

Notice of Audit and Governance Committee



Date: Thursday, 23 January 2020 at 6.00 pm

Venue: Council Chamber, Civic Offices, Bridge Street, Christchurch BH23 1AZ

Membership:

Chairman:

Cllr J Beesley

Vice Chairman:

Cllr L Williams

Cllr M Andrews
Cllr S Bartlett
Cllr M F Brooke

Cllr M Cox
Cllr B Dunlop
Cllr S McCormack

Cllr M White

All Members of the Audit and Governance Committee are summoned to attend this meeting to consider the items of business set out on the agenda below.

The press and public are welcome to attend.

If you would like any further information on the items to be considered at the meeting please contact: Bob Hanton or email democratic.services@bcpcouncil.gov.uk

Press enquiries should be directed to the Press Office: Tel: 01202 454668 or email press.office@bcpcouncil.gov.uk

This notice and all the papers mentioned within it are available at democracy.bcpcouncil.gov.uk

GRAHAM FARRANT
CHIEF EXECUTIVE

15 January 2020



AGENDA

Items to be considered while the meeting is open to the public

1. Apologies

To receive any apologies for absence from Councillors.

2. Substitute Members

To receive information on any changes in the membership of the Committee.

Note – When a member of a Committee is unable to attend a meeting of a Committee or Sub-Committee, the relevant Political Group Leader (or their nominated representative) may, by notice to the Monitoring Officer (or their nominated representative) prior to the meeting, appoint a substitute member from within the same Political Group. The contact details on the front of this agenda should be used for notifications.

3. Declarations of Interests

Councillors are required to comply with the requirements of the Localism Act 2011 and the Council's Code of Conduct regarding Disclosable Pecuniary Interests.

Councillors are also required to disclose any other interests where a Councillor is a member of an external body or organisation where that membership involves a position of control or significant influence, including bodies to which the Council has made the appointment in line with the Council's Code of Conduct.

Declarations received will be reported at the meeting.

4. Confirmation of Minutes

To confirm and sign as a correct record the minutes of the Meeting held on 19 December 2019.

7 - 10

5. Public Issues

To receive any public questions, statements or petitions submitted in accordance with the Constitution. Further information on the requirements for submitting these is available to view at the following link:-

<https://democracy.bpcouncil.gov.uk/documents/s2305/Public%20Items%20-%20Meeting%20Procedure%20Rules.pdf>

The deadline for the submission of public questions is 16 January 2020.

The deadline for the submission of a statement is 12.00 noon, 22 January 2020.

The deadline for the submission of a petition is 12.00 noon, 22 January 2020.

6.	Annual Governance Statement (AGS) Action Plan Update	11 - 16
	<p>This report provides an update against the BCP Council AGS Action Plan which identified actions to be taken to address the two significant governance issues identified from the legacy councils AGS. These were:</p> <ul style="list-style-type: none"> • Information Governance (legacy Bournemouth and legacy Poole) – the BCP Information Governance Board is scheduled to meet for the first time in February 2020 to determine compliance arrangements • Governance issues raised in the Ofsted Inspection of Children’s Social Services (legacy Bournemouth) – good progress is being made against the ‘Children’s Service Development Improvement Plan’ which is being monitored by senior officers and Councillors. 	
7.	Treasury Management Monitoring report for the period April to December 2019 and Treasury Management Strategy 2020/21	17 - 50
	<p>This report sets out the monitoring of the Council’s Treasury Management function for the period 1 April 2019 to 31 December 2019. A surplus of £110k will be achieved through higher investment returns.</p> <p>The Treasury Management Strategy 2020/21 is included as an appendix to this report. Key changes to the strategy have been set out in paragraphs 25-29.</p>	
8.	Assurance Framework and Internal Audit Planning Consultation	51 - 60
	<p>This report sets out the BCP Assurance Framework which identifies the different sources of assurance received across the Council.</p> <p>The report also provides details of the proposed 2020/21 Internal Audit Plan approach.</p>	
9.	Internal Audit Plan Update - April to December 2019	61 - 74
	<p>This report details progress made on delivery of the 2019/20 Audit Plan for the period 1 October to 31 December 2019. The report highlights that:</p> <ul style="list-style-type: none"> • Twenty seven audit assignments have been completed, one ‘Substantial’, nineteen ‘Reasonable’ and three ‘Partial’ audit opinions (four ‘other’); • Thirty audit assignments are in progress; • The implementation of audit recommendations by management is satisfactory; <p>One Whistleblowing investigation has been completed and one investigation is on-going.</p>	
10.	Governance of Corporate Health & Safety and Fire Safety	75 - 92
	<p>Following approval of the BCP Council Health & Safety and Fire Safety policies by BCP Council Programme Board on 28th February 2019, new governance arrangements have been implemented. The first meeting of the Health & Safety and Fire Safety Board took place on 14th November 2019. This report details progress made on the delivery of health & safety and fire safety governance arrangements for BCP Council and highlights:</p> <ul style="list-style-type: none"> • New governance arrangements (meetings and actions) that have been agreed that are being rolled out in 2020 	

- Development of an action plan with tracking at each board meeting.
- BCP Council individual Health and Safety and Fire Safety policies have been agreed. A plan for the alignment of key supporting policies and procedures is due to commence.
- The Corporate Health and Safety Team and Fire Safety Team are located in the Communities Directorate. Restructure of Tiers 4 and 5 are complete, resulting in one BCP Health and Safety Manager and one BCP Fire Safety manager reporting to the Head of Regulatory.
- A comprehensive targeted training programme for both Health and Safety and Fire Safety is being designed, ahead of required implementation within 2020.

11. BCP Council - Declaration of Interests, Gifts and Hospitality Policy (for officers) 93 - 106

For the 2019/20 financial year, the first operating year of BCP Council, legacy Council Declaration of Interests, gifts and hospitality policies and procedures have been followed by officers.

A BCP Council - Declaration of Interests, Gifts and Hospitality for Policy (for Officers) is in draft form and will go-live, subject to Corporate Management Board changes and approval, on 1st April 2020 (Appendix 1).

Internal Audit work, covering officer Declaration of Interests during the 2019/20, gives a 'Partial' audit opinion which means there are weaknesses in the control framework which are putting service objectives at risk.

The main issues identified were largely inherent, existing as a result of the formation of BCP Council, such as inconsistent approaches, out of date information and the ability of some managers to access any declarations made. These issues are addressed in the draft Policy.

There have been no internal or external identified instances, whistleblowing or reports by any other means instances where an un-declared interest has led to any disciplinary action or led to reputational damage.

12. BCP Constitution 107 - 128

To recommend changes to the Constitution of the Council.

13. Risk Management - Corporate Risk Register Update 129 - 160

This report updates Members on the position of the Council's Corporate Risk Register following the quarterly review by the Corporate Management Board. The main changes are as follows:

- The risk scores have increased for Corporate Risk 1- Failure to respond to the needs arising from a changing demography and Corporate Risk 9 - Failure to maintain a safe and balanced budget for the delivery of services;
- Corporate Risk 8- Inability to run an election/ referendum was added and removed from the register during the quarter;
- Corporate Risk 11 - Extent to which Members and Officers are able to fully engage with new roles and operate efficiently was added during this quarter.

Each of the risks have been reviewed including the Actions Completed and the Actions Proposed.

14. External Audit progress report including certification of grant claims (2018/19) for legacy Councils	161 - 192
<p>The attached report provides an update to Members on the External Auditor's progress to date in delivering their responsibilities.</p> <p>Grant Thornton have carried out grant certification work on the Housing Benefit Subsidy claims for the three predecessor Councils and the annual Teachers' Pensions returns for legacy Bournemouth and Poole Councils. All claims have been certified with only some minor errors being identified.</p> <p>Work is ongoing on Pooling Housing Capital Receipts certification returns for legacy Bournemouth Borough Council and legacy Borough of Poole Council. Both returns have been certified with only a minor error being identified for the legacy Borough of Poole Council's return. The report also includes a summary of emerging national issues and developments that may be relevant to the Council. In particular, the report provides a presentation on the independent probe into local government audit ('The Redmond Review').</p>	
15. External Audit Fee Letter 2019/20	193 - 204
<p>This report sets out the Council's External Auditor's core fee of £160,000 for the audit of the Council's 2019/20 financial statements. These fees are agreed by Public Sector Audit Appointments Ltd (PSAA).</p> <p>The report also sets out the Council's fees likely to be charged for other (grant certification) work completed by the External Auditor, £34,000. These fees are not agreed by PSAA and are a negotiated process between the Council and the provider. The Council can choose provider although the provider must be accredited to do such work.</p> <p>Total External Audit Fees for 2019/20 are therefore likely to be £194,000.</p>	
16. Forward Plan 2019/20	205 - 210
<p>This report sets out the core reports to be received by the Audit & Governance Committee for the 2019/20 financial year in order to enable it to fulfil its terms of reference.</p>	

No other items of business can be considered unless the Chairman decides the matter is urgent for reasons that must be specified and recorded in the Minutes.

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BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL
AUDIT AND GOVERNANCE COMMITTEE

Minutes of the Meeting held on 19 December 2019 at 10.30 am

Present:-

Cllr J Beesley – Chairman

Present: Cllr M Andrews, Cllr S Bartlett, Cllr D Borthwick (Substitute),
Cllr M Brooke, Cllr N Decent (Substitute), Cllr N Greene (Substitute),
Cllr M Le Poidevin (Substitute) and Cllr S McCormack

44. Apologies

Apologies for absence were received from Councillors Cox, Dunlop, Williams and White.

45. Substitute Members

Councillor Borthwick attended as substitute for Councillor Williams. Councillor N Greene attended as substitute for Councillor Dunlop. Councillor Decent attended as substitute for Councillor White. Councillor Le Poidevin attended as substitute for Councillor Cox.

46. Committee Membership

It was noted that, in accordance with a decision at Council on 17 December 2019, Councillor Brooke had replaced Councillor D Butt as a member of the Committee. The Chairman thanked Councillor Butt for his previous service on the Committee and welcomed Councillor Brooke to his first meeting.

47. Declarations of Interests

Councillor Bartlett declared an interest as the Council's appointed representative on B H Live Enterprises Limited and Councillor Brooke declared an interest as the Council's appointed representative on the Bournemouth Development Company.

48. Confirmation of Minutes

The Minutes of the meeting of the Committee held on 14 November 2019 were confirmed as a correct record and signed by the Chairman.

49. Public Issues

There were no public issues.

50. The establishment of the Capital Programme and the Management and Monitoring of Capital Project Budgets

The Committee received a presentation in three parts about the BCP Council Capital Programme and about the way in which Capital Project budgets are managed and monitored. Members were reminded that the Capital Investment Programme had been agreed by the BCP Shadow Authority in February 2019 and comprised of the approved programmes of the legacy Councils.

The budget process was set out for the Committee and the description of the evolving budget recognised the context of variations and adjustments in delivery timetables since the programme was agreed and reflected new schemes coming forward. Sources of income were explained including external funding such as Governmental Grants and BCP Council sources such as reserves, capital receipts and borrowing. Details of specific Housing Revenue Account programmes were set out and the implications of the ring-fencing of these funding sources was explained. New schemes identified in-year were submitted to and appraised by the Capital Transformation Board and the process for approval by reference to capital scheme values was also explained.

The second part of the presentation outlined the implications of the Local Transport Plan ('LTP') process and its contribution to setting out a long-term strategic 15-year focus aimed at delivering against prescribed National transport goals. Funding was awarded on an annual basis through Integrated Transport and through Maintenance funding blocks and although the current Plan was LTP3, LTP4 was reported to be in the course of preparation. Financial support received through Dorset Local Enterprise Partnership (DLEP') funding was also included within the detailed budgets presented.

Examples of how management and monitoring tools are used to control progress and expenditure on a staged basis and to assess and reduce identified project risks on a project by project basis were presented to the Committee. There was also a regular schedule of meetings with Contractors and Members identified the need for effective post-completion assessment of schemes so that 'lessons learnt' could be taken forward.

There were questions about the type of monitoring employed and the nature of the software used. There was also discussion around the specific issue of traffic improvement schemes in the vicinity of Schools and the particular challenges caused in terms of traffic planning.

Members highlighted the importance of quality Member involvement in the monitoring processes and the role of the Audit and Governance Committee in ensuring that robust programme monitoring was in place was underlined. It was also noted that the newly re-established Transportation Advisory Group was expected to have an input going forward.

It was suggested that formation of the new BCP Council was an opportunity to review current systems in place for involving the Audit and Governance Committee and setting out the key part that it could play and where the Committee could add value to the process. Officers undertook to take a

fresh look at the current monitoring system and to report back to the Committee if any elements were considered to be lacking or worthy of improvement.

In the third part of the presentation the Governance model in respect of construction based Building Capital Programme projects was described. Once again, there was identified a role for the Capital and Transformation Board to look at the processes in place and particularly the potential for harmonisation of the different project monitoring systems being used across the whole Council. The Committee noted that the Transformation Board did not have an elected Member involvement and this was identified as something which might be addressed. The importance of ensuring that appropriate Portfolio Holders were fully briefed on major projects and were in a position to have accountability for specific schemes was also underlined. It was agreed that a report on the governance arrangements within this particular aspect of project management should be brought to a future meeting of the Committee.

51. Items for future meetings

The Chairman thanked the Officers involved in making the presentation to the Committee and for the questions submitted by Members and substitute members. He encouraged the Committee to continue to submit subjects such as this one for discussion at these additional meetings and invited emails on potential future areas for discussion.

The meeting ended at 11.53 am

CHAIRMAN

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AUDIT AND GOVERNANCE COMMITTEE



Report subject	Annual Governance Statement (AGS) Action Plan Update
Meeting date	23 January 2020
Status	Public Report
Executive summary	<p>This report provides an update against the BCP Council AGS Action Plan which identified actions to be taken to address the two significant governance issues identified from the legacy councils AGS. These were:</p> <ul style="list-style-type: none"> • Information Governance (legacy Bournemouth and legacy Poole) – the BCP Information Governance Board in scheduled to meet for the first time in February 2020 to determine compliance arrangements • Governance issues raised in the Ofsted Inspection of Children’s Social Services (legacy Bournemouth) – good progress is being made against the ‘Children’s Service Development Improvement Plan’ which is being monitored by senior officers and Councillors.
Recommendations	<p>It is RECOMMENDED that:</p> <p>Councillors note the progress made to address the significant governance issues on the BCP Council AGS Action Plan 2019/20.</p>
Reason for recommendations	Audit & Governance Committee has the responsibility for considering the arrangements for Corporate Governance including reviewing and approving the AGS.

Portfolio Holder(s):	Vicky Slade – Leader of the Council
Corporate Director	Julian Osgathorpe – Corporate Director of Resources
Report Authors	Nigel Stannard - Head of Audit & Management Assurance ☎01202 451969 / ☎01202 633123 ✉ nigel.stannard@bcpcouncil.gov.uk Ruth Hodges – Audit Manager
Wards	Council-wide
Classification	For Update

Background

- The Annual Governance Statements for the three legacy councils of Bournemouth, Christchurch and Poole were approved by Audit and Governance Committee in July 2019. The following significant governance issues were identified:
 - Information Governance (legacy Bournemouth and legacy Poole)
 - Governance issues raised in the Ofsted Inspection of Children’s Social Services (legacy Bournemouth).
- A BCP Council Action Plan to address these issues was approved, and it was agreed that a progress report be presented to the January 2020 Audit and Governance Committee.

AGS Action Plan Update

- The table below shows progress made to date again the actions identified in the AGS, as provided by the responsible officers:

Issue: Information Governance			
Detailed Issues: The issues raised in last year’s AGS, including updating the Terms of Reference for the Information Governance Board and embedding the accountability framework have been addressed. However, some elements of GDPR have not been fully implemented throughout the Council e.g. Information asset registers and identified information asset owners.			
Summary Action Plan: BCP Service Directors will need to assess the completeness of Information Asset Registers and ensure Information Asset Owners are appointed.			
Detailed Action	Responsible Officer	Target Date	Progress as at January 2020
The Senior Information Risk Owner (SIRO) to determine the	SIRO (the Corporate Director – Resources	Aug 2019	Service Directors are Information Asset Owners (IAOs). SDs are aware of the BCP IG Accountability Framework and of their IAO role and

<p>options for providing the Information Governance Board (IGB) with appropriate compliance and performance information to allow them to meet their Terms of Reference. These options could include:</p> <ul style="list-style-type: none"> - No compliance function and explicit understanding that no assurance on BCP arrangements will be provided - Compliance function assigned to Information Governance Team (or alternative identified) 	<p>at BCP Council)</p>		<p>responsibilities.</p> <p>Information Asset Registers have been developed by all Services but require further refinement to achieve a consistent standard across the Council.</p> <p>Internal Audit agreed to carry out a compliance audit of GDPR during 2018/19 as “one-off” to support the Information Governance team and implementation of GDPR.</p> <p>Future IG compliance checks to be delivered by the IG Team will be raised at the first meeting of BCP IGB, scheduled for February 2020. IGB will determine and agree nature and frequency of compliance checks required to adequately support the compliance function.</p>
<p>A report (provided by the above) detailing progress on implementing GDPR by BCP will be provided to the first meeting of the IGB.</p>	<p>SIRO</p>	<p>Oct 2019</p>	<p>Internal audit report (dated August 2019) to be submitted to first BCP IGB meeting, which will be held in February 2020. The report provides an overview of the position which BCP inherited from the legacy Councils and the assurance levels provided by Internal Audit to those Councils. This is relevant to BCP because this is the position which has been operating since 1st April 2019 and until such time BCP IGB make any changes to the operating framework.</p>
<p>IGB to determine any additional action or support to ensure full implementation of GDPR.</p>	<p>SIRO</p>	<p>Oct 2019</p>	<p>To be discussed and agreed at first meeting of BCP IGB, which will now be held in February 2020</p>

Issue: Ofsted – Inspection of Children’s Social Services

Detailed Issues: The outcome of the Bournemouth Ofsted inspection of Children’s Social Services in July 2018 was inadequate / requires improvement and included governance related issues such as management oversight and supervision, performance information, and effectiveness of leaders. In response to the Ofsted report, a Post Inspection Improvement Plan Board was set up to monitor progress, which was reported to Children’s Services Overview & Scrutiny Panel.

Summary Action Plan: The BCP Corporate Director (Children’s Services) will assess improvement against the issues identified in the Ofsted inspection, and an action plan will be drawn up to address these.

Detailed Action	Responsible Officer	Target Date	Progress as at January 2020
<p>The Corporate Director Children’s Services is leading a specific and detailed action plan to address all of the issues raised by OFSTED. This is monitored by the Children’s Services Overview and Scrutiny Committee.</p>	<p>Corporate Director – Children’s Services</p>	<p>As per the details presented to O & S</p>	<p>BCP Council produced a baseline self-assessment of its current performance in delivering Children’s Services, which was informed by the legacy Bournemouth Council’s Ofsted inspection of Children’s Social Services, as well as the management information and qualitative auditing of practice across key areas of work and comparing our volume and timeliness of response against the performance of the SW Councils and the England Council’s average performance. Delivery of the resultant ‘Children’s Service Development Improvement Plan’ (DIP) is being monitored by the children’s services directorate management board, through the Chief Executives leadership and governance of the risk register, the Cabinet using the Corporate set of Key Performance indicators and at periodic times through the Children’s Services Overview and Scrutiny Committee. The plan focuses on the improvement and development of the key areas of ‘Leadership and Management’, ‘Quality of Practice’, and ensuring that sufficiently targeted services are developed and available to address previously unmet needs.</p> <p>As at the November update, none of the 14 actions identified on the DIP were ‘red’ (needs escalating/ intervention), 10 were ‘green’ (on track), 3 were orange (manageable), and 1 was yet to commence (but with clear actions and timeframes noted).</p>

Options Appraisal

4. An options appraisal is not applicable for this report.

Summary of financial implications

5. There are no direct financial implications from this report.

Summary of legal implications

6. There are no direct legal implications from this report.

Summary of human resources implications

7. There are no direct human resources implications from this report.

Summary of sustainability impact

8. There are no direct sustainability impacts from this report.

Summary of public health implications

9. There are no direct public health implications from this report.

Summary of equality implications

10. There are no direct equality implications from this report.

Summary of risk assessment

11. There are no direct risk implications from the report. However, failure to improve the governance arrangements in the areas identified will mean those risks are not addressed.

Background papers

Annual Governance Statement 2018-19 – for the three legacy Councils, Bournemouth Christchurch and Poole (July 2019) - Published works

Appendices

There are no appendices to this report.

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Audit & Governance Committee



Report Subject	Treasury Management Monitoring report for the period April to December 2019 and Treasury Management Strategy 2020/21
Meeting date	23 January 2020
Status	Public
Executive summary	<p>This report sets out the monitoring of the Council's Treasury Management function for the period 1 April 2019 to 31 December 2019. A surplus of £110k will be achieved through higher investment returns.</p> <p>The Treasury Management Strategy 2020/21 is included as an appendix to this report. Key changes to the strategy have been set out in paragraphs 25-29.</p>
Recommendations	<p>It is recommended that Audit & Governance Committee:</p> <ol style="list-style-type: none"> 1) note the reported activity of the Treasury Management function for the period ending 31 December 2019. 2) Approve the Treasury Management Strategy 2020/21 included in Appendix 1
Reasons for recommendations	It is a requirement under the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice that regular monitoring of the Treasury Management function is reported to Members.
Portfolio Holder	Councillor David Brown – Finance Portfolio Holder
Corporate Director	Julian Osgathorpe – Corporate Director Resources
Service Director	Adam Richens - Chief Financial Officer
Classification	For information and recommendation
Report author	<p>Matthew Filmer, Finance Manager - Technical</p> <p>☎ 01202 452746</p> <p>✉ matthew.filmer@bcpcouncil.gov.uk</p>

Background Detail

1. Treasury Management is defined as the management of the Council's cash flows, its borrowings and investments, the management of the associated risks and the pursuit of the optimum performance or return consistent with those risks.
2. The Treasury Management function operates in accordance with The Chartered Institute of Public Finance and Accountancy (CIPFA) 'Treasury Management in the Public Services' Code of Practice (2011).
3. The Treasury Management function manages the Council's cash flow by exercising effective cash management and ensuring that the bank balance is as close to nil as possible. The objective is to ensure that bank charges are kept to a minimum whilst maximising interest earned. A sound understanding of the Council's business and cash flow cycles enables funds to be managed efficiently.
4. This report considers the treasury management activities in relation to the Treasury Management Strategy. Also included is a summary of the current economic climate, an overview of the estimated performance of the treasury function, an update on the borrowing strategy, investments and compliance with prudential indicators.

Economic Background

5. UK economic growth in 2019 has been very volatile with quarter 1 unexpectedly strong at 0.5%, quarter 2 dire at -0.2%, quarter 3 back up to +0.4% and quarter 4 expected to come in around zero. Political and Brexit uncertainty have dampened growth in 2019.
6. Despite political uncertainty ending with a decisive overall majority for the Conservative government in the December general election which clears the way for the UK to leave the EU on 31 January 2020, we still have much uncertainty as to whether there will be a reasonable trade deal achieved by the end of 2020.
7. After the Monetary Policy Committee raised Bank Rate from 0.5% to 0.75% in August 2018, it is little surprise that they have abstained from any further increases since then. We are unlikely to see any further action from the MPC until these remaining uncertainties over the likely type of Brexit become clear. If there was a no deal exit, it is likely that Bank Rate would be cut in order to support growth. However, if growth was to flag significantly in any event, the MPC could also cut Bank Rate in 2020. The Government has announced some major spending increases and is expected to make further commitments in the spring budget; these will provide some support to growth and will take some pressure off the MPC to act to stimulate growth by either cutting Bank Rate or implementing other monetary policy measures.
8. As for CPI inflation itself, this fell to 1.5% in October and November and is likely to remain between 1.5% and 2% over the next two years. If there was a no deal Brexit though, it could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound.

