<b>IT Governance: The Council's Compliance with General Data Protection Regulations – Follow-up – 22 May 2018</b>		
The Council should document and implement a procedure for Data Protection Impact Assessments (DPIA).	<i>Information Governance Manager:</i> It is recognised this is a high priority and work is progressing on these. An officer working party has now been established to work on these further to provide consistency. In addition to this the Democratic Services Manager is assisting with this as an interim position. PID: 23 May 2018	The Council has an adopted Privacy Impact Assessment toolkit which is available via the Information Governance section of the intranet. This has been communicated to all staff via a metacompliance message and the Information Governance Manager provided a short briefing on this to Managers Forum in September.  A log for recording and reviewing all Data Privacy Impact Assessments will be produced and held by the Information Governance Manager.

## INTERNAL AUDIT REPORT

**FROM:** Audit and Risk Manager      **SUBJECT:** Asbestos Management  
**TO:** Deputy Chief Executive (BH)      **DATE:** 17 September 2018  
**C.C.** Chief Executive  
Head of Finance  
(Interim) Asset Manager  
Repairs Manager  
Portfolio Holder (Cllr Mobbs)

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### 1 Introduction

- 1.1 In accordance with the Audit Plan for 2018/19, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. This topic was last audited in September 2016.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

### 2 Background

- 2.1 The audit undertaken in September 2016 was the first specific audit of Asbestos Management. However, special investigations had previously been undertaken in late 2013 into the procurement and management of asbestos consultancy services.
- 2.2 The Council has a statutory duty to actively manage threats from asbestos (actual and potential) as the owner of a diverse portfolio of residential, operational and commercial properties.
- 2.3 Following a competitive tendering process contracts for asbestos survey and testing (Tersus), and asbestos removal (Shield) were let for an initial period of five years effective from September 2015. Both contracts remain in force at the time of this report.

### 3 Scope and Objectives of the Audit

- 3.1 The audit was undertaken to test the management and financial controls in place.
- 3.2 In terms of scope, the audit covered the following areas:
- Planning and organisation
  - Record keeping
  - Contract management



- Insurance and risk management.

3.3 The audit programme identified the expected controls. The control objectives examined were:

- The Council is able to demonstrate that it can deal with asbestos within its properties
- Asbestos within properties is safely managed
- Staff are able to deal with asbestos appropriately
- Tenants are aware of how to deal with asbestos in their properties
- The Council is aware of where asbestos is present and how it has been dealt with
- The Council and the contractors are aware of the services to be provided and the standards to which these services should be performed
- The appointed contractors remain able to undertake contracted works
- Works are undertaken to agreed standards
- Permanent changes to the contracts are formally agreed
- The Council only pays for work that has been previously agreed
- Budget variances are limited as the budgets are set appropriately in line with known areas of income and expenditure
- The Council is aware of any potential budget variances
- Payments are valid and accurate and processed in accordance with the appropriate conditions of contracts
- The Council will not be liable for any claims received due to the work of a contractor
- Management and the contractors are aware of the risks associated with the provision of services.

3.4 As the contracts had been in place at the time of the previous audit, the scope of this audit did not include the procurement process which had been followed in relation to the appointment of the two relevant contractors.

## 4 Findings

### 4.1 Recommendations from Previous Reports

4.1.1 The current position in respect of the recommendations from the audit reported in September 2016 was reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
1 The Asbestos Management Plan (AMP) should be tailored to ensure that all officer posts specified use the actual established post titles, and should be signed off by the holders of those posts.	The AMP will be updated and amended to implement the recommendation, with officers and managers advised accordingly so that they are made clearly aware of their role and responsibilities.	The latest AMP contains details of specific staff within the Council (along with their appropriate job titles) that have been assigned specific roles.

Recommendation	Management Response	Current Status
2 An 'Appointed Person' as defined by the HSE should be designated and the post of which the appointee is holder specified in the AMP.	H&PS will therefore work with the Council's Health and Safety Co-ordinator to determine the most appropriate post and for that post-holder to be given the information and understanding they will need to fulfil that role.	As per the above, the AMP includes details of the designated 'Appointed Person'.
3 Records of all asbestos awareness training going back a suitable period should be compiled and continually maintained with all future training logged.	This recommendation will be progressed. A training register for Housing & Property Services is now in use and has been populated with the most recent training records.	Training registers are now in place for both staff and contractors.
4 The approach to promoting asbestos awareness among stakeholders (including tenants) should be clarified and consideration given to a joined-up approach between Housing and Property Services and Health and Community Protection.	H&PS is introducing a different approach to engagement with its clients (including tenants) that is more personal and takes advantage of e-communications. This process has taken some time to introduce and focus has been on moving the previous printed newsletter and Tenant Panel to this wider, more varied approach. The dissemination of asbestos awareness will now be given enhanced status within engagement work (for example inclusion in Tenant Welcome Packs).	The Contracts Administrator (Asbestos) advised that all new tenants are given copies of their asbestos surveys and tenants wishing to undertake work at their properties are advised to contact the Council to ascertain whether asbestos is present.
5 Performance monitoring and reporting arrangements should be implemented in accordance with the terms of the contracts.	Contract management in the early stages of the contract has focused on developing our working and operational relationships with the contractors and the role of Asbestos Contract Co-ordinator, a new role. Now that the relationship and the role are better established, more focus can and will be given to contract performance management.	Key Performance Indicators are to be introduced which will allow performance to be monitored formally and reported upon.

## 4.2 **Planning & Organisation**

- 4.2.1 The Council has an Asbestos Management Plan (AMP) in place. The latest version held contains a number of review points which show that the document has been reviewed and updated, although this was undertaken in November 2017. It was also noted that a number of targets included within the document had been missed.
- 4.2.2 The Contracts Administrator (Asbestos) (CAA) advised that a review meeting had been set and this was seen on his Outlook calendar.
- 4.2.3 The CAA highlighted that the current version of the AMP had been created by Oracle and had been tailored to the Council's needs. This was compared to the information held on the HSE (Health & Safety Executive) website which highlights the basic details that an AMP should cover. Upon review, it was confirmed that the Council's AMP covered these details appropriately along with additional information as necessary.
- 4.2.4 The CAA advised that there is no specific programme of surveys for all properties. Housing stock is covered as and when work is to be undertaken on the property, with an overall target of surveying every property by 2020.
- 4.2.5 At present they will be covered as part of the voids process, when a programme of works is to be undertaken (e.g. windows and door replacements), or when Property Maintenance Officers (PMOs) have undertaken an inspection for responsive repairs. The CAA suggested that the position will be reviewed as the deadline approaches (sometime in 2019) and a programme of surveys may be instigated if it appears that some properties would not be otherwise surveyed.
- 4.2.6 All corporate properties were due to have been surveyed by May 2017 according to the original AMP, with the revisions suggesting that this had been extended to April 2018. However, the CAA advised that an updated target to ensure that all operational corporate properties were surveyed by June 2018 had slipped with four properties outstanding due to access issues. However, this had now been resolved and they are due to be completed in July. The targets in the AMP will be updated during the review meeting.
- 4.2.7 As with the surveys, the CAA advised that there is no specific programme of removals / encapsulation, with works being done on a case-by-case basis following the surveys performed by Tersus.
- 4.2.8 The survey reports will include a risk rating (A to E) for the relevant elements with items coded A or B needing removal and those coded C requiring encapsulation (although they may be removed it is considered relevant / cost effective to do so).
- 4.2.9 Up-to-date training matrices are in place for both staff and contractors with these matrices being maintained by the CAA. He advised that contractors are chased for updated details and an e-learning programme is being established for relevant staff who are overdue.

- 4.2.10 He also highlighted that he and the Repairs Manager (as the Appointed Person) require further specific training, although this has not yet been undertaken.
- 4.2.11 In terms of keeping tenants aware of asbestos issues, the CAA advised that leaflets had been sent out in the past and information was available on the website although he hadn't undertaken any specific 'mailshots' since he had been in post.
- 4.2.12 However, he advised that new tenants would be given a copy of the void survey report and the letters sent out when tenants asked to undertake work on their property advise the tenant to contact the Council for information about the presence of asbestos at their property.
- 4.3 **Record Keeping**
- 4.3.1 The asbestos register is held on the Teams system hosted by Tersus. The CAA advised that the system is largely updated directly by Tersus and Shield when they have undertaken their surveys and works at properties. The CAA will subsequently check to ensure that the details / documents have been uploaded correctly when checking the invoices that have been submitted for payment.
- 4.3.2 If either contractor has been instructed to undertake works at a property and it is not on the system they will query it with the CAA. He suggested that some garage buildings are thought to be missing from the system at present.
- 4.3.3 The CAA advised that he does not have admin rights to the system, so will advise Tersus if any buildings need to be added or removed. If a Right to Buy flat sale has gone through, he will advise Tersus that the block needs to be left active.
- 4.3.4 New builds (e.g. Sayer Court) will not contain asbestos, but if the Council acquires a property (e.g. 'homeless' property at Coten End) Tersus will be advised that a survey needs to be performed and the property will then be added to the system if necessary.
- 4.3.5 The CAA provided a quick walkthrough of the system at the time of the audit and it was found to be operating as described.
- 4.4 **Contract Management**
- 4.4.1 As highlighted above, there are two formal contracts in place, with the day-to-day monitoring of the contract being undertaken by the CAA. He advised that key performance indicators (KPIs) have not yet been set but they are to be agreed shortly with the contractors following confirmation from Procurement that this would not require a formal change to the contracts.
- 4.4.2 The Chief Executive's Office Service Area Plan (SAP) contains a specific measure in relation to asbestos management, i.e. the % of corporate properties with an up to date asbestos survey.

- 4.4.3 The CAA advised that this only covers the corporate 'operational' properties at present and not the 'non-operational' or housing properties. There are separate timescales for these, with an overall deadline of 2020 for all properties to have been covered, with this target being monitored separately (e.g. via contractor meetings). The CAA advised that the measure is expected to reach 100% soon, as the four properties that haven't been covered to date are due to be undertaken this month (July 2018) after access issues have been resolved.
- 4.4.4 There are other indirect references to asbestos within the SAP via issues such as ensuring that the Council meets all health and safety requirements in respect of its housing and corporate assets.
- 4.4.5 Both contracts clearly set out which services are covered, where they are to be undertaken and the types of properties that the Council has in its portfolio along with the service delivery standards (e.g. timescales for each type of job). Method statements / standard operating procedures are also held for both contractors to detail how they will undertake the contracted works.
- 4.4.6 The CAA advised that Shield undertake licensable activities as part of their contract and, as such, are required to maintain a license with the HSE under the Control of Asbestos Regulations 2012. A copy of the license is included in each Plan of Work that is drawn up by Shield and it was confirmed that this was valid until 30 September 2019.
- 4.4.7 In order to ensure that works are being undertaken appropriately, the CAA advised that he undertakes some (ad-hoc) inspections, and these are detailed on Active H. He provided a report of (recent) inspections that he had performed to provide evidence that these are being undertaken.
- 4.4.8 The CAA also highlighted that other contractors would pick up issues (e.g. Axis would flag up if works hadn't been undertaken as expected at a void property) and would make him aware of any problems. He suggested that there had only been one case (to his knowledge) where work had not been undertaken to standard, although this had been due to a communication issue, and had been resolved as soon as it was notified.
- 4.4.9 The CAA advised that monthly meetings are held with both Tersus and Shield. Upon review of the minutes held on the network, it was confirmed that meetings are being held, although they have not always been held on a monthly basis. The CAA provide appropriate explanation for the gaps in the records and advised that the issues have been resolved with monthly meetings now taking place as planned.
- 4.4.10 Other than the planned introduction of KPIs (see above), the CAA advised that there has not been a requirement to formally amend the contracts. Whilst the contracts give an indication of the number of properties that may be covered, the contract is based on attendance, so changes such as the number of properties that the Council is responsible for would not require the contracts to be formally amended.
- 4.4.11 The CAA advised that the majority of works are covered by the contracts, although some reconstitution works are performed for fire safety purposes

with these being outside of the scope of the contracts. Quotes are received for these additional works, with the payments included within the normal Shield valuations.

- 4.4.12 Upon review of TOTAL, it was identified that the budget for this year has been reduced from approximately £645k to approximately £400k. The Principal Accountant (Housing) advised that the rationale behind this had been the changes between the previous plans to remove all asbestos and the newer plans of managing it. With this in mind, the budget for removal had been split between removal and a new 'management' code on TOTAL to allow for better monitoring of costs incurred. However, the Repairs Manager and the CAA had not been consulted on these changes.
- 4.4.13 The CAA provided copies of the spreadsheet he maintains each year for monitoring expenditure against the contracts. He highlighted that he has no direct control over costs as survey costs are determined by the number of voids and the number of properties covered under the different housing works projects etc. with removal and management costs being reactive, determined by what is found during the surveys.
- 4.4.14 With regards to the housing projects works the CAA suggested that he is not consulted when the projects are being agreed, so is generally not aware of what costs are likely to be incurred.

## **Risk**

**Budgets may be insufficient to undertake all planned and reactive works.**

## **Recommendation**

**The Contracts Administrator (Asbestos) should be consulted during the planning stages of all housing works projects.**

- 4.4.15 The CAA also advised that there had been issues with Tersus providing invoices in a timely manner in the past with jobs not being closed on the system which had had an impact on the budget figures. Spreadsheets are, therefore, being sent to both contractors to highlight the status of each open job so that action can be taken accordingly.
- 4.4.16 Payments made are based on the valuations submitted along with the invoices, with these being based on the jobs that have been closed down on Active H. The valuations are signed off as certified, checked and authorised.
- 4.4.17 Sample testing was undertaken to ensure that payments were being made to the contractors on a timely basis and that the payments made were based on the correct codes from the schedules of rates. This testing proved satisfactory.

## **4.5 Insurance & Risk Management**

- 4.5.1 The standard contract terms and conditions have been used for both contracts (Tersus & Shield) which includes requirements for:

- Public Liability (£5m)
- Employer's Liability (£5m)
- Professional Indemnity (£2m)
- Motor (£5m)

- 4.5.2 A broker's letter was provided showing details of Tersus' combined liability and professional indemnity cover along with a copy of their professional indemnity certificate which specifically mentions the fact that it is an asbestos surveyors policy. These included levels of cover above those required in the contract. A copy of their motor insurance certificate was also provided, although no specific insurance figure is included.
- 4.5.3 Details of the appropriate insurance cover for Shield were also received. Shield also include a copy of their employer's liability certificate in their standard plan of work documents.
- 4.5.4 All documents seen were in date at the time of the audit. However, with the exception of the certificate included within the plan of work, all other documents had to be requested from the contractors by the CAA at the time of the audit.

### **Risk**

**The contractors may be uninsured with any liability, therefore, falling on the Council.**

### **Recommendation**

**The contractors should be requested to provide annual evidence of their insurance cover, with the request being timetabled in line with the policy renewal dates.**

- 4.5.5 There is a top level risk register in place for the Chief Executive's Office which covers generic, cross-cutting risks that are relevant to all sections of the service area. This is then supported by 'thematic' risk registers for the different teams, including the Assets team as appropriate.
- 4.5.6 The Assets risk register was found to include relevant risks, including contractor failure and the potential for poor asbestos management practices as well as other more generic risks that could affect the service and ones where asbestos could be the trigger (i.e. health and safety risks). The register also included details of the relevant mitigation and control measures in place and the actions required to further reduce the risks. The register was updated in April 2018 and is due to be reviewed again after the Assets re-design has been implemented.
- 4.5.7 Upon review of AssessNet it was identified that there are only two assessments that make reference to asbestos (Contract Services garage in Riverside House car park and the Royal Pump Rooms). There are, however, a number of other Council properties where asbestos is present.

## **Risk**

**Staff working in Council buildings may be unaware of the existence of asbestos.**

### **Recommendation**

**Entries should be included on AssessNet for other (relevant) corporate buildings and for staff that may come into contact with asbestos containing materials during their day to day work.**

- 4.5.8 Tersus have a standard risk assessment document for their site visits, with their survey reports also showing the asbestos risks identified at each site.
- 4.5.9 Shield also have a standard risk assessment matrix covering all potential risks for each site. Shield review these for each job to ascertain whether they are relevant to the site being covered and the relevant ones are included within the plan of work with the document being signed off to show that the site has been assessed.

## **5 Conclusions**

- 5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Asbestos Management are appropriate and are working effectively.
- 5.2 The assurance bands are shown below:

<b>Level of Assurance</b>	<b>Definition</b>
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

- 5.3 Minor issues were, however, identified:
- The CAA is not consulted during the planning stages of housing works projects leading to uncertainties in budget planning
  - There is no regular check of the insurance held by contractors
  - AssessNet records are lacking for a number of relevant corporate properties.

## **6 Management Action**

- 6.1 The recommendation arising above is reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr  
Audit and Risk Manager



**Action Plan**

**Internal Audit of Asbestos Management – September 2018**

<b>Report Ref.</b>	<b>Recommendation</b>	<b>Risk</b>	<b>Risk Rating*</b>	<b>Responsible Officer(s)</b>	<b>Management Response</b>	<b>Target Date</b>
4.4.14	The Contracts Administrator (Asbestos) should be consulted during the planning stages of all housing works projects.	Budgets may be insufficient to undertake all planned and reactive works.	Low	Individual project surveyors	Agreed – will be taken forward as part of the Asset restructure.	1 November 2018
4.5.4	The contractors should be requested to provide annual evidence of their insurance cover, with the request being timetabled in line with the policy renewal dates.	The contractors may be uninsured with any liability, therefore, falling on the Council.	Low	Compliance Administrator (revised structure)	Agreed – will be taken forward as part of the Asset restructure.	1 November 2018
4.5.7	Entries should be included on AssessNet for other (relevant) corporate buildings and for staff that may come into contact with asbestos containing materials during their day to day work.	Staff working in Council buildings may be unaware of the existence of asbestos.	Medium	Compliance Team Leader (revised structure)	Agreed but needs ITC support to develop AssessNet to accommodate Asbestos Survey.	1 April 2019

\* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.  
Medium Risk: Issue of moderate importance requiring prompt attention.  
Low Risk: Issue of minor importance requiring attention.

## INTERNAL AUDIT REPORT

**FROM:** Audit and Risk Manager  
**TO:** Head of Health and Community Protection  
**C.C.** Chief Executive  
Deputy Chief Executive (AJ)  
Head of Finance  
Safer Communities Manager  
CCTV Manager  
Portfolio Holder – Cllr. Thompson

**SUBJECT:** CCTV Services  
**DATE:** 14 September 2018

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### 1 Introduction

- 1.1 As part of the 2018/2019 Audit Plan an audit has recently been completed on the systems and procedures in place to manage the Council's CCTV services (CCTV).
- 1.2 This report outlines the approach to the audit and presents the findings and conclusions arising.

### 2 Background

- 2.1 CCTV at WDC was established in 1996 and since that time the scope and coverage of the service has gradually increased. The control room monitors not only town centre cameras but car parks, Council buildings, housing areas, certain parks areas and the Regent Court shopping centre. It also responds to requests from the Help Points, plays a key role in the Retail Radio Link and in the response to flooding incidents.
- 2.2 The control room is based at the Town Hall from where 190 cameras are monitored 24 hours a day for every single day of the year.
- 2.3 The service is staffed by a CCTV Manager and 5.8 (fte) operators.
- 2.4 The gross cost of the service has remained fairly static over the last ten years at around £500,000 a year.

### 3 Scope and Objectives of the Audit

- 3.1 The audit was undertaken to test the management and financial controls in place.
- 3.2 In terms of scope, the audit covered the following areas:
- Service provision
  - Staffing
  - Finance

- Risk management and insurance
- Performance monitoring

3.3 The audit programme identified the expected controls. The control objectives examined were:

- Members and management have an understanding of how the service will continue to be provided
- The service is provided in accordance with recognised industry standards or codes of practice
- External organisations and internal departments are aware of the level of service that will be provided
- Sufficient staff are in place to allow for the efficient running of the service
- The service is staffed by appropriate individuals
- Budgets are appropriately monitored and controlled
- Contracts are let appropriately
- Monies due in respect of CCTV are correctly calculated and charged
- Management are aware of the risks associated with the provision of CCTV
- CCTV equipment is appropriately insured
- Management are aware of service performance, enabling them to intervene if required
- Members of the public are provided with appropriate public safety information.

## 4 Findings

### 4.1 Recommendations from previous report

4.1.1 The last report on CCTV was issued on 21 March 2013 and it contained one recommendation. The response at the time and the current position are detailed below.

Recommendation	Management response	Current Status
Service Level Agreements should be drawn up for those services where they do not currently exist, with existing ones being reviewed and revised appropriately to bring them up to date.	Agreed. The SLA for Regent Court is currently in hand, with a response being awaited from them. The SLA for Housing will be reviewed once the updated system is complete. The remaining SLAs will be drawn up / reviewed as soon as possible.	The CCTV Manager at the time of the last audit retired in June 2015 by which time it appears that little had been done to progress the recommendation. When the current manager was appointed in July 2015 the task was not "handed over" so it has remained outstanding and will feature as a recommendation as part of this audit.