9. The strong wage inflation figure and the fall in CPI inflation is good news for consumers as their spending power is improving in this scenario as the difference between the two figures is now around 2.0%, i.e. a real term increase. 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.
10. The trade war between the US and China on tariffs is a major concern to financial markets and is depressing worldwide growth, as any downturn in China will spill over into impacting countries supplying raw materials to China. Concerns are focused on the synchronised general weakening of growth in the major economies of the world.

Interest Rates and Public Works Loan Board (PWLB)

11. In October 2019, the Treasury unexpectedly added an additional 1% to all PWLB rates available. The change was cited as a reaction to record low interest rates and a rapid increase in levels of borrowing by local authorities with Government concern that this will be linked to commercial investments designed to produce a financial return to invest in services.
12. The increase will have a real impact on the Councils Capital Investment Programme (CIP) moving forward specifically the viability of any housing, regeneration and infrastructure projects due to be financed by prudential borrowing. For the time being the Council strategy will be to continue to either seek cheaper alternative sources of borrowing or carry on using short term borrowing in the money markets.
13. Table 1 below which is produced by the authority's treasury consultants Link Asset Services illustrates that there is an expectation that the Public Works Loan Board (PWLB) borrowing rate will continue to edge up over the next two years.

Table 1: Interest rate projection (Link Asset Services)

Link Asset Services Interest Rate View													
	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

Treasury Management Performance 2019/20

14. Table 2 overleaf shows the forecast overall treasury management position for 2019/20. The current projection is Investment income will exceed budget by £110k as per table 2 overleaf.

15. The BCP budget position for 2019/20 made provision for Christchurch's share of the accumulated debt of Dorset County Council (DCC). This is still waiting to be fully finalised. At this stage, and as a matter of prudence, it has been assumed that the cost of borrowing will be in line with the budget.

Table 2: Treasury Management Performance 2019/20

	Projected		
	Actuals	Budget	Variance
	2019/20	2019/20	2019/20
	£'000	£'000	£'000
<u>Expenditure</u>			
Interest Paid on Borrowings	2,864	2,864	0
<u>Income</u>			
Investment Interest Received	(295)	(185)	(110)
Total	2,569	2,679	(110)

Borrowing

16. The Council has adopted a two-pool approach to debt management, separating the debts of the General Fund (Pool 1) and the Housing Revenue Account (HRA) (Pool 2). The HRA pool is a combination of both the Poole and Bournemouth Neighbourhood HRA accounts.
17. Table 3 set out below shows the closing level of borrowing for the Council's two loans pools. This is before any further debt is taken on to settle with Dorset Council.

Table 3: Council Borrowings as at 31 December 2019

Initial Loan Value £'000	Interest Rate	Balance as at 31 Dec 2019 £'000	Maturity Date	General Fund Pool £'000	HRA Pool £'000	Source
1 - 2 Year LA Loans						
10,000	0.80%	10,000	18-Sep-2020	10,000	-	London Borough of Camden
10,000	0.90%	10,000	26-Apr-2021	10,000	-	Nottingham City Council
5,000	0.85%	5,000	28-Apr-2021	5,000	-	Wokingham Borough Council
25,000	0.85% <i>Average Rate</i>	25,000		25,000	-	3 Local Authorities
Long Term Borrowing						
10,000	3.28%	10,000	14-Sep-2020	-	10,000	PWLB
2,000	8.00%	2,000	25-Nov-2021	-	2,000	PWLB
2,000	8.00%	2,000	25-Nov-2022	-	2,000	PWLB
5,000	2.66%	1,667	22-Aug-2023	-	1,667	PWLB
5,000	4.45%	5,000	24-Sep-2030	-	5,000	PWLB
5,000	4.45%	5,000	24-Nov-2031	5,000	-	PWLB
5,000	4.75%	5,000	24-Sep-2032	-	5,000	PWLB
5,000	4.45%	5,000	24-Nov-2032	5,000	-	PWLB
5,000	4.75%	5,000	24-Sep-2033	-	5,000	PWLB
5,000	4.60%	5,000	23-Feb-2035	-	5,000	PWLB
5,000	4.72%	5,000	22-Aug-2036	-	5,000	PWLB
5,000	2.80%	5,000	20-Jun-2041	5,000	-	PWLB
5,000	2.80%	5,000	20-Jun-2041	5,000	-	PWLB
2,500	6.75%	2,500	06-Mar-2056	-	2,500	PWLB
1,500	6.75%	1,500	13-Mar-2057	-	1,500	PWLB
1,500	5.88%	1,500	07-Mar-2058	-	1,500	PWLB
42,488	3.48%	42,488	28-Mar-2062	-	42,488	PWLB
43,908	3.48%	43,908	28-Mar-2062	-	43,908	PWLB
155,896		152,563		20,000	132,563	
22,625	2.26% + RPI Annually	17,967	17-Oct-2039	17,967	-	Prudential Assurance Co
3,673	0.00%	1,016	01-Apr-2023	1,016	-	Salix
207,194		196,546		63,983	132,563	

Investments

18. During the year, cash surpluses are invested by the Treasury Management team through direct dealing or money brokers with approved counterparties. The Council's counterparty list i.e. the list of organisations that it has been agreed that the Council can invest with has become increasingly restricted in recent years due to the economic climate and the criteria used to select appropriate organisations.
19. A full list of investments held by the authority as at 31 December 2019 is shown in Table 4 below.

Table 4: Investment Summary as at 31 December 2019

Investments	Maturity Date	Principal Amount £	Interest %
<u>Call Account</u>			
Lloyds Bank	95 day notice	15,000,000	1.10%
Handelsbanken	instant access	4,700,000	0.76%
Aberdeen Standard Liquidity Fund	instant access	4,150,000	0.73%
<u>Ultra Short Dated Bond Fund</u>			
Payden Sterling Reserve Fund	3 day notice	5,000,000	0.90%
Aberdeen Standard Life Fund	3 day notice	5,000,000	0.90%
Total		33,850,000	

20. The Treasury Management function has continued to achieve higher average returns of 0.92% for the period 1 April 2019 to 31 December 2019 for its combined investment compared to the average 7-day benchmark rate of 0.57%.

Prudential Indicators

21. The Treasury Management Prudential Code Indicators were set as part of the 2019/20 Treasury Management Strategy as agreed with Council in February 2019. It can be confirmed that all indicators have been complied with during the period 1 April 2019 to 31 December 2019.

Compliance with Policy

22. The Treasury Management activities of the Council are regularly audited both internally and externally to ensure compliance with the Council's Financial Regulations. The recent internal audit in August 2019 rated the Treasury Management function as "Reasonable".
23. The Treasury Management Strategy requires that surplus funds are placed with major financial institutions but that no more than 25% (AA- Rated Institutions) or

20% (A to A- Rated) of the investment holding is placed with any one major financial institution at the time the investment takes place. It can be confirmed that the Treasury Management Strategy has been complied with during the period 1 April 2019 to 31 December 2019.

Treasury Management Strategy 2020/21

24. The Treasury Management Strategy is produced each year in accordance with the CIPFA Code of Practice on Treasury Management. It sets out how the Council's Treasury service will support capital investment decisions, and how the treasury management operates day to day. Its sets out the limitations on treasury management activity through prudential indicators, within which the council's treasury function must operate. The strategy is included as Appendix 1 to the report.

Recommended changes to the Treasury Management Strategy 2020/21

25. The Treasury Management Strategy prudential indicators now includes the near finalised disaggregation of Dorset County Council balance sheet. The key impact is the amount of internal debt being taken on is £24.3m.
26. The 2021/22 Accounting code of practice will require all leases to be added to the balance sheet, which will in effect increase the Councils liabilities and therefore its overall Capital Financing Requirement. Although this change is over a year away it is prudent to ensure that we have estimated the impact of this accounting change in the Treasury Management strategy to ensure sufficient headroom has been allowed for in the Councils prudential indicators.
27. The Council MRP policy is in most cases a 4% charge for any assets below £10m, those above can be reviewed on a specific asset life basis. It is proposed that MRP policy is allowed to extend this flexibility to strategically important schemes which are under the £10m threshold. It will be for the S151 officer to deem what is strategically important for the Council.
28. As per paragraph 11 of this report the Treasury increased the cost of borrowing from the PWLB overnight. To ensure the Council can review all sources of borrowing to secure the lowest interest costs the Treasury Management Strategy now includes a list of all available sources of Long and Short term borrowing deemed appropriate.
29. The Treasury Management strategy now makes reference to ethical investments. This is a growing area for financial institutions and one the Council will continue to consider and review. With any investment the core principles are security followed by liquidity and then returns.

Summary of Financial/Resource Implications

30. Financial implications are as outlined within the report.

Summary of Legal Implications

31. There are no known legal implications.

Summary of Equalities and Diversity Impact

32. The Treasury Management activity does not directly impact on any of the services provided by the Council or how those services are structured. The success of the function will have an impact on the extent to which sufficient financial resources are available to fund services to all members of the community.

Summary of Risk Assessment

33. The Treasury Management Policy seeks to consider and minimise various risks encountered when investing surplus cash through the money markets. The aim in accordance with the CIPFA Code of Practice for Treasury Management is to place a greater emphasis on the security and liquidity of funds rather than the return gained on investments. The main perceived risks associated with treasury management are discussed below.

Credit Risks

34. Risk that a counterparty will default, fully or partially, on an investment placed with them. There were no counterparty defaults during the year to date, the Council's position is that it will invest the majority of its cash in the main UK Banks which are considered to be relatively risk adverse and have been heavily protected by the UK Government over the last few years. The strategy is being constantly monitored and may change if UK Bank Long Term ratings fall below acceptable levels.

Liquidity Risks

35. Aims to ensure that the Council has sufficient cash available when it is needed. This was actively managed throughout the year and there are no liquidity issues to report.

Re-financing Risks

36. Managing the exposure to replacing financial instruments (borrowings) as and when they mature. The Council continues to monitor premiums and discounts in relation to redeeming debt early. Only if interest rates result in a discount that will benefit the Council would early redemption be considered.

Interest Rate Risks

37. Exposure to interest rate movements on its borrowings and investments. The Council is protected from rate movements once a loan or investment is agreed as the vast majority of transactions are secured at a fixed rate.

Price Risk

38. Relates to changes in the value of an investment due to variation in price. The Council does not invest in Gilts or any other investments that would lead to a reduction in the principal value repaid on maturity.

Background papers

39. Treasury Management report to Shadow Authority on 21st February 2019
<https://modern.gov.bcpshadowauthority.com/ieListDocuments.aspx?CId=136&MId=123&Ver=4>

Appendices

- Appendix 1 - Treasury Management Strategy 2020/21

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Bournemouth, Christchurch and Poole Council (BCP)

Treasury Management Strategy Statement 2020/21

Introduction

Local Government Reorganisation in Dorset

- 1 The treasury management strategy has been built on the latest disaggregation position with Dorset Council. It is unlikely that the amount will change materially enough to impact on the strategy.

Background

- 2 The Council defines its treasury management activities as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks." Part of the treasury management operation is to ensure that the cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 3 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 4 Revised reporting is required for the 2019/20 onwards reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is being reported separately.

Reporting Requirements

- 5 **Capital Strategy** - The CIPFA revised 2017 Prudential and Treasury Management Codes require, from 2019-20, all local authorities will prepare an additional report, a capital strategy report, which will provide the following:
 - a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
 - an overview of how the associated risk is managed
 - the implications for future financial sustainability

The aim of this capital strategy is to ensure that all elected members on the full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.

- 6 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.
- 7 **Prudential and treasury indicators and treasury strategy** - The first, and most important report covers:
 - a The capital plans (including prudential indicators);
 - b A minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
 - c The treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
 - d An investment strategy (the parameters on how investments are to be managed).
- 8 **Quarterly treasury management report** – This will update members with the progress of the capital position, amending prudential indicators if necessary, and whether any policies require revision. This role is undertaken by the Audit and Governance Committee.
- 9 **An annual treasury management report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.
- 10 The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit and Governance Committee.

Treasury Management Strategy for 2020/21

- 11 The strategy for 2020/21 covers two main areas:

Capital issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and

- policy on use of external service providers.

12 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

Training

13 The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training was provided to all members on the 7th January 2020 with support from the Councils Treasury Management advisors. It is not envisaged that more training will be required in 2020/21.

14 The training needs of treasury management officers are periodically reviewed.

Treasury management consultants

15 The Councils Treasury Management advisors are Link Asset Services.

16 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources.

The Capital Prudential Indicators 2020/21 – 2022/23

17 The Council's capital expenditure plans have a key influence over the treasury management activity. The capital expenditure plans are reflected in the prudential indicators, which are designed to assist members' in considering the impact and risk of this Council's capital expenditure plans.

Capital expenditure

18 This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000
General Fund	72,701	87,918	30,012	16,776
Commercial activities/ non-financial investments	-	-	-	-
HRA	23,943	39,532	53,191	44,446
Total	96,644	127,450	83,203	61,222

* Commercial activities / non-financial investments relate to areas such as capital expenditure on investment properties, loans to third parties etc.

19 The following tables summarise the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

General Fund and Commercial Activity Capital Expenditure

Capital expenditure	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000
General Fund Total	72,701	87,918	30,012	16,776
Financed by:				
Capital receipts	2,912	-	495	-
Capital grants & Contributions	36,664	49,574	16,031	9,056
Revenue Contributions	1,167	5,669	997	997
Reserve Contributions	8,429	8,527	1,296	538
Internal Borrowing	23,529	24,148	11,193	6,185
External Borrowing	-	-	-	-
Total financing for the year	72,701	87,918	30,012	16,776

HRA Capital Expenditure

Capital expenditure	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000
HRA Total	23,943	39,532	53,191	44,446
Financed by:				
Capital receipts	2,587	4,268	8,534	6,414
Major Repairs Allowance	14,558	21,519	13,190	13,238
Other Contributions	4,688	8,161	9,102	8,700
Internal Borrowing	2,110	5,584	22,365	16,094
External Borrowing	0	-	-	-
Total financing for the year	23,943	39,532	53,191	44,446

The Council's borrowing need (the Capital Financing Requirement)

- 20 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.
- 21 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life, and so charges the economic consumption of capital assets as they are used.
- 22 The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing

requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

23 The Council is asked to approve the CFR projections overleaf:

	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000
Capital Financing Requirement				
CFR – General Fund	309,797	324,330	325,610	321,882
CFR – HRA	142,055	147,639	170,004	186,098
CFR - IAS16 leases estimated impact	-	6,754	6,754	6,754
Total CFR	451,852	478,723	502,368	514,734
Movement in CFR	16,723	26,871	23,645	12,366
Movement in CFR represented by				
Net movement in borrowing for the year (above)	25,639	29,732	33,558	22,279
CFR - IAS16 leases estimated impact	0	6,754		
Less MRP/VRP and other financing movements	(8,916)	(9,615)	(9,913)	(9,913)
Movement in CFR	16,723	26,871	23,645	12,366

24 A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the authority's overall financial position. The capital expenditure figures and the details above demonstrate the scope of this activity and, by approving these figures, consider the scale proportionate to the Council's remaining activity.

Minimum Revenue Provision (MRP) policy statement

25 The Council is required to make a Minimum Revenue Provision (MRP). It is a statutory requirement to make a charge to the Council's General Fund to make provision for the repayment of the Council's past capital debt and other credit liabilities.

26 MHCLG regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to Councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement.

27 For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be either:

- **Existing practice** - MRP will follow the existing practice outlined in former CLG regulations (option 1);
- **Based on CFR** – MRP will be based on the CFR (option 2);

28 These options provide for an approximate 4% reduction in the borrowing need (CFR) each year.

- 29 From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be either:
- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3);
 - **Depreciation method** – MRP will follow standard depreciation accounting procedures (option 4);
- 30 The type of approach intended by the MRP guidance is clearly to enable local circumstances and discretion to play a part, as the guidance in general contains a set of recommendations rather than representing a prescriptive process. The guidance makes it clear that Councils can follow an alternative approach, provided they still make a prudent provision.
- 31 It was agreed by members of previous Councils that the following MRP policy was applied from 2016/17 onwards:
- In respect of all supported borrowing, capital expenditure incurred prior to 2016/17 (excluding assets acquired under PFI or finance lease arrangements) MRP will be provided at a rate of 2% on a straight-line basis to ensure the balance is fully cleared over the period in line with the useful life of the assets.
 - In respect of all unsupported borrowing, capital expenditure incurred prior to 2016/17 (excluding assets acquired under PFI or finance lease arrangements) the Council will apply the Asset life method as used in previous years and will apply an average life of 25 years for the unsupported borrowing requirement to be repaid over based on historical schemes that have required and applied unsupported borrowing.
 - MRP charges from 1 April 2004 to 31 March 2016 exceeded what prudence required during the period under this revised policy. There will be a realignment of MRP charged to the revenue account in 2016/17 and subsequent years to recognise this excess sum. Total MRP after applying realignment will not be less than zero in any financial year.
 - In respect of capital expenditure incurred in 2016/17 and subsequent financial years MRP will be provided at a rate of 4% on the written down balance.
- 32 In 2017/18 a proposed change was made that the 4% write down method will be used for all assets except for significant individual schemes exceeding £10m (such as asset investments) for which the specific asset life will be used for MRP purposes. To allow for further flexibility in the Council MRP policy the Council will look at using specific asset life for individual schemes which are deemed strategically important for the Council but are below £10m. It will be for the S151 officer to determine was it is strategically important.
- 33 There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place).
- 34 Repayments included in annual PFI or finance leases are applied as MRP.

MRP Overpayments

- 35 A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 December 2019 the total VRP overpayments were £4.5m. Decision by previous authorities have earmarked a significant proportion of this for the Oakdale capital scheme. The Councils S151 officer will give ongoing consideration what will be prudent to release in future years.

Borrowing

- 36 The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

Current portfolio position

- 37 The overall Treasury Management portfolio as at 31 March 2019 and for the position as at 31 December 2019 are shown below for both borrowing and investments.

	Actual 31/03/2019 £'000	Actual 31/03/2019 %	Current 31/12/2019 £'000	Current 31/12/2019 %
Treasury investments				
Money Market Funds	7,600	14%	4,150	12%
Bank Deposits	4,228	8%	15,000	44%
Local Authorities	7,500	14%	0	0%
DMO	10,800	19%	0	0%
Call Account	0	0%	4,700	14%
Cash Plus and Short Bond Funds	25,000	45%	10,000	30%
Total Treasury Investments	55,128	100%	33,850	100%
Treasury External Borrowing				
PWLB	152,771	61%	152,562	77%
Local Authorities	78,900	31%	25,000	13%
Private Sector	18,508	7%	17,967	9%
Salix	1,749	1%	1,016	1%
Total External Borrowing	251,928	100%	196,545	100%
Net treasury investment / (borrowing)	(196,800)		(162,695)	

- 38 It should be noted that Bournemouth Borough Council secured a £49m forward loan which will be issued to BCP Council in May 2021.
- 39 The Council's forward projections for borrowing are summarised on the next page. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000
External Debt				
Debt at 1 April	251,928	250,928	230,928	279,928
Expected change in Debt	(1,000)	(20,000)	49,000	0
Actual gross debt at 31 March	250,928	230,928	279,928	279,928
The Capital Financing Requirement	451,851	471,968	495,613	507,979
Under / (over) borrowing	200,923	241,040	215,685	228,051

- 40 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current year and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.
- 41 The Council has complied with their prudential indicator in the current year and does not envisage difficulties for the future due to the large under borrowing requirement. This view considers current commitments, existing plans, and the proposals in this budget report.

Treasury Indicators: limits to borrowing activity

- 42 **The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.
- 43 **The authorised limit for external debt.** A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.
- a This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Councils' plans, or those of a specific Council, although this power has not yet been exercised.
- b The Audit and Governance Committee is asked to approve the following authorised limit:

	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m
Operational boundary	460	550	600	600
Authorised limit	510	600	650	650

Prospects for interest rates

- 44 Link Asset Services as part of their service is to assist the Council to formulate a view on interest rates. The following table gives their view on the base rate and PWLB borrowing costs.

Link Asset Services Interest Rate View														
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

- 45 The above forecasts have been based on an assumption that there is an agreed deal on Brexit, including agreement on the terms of trade between the UK and the EU, at some point in time. The result of the general election has removed much uncertainty around this major assumption. However, it does not remove uncertainty around whether agreement can be reached with the EU on a trade deal within the short time to December 2020, as the prime minister has pledged.
- 46 It has been little surprise that the Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% in 2019 due to the ongoing uncertainty over Brexit and the outcome of the general election. In its meeting on 7 November, the MPC became more dovish due to increased concerns over the outlook for the domestic economy if Brexit uncertainties were to become more entrenched, and for weak global economic growth: if those uncertainties were to materialise, then the MPC were likely to cut Bank Rate. However, if they were both to dissipate, then rates would need to rise at a “gradual pace and to a limited extent”. Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. There is still some residual risk that the MPC could cut Bank Rate as the UK economy is still likely to only grow weakly in 2020 due to continuing uncertainty over whether there could effectively be a no deal Brexit in December 2020 if agreement on a trade deal is not reached with the EU. Until that major uncertainty is removed, or the period for agreeing a deal is extended, it is unlikely that the MPC would raise Bank Rate.

Borrowing strategy

- 47 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council’s reserves, balances and cash flow have been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that need to be considered.
- 48 The Chief Financial Officer has the delegated responsibility to arrange such loans as are legally permitted to meet the Council’s borrowing requirement and to arrange terms of all loans to the Council including amounts, periods and rates of interest.
- 49 Against this background and the risks within the economic forecast, caution will be

adopted with the 2020/21 treasury operations. The Chief Financial Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- a. if it was felt that there was a significant risk of a sharp FALL in borrowing rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then borrowing will be postponed.
- b. if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Policy on borrowing in advance of need

- 50 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.
- 51 Risks associated with any borrowing in advance of activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt rescheduling

- 52 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).
- 53 The reasons for any rescheduling to take place will include:
 - a The generation of cash savings and / or discounted cash flow savings;
 - b Helping to fulfil the treasury strategy;
 - c Enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).
- 54 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.
- 55 All debt rescheduling will be reported to the Audit and Governance committee for the BCP authority at the earliest meeting following its action.

New financial institutions as a source of borrowing and / or types of borrowing

- 56 Following the decision by the PWLB on 9 October 2019 to increase their margin over gilt yields by 100 bps to 180 basis points on loans lent to local authorities, consideration will also need to be given to sourcing funding at cheaper rates from the following:

- Local authorities (primarily shorter dated maturities)
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of spot or forward dates)
- Municipal Bonds Agency (no issuance at present but there is potential)

57 The degree which any of these options proves cheaper than PWLB Certainty Rate is still evolving at the time of writing but our advisors will keep us informed.