## 4.2 **Service provision**

- 4.2.1 The question of a strategy to govern the future provision and direction of CCTV has featured in recent audit reports and the response has been that as CCTV is a discretionary service it is difficult to set any long term goals or objectives as, in theory anyway, the service could be discontinued if circumstances warranted it.
- 4.2.2 In reality the fact that CCTV is one of the Council's most visible and valued services making a major contribution to community safety, crime reduction, detection and investigation and to the District's economy would suggest that its future is not in doubt.
- 4.2.3 The recent decision by Executive to approve an upgrade of the CCTV software and hardware together with other measures associated with the move to the new Council headquarters, costing in the region of £1M, is tantamount to a strategy as it confirms the Council's valuation of the service and its wish to retain it for years to come.
- 4.2.4 CCTV holds the relevant British Standards (BS7958 – Management and Operation of Closed Circuit Television and BS7858 - Security Screening of Individuals Employed in a Security Environment). Achieving and maintaining British Standards is not compulsory for CCTV provision and WDC was only the second authority in the country to achieve the standard in 2005.
- 4.2.5 The most recent annual inspection was in July 2018 when continued accreditation was confirmed. The report identified no non-conformances and, apart from one minor observation, no opportunities to improve.
- 4.2.6 The service operates under two codes of practice. The WDC Control Centre code of practice, dated 30 April 2018 and published on the WDC website, and, also published on the website a code of practice for CCTV operated in Council buildings. In addition there is an operations manual which goes into a greater level of detail as to how the operators use the system and the data and the management of the control room.
- 4.2.7 The service is provided to a number of internal customers e.g. Housing and car parks and to two external customers, i.e. Warwickshire Police and Regent Court. At the time of the last audit the existence of SLAs governing the service that internal customers would receive and how much they would be paying for it was inconsistent and where SLAs were in place they were found to be in need of revision and updating. No action has been taken to address the resulting recommendation and so it still applies.
- 4.2.8 Again at the time of the last audit there was in existence a draft SLA for the provision of CCTV to Regent Court but that was never finalised. The SLA was with the landlord at the time but that has changed twice since then. Interestingly there is no recharge to Warwickshire Police for their viewing of footage and burning evidence to disc which has been estimated to cost around £60,000 a year. The justification is that there would be a nil effect on Council Tax.

## **Risk**

**Customers may not be aware of the level of service that is to be provided and what the annual cost will be.**

## **Recommendations**

**Service level agreements should be drawn up for those internal customers where they do not currently exist, with existing SLAs being reviewed and revised appropriately to bring them up to date.**

**An agreement should be drafted between the Council and the landlord of Regent Court setting out the terms and conditions for the provision of CCTV.**

### **4.3 Staffing**

- 4.3.1 CCTV is provided on a 24/7 basis for 365 days a year. This is achieved by having in place a rota that provides for a suitable level of cover for the busier and quieter periods and for special events and certain times of the year e.g. New Year's Eve. The rota is set 12 months in advance.
- 4.3.2 During the very busy periods there is some overlap of cover. The Safer Communities Manager was successful with a bid to the Police and Crime Commissioner (PCC) for funding to pay for this. The Council has received around £14,700 a year from the PCC for the last three years.
- 4.3.3 A limited amount of overtime is worked to cover staff absence and it is budgeted for. Generally the budget, which is currently £3,400, is not exceeded.
- 4.3.4 Whenever any new staff are appointed they are subject to standard vetting procedures as well as a Police check. They are required to pass the relevant CCTV operator training course within their probationary period.

### **4.4 Finance**

- 4.4.1 The budget for CCTV tends to be well contained with little scope for variation. The main elements are staffing, maintenance and communication contracts and support service costs. The budget holder is the Safer Communities Manager and he meets with the Assistant Accountant responsible for Health and Community Protection as required to consider progress and any areas of concern.
- 4.4.2 The CCTV Manager is able to raise orders for the service using the financial management system TOTAL but she has not been trained in the other functions of the system. Although she is not nominally responsible for the budget she will on occasion have queries or need to make enquiries on financial issues and she should be able to resolve them herself.

## **Risk**

**The CCTV Manager's involvement in the overall management of the service may be restricted in relation to finance.**

## **Recommendation**

**Training in the use of TOTAL should be arranged for the CCTV Manager.**

- 4.4.3 An examination of budgets for the last three financial years revealed the usual minor variations but in overall terms nothing of concern. Gross budgets have been around £500,000 and just one year shows a small overspend.
- 4.4.4 The net budgets tend to be less than £200,000 mainly as a result of internal recharges and again they tend to show an underspending.
- 4.4.5 There are two contracts in existence in relation to CCTV. One is with ADT for the maintenance of the cameras and the other is with BT for the provision of the communications link between the camera and the control room. Both contracts appear in the published version of the contract register on the website and both are covered by current, signed agreements.
- 4.4.6 Currently CCTV does not generate much by way of external income. As already mentioned there is an annual contribution from the PCC and a recharge to the landlord of Regent Court shopping centre of £8,000 a year. TOTAL holds data back to 2006 and an examination of the income since then revealed a very confusing picture in terms of irregular timing and numerous cancellations and reallocations no doubt due to different officers dealing with it over the years and different procedures for raising invoices.
- 4.4.7 What was evident from the rather tangled web was that an invoice was not raised for 2008/09 and so the £8,000 was never demanded or paid. Currently an invoice for £2,000 is raised quarterly, automatically by TOTAL so there is no prospect of the landlord not being billed.
- 4.4.8 There are two other issues relating to the Regent Court recharge. Firstly it was evident that the recharge hasn't changed since 2006 and possibly prior to then so the charge needs at least to be reviewed.

## **Risk**

**The charge being made might be inadequate.**

## **Recommendation**

**The charge being made for the provision of CCTV to Regent Court should be reviewed.**

- 4.4.9 The second issue relates to VAT. It was evident that the recharge is not subject to VAT. As the service is discretionary and the Regent Court use is optional it falls into the "business" category and so it should be subject to

standard rate VAT. The standard rate should be applied at the earliest opportunity. For the avoidance of any doubt there is no need to apply any backdating or recovery measures.

## **Risk**

**VAT may be accounted for incorrectly.**

## **Recommendation**

**Arrangements should be made to apply VAT to all future invoices for Regent Court CCTV.**

### **4.5 Risk management and insurance**

- 4.5.1 Although CCTV has a number of unique features in that it is provided 24/7 for 365 days a year and it has a strong reliance on technology most of the risks associated with the service fall into the generic category and consequently appear in the Health and Community Protection risk register. This is reviewed and presented to committee in line with the usual timetable.
- 4.5.2 An inventory of equipment was supplied as part of the audit and although it looks comprehensive it lacks a number of basic features e.g. date purchased or age, condition and value. Also there are no office furniture type entries such as desks, chairs, cabinets etc.
- 4.5.3 An up to date, priced inventory is needed not only in the event of loss or damage but also to be able to evaluate the furniture and equipment that the Council holds for insurance purposes.

## **Risks**

**Furniture and equipment may be under-insured.**

**In the event of an insurance claim, relevant information may not be to hand.**

## **Recommendation**

**An up to date, priced inventory, including office furniture, should be compiled and a copy forwarded to the Insurance & Risk Officer in Finance.**

### **4.6 Performance monitoring**

- 4.6.1 The CCTV operators record details of all incidents observed on a spreadsheet and a copy is forwarded every month to the Safer Communities Manager. The number of incidents is usually in excess of 13,000 a year.
- 4.6.2 The number of arrests resulting from CCTV observations over the period 2014/15 to 2016/17 was 400, 482 and 520.

- 4.6.3 In addition to the identification of crime-related activity the operators also identify situations where intervention is needed to prevent a serious incident occurring e.g. possible suicide attempts, child sexual exploitation, members of the public in need of help. On a number of occasions individual operators have received awards in recognition of their prompt action preventing serious incidents.
- 4.6.4 The CCTV pages on the WDC website include a map of the camera locations, the codes of practice and the figures for recent control room performance.

## 5 **Conclusion**

- 5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of CCTV services are appropriate and are working effectively.
- 5.2 The assurance bands are shown below:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

## 6 **Management Action**

- 6.1 The recommendations arising above are reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr  
Audit and Risk Manager



## Action Plan

## Internal Audit of CCTV – August 2018

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.8	Service level agreements should be drawn up for those internal customers where they do not currently exist, with existing SLAs being reviewed and revised appropriately to bring them up to date.	Customers may not be aware of the level of service that is to be provided and what the annual cost will be.	Low	Safer Communities Manager / CCTV Manager	This was picked up as an issue and detailed in next steps in the original version of the most recent CCTV report to Executive. It was removed. We will diarise meetings with internal customers to re-visit the SLA's and bring them up to speed with transformation proposals.	End of March 2019
4.2.8	An agreement should be drafted between the Council and the landlord of Regent Court setting out the terms and conditions for the provision of CCTV.	Customers may not be aware of the level of service that is to be provided and what the annual cost will be.	Medium	Safer Communities Manager / CCTV Manager	As above but first we will confirm the VAT situation.	End of March 2019
4.4.2	Training in the use of TOTAL should be arranged for the CCTV Manager.	The CCTV Manager's involvement in the overall management of the service may be restricted in relation to finance.	Low	Safer Communities Manager	Already identified in the CCTV Managers PDP.	End of October 2018

<b>Report Ref.</b>	<b>Recommendation</b>	<b>Risk</b>	<b>Risk Rating*</b>	<b>Responsible Officer(s)</b>	<b>Management Response</b>	<b>Target Date</b>
4.4.8	The charge being made for the provision of CCTV to Regent Court should be reviewed.	The charge being made might be inadequate.	Medium	Safer Communities Manager / CCTV Manager	This will be considered as part of 4.2.8.	End of March 2019
4.4.9	Arrangements should be made to apply VAT to all future invoices for Regent Court CCTV.	VAT may be accounted for incorrectly.	Medium	Safer Communities Manager	CCTV Manager to meet with FAST team.	End of October 2018
4.5.3	An up to date, priced inventory, including office furniture, should be compiled and a copy forwarded to the Insurance & Risk Officer in Finance.	Furniture and equipment may be under-insured.  In the event of an insurance claim, relevant information may not be to hand.	Low	CCTV Manager	We already have an inventory for CCTV equipment but will add furniture and other equipment to this.	End of January 2019

\* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.  
Medium Risk: Issue of moderate importance requiring prompt attention.  
Low Risk: Issue of minor importance requiring attention.

## INTERNAL AUDIT REPORT

**FROM:** Audit and Risk Manager      **SUBJECT:** Corporate Governance:  
Ethics

**TO:** Deputy Chief Executive and      **DATE:** 22 August 2018  
Monitoring Officer

**C.C.** Chief Executive  
Head of Finance  
HR Manager  
Portfolio Holder – Cllr. Mobbs

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### 1 Introduction

- 1.1 In accordance with the Audit Plan for 2018/19, an examination of the above subject area has been completed recently and this report is intended to present the findings and conclusions for information and action where appropriate.
- 1.2 Wherever possible, results obtained have been discussed with the staff involved in the various procedures examined and their views are incorporated, where appropriate, in any recommendations made. My thanks are extended to all concerned for the help and co-operation received during the audit.

### 2 Background

- 2.1 The Local Code of Corporate Governance commits the Council to subscribe to the Delivering Good Governance in Local Government: Framework, produced by CIPFA in association with SOLACE. The Framework was revised in 2016 with a redefined set of core principles, the first of which relates to "behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law.
- 2.2 In terms of ethical values, the newly revised Code commits to:
- seeking to establish, monitor and maintain the Council's ethical standards and performance;
  - underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the Council's culture and operation;
  - developing and maintaining robust policies and procedures which place emphasis on agreed ethical values;
  - ensuring that external providers of services on behalf of the Council are required to act with integrity and in compliance with ethical standards expected by the Council.

- 2.3 This review has focused on 'ethics' across the Council as a direct consequence of provisions enshrined in the Public Sector Internal Audit Standards (PSIAS) and recommendations from the external assessment of the Internal Audit service reported in 2016. Initial proposals for undertaking an 'ethics' audit in 2017/18 as part of annual coverage on corporate governance were shelved as the focus shifted to organisational culture.
- 2.4 The PSIAS state that:  
"The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:
- promoting appropriate ethics and values within the organisation;
  - ensuring effective organisational performance management and accountability;
  - communicating risk and control information to appropriate areas of the organisation; and
  - coordinating the activities of and communicating information among the board, external and internal auditors and management".
- 2.5 The Standards go on to state that "the internal audit activity must evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities".
- 2.6 The report from the aforementioned assessment recommended that Internal Audit should "include higher-level ethics work in the audit universe and plan".
- 2.7 This internal audit of 'ethics' is a new departure and initially entailed some considerable best practice research on organisational ethics programmes, auditing ethics and ethical assurance based on guidance from various sources. The programme of audit work is based ultimately on two main sources:
- Ethical Standards for Providers of Public Services – Guidance (CSPL<sup>1</sup> 2016);
  - Providing Ethical Assurance to Boards (CIIA<sup>2</sup> 2016).
- 2.8 The evaluation was undertaken with reference to the CSPL Guidance above and relevant sections of the IPPF<sup>3</sup> Practice Guide - Evaluating Ethics-Related Programs and Activities (2012).

### 3 **Scope and Objectives of the Audit**

- 3.1 The standing objective of auditing corporate governance is to evaluate and report on effectiveness of overarching structures, procedures and monitoring arrangements that underpin the assurance framework for demonstrating good governance with reference to relevant standards.

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<sup>1</sup> Committee for Standards in Public Life

<sup>2</sup> Chartered Institute of Internal Auditors

<sup>3</sup> International Professional Practices Framework

- 3.2 The audit examination on this occasion was undertaken for the purpose of evaluating the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities.
- 3.3 The assignment was scoped as an overview of corporate values, programmes and mechanisms designed to build and maintain an ethical culture among the workforce and major suppliers/contractors. The corresponding programmes and mechanisms in respect of Members were not covered on this occasion except for generic provisions that cover all parties.
- 3.4 The findings are based on examination of relevant documentation and consultations with the Deputy Chief Executive and Monitoring Officer, HR Manager, Senior Procurement Business Partner and a selection of Heads of Service.

## **4 Findings**

### **4.1 Organisational Values**

- 4.1.1 Two intersecting elements form the basis of expectations in terms of ethical culture:
- the Seven Principles of Public Life (known as the Nolan Principles);
  - the Council's five Core Values.
- 4.1.2 Both elements have been incorporated as base provisions in the Employee Code of Conduct. The People Strategy 2016-2020 also refers to the Core Values explicitly, while the Fit for the Future Statement refers to expansion on previously existing core values –these were a prominent feature of the 2008-2011 Corporate Strategy.
- 4.1.3 There was some reservation regarding the current profile of the Core Values. The Code of Conduct and the People Strategy list only the five text headers, and tracking down the full text statement among the Intranet and website resources did not prove easy. Text searches located the full statement only in historic Learning and Development literature and it was only after the HR Manager pointed to the 'Insider Guide' (a guidance booklet for prospective employees that contains the statement) that a full-text representation could be accessed on the website.
- 4.1.4 It was advised from discussions that measures are being taken which will raise the profile of the Core Values.

### **4.2 Ethics Programmes**

- 4.2.1 The Employee Code of Conduct was last revised and re-issued in 2014, thereby taking on board the 2013 revised version of the Nolan Principles. The Code has direct references to related policies expanding on provisions relating to equality, sickness absence, alcohol, drugs and smoking. Other relevant policies accessible via the HR Intranet resources cover expanded provisions for working relationships among staff and between staff and Members.
- 4.2.2 A further revision to the Code is underway at the time of this report with a re-launch scheduled later in the year.

- 4.2.3 Since the previous issue, the Council has deployed Meta Compliance policy management software for communication and acceptance of new and re-launched policies. It was confirmed from discussions that new employees and agency staff are made aware of the Code of Conduct (and linked policies) through Meta Compliance and this will also apply globally to all current staff when the revised version is launched.
- 4.2.4 From memory, there have been no interim awareness initiatives on the Code of Conduct for existing staff in the four years since the global sign-up to the last edition. A good practice theme common across the guidance referred to is regular communication and training on organisational ethical codes.
- 4.2.5 Following the impending re-launch of the Code of Conduct, some awareness 'refresher' postings on Meta Compliance at least annually would be seen as helping to address this. Each item could relate to specific themes (e.g. updating declarations of interests).

### **Risk**

**Ethical disciplines may be overlooked.**

### **Recommendation**

**A programme of 'refresher' postings on Meta Compliance in respect of the Employees Code of Conduct should be considered following re-launch of the revised Code.**

- 4.2.6 A further area of good practice, suggested by the CSPL guidance, is the embedding of ethical risks as a standard category in the organisation's risk management framework. As the nature and severity of ethical risks are likely to vary between the different Council services, this is seen as a category appropriate for assessment in the respective Service Risk Registers and should cover Members, delivery partners and contractors as well as staff.

### **Risk**

**Ethical risks may not be managed effectively.**

### **Recommendation**

**Incorporation of ethical risks in the Risk Management Framework as a standard category should be considered.**

- 4.2.7 The People Strategy 2016-2020 is central to driving development of the organisational culture among the workforce, alongside the related Action Plan and supporting structures and processes (including the Appraisal and Competency Scheme).
- 4.2.8 It is observed that neither the Strategy nor any supporting resources were found to explicitly use the word 'ethic' or any of its derivatives, although feedback from certain discussions effectively cautioned against reading too much into this. The contribution of these elements to demonstrating an embedding of ethical values had to be evaluated from closer reading.

- 4.2.9 On the basis that the Core Values are omnipresent in the People Strategy and framework for delivering it, along with feedback from the recent Investors in People (IIP) assessment, the contribution is seen as appropriately robust.
- 4.2.10 Another element that warrants mentioning is the contribution of the professional bodies of which most (if not all) officers at more senior level empowered to make decisions are qualified members. In addition to these bodies' own codes of ethics and continuing professional development requirements, examples have been seen whereby such bodies have taken their own initiative to tackle ethical dilemmas and pressures to act unethically experienced by their respective members. These experiences form the basis of a recent major survey by CIPFA and a similar exercise undertaken by the Chartered Institute of Housing in 2014.
- 4.2.11 How all this translates into day-to-day ethical culture is much less tangible and the evaluation at this stage has relied extensively on the views and experiences of the aforementioned consultees. A suggestion received to convene small informal groups to discuss ethical culture was considered as part of the audit, but was not deemed practicable due to timeframe constraints. This is to be considered as a possible approach for a future re-audit.
- 4.2.12 Feedback from the discussions pointed, without exception, to strong ethical culture and leadership with peer challenge encouraged. It also confirmed that no ethical breaches of note involving staff or contractors have occurred within the Council in recent memory.
- 4.2.13 Turning to procurement, the embedding of ethical standards expected of contractors into the procurement process comes across as well covered. This is directed by the Code of Procurement Practice along with related policies and procedures which include an Ethical Procurement Statement.
- 4.2.14 There are extensive disclosure and declaration requirements on contracts valued £50,000 and above which include ethical matters guided by the above statement and linked policies as applicable. This is reinforced by Intranet guidance and training sessions for staff involved in procurements.
- 4.2.15 Policing ethical standards in contracts post-letting obviously forms part of the responsibilities of contract management and is subject to its related processes. While this area has not been reviewed within the scope of the audit, it is noted from discussions that no incidence can be recalled of contracts being terminated on the specific grounds of failure on the part of the contractor to observe ethical standards.

#### 4.3 **Mechanisms to Support High Ethical Standards**

- 4.3.1 This takes us back to the Employee Code of Conduct and related policies which include well-established ones for disciplinary proceedings and whistleblowing. In addition, Part 4 of the Constitution sets out protocols for disciplinary measures and dismissal in respect of the Head of Paid Service, Statutory Officers and Chief Officers.

- 4.3.2 The Council's Complaints Policy would be expected to be invoked in case of allegations of ethical breach from an external party in respect of staff, Member or contractor activity.

## 5 **Conclusions**

- 5.1 The audit has concluded that the basic prerequisites of an appropriate organisational ethical framework are in place, subject to two areas identified for possible improvement and anticipated further audit review. This gives SUBSTANTIAL assurance that the relevant provisions committed to under the Local Code of Corporate Governance (Paragraph 2.2 above) are supported by appropriate and effective structures and processes.

- 5.2 The assurance bands are shown below:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with the controls that do exist.

## 7 **Management Action**

- 7.1 The above recommendations are reproduced in the attached Action Plan for management response.

Richard Barr  
Audit and Risk Manager



## Action Plan

## Internal Audit of Corporate Governance: Ethics – August 2018

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.5	A programme of 'refresher' postings on Meta Compliance in respect of the Employee Code of Conduct should be considered following re-launch of the revised Code.	Ethical disciplines may be overlooked.	Low	Deputy Chief Executive and Monitoring Officer	Agreed. I will discuss with Graham Leach and Karen Weatherburn.	1 February 2019
4.2.6	Incorporation of ethical risks in the Risk Management Framework as a standard category should be considered.	Ethical risks may not be managed effectively.	Low	Deputy Chief Executive and Monitoring Officer	I will discuss with Senior Management Team colleagues to determine whether this merits taking forward.	1 October 2019

\* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.  
Medium Risk: Issue of moderate importance requiring prompt attention.  
Low Risk: Issue of minor importance requiring attention.

## INTERNAL AUDIT REPORT

**FROM:** Senior Internal Auditor  
**TO:** Head of Finance  
**C.C.** Chief Executive  
Deputy Chief Executive (AJ)  
Audit and Risk Manager  
Insurance and Risk Officer  
Portfolio Holder (Cllr Whiting)

**SUBJECT:** Insurances  
**DATE:** 25 September 2018

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### 1 Introduction

- 1.1 In accordance with the Audit Plan for 2018/19 an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. This topic was last audited in September 2015.
- 1.2 Wherever possible findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

### 2 Background

- 2.1 Insurance premiums are unlike any other item of Council expenditure, in that they are governed by the state of the insurance market which, in turn, is governed by the effects of claims, national events and natural phenomena.
- 2.2 As a member of the Audit and Risk team, the Council's Insurance and Risk Officer (IARO) is the designated officer who provides oversight and operational management across the Council to manage the insurance risks associated with services and assets of the Council.
- 2.3 The total value of the insurance premiums payable for policies held with Zurich Municipal for the period 1 November 2017 – 31 October 2018 is £350,356.39 with an additional £16,227.79 for terrorism cover (12% nett of Insurance Premium Tax).

### 3 Scope and Objectives of the Audit

- 3.1 The audit was undertaken to test the management and financial controls in place.
- 3.2 In terms of scope the audit covered the following areas:
- Regulatory compliance
  - Risk management
  - Review and renewal

- Claims processing
- Internal financing

3.3 The audit programme identified the expected controls. The control objectives examined were:

- Insurance in place is in line with any regulatory / legislative levels of cover
- All relevant business and operational risks are accurately assessed as the basis for providing adequate and appropriate insurance cover
- Cover levels remain appropriate to the needs of the Council
- Insurance cover held provides value for money
- Claims are valid, authorised, agreed and controlled
- Costs are accurately and appropriately recharged to service areas
- Reserves and provisions are maintained at appropriate levels.

3.4 The existing cover provided by Zurich Municipal was procured as a Long Term Agreement (LTA) of three plus two plus two years. As part of the existing arrangement, the first extension was taken out on 1 November 2015 and the Council will be entering into the final year of the second extension from 1 November 2018.

3.5 It is expected that the rollout of the new tender to insurance providers will take place in January 2019 and be completed between May and June 2019.

## 4 Findings

### 4.1 Recommendations from Previous Reports

4.1.1 The current position in respect of the recommendations from the audit reported in September 2015 was also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
1 The Insurance & Risk Officer should obtain details of significant future high value investment programmes in relation to housing stock and future treasury investment plans to assess Fidelity Guarantee maximum limits, updating insurance cover if appropriate.	All indemnity levels are kept under review. In assessing the limit, account has to be taken of the controls in place and the amount of money which it is felt could be taken before the loss is discovered. Increasing the limit will increase the premium payable and could make insurers feel that we are not confident about our controls. Insurers have been asked to provide an indicative quote to double the sum insured – it has been made clear this is to assist us in considering the	Discussed with IARO as part of the 2018/19 internal audit review and it was confirmed that this has been actioned.

Recommendation	Management Response	Current Status
	<p>audit recommendation. Consideration could also be given to having a higher level of cover for specified staff having regard to the levels of expenditure that they can authorise. It would take time to assess who this would apply to and appropriate levels to apply. During the audit the auditor quoted many authorities as having a limit of £10m but most of these were unitary, metropolitan or county councils.</p> <p>The IARO will contact Insurance Officers at District and Borough authorities in the Midlands asking for details of their limit of indemnity so we can compare.</p> <p>Advice will also be taken from our broker.</p>	
2 The Insurance & Risk Officer should update the insurance procedures manual for hirer's liability, insurance excess and provisions.	<p>Hirers' liability notes have been produced.</p> <p>Notes on calculation on insurance provisions and reserve will be produced when estimate figures for 2015/16 are done.</p>	Discussed with IARO as part of the 2018/19 internal audit review and it was confirmed that this has been actioned.

## 4.2 Regulatory Compliance

- 4.2.1 The IARO advised that the only insurance a council is, in effect, required to have under legislation, is Fidelity Guarantee insurance which covers fraud committed by staff. This is to be compliant with the provisions of Section 114 of the Local Government Act 1972. The insurance maximum limit that the Council has is £5m.
- 4.2.2 Since the last Internal Audit review in 2015, Section 2.4 has been added as part of the Fidelity Guarantee pertaining to the use of corporate credit cards, stating that, "The insurer will indemnify the insured for loss occurring as a direct result of the fraudulent use of a corporate credit card by the designated employee to whom the insured has issued the card". One of the requirements is that the name of the employee allocated the card is noted in the insured's records. This was confirmed during the audit with the IARO.
- 4.2.3 District councils are not required, under legislation, to have any employers' or public liability insurance. However, the Council does have these insurance policies in place.

- 4.2.4 A Long Term Agreement is in place with Gallagher's, Insurance Brokers for the Council which has been extended for two years until 2019. The broker is used independently from the insurers to help achieve value for money.
- 4.2.5 As part of the initial insurance tender process and the annual contract renewal processes, and over the life of the contract, the broker has assisted in setting out the Council's insurance specification, such as levels of cover and perils to be insured against, taking into account current market trends.
- 4.2.6 This annual review effectively ensures that the level of insurance remains adequate and reflects any necessary changes in the Council's needs.
- 4.2.7 Indemnity levels are also managed internally by the IARO. Contact is made between insurance officers at other authorities in the Midlands region in order to benchmark limits of indemnity as and when required.
- 4.2.8 It was stated by the IARO that, whilst no formal benchmarking is carried out, as Secretary to a Midlands based Insurance Group, advice can be sought on current practices. The insurance brokers have suggested looking at cyber security coverage in the future as part of business continuity.
- 4.2.9 It was noted that whilst insurance arrangements are embedded within the Council there is no formal insurance strategy in place.

## **Risk**

**Insurance arrangements may not be maximised to develop a coordinated approach to insurance management and transparency.**

## **Recommendation**

**Development of a formal insurance strategy be considered that provides the framework to ensure that the Council has in place an optimal balance between external insurance and self-insurance.**

- 4.2.10 An insurance manual is maintained and was reviewed as part of the audit. Over time, hand written updates and other ad-hoc documents as required have been added to the manual.
- 4.2.11 The index of the insurance manual refers to a number of sections including: Insurer Information; Broker Information; Claims Handling; Policy Information and the Local Authority Claims Handling System (LACHS). The IARO indicated that some of the information, such as sums insured, may not be current as they are included at a specific point in time and are provided as examples. However, the general processes are correct, although minor tweaks will be made as and when required.

## **4.3 Risk Management**

- 4.3.1 The IARO is a member of the risk management group and provides a quarterly update report to the Senior Management Team (SMT). An action plan was included in the Risk Management Strategy in 2016/17 listing fourteen recommendations designed to advance risk management within the

Council. One of these requires the "Insurance & Risk Officer to engage more closely in the risk management process including issuing a quarterly report to SMT on insurance claims and risk management lessons learned."

- 4.3.2 SMT minutes from May 2018 were obtained and were found to include a number of action points. Included in the report is reference to new claims, the overall claim position and learning points following claims. Currently, under the heading of learning points, specific referral is made to unoccupied buildings and theft from car park machines.
- 4.3.3 Following the meeting, actions included advising tenants of the need to leave heating on during periods of cold weather to prevent burst pipes, and taking action to reduce the risk of cash being stolen from car parking machines. Whilst a verbal update may be provided at the subsequent meeting, it is not evident from the minutes if actions had been completed.

### **Risk**

**Actions may be omitted or not undertaken on a timely basis.**

### **Recommendation**

**An action tracker be included as part of the update to SMT.**

- 4.3.4 Whilst the audit has not included a detailed review of risk management arrangements, the Council does have in place a Risk Management Strategy. A copy of the strategy was found on the Council's website and is for the period 2016-17. The summary of responsibilities included within the document requires that experience of risk and risk management issues are shared with the IARO, a number of other services / teams, and Council employees. However, it does not reflect sharing with SMT.

### **Risk**

**There may be a lack of transparency and engagement.**

### **Recommendation**

**The Risk Management Strategy be updated and made available on the Council web site.**

- 4.3.5 The risks included on the Finance risk register continued to be categorised into those which can be insurable, such as fraud by having a Fidelity Guarantee insurance policy in place, or risks which cannot be insured against such as loss of information technology.
- 4.3.6 On a rotational basis, service risk registers are presented quarterly to the Finance and Audit Scrutiny Committee. On occasion, the IARO is asked to comment and challenge the risk registers and specifically link any matters relating to insurance / emerging themes / matters arising across the district or nationally. E.g. the IARO cited an example relating to the potential impact on the Building Control partnership of the Northamptonshire authorities reorganisation.

## **Risk**

**Relevant risks may be omitted from the reviews undertaken by the IARO.**

### **Recommendation**

**Oversight of risk registers by the IARO be embedded to ensure that insurance is considered in all cases.**

#### **4.4 Review & Renewal**

- 4.4.1 An annual review of the level of insurance cover required is carried out by the IARO prior to the start of each year, over the life of the contract.
- 4.4.2 Revised premiums for the forthcoming insurance year are submitted based on pricing / risk assumptions including any current market conditions and trends. Examples were provided relating to Asset Management following the Grenfell Tower incident and theft from parking machines. No other service changes are known.
- 4.4.3 Reporting mechanisms between the Council and the insurers operate well. Most documentation, correspondence and claims are now managed via email. Information is also accessible via a secure login on Zurich Municipal's website.
- 4.4.4 The insurance cover from Zurich also provides for a Risk Management fund. To date, the Council has received six years funding at £5,000 a year. Expenditure over the last four years is detailed below:

<b>Date</b>	<b>Description</b>	<b>Cost (£)</b>
17/03/2014	IRM certificate C O'Rourke	1,560
28/03/2014	Building valuation surveys 2014	7,000
03/12/2015	Tree liability report CEN-090490	5,000
05/02/2016	Risk management health check	3,500
27/09/2016	Risk appetite workshop 9/9/16	1,500
25/10/2016	Special events training 4 & 5 Oct	1,500
17/05/2017	Managing events safely training	1,000
<b>Total</b>		<b>21,060</b>

The balance in the fund is currently £8,940.00. The Council has ordered some building valuation work to be carried out in August 2018 at a cost of £2,250.

- 4.4.5 The IARO stated that, as part of the retender process, the broker will be assisting Council officers to assess the tender submissions received, but without the power of decision making. The procurement exercise will be undertaken by the Council's in-house Procurement team.

#### **4.5 Claims Processing**

- 4.5.1 The Council has continued to use the JCAD LACHS claims management system to record details and manage all insurance claims. All claims are allocated a claim reference number and the type of claim is detailed.

- 4.5.2 The policies in place cover the assets and activities of the Council. It was stated by the IARO that if a claim has been processed, this is on the basis that it is covered by the policy. Where necessary, advice is sought from Zurich to confirm acceptance / refusal of a claim.
- 4.5.3 The IARO explained that, for any type of claim, the initial notification can be received in various forms from service departments and claimants, either by telephone, email or letter. All claims must be documented, following which a claim record is created.
- 4.5.4 An Accident / Incident Report Form is also accessible on the Council website and instructions are provided on how to make a claim for compensation resulting from loss or personal injury. Contact details for the IARO are also made available along with a statement that any decision on the claim will be made by the Council's insurers only.
- 4.5.5 Section 4 of the form provides for the claimant to complete a declaration confirming that the 'particulars' (of the claim) are true. It also informs them that "Information will also be supplied to insurers, claim handlers and solicitors who may be appointed to deal with your claim".
- 4.5.6 Currently the declaration does not make reference to the General Data Protection Regulations (GDPR) which came into force on 25 May 2018 repealing the Data Protection Act 1998. The new regulations place further obligations on organisations processing personal data, and increase the potential fines for non-compliance with the regulations.

## **Risk**

**GDPR requirements may not be complied with.**

## **Recommendation**

**The claim forms should be refreshed and reflective of GDPR requirements.**

- 4.5.7 The claim will be allocated to an insurance cover category on the system and all relevant information will be recorded, including the claimant details and / or solicitors as appropriate and will be allocated against the relevant policy.
- 4.5.8 All correspondence relating to the claim will be recorded and can be imported into the system, with some correspondence being generated directly from the system. The IARO has access to the Council's Active H system and can access this to confirm if there is any previous repairs history relating to the property.
- 4.5.9 Information is passed to the insurers, with the insurer's reference number for the claim being entered onto the system by the IARO once provided by the insurers. Emails or letters are sent to claimants advising them of the relevant insurer details.
- 4.5.10 Walk through testing was undertaken of a claim which was pending and one that had been closed. Sample documentation was reviewed covering the processes and specific checks that need to be undertaken for each type of claim e.g. operational and housing property, non-operational property,



mortgaged and leasehold property, public liability, employers liability, motor and other liability. It was identified that claims are processed as promptly as possible but delays are outside the control of the IARO.

- 4.5.11 A random sample of ten insurance claims for public liability and general property (commercial, operational building and housing), made since the date of renewal (1 November 2017) was reviewed with the objective of verifying that claims were subject to scrutiny and were being progressed by the IARO and referred to the Zurich Municipal on a timely basis.
- 4.5.12 Testing confirmed that all of the claims had been registered with Zurich Municipal and progress in relation to the settlement of the claims was being monitored. In addition, the IARO has been keeping service departments up to date with claim developments as instructed by Zurich Municipal.

#### 4.6 **Internal Financing**

- 4.6.1 Prior to 1992, insurance would have been provided through Municipal Mutual Insurance (MMI). At that time, the Council had no need to maintain an insurance reserve as all insurance claims would have been paid in full by MMI as the policies had no deductible or excess limits. However, a reserve is now in place to meet to these costs.
- 4.6.2 The balance of the insurance reserve is monitored by the IARO. As part of the internal audit review, the IARO shared email communication relating to the possibility of requesting an increased levy.
- 4.6.3 Separate insurance provisions are also held for current and future liability claims in order to meet the excesses payable by the Council.
- 4.6.4 On an annual basis, the IARO will allocate the premiums due to each relevant budget code. The method of calculation for each premium varies depending upon the type of insurance policy but the main factors used are the number of staff in each department and the total sum insured for buildings and contents.
- 4.6.5 The IARO maintains a spreadsheet that shows how charges have been calculated and codes to which they have been charged. For 2017/18 the value confirmed as recharged equates to £489,825.13.

### 5 **Summary & Conclusion**

- 5.1 Following our review we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place for the management of Insurances are appropriate and are working effectively.
- 5.2 Minor issues were, however, identified relating to the enhancing transparency and updating the Insurance procedures manual following re-tender in 2019.
- 5.3 The assurance bands are shown below:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.

Level of Assurance	Definition
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

## 6 Management Action

- 6.1 The recommendations arising above are reproduced in the attached Action Plan (Appendix A) for management attention.

Sharon Birdi  
Auditor

**Appendix A****Action Plan****Internal Audit of Insurances – September 2018**

<b>Report Ref.</b>	<b>Recommendation</b>	<b>Risk</b>	<b>Risk Rating*</b>	<b>Responsible Officer</b>	<b>Management Response</b>	<b>Target Date</b>
4.2.9	Development of a formal insurance strategy be considered that provides the framework to ensure that the Council has in place an optimal balance between external insurance and self-insurance.	Insurance arrangements may not be maximised to develop a coordinated approach to insurance management and transparency.	Low	Insurance & Risk Officer	Agreed. Consideration will be given to the introduction of an insurance strategy.	End of March 2019
4.3.3	An action tracker be included as part of the update to SMT.	Actions may be omitted or not undertaken on a timely basis.	Low	Insurance & Risk Officer	This will be included from the next report.	November 2018
4.3.4	The Risk Management Strategy be updated and made available on the Council web site.	There may be a lack of transparency and engagement.	Low	Audit & Risk Manager	Agreed and now done.	September 2018

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer	Management Response	Target Date
4.3.6	Oversight of risk registers by the IARO be embedded to ensure that insurance is considered in all cases.	Relevant risks may be omitted from the reviews undertaken by the IARO.	Low	Audit & Risk Manager / Insurance & Risk Officer	Audit & Risk Manager in process of putting all risk registers on intranet site viewable by all staff. When set up these will be updated quarterly. Insurance & Risk Officer can then view these documents systematically and ensure that due provision has been made for insurance aspects of risks.	End of October 2018
4.5.6	The claim forms should be refreshed and reflective of GDPR requirements.	GDPR requirements may not be complied with.	Medium	Insurance & Risk Officer	Wording was reviewed and updated in May 2018 taking into account advice and examples from other authorities in the absence of an Information Governance Manager.  Advice will be sought from the Information Governance Manager and wording updated accordingly.	End of March 2019

\* Risk Ratings are defined as follows:

High Risk:	Issue of significant importance requiring urgent attention.
Medium Risk	Issue of moderate importance requiring prompt attention.
Low Risk	Issue of minor importance requiring attention.

## INTERNAL AUDIT REPORT

**FROM:** Audit and Risk Manager  
**TO:** Head of Housing Services  
**C.C.** Chief Executive  
Deputy Chief Executive (BH)  
Head of Finance  
Housing Strategy &  
Development Manager  
Business Administration  
Manager  
Portfolio Holder – Cllr. Phillips

**SUBJECT:** Leaseholder Service Charges  
**DATE:** 17 September 2018

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### 1 Introduction

- 1.1 As part of the 2018/2019 Audit Plan an audit has recently been completed on the systems and procedures in place to manage Leaseholder Service Charges (LSC).
- 1.2 This report outlines the approach to the audit and presents the findings and conclusions arising.

### 2 Background

- 2.1 Whenever a council property is sold under Right to Buy (RTB) legislation and the council retains the leasehold (usually due to the sale of a flat in a block) the leaseholder is liable for service charges. In the main these relate to routine, minor repairs to the building and maintenance charges in respect of communal areas and facilities e.g. cleaning, window cleaning, lighting, grounds maintenance etc.
- 2.2 The estimated income in 2018/2019 is £200,000. There are currently 601 leasehold properties and annual bills range between £37 and £1,400 depending on the nature of the block, the services provided and any charges for major repairs.
- 2.3 In addition a further £66,000 is collected at the same time for buildings insurance.

### 3 Scope and Objectives of the Audit

- 3.1 The audit was undertaken to test the management and financial controls in place.
- 3.2 In terms of scope, the audit covered the following areas:
- Identifying properties and liable persons
  - Identifying costs
  - Raising invoices

- Leaseholder information

3.3 The audit programme identified the expected controls. The control objectives examined were:

- All properties that are liable to service charges and recharges for major works are identified
- All applicable costs are identified
- All applicable costs are recovered
- Costs are appropriately apportioned
- Challenges by 'customers' to charges levied are dealt with appropriately and in a timely manner
- Leaseholders are aware of what they are actually paying for
- Leaseholders are made aware of, and have the opportunity to influence, major costs that they will be liable for.

## 4 Findings

### 4.1 Recommendations from previous report

4.1.1 The last report on LSC was issued on 9 February 2016 and it contained two recommendations. The responses at the time and the current position are detailed below.

Recommendation	Management response	Current Status
A formal process for regular monitoring and chasing of leaseholder service charge debts should be put in place.	Agreed. The Income Recovery Manager in the Sustaining Tenancies section will implement a process for dealing with these debts.	Process in place. Income Recovery Team take over debt recovery at 2 <sup>nd</sup> reminder stage before forwarding to debt collection agency where required.
The service charges spreadsheet should be reviewed to ensure that formulae have been correctly applied when calculating the charges for individual properties.	The Scheme Accounting module of the Active H system will be implemented to ensure that the service charge for each property is correct.	Scheme Accounting module not fully implemented as decision made to not, at this stage, identify service charges for tenants. Service Charge spreadsheet formulae reviewed and contingencies in operation.

### 4.2 Identifying properties and liable persons

4.2.1 A significant change took place a few years ago in the management of LSC in that Active H played a more prominent role. Specifically, leaseholder accounts were created in Active H and Housing Services took over the responsibility for issuing and monitoring the invoices for the annual charges that had previously been the responsibility of the FAST team in Finance.

- 4.2.2 A database of leasehold properties is maintained in Active H and a leaseholder account is automatically opened when a rent account is closed as a result of the completion of a Right to Buy (RTB). Details of all properties to be charged are maintained in a number of other documents with the key one being the master spreadsheet used to calculate the annual charges.
- 4.2.3 The main issue with keeping leaseholder information up to date concerns the sale of a property and maintaining details of the names and addresses of occupiers, owners and landlords. People involved do not always remember to inform the council which can result in correspondence regarding charges and payment being ignored or discarded.
- 4.2.4 It is important to record and action any changes resulting from an RTB so that the appropriate changes can be made. Historically this required the exchange of information between teams of officers in Housing Services. This is no longer the case and RTBs and LSC are administered by the same team removing the risk that any sales will not be dealt with appropriately. Details of all completed RTBs in 2017/2018 were obtained and checked against Active H records to ensure that charges were being made and no anomalies were discovered.
- 4.2.5 When a property is sold responsibility for any repairs that are not of a communal nature passes to the leaseholder. When the RTB is being processed only repairs of an essential or emergency nature are authorised. If a repair is requested when an RTB is being processed or has been completed the following warnings appear on screen – "RTB: Only raise emergency jobs!" or "This asset is not owned by WDC!"