Approved Sources of Long- and Short-term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance leases	●	●

Annual Investment Strategy

Investment Policy

58 The MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

59 The Council’s investment policy has regard to the following: -

- MHCLG’s Guidance on Local Government Investments (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

- 60 In accordance with the above guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.
- 61 Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.
- 62 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Creditworthiness policy

- 63 The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:
- a It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
 - b It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
- 64 The Chief Financial Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to which types of investment instruments that can be used as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.
- 65 Credit rating information is supplied by Link Asset Services, our treasury consultants, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer-term change) are provided to officers almost immediately after they occur, and this information is considered before dealing. For instance, a negative rating watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.
- 66 The criteria for providing a pool of high-quality investment counterparties (both specified and non-specified investments) is:

Sovereign Ratings

- AAA (non-UK)

(Rating Description: AAA = Prime Rating, AA+, AA, AA- = High Grade Rating)

Appendix 2 sets out the current list of countries that the Council can invest funds with.

The UK sovereign rating is currently AA. To ensure that the Treasury Function has capacity to operate effectively no specific minimum UK sovereign rating has been set out.

Selection Criteria

- 67 Banks 1 - the Council will use UK and non-UK banks which have, as a minimum at least one of, the following Fitch, Moody's and Standard & Poors credit ratings (where rated):

	Fitch	Moody's	Standard & Poors
Short Term	F1	P1	A-1
Long Term	A-	A3	A-

- 68 Investments will include term deposits, call accounts, notice accounts and Certificate of Deposits.
- Banks 2 – Part nationalised UK bank – Royal Bank of Scotland. This bank can be included provided it continues to be part nationalised or it meets the ratings in Banks 1 above.
 - Banks 3 – The Council's own bankers (HSBC, Lloyds and Barclays) for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
 - Bank subsidiary and treasury operation - The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
 - Building societies. The Council will use societies which meet the ratings for Banks 1 outlined above.
 - Money Market Funds (MMFs) Constant net asset value (CNAV)
 - Money Market Funds (MMFs) Low-Volatility net asset value (LVNAV)
 - Money Market Funds (MMFs) Variable net asset value (VNAV)
 - Ultra-Short Dated Bond Funds with a credit rating of at least 1.25
 - Ultra-Short Dated Bond Funds with a credit rating of at least 1.50
 - Cash Plus Funds
 - UK Government (including gilts, Treasury Bills and the Debt Management Account Deposit Facility (DMADF))

- l Royal Bournemouth and Christchurch Hospital NHS Foundation trusts
- m Local authorities, Parish Councils, BCP Council Companies (Subsidiaries) and Partnerships.
- n Pooled Funds

Maximum Time and Monetary Limits applying to Investments

- 69 The maximum amount that can be invested in any one institution at the time of the investment (including call accounts) as a percentage of the total investment portfolio has been reviewed and rationalised. All AA- and above rated institutions have a maximum limit of 25%, all A+, A or A- rated institutions have a maximum limit of 20%. For practical reasons where the average investment balance falls below £10m it may become necessary to increase the percentage limit to 33% at the time of investment (this only applies to call accounts and money market funds).
- 70 The maximum time and monetary limits for institutions on the Council's Counterparty List are as follows (these will cover both Specified and Non-Specified Investments):

	Long Term Rating	Money Limit	Time Limit
Banks 1 higher quality	AA-	25%	2 years
Banks 1 medium quality	A	20%	1 year
Banks 1 lower quality	A-	20%	6 months
Banks 2 category – part-nationalised RBS / Nat West	N/A	20%	2 years
Banks 3 category – Council's banker HSBC	AA-	25%	3 months
DMADF/Treasury Bills	AAA	25%	6 months
Local Authorities	N/A	20%	5 years
Royal Bournemouth and Christchurch Hospital NHS Foundation Trusts	N/A	Fixed investment £14.9m	15 years
Money Market Funds CNAV	AAA	25%	Instant access
Money Market Funds LVNAV	AAA	25%	Instant access
Money Market Funds VNAV	AAA	25%	Instant access

Ultra-Short Dated Bond Funds	N/A	25%	Unlimited
Cash Plus Funds	AAA	25%	Unlimited
UK Gilts	UK Sovereign Rate	25%	5 years

Use of additional information other than credit ratings

71 Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information will be applied to compare the relative security of differing investment counterparties.

Investment strategy

In-house funds

72 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Investment returns expectations

73 Bank Rate is forecast to increase steadily but slowly over the next few years to reach 1% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

- a 2019/20 0.75%
- b 2020/21 1.00%
- c 2021/22 1.00%
- d 2022/23 1.25%

74 The overall balance of risks to economic growth in the UK is probably neutral. The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

75 **Investment treasury limit** – The maximum period for investments will be 5 years except the Royal Bournemouth and Christchurch Hospital NHS Foundation Trusts investment.

Ethical Investing

76 This is an area of investing that is becoming increasingly considered by financial institutions and customers. Products from financial institutions are growing but still remain limited. To consider investing in sustainable deposits they will still need to meet our counterparty criteria and parameters set out earlier in the strategy. Investment guidance, both statutory and from CIPFA, makes clear that all investing must adopt SLY principles – security, liquidity and yield: ethical issues

must play a subordinate role to those priorities. The Treasury team will continue to explore this area and report to members of any further developments.

Treasury Management Policy, Practices and Schedules

77 The Treasury Management Policy, Practices and Schedules remain unchanged from those presented alongside the 2019/20 budget process. These rarely change and any significant changes will be reported to Audit and Governance before implementation.

Appendices

Appendix 1 - Economic Background and interest rate forecasts

Appendix 2 - Approved Countries for investments

Appendix 1: Economic Background (provided by Link Asset Services)

UK. Brexit. 2019 has been a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU agreed an extension to 31 January 2020. In late October, MPs approved an outline of a Brexit deal to enable the UK to leave the EU on 31 January. Now that the Conservative Government has gained a large overall majority in the **general election** on 12 December, this outline deal will be passed by Parliament by that date. However, there will still be much uncertainty as the detail of a trade deal will need to be negotiated by the current end of the transition period in December 2020, which the Prime Minister has pledged he will not extend. This could prove to be an unrealistically short timetable for such major negotiations that leaves open two possibilities; one, the need for an extension of negotiations, probably two years, or, a no deal Brexit in December 2020.

GDP growth has taken a hit from Brexit uncertainty during 2019; quarter three 2019 surprised on the upside by coming in at +0.4% q/q, +1.1% y/y. However, the peak of Brexit uncertainty during the final quarter appears to have suppressed quarterly growth to probably around zero. The economy is likely to tread water in 2020, with tepid growth around about 1% until there is more certainty after the trade deal deadline is passed.

While the Bank of England went through the routine of producing another **quarterly Inflation Report**, (now renamed the Monetary Policy Report), on 7 November, it is very questionable how much all the writing and numbers were worth when faced with the uncertainties of where the UK will be after the general election. The Bank made a change in their Brexit assumptions to now include a deal being eventually passed. Possibly the biggest message that was worth taking note of from the Monetary Policy Report, was an increase in concerns among MPC members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery. Consequently, the MPC voted 7-2 to maintain Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or Brexit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence, the MPC views inflation as causing little concern in the near future.

The **MPC meeting of 19 December** repeated the previous month's vote of 7-2 to keep Bank Rate on hold. Their key view was that there was currently 'no evidence about the extent to which policy uncertainties among companies and households had declined' i.e. they were going to sit on their hands and see how the economy goes in the next few months. The two members who voted for a cut were concerned that the labour market was faltering. On the other hand, there was a clear warning in the minutes that the MPC were concerned that domestic "unit labour costs have continued to grow at rates above those consistent with meeting the inflation target in the medium term".

If economic growth were to weaken considerably, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore, probably suggest that it would be up to the Chancellor to provide help to support growth by way of a **fiscal boost** by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. The Government has already made moves in this direction and it made significant promises in its election manifesto to increase government spending by up to £20bn p.a., (this would add about 1% to GDP growth rates), by investing primarily in infrastructure. This is likely to be announced in the next Budget,

probably in March 2020. The Chancellor has also amended the fiscal rules in November to allow for an increase in government expenditure.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019 but fell again in both October and November to a three-year low of 1.5%. It is likely to remain close to or under 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time. However, if there was a hard or no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

With regard to the **labour market**, growth in numbers employed has been quite resilient through 2019 until the three months to September where it fell by 58,000. However, there was an encouraging pick up again in the three months to October to growth of 24,000 which showed that the labour market was not about to head into a major downturn. The unemployment rate held steady at a 44 year low of 3.8% on the Independent Labour Organisation measure in October. Wage inflation has been steadily falling from a high point of 3.9% in July to 3.5% in October (3-month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.0%. As 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. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of growth to a robust 2.9% y/y. **Growth** in 2019 has been falling after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2 and then 2.1% in quarter 3. The economy looks likely to have maintained a growth rate similar to quarter 3 into quarter 4; fears of a recession have largely dissipated. The strong growth in employment numbers during 2018 has weakened during 2019, indicating that the economy had been cooling, while inflationary pressures were also weakening. However; CPI inflation rose from 1.8% to 2.1% in November, a one year high, but this was singularly caused by a rise in gasoline prices.

The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not intended to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 – 1.75%. At its September meeting it also said it was going to **start buying Treasuries again**, although this was not to be seen as a resumption of quantitative easing but rather an exercise to relieve liquidity pressures in the repo market. Despite those protestations, this still means that the Fed is again expanding its balance sheet holdings of government debt. In the first month, it will buy \$60bn, whereas it had been reducing its balance sheet by \$50bn per month during 2019. As it will be buying only short-term (under 12 months) Treasury bills, it is technically correct that this is not quantitative easing (which is purchase of long-term debt). The Fed left rates unchanged in December. However, the accompanying statement was more optimistic about the future course of the economy, so this would indicate that further cuts are unlikely.

Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This **trade war** is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.

However, in November / December, progress has been made on agreeing a phase one deal

between the US and China to roll back some of the tariffs; this gives some hope of resolving this dispute.

EUROZONE. **Growth** has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1, +0.2% q/q (+1.2% y/y) in quarter 2 and then +0.2% q/q, +1.1% in quarter 3; there appears to be little upside potential in the near future. German GDP growth has been struggling to stay in positive territory in 2019 and fell by -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars.

The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which then meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels “at least through the end of 2019”, but that was of little help to boosting growth in the near term. Consequently, it announced a **third round of TLTROs**; this provides banks with cheap borrowing every three months from September 2019 until March 2021 that means that, although they will have only a two-year maturity, the Bank was making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank’s eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum; at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a **resumption of quantitative easing purchases of debt for an unlimited period**; (at its October meeting it said this would start in November at €20bn per month - a relatively small amount compared to the previous buying programme). It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and, unsurprisingly, the ECB stated that governments will need to help stimulate growth by ‘growth friendly’ fiscal policy.

There were no policy changes in the December meeting which was chaired for the first time by the new President of the ECB, Christine Lagarde. However, the outlook continued to be down beat about the economy; this makes it likely there will be further monetary policy stimulus to come in 2020. She did also announce a thorough review of how the ECB conducts monetary policy, including the price stability target. This review is likely to take all of 2020.

On the political front, Austria, Spain and Italy have been in the throes of **forming coalition governments** with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The latest results of German state elections has put further pressure on the frail German CDU/SDP coalition government and on the current leadership of the CDU. The results of the Spanish general election in November have not helped the prospects of forming a stable coalition.

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 shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

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.

WORLD GROWTH. Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high-tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. **Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this will militate against central banks increasing interest rates.**

The trade war between the US and China is a major concern to **financial markets** due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns resulted in **government bond yields** in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US). There are also concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks and the use of negative central bank rates in some countries. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been predicting a downturn in growth; this confirms investor sentiment that the outlook for growth during the year ahead is weak.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services in paragraph 3.3 are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU.** On this basis, while GDP growth is likely to be subdued in 2019 and 2020 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement on the detailed terms of a trade deal is likely to lead to a boost to the rate of growth in subsequent years which could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit in December 2020**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there was a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields

correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably even, but dependent on a successful outcome of negotiations on a trade deal.
- The balance of risks to increases in Bank Rate and shorter term PwLB rates are broadly similarly to the downside.
- In the event that a Brexit deal was agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PwLB rates currently include:

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**. In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new coalition based on an unlikely alliance of two very different parties will endure.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government**. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in recent state elections, but the SPD has done particularly badly, and this has raised a major question mark over continuing to support the CDU. Angela Merkel has stepped down from being the CDU party leader, but she intends to remain as Chancellor until 2021.
- **Other minority EU governments**. Austria, Finland, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was **potential for a rerun of the 2008 financial crisis**, but this time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on **some \$19trn of corporate debt in major western economies**, if world

growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is \$15trn of corporate and government debt now yielding negative interest rates, have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.

- **Geopolitical risks**, for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation**, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Appendix 2: Approved countries for investments

AA

- United Kingdom
- France

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

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AUDIT AND GOVERNANCE COMMITTEE



Report subject	Assurance Framework and Internal Audit Planning Consultation
Meeting date	23 January 2020
Status	Public Report
Executive summary	<p>This report sets out the BCP Assurance Framework which identifies the different sources of assurance received across the Council.</p> <p>The report also provides details of the proposed 2020/21 Internal Audit Plan approach.</p>
Recommendations	<p>It is RECOMMENDED that Audit & Governance Committee:</p> <ol style="list-style-type: none"> 1. Agree the BCP Assurance Framework 2. Provide any comments or feedback on the proposed draft 2020/21 Internal Audit Plan (high level allocation of resource and delivery approach). 3. Provide an opinion on the preferred options of the external assessment of Internal Audit. <p>Note the full Internal Audit Plan and the final option agreed for the external assessment of Internal Audit will be approved by this committee at its' April meeting</p>
Reason for recommendations	<p>To comply with Public Sector Internal Audit Standards.</p> <p>To set out the Council's Assurance Framework.</p> <p>To ensure Audit & Governance Committee are informed of the proposed 2020/21 Internal Audit Plan approach.</p>

Portfolio Holder(s):	Cllr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe – Corporate Director Resources
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Wards	Council-wide
Classification	For Information

Background

1. With effect from 1 April 2013, the Public Sector Internal Audit Standards (PSIAS) were set. The PSIAS encompass the mandatory elements of the Global Institute of Internal Auditors (IIA Global) International Professional Practices Framework (IPPF), including the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing.
2. The Local Government Application Note (LGAN) has been developed to detail the sector-specific requirements for the provision of internal audit services within a local government organisation within the UK Public Sector Internal Audit Framework.
3. The Audit and Governance Committee approves the Internal Audit Plan and budget as required under the PSIAS.

Assurance Framework

4. The Council's Assurance Framework identifies the key components that enable the Council to satisfy itself that the risks to its objectives and the risks inherent in undertaking its work have been properly identified and are being managed by controls that are adequately designed and effective in operation.
5. The BCP Assurance Framework (Appendix A) identifies all the sources of assurance, internal and external, received across the Council. This assists Audit & Governance Committee with their role of providing independent assurance to the Council on the effectiveness of the Council's governance arrangements, risk management framework and internal control environment.
6. The Public Sector Internal Audit Standards state that the Head of Internal Audit must provide an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and internal controls (ie the control environment). The Assurance Framework identifies the scope of the Council's control environment.
7. The Assurance Framework also informs the Council's Annual Governance Statement (AGS), which reports on the effectiveness of the governance framework
8. Audit & Governance Committee are asked to agree the Council's Assurance Framework.

Proposed Audit Plan 2020/21 – High level allocation of resource

Best Practice Compliance

9. The Public Sector Internal Audit Standards (PSIAS) require Internal Audit to produce a risk based Audit Plan which should take into account the assurance framework, the requirement to produce an annual internal audit opinion and the relative risk maturity of the organisation
10. The Internal Audit planning process is informed by the Council's Assurance Framework to avoid duplication and identify potential assurance gaps.
11. The proposed work in the draft 2020/21 Audit Plan has been designed to enable the Head of Internal Audit to provide an annual opinion on the adequacy and effectiveness of the Council's control environment (as identified in the Assurance Framework).
12. The risk maturity of the Council has been considered as part of the audit planning process. The draft 2020/21 Audit Plan includes independent and objective assurance on the risks identified by management on Corporate and Directorate Risk Registers (which will include national and local issues).
13. The table below outlines the Audit Plan days for 2020/21, with comparison to the 2019/20 Audit Plan (see Appendix B for more details of Audit Activity).

AUDIT ACTIVITY	2019/20 PLAN DAYS	2020/21 PLAN DAYS BCP	Difference (Days)	Difference %
CORE AUDIT & ASSURANCE WORK				
KEY ASSURANCE FUNCTIONS	190	200		
HIGH LEVEL RISKS	665	700		
COUNTER FRAUD RISKS	160	160		
KEY FINANCIAL SYSTEMS	255	235		
SCHOOLS	75	60		
ADVICE & FOLLOW UP & C/FWD	270	260		
TOTAL	1,615	1,615	0	-
OTHER AUDIT WORK				
INVESTIGATIONS	120	120		
CONTINGENCY AUDITS	75	75		
FINANCIAL REGULATIONS COMPLIANCE	25	20		
TOTAL	220	215	-5	-2%
CORPORATE ASSURANCE WORK				
CORPORATE FRAUD	125	125		
FREE EARLY EDUCATION FUNDING AUDITS	60	70		
TOTAL	185	195	+10	+5%
VFM/BCP WORK				
VFM/EFFICIENCY/MTFP	45	30		
BCP IMPLEMENTATION	65	30		
TOTAL	110	60	-50	-45%
GOVERNANCE WORK				
CORPORATE MANAGEMENT & LIAISON	28	25		
MEMBER LIAISON	52	60		
AGS (Annual Governance Statement)	75	75		
TOTAL	155	160	+5	+3%

SERVICE MANAGEMENT WORK				
MANAGEMENT/MEETINGS/SERVICE MAINT.	215	240		
AUDIT DEVELOPMENT	77	80		
AUDIT PLANNING	58	60		
PERFORMANCE MANAGEMENT	61	60		
TOTAL	411	440	+29	+7%
NON PRODUCTIVE TIME				
LEAVE	491	493		
SICK/DOWNTIME	70	80		
TRAINING & CPD	171	170		
VACANCY CONTINGENCY	50	50		
TOTAL	782	793	-18	-2%
TOTAL DAYS	3,478	3,478	0	-

Audit Plan Delivery

14. The Core Audit & Assurance Plan audits will generally be completed on a Directorate basis covering a selection of *Key Assurance Function* areas, any appropriate *Financial Systems, High Level Risks* and relevant *Counter Fraud* work. This approach will enable Internal Audit to prioritise work within each Directorate and be able to respond to any changes in the Council's business, risks, operations, programmes, systems and controls.
15. During 2020/21 there will be continued change as the new BCP organisation completes restructures and considers the most effective and efficient service delivery requirements. Internal Audit will act as an enabler for change, working with management to help identify emerging risks, advising on changes to processes and associated controls and also to help support improvement whilst ensuring a robust governance framework is maintained. Retrospective reporting on the success or failure of change is in not in the Council's interest, real-time on-going assurance is instead required.

Audit Plan Consultation/Agreement

16. As part of the compilation of the 2020/21 plan, early consultation is being undertaken with Audit & Governance Committee, followed by Corporate Directors & Directors to capture any emerging risks\pertinent issues.
17. Following the consultation process the final 2020/21 Audit Plan will be brought back to this Committee for formal approval in April 2020.
18. A detailed breakdown of audit days required in each Directorate will be included in the final 2020/21 Audit Plan however it should be noted that a great deal of flexibility will be needed on this and work on other activity in order to respond to the continued organisational change.
19. Audit & Governance Committee are asked to consider and comment on the proposed 2020/21 Audit Plan approach.

Compliance with Professional Standards

20. The way in which Internal Audit should operate is contained in the Public Sector Internal Audit Standards (PSIAS). A self assessment has been carried out in previous years for the legacy Council Internal Audit teams which demonstrated full compliance. In order to remain compliant an external review of the Internal Audit service (required under the quality assurance attribute standards) is required to be undertaken once every 5 years.

21. Potential options for carrying out the external assessment include –

- External Audit - Grant Thornton (*update Grant Thornton have advised that under their ethical standards they are unable to carry out this work*).
- Chartered Institute of Public Finance Accounts (CIPFA)
- Institute for Internal Auditors (IIA)
- Peer Review (involving at least 3 organisations).
- Another Local Authority Chief Internal Auditor.
- Another professional external organisation

Whilst the cost of such a review varies greatly depending on the provider the current cheapest option is one provided by CIPFA and the cost would be approximately £3,000 plus travel and expenses for one person over 3 days.

22. There are a number of alternatives to an external assessment but this would result in a technical non (full) compliance with the Standards. Alternatives are:

- Review of self assessment by Audit & Governance Committee or a dedicated working group
- Review of self assessment by other professional officers (e.g. Accountants)
- No assessment carried out

23. Audit & Governance Committee are asked to consider and offer an opinion on the potential options for the external assessment process part of the Public Sector Internal Audit Standards. The Head of Internal Audit will then use the opinion to further investigate and firm up costs. The April meeting of this Committee will then be asked to approve the final preferred option.

Options Appraisal

24. See options in the section above.

Summary of financial implications

25. The Audit Plan is delivered within the Finance base budget approved as part of the wider Council's budget setting process.

26. For 2019/20, forecast year end spend is expected to be in line with the original budget.

Summary of legal implications

27. There are no direct legal implications from this report.

Summary of human resources implications

28. There are no direct human resources implications from this report.

Summary of sustainability impact

29. There are no direct sustainability impact implications from this report.

Summary of public health implications

30. There are no public health implications from this report.

Summary of equality implications

31. There are no direct risk management implications from this report.

Summary of risk assessment

32. The BCP Assurance Framework at Appendix A assists Audit & Governance Committee with their role of providing independent assurance to the Council on the effectiveness of the control environment which includes the risk management framework.

Background papers

None

Appendices

Appendix A – BCP Assurance Framework

Appendix B – Audit Plan Activity Details

Bournemouth, Christchurch & Poole Council
ASSURANCE FRAMEWORK – APRIL 2020

		ASSURANCE SOURCE		RESPONSIBLE DIRECTORATE, SERVICE OR BODY		
AUDIT & GOVERNANCE COMMITTEE	AGS - REVIEW OF EFFECTIVENESS OF GOVERNANCE FRAMEWORK	HEAD OF INTERNAL AUDIT ANNUAL OPINION	Asset Management		Housing & Development	
			Business Continuity		Finance	
			Business Planning/Performance Management		Organisational Development	
			Counter Fraud		Finance	
			Financial Management		Finance	
			Health & Safety		Communities	
			Human Resources		Organisational Development	
			ICT		IT & IS	
			Information Governance		Law & Governance	
			Internal Audit		Finance	
			Management Assurance Statements		Directors of Services	
			Partnerships		Finance & Law & Governance	
			Procurement		Finance	
			Project & Programme Management		Organisational Development	
			Risk Management		Finance	
			EXTERNAL ASSURANCES	External Audit		Grant Thornton
				External Reviews & Inspections		e.g. Care Quality Commission, OFSTED
				Regularity Bodies		e.g. Information Commissioner
				Quality/Accreditation Schemes		e.g. Positive About Disabled People
	External Benchmarking			e.g. CIPFA Benchmarking club		
	Peer Reviews			e.g. Adults Safeguarding Review		
	OTHER	Corporate Governance Disclosure Statements		BCP Corporate Management Team		

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AUDIT PLAN – ACTIVITY DETAILS

Core Audit & Assurance Work

Planned audit reviews across Directorates (further breakdown below)

- *Key Assurance Functions* (as on Assurance Framework – Appendix A);
- *High Level Risks* (assurance on management of risks from the Corporate Risk Register, Directorate Risk Registers and other sources);
- *Counter Fraud* (proactive preventative/detective work using the Counter Fraud Risk Register);
- *Key Financial Systems* (material financial systems);
- *Schools* (as per Internal Audit's Schools Risk Assessment); and
- *Other* (advice, follow up & carried forward audits).