#### 4.3 **Identifying costs**

- 4.3.1 The key area in the whole LSC process is the calculation of the charges to ensure that all chargeable costs are identified, that they are accurate and up to date and that they are apportioned fairly. It is vital that the individual components of the charges can be justified for those leaseholders who regularly query the charges.
- 4.3.2 The figures for the calculation of the annual charges are gathered from a number of sources. Active H provides the annual costs for repairs to the communal areas of blocks, aspects such as caretaking and grounds maintenance will be identified from contract documents, costs such as electricity will be identified either from bills as they come in or from TOTAL and costs such as the administration charge are supplied by Finance.
- 4.3.3 As well as routine annual costs, leaseholders are liable for their share of any major repairs such as lifts, door entry systems or windows. The plans for these types of repairs are prepared by the Assets Team and so meetings are held with the Business Administration Team to make them aware of any schemes in the pipeline that will affect leaseholders.
- 4.3.4 Where improvement works are to be carried out, the relevant leaseholders are informed of the total cost and of their share and that it will be added to their account. If any additional charge is such that it will cause the leaseholder hardship by having to pay it over one year then arrangements can be made to stagger the payment.

- 4.3.5 As well as paying service charges most leaseholders opt to pay their buildings insurance through the council. Historically this meant the issue of a separate invoice but now the cost is included on the same invoice as the service charge. The leaseholder will effectively have two accounts in Active H. Where payment is made through Direct Debit the two accounts are credited automatically each month or each quarter and where payment is irregular a manual transfer has to be made from the main account to the insurance account.
- 4.3.6 The charge to be made for insurance is supplied to Business Administration by the Insurance and Risk Officer.
- 4.3.7 All of the costs and calculations for all of the leasehold properties are entered into a large and very detailed spreadsheet where the make-up of all the individual charges is clearly evident. The spreadsheet includes the figures from previous years and also an explanation of any significant variations between years.

#### 4.4 **Raising invoices**

- 4.4.1 As previously stated, the invoicing and overall management of accounts that was undertaken by the FAST team is now undertaken in Housing using Active H. Accounts are issued annually and leaseholders are given a number of options for payment including direct debit, the website and in person using a Pay Point outlet. Invoices are raised using the detail in the master spreadsheet.
- 4.4.2 The majority of leaseholders pay regularly and by direct debit so regular monitoring of payments is not seen as a priority and it would be a manual exercise as there is no automated monitoring feature in Active H. The view taken is that it is question of balancing the time involved against the amounts outstanding bearing in mind that the individual amounts involved are relatively small. Monitoring is undertaken and reminder letters are issued but it tends to be an annual event. A number of accounts have been referred to Legal and to the Income Recovery and Financial Inclusion Manager.
- 4.4.3 A number of leaseholders do not have a regular, formal payment arrangement and are classified as "unknown" as regard their payment frequency. There is nothing wrong with this as far as they are concerned as they are not required to take up a regular monthly or quarterly payment option.
- 4.4.4 The proforma lease used by the council refers to the payment of LSC and states that LSC should be paid quarterly in advance but this is not enforced.
- 4.4.5 Currently there are around 65 leaseholders who have paid nothing so far this year in respect of LSC where the 1 April 2018 balance was £24,500 in total. This figure will in some cases include LSC from previous years. There are around 60 leaseholders with no payments against their insurance account so far this year and the total balance outstanding at 1 April 2018 was £11,500.



## **Risk**

**Where amounts are outstanding, not pursued and allowed to increase, they may not be recovered.**

## **Recommendation**

**A more regular debt monitoring and recovery regime should be introduced and, where possible, leaseholders should be required to pay regularly in advance in accordance with the lease.**

- 4.4.6 Where leaseholders wish to challenge any aspect of the invoicing process or of the amounts included in the LSC they can do so by routine correspondence methods and without recourse to the Corporate Complaints Procedure. Details of all the queries raised and responded to are retained in a leaseholder disputes – queries folder.

### **4.5 Leaseholder information**

- 4.5.1 Leaseholders are provided with a plethora of information at various stages about the lease, the costs of becoming a leaseholder and about their rights and responsibilities and those of the landlord.
- 4.5.2 At the application or enquiry stage potential leaseholders are supplied with a leaseholder statement so that they are aware of the ongoing costs of becoming a leaseholder.
- 4.5.3 Leaseholders are supplied with a statement annually in advance of the issue of the invoice. This includes a detailed breakdown of the charges, an explanation of the charges and contact numbers in the event of a query or a repair.
- 4.5.4 The invoice itself includes a detailed summary of the leaseholder's rights and responsibilities. These are also included in the Leaseholders' Handbook which has recently been revised and is awaiting final approval. Information is also available on the WDC website explaining the leaseholder statement. The website also includes a copy of the Leaseholder Bulletin.
- 4.5.5 Whenever major works are to be undertaken that will affect leaseholders they are consulted under what is referred to as Section 20 and invited to make written observations in relation to the proposed works.

## **5 Conclusion**

- 5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Leaseholder Service Charges are appropriate and are working effectively.
- 5.2 The assurance bands are shown overleaf:

<b>Level of Assurance</b>	<b>Definition</b>
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

## 6 **Management Action**

- 6.1 The recommendation arising above is reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr  
Audit and Risk Manager

## Action Plan

## Internal Audit of Leaseholder Service Charges – September 2018

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.4.5	A more regular debt monitoring and recovery regime should be introduced and, where possible, leaseholders should be required to pay regularly in advance in accordance with the lease.	Where amounts are outstanding, not pursued and allowed to increase, they may not be recovered.	Medium	Business Administration Manager.	Agreed –implement quarterly reminders for non-payment and actively pursue debt before end of financial year.	December 2018 (end of quarter 3)

\* Risk Ratings are defined as follows:

High Risk:	Issue of significant importance requiring urgent attention.
Medium Risk	Issue of moderate importance requiring prompt attention.
Low Risk	Issue of minor importance requiring attention.

## INTERNAL AUDIT REPORT

**FROM:** Audit and Risk Manager      **SUBJECT:** Places & Projects  
**TO:** Head of Health & Community Protection      **DATE:** 13 July 2018  
**C.C.** Chief Executive  
Deputy Chief Executive (AJ)  
Head of Finance  
Safer Communities Manager  
Services Team Leader  
Portfolio Holder (Cllr Thompson)

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### 1 Introduction

- 1.1 In accordance with the Audit Plan for 2018/19, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. This is the first time that the topic has been audited.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

### 2 Background

- 2.1 The audit covered two distinct areas of the service: Pest Control; and the Dog Warden.
- 2.2 The two Pest Control Officers (PCOs) currently provide domestic services in relation to rats, mice and certain insect infestations (fleas, bedbugs and cockroaches). They do not cover commercial properties or other insect or animal pests.
- 2.3 The Dog Warden covers dog fouling and lost or stray dogs as well as undertaking roadshows and general patrols. Issues such as noise nuisance from dogs are dealt with by other sections within Health & Community Protection.

### 3 Scope and Objectives of the Audit

- 3.1 The audit was undertaken to test the management and financial controls in place.
- 3.2 In terms of scope, the audit covered the following areas:
- Policies and planning

- Requests for service
- Finance
- Risk management.

3.3 The audit programme identified the expected controls. The control objectives examined were:

- The functions are discharged in an agreed manner, which is in line with relevant legislation
- Management is aware of the work that is required of their teams
- Staff and management are able to track the progress of individual jobs
- The Council charges an appropriate amount for the services provided
- Income is received as appropriate for services provided
- Inappropriate control of dogs is appropriately penalised with the use of Fixed Penalty Notices and kennel fees, with the fines acting as a deterrent
- The Council achieves value for money
- Budgets are managed effectively
- Management are aware of the risks associated with the provision of services
- Staff safety is ensured as far as possible
- The health of staff and customers is ensured as far as possible when poisons are used.

## 4 Findings

### 4.1 Recommendations from Previous Reports

4.1.1 As this is the first audit of the subject, this section is not applicable.

### 4.2 Policies & Planning

4.2.1 'Policy' documentation was found to be in place for both the Pest Control function and the Dog Warden.

4.2.2 The Pest Control policy document contains a specific section on the Council's legal powers with regards to pest control and makes reference to the various relevant pieces of legislation. This was last updated in February 2016.

4.2.3 The Services Team Leader (STL) advised that the policy had not operated quite as anticipated with regards to forwarding information to Housing.

4.2.4 The 'protocol document' in place for the Dog Warden services also makes reference to different pieces of legislation, but it has not been updated since August 2009 and various reorganisations have been undertaken since then with changes to management responsibility etc.

## Risk

**Staff may be working to outdated or incorrect policies.**

## **Recommendation**

### **The 'policy' documents for the Pest Control and Dog Warden services should be reviewed and updated as appropriate.**

- 4.2.5 The service overview section of the Health & Community Protection Service Area Plan includes reference to the activities of both the Dog Warden and the Pest Control function.
- 4.2.6 Specific customer measures are also set with regards to the time taken to resolve the service requests as well as operational measures covering the time taken to respond to and complete requests for service (although this is generic covering all services within the department).
- 4.2.7 There is also mention of the potential for commercialising the Pest Control service along with the associated budgetary risks.

## **4.3 Requests for Service**

- 4.3.1 The Civica APP (Flare) system is used to record all requests for service (RFS) in relation to these two services as well as those for other sections within Health & Community Protection. Requests are usually received by the Environmental Support Officers, although the Dog Warden advised that she receives some direct emails.
- 4.3.2 The relevant staff members will review Flare to pick up any jobs that have been requested and will undertake visits to the properties / sites as appropriate.
- 4.3.3 Testing was undertaken on sample RFSs for both services to ensure that they were being updated appropriately, with supporting documentation being held where appropriate. This proved satisfactory.
- 4.3.4 A further test was undertaken on all relevant RFSs that had been received over a six-month period to ensure that they were being dealt with in a timely manner. This highlighted that over 90% of all relevant RFSs were being responded to and over 96% were being completed in line with the targets.
- 4.3.5 The STL advised that it would not always be possible to deal with all RFSs in line with target dates due to issues such as annual leave and long term sickness in the small teams. Furthermore, some pest control issues are now being dealt with differently, with 'good housekeeping' being promoted as opposed to using poisons in the first instance, so target times may need to be reviewed.
- 4.3.6 The STL highlighted that management reports used to be prepared showing RFSs that were overdue but the reports have not been received for a while. However, a new member of staff has taken on the Systems Team Leader role, so it is hoped that these will be resurrected shortly.

#### 4.4 **Finance**

- 4.4.1 The STL advised that the dog control fees were set by legislation, with the Council having decided to use the lower end of the scale (plus an admin fee) for Fixed Penalty Notices (FPNs).
- 4.4.2 For the pest control fees there had (at some stage in the past) been a review of fuel and time costs and these had been used to come up with the relevant fees. She also suggested that consideration was being given to commercialising the services, so costs would be reviewed in due course.
- 4.4.3 The fees for pest control and the dog warden activities were included as appropriate within the fees and charges report to Executive on 27 September 2017. There was no specific commentary on these fees changes, with the standard increases being applied to pest control services. As suggested above, dog control fees are determined by legislation, so no increases had been applied.
- 4.4.4 Testing was undertaken on the samples of RFSs to ensure that fees were being received as appropriate, along with the kennel costs associated with stray dogs. Due to the small number of relevant cases in the original samples, further cases were also checked.
- 4.4.5 The testing proved largely satisfactory although it was noted that two fees charged in respect of pest control cases had not reflected the new fees which came into force from 2 January 2018.

#### **Risk**

**The Council may not receive all income that is due.**

#### **Recommendation**

**Staff should be reminded when new fees come into force.**

- 4.4.6 The STL flagged that cash payments are currently taken by staff for services provided. Whilst only small amounts are taken, the current process is considered to present risks such as theft with the associated risks of staff being attacked for the cash held. However, the STL advised that consideration is being given to providing card readers for staff to remove this risk.
- 4.4.7 A contract is in place with Dunsmore Kennels for taking in stray dogs. The contract register includes details of the contract and the signed copy was located in the document store.
- 4.4.8 Budget monitoring spreadsheets are prepared by the Business Support Officer (Finance) and any issues would be raised with the STL. The current income and expenditure against the budget for this financial year and the outturn for 2017/18 were discussed with the STL and the Safer Communities Manager. No issues were identified.

## 4.5 Risk Management

- 4.5.1 The Health & Community Protection risk register was reviewed and was found to contain specific risks relating to the Pest Control and Dog Warden services along with cross-cutting generic risks that are also relevant to these services (e.g. staff resourcing and staff health & safety issues). There is clear evidence within the document that it has been subject to review.
- 4.5.2 Upon review it was confirmed that assessments were also included on AssessNet for both services and that these were up to date in terms of their review dates. AssessNet was also found to include COSHH (Control of Substances Hazardous to Health) assessments for the poisons used by the PCOs.
- 4.5.3 Relevant staff all undertake lone working. The STL advised that the vans used by the PCOs have trackers installed. The Dog Warden also uses an Oysta tracker and all have mobile phones to enable them to be contacted when on site.
- 4.5.4 The Learning & Development Officer provided details of the training courses that the relevant staff had attended (within the last four years) in relation to lone working and conflict management.
- 4.5.5 This confirmed that the Dog Warden had attended the Lone Worker training and the Safeguarding training (although this is more about spotting signs of abuse rather than how to deal with abuse directed towards them) with one of the PCOs also having attended the safeguarding course.

### **Risk**

**Staff may not be aware of how to deal with risks related to their roles.**

### **Recommendation**

**All relevant staff should attend the Conflict Management training, with the Pest Control Officers also attending the Lone Worker training.**

- 4.5.6 It was confirmed that the PCOs had received appropriate training on the safe use of rodenticides. The STL advised that they would be informed when further (refresher) training was required as this was no longer required at set periods.
- 4.5.7 Stocks of the different poisons are held in the lab at Riverside House. Access to the lab is restricted via a pin code lock.
- 4.5.8 A stock record is held in the lab and this was reviewed during a visit with one of the PCOs. The review confirmed that the records were being kept up to date.



## 5 **Conclusions**

5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of the Places & Projects services are appropriate and are working effectively.

5.2 The assurance bands are shown below:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

5.3 Minor issues were, however, identified:

- Policy documentation needs to be reviewed
- Incorrect fees had been charged by Pest Control Officers following the increase approved by Executive
- Relevant staff need to attend lone worker and conflict management training.

## 6 **Management Action**

6.1 The recommendation arising above is reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr  
Audit and Risk Manager


**Action Plan**

**Internal Audit of Places & Projects – July 2018**

<b>Report Ref.</b>	<b>Recommendation</b>	<b>Risk</b>	<b>Risk Rating*</b>	<b>Responsible Officer(s)</b>	<b>Management Response</b>	<b>Target Date</b>
4.2.4	The 'policy' documents for the Pest Control and Dog Warden services should be reviewed and updated as appropriate.	Staff may be working to outdated or incorrect policies.	Low	Services Team Leader	Policies will be reviewed at the earliest opportunity.	March 2019
4.4.5	Staff should be reminded when new fees come into force.	The Council may not receive all income that is due.	Low	Services Team Leader	New fees are circulated at the beginning of each year. Reminders have been sent following this report.	January each year
4.5.5	All relevant staff should attend the Conflict Management training, with the Pest Control Officers also attending the Lone Worker training.	Staff may not be aware of how to deal with risks related to their roles.	Low	Services Team Leader	Staff have been requested to attend internal courses relating to Lone Working and Courageous Conversations from the WDC 2018/19 training guide following this report.	January 2019

\* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.  
 Medium Risk: Issue of moderate importance requiring prompt attention.  
 Low Risk: Issue of minor importance requiring attention.

 <b>Finance and Audit Scrutiny Committee</b> <b>27 November 2018</b>		<b>Agenda Item No.</b> <b>8</b>
<b>Title</b>	Review of the Assigning of Parent Company Guarantees and Other Types of Securities to Council Contracts	
<b>For further information about this report please contact</b>	Mike Snow 01926 456800	
<b>Wards of the District directly affected</b>	N/A	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	Finance and Audit Scrutiny Committee 6 March 2018	
<b>Background Papers</b>		

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality Impact Assessment Undertaken</b>	N/A

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	9/11/18	Chris Elliott
Head of Service	9/11/18	Mike Snow
CMT	9/11/18	
Section 151 Officer	9/11/18	Mike Snow
Monitoring Officer	9/11/18	Andrew Jones
Finance	9/11/18	Rebecca Reading
Portfolio Holder(s)	13/11/18	Cllr Peter Whiting
<b>Consultation &amp; Community Engagement</b>		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
<b>Final Decision?</b>		Yes/No
<b>Suggested next steps (if not final decision please set out below)</b>		

## 1. **Summary**

- 1.1 This report provides an update to members on the progress being taken in managing securities within contracts following the report to Finance and Audit Scrutiny Committee in March 2018.

## 2. **Recommendation**

- 2.1 Finance and Audit Scrutiny Committee note the actions being taken within Appendix 1 in respect of the Managing Securities audit reported to the Committee in March 2018.

## 3. **Reasons for the Recommendation**

- 3.1 Following the difficulties earlier in the year with one of the Council's contractors ceasing to trade, a review was undertaken by the Council's Internal Audit Section entitled "The Assigning of Parent Company Guarantees and Other Types of Securities to Council Contracts". This review was reported to this Committee in March.
- 3.2 It was agreed that a further report would be brought to the Committee in the Autumn on the progress in implementing the recommendations. The recommendations and progress to date is detailed in Appendix 1.
- 3.3 The Appendix shows that progress has been made over the last 6 months. The notable changes are:-
- The financial standings of all contractors is now actively monitored using "Credit Safe".
  - Credit checks continue to be carried out for new contracts and renewals, now using Credit Check.
  - In addition to Credit Check, the Accountants will review contractors for high value or high risk contracts.
  - Contract Management Training being rolled out includes a section on securities.
  - Alongside the update to the Code of Procurement Practice, supporting guidance is available to officers.
  - WCC Legal services have advised upon and assisted with updating the guidance and new contract templates.
  - Further reviews of the Procurement function are proposed, including benchmarking, and a review by Internal Audit of the Council's approach to contract management.

## 4. **Policy Framework**

### 4.1 **Fit for the Future (FFF)**

The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

<b>FFF Strands</b>		
<b>People</b>	<b>Services</b>	<b>Money</b>
<b>External</b>		
<b>Health, Homes, Communities</b>	<b>Green, Clean, Safe</b>	<b>Infrastructure, Enterprise, Employment</b>
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy Increased employment and income levels
<b>Impacts of Proposal</b>		
Although there are no direct policy implications, a strong and effective governance framework will be a major factor in helping to achieve the above outcomes.		
<b>Internal</b>		
<b>Effective Staff</b>	<b>Maintain or Improve Services</b>	<b>Firm Financial Footing over the Longer Term</b>
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
<b>Impacts of Proposal</b>		
Although there are no direct policy implications, a strong and effective governance framework will be a major factor in helping to achieve the above outcomes.		

## 4.2 Supporting Strategies

Each strand of the FFF Strategy has several supporting strategies but description of these is not relevant for the purpose of this report.

## 4.3 Changes to Existing Policies

This section is not applicable.

## 4.3 Impact Assessments

This section is not applicable.

## 5. **Budgetary Framework**

- 5.1 Although there are no direct budgetary implications arising from this report, an effective Budgetary Framework is a key element of corporate governance. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.

## 6. **Risks**

There are various risks associated with contract management and these not being addressed satisfactorily. The consequences will be additional expenditure and deterioration in the reputation of the Council.

## 7. **Alternative Option(s) considered**

- 7.1 This report is not concerned with recommending a particular option in preference to others so this section is not applicable.

- 1 Guidance on the use of PCGs and other types of securities should be reviewed with a view to ensuring that it is appropriate and sufficient to assist services during the procurement process, in particular when compiling the Invitation to Tender documentation and when establishing contracts with successful tenderers.

### **Progress November 2018**

Guidance is being produced by WCC Procurement in conjunction with WCC Legal. This has been shared with the Procurement Board in order to seek feedback.

- 2 More specifically, guidance on the use of PCGs and other types of securities should be incorporated within the documentation provided by the Procurement Team to aid services during the procurement process.

### **Progress November 2018**

The Procurement Initiation Document has been updated to include consideration of guarantees and point officers to the guidance on the intranet.

- 3 Because of its importance to the Council, driven by such factors as the reputation of the Council and the sums involved, contract management training should be run at regular intervals for relevant employees and not just as one-offs. Staff should be trained not only in the Council's practices and procedures but also provided with general contract management training on such matters as the different types of securities that are available and the basis for selection.

### **Progress November 2018**

Contract Management Awareness training is to be introduced in the new year (dates tbc). It is proposed that all contract owners should attend. Proposed content of training being shared with Heads of Service. E-learning 'Introduction to contract management' module to be investigated, with an aim to introduce at WDC. More in-depth training will be scoped by HR 2019/20.

- 4 There should be due emphasis within contract management training programmes on the importance of monitoring the delivery of contracts after they have been established.

### **Progress November 2018**

This is being incorporated into the training. Training will concentrate on the principles of contract management and contract manager responsibilities.

- 5 Contract registers should record, for each contract, whether the contract has had a security assigned to it and, if so, what form of security is in place. Any other relevant information pertaining to securities should also be recorded on the contract registers.

### **Progress November 2018**

Register now includes a column to provide details of securities in place.