Other Audit Work

- Investigations (reactive or commissioned work into fraud and other irregularities)
- Contingency Audits (additional unplanned audit reviews and grant certification work)
- Financial Regulations Compliance (responding to requests to waivers and instances of breaches)

Corporate Assurance Work

- Corporate Fraud (includes checks on housing and right to buy applications)
- Free Early Education Funding Audits (assurance on funds allocated to nurseries and pre-schools)

VFM/BCP/MTFP Work

- Ongoing work to identify new efficiencies
- Supporting BCP implementation work
- Income generation (including commercial income opportunities) & business opportunities in support of the Councils MTFP

Governance Work

- Corporate Management & Liaison (work with External Audit and Senior Management)
- Member Liaison (Audit & Governance Committee work)
- AGS (preparation & monitoring of the Authority's Annual Governance Statement)

Service Management Work

- Management/Meetings/Service Maintenance (staff management/meetings/recruitment time and back office service maintenance)
- Audit Development (development of the computerised audit management system and associated processes).
- Audit Planning (preparation and development of audit plan)
- Performance Management (monitoring/reporting on team performance and quality assurance processes)

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AUDIT AND GOVERNANCE COMMITTEE



Report subject	Internal Audit Plan Update - April to December 2019
Meeting date	23 January 2020
Status	Public Report
Executive summary	<p>This report details progress made on delivery of the 2019/20 Audit Plan for the period 1 October to 31 December 2019. The report highlights that:</p> <ul style="list-style-type: none"> • Twenty seven audit assignments have been completed, one 'Substantial', nineteen 'Reasonable' and three 'Partial' audit opinions (four 'other'); • Thirty audit assignments are in progress; • The implementation of audit recommendations by management is satisfactory; <p>One Whistleblowing investigation has been completed and one investigation is on-going.</p>
Recommendations	<p>It is RECOMMENDED that:</p> <p>Audit & Governance Committee are asked to note progress made and any issues arising on the delivery of the 2019/20 Internal Audit Plan.</p>
Reason for recommendations	<p>To comply with Public Sector Internal Audit Standards.</p> <p>To communicate progress on the delivery of the 2019/20 Internal Audit Plan.</p> <p>To ensure Audit & Governance Committee are fully informed of the significant issues arising from the work of Internal Audit during the quarter.</p>

Portfolio Holder(s):	CLlr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe – Corporate Director Resources
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Wards	Council-wide
Classification	For Update

Background

1. This report provides an update of Internal Audit's progress against delivering the 2019/20 Audit Plan. The status of audit assignments within the audit plan and where completed, audit opinions, are set out within this report.
2. As required by the Internal Audit Charter this report provides all audit assignments that have been concluded with a 'Minimal' or 'Partial' audit.
3. An update on any recommendations that require escalation to Audit & Governance Committee, as required by the Internal Audit Charter, is also included in this report.

2019/20 Internal Audit Plan Delivery

4. The 2019/20 Internal Audit Plan was agreed with the Audit & Governance Committee in July 2019 and it outline the planned audit areas.
5. The following table summarises Internal Audit activity during the first 9 months of the year in comparison to the original Audit Plan.

TYPE OF WORK / ACTIVITY	PLANNED DAYS (FULL YEAR)	9 MONTHS APRIL – DECEMBER 2019			
		Actual Days	% Completed	% Straight line 9/12 th Projection	% Difference
Core Audit & Assurance (Key Assurance Functions/High Level Risks /Counter Fraud Risks/Key Financial Systems/Schools/Advice & Follow Ups)	1615	1136	70	75	-5
Other Audit Work (Special Investigations/Contingency Audits/Financial Regulations Compliance)	220	136	62	75	-13
Corporate Assurance Work (Corporate Fraud/Free Early Education Funding)	185	153	83	75	+8

VFM/BCP Work (Including MTFP savings/BCP implementation work)	110	58	53	75	-22
Governance Work (Corporate Management/Member Liaison/AGS)	155	128	83	75	+8
Service Management (Management/Audit Development & Planning /Performance)	411	397	97	75	+22
Non-Productive Time (Leave/Training/Sick)	731	550	75	75	-
TOTAL RESOURCE	3427	2558	75	75	-

6. More time was spent than planned during the period on the following activities:

- Corporate Assurance Work (+8%) – The majority of planned reviews of early education establishments to confirm entitlement to funding has been completed during the first 8 months of the year.
- Governance Work (+8%) – Time was spent on completion of the Annual Governance Statement for 2018/19 which will be proportionally less for the remainder of the year and also more time has been spent on member liaison due to the additional Audit & Governance Committee meetings.
- Service Management (+22%) – More time than planned was spent on ‘administration’ which was due to the need to replace and upgrade IT equipment across the whole team. Additional time has also been spent during the quarter on ‘audit development’ which has involved reviewing the audit delivery process to ensure it is as efficient and effective as possible.

7. Less time was spent than planned during the period on the following activity:

- VFM/BCP Work (-22%) – Less time than planned has been spent on this project however time has recently been spent on a project to review BCP Fusion (accounting system) control/holding/suspense accounts which has also contributed to core audit & assurance activity time.
- Other Audit Work (-13%) – Less time was spent than planned on investigations which is a variable activity.
- Core Audit & Assurance (-5%) – This activity has increased during the last quarter and is planned to increase for the remainder of the year

8. Three audit assignments have been fully completed in this quarter of 2019/20 (October-December 2019) as outlined below

2019/20 Audits Completed

	Service Area	Audit	Assurance Opinion
1	Adult Social Care	Finance Review Project	Consultancy Work

2	All Service Areas	Petty Cash Accounts (various services)	N/A - Several recommendations made to improve controls
3	Children's Social Care	Aspire Adoptions Services	Reasonable
4	Children's Social Care	Out of Hours Service	Reasonable
5	Communities	Poole Market	Partial
6	Development	Asset Management	Reasonable
7	Destination & Culture	Adult Education	Reasonable
8	Environment	Parks Asset Management, Health & Safety & Income	Reasonable
9	Environment	Kings Park Nursery Cash Income	Reasonable
10	Finance	SVPP (GDPR compliance)	Reasonable
11	Finance	External Arrangements	Consultancy Work
12	Finance	Debtors	Reasonable
13	Inclusion & Family Learning	Christchurch Learning Centre	Reasonable
14	Inclusion & Family Learning	Christchurch Infant School	Reasonable
15	Inclusion & Family Learning	Mudford Junior School	Reasonable
16	Inclusion & Family Learning	Mudford Community Infants School	Reasonable
17	Inclusion & Family Learning	Somerford Primary Community School	Reasonable
18	Inclusion & Family Learning	St Joseph's Catholic VA Primary School	Reasonable
19	Inclusion & Family Learning	Highcliffe St Mark Primary School	Reasonable
20	Inclusion & Family Learning	Burton CE Primary School	Reasonable
21	Inclusion & Family Learning	The Priory CE VA Primary School	Reasonable

22	IT & IS	Councillors IT Equipment	Partial
23	IT & IS	System Application Access Across BCP Networks	Substantial
24	IT & IS and Law & Governance	IT Policies	Reasonable
25	Law & Governance	Employee Declaration of Interests	Partial
26	Organisational Development	Social Media	Reasonable
27	Organisational Development	Payroll (TUPE transfer of data)	Consultancy Work

Key:

- **Substantial Assurance** - There is a sound control framework which is designed to achieve the service objectives, with key controls being consistently applied.
- **Reasonable Assurance** - Whilst there is basically a sound control framework, there are some weaknesses which may put service objectives at risk.
- **Partial Assurance** - There are weaknesses in the control framework which are putting service objectives at risk.
- **Minimal Assurance** - The control framework is generally poor and as such service objectives are at significant risk

Poole Market Audit Report

9. Seven recommendations (1 high, 5 medium, 1 low priority) were made in the Poole Market Audit Report which was given a 'Partial Assurance' audit opinion. The following issues were found:
 - Income Collection (High): Insufficient segregation of duties whereby a single officer is currently responsible for the collection, recording and banking of all income from the market.
 - Banking: Funds are, in a minority of cases, banked a significant amount of time after being originally collected.
 - Income Collection: Quarterly management checks do not verify the fees charged to Traders; records are not specifically produced for Tuesday markets; funds are sometimes not banked until 2 – 3 weeks after the applicable market day; and annual income targets have not been met for the past 3 financial years.
 - Regulatory Compliance: Evidence of completed applications and insurance cover is not on file for all Traders.
10. Recommendations to address the issues have all been agreed with management and are detailed in Appendix A.

Declarations of Interest Audit Report

11. Five recommendations (1 high, 3 medium, 1 low priority) were made in the Declarations of Interest Audit Report which was given a 'Partial Assurance' audit opinion. The following issues were found:

- Current Arrangements (High): The Declaration of Interest process is not consistent within the 4 Legacy Code of Conducts.
- Policy Ownership: Whether the declaration of interest procedure should be included within the Code of Conduct or as a separate document.
- Conflict of Interest Definition: There is no clear definition of what a conflict of interest is.
- Logging Declaration of Interests: There is no overall database of all raised declaration of interests

12. Recommendations to address the issues have all been agreed with management and are detailed in Appendix B.

Councillors IT Equipment Audit Report

13. Ten recommendations (1 high, 9 medium priority) were made in the Councillors IT Equipment Audit Report which was given a 'Partial Assurance' audit opinion. The following issues were found:

- Returning IT Equipment (High): Obtaining access to personal, resident or confidential data after the return of the Councillors IT Equipment
- Issue of IT Equipment: Councillors being issued with non-standard IT Equipment
- Security of Data: Councillors sharing login details and passwords with family members. Councillors setting up auto-forwarding from a BCP e-mail account to a personal e-mail account. Councillors using BCP IT equipment and e-mail address for other roles not linked to the council. Councillors using their laptops and accessing data from abroad on holiday.
- Returning IT Equipment: No agreed timeframe set for former Councillors returning IT Equipment. No escalation procedure in place for the non-return of ICT equipment. Personal or resident data not being removed from the Councillors IT Equipment or BCP network after they have been deselected

Recommendations to address the issues have all been agreed with management and are detailed in Appendix C.

14. There were no 'Minimal' assurance audit reports issued during the quarter.

15. The status of audits currently in progress is outlined below:

2019/20 Audits In Progress

	Service Area	Audit	Progress
1	Adult Social Care	Debt Management Review (legacy BoP)	Draft Report
2	Adult Social Care	Debt Management Review (legacy BBC)	Draft Report

3	Housing	Governance of Companies	Draft Report
4	Destination & Culture	Seafront Catering	Draft Report
5	Growth & Infrastructure	Car Parks	Draft Report
6	Children's Social Care	Private Fostering	Draft Report
7	Finance	Council Tax	Draft Report
8	Finance	NDR	Draft Report
9	SVPP	Council Tax	Draft Report
10	SVPP	NDR	Draft Report
11	All Service Areas	Income Systems (various services)	Fieldwork (further work planned qtr 4)
12	SVPP	Housing Benefits	Fieldwork
13	Finance	Housing Benefits	Fieldwork
14	Public Health	CFO Statement of Assurance: Ring Fenced Grant	Fieldwork
15	Adult Social Care	Mosaic Payments System Review	Fieldwork
16	IT & IS	IT Equipment Commissioning & Install	Fieldwork
17	Environment	Cash Income (Parks Catering/ Boscombe Mini Golf, QP Golf Club)	Fieldwork
18	Environment	Environment - Cash Income (Waste & Recycling Centres)	Fieldwork
19	Communities	Licensing	Fieldwork
20	Communities	CCTV	Fieldwork
21	All Service Areas	Duplicate Payments	Fieldwork
22	Quality & Commissioning	Procurement (Contracts Register)	Fieldwork
23	Inclusion & Family Learning	Virtual School - Pupil Premium Reform	Fieldwork
24	Inclusion & Family Learning	Financial Management (Budgetary Control & Direct Payments)	Fieldwork
25	Finance	Main Accounting	Scoping (delayed)
26	Adult Social Care	Partnerships KAF - Dorset Health Care	Scoping
27	Communities	Health & Safety (corporate & service arrangements)	Scoping
28	Organisational Development	Policies	Scoping
29	Children's Services (all)	Health & Safety	Scoping
30	Destination & Culture	Libraries administration	Scoping

16. In summary, good progress is being made on completion of the 2019/20 Audit Plan. No issues are currently identified which would prevent the Audit Plan being materially delivered as planned.

Significant Issues Arising/ Other Work

17. Audit & Governance Committee will receive a more detailed summary of all investigation and whistleblowing referrals in the year end 'Annual Report of Internal Audit Counter Fraud Work and Whistleblowing referrals 2019/20', shown in the Forward Plan. However, it is also important to give the Committee assurance during the year that such matters are being addressed.
18. The whistleblowing referral which was received during the first quarter (as reported to July Audit & Governance Committee) is still being addressed and is not yet finalised. This referral related to legacy Council arrangements in place prior to BCP Council but which BCP Council inherited. Specialist advice and opinion of the corporate Health & Safety Team is being used to resolve the issues.
19. One whistleblowing referral was received during the second quarter (as reported to the October Audit & Governance Committee) of this financial year and the management investigated has concluded and the 'Whistle-blower' has been informed of the outcome and is content. Internal Audit have made recommendations to improve some operational controls.
20. There were no whistleblowing referrals in the third quarter of 2019/20. (Oct to Dec inclusive).
21. Other (non-whistleblowing) investigations are on-going but there are no significant issues arising currently to report.
22. Further transformation work has also been carried out by Internal Audit advising and supporting services to move from legacy Council arrangements to new BCP arrangements during the third quarter of 2019/20.
23. Internal Audit supported Accountancy on a review of BCP Oracle Fusion financial system processes. The objectives of the review were to ensure that; financial system interfaces are efficient and fit for purpose; appropriate control accounts are in place and used correctly, and transaction processing in allocating and clearing control/holding/suspense accounts is efficient and appropriate. Recommendations were made to address the following findings :
 - 14 out of 70 interfaces (20%) involve manual intervention or manipulation of data;
 - Systems notes are not currently available for any of the 14 manual interfaces;
 - Income receipting for legacy Bournemouth is not resilient;
 - Cost centres could be rationalised by approximately 260 from the current 390 to 130 (numbers have been rounded for ease of reading);
 - Accountancy have confirmed that most control, holding and suspense accounts have not been reviewed, reconciled or cleared for the year to date;
 - No consistent system of review of control, holding or suspense accounts is in place;
 - Definitions of control, holding and suspense accounts are inconsistent;

- Transactions coded to cost centres do not always give a clear indication of what the transaction is for;
- Not all cost centres have allocated Finance Managers or accountants;
- The lack of a cash management system for legacy Bournemouth Borough Council accounts is resulting in the use of a significant number of cost centres to reconcile income and expenditure between bank accounts and service transactions.
- Cost centres identified as being used as pseudo purchase ledgers;
- Certain debtor invoices for income have not been raised promptly in BCP Oracle Fusion;
- Transactions which could be coded directly to services are being coded to holding accounts as an interim measure.

Recommendations Implementation

24. All high priority recommendations followed up during the period (in line with the agreed action plan) were found to have been satisfactorily implemented by management. No escalation to Audit & Governance Committee is therefore required in this regard.
25. Management across BCP Council is currently working to implement, to agreed timescales*, 35 (40 previous quarter) high priority and 229 (203 previous quarter) medium priority recommendations. (*with Internal Audit).

Options Appraisal

26. Options appraisal is not applicable for this report.

Summary of financial implications

27. The BCP Internal Audit Team budgeted cost is £608,300 which is inclusive of all direct costs including apportioned corporate accommodation costs and supplies & services but does not include the apportionment of central support costs (which are budgeted in aggregate and apportioned to services as a separate exercise). These numbers are exclusive of the Head of Audit & Management Assurance who manages other teams.
28. This allocated budget resource is adequate to deliver the Internal Audit Charter and Plan as described in this report. Audit & Governance Committee are asked to note the budget for the Internal Audit Team which has been previously approved by Council.
29. The Internal Audit Team is currently at full establishment. There are no anticipated projected year end budget variances to report for 2019/20.

Summary of legal implications

30. This report gives an opinion on the adequacy and effectiveness of the risk, control and governance systems in place.

Summary of human resources implications

31. The BCP Internal Audit Team consists of 13.55 FTE.

Summary of sustainability impact

32. There are no direct sustainability impact implications from this report.

Summary of public health implications

33. There are no public health implications from this report.

Summary of equality implications

34. There are no direct equality implications from this report.

Summary of risk assessment

35. The risk implications are set out in the content of this report.

Background papers

None

Appendices

Appendix A - Poole Market – Audit Report Recommendations

Appendix B - Declarations of Interest – Audit Report Recommendations

Appendix C - Councillors IT Equipment – Audit Report Recommendations

Appendix A

COMMUNITES – POOLE MARKET

2019 AUDIT REPORT RECOMMENDATIONS

Recommendation	Priority
It is recommended that effective separation of duties is put in place to ensure that income collection, reconciliation and banking officers are separate from one	High

another. Internal Audit have logged a Financial Regulations breach and will provide the service with a pre-populated breach form to complete.	
It is recommended that a formal management review is undertaken to: <ul style="list-style-type: none"> • Determine the factors underpinning the ongoing reduction in street market income; • Identify appropriate actions to be taken to identify and manage any fraud and/or errors and any opportunities to improve the street market and associated income generation. It is further recommended that direct liaison with Accountancy is undertaken to: <ul style="list-style-type: none"> • Determine whether the current income budget of £107k per annum remains appropriate; • Reevaluate the proposed income budget for 2020/21 accordingly. 	Medium
It is recommended that the quarterly management check of the market is updated to include verbal verification of the amount Traders have paid, along with who is onsite.	Medium
It is recommended that any non-standard market days are supported by specific and complete income collection and banking records, demonstrating clearly when Traders have paid in full.	Medium
It is recommended that all market income is banked promptly, and where this is not possible a full audit trail is maintained in support of why this is the case and where funds are held in the interim.	Medium
It is recommended that all Traders are required to provide evidence of current insurance before being allowed to trade at the Market. It is further recommended that a schedule is put in place of the dates all insurance information provided by Traders is due for renewal, to ensure updates are sought within the necessary timeframes.	Medium
It is recommended that all Traders are required to complete an Application for Street Trading Permit annually, evidence of which should be retained, prior to being allowed to trade at the Market. It is further recommended that a schedule is put in place of the dates all Applications submitted by Traders are due for renewal, to ensure updates are sought within the necessary timeframes.	Low

Appendix B

LAW & GOVERNANCE – DECLARATIONS OF INTEREST

2019 AUDIT REPORT RECOMMENDATIONS

Recommendation	Priority
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It is recommended that the Director of Law & Governance issues revised guidance including a standard form to complete, which supersedes the current arrangements, to all staff reminding them of their responsibility to declare any potential conflicts of interest to their relevant line manager.	High
As part of the Corporate review of the Code of Conduct it is recommended that the Director of Law & Governance and the Head of HR & OD consider whether the procedure for declaring a conflict of interest should be included within the Code of Conduct or in a separate document.	Medium
It is recommended that the Head of HR & OD and the Director of Law & Governance agree wording that defines what a Conflict of Interest is, which is included in the Code of Conduct and, if it is a separate document, the Declaration of Interest.	Medium
It is recommended that the Director of Law and Governance ascertains whether an electronic system can be used so that staff can input any declarations directly onto the system, and the system will automatically notify the relevant manager and can issue reminders.	Medium
If an electronic solution has been identified, it is recommended that, the Director of Law and Governance should consider whether staff should submit 'Nil' returns.	Low

Appendix C

IT & IS – COUNCILLORS IT EQUIPMENT 2019 AUDIT REPORT RECOMMENDATIONS

Recommendation	Priority
It is recommended that the ICT Services Delivery Manager only issues Councillors with the agreed standard IT Equipment unless they can demonstrate a specific / unique need which has been agreed by the Director of Law & Governance and the Director of IT & IS.	Medium

It is recommended that the Head of Democratic Services issues a reminder to all Councillors that both the BCP e-mail address and IT equipment is not to be used for other duties that they undertake, and the Members Service Definition should be updated. Any exceptions should be agreed with the Director of IT&IS and the Director of Law & Governance and suitable controls are put in place so that the Councillor will be complying fully the General Data Protection Regulations (GDPR).	Medium
It is recommended that the Head of Democratic Services issues a reminder to all Councillors that both the Information Security Policy and the Members Service Definition clearly states that no one else should be using their BCP issued ICT equipment.	Medium
It is recommended that the Head of Democratic Services issues a reminder to all Councillors that the use of personal e-mail address and auto forwarding is prohibited as per the Information Security Policy.	Medium
It is recommended that the ICT Services Delivery Manager ascertains whether auto-forwarding of e-mails can be disabled for Councillors BCP E-mail accounts.	Medium
It is recommended that the ICT Services Delivery Manager updates the Members Service Definition stating that Councillors laptops should not be used abroad, unless on official Council business, and any use must be agreed with IT & IS Services to ensure that arrangements are put in place to protect the laptop and any data that could be accessed.	Medium
It is recommended that the ICT Services Delivery Manager updates the Members Service Definition with an agreed timeframe when all IT Equipment should be return.	Medium
It is recommended that the ICT Services Delivery Manager and the Head of Democratic Services agrees an escalation process where non-return of BCP IT equipment is escalated to the Director if IT&IS and the Director of Law & Governance.	Medium
It is recommended that ICT Service Delivery Manager updates the Members Service Definition stating that it is the Councillors responsibility to ensure that all personal and resident data is removed from either the Council Network or the laptop before all IT Equipment has been returned.	Medium
Further to the above recommendation, when a former Councillor requests access to data it is recommended that the ICT Service Delivery Manager and the Head of Democratic Services develops a request protocol which the former Councillor needs to complete, stating what data / information they will be copying / accessing, and this will need to be approved by the Director of Law & Governance.	High

AUDIT & GOVERNANCE COMMITTEE



Report subject	Governance of Corporate Health & Safety and Fire Safety
Meeting date	23 January 2020
Service Director	Kelly Ansell, Director - Communities
Status	Public
Executive Summary	<p>Following approval of the BCP Council Health & Safety and Fire Safety policies by BCP Council Programme Board on 28th February 2019, new governance arrangements have been implemented. The first meeting of the Health & Safety and Fire Safety Board took place on 14th November 2019.</p> <p>This report details progress made on the delivery of health & safety and fire safety governance arrangements for BCP Council and highlights:</p> <ul style="list-style-type: none"> • New governance arrangements (meetings and actions) that have been agreed that are being rolled out in 2020 • Development of an action plan with tracking at each board meeting. • BCP Council individual Health and Safety and Fire Safety policies have been agreed. A plan for the alignment of key supporting policies and procedures is due to commence. • The Corporate Health and Safety Team and Fire Safety Team are located in the Communities Directorate. Restructure of Tiers 4 and 5 are complete, resulting in one BCP Health and Safety Manager and one BCP Fire Safety manager reporting to the Head of Regulatory. • A comprehensive targeted training programme for both Health and Safety and Fire Safety is being designed, ahead of required implementation within 2020.
Recommendation(s)	<p>It is RECOMMENDED that:</p> <ol style="list-style-type: none"> 1. Health & Safety and Fire Safety on-going governance arrangements be reported to Audit and Governance Committee annually. 2. Audit and Governance Committee notes the progress achieved in setting up the Health and Safety and Fire Safety governance arrangements.