- 6 Finance should establish a designated officer within its service that is able to provide an appropriate level of financial input on contracts. This officer should, for example, be trained to carry out financial checks e.g. perform credit checks on tenderers, pre-contract, and monitor the financial performance of contractors, after the contract has commenced. Such support should be systematic and proactive, not needing to be requested by the contracting service. (This facility, had it been in place, would have identified the problem with the parent company

of Mack Trading, enabling the Council to have taken remedial action before it was too late.)

### **Progress November 2018**

The Authority now subscribes to "Credit Safe" for all company checks. As part of the functionality, "alerts" have been created for all companies within the Contract Register, and parent companies where guarantees exist. If the alerts notify a change to the credit rating, this is notified to the relevant contract manager and Accountancy.

Tender evaluation financial checks are carried out on all tenderers over £25,000 using Credit Safe. The Accountants will review in greater detail the status of companies that score less than 50 on credit safe, or all companies for contracts over the supplies and services OJEU level (c£180k).

- 7 After the reorganisation of the Procurement function, the County's Procurement Team should be asked to assess the Council's procurement arrangements, including the guidance currently provided to services when procuring services and entering into contracts with a view to bringing practices at the Council in line with those at the County. This is particularly the case in respect of legal documentation.


### **Progress November 2018**

- The Code of Procurement Practice has been reviewed (led by WCC), updated and agreed by Council.
  - New contract templates are in place from WCC Legal.
  - The Contract Management framework has been reviewed/rationalised/updated on the intranet.
  - WDC Procurement/Legal have organised bi-monthly meetings to support joint working.
  - WCC Procurement/WDC Procurement Team will be reviewing all Council procurement templates. To be reviewed in stages: pre-procurement/commissioning; procurement activity; and post contract award/contract management. Initial discussions set to begin December, with an aim to undertake Jan-March.
- 8 The Council should consider the commissioning of a wider review by a specialist of its contract management arrangements to ensure that it is meeting best practice in its arrangements. This should take place after the reorganisation of the Procurement function, and after the 'internal' review recommended in 7 above, so that the new arrangements with the County form part of the review.

### **Progress November 2018**

The partnership with WCC Procurement will be reviewed further ahead of being reported to Members in April 2019. During 2019/20 it is intended to formally benchmark the service as part of the CIPFA Procurement Benchmarking Club. Following this, it is proposed that an internal audit review of contract management be carried out in 2020/21.



 <b>Finance and Audit Committee</b> <b>27<sup>th</sup> November 2018</b>		<b>Agenda Item No.</b> <b>10</b>
<b>Title</b>	Development Portfolio – Service Review	
<b>For further information about this report please contact</b>	Dave Barber Head of Development Services <a href="mailto:dave.barber@warwickdc.gov.uk">dave.barber@warwickdc.gov.uk</a> 01926 456065  Alan Rhead Development Portfolio Holder	
<b>Wards of the District directly affected</b>		
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	NA	
<b>Background Papers</b>	NA	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality Impact Assessment Undertaken</b>	No
NA	

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	14/11/18	Chris Elliott
Head of Service	13/11/18	Dave Barber
CMT	14/11/18	Bill Hunt
Section 151 Officer		Mike Snow
Monitoring Officer	14/11/18	Andrew Jones
Finance		Mike Snow
Portfolio Holder(s)	5/11/18	Cllr Alan Rhead
Consultation & Community Engagement		
NA		
Final Decision?		NA
Suggested next steps (if not final decision please set out below)		

## 1. **Summary**

- 1.1 This report brings together the contract register, risk register and budget for the Development Portfolio.

## 2. **Recommendation**

- 2.1 That Finance and Audit Committee should review the Development Portfolio contract register, risk register and budget.

## 3. **Reasons for the Recommendation**

- 3.1 Following several years of reviewing service contract and risk registers, it has been requested by members that the two registers for each Service Area should be considered together, along with details of the budget and performance for the relevant service.

- 3.2 The Portfolio Holder and Head of Development Services are presenting a report to the Finance and Audit Scrutiny Committee that brings together:

- the risk register relating to the Development Portfolio
- the contract register relating to the Development Portfolio
- budget outline relating to the Development Portfolio

It should be noted that Development Services also encompasses the Business Portfolio. Updates relating to the Business Portfolio are not included in this report and will be the subject of a separate report to the Committee in February 2019.

### 3.3 Risk Register

- 3.3.1 The risk register was last reviewed on 1<sup>st</sup> October 2018. This version of the risk register is set out as Appendix A to this report.

- 3.3.2 The scoring criteria for the risk register are subjective and are based on an assessment of the likelihood of something occurring, and the impact that might occur.

- 3.3.3 In line with the traditional risk matrix approach, greater concern should be focused on those risks plotted towards the top right corner of the matrix whilst the converse is true for those risks plotted towards the bottom left corner of the matrix. If viewed in colour, the former-described set of risks are within the area shaded red, whilst the latter-described set of risks are within the area shaded green; the mid-range are in the area seen as yellow.

- 3.3.4 The Development Portfolio is responsible for a wide range of services which consequently lead to a number of potential risks. There are 30 risks contained in the risk register.

- 3.3.5 There are 5 risks rated "green", 24 rated "yellow", and 1 rated "red", in accordance with the Council's risk scoring matrix. The risk rated red is the risk of *"Failure to secure sufficient or timely infrastructure funding through CIL/Section 106"*

- 3.3.6 As with all the risks in the register, it is the controls and mitigations that are being undertaken to control the risks that are of importance. These reflect the

tangible actions over which there is more control. As a result many of the risks have reduced in likelihood over time which explains why a significant proportion are now within the "yellow" band. In addition a number of risks that were included within the risk register in previous years have now fallen away.

### 3.4 Contract Register

3.4.1 The latest version of the contract register in so far as it relates to the Development Portfolio is set out in Appendix B. There are 9 live contracts listed plus 3 service level agreements with Warwickshire County Council. Currently three of the live contracts are being reprocured. A particular focus of activity is working with contractors to ensure GDPR compliance. In relation to three of the contracts this is likely to involve a variation of the contract. In one case the contract is in the process of being reprocured anyway and GDPR implications will be fully addressed as part of that.

### 3.5 Budget

3.5.1 Details of Development Services budgets(as relevant to the Development Portfolio) are included as Appendix C.

3.5.2 Management of the budget set out in Appendix C is part of the ongoing processes which ensures that significant variances are discussed with finance. The budgets are devolved to budget managers who are responsible for the delivery of specific services. Each budget manager is trained on their responsibilities. Those responsibilities include regular liaison with the relevant accountant in finance to discuss and resolve issues and variances associated with the budget. Managing expenditure in line with the budget is therefore part of the established practice of the service.

3.5.3 A more challenging aspect of the Development Services budget is monitoring and managing income. Both Development Management and Building Control generate significant amounts of income for the Council. Their key income budgets are:

- **Income from Planning Applications:** This is budgeted to generate £1.56m during 2018/19. The budget manager is currently predicting that this budget will be met, but will not be significantly exceeded. This prediction is based on his analysis of income to date in the year combined with intelligence regarding major applications that are likely to be received during the year. In general around half the income from this source arises from routine minor applications (income from these is relatively stable on a month by month basis) whilst the other half is generated from major applications (income from these can fluctuate significantly depending on which major schemes are submitted when). It should be noted, that the accountants responsible for this budget also predicts income based on trends to date during the year. This prediction is currently indicating that the budgeted income will be exceeded by more than £200,000. This reflects the difficulty in being accurate about planning income as in reality the income is not something the service can directly control.
- **Income from pre-application advice:** Income from pre-application advice for the year to date has been £47,340 against an original budget of £50,000 for the whole of the 2018/19. If the current monthly average is maintained for the remainder of the year, the total income is projected to be around £75,000.

- **Building Control Income:** This is budgeted to generate £720,000 during 2018/19. Income from the first seven months of the financial year was £472,873. It is expected the income will be slightly lower during the winter months and so, based on previous years, total income for 2018/19 is predicted to be approximately £750,000. It should be noted that there is a Government requirement for the Building Control budget to be ring-fenced and to be managed in such a way that it does not deliver a surplus or a loss over a three year period. Due to increased recharges (relating predominantly pensions), expenditure during 2018/19 is expected to slightly exceed income. This can be managed through use of the Building Control Reserve which has resulted from surpluses in previous years. However, this will be closely monitored to ensure income and expenditure is in balance in future years.

3.5.4 Income from CIL and Section 106 agreements is not part of the Development Services budget because it is passed on to infrastructure providers on (or soon after) receipt.

#### 4. Policy Framework

##### 4.1 Fit for the Future (FFF)

"The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects.

"The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy."

FFF Strands		
People	Services	Money
<b>External</b>		
<b>Health, Homes, Communities</b>	<b>Green, Clean, Safe</b>	<b>Infrastructure, Enterprise, Employment</b>
<u>Intended outcomes:</u> Improved health for all Neighbourhood needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/ productivity of local economy Increased employment and income levels
<b>Impacts of Proposal</b>		
Development Services plays a key role in supporting the delivery of high quality housing developments in the district as well as supporting cultural and	Development Services supports the provision of open space in new developments. The service applies policies relating to air quality and crime in the consideration of planning	Development Services plays a key role in obtaining finance to support infrastructure delivery through Section 106 agreements and CIL. The service is also

sporting infrastructure and applying policies that help to deliver cohesive and active communities	applications.	responsible for supporting the delivery of employment land in line with the adopted Local Plan
<b>Internal</b>		
<b>Effective Staff</b>	<b>Maintain or Improve Services</b>	<b>Firm Financial Footing over the Longer Term</b>
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
<b>Impacts of Proposal</b>		
Staff are continually developed using a range of methods including formal courses, in-house training and attendance at seminars, conferences or regional bodies.	The Service Area is continually looking at ways of improving the way services are delivered to customers, through improved working practices and use of ICT.	Development Services ensures that any expenditure achieves the best value for money. It is also responsible for several major income streams (WBC, DM, Pre-apps, CIL, S106) to the Council which are continually reviewed to ensure income targets are met, and exceeded where possible.

## 4.2 Supporting Strategies

- 4.2.1 The Local Plan is key to the work of Development Services. Its policies are used many times every day to ensure high quality is supported and the District's infrastructure requirements are provided for.
- 4.2.2 The report also relates to the Medium Term financial strategy and sets out how Development Services is delivering the savings required along with key income streams.

## 4.3 Changes to Existing Policies

- 4.3.1 There are no changes to existing policies as a result of this report.

## 5. Budgetary Framework

- 5.1 Details of the Development Services budgets are set out in section 3.5 above and appendix C.

- 5.2 Annual Budgets for Development Services are set by the Executive on an annual basis and budget reports are routinely considered by the Senior Management Team, with quarterly reports issued to the Executive.

## **6. Risks**

- 6.1 Details of the Development Portfolio Risk Register has been included in para 3.3 and Appendix A.

## **7. Alternative Option(s) considered**

- 7.1 As this report is predominantly for information, at the request of the Finance and Audit Committee, no other options are proposed.

## DEVELOPMENT PORTFOLIO: CONTRACTS REGISTER

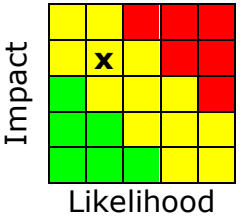
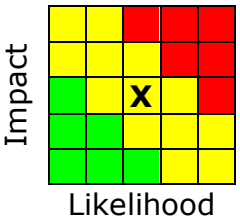
Contract Reference Number	Personal information transfer (YES/NO) and risk requiring action(red=high; amber=medium; green=low;white=none)	Contract Title	Description	Supplier	Contact	Start date	End date	Review Dates	Annual budget £	Contract value £	2017-18 Spend against contract £	Extension Option	Comments - including price change provisions and review dates.	Signed Contract Agreement is with CST (Deed Store) YES / NO. The Deed Store reference number is also required! If the answer is NO please give reasons why . If only electronic version held, put N/A and enter link for electronic contract in next column	Electronic copy of Contract Agreement? - if YES - please supply file location path. All electronic copies should be stored centrally on the L drive: L:\Works Contracts for Procurement\Electronic contracts
CS11NK0109	No	Ecological Advice: Provision of Ecological Advice	Advice & professional services on ecological issues predominantly in relation to planning applications	Warwickshire County Council	Gary Fisher	01/04/2018	31/03/2019	01/01/19	16,162	16,162	17,262.00	Y	This advice is delivered through a a service level agreement which is reviewed annually. For this service, it is important to continue with the SLA arrangements as WCC hold the relevant records and have bespoke local expertise	NO. But there is an SLA which provides the basis for this services. This service is not delivered through a contract, but is retained on the contract register to provide a tool for monitoring the SLA	
DS16DA0109	No	Provision of Archeology advice	Advice & professional services on archaeological issues predominantly in relation to planning applications	Warwickshire County Council	Gary Fisher	01/04/2018	31/03/2019	01/01/19	14,587	14,587	14,488.00	Y	This advice is delivered through a a service level agreement which is reviewed annually. For this service, it is important to continue with the SLA arrangements as WCC hold the relevant records and have bespoke local expertise	NO. But there is an SLA which provides the basis for this services.This service is not delivered through a contract, but is retained on the contract register to provide a tool for monitoring	
DS46DA0516	No	Provision of Landscape advice	Advice & professional services on landscape issues predominantly in relation to planning applications	Warwickshire County Council	Gary Fisher	01/04/2018	31/03/2019	01/01/19	8,770	8,770	8,770.40	Y	This advice is delivered through a a service level agreement which is reviewed annually. For this service, it is important to continue with the SLA arrangements as WCC hold the relevant records and have bespoke local expertise	NO. But there is an SLA which provides the basis for this services.This service is not delivered through a contract, but is retained on the contract register to provide a tool for monitoring	
HC28DA0417	Yes. Potential GDPR implications. Legal advice being sought to include GDPR variation to contract	Flood risk advice	Advice and professional services relating to the flood risk within the District.	Warwickshire County Council	Gary Fisher	01/07/2017	31/03/2019	01/01/19	10,500	10,500	10,660.00	Year to year until terminated by notice	New arrangement. This advice is delivered through a a service level agreement which is reviewed annually. From 01/04/18 responsibility to transfer to Development Services.	N/A	YES - L:\Works Contracts for Procurement\Electronic contracts\Health and Community\2017_18\HC28DA0417_INFORMATION AND SERVICE FOR PLANNING AND FLOOD MANAGEMENT FUNCTIONS
DS21DS0414	No	Professional advice in relation to agricultural aspects of planning applications	Advice and professional services to assist in the consideration of planning applications and appeals where there is an agricultural or similar element in accordance with planning legislation.	Rhodes Rural Planning and Land Management	Gary Fisher	01/04/2014	31/01/2019	01/12/2018	N/A	N/A	420.00		This relates to the provision of specialist advice as to agricultural aspects/considerations of development proposals. The need for such advice is limited and arises from the nature of planning applications that are received. For that reason, it is not possible to provide a total contract value and this service does not involve a contract. It is included in the contract register for monitoring and information. The range of providers of this service is limited which is currently provided by a small company with a proven track record in this field. The approach that officers take is to seek advice from the procurement team in relation to purchases over £500. Avg annual spend is between £0 and £5k. The arrangement has been discussed and agreed with WDC Procurement Team. Currently being reprocured ahead	NO contract in place due to low value. We currently informally contract on a case by case basis	
DS20DS0413	No	Professional advice in relation to the viability of development proposals	Advice and professional services to determine the viability of development projects in accordance with planning legislation.	Jones Laing Lasalle	Gary Fisher	01/04/2013	31/01/2019	01/12/2018	N/A	65,000	9,925.30		This relates to the provision of specialist advice as to the viability of development proposals. It should be noted that in the vast majority of cases, costs associated with this work are recharged back to the developer in line with the Local Plan policy. The need for such advice varies considerably over time and arises from the nature and complexity of planning applications that are received. For that reason, this service does not involve a contract but is included in the contract register for monitoring and information. For that reason, it is not possible to provide a total contract value. The range of providers of this service is limited, particularly as many consultants provide advice directly to developers (and may therefore have a conflict of interest). The service is currently usually provided by a provider with a proven track record in this field. The approach that officers take is to seek advice from the procurement team in relation to purchases over £500. Average annual spend is between £0 and £60k. The arrangement is currently being reprocured ahead of review date	NO contract in place due to highly specialist nature of work. We currently informally contract on a case by case basis	
DS41LV0417	Yes, but low risk. GDPR arrangements have been reviewed with contractor to ensure ongoing compliance with WDC GDPR processes	Consultancy Agreement	Structural Engineer Consultant for WBC Group.	JNP Group Consulting Engineers Ltd	Philip Rook	01/04/2017	31/03/2022	01/01/2019	5,000	25,000	2,362.50	None available	5 year contract from 1st April 2017. Review every 12months, note termination notice 3 months.	Yes - C9/2017	
DS47DA0717	Yes. IDOX have introduced GDPR compliance processes nationally. WDC responsible for privacy notices and data retention in this context. Needs bespoke GDPR terms to be introduced to contract	Provision of planning and building control software and support	The provision of software and updates to manage and administer planning submissions and building control to manage BC process.	IDOX Group	Gary Fisher	01/07/2017	30/06/2022	01/07/2019	39,950	199,950	39,950		Reprocured 2017. £60k savings achieved.	N/A	YES - L:\Works Contracts for Procurement\Electronic contracts\Neighbourhood Services\2017_18\DS47DA0717_Provision of planning and building control software and support
DS44DA1207	Yes. Jdi have met privacy notice requirements. GDPR requirements included in specification for new contract.	E-consultation software	LDF online system for planning consultation services	Jdi Solutions Ltd	David Butler	17/12/2007	16/12/2018	01/10/2018	2,400	36,000	5,160	Rolling	Contract currently being reviewed the G Cloud. Three providers currently being evaluated. Aiming for new contract to go live early in 2019.	YES - A72	
DS50OJ1017	Yes but low risk. Need to follow up about GDPR as change to contract document.	Creative Quarter	Regeneration Partner for Creative Quarter, Royal Leamington Spa	Complex Development Projects	Phil Clarke	06/11/2017	05/11/2027	01/11/2019	Nil	Nil	10,000	Yes - 5 years	WDC has signed a collaboration agreement to bring forward proposals for a Creative Quarter in Leamington with CDP. Although a 10 year partnership, there is a 2 year "phase 1" and the review date has been timed to coincide with this.	YES - C27/2017	
DS52LV1117	Yes. Contractor aware of WDC GDPR requirements. Legal advice may be required for variation to contract	Retail Consultancy	THE PROVISION OF RETAIL CONSULTANCY SERVICES TO WARWICK DISTRICT COUNCIL SINGLE PIECE OF WORK AND ADHOC CONSULTANCY ADVICE	Carter Jonas LLP Consultants	David Butler	07/11/2017	06/11/2022	01/11/2019	10,000	80,000	6,000	No	The Contract Value is approximately £30,000 for the initial piece of work and £10,000 per 12 month period for adhoc consultancy advice.	YES - C30/2017	
DS55LV0418	Yes. Low risk. Contractor aware of WDC GDPR requirements	Design and Urban Design Consultancy Advice	Design and Urban Design Consultancy Advice - Kenilworth Development Brief	Land Use Consultants	David Butler	13/04/2018	13/04/2021	01/04/2019	39,840	104,680	N/A	None	Projected Annual cost £39,840. First year cost £25000	N/A	L:\Works Contracts for Procurement\Electronic contracts\Development Services\2018_19\DS55LV0418_ Kenilworth Urban Design

## Development Services Risk Register (Appendix 1b) (Policy and Development Portfolio)

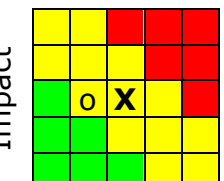
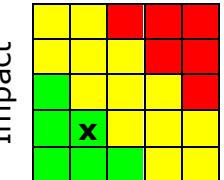
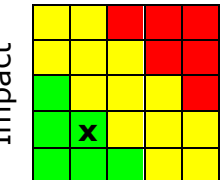
**Most recent review: 1<sup>st</sup> October 2018 (unless otherwise stated)**

x Current position  
o Previous position if changed

### SECTION 1: SERVICE-WIDE RISKS

RiskDescription	PossibleTriggers	Possible Consequences	Risk Mitigation/Control	Officer	Action(s)	Resource	Due Date	Residual Risk Rating
<b>Generic Risks</b>								
1. Failure to comply with Health and Safety requirements	Staff not assessing risks adequately/at all Lack of awareness Lone working System failure	Physical/verbal attacks on staff  Injury to staff  Compensation claims  Reputational damage	Risk assessments done on a regular basis Equipment provided to ensure contact possible in cases of emergency Procedures in place/adequate training Set and action "Assessnet" reminders as required Health and Safety a standard agenda item on team and section meeting agendas Continue to review effectiveness of lone worker policy including against corporate policy	All managers	Review CS cards for BC staff  Assess approach to dynamic risk assessments for site visits	Staff time	Ongoing	 <p>Impact</p> <p>Likelihood</p> <p>No change since June 2017</p>
2. Failure of IT	Computer system breaks down Power failure Malicious acts/hacking of system Poor knowledge/understanding of system	Unable to continue with the service  Systems not set up adequately resulting in additional work  Impact on Planning Committee and WDC reputation.	Adequate back-up system in place and is maintained by IT.  Business Continuity Plan in place and reviewed (most recent review Jan 2018).  On-going engagement with IT	All managers	Ensure that all staff adhere to IT protocols and policies  Ensure the Business Continuity Plan is updated on annual basis (as required corporately)	Staff time/funding	Ongoing	 <p>Impact</p> <p>Likelihood</p> <p>No change since June 2017</p>