Reason for recommendation(s)	Annual reporting to Audit & Governance Committee will provide reassurance that Health & Safety and Fire Safety Governance arrangements are being implemented to an acceptable standard.	
Portfolio Holder(s):	Cllr Vikki Slade, Leader of the Council	
Corporate Director	Kate Ryan	
Report Authors	Margareta Flicos - Health and Safety Manager 01202 451483 Margareta.flicos@bcpcouncil.gov.uk	Phillip Lawrence - Fire Safety Manager 01202 451974 Phillip.lawrence@bcpcouncil.gov.uk
Contributions	Margareta Flicos, Health and Safety Manager Phillip Lawrence, Fire Safety Manager Peter Haikin, Head of Regulatory Services Kelly Ansell, Director - Communities	
Wards	None specific	
Classification	For recommendation	

Background

1. On 28th February 2019 BCP Council Programme Board approved the BCP Council Health, Safety and Welfare Policy and the Fire Safety Policy, both of which came into effect on 1st April 2019. The policies define various roles and responsibilities, and propose a governance model that places the Health & Safety and Fire Safety Board at the centre of strategic oversight and performance monitoring.
2. The first BCP Board meeting took place on 14th November 2019, where draft governance arrangements were approved.

Governance arrangements

3. Appendix 1 displays the now adopted Health & Safety and Fire Safety Governance framework, which includes a diagrammatic representation of the governance structures.
4. The framework sets out the relationship between the Audit & Governance Committee, Corporate Management Board, the Health & Safety and Fire Safety Board, and senior managers in directing the leadership of health & safety and fire safety across BCP Council.
5. The Health & Safety and Fire Safety Board, which will meet quarterly, provides for strategic oversight and performance monitoring. Its purpose is to ensure compliance with regards to the health and safety and fire safety through the effective application of suitable policy, procedures, measures and training. The Board comprises:
 - Chief Executive or Corporate Director Environment & Community
 - Director of Communities
 - Service Directors (or their delegated representatives)

- Head of Audit and Management Assurance
- Health & Safety Manager
- Fire Safety Manager
- Insurance Manager
- Union representative

The Board is accountable to the Corporate Management Board.

6. Workplace Health & Safety and Fire Safety management meetings will be quarterly and will be at Service Directorate level. Membership will include Service Directors, employee and union representatives, and service managers. The purpose is to address health & safety and fire safety issues relevant to the workplace, and develop action plans to ensure compliance with legislative and policy obligations. They are accountable through Service Directors to the Corporate Health & Safety and Fire Safety Board.
7. The Health & Safety and Fire Safety Forum will meet quarterly, and will comprise H&S coordinators or leads, Corporate Health & Safety and Fire Safety team representatives, and Union representatives. This is a forum for consultation with all employees in accordance with statutory requirements. The meetings provide an opportunity for staff to share best practice and issues at workplace and operational level, and provide a channel for communication between employees and the Board.
8. The next stage in the implementation of governance arrangements is for Service Directors, with assistance from the Health & Safety and Fire Safety teams, to schedule and run quarterly workplace meetings and identify suitable and appropriate coordinators or leads. Quarterly Forum meetings will be scheduled and chaired by the Health & Safety and Fire Safety teams. These meetings will start in April 2020, after Health and Safety coordinators have been nominated by the Service Directorates.

Progress reporting to the Board

9. A performance report will be provided to each Board meeting, providing information on such matters as the audit programme, policy & governance implementation, staff training & communications, risk assessments, and accidents & incidents.
10. At the meeting in November 2019, the Board agreed to the development of an Action Plan which outlined development of governance, policy and corporate work-planning. This will be monitored at each Board meeting. Priorities are to establish effective Service Directorate meetings in all Service Directorates, set up and implement a comprehensive Communications plan and ensure that BCP wide H&S and Fire Safety systems, such as the accident reporting system and the Cautionary Contact List, are implemented and can be easily accessed by all staff.
11. A Risk Register for Health & Safety and Fire Safety will also be reviewed at the quarterly Board meetings.

Legacy arrangements

12. Although, as explained in paragraph 1, BCP Council has a Council Health, Safety and Welfare Policy and a Fire Safety Policy which applies across all parts of the Council, legacy arrangements remain in place which sit under these policies.
13. Health & Safety and Fire safety corporate procedures and reporting systems which were in place for the three legacy Councils are generally retained and will remain in place until such time as they are reviewed and new BCP Council corporate procedures created.

Operational updates

14. The Health and Safety and Fire Safety team members are in regular contact with operational service areas. Resources are allocated to specific high-risk areas to develop a good insight into day to day practice. The knowledge gained of the service continues to result in improved and specific support and advice offered by the corporate teams. Advice is given to all Service Directorates and schools on many different aspects, including risk assessments.
15. A number of policies have been selected as a priority for development as BCP Council policies. A full programme to review and create Corporate BCP policies/procedures to replace the legacy versions is being developed.
16. The Health and Safety and Fire Safety teams continue their contribution to the major events Safety Advisory Group (SAG) meetings including the SAG for Bournemouth Air Festival 2019 which took place in August. Both Health and Safety and Fire Safety teams to provide pragmatic and risk assessed advice to event coordinators and maintain key liaison with external partner agencies.
17. A Premises Fire Risk Assessment Re-Inspection Programme is currently being revised, considering the larger number of properties now under total BCP Council control.

Staffing and team structure

18. The Corporate Health & Safety team and Fire Safety team are located within the Communities Directorate, under the Head of Regulatory Services.

Fire Safety

19. Currently the Fire Safety team for BCP Council is primarily made up of the legacy Bournemouth Borough Council's Fire Safety team, which includes one full time Fire Safety Manager, one full time and one part-time (3 days per week) Fire Safety Advisors. There is a vacancy within the Christchurch geographic to be filled and a review of service delivery options to incorporate previous arrangements of Fire Safety within the Poole geographic is underway. There is an overall requirement for an increase in resource to accommodate the required advisory support service for the now wider, overall BCP Council geographic.

Health and Safety

20. The Corporate H&S team comprises two H&S practitioners in based in Poole, three H&S practitioners (one vacant) and a Corporate H&S manager based in Bournemouth and a H&S practitioner post in Christchurch (vacant since April).
21. Recruitment has commenced for a direct replacement of one of the vacant H&S practitioner posts and a H&S business and training support officer to replace the other vacant H&S practitioner post.
22. Recruitment to the vacant posts is under way.

Summary of financial implications

23. The 2019-20 budget for Health and Safety is £262,600 and for Fire Safety it is £120,600.
24. There are no financial implications arising from the recommendations of this report.
25. There are potential financial risks associated with inadequate or non-compliant Health and Safety or Fire Safety practices that could lead to financial penalties and losses. The governance arrangements outlined in this report will help to mitigate these.
26. A sum of £112k (one off sum) has been allocated for the delivery of Health & Safety and Fire Safety priorities, of which £100k is remaining. £12 K was spent on Fire Safety training equipment.

Summary of legal implications

27. There are no legal implications arising from the recommendations of this report.
28. The Council is legally obliged to have adequate Health and Safety and Fire Safety arrangements in place, and the new governance arrangements help to demonstrate compliance with these obligations.

Summary of human resource implications

29. There are no human resource implications arising from the recommendations of this report.

30. Summary of environmental impact

31. There is no environmental impact arising from the recommendations of this report.

Summary of public health implications

32. There are no public health implications arising from the recommendations of this report.

Summary of equality implications

33. There are no equality implications arising from the recommendations of this report.

Summary of risk assessment

34. Failure to report annually would leave the Committee unaware of continuing governance arrangements, which increases the risk of on-going governance falling below acceptable standards.

35. More frequent reporting is not considered necessary, albeit there should remain the option for exception reporting if relevant officers or members are concerned that governance arrangements may have been compromised.

Background papers:

36. [BCP Health, Safety and Welfare Policy, 1st April 2019](#)

37. [BCP Fire Safety Policy, 1st April 2019](#)

Appendices

Appendix 1: BCP Health & Safety and Fire Safety Governance framework

Health & Safety and Fire Safety Governance framework



Version 1.7 14 Nov 19

Purpose of this document

1. This document sets out the governance framework (The Framework) for Health & Safety and Fire Safety to be adopted by BCP Council with effect from 14 November 2019.
2. This document should be read in conjunction with the [Corporate Health Safety and Welfare policy](#) and the [Corporate Fire Safety policy](#)
3. This document includes the Terms of Reference, including purpose and responsibilities for;
 - The Health & Safety and Fire Safety Board
 - Service Directorate Health & Safety and Fire Safety Meetings
 - The Health & Safety and Fire Safety Forum Meeting

 - Optional - Operational team meetings (to focus on very specific issues)

**Service Directors may choose to 'pool' or coordinate meetings across Corporate Directorates in lower risk areas such as Resources Directorate if it suits and is agreed by the Corporate Director.*

4. The Framework will co-exist alongside other Boards/Committees and there may be a requirement for the Board, Meeting, or an individual within The Framework to report periodically into such Boards/Committees, for example, Joint Consultative Committee/Forum.
5. For the avoidance of doubt the Audit and Governance Committee will receive at least an 'Annual Health & Safety and Fire Safety Report', or more frequently as determined by the Committee itself, The Health & Safety and Fire Safety Board or Corporate Management Board.
6. The Framework is not intended to replace day to day reporting of health & safety and fire safety issues and concerns, the details of which are in the Policies above and in procedures which will be updated as required. Some of these procedures are legacy Council (Bournemouth, Christchurch and Poole Council) and will be changed when it makes sense to do so.
7. The diagram below shows the 'governance framework on a page', the Terms of Reference for the various board/meetings then follow.

Health and Safety and Fire Safety – Governance Framework

88

Strategic Direction

Operational Direction

Cabinet
Who are they? - Leader and H&S portfolio holder

Audit & Governance Committee (A&G)
 To receive an Annual Report (as a minimum, otherwise as required)

Corporate Management Board (CMB)
 For escalation as needed

Health and Safety and Fire Safety Board
Who are they?

- Chief Executive / Corporate Director Environment & Community
- Director of Communities
- Service Directors (or their delegated representatives)
- Head of Audit and Management Assurance
- Health and Safety Manager and team
- Fire Safety Manager and team
- Union representative

What do they do?
 Ensure Council is meeting its statutory responsibilities for H&S and Fire Safety

How often do they meet? - Quarterly

Corporate Support
Who are they?

- Corporate H&S Team
- Corporate Fire Safety Team
- Audit & Management Assurance
- Human Resources
- Facilities Management

What do they do?

- Offer professional and expert advice and support
- Provide assurance (compliance work) separate from those responsible for delivery

Service Directorate Health & Safety and Fire Safety meetings
Who are they?

- Service Directorate Director & Managers
- Service Directorate H&S coordinators/lead
- Staff reps wishing to raise any matters
- Corporate H&S Team rep.
- Corporate Fire Safety Team rep. (on request)
- Union representative(s)

What do they do?
 Responsible for delivery of H&S and FS against expectations (policy and regulatory)

How often do they meet? - Quarterly

Operational Team meetings (optional)
Who are they?

- Team Managers
- Staff
- H&S and Fire Safety on request
- Union Representative on request

What do they do?
 H&S management for specific team or service areas

How often do they meet?
 Frequency determined by Team (if considered necessary)

Health & Safety and Fire Safety Forum meeting
Who are they?

- Corporate H&S team
- Fire safety team
- Service Directorate H&S coordinators/ leads
- Union representative(s)

What do they do?
 Share best practice and issues at workplace and operational level

How often do they meet?
 Quarterly



Terms of Reference

The Health & Safety and Fire Safety Board

1. Purpose & Responsibilities:

- a. Ensure the Council is meeting its statutory responsibilities with regard to the health and safety and fire safety of all Council employees and any person affected by Council undertakings through the effective application of policy, procedures, measures and training.
- b. Ensure that H&S and fire safety standards for BCP Council are clearly defined
- c. Establish an appropriate corporate policy framework, overseeing policy development and approval
- d. Commissioning audits where required
- e. Capture and share best practice working so it can be applied consistently across the Council, where relevant.
- f. Resolve non-compliance matters escalated or raised by Service Directorate meetings from across the organisation.
- g. Ensure there is an effective assurance process for Health & Safety and Fire Safety across the Council and monitor and review its effectiveness
- h. Monitor the Health & Safety and Fire Safety Risk Register(s) ensuring that potential health and safety and fire safety risks arising from Council operations are identified, evaluated and minimised.
- i. Review and input into key reports, reviews and findings as and when required ahead of submission to decision making bodies (such as Corporate Management Board, Cabinet or Council).
- j. Champion new thinking and best practice which enables the Council to commit to the continual improvement of Health and Safety and Fire Safety by managing a dedicated action plan.
- k. Review national guidance updates and initiatives which may require significant changes or investment and make recommendations to facilitate progress.
- l. Adopt an appropriate conduct which reinforces and strengthens a positive safety culture.

2. Levels of Authority

The Board may escalate matters of concern and/or make recommendations to Corporate Management Board (CMB) where there is sufficient risk or levels of compliance are considered to significantly increase the risk levels for the Council or a service.

Where required, the Board may commission investigations into areas of compliance concern.

3. Reporting

At each Board meeting, the Corporate Health & Safety and Fire Safety managers will provide the Board with a quarterly report, and a summary of the Health and Safety and Fire Safety Risk Register.

In addition, the Health & Safety and Fire Safety Board may be required by CMB to provide ad-hoc updates on specific risks and the Action plan.

4. Membership

Membership is outlined as follows:

Name	Committee Role
Chief Executive	Chair
Corporate Director Environment & Community	Deputy Chair
Director of Communities	Lead HS Service Director
Service Directors (or their delegate)	Service Directorate representative
Head of Audit & Management Assurance	Management Assurance
Health and Safety Manager	Health & Safety advice and guidance
Fire Safety Manager	Fire Safety advice and guidance
UNISON - Branch Secretary and/or H&S rep.	Trade Union Health & Safety Representative
GMB Branch Secretary and/or H&S rep.	Trade Union Health & Safety Representative
H&S Advisors and H&S Officers (as required)	Health & Safety advice and guidance
Fire Safety Advisors (as required)	Fire Safety advice and guidance
Insurance & Risk Manager	Key Function - Insurance
Facilities Management	Key Function – Facilities management
HR Business Partner	Key Function - HR
	Minute Taker

Service Directors are expected to fully embrace the responsibility of the board. If they are unable to attend a meeting, they are required to find a suitable deputy to attend on their behalf and update them prior to the meeting.

5. Meeting frequency and administration

The BCP Council Health & Safety and Fire Safety Board will meet on a quarterly basis and meeting dates will be published well in advance on the BCP Council intranet pages. Wherever possible, meetings shall not be cancelled or postponed (except in exceptional circumstances). If any attendees cannot attend, then they will nominate a deputy to attend in their place.

Agenda items will include:

- Actions from last meeting

- Policy and procedure updates
- Health and Safety and Fire safety reports
- Escalated issues and matters of non-compliance
- Review of health and safety and fire safety risk register
- Review of health and safety data (accident statistics, absence statistics)

Agenda items and papers will be emailed to all attendees and Service Directors and Corporate directors prior to each meeting.

Key notes, decisions and actions will be circulated to attendees after each meeting in a timely fashion.

6. Chair

The Board will be chaired by the Chief Executive (or his delegate)

Terms of Reference

Service Directorate Health & Safety and Fire Safety Meetings

1. Purpose & Responsibilities

Service Directorate meetings, with Union attendance and Health & Safety and Fire Safety team members (where appropriate) to discuss health & safety and fire safety issues relevant to the workplace. All staff levels can engage in dialogue to address health and safety and fire safety concerns, and to formulate the appropriate improvement action when this is required.

- Ensure the Council is meeting its statutory responsibilities with regard to the health and safety and fire safety of Council employees and contractors in each workplace represented at the meeting and that concerns or issues are identified and addressed.
- Promote co-operation and liaison between departments and their contractors involved in ensuring the health, safety, fire safety and welfare of employees, the employees of other organisations and members of the public is established at the workplace.
- Ensure a high quality of understanding and compliance is established throughout each workplace area, and an opportunity for the nominated Health & Safety and Fire Safety Advisors to inform, guide and advice on corporate health and safety and fire safety matters.
- Ensure the workplace(s) covered by the meeting discharges all duties stated within its Health & Safety and Fire Safety Policy and is fully compliant with relevant current health and safety obligations and legal requirements affecting employees, residents, visitors and other non-employees affected by the workplace services.
- Consider incidents, accidents and work related ill health, and sensible measures to reduce such occurrences
- Share and develop safe working practices, procedures and information.
- Consider current and proposed health and safety and fire safety

legislation or best practice that may impact on staff activities.

- h. Liaise and share information with other organisations and Boards that have similar, or associated, health and safety interests.
- i. Discuss any other relevant matters appertaining to health, safety and welfare.
- j. Escalate to the BCP Council Health & Safety and Fire Safety Board any relevant issues that cannot be resolved by the Service Directorate
- k. To adopt an appropriate conduct which reinforces and strengthens a positive safety culture.
- l. To provide minutes of each meeting to the Corporate H&S and Fire Safety teams to enable the minutes to be posted on the BCP Council H&S and Fire Safety intranet pages

2. Levels of Authority

Service Directorate meetings have authority to:

- action and resolve the majority of concerns, issues and non-compliance, without the need to escalate to the Health and Safety and Fire Safety Board.
- Escalate matters of non-compliance and make recommendations to the Health & Safety and Fire Safety Board
- Escalate urgent issues arising from a Service Directorate meeting directly to the Health & Safety or Fire Safety teams

3. Accountability and reporting

Service Directorate Health & Safety and Fire Safety meetings are accountable to the Corporate Health & Safety and Fire Safety Board and will escalate key health and safety and fire safety issues identified.

Service Directorate meetings are required to provide notes and actions from the meetings to cascade information to the staff and contractors within the service areas and to the Corporate Health & Safety and Fire Safety Teams prior to each Board meeting.

4. Meeting frequency and administration

Service Directorate Meetings will meet quarterly prior to each BCP Council Health & Safety and Fire Safety Board meeting, ensuring meeting dates are published well in advance. Wherever possible, meetings shall not be cancelled or postponed (except in exceptional circumstances).

Each Service Directorate Chair should publicise their agendas prior to meetings in order that the Health & Safety and Fire Safety Team can prioritise attendance and contribute/advise in respect of business to be discussed.

Agenda items should include:

- Review of recent incidents / near misses
- Health and safety work related absence data

- Review health and safety and fire safety issues or concerns / matters of non- compliance
- Review of health and safety and fire safety risk register
- Overview of policy and procedure updates
- Health and safety and fire safety training requirements

Key notes, decisions and actions will be circulated after each meeting in a timely fashion. Minutes to be emailed to the Corporate Health & Safety and Fire Safety teams prior to each BCP Council Health and Safety and Fire Safety Board meeting.

5. Membership

Membership should include

- Chair - shall be the Service Director or their formal delegate
- Appointed Trade Union Health and Safety representatives – to gather and represent views of staff / feedback to staff
- Representatives of employee safety - to gather and represent views of staff / feedback to staff
- Service managers (as appropriate / required)
 - Health & Safety Advisor or Health and Safety Officer – to advise on corporate health and safety updates and offer advice/guidance. For low risk areas, there may not be a need for an Advisor to attend. If there is a specific significant concern/incident, then a Health & Safety advisor should attend.
 - Fire Safety Advisor – to advise on corporate fire safety updates and offer advice/guidance. The Fire safety team will determine which meetings they need to attend.
- Minutes taker - shall attend all meetings to record the decisions made within it.

Terms of Reference

Health and Safety and Fire Safety Forum meeting

1. Purpose & Responsibilities

The Health and Safety Forum operates at an operational level and discusses local corporate health and safety performance/issues. It is a forum for consultation with employees or their representatives on health and safety matters.

- To promote and ensure a 'Safety First' culture throughout the organisation.
- To provide a formal and informal access point whereby staff can contribute to the development and implementation of safety measures within the Council.
- To develop ownership of safety issues, the understanding and use of safety management amongst members, the management of contractor safety performance, the promotion of suitable and appropriate training to support staff in managing safety
- To review results of local health and safety inspections/audits and take-up of

mandatory training

e. Provide a channel for communication between the workforce and the Health and Safety Board

2. Levels of Authority

H&S and Fire safety meetings have authority to:

- Escalate matters of non-compliance and make recommendations to the Health & Safety and Fire Safety Board
- Escalate urgent issues arising from a Forum meeting directly to the Health & Safety or Fire Safety teams

3. Accountability and reporting

Health & Safety and Fire Safety Forum meetings are accountable to the Corporate Health & Safety and Fire Safety Board and will escalate key health and safety and fire safety issues identified.

4. Meeting frequency and administration

The Health and Safety Forum will be held quarterly. The minutes of the meetings will be publicised on the health and safety intranet site and shared with staffing groups without intranet access via Service Directorate representatives

They will be scheduled for 1.5 to 2 hours depending on the agenda items.

Agenda items will include:

- Feedback from the H&S Board
- Results of Corporate H&S team audits/inspections
- Results of member inspections
- Health and safety issues from each attendee – verbal
- Policies/procedures for review/comment

Distribution of agenda and minutes:

- Two weeks prior to a group meeting the attendees will be asked to provide agenda items.
- One week prior to a group meeting, the agenda will be issued to all attendees via email.
- Draft minutes and the action plan will first be circulated to nominated H&S Forum members to ensure they are correct before circulation
- They will then be issued to all staff via publication on the health and safety intranet site.

5. Membership

- Corporate Health and Safety Team Member(s) - Chair
- Corporate Fire Safety Team Member(s)
- HR Manager (Health & Wellbeing Officer)
- Insurance/Risk Manager
- Union Health and Safety Representatives

- Service Directorate reps with suitable competence, knowledge and authority to report on and discuss H&S issues from Service Directorates
- Minute taker
- Open invitation to the Corporate Director for Health & Safety

6. Roles and responsibility of members

- To attend at least 75% of meetings.
- To comment on and contribute to policies and procedures.
- To liaise with the colleagues they are representing and put forward their views and opinions.
- To report back to colleagues any relevant information following attendance at the meetings
- To bring to the meeting suggestions with regard to areas of health and safety they and their service feel need to be addressed.
- To lead by and set a good example to colleagues on all health and safety practices.
- To promote a positive attitude towards health and safety.
- To complete identified actions within the agreed timescales

Terms of Reference

Team operational meetings (optional)

1. Purpose

Team operational meeting to discuss routine relevant health and safety fire safety issues. All staff levels can engage in dialogue to address health and safety and fire safety concerns, and to formulate the appropriate improvement action when this is required.

These meetings are held where the local management team(s) consider it is appropriate

2. Responsibilities:

- a. Ensure the teams/services are meeting the statutory responsibilities with regard to the health and safety and fire safety of Council services/operations represented at the meeting and that concerns or issues are identified and addressed.
- b. Consider incidents, accidents and work related ill health, and sensible measures to reduce such occurrences
- c. Develop safe working practices, procedures and information.
- d. Discuss any other relevant matters appertaining to health, safety and welfare.
- e. Escalate to the BCP Council work place meetings any relevant health and safety or fire safety issues
- f. To adopt an appropriate conduct which reinforces and strengthens a positive safety culture.