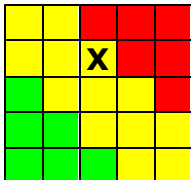
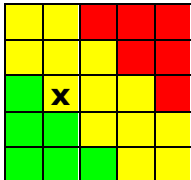


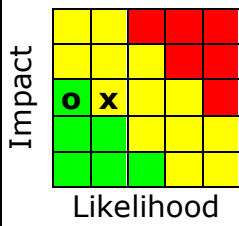
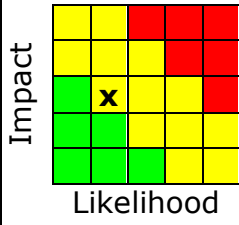
RiskDescription	PossibleTriggers	Possible Consequences	Risk Mitigation/Control	Officer	Action(s)	Resource	Due Date	Residual Risk Rating
3. Lack of staff resources	<p>Loss of key staff/knowledge</p> <p>Lack of staff cover for emergency/bank holiday</p> <p>Lack of ability to support corporate projects</p>	<p>Staff not skilled to be able to respond to service area matters</p> <p>Unable to respond to emergencies – may result in harm/injury/death</p> <p>Unauthorised developments taking place</p> <p>Impact on quality and efficiency of service</p>	<p>Ensure that training and development of knowledge about the service is shared amongst a number of staff to provide resilience</p> <p>Always consider “growing and developing staff” from within the service</p> <p>Always ensure recruitment to vacancies is a priority</p>	All managers	<p>Ensure that one-to-one discussions and appraisals take place to discuss staff development</p> <p>Utilise growth in planning fees to support those elements of the services that are facing greatest pressure</p>	Staff time	Ongoing	<p>Impact</p>  <p>Likelihood</p> <p>Likelihood increased Oct 18 to reflect recent recruitment difficulties</p>
4. Inadequate training	<p>Lack of time to invest in training</p> <p>Corporate financial pressures</p> <p>Other training pressures elsewhere in the organisation</p>	<p>Staff not skilled or experienced enough to be able to provide the service necessary</p> <p>Impact on quality and efficiency of service</p> <p>Development takes place that is not authorised</p>	<p>Training plans to be in place and reviewed regularly</p> <p>Budget required to invest in staff</p> <p>Head of service work with colleagues in CMT and SMT to underline the importance of training for long term service delivery</p> <p>Following 2018 appraisals Development Services Training Plan has been developed as a basis for training and resource allocation</p>	All managers	<p>Ensure through appraisals that training is being identified through Personal Development Plans (PDPs) and needs met</p> <p>Use corporate training matrix as the basis for planning training to ensure corporate training resources are aligned with service needs</p>	Staff time Budget	Annual	<p>Impact</p>  <p>Likelihood</p> <p>No change since June 2017</p>
5. Impact of legislation changes	<p>Staff not keeping abreast of changes</p> <p>Staff not keeping to Continuing Professional Development (CPD) requirements</p>	<p>Statutory procedures not followed</p> <p>Complaints upheld</p> <p>Reputational damage</p> <p>Loss of professional accreditation</p>	<p>Training plans</p> <p>Officers to ensure they keep their CPD up to date</p>	All managers	<p>Through appraisals ensure that staff are completing adequate training</p> <p>Undertake regular briefing sessions as new legislation and regulations</p> <p>Review implications of NPPF amendments</p>	Staff time/ funding for training	Ongoing	<p>Impact</p>  <p>Likelihood</p> <p>No change since June 2017</p>

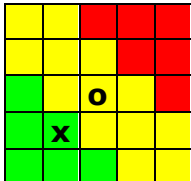
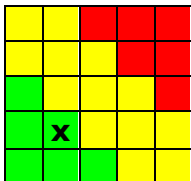
## SECTION 2: DEVELOPMENT MANAGEMENT

Risk Description	Possible Triggers	Possible Consequences	Risk Mitigation/Control	Officer	Action(s)	Resource	Due Date	Residual Risk Rating
<b>Development Management Risks</b>								
6. Failure to deliver outcomes in accordance with current legislation; regulations; guidance, etc.	Frequent changes to legislation, etc.; insufficient capacity/resourcing within the teams to keep up.	Work undertaken incorrectly <del>resulting in not achieving</del> results in poor <del>desired</del> outcomes, receipt of challenges and complaints which themselves result causes in additional workload; impact upon WDC reputation.	Ensure correct linkages and contacts continue to be in place to enable changes to be acted upon quickly by officers who have the capacity/knowledge and skills to do so.  Programme of training now in place with members of the planning committee	GF	The Development Services Information Improvement Officer role continues to be the focus for the integration of such changes along with Development Management Team Leaders.  Member and staff training needs are identified and undertaken regularly.		On-going  On-going	 No change since June 2017
7. Failure to properly consider and determine planning applications in line with procedures and within statutory timescales	High workload volume;  Incorrectly trained staff or planning committee members.  Out of date or incorrect procedures  Insufficient staffing relative to workload;	Potential risk of special measures resulting in loss of fee income from major planning applications affecting WDC reputation  Impact of complaints, enforcement issues and legal challenges, together with staff being de-motivated. Increased workload.	Continued proactive on-going management and support of staff.  Continued monitoring of workload levels, performance and procedures.  Programme of training now in place with members of the planning committee  Monitoring and delivery of staff and planning committee training requirements.  On-going review and implementation of officer and member training plans.	TD/GF/S S	Performance management system is currently being reviewed		On-going.	 No change since June 2017

Risk Description	Possible Triggers	Possible Consequences	Risk Mitigation/Control	Officer	Action(s)	Resource	Due Date	Residual Risk Rating
9. Failure to effectively enforce against unauthorised development where it is expedient to do so.	Volume of workload; incorrectly trained or motivated staff; insufficient staffing relative to workload.	Impact of inappropriate or poor quality development within the District.  Impact upon WDC reputation.	Regular contact and liaison with legal colleagues.  Continued monitoring of workload levels, performance and procedures.  Monitoring and delivery of staff and planning committee training requirements.  Attending Parish and Town Council meetings to be pro-active regarding any potential issues.	GF/RL	Continued development and training of the enforcement team, particularly new member of staff.  Effective performance management system in place which is regularly reviewed.  Send letter to Parish Councils inviting attendance at Parish meetings to discuss enforcement issues.  Ongoing management of team resource issues including management of enforcement inbox and induction of new member of staff	GF  GF  GF  GF	Ongoing  Ongoing	<div> <div>Impact</div> <div>Likelihood</div> </div> <p>Risk increased Oct 2018 reflecting recent resourcing issues in team</p>
10. Failure to effectively monitor the delivery of Section 106 agreement requirements.	Insufficient staffing/manner in which staffing is organised.	Absence of required infrastructure or contributions required to support the development or to offset the impacts of the development resulting in poor quality or insufficiently mitigated development.  Impact upon WDC reputation.	Provision of appropriate resourcing.  Introduction of quarterly S106 monitoring reports  Increased focus within WDC and WCC to ensure the most effective use of that funding and joined up monitoring.  Following its introduction the ongoing review and refinement of the Section 106 monitoring spreadsheet.  Established procedures and publicly available database monitored regularly.  Monitoring officer appointed to lead this	DB/GF  CG  CG	More accurate recording of income against infrastructure requirements involving regular meetings with finance  Processes to ensure S106 spreadsheet is updated promptly	      GF  MB	Ongoing  Ongoing	<div> <div>Impact</div> <div>Likelihood</div> </div> <p>Impact increased October 2018 to reflect scale of obligations in more recent S106 agreements</p>

Risk Description	Possible Triggers	Possible Consequences	Risk Mitigation/Control	Officer	Action(s)	Resource	Due Date	Residual Risk Rating
10a Potential fraud or wrong allocation of S106/CIL income	Lack of financial and management controls	<p>Fraudulent activity</p> <p>S106 contributions go out of time or are spent on the wrong projects thereby risking that developers will seek repayment</p> <p>Failure to deliver priorities set out in the IDP</p>	Improved collaboration and practices with finance staff so that all invoices, receipts and orders are double checked	CG	<p>WCC Legal Services commissioned to develop approach to bespoke legal agreements with infrastructure providers as money paid out. Agreements will tie infrastructure providers to delivering specific projects within agreed timescales</p> <p>Implement actions arising from Audit report undertaken in November 2018 by Internal Audit.</p> <p>Re-establish IDP/S106 Members Working Group</p>	<p>CG</p> <p>DB</p> <p>GF/CG</p>	<p>Autumn 2018</p> <p>March 2018</p> <p>Autumn 2018</p>	<p>Impact</p>  <p>Likelihood</p> <p>No change since April 2018</p>
11. Failure to manage customer expectations appropriately and deliver work to those expectations.	High workload volume; insufficient capacity arising from staffing relative to workload.	<p>Impact upon WDC reputation.</p> <p>Increased enquiries and complaints themselves resulting in additional workload.</p>	<p>Ensure that staffing/resourcing correlates to workload levels.</p> <p>Continued monitoring of workload levels and performance.</p> <p>Use of appropriate mechanisms to deliver appropriate messages to customers.</p> <p>Review and development of fortnightly monitoring report.</p> <p>Regular visits to town and parish councils</p> <p>Weekly team meetings established.</p>	SS/RL/N C/GF/RV	<p>Monitoring of complaints received, outcomes identified and actions arising ongoing – discussed at one to ones.</p> <p>Balanced approach between emails and face to face discussions to resolve issues early</p>	DB/GF	Ongoing	<p>Impact</p>  <p>Likelihood</p> <p>No change since June 2017</p>

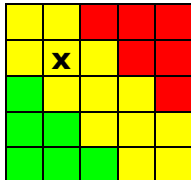
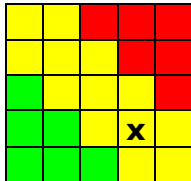
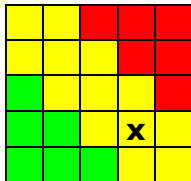
Risk Description	Possible Triggers	Possible Consequences	Risk Mitigation/Control	Officer	Action(s)	Resource	Due Date	Residual Risk Rating
12. Failure to ensure that Planning Committee operates smoothly.	<p>Failure of IT.</p> <p>Absence of provision of required information to committee.</p> <p>New planning committee membership</p>	<p>Impact upon WDC reputation: for many customers this is the only point at which they will come into contact with WDC planning services.</p> <p>Delays in the decision making process.</p>	<p>Ensure that IT arrangements are fit for purpose.</p> <p>Ensure that staff is appropriately trained.</p> <p>Programme of training for members and staff in place.</p> <p>Improvements in place for the PA system at the Town Hall.</p>	GF	Plan training programme for new planning committee after May 2019	DB	Ongoing	 <p>Risk increased October 2018 to reflect likelihood of a significantly different membership after May 2019</p>
13. Failure to protect the historic environment.	High workload volume; incorrectly trained or motivated staff; insufficient staffing relative to workload.	The value of heritage assets not fully taken into account within the decision making process to the detriment of the protection of those assets.	<p>Ensure that staffing/resourcing correlates to workload levels.</p> <p>Continued monitoring of workload levels and performance.</p>	NC/GF	<p>Maintain current staffing levels to ensure that key tasks and processes are undertaken in the most effective manner.</p> <p>Initial review of the operation of CAF completed with ongoing reviews on an annual basis.</p>			 <p>No change since August 2016.</p>

Risk Description	Possible Triggers	Possible Consequences	Risk Mitigation/Control	Officer	Action(s)	Resource	Due Date	Residual Risk Rating
14. Failure to maintain an accurate land charges register.	High workload volume; incorrectly trained or motivated staff; insufficient staffing relative to workload.	The provision of incorrect information in response to search questions. Potential for claims against WDC.  Loss of public confidence/impact upon WDC reputation.	Insurance cover in place for financial loss claims.  Ongoing training of staff to meet service demand  Assurance of data quality established through transfer of data to land registry	MM/GF	Monitor effectiveness of migration to land registry		On-going	 Risk Reduced October 2018 due to landregistry data transfer
15. Failure to undertake standard property searches within required timescale (10 days)	High workload volume;  incorrectly trained or motivated staff;  insufficient staffing relative to workload.	Potential for claims against WDC.  Loss of public confidence/impact upon WDC reputation.	Most searches now automated  On-going training of staff  Regular ongoing review of performance with follow up actions as necessary.	MM/GF			Ongoing	 No change since June 2017
16. RISK DELETED OCTOBER 2018 Inaccurate CON29 search responses provided. NB not considered to be a significant risk any more. The impact is relatively low and ongoing systems contain the likelihood score.								

### SECTION 3: POLICY AND PROJECTS

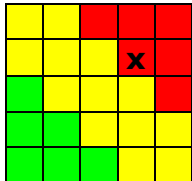
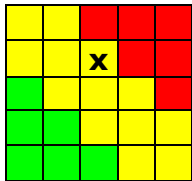
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/Control	Officer	Action(s)	Resource	Due Date	Residual Risk Rating
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18. Policy and Dev: Losing planning appeals or failing to deliver adequate infrastructure for development as a result of not effectively delivering the Local Plan	<p>Receipt of major planning applications prior to adoption of the Local Plan</p> <p>Lack of a 5 year supply of housing land</p> <p>Failure to pass the Housing Delivery Test</p>	<p>We could lose planning appeals on sites which are not preferred by the Council</p> <p>We could lose appeals or be in a position where we have to grant permission for applications which do not deliver the quality of development or infrastructure</p> <p>Financial implications with regard to infrastructure, New Homes Bonus, etc.</p>	<p>S106 funding for Site Delivery Officers has been secured</p> <p>3 site delivery officers now in post</p> <p>Proactive approach to delivering development in key geographical areas</p> <p>Local Plan adopted</p> <p>Continue to meet with potential developers to ensure they are aware of our approach and are able to respond to this should proposals be considered for approval in advance of the Local Plan</p>	D Butler	<p>Develop and implement proposals for infrastructure funding</p> <p>Introduce programme management approach to site delivery</p> <p>Introduce Housing Delivery Test Action Plan</p>	Planning Policy Team plus Sites Delivery Officer	<p>Ongoing</p> <p>Ongoing</p> <p>Sept 17</p>	<p>Impact</p>  <p>Likelihood</p> <p>Risk reduced April 2018 to reflect adoption of Local Plan and 5 year land supply</p>
22. Policy and Dev: Failure to provide appropriate advice to officers, members and developers in relation to local plan policies and development proposals	<p>Progress on the Local Plan in general becomes very time consuming</p> <p>Unable to provide sufficient resources to support these areas of work</p>	<p>Inappropriate development or poor quality development could result</p> <p>Legal challenge</p>	<p>Ensure that advice is provided for the most significant developments including pre-applications</p> <p>Ensure staff across development services are aware of progress on policy development, sites, and infrastructure</p> <p>Lunchtime briefing sessions introduced</p>	D Butler	Improve regular briefings for Development Management	Planning Policy Team	Ongoing	<p>Impact</p>  <p>Likelihood</p> <p>No change since June 2017</p>
23. Policy and Dev: Failure to make progress on corporate priorities and other requirements such as Town Centre plans; neighbourhood plans; CIL scheme;	<p>Unable to provide sufficient resources to support these areas of work</p>	<p>Progress on key documents could be delayed meaning specific policies are not in place to support development</p> <p>Reputation undermined due to failure to meet commitments that have been made publically</p>	<p>Update to LDS</p> <p>Regular prioritisation of work through services and corporate management team meetings</p> <p>Manage expectations by publishing and sticking to realistic timescales</p>	D Butler	Continually monitor workload through the project plan to ensure that adequate resources are available.	Planning Policy team	Ongoing	<p>Impact</p>  <p>Likelihood</p> <p>No change since June 2017</p>

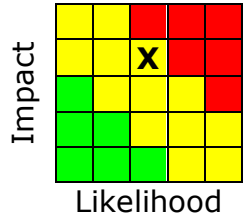
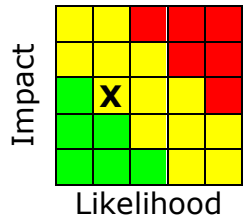
24. Policy and Dev: Not properly representing the Council's interests in responding to other local authority's / organisation's consultations (for instance other local plans, HS2, etc.)	Major requests for consultation at a time when team resources are focused on competing priorities	Missed opportunities to influence the location and nature of development within the area.	Prioritise consultations that have the most significant impacts on the District  Ensure key issues are addressed in advance through the Duty to Cooperate	D Butler	As above	Planning Policy team	Ongoing	<p>Likelihood reduced April 2018 reflecting progress to NBBC and RBC Local Plans and successful approach in influencing these</p>
25. Policy and Dev: Not meeting legislative and regulatory requirements	<p>Failure to understand or be aware of new and changing legislation and regulations</p> <p>Lack of training and development</p>	<p>Legal challenge to development plan documents</p> <p>Impact on resources and finances</p> <p>Impact on Council reputation</p>	<p>Keeping abreast of planning legislation and regulation through</p> <ul style="list-style-type: none"> <li>specialist publications and websites</li> <li>training, courses and seminars</li> <li>discussions with colleagues within the Planning profession</li> <li>sharing new developments in planning amongst the team</li> </ul> <p>Seek specific legal advice where necessary</p>	D Butler	<p>Take action to fully understand the implications of the Housing and Planning Act, particularly once the associated regulations are published</p> <p>Review following publication of NPPF is underway including need to update planning policy documents as a result</p>	Planning Policy team	Ongoing	<p>Risk reduced April 2018 as Local Plan risk has been adopted</p>

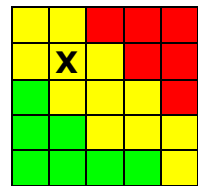


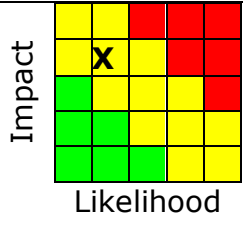
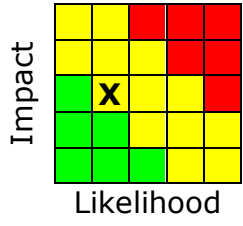
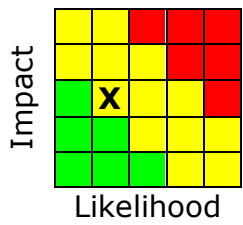
<p>25A. Failure to secure sufficient or timely infrastructure funding through CIL/Section 106</p>	<p>Ineffective implementation of CIL</p> <p>Failure to achieve S106 contributions as envisaged (for instance as a result of viability challenges)</p> <p>Failure of partners to spend contributions as intended</p>	<p>Insufficient income from developer contributions to provide for all essential infrastructure</p> <p>Timing of receipt of income prevents timely delivery of infrastructure</p> <p>Reputational damage as a result of over-stretched infrastructure</p>	<p>Continue to develop, improve and record CIL procedures, including collection and distribution</p> <p>Continue to prepare quarterly S106 monitoring reports to review triggers, income and spending</p> <p>Continue to plan infrastructure with Infrastructure providers</p> <p>Explore alternative funding streams and options for forward funding</p> <p>Third SDO in post</p> <p>Effective communications with public and consultees regarding infrastructure plans and progress</p>	<p>P Clarke</p>	<p>Consider Portfolioholder column in paper and/or use of social media (advice from media team)</p> <p>Introduce Housing Delivery Test Action Plan</p> <p>Communication with finance (see risk 10a)</p> <p>For CIL, continue to learn from practice to improve processes</p>	<p>DB</p> <p>SDOs</p> <p>SDOs</p> <p>CIL officer</p>	<p>Feb/Mar 2018</p> <p>Mar 2018</p> <p>Mar 2018</p> <p>Mar 2018</p> <p>Dec 2018</p>	<p>Impact</p>  <p>Likelihood</p> <p>Risk reflects that processes in this area are still not mature and sums of money involved are high</p>
<p>NEW RISK (OCTOBER 2018)</p> <p>Failure to effectively coordinate and deliver high quality development in each of the three main growth areas of the District (south of Coventry; Kenilworth and south of Warwick and Leamington)</p>	<p>Development proposals being brought forward ahead of completion of plans for comprehensive development</p> <p>Delays in developing comprehensive plans leading to risk of losing appeals</p> <p>Difficulties to achieving infrastructure funding</p> <p>Difficulties associated with multiple landowners/developers not working together effectively</p>	<p>Uncoordinated development/poor quality schemes</p> <p>Lack of infrastructure</p> <p>Poor design and layout</p>	<p>Employment of 3 Site Delivery Officers</p> <p>Closing working with infrastructure providers to plan and fund infrastructure through S106, CIL and other sources of funding</p> <p>Regular meeting with landowners/ developers</p>	<p>SDOs</p>	<p>Establishment of Programme Boards for each of the three growth areas</p> <p>Ensure each Growth Area Programme Board establishes and maintains a risk register</p> <p>Development and implementation of East of Kenilworth Development Brief</p> <p>Project Team to manage Kings Hill planning applications to ensure comprehensive development</p>	<p>SDOs, Case officers</p>		<p>Impact</p>  <p>Likelihood</p> <p>New risk reflecting significant progress within a fast changing context</p>