3. Levels of Authority

The meetings have authority to:

- Escalate matters of non-compliance and make recommendations to the relevant Service Directorate meeting in their Service Directorate.
- Escalate urgent issues arising from a Service Directorate meeting directly to the Health & Safety or Fire Safety teams

4. Meeting frequency and administration

The team /operational meetings will be at a frequency agreed locally. Administration will also be agreed locally. Key notes, decisions and actions should be recorded.

5. Membership

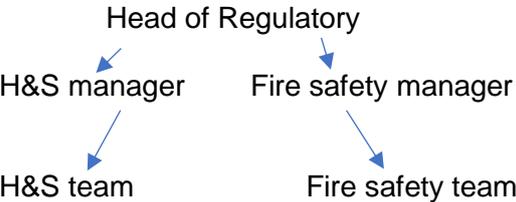
Membership is to be determined locally.

The Corporate Health & Safety and Fire Safety Teams

The Corporate Health & Safety and Fire Safety Teams are the suitably qualified professionals (competent persons) appointed by the Council to operational support all levels of staff on health & safety and fire safety matters.

The Teams support management who are responsible for health & safety and fire safety matters for the Council. The Chief Executive has overall responsibility for health & safety and fire safety for the Council

The diagram below shows the BCP reporting structure for the Corporate Health & Safety and Fire Safety teams:



The responsibilities of the corporate teams are stated in the [Corporate Health, Safety and Welfare Policy](#) (section 3.8) and the [Corporate Fire Safety policy](#) (section 5.4).

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Audit and Governance Committee

Report subject	BCP Council - Declaration of Interests, Gifts and Hospitality Policy (for officers)
Meeting date	23 January 2020
Status	Public Report
Executive Summary	<p>For the 2019/20 financial year, the first operating year of BCP Council, legacy Council Declaration of Interests, gifts and hospitality policies and procedures have been followed by officers.</p> <p>A BCP Council - Declaration of Interests, Gifts and Hospitality for Policy (for Officers) is in draft form and will go-live, subject to Corporate Management Board changes and approval, on 1st April 2020 (Appendix 1).</p> <p>Internal Audit work, covering officer Declaration of Interests during the 2019/20, gives a 'Partial' audit opinion which means there are weaknesses in the control framework which are putting service objectives at risk.</p> <p>The main issues identified were largely inherent, existing as a result of the formation of BCP Council, such as inconsistent approaches, out of date information and the ability of some managers to access any declarations made. These issues are addressed in the draft Policy.</p> <p>There have been no internal or external identified instances, whistleblowing or reports by any other means instances where an un-declared interest has led to any disciplinary action or led to reputational damage.</p>
Recommendation(s)	<p>It is RECOMMENDED that:</p> <p>Audit & Governance Committee note the content of this report and offer any feedback on the adequacy and robustness of the draft Declaration of Interests, Gifts and Hospitality Policy (for officers).</p>
Reason for recommendation(s)	<p>Audit & Governance Committee will have an opinion on the adequacy and robustness of the draft Declaration of Interests, Gifts and Hospitality Policy, given their role of reviewing the Council's regulatory framework, oversights of governance, counter fraud and corruption and risk management matters.</p>

Portfolio Holder(s):	Cllr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe – Corporate Director Resources
Report Author(s)	Nigel Stannard Head of Audit & Management Assurance ☎01202 451969 / ☎01202 633123 ✉ nigel.stannard@bcpcouncil.gov.uk
Contributions	Simon Milne, Deputy Chief Internal Auditor Tanya Coulter, Service Director Law & Governance and Monitoring Officer
Wards	All
Classification	For Information

Background

1. For the 2019/20 financial year, the first operating year of BCP Council, legacy Councils' Declaration of Interests, gifts and hospitality policies and procedures have been followed by officers.

Internal Audit Opinion 2019/20

2. Internal Audit work, covering officer Declaration of Interests during the 2019/20, gives a 'Partial' audit opinion which means there are weaknesses in the control framework which are putting service objectives at risk.
3. The main issues identified were largely inherent, existing as a result of the formation of BCP Council, such as inconsistent approaches, out of date information and the ability of some managers to access any declarations made.
4. Inconsistent approaches - following the creation of the BCP Council, staff employed by the legacy authorities (Bournemouth, Christchurch, Poole and Dorset) have been TUPE'd on their respective Employee Code of Conduct Policy (which includes a 'declaration of interests' process). All new staff that have been employed since 1st April 2019 are expected to follow the legacy Borough of Poole Employee Code of Conduct.
5. Subsequently there are different processes in place for raising and recording a conflict of interest for BCP employees e.g. legacy Bournemouth employees need to notify Law & Governance and legacy Dorset employees need to notify HR as well as their relevant manager.
6. This is leading to confusion, in some instances, on which approach to follow within operational teams and an overall inefficient approach.
7. Out of date information – following the formation of the new BCP Council and the changes to staffing structures, managers and Service Directors some legacy

council declarations may be out of date or require changes. Consequently there is a risk that some declared interests have not been amended to reflect the changes and may not be managed appropriately in some circumstances.

8. The ability of some managers to access any declarations made – legacy Councils' processes were in the main paper-based, i.e. the employee completed a form which was e-mailed to the relevant manager, and depending of the relevant Code of Conduct was then forwarded to either Law & Governance or HR. A log/register was also maintained by the relevant Service.
9. Some BCP managers do not have access to all sources of information or systems containing legacy declaration of interest records.
10. Whilst the above weaknesses in the control framework exist there have been no internal or external identified instances, whistleblowing or report by any other means where an un-declared interest has led to any disciplinary action or led to reputational damage.

Update and progress on BCP Council Declaration of Interests, Gifts and Hospitality Policy (for officers)

11. Many of the issues identified in the Internal Audit report can be addressed by providing clarity of expectations and standards which is achieved by having a BCP Council Declaration of Interest, Gifts and Hospitality Policy (for officers).
12. Effective corporate wide roll-out of such a Policy, incorporating management led training, awareness and processes to assure compliance will take place.
13. Internal Audit, Human Resources and Law & Governance have collaboratively produced a draft policy (Appendix 1). Some working narrative remains in the draft policy, this is shown in blue text.
14. The opinion of various stakeholders, including this Committee, on the adequacy and robustness of the draft Policy is being sought prior to the Policy being considered for approval by the Corporate Management Board (CMB).
15. There is a clear aspiration for this Policy to 'go-live' on the 1st April 2020 to coincide with the new financial year.

Summary of Financial Implications

16. There are modest financial implications as a result of adopting the new BCP Policy. Some employees will be required to complete a new declaration of interest, gifts and hospitality form or e-form and keep them up to date.
17. Some more senior staff will be required to complete nil returns (if indeed they have nothing to declare) to demonstrate full transparency.
18. Managers may need to agree certain new specific mitigation strategies should a declaration of a certain interest cause an operational conflict (or may be perceived as a conflict by the public). This may have a modest financial impact if additional or different employees need to be involved.

Summary of Legal Implications

19. The Bribery Act 2010, makes it an offence for an employee to give advantage to someone in return for favours in relation to the Council's business
20. Section 117 of the Local Government Act 1972 requires that employees notify the authority in writing of any direct or indirect financial interests which they have in any Council contracts, or proposed contracts, of which they become aware. Breach of Section 117 is a criminal offence subject to a fine.

Summary of Human Resource Implications

21. The policy will replace sections of any legacy Councils' respective Code of Conduct or any standalone policies, procedures or guidance of legacy Councils relating to conflicts of interest and or accepting/declaring gifts or hospitality.
22. The Policy operates in conjunction with the BCP Council Code of Conduct for employees and the Disciplinary Procedure. The BCP Code of Conduct states – 'Employees are required to follow the 'Declaration of Interests, gifts and hospitality Policy' (this Policy).

Summary of Environmental Impact

23. There are no direct environmental implications from this report.

Summary of Public Health Implications

24. There are no direct public health implications from this report.

Summary of Equality Implications

25. There are no direct equality implications from this report.

Summary of Risk Assessment

26. The risk implications are set out in the content of this report and the appendix

Background Papers

None.

Appendices

Appendix 1 – BCP Council Draft Declaration of Interests, Gifts and Hospitality Policy

DRAFT - Declaration of Interests, Gifts and Hospitality Policy

Date – Live from 1/4/2020

This Policy has been produced collaboratively by Internal Audit, Human Resources and Law & Governance



Author: Nigel Stannard, Head of Audit & Management Assurance

Version: V2020.1

Review Date: Subject to (at least) annual evolution

1. Purpose Statement

- 1.1 The purpose of the policy is to protect the Council and employees against conflicts of interest and allegations of impropriety. The public must be confident that decisions made by employees of whatever nature are made for good and proper reasons and are not influenced inappropriately by the interests of individual employees, their relatives or friends.
- 1.2 The Council is entitled to put in place a series of precautionary measures to ensure that conflicts or potential conflicts of interest are notified to the Council at an early stage.

The Bribery Act 2010, and the Local Government Act 1972 are relevant.

The Bribery Act 2010, makes it an offence for an employee to give advantage to someone in return for favours in relation to the Council's business.

Section 117 of the Local Government Act 1972 requires that employees notify the authority in writing of any direct or indirect financial interests which they have in any Council contracts, or proposed contracts, of which they become aware. Breach of Section 117 is a criminal offence subject to a fine.

- 1.3 All but incidental gifts and hospitality received by Council employee may be perceived as a potential conflict or may be viewed as a potential bribe. The Council generally requires all but incidental gifts and hospitality to be declared in a suitable register.

2 Who the policy applies to

- 2.1 This Policy applies to all BCP Council employees, including casual, part-time and temporary staff including those supplied by employment agencies.
- 2.2 This Policy does not apply to BCP 'maintained' schools' employees where an individual school policy exists. A BCP 'maintained' school may use all or parts of this Policy if they wish to do so.

3 This policy replaces

- 3.1 This policy replaces sections of any legacy Councils' respective Code of Conduct or any standalone policies, procedures or guidance of legacy Councils relating to conflicts of interest and or accepting/declaring gifts or hospitality.
- 3.2 This Policy operates in conjunction with the BCP Council Code of Conduct for employees and the Disciplinary Procedure. The BCP Code of Conduct states – 'Employees are required to follow the 'Declaration of Interests, gifts and hospitality Policy' (this Policy).

4 Approval process

- 4.1 *Who approves the process? A number of factors will determine the appropriate approval requirements. These could include:*

- *The impact of the policy document on key stakeholders*
- *The financial implications of the policy document*
- *The consequences of failing to deliver what is set out in the policy document*

5 Links to Council Strategies

- 5.1 This policy supports BCP Council's Corporate Strategy, specifically the core value – 'We have Integrity'.

6 The Policy

In relation to Conflict of Interest

- 6.1 A conflict of interest is a conflict between the public duty and the private interest of an individual in which that individual private capacity interest could improperly influence the performance of their Council duties and responsibilities.
- 6.2 Employees may hold interests for which they cannot see obvious potential conflict. However, caution is always advisable because others may see it differently. It will be important to exercise judgement and to declare such interests where there is otherwise a risk of imputation of improper conduct. The perception of an interest can be as damaging as an actual conflict of interest.
- 6.3 The Council requires all employees to declare the following interests:
- a direct or indirect financial interest in any contracts with the Council or under consideration by the Council. The financial interests of a person with whom you live also counts for this purpose. *(this is a requirement of Section 117 of the Local Government Act 1972, it is potentially a criminal offence not to declare such an interest)*
 - a financial interest or employment or other role in any business or organisation which has a business, funding or regulatory relationship with the Council.
 - any personal membership or their partner/relative/close friend may have with any organisation or association not open to the public without formal membership and/or commitment of allegiance and/or has secrecy about rules or membership or conduct.
 - any partner/relative/close friend who has an interest in an organisation which could have a relationship with the Council.
 - any partner/relative/close friend who works for the Council or is a councillor
- 6.4 Appendix A includes the definitions of the terms used in this section.

In general terms – Relating to gifts and hospitality

- 6.5 If it is likely that a typical member of the public would think that a specific gift or incidence of hospitality is inappropriate, then it probably is and should therefore be declined. It is always better to be cautious and politely decline any offer of a gift or hospitality.
- 6.6 The overriding principle is that employees should not compromise their position as public service workers by accepting gifts or hospitality and allowing themselves to reach the position where they might be, or might be thought by others to have been, influenced in making a certain decision as a consequence.
- 6.7 Employees must:
- Treat any offer of a gift or hospitality if it is made to them personally with extreme caution;
 - Not receive any payment or fee other than their salary;
 - Never accept cash or cheques or other monetary gifts of any kind;
 - Always refuse offers of gifts, hospitality or services to them (or their family members) from organisations or persons who do, or might, provide work, goods or services, to the Council or who require a decision from the Council;
 - Always report any such offer to their line manager.

In specific terms – Relating to gifts

- 6.8 A gift is any item or service that an employee receives free of charge. It also includes any goods or services which are personally offered at a discounted rate or on terms not available to the general public. It does not include staff offers / discounts which are negotiated corporately.
- 6.9 When deciding whether or not to accept an offer of a gift, the context is very important. An offer from an organisation seeking to do business with or provide services to the Council or in the process of applying for permission or some other decision from the Council should not be accepted, regardless of the value of the gift. By contrast, a gift of modest value given at Christmas by a service user as a gesture of appreciation to an employee will generally be acceptable and could cause offence if returned.
- 6.10 Employees must declare (in the register held by the relevant Officer) all instances where gifts are accepted and where they are or declined*

**Employees may accept a gift (including a gift voucher), which is a one-off or infrequent gesture, from a service user and which has only a small or token value, estimated to be less than £25 in value, without making a declaration or the approval of a more senior officer.*

Employees should always politely and courteously decline a gift (including a gift voucher) from a service user if the estimated value is more than £25 and/or becomes more frequent than one-off.

- 6.11 In exceptional circumstances a gift from a third-party representative (not a service user) may be accepted if the employee deems that refusing the gift would cause significant offence. In this circumstance the relevant Service Director must be informed, as soon as possible, and they will decide what will happen to the gift. The Service Director may decide to return the gift, may ask the Chief Executive for a view or may donate the gift to a worthy local cause or a maintained school.
- 6.12 If as a result of their employment an employee becomes a beneficiary in a service user's Will, this must always be reported to their line manager and Service Director. The employee must not accept the bequest, regardless of its size or value unless granted explicit permission by their Service Director. Permission will only be granted where the legacy is of little financial value, such as a sentimental item.

In specific terms – relating to hospitality

- 6.13 Hospitality is the offer of food, drink, accommodation or entertainment or the opportunity to attend any cultural or sporting event offered as a result of being employed by BCP Council.
- 6.14 Employees may accept hospitality including invitation to events or functions where the employee is demonstrably representing the Council. e.g. opening ceremonies, trade shows, events where they are invited to speak, events hosted or sponsored by the Council, working lunches provided to enable the parties to continue to discuss business, refreshments offered in connection with any meeting, meals or refreshments funded by other public sector partners as part of joint working / collaboration, meals or refreshments provided as part of a ceremony or event to promote or launch a project or initiative supported by the Council.
- 6.15 The following hospitality should never be accepted:
- hospitality of any kind attended in the employee's own time
 - hospitality offered to a partner/relative/close friend (of the employee)
 - hospitality from a tenderer in the immediate period before tenders are invited or during the tender process. *If employees are carrying out site visits as part of the tender process, they can accept the offer of lunch provided it is proportionate and not extravagant*
 - Lavish or extravagant hospitality including meals
 - Offers of holidays, overnight stays, air or rail travel, use of a company's own holiday accommodation, after dinner speaker celebrity events, sporting or cultural events (e.g. theatre tickets, football match, golfing event).
- 6.16 Hospitality accepted, after applying 6.14 and 6.15 above, does not need to be declared if the estimated value is less than £50. Hospitality accepted, as per 6.14 above, needs to be declared (in the register held by the appropriate officer) if the estimated value is more than £50.
- 6.17 Hospitality declined, as per 6.15 above, does not need to be declared if the estimated value is less than £50. Hospitality declined, as per 6.15 above, needs to be declared (in the register held by the appropriate officer) if the estimated value is more than £50.

In specific terms – relating to sponsorship

- 6.18 Where an external organisation wishes to sponsor, or is seeking to sponsor, a BCP Council activity, whether by invitation, tender, negotiation or voluntarily, this policy will apply. Particular care must be taken when dealing with contractors or potential contractors who make offers of sponsorship.
- 6.19 From time to time BCP Council sponsors, or gives grants for, sporting and cultural events such as exhibitions, plays or performances, or games. No employee or any member of the employee's family should receive any benefit from such sponsorship or grant in a direct or indirect way without there being full disclosure to their line manager of any such interest which must be declared in the register of interests maintained by the Service Director.

7 How to use this policy

- 7.1 Whilst implementing the requirements of this policy employees must follow the 'Procedures for declaring interests, gifts and hospitality (accepting and declining)' Appendix B.

Provide links to the procedures or guidance for implementing the policy, if relevant. Avoid including the procedure(s) within the policy, unless it is brief. Can be attached as an appendix but keep policy statement separate.

8 Roles and responsibilities

- 8.1 Core roles and responsibilities of all Employees
- Make a personal declaration to their Line Manager/Team Leader/Head of Service and keep this declaration up to date as required.
 - Work with the line manager/team leader/Head of Service to agree any mitigation (of conflict risks) actions or strategy
 - Maintain discussion with the Line Manager/Team Leader/Head of Service at one to one meetings to ensure on-going review of the mitigation actions or strategy
 - Declare in the register held by the relevant Service Director any gifts or hospitality accepted or declined. *(One-off gifts from a service user, estimated to be less than £25, do not need to be declared)*
 - Inform their Line Manager/Team Leader/Head of Service when any declaration has been made

Additional roles and responsibilities of Line Managers/Team Leaders/Heads of Service

- Promote and ensure Policy compliance in their teams/service areas
- Where a potential conflict of interest is declared by an employee, assess any risk to the Council and the employee
- Work with the employee to agree any mitigation (of conflict risks) actions or strategy and document this in the appropriate register
- Escalate to the Service Director any issues that cannot be satisfactorily agreed

- Maintain discussion with the employee at one to one meetings to ensure on-going review of the mitigation actions or strategy
- Lead on any disciplinary action that may be necessary where employees have failed to comply with this Policy.

Additional roles and responsibilities of Service Directors (Tier 3 officers, including any acting)

- Make a personal declaration, of interests, gifts and hospitality (accepted and declined), to the Monitoring Officer, nil declarations are required, and keep this declaration up to date as required.
- Promote and ensure Policy compliance in their teams/service areas
- Securely store and maintain (for their Service area) a register of employee declarations of interest, gifts and hospitality accepted and declined in the prescribed BCP Council format
- Determine any mitigation (of risk) actions or strategy in escalation instances, where the employee, Line Manager/Team Leader/Head of Service have been unable to agree
- Escalate to the Corporate Director any issues that cannot be satisfactorily agreed
- In exceptional circumstance, determine what happens to gifts which have been accepted by an employee in their service area, where the employee has made a judgement that refusing the gift would cause significant offence. *(in cases where the estimated value of the gift exceeds £25 and is from a service user, or in cases where some other third party has given any gift of any value)*
- Lead on any disciplinary action that may be necessary where managers/team leaders/heads of service have failed to comply with this Policy

Additional roles and responsibilities of Corporate Directors (Tier2 officers, including any acting)

- Make a personal declaration, of interests, gifts and hospitality (accepted and declined), to the Monitoring Officer, nil declarations are required, and keep this declaration up to date as required.
- Promote and ensure Policy compliance in their teams/service areas
- Review at least annually the registers securely stored and maintained by

Additional roles and responsibilities of the Monitoring Officer

- Make a personal declaration to the Chief Executive, of interests, gifts and hospitality (accepted and declined), nil declarations are required, and keep this declaration up to date as required.
- Promote and ensure Policy compliance in their teams/service areas
- Securely store and maintain a register of Service Directors, Corporate Directors and the Chief Executive declarations of interest, gifts and hospitality accepted and declined in the prescribed BCP Council format
- Prepare an annual report to the BCP Audit & Governance Committee summarising the declarations of interest, gifts and hospitality (accepted and declined) of the Council's Directors Strategy Group (DSG) – which includes Tier 3 officers and above.

Additional roles and responsibilities of the Chief Executive

- Make a personal declaration, of interests, gifts and hospitality (accepted and declined), to the Monitoring Officer, nil declarations are required, and keep this declaration up to date as required.
- Promote and ensure Policy compliance amongst the Corporate Management Board (CMB)
- Securely store and maintain a register of the Monitoring Officer's declarations of interest, gifts and hospitality accepted and declined in the prescribed BCP Council format

9 Enforcement and sanctions

- 9.1 Employees must comply with the requirements in this Policy. Failure to do so is a disciplinary matter, and disciplinary action may be taken, regardless of whether the actions amount to a criminal offence.
- 9.2 Criminal charges will apply if an employee fails to declare an interest in a contract or proposed contract or they or a relative have abused their position to influence Council contracts for their or their relatives gain.
- 9.3 It is also a criminal offence for an employee to demand or accept a gift or reward in return for allowing oneself to be influenced as a local government employee.

10 Further information and evidence

- 10.1 Employees should be aware that:
- Under the Bribery Act 2010, both individuals and organisations are liable for conviction in court, imprisonment and/or fines if found guilty of an offence;
 - Fraud is defined as “deliberate deception intended to provide a direct or indirect personal gain”;
 - Corruption is defined as the “deliberate use of one’s position for direct or indirect illegitimate personal gain”.
- 10.2 Any queries or concerns about whether a particular interest or offer of, or the receipt of a gift or hospitality is appropriate, or if any clarification is required about this policy employees should approach their line manager in the first instance.
- 10.3 If a line manager is unable to answer the query, the line manager, can seek clarification from the Head of Audit & Management Assurance, the Head of Human Resources or the Monitoring Officer.

Appendix A – Definitions of terms (relevant to para 6.3)

“Partner” means a civil partner or the other member of a couple consisting of two people who are not married to each other but are living together as a couple.

“Close Friend” means someone who you know well and whom you regard with liking, affection or loyalty. A closer relationship is implied than that of mere acquaintance or work colleague.

“Relative” means a parent, grandparent, child, grandchild, sibling, aunt, uncle, niece, nephew, cousin, step-child/sibling/parent//son/daughter/brother/sister in-law. All of the aforementioned include adoptive relationships and relationships of full blood or half blood and including the relatives of the employee’s partner. For these purposes, relative also includes a guardian or special guardian or ward.

“Business” means any company, partnership or other business arrangement in which the employee has an interest, whether in the form of shares, dividends, bonds, or otherwise and where the value of that interest exceeds 5% of the value of the business. Business also includes any business in which the employee is employed.

“Business Interest” and “business relationship” shall be construed in relation to the terms “Business” and relationship to “Partner”, Close Friend” and “Relative” above.

“Business Associate” means a person with whom the employee has a business relationship.

Appendix B – Procedures for declaring interests, gifts and hospitality (accepting and declining)

To add the exact procedures required for all officers to follow

Appendix C – Forms and registers associated with this Policy

Form1A = Declaration of Interest, gifts or hospitality (accepted or declined) – Nil returns are not required

Form1B = Declaration of Interest, gifts or hospitality (accepted or declined) - For employees at Tier 3 (or 4?) and above - Nil returns are required

Form2 = Service Director held Service Register of declared interests, gifts and hospitality (accepted and declined)

Form3 = Monitoring Officer held Register of declared interests, gifts and hospitality (accepted and declined) of Tier 3 (or 4?) employees and above

Or Forms1B completed by those officers will be held by the Monitoring Officer.