## SECTION 4: BUILDING CONTROL RISK REGISTER

Risk Description	Possible Triggers	Possible Consequences	Risk Mitigation/Control	Officer	Action(s)	Resource	Due Date	Residual Risk Rating
<b>Building Control Risks</b>								
26. Losing work to AIs and therefore loss of income	Increased number of Initial Notices received from Approved Inspectors.	Substantial loss of work and therefore income to competitors.  Possible staff implications.	Proactive marketing and promotion of our services such as case studies and events Improved site inspection service i.e. weekend inspections together with early and late inspections to suit clients' requirements.  Encouraging Partnerships with clients.  Joint working with other Local Authorities providing resilience.	BC Officers	Head of Consortium in one to one meetings with new and existing clients.  Active promotion of Building Control Service through other parts of the Council  Promotion of Service through organised events including "Breakfast Meetings" and other similar events  Continue to explore potential to expand shared service to other districts  LABC awards promotion.	Staff and time  Time	All Ongoing	 <p>No change since April 2018</p>
27. Failure to deal with Receipting, Acknowledging and Processing Building Regulation Applications.	Surge of workload, and staff ratio to workload.  System failure  Incorrect advice and poor decision making  Incorrect fee processing  Shortage of staff	Decisions not given within statutory time period. This could result in fees being returned.  Work could progress on site without approved plans, which could lead to defective work and Council having to pay for remedial works.  Reputational damage – Clients taking their work to Approved Inspectors.  Failure to assess fees correctly could	All applications received are recorded daily in Acolaid, and decisions are monitored daily.  All applications received are allocated to Consultants within two working days of receipt; ensuring applications are processed within the prescribed period.  Data from Daventry DC and Rugby BC migrated to WBC systems.  Building Consultants qualified to various levels, less qualified staff supervised and assisted by more senior staff.  Complex projects overviewed by Principal Consultants /- Head of Consortium  Clients contacted periodically to	Admin HoC, PBC's	Continued daily monitoring  Additional training provided to all staff in the use of Acolaid and Idox.  Continually update CPD and statutory regulation changes.  One to one personal contact with Clients / Partners on a regular basis.  Sample checking and monitoring by Principal Consultant.  Consultants work flexibly to cover short term variations in staffing levels.	Staff time	All Ongoing	 <p>No change since April 2018</p>

Risk Description	Possible Triggers	Possible Consequences	Risk Mitigation/Control	Officer	Action(s)	Resource	Due Date	Residual Risk Rating
		result in reduced income.  As above	ensure performance standards are maintained.  Building Consultants qualified to various levels, less qualified staff supervised and assisted by more senior staff					
28. Failure to carry out Site Inspections or incorrect / poor advice.	Staff ratio to workload bleeding to failure to attend.  Staff shortages.  System failure – notification of inspections not received.  Poor decision making – bad/incorrect advice given.  Compensation Claims  On site aggravation / confrontation	Failure to attend at critical inspection stages could result in defective construction being covered up, with possible long term problems.  Poor decisions/bad advice can result in defective buildings. Apart from environmental concerns, there may be financial repercussions for any remedial works and possible litigation  Costs against Council  Poor advice regarding WDC housing stock including fire risk assessments  Confrontation on site, poor working relationships may result in lack of trust and confidence  Customer	Building Consultants qualified to various levels, less qualified staff supervised and assisted by more senior staff.  Regular update on Regulation changes and attendance on relevant CPD courses.  Professional indemnity Insurance  All Officers provided with mobile phones for assistance / advice.  Availability of officers / access to officers throughout the working via mobile phones  Continued CPD and updates on legislation.	HoC, PBC's, BC's  All Officers.	Continually review staffing levels and qualifications  Additional Professional training course for assistant Building Consultants.  Careful consideration of actions to ensure that we reduce liabilities.  Refresher course on dealing with confrontational situations and customer service  Investigate mobile IT systems	Finance / Time	On-going          On-going	 <p>No change since July 2017</p>

Risk Description	Possible Triggers	Possible Consequences	Risk Mitigation/Control	Officer	Action(s)	Resource	Due Date	Residual Risk Rating
		dissatisfaction, leading to new projects going to Approved Inspectors.						
29. Dangerous Structures (24 hour call out) Failure to attend within reasonable time frame	Lack of Trained, qualified Staff	Failure to act and give correct advice could result in damage and injury, with possible litigation.	Out of hours contacts now handled by Acorn House and service provided through contract  Joint working with Rugby on overall cover.	All BC's	Continued refresher courses and updates.	Funding / Time	Ongoing	 No change since last review
30. Demolitions Failure to attend and give advice.	Lack of Trained, qualified staff  System failure.	Incorrect advice could result in damage to adjacent buildings, services and general disruption.	Demolitions attended to by fully qualified staff.	PBC / HoC/HoD S	Demolition applications and inspections monitored by Principal Building Consultants.	Funding / Time	Ongoing	 No change since last review
31. Fire Safety, Safety at Sports Grounds-and Temporary Stands and Structures  Failure to inspect at regular set times.	Lack of suitably trained, qualified staff.  Poor advice / decision making	Lack of knowledge and inadequate advice could result in dangerous conditions for the public generally.  Poor advice to building owners and internal Service Areas could result in poor design and costly remedial measures.	Principal Building Consultants and Head of Consortium work closely with Fire Prevention Officers on all cases.	PBC's HoDS, HoC	Continued refresher courses and updates. Liaison with Fire Service.	Funding / Time	Ongoing  Ongoing	 No change since last review

Risk Description	Possible Triggers	Possible Consequences	Risk Mitigation/Control	Officer	Action(s)	Resource	Due Date	Residual Risk Rating																								
NEW RISK (OCTOBER 2018) Daventry no longer part of WBC as a result of future Northamptonshire Authority	Northamptonshire Unitary Authority takes on Daventry BC work	Loss of income  Impact on serviceResilience	Monitor development in relation to unitary authority (NB: this is not yet established. It's scope and geography are still unknown and at present DDC have indicated thatthey wish to stay pat of WBC)	HoC	Check agreement in term of notice requirements etc  Continue regular liaison with Daventry DC through the Biard meetings to stay upto date  Explore possibility of bringing new Unitary authority in to WBC when arrangements are known	Hoc HoDS	TBC	<div><div>Impact</div><table><tr><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td></tr></table><div>Likelihood</div></div> <div>Risk reflects the likelihood that new Unitary for northants will be established. But scope ofthat unknown</div>																								

HoDS – Head of Development Services

HoC – Head of Consortium

PBC – Principal Building Consultant

BC – Building Consultants

SDOs: Site Delivery Officers

GF: Gary Fisher

DB: Dave Barber

MB: Michael Brown

SS: Sandip Sahota

RL: Rajinder Lalli

CG: Chris Garden

RY: Rob Young

MM: Michael Martin

NC: Nick Corbett

## SUMMARY OF DEVELOPMENT SERVICES (Development Portfolio) BUDGET 2018/19

	ACTUAL 2016/17 £	ORIGINAL BUDGET 2017/18 £	LATEST BUDGET 2017/18 £	ORIGINAL BUDGET 2018/19 £
<b><u>DEVELOPMENT SERVICES &amp; BUSINESS PORTFOLIO</u></b>				
S1035 CHRISTMAS ILLUMINATIONS	34,827	25,500	25,400	25,700
S1240 MARKETS + MOPS	(11,186)	(17,500)	(20,800)	(21,100)
S1249 EVENTS MANAGEMENT	279,132	77,100	124,300	321,900
S2100 ORGANISATIONAL DEVELOPMENT	-	-	-	-
S3170 KENILWORTH PUBLIC SERVICE CENTRE	38,612	51,600	46,400	78,600
S3550 TOURISM	175,908	188,200	183,800	173,500
S3600 ECONOMIC DEVELOPMENT	887,754	143,400	361,100	144,600
S3650 ECONOMIC REGENERATION	71,763	60,200	67,300	66,300
S3660 ENTERPRISE DEVELOPMENT	74,063	24,600	74,700	114,100
S3676 26HT	(11,996)	(5,600)	(19,000)	(18,800)
S4510 DEVELOPMENT SERVICES MGT	-	(100)	-	-
S4540 DEVELOPMENT CONTROL	253,835	370,500	207,800	279,200
S4570 POLICY AND PROJECTS	789,779	569,700	751,000	681,500
S4600 BUILDING CONTROL	121,233	185,600	235,400	241,900
S4840 LOCAL LAND CHARGES	(86,578)	(95,100)	(76,300)	(76,700)
<b>TOTAL DEVELOPMENT SERVICES &amp; BUSINESS PORTFOLIO</b>	<b>2,617,146</b>	<b>1,578,100</b>	<b>1,961,100</b>	<b>2,010,700</b>

Highlighted/Yellow Cells indicate those that fall within Development Portfolio

### **SUBJECTIVE ANALYSIS:**

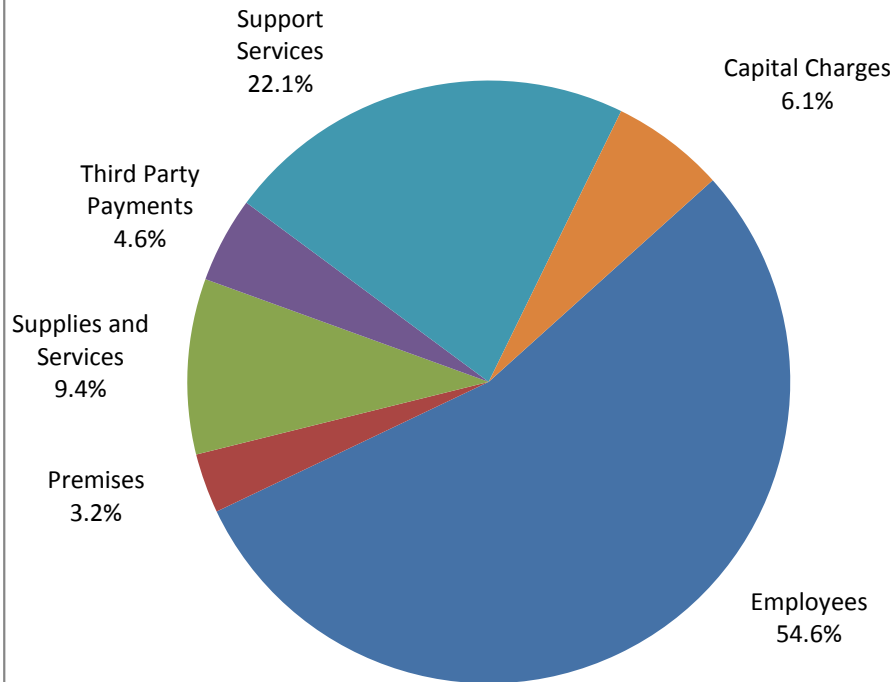
#### **EXPENDITURE:**

Employees	2,523,045	2,543,100	2,826,500	2,993,100
Premises	204,048	173,400	172,400	176,300
Transport	73,082	78,300	71,500	46,400
Supplies and Services	471,791	452,500	503,000	469,300
Third Party Payments	546,371	263,800	597,300	249,200
Support Services	1,026,111	1,124,800	1,248,900	1,212,300
Capital Charges	816,777	71,300	71,300	336,000
<b>TOTAL EXPENDITURE</b>	<b>5,661,225</b>	<b>4,707,200</b>	<b>5,490,900</b>	<b>5,482,600</b>

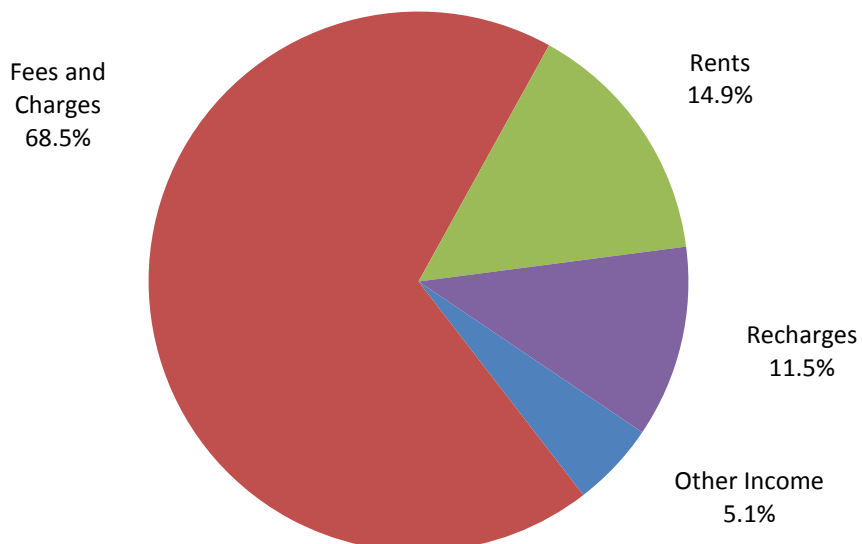
#### **INCOME:**

Government Grants	(14,965)	-	-	-
Other Grants and Contributions	(41,736)	(19,200)	(19,200)	(19,200)
Sales	(15,125)	(13,300)	(13,300)	(13,300)
Other Income	(159,165)	(141,500)	(141,500)	(141,500)
Fees and Charges	(2,086,902)	(2,109,200)	(2,431,000)	(2,338,200)
Rents	(445,548)	(463,000)	(494,200)	(506,500)
Recharges	(280,638)	(382,900)	(397,900)	(393,500)
<b>TOTAL INCOME</b>	<b>(3,044,079)</b>	<b>(3,129,100)</b>	<b>(3,497,100)</b>	<b>(3,412,200)</b>
<b>NET COST OF DEVELOPMENT SERVICES &amp; BUSINESS</b>	<b>2,617,146</b>	<b>1,578,100</b>	<b>1,993,800</b>	<b>2,070,400</b>

## DEVELOPMENT SERVICES & BUSINESS EXPENDITURE - 2018/19 BUDGETS

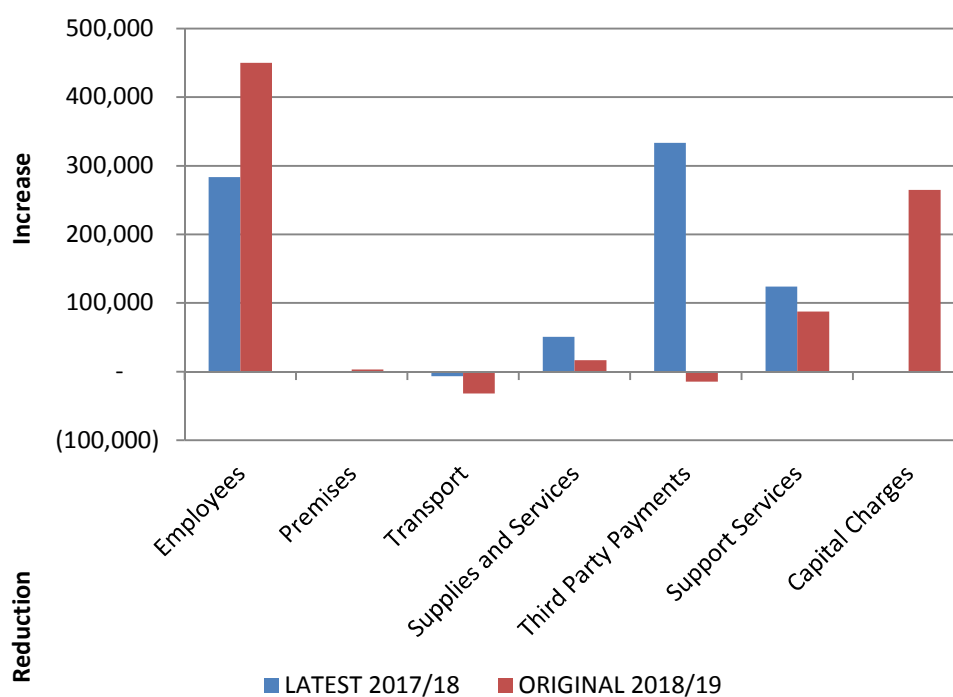


## DEVELOPMENT SERVICES & BUSINESS INCOME - 2018/19 BUDGETS

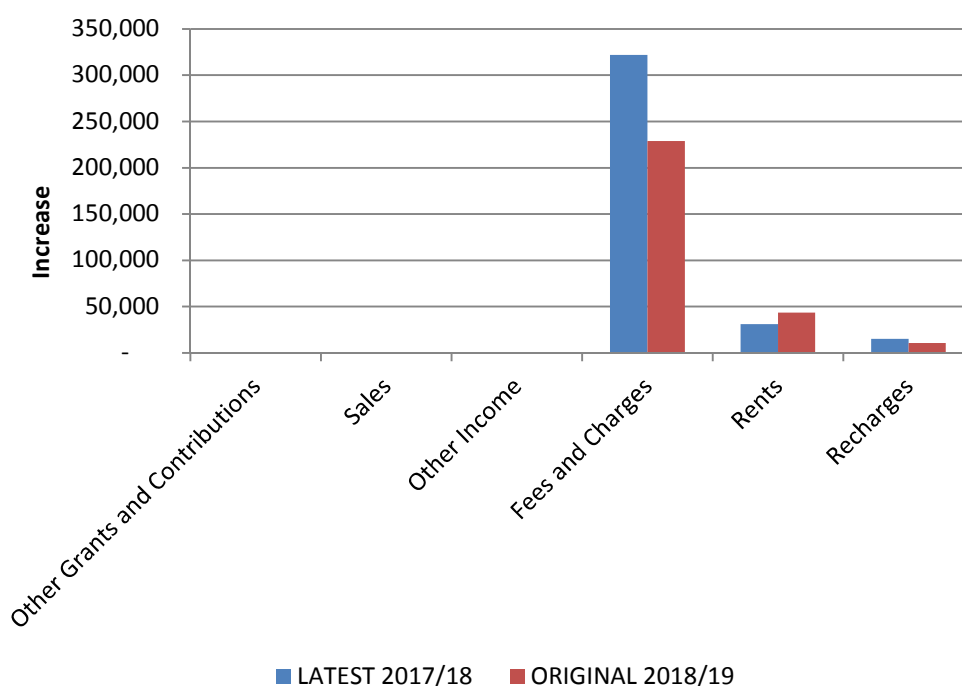




### DEVELOPMENT SERVICES & BUSINESS EXPENDITURE: CHANGE FROM 2017/18 ORIGINAL (£)



### DEVELOPMENT SERVICES & BUSINESS INCOME: CHANGE FROM 2017/18 ORIGINAL (£)



	ACTUAL 2016/17 £	ORIGINAL BUDGET 2017/18 £	LATEST BUDGET 2017/18 £	ORIGINAL BUDGET 2018/19 £
<b><u>S2100 ORGANISATIONAL DEVELOPMENT</u></b>				
<b>DIRECT EXPENDITURE</b>				
Employees	(802)	-	-	-
Supplies and Services	11	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL DIRECT INCOME</b>	<b>(791)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Support Services	19,848	21,100	-	-
Recharges	(19,057)	(21,100)	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>NET (INCOME) / EXPENDITURE TO SUMMARY</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Following a service redesign and an internal restructure, the corporate project work of the former Organisational Development team has been transferred to the Policy and Projects division within Development Services.

The main aim of this is to support the delivery of key corporate projects - particularly those with a development emphasis.

**S4510 DEVELOPMENT SERVICES MGT**

<b>DIRECT EXPENDITURE</b>				
Employees	84,935	84,900	93,400	94,300
Transport	123	500	500	500
Supplies and Services	11,646	12,800	12,800	12,800
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL DIRECT EXPENDITURE</b>	<b>96,704</b>	<b>98,200</b>	<b>106,700</b>	<b>107,600</b>
Support Services	42,530	52,900	60,000	55,500
Capital Charges	847	800	800	800
Recharges	(140,081)	(152,000)	(167,500)	(163,900)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>NET (INCOME) / EXPENDITURE TO SUMMARY</b>	<b>-</b>	<b>(100)</b>	<b>-</b>	<b>-</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The Development Services provision groups are:

- Development Management (including Enforcement, Conservation, Land Charges)
- Policy and Projects
- Business Support and Events Management (Business Portfolio)
- Building Control Consortium
- Economic Development and Enterprise Development (Business Portfolio)

The management of the Service Area involves the provision of support services to enable each of the service provision groups to undertake their professional duties.