Form4 = Chief Executive officer held Register of declared interests, gifts and hospitality (accepted and declined) of the Monitoring Officer

Or Form 1B of the Monitoring Officer will be held by the Chief Exec

These forms are produced in draft but have not been included in this report pack

Appendix D - Equality Impact Assessment

This EIA has been produced in draft but has not been included in this report pack

AUDIT AND GOVERNANCE COMMITTEE



Report subject	BCP Constitution
Meeting date	23 January 2020
Status	Public Report
Executive summary	To recommend changes to the Constitution of the Council.
Recommendations	<p>It is RECOMMENDED to Council that:</p> <p>(a) the additions and amendments to the BCP Council Constitution as set out in this report be approved and incorporated within the BCP Constitution;</p> <p>(b) that necessary and consequential technical and formatting related updates and revisions to the Constitution be made by the Monitoring Officer in accordance with the powers delegated to her.</p>
Reason for recommendations	Update and review of the BCP Constitution.

Portfolio Holder(s):	Councillor Viki Slade, Portfolio Holder for Resources
Corporate Director	Julian Osgathorpe, Corporate Director, Resources
Contributors	Tanya Coulter, Director, Law and Governance and Richard Jones, Head of Democratic Services
Wards	All
Classification	For Recommendation to Council

Background

1. The Terms of Reference of the Audit and Governance Committee include 'Maintaining an overview of the Council's Constitution and governance arrangements in all respects'.
2. In discharge of this responsibility the Committee established a Working Party of five of its Councillors.
3. The Working Party met on three occasions between the end of October 2019 and January 2020.
4. The Working Group considered a schedule of issues identified in the period since the formal establishment of BCP Council. These issues had been identified by a range of different sources and many of them have been the subject of much debate since the Constitution was adopted and the new arrangements implemented. These were considered by the Group at its meeting on 30th October 2019.
5. The Working Group also consulted with all members of the Council seeking their views on the types of issues that should be included in the review and their comments on the issues already identified. These were considered by the Group at its meeting on 25th November 2019. The most recent meeting of the Group took place on 8th January 2020 and the Group considered that the following issues and proposals should be taken forward for debate and recommendation to the Audit and Governance Committee.

Statutory Officers Disciplinary arrangements

6. To comply with relevant Regulations, Councils are required to have in place arrangements to manage disciplinary issues relating to, and potential dismissal of, Statutory Officers (the Head of Paid Service/Chief Executive; Chief Finance Officer

and Monitoring Officer). These arrangements are required to enable proper structured investigation and disciplinary measures to take place and to provide the required level of independent input into the process. The national negotiating body for senior officers has agreed a model framework and process which accords with the Regulations. The framework required is the establishment of a standing Investigation and Disciplinary Committee ('IDC') and the creation of an 'Independent Persons Panel'. The existing Appeals Committee (with slightly revised Terms of Reference) will provide the forum for the required appeals process. This requirement was understood by the Shadow Authority and the aim at the time was to ensure arrangements were in place within the first year of the new Council.

7. The Working Group were of the view that the number of Councillors on the 'IDC' should be seven and that the Councillors selected to serve on the Committee should normally have appropriate experience in terms of length and nature of service as a Councillor and in terms of their personal professional background.

8. It is recommended that the Terms of Reference for the Investigation and Disciplinary Committee ('IDC') set out in **Appendix A** of this report be adopted and included within the BCP Constitution. It is further recommended that an Independent Panel is established consisting of the three Independent Persons appointed by the Council pursuant to the Localism Act requirements. For reference purposes the Guidance and Model Procedure which it is recommended the Council adopt is contained within the Chief Executives Handbook. The Handbook can be viewed at <https://www.local.gov.uk/sites/default/files/documents/Chf%20Exec%20Handbook%2013Oct16.pdf>

9. It is recommended, in addition, that the following additional clause be added to the Terms of Reference of the existing Appeals Committee [Part 2 Rule 7.1 (f)]:

The Appeals Committee will have responsibility for determining appeals relating to disciplinary action against in respect of the relevant Statutory Officers.

All Councillors to sit on at least one Committee

10. The View of the Working Group is that all Councillors should sit on at least one Committee. The opportunity exists to consider in the future whether a maximum number of Committees per Councillor might also be appropriate.

11. It is recommended that the following be added to the Constitution [Part 4D Sub Part A Rule 1].

All Councillors will sit on at least one Committee or Panel of the Council.

The inclusion of copies of Minutes of all Committees in the agenda for full Council meetings.

12. The Working Group noted the significantly improved arrangements in place for accessing electronically the agenda and minutes of Committees. Members also, of course, have the ability, either formally or informally, to ask questions about the minutes of any Committee.

13. It is recommended that the requirement [Part4D Sub Part A Rule 8] that copies of the minutes of all Committees should be included within the agenda for the meeting of full Council should be deleted.

Voting on Appointments

14. The Constitution currently provides that voting on appointments should be by secret ballot although this provision, and whether it should continue to apply in BCP Council, has been the subject of considerable discussion.

15. It is recommended that the decision on whether the provision within the Constitution requiring voting on appointments to be by secret ballot should be retained or deleted should be determined by a vote at the Full Council.

16. If this approach is adopted by the Council it is suggested that the formal vote should be held at the next meeting of the Council when Members can receive a report setting out the background and the range of options for consideration.

Councillors 'calling-in' applications to Planning Committee

17. There is a view, which is supported by the Working Group, that Councillors should have the maximum time in which to request that a planning application should be considered by the Committee rather than be determined at Officer level.

18. The Working Group consulted on this matter with the newly appointed Head of Planning for BCP Council. The Working Group discussed the relevant "start date" for the call-in period; whether if amendments are made to an application there should be another call-in period; whether residents should have the right to call-in decisions to Committee rather than leaving the matter to ward councillors; and whether retrospective applications should always be dealt with by Committee.

19. Following the discussion, the Working Group considered that the following should be recommended:

- that the call-in period should commence when electronic publication of the application is put onto the website;

- that where there are amendments to the plans which require a further publication period, that councillors should be able to have the right to call-in the application during this publication period if it hasn't already been called in;
- that where a certain number of signatories are obtained to object to a proposal of those living, working or studying in the area that the application be considered by Committee where the objections are based upon planning grounds. It was considered that the number should be 20, and that the Head of Planning should have the formal authority to make the decision as to whether the objections are based upon planning grounds;
- the matter of retrospective applications should be considered further and additional proposals suggested for future discussion;
- the Head of Planning should have wider discretion within the Constitution to refer matters for consideration by Committee to ensure the Head of Planning is not constrained in this regard where they regard the matter to require a councillor decision rather than a delegated decision. The current wording of the Constitution is considered very restrictive in this regard and could conceivable prevent matters being referred to Committee by officers where officers may consider it appropriate for Committee to make a decision.

Meeting dates and times

20. A calendar of meetings for the next Municipal year commencing in May 2020 has been submitted to Council.

21. The Working Group supported development of a consensus towards agreeing meeting times that were acceptable across the spectrum of Councillors but accepting the different needs of individuals and the range of non-Council responsibilities and commitments that each had.

22. Chairmen of individual Committees should be aware that consideration should always be had to guarding against meetings that are overlong and which could thereby have an effect upon the quality of decision making.

23. The Working Group accepted that the location of meetings will sometimes, on an exceptional basis, need to be different from the venue in the Calendar dependent upon the subject matter being considered.

Public participation and access – Petitions, Questions and Statements at Council and Committee meetings

24. To clarify the position on receipt and processing of Petitions submitted by the public, the Working Group recognised the benefit of consolidating existing provisions relating to Petitions from the public.

25. The Working Group supported the proposal for a Petitions Scheme produced in parallel with the Constitutional provisions to provide clear advice to the public.

26. Changes also reflect the introduction and role going forward of the Transport Advisory Group and to reflect the work which has already been done by the Planning and Licencing Committees towards developing a protocol for their particular functions. Petitions relating to Planning and Licensing applications are not part of the Petitions Protocol and so should continue to be dealt with in accordance with the Planning and Licencing Protocols.

27. The Working Group considers that at full Council the current limit on the number of formal questions that a member of the public can ask should be limited to a maximum of four questions in any one Municipal year.

28. It also considers that the number of formal statements at full Council should be similarly limited to four statements in any one Municipal year. This reflects the current position.

29. It considers that questions and statements at Council can relate to Council business generally but that questions and statements to Cabinet and to Committees should be accepted only if they relate to an identified item of business on the agenda for that particular meeting, although it was agreed that this could cause potential issues for Overview and Scrutiny Committee where it was important that members of the public should be able to bring forward proposals. It was discussed at length and a view taken that in most cases questions could be linked to the item of the "Forward Plan" on the agenda for Overview and Scrutiny which may alleviate this risk, however there were some concerns on this aspect and it was agreed that this would require further discussion potentially at the full Audit and Governance Committee.

30. It is recommended that in Part 4D of the Constitution 'Appendix 6' be replaced with a new Appendix 6 as set out in **Appendix B** of this report and including the Petitions Scheme as set out in **Appendix C** of this report.

Recording of votes

31. When the position is reached that all meetings are streamed there will be immediate clarity about the way in which individual Councillors are casting their votes and the streamed meetings will be available through the website.

32. Discussion at the Working Group focused on the immediate issue of the public not knowing in many cases how their representative voted on a matter and whether there was a way of recording who voted in what way in every case at meetings. It was agreed that if this were possible and was a way of so recording manually on each occasion how members voted, then this should be the recommendation. Officers agreed to consider and provide further information at the meeting of the Audit and Governance Committee to aid consideration of this matter.

Audit and Governance Committee

33. At the meeting of the Audit and Governance Committee on 14 November 2019 the Committee received an appraisal and comparison of its own existing Terms of Reference compared with recommended best practice as set out in the Chartered Institute of Public Finance and Accounting ('CIPFA') 'Audit Committees' document (2018 Edition). Following the meeting, a revised set of Terms of Reference was produced.

34. It is recommended that the revised Terms of Reference for the Audit Committee as set out in **Appendix D** of this report be adopted and included within the BCP Constitution.

BCP Shadow Authority Interim Provisions

35. Article 14 of the Constitution described the interim arrangements during the transition period from the BCP Shadow Authority and it is recommended that this Article should now be deleted.

Technical and administrative updates

36. Throughout the process of review a number of technical and typographical corrections and amendments have been identified. These necessary and consequential technical and formatting related updates and revisions to the Constitution can be made by the Monitoring Officer in accordance with the powers delegated to her.

Issues that still remain outstanding

37. Maintaining the Constitution as an up-to-date and effective document is a constant and ongoing process.

38. There are further issues which have been identified but which are not included within this report but need to be the subject of further discussion with Members as time goes on.

Summary of financial implications

39. There are no financial implications arising from the recommendations in this report.

Summary of legal implications

40. The Constitution of the BCP Council complies with relevant legislation.

Summary of human resources implications

41. There are no human resources implications.

Summary of environmental impact

42. There is no environmental impact.

Summary of public health implications

43. There are no public health implications.

Summary of equality implications

44. The Constitution of the BCP Council sets out the rights of public access to the democratic process and the proposals are intended to increase the ease of access for the public and to further widen engagement amongst all groups.

Summary of risk assessment

45. The Constitution is a legally required document which prescribes the procedural and democratic arrangements for the proper governance of the Council.

Background papers

Appendices

Appendix A - Proposed Terms of Reference for the Investigation and Disciplinary Committee ('IDC')

Appendix B - Proposed replacement Appendix 6 of Part 4D of the Constitution

Appendix C - Proposed Petitions Scheme

Appendix D - Proposed Terms of Reference of Audit and Governance Committee

Joint Negotiating Committee for Local Authority Chief Executives Handbook at <https://www.local.gov.uk/sites/default/files/documents/Chf%20Exec%20Handbook%2013Oct16.pdf>

DRAFT TERMS OF REFERENCE – INVESTIGATION AND DISCIPLINARY COMMITTEE (IDC)

1. To be responsible for disciplinary and dismissal matters which relate to the relevant statutory officers. The relevant officers being the Head of Paid Service; Chief Finance Officer and Monitoring Officer. The IDC to undertake the responsibilities required pursuant to the relevant 2015 Regulations agreed Guidance and Model Procedure issued by the relevant national JNC or other relevant body that may exist in future.
2. The IDC to be a Committee consisting of seven councillors and must include the Leader of the Council and another member of the Cabinet.
3. That in the case of a complaint against a relevant officer, the decision whether to refer the matter to the Investigating and Disciplinary Committee (IDC) will be delegated to the Monitoring Officer or Chief Finance Officer in the case of a complaint against the Head of Paid Service, and delegated to the Head of Paid Service in the case of a complaint against the Monitoring Officer or the Chief Finance Officer. This decision to be made in consultation in every case with the Head of Human Resources and OD.
4. That the Investigating and Disciplinary Committee (IDC) will have delegated responsibility for the suspension of the relevant officers. In the event of the need for urgency, this function to be delegated to the Chair of the IDC.
5. That the relevant officers will be given the same right to be accompanied at any disciplinary hearing as all BCP Council employees. Additionally, this will include the right to be accompanied by a legal representative at their own cost

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Appendix 6 – Public Questions, Statements and Petitions - Meeting Procedure Rules 12 and 28

Public Questions

1. Members of the public may ask questions at meetings of the Full Council, Cabinet, and Committees of the Council. The protocol for questions is as follows:
 - (a) Subject to the requirements of this protocol, a member of the public who lives or works in the area of the Council may submit a written question to the Leader of the Council, a Portfolio Holder or the Chairman of the Council or of a Committee of the Council.
 - (b) A person wishing to ask a question shall submit the question in writing which must be received by the Monitoring Officer or their nominated representative four clear working days before the meeting at which it is to be asked. The person's name and address must be included. In calculating this period the date of the meeting and date of submission are to be excluded.
 - (c) A question at Council shall relate to Council business, shall not normally exceed 100 words in length and shall be so framed as to elicit information rather than make a statement.
 - (d) A question at a Committee or at the Cabinet shall relate to an item on the agenda of the meeting at which the question is asked.
 - (e) At full Council no member of the public may ask more than four questions in any one Municipal year.
 - (f) Questions shall be provided to Councillors electronically prior to the commencement of the meeting and hard copies made available for members of the public attending the meeting. No discussion shall be allowed upon questions or answers.
 - (g) The person asking the question may attend the meeting to read out their question or nominate another person to read out the question on their behalf, and to hear the answer. If someone is unable to attend and fails to nominate someone to attend on their behalf, the question will not be read out, but will be responded to by way of written answer.
 - (h) If questions are unsuitable in form, frivolous, defamatory, derogatory or relate to a matter which the Council would be likely to consider in the absence of the press and public, the Chairman of the Council shall have the right to rule the question out of order.

- (i) In exceptional cases, members of the public who do not live or work in the administrative area of the Council but who are directly affected by a decision or potential decision of the Council can submit a question in accordance with the above protocol. In such cases, the Monitoring Officer will determine the validity or otherwise of the question in consultation with the appropriate Chairman.

Public Statements

- 2. Members of the public may make statements at meetings of the full Council, Cabinet and Committees of the Council. The protocol for statements is as follows:
 - (a) Subject to the requirements of this protocol, a member of the public who lives or works in the area of the Council may submit a written statement to the Council, Cabinet or a Committee of the Council.
 - (b) A person wishing to make a statement under this protocol shall submit the statement in writing which must be received by the Monitoring Officer or their nominated representative by midday the day before the meeting at which it is to be raised. The person's name and address must be included.
 - (c) A statement at Council shall relate to Council business and shall not normally exceed 100 words in length. At full Council no member of the public may submit more than four statements in any one Municipal Year.
 - (d) A statement at Committee or a Cabinet shall relate to an item on the agenda of the meeting at which the question is asked and shall not normally exceed 100 words in length.
 - (e) Statements shall be printed in order of receipt and circulated electronically to Councillors prior to the commencement of the Council meeting and hard copies made available for members of the public attending the meeting. No discussion shall be allowed upon statements.
 - (f) The person making the statement shall normally attend the meeting to read out their statement. However, persons may, if they prefer, ask for an officer of the Council to read out their statement.
 - (g) If statements are unsuitable in form, frivolous, defamatory, derogatory or relate to a matter which the Council would be likely to consider in the absence of the press and public, the Chairman shall have the right to rule the statement out of order.
 - (h) In exceptional cases, members of the public who do not live or work in the administrative area of the Council but who are directly affected by a decision or potential decision of the Council can submit a statement in accordance with the above protocol.

In such cases, the Monitoring Officer will determine the validity or otherwise of the question in consultation with the appropriate Chairman.

Petitions

3. Members of the public may present petitions at meetings of the Council, Cabinet and Committees of the Council in accordance with the Petition Scheme set out in this Constitution.

Procedure rules

4. The time for questions, statements and petitions from members of the public shall normally commence immediately after the item 'Code of Conduct' on the agenda for the meeting and shall be restricted to a total of 15 minutes, although, at the discretion of the Chairman of the Council or the Chairman of the meeting, this time may be extended. Where a question to which an answer is to be given is not reached within the time limit, a written answer shall be provided to the questioner within two working days of the meeting and a copy e-mailed to all Councillors.
5. This procedure does not apply to the Planning Committee, Licensing Committee or Appeals Committee.
6. Separate protocols establish the arrangements for public representations at Planning and Licensing Committees. Such protocol to be published on the website.

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PETITION SCHEME

(Council Procedure Rules 12 and 28)

1. Introduction

1.1 Anyone who lives, works or studies in the Council's area may sign or organise a petition and trigger a response. This includes anyone under the age of 18. This petition scheme explains the rules that the Council will apply to any petition it receives.

2. Petitions

2.1 Petitions submitted to the Council under this scheme must:

2.1.1 include a clear and concise statement covering the subject of the petition;

2.1.2 state what lawful action the petitioners wish the Council to take;

2.1.3 be signed by at least 20 people supporting the petition;

2.1.4 include the name and address (in a legible format) and signature of any person supporting the petition together with their connection with the Council's area (ie lives, works or studies); and

2.1.5 contact details, including name, address, telephone number (and where possible, an e-mail address) of the petition organiser.

2.2 The petition organiser is the person the Council will contact to explain how it will respond to the petition. The contact details of the petition organiser will not be placed on the Council's website.

2.3 An electronic petition system is available on the Council's website.

2.4 If a petition does not include all of the information required by this scheme it may not be accepted by the Monitoring Officer. In that case, the Council will write to the petition organiser to explain the reasons why.

3. Petitions not included in this scheme

3.1 The Council will not take action on any petition which the Monitoring Officer considers to be vexatious, abusive or otherwise inappropriate and will explain the reasons for this in the acknowledgement of the petition.

3.2 This petition scheme does not apply to:

3.2.1 any petition which is not about a matter for which the Council has a responsibility or which affects its area;

3.2.2 any petition relating to a planning or licensing application or decision (which will be referred by the Monitoring Officer to the relevant officer/committee so that it can

be considered in accordance with arrangements that the relevant committee has agreed);

3.2.3 a statutory petition (for example requesting a referendum);

3.2.4 a petition that is related to confidential staffing matters; or

3.2.5 a petition relating to a matter where there is already an existing recourse to a review or right of appeal, such as council tax banding and non-domestic rates, where other procedures apply.

3.3 In addition, any petition on the same or similar topic as one that the Council has received and dealt with in the previous six months is excluded.

3.4 Details of petitions affecting particular wards that have been excluded will be sent to the Members representing those wards.

3.5 In exceptional cases, members of the public who do not live, work or study in the Council's area but who are, nevertheless, affected by a decision or potential decision of the Council can submit a petition in accordance with this scheme and the Monitoring Officer will determine the relevance of such a petition in consultation with the Chairman of Council or with the Chairman of the appropriate Committee.

4. Guidelines for submitting a petition

4.1 Petitions can be submitted in paper format or electronically through the Council's e-petition portal.

4.2 Paper petitions can be submitted to the Monitoring Officer at the main office of the Council.

4.3 The Council will accept e-petitions hosted by third parties.

4.4 If the appropriate threshold is met, petitions can also be presented to a meeting of the Council or its Committees or to the Cabinet. Where the threshold is met the petition organiser should contact the Monitoring Officer at least 10 working days before the meeting.

5. How the Council will respond to a petition

5.1 The Council will acknowledge receipt of a petition within 10 working days setting out what the Council plans to do with the petition. The acknowledgment will let the petition organiser know what the Council plans to do with the petition and when they can expect to hear from the Council again. The petition will be published on the Council's website, except in cases where this would be inappropriate. Where the subject matter of the petition affects particular wards, the Councillors representing those wards will be notified of the receipt of the petition.

5.2 If paragraph 3.3 applies to the petition then the Council's acknowledgement will include details of any previous petition on the same topic. If the Council is still considering a petition on the same or similar topic, the acknowledgement will tell the petition organiser that the new petition has been amalgamated with the first petition.

5.3 The Council's response to a petition will depend on what a petition asks for, but may include one or more of the following:

5.3.1 taking the action requested in the petition;

5.3.2 considering the petition at a meeting of the Council or Cabinet;

5.3.3 holding an inquiry into the matter;

5.3.4 holding a public meeting;

5.3.5 holding a meeting with petitioners or the petition organiser;

5.3.6 undertaking research into the matter;

5.3.7 writing to the petition organiser setting out the Council's views about the request in the petition

5.3.8 referring the petition to an Overview and Scrutiny Committee or another Committee of the Council for consideration.

5.3.9 referring the petition, in the first instance, to the Council's Transportation Advisory Group when the subject matter of the petition falls within the scope of the terms of reference of the Advisory Group.

5.4 The Council's response may also depend on the number of people who have signed the petition. The table below sets out the thresholds:

Number of signatories	Response
20 – 49	Response from relevant director/service head (treated as standard correspondence).
50 – 1999	Response from relevant Cabinet Member.
2000+	Referred for debate at a meeting of the full Council

5.5 If the Council is able to do what a petition asks, the acknowledgement to the petition organiser may confirm that the Council has taken the action requested and the petition will be closed.

5.6 Where the petition is referred to the relevant Cabinet Member for a response, the petition organiser will be invited to make a written statement in support of the petition (if one has not already been included in the petition).

5.7 If the petition has enough signatures to be referred to trigger a debate at a meeting of the full Council, then the acknowledgment will confirm this and inform the petition organiser when and where the relevant meeting will take place. The Council will try to consider the petition at its next meeting, although on some occasions this may not be possible and consideration will then take place at the following meeting.

5.8 Where the petition is referred to the full Council, the petition organiser (or any person authorised by him/her) will, if they so wish, be given a period not exceeding

three minutes to present the petition at the meeting and unless the petition is referred to the Overview and Scrutiny Committee or another Committee or sub-committee for consideration without debate; the petition will be debated by Members. Members may ask questions of the petition organiser. The petition organiser (or any person authorised by him/her) will be granted a right of reply for a further period not exceeding three minutes at the end of the debate and before a final decision or vote is taken.

BCP COUNCIL

DRAFT FUNCTIONS OF THE AUDIT & GOVERNANCE COMMITTEE

KEY – **Black text** = original BCP Terms of Reference

Black strike through text = original BCP Terms of Reference, suggested to be replaced with preceding red text, following CIPFA suggested terms of reference wording, as guided by A&G Committee on 14th November 2019 at its additional meeting

Red text = Suggested additions, following CIPFA suggested terms of reference, as guided by A&G Committee on 14th November 2019 at its additional meeting

Functions of the Audit & Governance Committee are set out below. The Audit & Governance Committee cannot delegate for a decision any issues referred to it apart from any matter that is reserved to Council.