The cost of this service is recharged on the basis of staff time allocations

**DEVELOPMENT SERVICES and BUSINESS**

ORIGINAL      LATEST      ORIGINAL

	ACTUAL 2016/17 £	BUDGET 2017/18 £	BUDGET 2017/18 £	BUDGET 2018/19 £
<b>S4540 DEVELOPMENT CONTROL</b>				
<b>DIRECT EXPENDITURE</b>				
Employees	979,620	932,400	1,052,600	1,080,400
Transport	15,737	16,300	14,800	7,200
Supplies and Services	77	61,300	58,700	62,100
Third Party Payments	125,992	136,200	186,000	130,300
<b>TOTAL DIRECT EXPENDITURE</b>	<b>1,121,426</b>	<b>1,146,200</b>	<b>1,312,100</b>	<b>1,280,000</b>
<b>DIRECT INCOME</b>				
Government Grants	(5,850)	-	-	-
Other Grants and Contributions	(166)	-	-	-
Other Income	(153)	(100)	(100)	(100)
Fees and Charges	(1,126,468)	(1,118,500)	(1,453,300)	(1,361,200)
<b>TOTAL DIRECT INCOME</b>	<b>(1,132,637)</b>	<b>(1,118,600)</b>	<b>(1,453,400)</b>	<b>(1,361,300)</b>
<b>NET DIRECT (INCOME) / EXPENDITURE</b>	<b>(11,211)</b>	<b>27,600</b>	<b>(141,300)</b>	<b>(81,300)</b>
Support Services	323,946	401,800	436,600	435,200
Recharges	(58,900)	(58,900)	(79,500)	(78,700)
<b>NET (INCOME) / EXPENDITURE TO SUMMARY</b>	<b>253,835</b>	<b>370,500</b>	<b>215,800</b>	<b>275,200</b>

The Development Management function ensures that development takes place throughout the District in accordance with the policies of the Government and Council. It does this through the determination of planning applications which enables proposals requiring planning permission to be assessed taking into account the views of neighbours and other interested parties. Most applications are decided under delegated powers given to the Head of Development Services, but major or controversial applications are decided by the Planning Committee. Public consultation takes place on applications and sometimes there is a need for negotiations with applicants in order to achieve an acceptable development. Many applications relate to the District's historic environment and in such cases careful attention is given to preserving the architectural and historic interest of the buildings. The function includes an enforcement team who investigate development that has taken place without planning permission. Breaches of planning control are investigated and either resolved by agreement or by means of enforcement action. There is also monitoring of development to ensure that approved schemes are carried out in accordance with plans. Planning permission is only refused where there are clear reasons for doing so but, in such cases, and in cases of Enforcement, there is a right of appeal to the Planning Inspectorate and the function deals with presentation of evidence for such appeals, either through the written representation procedure or at formal local public inquiries or hearings. Part of the function also includes ensuring conditions that are placed on planning permissions are discharged appropriately and likewise that Section 106 agreements are prepared, agreed and delivered.

Where development or other proposals threaten the loss of trees, consideration is given to protecting the trees by means of a Tree Preservation Order which would make it an offence to fell or damage the trees in any way. Such action is only recommended where the trees are of particular intrinsic value or because of their contribution to the visual amenities of the area. The owners have a right to object to the placing of an Order and any objections are taken into consideration by the Planning Committee before the Order is confirmed. Applications for works to protected trees represent an element of the Section's work and since 1997 the Section also deals with notifications to protect important hedgerows.

#### **Conservation and Design**

The District has 29 Conservation Areas and approximately 1,500 Listed Buildings, a number of which are Listed Grade I. It is therefore a very valuable asset to the District. The Conservation team advises and assists owners of historic properties on ways in which they may be maintained and enhanced. Advice is also prepared for property owners, predominantly through the WDC website. The Conservation team also play an important role in providing design comments on all applications for Listed Building Consent and all planning applications within Conservation Areas. This includes managing and administering the Conservation Area Advisory Forum which also provide comments on applications. The Conservation team also promote the historic environment and regularly hold design awards to recognise good design. They also administer the Heritage Open Day every year which helps to educate the public as to the value and importance of the historic environment.

**DEVELOPMENT SERVICES and BUSINESS**

	ACTUAL 2016/17 £	ORIGINAL BUDGET 2017/18 £	LATEST BUDGET 2017/18 £	ORIGINAL BUDGET 2018/19 £
<b><u>S4570 PLANNING POLICY &amp; PROJECTS</u></b>				
<b>DIRECT EXPENDITURE</b>				
Employees	409,177	486,400	538,600	629,200
Premises	208	-	-	-
Transport	674	1,400	1,400	1,400
Supplies and Services	19,395	2,400	2,400	2,400
Third Party Payments	224,440	36,500	146,900	36,500
<b>TOTAL DIRECT EXPENDITURE</b>	<b>653,894</b>	<b>526,700</b>	<b>689,300</b>	<b>669,500</b>
Support Services	124,862	127,200	145,900	141,600
Capital Charges	11,023	-	-	-
Recharges	-	(84,200)	(84,200)	(84,200)
<b>NET (INCOME) / EXPENDITURE TO SUMMARY</b>	<b>789,779</b>	<b>569,700</b>	<b>751,000</b>	<b>726,900</b>

As well as leading the Council's work on Corporate Projects, Business and Enterprise (all of which falls within the business portfolio) the Policy and Projects section carry out a range of work associated with developing planning policies, supporting and coordinating the delivery of development and planning infrastructure. Some of this is required by law such as producing formal planning documents that allow the Council to manage development in the district through setting out the factors to be taken into account when deciding planning applications. It is also a requirement to support parish councils and local communities to prepare Neighbourhood Plans.

The Local Plan is a land use plan which promotes the location and nature of new development within the District. The plan contains policies and maps showing designations, as well as allocations for new housing and employment development. The current Warwick District Local Plan, was adopted in September 2017 covering the period through until 2029.

Alongside the Local Plan, the team is responsible planning infrastructure requirements (such as preparing the CIL regulation 123 list), undertaking strategic masterplanning (such as the East of Kenilworth Development Brief) and monitoring for major sites (including Section 106 trigger points and 5 year housing land supply). This is reported in the Authority Monitoring Report.

The Team is also responsible for Neighbourhood Planning - supporting local communities to produce their own development plans and for working with communities and developers to bring forward high quality development in the District's main growth areas (south of Coventry, Kenilworth and south of Warwick/Leamington).

**DEVELOPMENT SERVICES and BUSINESS**

	ACTUAL 2016/17 £	ORIGINAL BUDGET 2017/18 £	LATEST BUDGET 2017/18 £	ORIGINAL BUDGET 2018/19 £
<b><u>S4600 BUILDING CONTROL</u></b>				
<b>DIRECT EXPENDITURE</b>				
Employees	697,224	760,700	787,900	825,400
Premises	11,278	7,500	11,500	11,500

## APPENDIX C

Transport	52,506	53,500	48,500	30,700
Supplies and Services	32,032	28,800	30,800	30,800
Third Party Payments	12,071	11,700	5,700	5,700
<b>TOTAL DIRECT EXPENDITURE</b>	<b>805,111</b>	<b>862,200</b>	<b>884,400</b>	<b>904,100</b>
<b>DIRECT INCOME</b>				
Other Income	(99,794)	(105,000)	(105,000)	(105,000)
Fees and Charges	(716,817)	(727,600)	(727,600)	(727,600)
<b>TOTAL DIRECT INCOME</b>	<b>(816,611)</b>	<b>(832,600)</b>	<b>(832,600)</b>	<b>(832,600)</b>
<b>NET DIRECT (INCOME) / EXPENDITURE</b>	<b>(11,500)</b>	<b>29,600</b>	<b>51,800</b>	<b>71,500</b>
Support Services	147,333	174,700	202,300	189,100
Recharges	(14,600)	(18,700)	(18,700)	(18,700)
<b>NET (INCOME) / EXPENDITURE TO SUMMARY</b>	<b>121,233</b>	<b>185,600</b>	<b>235,400</b>	<b>241,900</b>

Through the Building Regulations and associated legislation, the Council carries out its duties, functions and responsibilities to ensure the health, safety, welfare and facilities for people in and about buildings and structures, together with the conservation of fuel and power. The Building Act 1984 and associated legislation give a significant amount of flexibility to designers and builders, including fire engineering design approach to complex buildings. Due to this flexibility, officers have to be more vigilant and be prepared to make immediate and positive professional judgements prior to, or during construction work. Those judgements made can have commercial and financial implications on developments, together with health and safety implications. The Building Regulations are constantly being reviewed and updated where appropriate to ensure that the broad range of legislation is addressed in assessing and ensuring buildings and developments are in compliance. Although the Approved Inspector Regulations now provide alternatives for developers, the Building Control Group at Warwick District Council, due to their professionalism, quality assurance systems and customer care procedures, have ensured that the majority of building operations are subject to compliance with the Building Regulation procedures through the Local Authority route.

Warwick Building Control formally merged services with Rugby and Daventry with effect from 1 April 2016 to form a Building Control Consortium. The aim of the merger is to promote closer and consistent working across the district and to provide a quality and trusted alternative to Approved Inspectors. The team has also developed partnerships with design teams, developers and other Local Authorities across the Country. During the last few years, the group have continued to implement additional responsibilities as a result of changing legislation and updating of the regulations. This has been particularly so in the case of access and facilities for disabled people and the document BS8300 (DDA), new Fire Safety legislation (RRO), Part P Electrical etc. The revised disabled legislation and the associated DDA have extended the scope for disabled people in commercial and domestic fields. The regulations now require all dwellings, including flats etc., to be more accessible and provide improved facilities for disabled people. There are also the additional requirements for improved access of facilities within, including vertical access to various levels of buildings within commercial developments.

In the continuing drive to provide more energy efficient buildings and a more sustainable environment across the whole spectrum, Part L ( Conservation of Fuel and Power ) is constantly under review. The implementation of any new legislation will provide a challenging task for the Building Control team. In addition to all of the above, the Department for Communities and Local Government (DCLG) continue to advise that the fee related function of Local Authorities' Building Control must be self-financing over a three year period. Any surplus should be reinvested into the service to improve the service delivery. In order for this to happen, Local Authorities set their own fees and charges of the service they provide, although it should be noted, the Council cannot charge for works related to disabled adaptations or improvements , or for registration of window or electrical projects. Our fee charges as set should enable us to break even, however, we must be aware there should be no cross subsidy of the service between non fee related and fee related functions, but the service must ensure we continue to provide a cost effective efficient service to all, in a highly competitive market. The service also provides other duties in respect of health and safety, such as dangerous structures, demolitions, fire safety surveys, accessibility audits, temporary stands etc. and structures.


**DEVELOPMENT SERVICES and BUSINESS**

	ACTUAL 2016/17 £	ORIGINAL BUDGET 2017/18 £	LATEST BUDGET 2017/18 £	ORIGINAL BUDGET 2018/19 £
<b><u>S4840 LOCAL LAND CHARGES</u></b>				
<b>DIRECT EXPENDITURE</b>				
Employees	114	100	100	100
Supplies and Services	19,208	10,100	10,200	10,200
Third Party Payments	43,928	45,500	45,500	45,500
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL DIRECT EXPENDITURE</b>	<b>63,250</b>	<b>55,700</b>	<b>55,800</b>	<b>55,800</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>DIRECT INCOME</b>				
Government Grants	(9,115)	-	-	-
Fees and Charges	(158,916)	(175,000)	(165,000)	(165,000)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL DIRECT INCOME</b>	<b>(168,031)</b>	<b>(175,000)</b>	<b>(165,000)</b>	<b>(165,000)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>NET DIRECT (INCOME) / EXPENDITURE</b>	<b>(104,781)</b>	<b>(119,300)</b>	<b>(109,200)</b>	<b>(109,200)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Support Services	18,203	24,200	32,900	32,500
	<hr/>	<hr/>	<hr/>	<hr/>
<b>NET (INCOME) / EXPENDITURE TO SUMMARY</b>	<b>(86,578)</b>	<b>(95,100)</b>	<b>(76,300)</b>	<b>(76,700)</b>
	<hr/>	<hr/>	<hr/>	<hr/>

The Council is obliged to maintain a register (the Local Land Charges Register) relating to its area which includes details of any matter - road proposals, clearance order, closing order, etc. - affecting properties, and details of any charge which under various enactments is a charge on the property, e.g. private street work costs. Any person may make a search of the register, either in person or by submitting the appropriate form and on payment of the appropriate fee. In addition, the Council provides replies to additional enquiries raised by Solicitors or search companies acting for the purchasers of houses, businesses etc. These enquiries relate to sewerage, planning, highways and general environmental matters.

The income is derived from "search fees" which are the amounts paid by (usually) prospective purchasers of properties who pay a fee for a search of the register and/or the replies to the additional enquiries. The service is under the control of the Head of Development. Fees are set by the Council in accordance with the national guidance issued by the Ministry of Justice, which seeks to ensure that councils set fees which recover the cost of providing the service.

The Council is in the process of digitising the register and all the supporting records. Once completed, it will be possible to deal with the whole search process electronically.

	<b>Finance &amp; Audit Scrutiny Committee</b> <b>27 November 2018</b>	<b>Agenda Item No.</b>  <b>11</b>
<b>Title</b>	Work Programme & Forward Plan	
<b>For further information about this report please contact</b>	Amy Barnes Civic & Committee Services Manager 01926 456114 or <a href="mailto:committee@warwickdc.gov.uk">committee@warwickdc.gov.uk</a>	
<b>Wards of the District directly affected</b>	N/A	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	30 October 2018 – Minute Number xx	
<b>Background Papers</b>	N/A	
This report is produced for Scrutiny meetings for governance purposes. It is part of the process for ensuring that the Council is held to account for the decisions it makes or may make.		

## 1. Summary

- 1.1 This report informs the Committee of its work programme for 2018 (Appendix 1) and of the current [Forward Plan](#)

## 2. Recommendation

- 2.1 Members consider the work programme (Appendix 1) and agree any changes as appropriate.
- 2.2 The Committee to; identify any Executive items on the Forward Plan which it wishes to have an input before the Executive makes its decision; and to nominate a Member to investigate that future decision and report back to the Committee.
- 2.3 The Committee notes the comments made by the Executive in response to the Committees comments on Executive reports, as set out at Appendix 2 and the confidential Appendix 3.

## 3. Reasons for the Recommendation

- 3.1 The work programme should be updated at each meeting to accurately reflect the workload of the Committee.
- 3.2 Two of the five main roles of overview and scrutiny in local government are to undertake pre-decision scrutiny of Executive decisions and to feed into policy development.
- 3.3 If the Committee has an interest in a future decision to be made by the Executive, or policy to be implemented, it is within the Committee's remit to feed into the process.

- 3.4 The Forward Plan is actually the future work programme for the Executive. If a non-executive member highlighted a decision(s) which is to be taken by the Executive which they would like to be involved in, that member(s) could then provide useful background to the Committee when the report is submitted to the Executive and they are passing comment on it.
- 3.5 Appendix 2, Comments from Executive, is produced to create a dialogue between the Executive and the Overview and Scrutiny Committee. It ensures that the Overview and Scrutiny Committee are formally made aware of the Executive's responses.

#### 4. **Background**

- 4.1 The five main roles of overview and scrutiny in local government are: holding to account; performance management; policy review; policy development; and external scrutiny.
- 4.2 The pre-decision scrutiny of Executive decisions falls within the role of 'holding to account'. To feed into the pre-decision scrutiny of Executive decisions, the Committee needs to examine the Council's Forward Plan and identify items which it would like to have an impact upon.
- 4.3 The Council's Forward Plan is published on a monthly basis and sets out the key decisions to be taken by the Council in the next twelve months. The Council only has a statutory duty to publish key decisions to be taken in the next four months. However, the Forward Plan was expanded to a twelve month period to give a clearer picture of how and when the Council will be making important decisions.
- 4.4 A key decision is a decision which has a significant impact or effect on two or more wards and/or a budgetary effect of £50,000 or more.
- 4.5 The Forward Plan also identifies non-key decisions to be made by the Council in the next twelve months, and the Committee, if it wishes, may also pre-scrutinise these decisions.
- 4.6 There may also be policies identified on the Forward Plan, either as key or non-key decisions, which the Committee could pre-scrutinise and have an impact upon how these are formulated.
- 4.7 The Committee should be mindful that any work it wishes to undertake would need to be undertaken without the need to change the timescales as set out within the Forward Plan.
- 4.8 At each meeting, the Committee will consider their work programme and make amendments where necessary, and also make comments on specific Executive items, where notice has been given by 9am on the day of the Finance & Audit Scrutiny Committee meeting. The Committee will also receive a report detailing the response from the Executive, on the comments the Committee made on the Executive agenda in the previous cycle.
- 4.9 The Forward Plan is considered at each meeting and allows the Committee to look at future items and become involved in those Executive decisions to be taken, if members so wish.



- 4.10 As part of the new scrutiny process, the Committee is no longer considering the whole of the Executive agenda.
- 4.11 On the day of publication of the Executive agenda all Councillors are sent an e-mail asking them to contact Committee Services, by 09.00am on the day of the Overview and Scrutiny Committee meeting to advise which Executive items they would like the Committee to consider.
- 4.12 As a result the Committee considered the items detailed in appendix 2. The response the Executive gave on each item is also shown.
- 4.13 In reviewing these responses Committee can identify any issues for which they would like a progress report. A future report, for example on how the decision has been implemented, would then be submitted to the Committee at an agreed date which would then be incorporated within the Work Programme.

## Finance and Audit Scrutiny Committee WORK PROGRAMME 2018/19

**27 November 2018**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor	Next report date if applicable	Completion date
Scrutiny of Service Area Performance – <b>Development Services</b>	Scrutiny	Written report followed by Q&A	Dave Barber / Cllr Rhead		
Corporate Fraud Team Update	Audit	Written report	Andrea Wyatt Cllr Whiting		
TM Half Year Review	Audit	Written report	Karen Alison Cllr Whiting		
AGS Quarter 2 Action Plan Report	Audit	Written report	Richard Barr Cllr Whiting		
Use of Parent Companies update Report	Audit	Written report	Richard Barr Cllr Whiting		
Statement of Accounts 2017/18	Audit	Report	Mike Snow		
Internal Audit Quarter 2 Progress Report	Audit	Written report followed by Q&A	Richard Barr		Quarterly

**8 January 2019**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor	Next report date if applicable	Completion date
Scrutiny of Service Area Performance – <b>Chief Executives</b>	Scrutiny	Written report followed by Q&A	Chris Elliott / Cllr Mobbs		
Local Plan Infrastructure Delivery Plan	Scrutiny	Written report followed by Q&A	David Butler / Cllr Rhead		Six monthly update

**5 February 2019**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor	Next report date if applicable	Completion date
Scrutiny of Service Area Performance – <b>Business</b>	Scrutiny	Written report followed by Q&A	Dave Barber / Cllrs Butler		

**5 March 2019**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor	Next report date if applicable	Completion date
Internal Audit Quarter 3 Progress Report	Audit	Written report followed by Q&A	Richard Barr		Quarterly
Internal Audit Strategic Plan (2019/20 to 2021/22)	Audit	Written report followed by Q&A	Richard Barr		
Annual Governance Statement Quarter 3 Action Plan Report	Audit	Written report followed by Q&A	Richard Barr		Quarterly

**Appendix 1**

Scrutiny of Service Area Performance – <b>Culture</b>	Scrutiny	Written report followed by Q&A	Rose Winship / Cllr Coker		
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**2 April 2019**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor	Next report date if applicable	Completion date
Procurement Strategy Annual Review	Scrutiny	Written report followed by Q&A	Mike Snow / Becky Reading		Annually

**30 April 2019**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor	Next report date if applicable	Completion date
Scrutiny of Service Area Performance – <b>Health &amp; Community Protection</b>	Scrutiny	Written report followed by Q&A	Marianne Rolfe / Cllr Thompson		

**First meeting of the new Municipal year in 2019**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor	Next report date if applicable	Completion date
Internal Audit Annual Report	Audit	Written report followed by Q&A	Richard Barr		Annually
Internal Audit Quarter 4 Progress Report	Audit	Written report followed by Q&A	Richard Barr		Quarterly
Annual Governance Statement	Audit	Written report followed by Q&A	Richard Barr		

**Appendix 1**

Annual Governance Statement Quarter 4 Action Plan Report	Audit	Written report followed by Q&A	Richard Barr		Quarterly
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<b>Service area review rota</b>
Finance
Housing
Neighbourhood Services
Development
Chief Executives
Cultural Services
Health & Community Protection

**Response from the meeting of the Executive on this Committee's Comments**

**30 October 2018**

<b>Items no.</b>	3 & 15	<b>Title</b>	<b>Kenilworth School Loan and Land Purchase</b>
<b>Scrutiny Comment</b>	The Finance & Audit Scrutiny Committee supported the recommendations in the report & noted the confidential appendix.		
<b>Executive Response</b>	No response required.		

<b>Items no.</b>	4	<b>Title</b>	<b>Code of Procurement Practice</b>
<b>Scrutiny Comment</b>	Finance & Audit Scrutiny Committee supported the recommendations in the report with a number of modifications as agreed with officers.		
<b>Executive Response</b>	The Portfolio Holder for Finance agreed with the comments from Councillor Rhead and advised that officers would issue an update before Council.		

<b>Items no.</b>	9	<b>Title</b>	<b>Discretionary Business Rates Relief as a Tool for Business Growth and Inward Investment</b>
<b>Scrutiny Comment</b>	The Finance & Audit Scrutiny Committee fully supported the recommendations in the report.		
<b>Executive Response</b>	No response required.		

<b>Items no.</b>	10 & 16	<b>Title</b>	<b>Royal Pump Rooms – Catering &amp; Events Investment</b>
<b>Scrutiny Comment</b>	The Finance & Audit Scrutiny Committee supported the recommendations in the report and noted the confidential appendix.		
<b>Executive Response</b>	No response required.		

<b>Items no.</b>	12	<b>Title</b>	<b>Funding for Norton Lindsey Village Hall Re-build</b>
<b>Scrutiny Comment</b>	The Finance & Audit Scrutiny Committee supported the recommendations in the report		
<b>Executive Response</b>	No response required.		

<b>Items no.</b>	13	<b>Title</b>	<b>Significant Business Risk Register</b>
<b>Scrutiny Comment</b>	The Finance & Audit Scrutiny Committee noted the report.		
<b>Executive Response</b>	No response required.		