Statement of Purpose

Our Audit & Governance Committee is a key component of Bournemouth, Christchurch & Poole (BCP) Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of our Audit & Governance Committee is to provide independent assurance of the adequacy of the risk management framework and the internal control environment. It provides independent review of BCP Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, Risk & Control

To consider the arrangements for corporate governance including reviews of the Local Code of Corporate Governance and review and approval of the Annual Governance Statement (AGS)

To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements

To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

To consider arrangements for risk management including the approval of the Risk Management Strategy and review of the Council's corporate risk register

To consider arrangements for counter-fraud and corruption, including 'whistle-blowing' including approval of the Counter Theft, Fraud & Corruption Policy and the outcomes of any investigations in relation to this policy

To review the governance and assurance arrangements for significant partnerships or collaborations

Internal Audit

To approve the Internal Audit Charter

To approve the risk-based Internal Audit Plan, including Internal Audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources. ~~To consider and approve the Annual Plans of the Internal Audit Service and the External Auditor~~

To approve significant interim changes to the risk-based Internal Audit Plan and resource requirements

To consider reports from the Head of Internal Audit on Internal Audit's performance during the year, including the performance of external providers of internal audit services. These will include: a) updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work b) regular reports on the results of the Quality Assurance Improvement Programme (QAIP) c) reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement (AGS). ~~To consider reports dealing with the management and performance of the Internal and External Audit functions~~

To consider the Head of Internal Audit's annual report: a) The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit. b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the AGS. ~~To consider the annual report and opinion of the CIA, including a summary of internal audit activity (actual and proposed in the relevant accounting period) and the level of assurance that can be given over the risk and control environment and corporate governance arrangements~~

To consider summaries of specific internal audit reports as scheduled in the forward plan for the Committee or otherwise requested by ~~Councillors~~ **Members**

To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions ~~To consider reports from Internal Audit on agreed recommendations not implemented within agreed timescales~~

To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every 5 years

~~To consider any reports of the CIA referred to the Committee for consideration~~

To commission work from the Internal Audit Service and ~~External Audit~~ (with due regard to the resources available and the existing scope and breadth of their respective work programmes and the forward plan for the Committee

External Audit

To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments Ltd (PSAA).

To consider the external auditor's annual letter, relevant reports and the report to those charged with governance ~~To consider the annual Audit Findings Report and Financial Resilience Report of the External Auditor and their associated action plans~~

To consider all other relevant reports from the External Auditor as scheduled in the forward plan for the Committee as agreed with the External Auditor or otherwise requested by **Councillors** ~~Members~~

To comment on the scope and depth of external audit work and to ensure it gives value for money

To commission work from ~~the Internal Audit Service~~ and External Audit (with due regard to the resources available and the existing scope and breadth of their respective work programmes and the forward plan for the Committee)

To liaise with the national body (currently Public Sector Audit Appointments (Ltd)) (PSAA) over the appointment of the Council's External Auditors

To consider reports dealing with the management and performance of the ~~Internal~~ and External Audit functions

To consider and approve the Annual Plans of ~~the Internal Audit Service~~ and the External Auditor

Financial Reporting

To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council. ~~To approve the Annual Statement of Accounts~~

To consider the external auditors report to those charged with governance on issues arising from the audit of the accounts.

Accountability Arrangements

To report to full council and publish an annual report on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.

To report to full council and publish an annual report on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

Other Functions

To consider arrangements for treasury management including approving the Treasury Management Strategy and monitoring the performance of this function

To maintain an overview of the Council's Constitution in respect of financial regulations, working protocols and codes of conduct and behaviour (not otherwise reserved to the Standards Committee)

To consider breaches, waivers and exemptions of these **Financial** Regulations

To consider any relevant issue referred to it by the Chief Executive, Chief Finance Officer (CFO), Chief Internal Auditor (CIA), Monitoring Officer (MO) or any other Council body or Cabinet Member

To consider arrangements for information governance, health and safety, fire safety, emergency planning (including business continuity)

To consider any issue of Council non-compliance with its own and other relevant published regulations, controls, operational standards and codes of practice

To consider gifts and hospitality registers relating to officers



AUDIT AND GOVERNANCE COMMITTEE

Report subject	Risk Management – Corporate Risk Register Update
Meeting date	23 January 2020
Status	Public Report
Executive Summary	<p>This report updates Members on the position of the Council's Corporate Risk Register following the quarterly review by the Corporate Management Board. The main changes are as follows:</p> <ul style="list-style-type: none"> • The risk scores have increased for Corporate Risk 1- Failure to respond to the needs arising from a changing demography and Corporate Risk 9 - Failure to maintain a safe and balanced budget for the delivery of services; • Corporate Risk 8- Inability to run an election/ referendum was added and removed from the register during the quarter; • Corporate Risk 11 - Extent to which Members and Officers are able to fully engage with new roles and operate efficiently was added during this quarter. <p>Each of the risks have been reviewed including the Actions Completed and the Actions Proposed.</p>
Recommendation(s)	<p>It is RECOMMENDED that:</p> <p>Members of the Audit & Governance Committee note the outcome of the review of the Corporate Risk Register.</p>
Reason for recommendation(s)	To provide assurance that corporate risks are being managed effectively and continue the development of the Council's arrangements for Risk Management and enhance its governance framework.
Portfolio Holder(s):	Cllr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe – Corporate Director Resources
Report Author(s)	Fiona Manton Risk & Insurance Manager ☎01202 451274

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Contributions	Corporate Management Board
Wards	All
Classification	For Update and Information

Background

1. Risk can be broadly defined as the possibility that an action, issue or activity (including inaction) will lead to a loss or an undesirable outcome. It follows that Risk Management is about the identification, assessment and prioritisation of risks followed by coordinated control of the probability and impact of that risk.
2. In accordance with the Financial Regulations and the Risk Management Strategy, the Audit and Governance Committee are specifically responsible for ensuring appropriate and effective risk management processes. In practice, this means that the Committee Members must assure themselves that the Council's Risk Management Framework is appropriate and operating effectively. The Council's Corporate Risk Register is a key element of this framework and is reviewed and updated on a quarterly basis.
3. In line with the decision making framework in place for BCP Council it was agreed that effective from Day 1, BCP Council would, as an interim measure, adopt the legacy Bournemouth Risk Management Framework. The scoring matrix in this framework was adjusted to reflect the increased remit of the new authority. A revised Risk Management Framework for BCP Council will be developed during 2020.
4. In addition to the quarterly reviews, in immediate practical terms, the Corporate Management Board continues to monitor risks and ensure appropriate and proportionate mitigating actions continue and evolve as risks change.

Review of Corporate Risks

5. In March 2019 the Corporate Risk Registers of Bournemouth, Christchurch, Poole and Dorset County Council (legacy Councils) were combined into one document for review by the Corporate Management Board. This review considered each risk and identified those to be included in the initial Day 1 Corporate Risk Register for BCP Council.
6. This Corporate Risk Register is formally reviewed on a quarterly basis by the Corporate Management Board and continues to be developed in terms of the risk reporting information. This is evidenced in the risk summary at Appendix 1. Further additional risk narratives will be provided in future reports to this Committee.

Changes in Risk During Quarter 3 – 2019/20

7. Corporate Management Board have reviewed the Risk Register and updates on the risks are summarised in Appendix 1 with information on Actions Completed during the quarter and Actions Proposed for the next quarter.
8. In addition to the routine updates on each risk the material changes to the risk register during the quarter are as follows:

Corporate Risk 1 - Failure to respond to the needs arising from a changing demography. This risk has been updated to outline the key elements of the risk to BCP Council. In reviewing and updating the risk during the quarter, in light of the risk information outlined and because of the pressures, the risk score has been appraised with the Gross score being increased from a score of 12 to 16. This will continue to be monitored as the budget position evolves.

Corporate Risk 2 - Failure to deliver effective safeguarding arrangements for children & adults, & improved outcomes for children. This risk has been updated during the quarter to include detail on the risk for BCP Council. The risk score was considered and confirmed as correct and the key mitigations and actions have been updated.

Corporate Risk 3 - Failure to ensure adequate Information Governance. A review of this risk took place and the mitigations and actions have been updated. The risk score was confirmed as continuing to be correct.

Corporate Risk 4 - Failure to provide adequate IT and cyber security. This risk has been reviewed both in terms of the current scoring and the mitigations and actions. Whilst much work is being done, it was not considered the overall risk scores should change.

Corporate Risk 5 - Failure to plan effectively for Brexit. The risk was reviewed during the quarter and updated to reflect the government announcements during December 2019.

Corporate Risk 6 - Failure to adequately respond to an incident involving the activation of the emergency plan. This risk has been reviewed both in terms of the current scoring and the mitigations and actions. Whilst work continues, it was not considered the overall risk scores should change.

Corporate Risk 7 – Failure to provide adequate services as a result of an incident requiring a business continuity response. The risk was reviewed during the quarter and whilst work continues to progress, it was not considered that the overall score of the risk should change. The risk mitigations and actions are updated.

Corporate Risk 8 - Inability to run an election/ referendum. This risk was removed from the corporate risk register in July 2019. The risk was added and removed from the corporate risk register during this quarter as a result of the December 2019 election. During this period the risk was monitored as part of the overall management of the project. This was the third major election in the last 12 months. The risk will continue to be monitored at a service level and

reviewed as necessary particularly taking into consideration the Police and Crime Commissioners election in May 2020.

Corporate Risk 9 - Failure to maintain a safe and balanced budget for the delivery of services. The net risk score (the risk rating taking into consideration the operation of the mitigations) was reviewed during the quarter and increased. This increase in score is reflective of: a) the historic accumulated deficit on the high needs budget; b) the significant budget pressure for 2020/2021 on both general fund and separately the Dedicated Schools Grant (DSG) high needs budget. The mitigations and actions have been updated for this risk.

Corporate Risk 10 - Failure to deliver effective health and safety to protect staff, councillors and the public. The risk score was reviewed during the quarter but remains unchanged. Whilst work continues to mitigate this risk, taking into consideration the level of change taking place in the organisation, it will take time for the new framework to be embedded and to reach a position of assurance across all service areas. The mitigations and actions have been updated for this risk.

Corporate Risk 11 - Extent to which Members and Officers are able to fully engage with new roles and operate efficiently. This is a new risk added during the quarter.

9. Whilst the above outlines that some risk scores have increased this is not necessarily reflective of management inaction or action. Risks will continue to be influenced by a number of factors including national impacts and operational environmental changes.
10. Corporate Management Board continue to monitor the risk position in relation to the potential impact of organisational change on BCP Council following local government reorganisation.

Service Development

11. In addition to the reviews of Corporate Risks, the Risk Management Team continues to be engaged in the refresh of service risk registers. This includes engaging with services to understand their current risk arrangements, how these can be improved to deliver a proactive and dynamic risk management environment and how the Risk Management Team can support them in this to deliver a consistent and embedded approach to Risk Management throughout the Council. During the current year this involves a mixture of arrangements that will gradually be working towards a new service risk register for each area in BCP Council. This work continues.
12. Work is now starting on the drafting of a new Risk Management framework for BCP Council. Consideration will be given to the new Council's risk appetite and the processes for managing risk consistently across the Council. This will also include the mechanisms for risk reporting and risk escalation.

13. As part of the role of the team, continuous “horizon scanning” is undertaken to identify issues that may give rise to risk to the Council. When matters are identified, these are raised with the relevant Corporate / Service Director for review and consideration if any action is necessary.

14. The Risk and Insurance Team is moving towards being fully electronic in terms of file management over the next six months. This will remove the need to maintain and rely upon a complex secure paper file system and significantly reduce the Team’s printing and paper requirements in the future.

Summary of Financial Implications

15. Financial implications relevant to risks are detailed within the relevant risk registers.

Summary of Legal Implications

16. There are no direct legal implications from this report.

Summary of Human Resource Implications

17. There are no direct human resources implications from this report.

Summary of Environmental Impact

18. There are no direct environmental implications from this report.

Summary of Public Health Implications

19. There are no direct Public Health implications from this report.

Summary of Equality Implications

20. There are no direct equality implications from this report.

Summary of Risk Assessment

21. The risk management implications are set out within the content of this report.

Background Papers

Risk Management – Corporate Risk Register Update Report to the Audit & Governance Committee on 10 October 2019.

Appendices

Appendix 1 - Corporate Risk Register Update Q3 -2019/2020

BCP Council
AUDIT AND GOVERNANCE COMMITTEE
23 JANUARY 2019

CORPORATE RISK REGISTER UPDATE Q3 - 2019/20

1. UPDATES / CHANGES TO THE CORPORATE RISK REGISTER

- 1.1 The Corporate Risk Register (CRR) is updated quarterly. Numbering does not run sequentially as some risks have been removed as reported previously.
- 1.2 Mitigation actions and significant changes this quarter are detailed below.
- 1.3 The table below is a key to arrow directions and colours used.

RISK DIRECTION OF TRAVEL STATUS		MITIGATIONS AND ACTIONS STATUS	
	Risk impact or likelihood has <u>increased</u> since last review.		Mitigations <u>remain robust and actions are on track</u> since the last review.
	Risk impact or likelihood has <u>decreased</u> since last review.		Mitigations are <u>less robust and/or actions are not on track and/or actions have not progressed significantly</u> since last review.
	There is <u>no change</u> to the risk impact or likelihood		

RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	NET RISK SCORE	RISK DIRECTION OF TRAVEL STATUS *	MITIGATIONS & ACTIONS STATUS	RISK INFORMATION, KEY MITIGATIONS AND ACTION NOTES
CR1	Failure to respond to the needs arising from a changing demography	16	12			<p>Risk Owner: Chief Executive</p> <p>Risk Information:</p> <p>The needs for Adult Social Care (ASC) are increasing due to a rising older population and due to a growing population of children, young people and adults of working age who have highly complex disabilities. ASC is both funding a higher volume of care packages and placements and also funding an increasing number of very expensive packages of care for people with highly complex needs. Costs for residential care for older people are rising at a rate about 5% per annum due both to national issues such as the rise in the National Living Wage and due to local market conditions. Nationally, there is still no government strategy for adult social care or sustainable funding plan, which contributes to the risks for BCP Council and all local authorities.</p> <p>Since early November 2019, local hospitals have experienced an exceptionally high volume of demand. This has necessitated health and social care partners working together to support the acute sector. As a consequence, the number and costs of adult social care placements and packages of care have increased significantly in Quarter 3 and have put significant pressure on the ASC budget.</p> <p>The needs of children that are identified as being in need of support or are at risk are increasingly complex and this raises challenges for how the partnerships seek to address the need, the confidence and skills of the workforce across the system, how the Local Authority supports colleagues across the wider system in meeting needs and not passporting all vulnerable children into the statutory social work teams.</p>

					<p>The changing activities around criminal exploitation and county lines are starting to make more of an impact across the conurbation as well as the fact that we are learning more about this. This is a changing profile within and across communities.</p> <p>The numbers and complexity of children with special education needs and / or disabilities is an issue that we are creating a range of mitigating and forward facing strategies to address the risks to the council's financial viability which arise from the pressures held within the direct schools grant - high needs block. There are local issues that the strategies will seek to address, but this changing demographic is also a national issue and we are awaiting the outcome of a consultation exercise focusing on SEN/D funding.</p> <p>In light of the above considerations the risk score has been appraised with the Gross score being increased from a score of 12 to 16.</p> <p>Key Mitigations</p> <p>Adults & Children</p> <ul style="list-style-type: none"> • Understanding needs by joint needs assessment across the integrated care system including health, public health, adult social care, children's social care • Developing early identification of needs • Working with communities • Working with the new primary care networks of GP's to understand populations and needs • Utilising Medium Term Financial Plan (MTFP) to use money to facilitate greater independence • Focusing on carers and providing supporting governance system • Creating a new and effective partnership infrastructure and joint commissioning approach • Reviewing and developing effective early help and youth services
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						<p>Housing</p> <ul style="list-style-type: none"> • Reshaping existing housing provision and services to meet the high number of homeless households and those presenting with increasingly complex needs e.g. scaling up of Housing First model • Ensuring an enhanced preventative approach to homelessness • Ensuring close collaborative partnership working with our many partners to meet the housing, support needs and care needs of those in housing need • Seeking additional central government funding to further address needs, particularly for those rough sleeping • Working towards a new BCP Council Homelessness Strategy and new BCP Council Housing Strategy <p>Actions Completed During Quarter 3:</p> <ul style="list-style-type: none"> • ASC MTFP continues to be in development for Council in February 2020 • Plans for the initial contact and response service for ASC have been developed with support of KPMG • Housing - Plans underway to develop a number of in-house temporary accommodation housing schemes to avoid the use of B and Bs • Housing - Launched the new BCP Homelessness Partnership to help ensure a coordinated multi-agency approach to preventing and addressing homelessness and held inaugural Homelessness Reduction Board meeting • Housing - Bid submitted for additional homeless/rough sleeper funding from central government • Housing - Project plans in place to publish a new Homelessness Strategy and a new Housing Strategy during 2020 <p>Actions Proposed During Quarter 4:</p> <ul style="list-style-type: none"> • ASC MTFP finalised and agreed by Council in February • Presentation of proposals for initial contact and response service for ASC at Health and ASC Overview and Scrutiny Committee on 20/1/2020 and plans implemented for initial implementation in April 2020
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						<ul style="list-style-type: none">• Work with health partners and Dorset Council to commission an external assessment of the health and care system for older people to ensure that the system is meeting local people's needs and making best use of available resources• Housing - Plan to mobilise additional central government funding if secured• Housing - Facilitate the inaugural multi-agency action group meetings which form part of the new BCP Homelessness Partnership• LGA peer review of the SEN/D system, and the launch of the SEN/D strategy and associated joint commissioning strategy
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RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	NET RISK SCORE	RISK DIRECTION OF TRAVEL STATUS *	MITIGATIONS & ACTIONS STATUS	RISK INFORMATION, KEY MITIGATIONS AND ACTION NOTES
CR2	Failure to deliver effective safeguarding arrangements for children & adults, & improved outcomes for children	16	12			<p>Risk Owner: Chief Executive</p> <p>Risk Information:</p> <p>Safeguarding is the responsibility of all members and officers, and this is reflected in the Corporate Safeguarding Strategy which was agreed by Cabinet in September 2019.</p> <p>All relevant partners have been working across Children's and Adults Safeguarding and Community Safety Partnerships to establish effective governance arrangements post Local Government Review which meet all required statutory requirements. As a new Council covering a population of almost 400,000, BCP Council has to ensure that it is working with all partners in the most effective way to identify, assess and respond to safeguarding and community safety issues, particularly those which cut across children's, adults and community safety. Chief Officers across the Councils' Police and Clinical Commissioning Group have agreed to a Director led review of governance arrangements in order to develop options, which will ensure strengthened and impactful governance and facilitate more effective strategic ownership of an effective and efficient delivery of the safeguarding and community safety system which is designed to meet the needs of our people and which are associated with place.</p> <p>Reported Domestic Abuse incidents continue to rise and responding to domestic abuse is a key priority across the Council and for all partners involved in community safety and safeguarding. A key action for Q4 is</p>

					<p>to implement new and effective arrangements for Multi-Agency Risk Assessment Conferences (MARACs) for the BCP area.</p> <p>For Adult Social Care the key operational risks for delivery of safeguarding and statutory responsibilities are:</p> <ul style="list-style-type: none"> • difficulties in recruiting social work staff • preparing for the implementation of new Liberty Protection Safeguards legislation in October 2020 in a context where government guidance has not yet been published. <p>For Children's Social Care the key strategic and operational risks for the delivery of effective safeguarding and statutory responsibilities are:</p> <ul style="list-style-type: none"> • The Pan Dorset Safeguarding Children's arrangements are not impactful enough in addressing the key interrelated risks for young people and our place • the need to change and develop the current 'MASH' arrangements with partners, • the need to improve the coherence of the partnership approach to managing the risks associated within the sphere of criminal exploitation • the volume of change within the council's children's department, the differing cultures and ways of working which will take time to address and develop if we are to be consistently effective • the dual ICS system and accommodation for the statutory social work teams <p>Key Mitigations</p> <p>Adults & Children</p> <ul style="list-style-type: none"> • Clear pan-Dorset/ local multi-agency procedure for safeguarding • Clear and simplified governance of multi-agency arrangements • Audit and evaluation of quality of practice & decision making both multi-agency and as a Council • Comprehensive training & development on all aspects of safeguarding • Adequately resourced at both management & practice level
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						<ul style="list-style-type: none"> • Learning from case reviews, embedding & testing • Local Government Association Peer reviews • Chief Executive & Corporate Director clear line of sight on issues <p>Adult Social Care</p> <ul style="list-style-type: none"> • Robust arrangements for Safeguarding Adults which is integrated with Children's Safeguarding and Community Safety • Development and implementation of BCP Council wide service delivery models for safeguarding and ASC delivery supported by one IT system for the Council • Development of Council wide strategies for commissioning adult social care services which are integrated with health and ensure services are of high quality and provide safe care for the public • Robust arrangements in place for performance management and quality assurance and member scrutiny within the Council and BCP Council is fully engaged with ADASS and LGA sector led review programmes <p>Children's Services</p> <ul style="list-style-type: none"> • Robust performance management arrangements to continue to be embedded • To further improve in Q4 the quality assurance and learning model across the system • Robust improvement plan to be delivered • Continue to improve and develop with partners a fit for purpose MASH arrangement and the associated early help pathway by April 2020 • Develop the local adolescent services for young people at risk of exploitation • Agree approach for early help and young people's support • Redesign of services in social care to deliver clear line of sight and consistent approaches • 1 ICS system supporting the work across the system and the clean line of sight
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						<p>Housing</p> <ul style="list-style-type: none"> • Roll out the existing safeguarding network across all housing teams within BCP Council to ensure a robust approach to safeguarding issues • Revisit joint working between Housing and colleagues in Children's and Adults Social Care to ensure safeguarding of residents e.g. publishing a consolidated BCP homeless young people's protocol to address Southwark ruling <p>Actions completed in Quarter 3:</p> <p>Adults Social Care</p> <ul style="list-style-type: none"> • Independent Review of Safeguarding Adults Board for BCP and Dorset Council areas completed, and future actions have been agreed by both Boards in the light of the recommendations • ASC performance was reported in line with new performance and quality assurance framework in November for first 6 months of new authority <p>Housing</p> <ul style="list-style-type: none"> • Housing Safeguarding Champion identified with a lead on the Corporate Safeguarding Strategy and with lead responsibility for the safeguarding network for Housing <p>Actions Proposed during Quarter 4:</p> <p>Adults Social Care/Children's/Housing and Community Safety</p> <ul style="list-style-type: none"> • Multi-agency review of Safeguarding and Community Safety Partnership arrangements to be initiated across BCP and Dorset Council areas with intention to report in Summer 2020 • Proposals for new arrangements for MARAC for new BCP area to be implemented by partners for Spring 2020 <p>Adult Social Care</p> <ul style="list-style-type: none"> • Development and implementation of recruitment and retention plan for ASC by Human Resources and ASC officers
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						<ul style="list-style-type: none">• Development of plans for implementation of new Liberty Protection Safeguards legislation in the light of national guidance and work to understand costs of implementing new legislation• ASC to produce self-assessment of performance and for this to be tested and challenged as part of regional LGA/ADASS peer review process
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RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	NET RISK SCORE	RISK DIRECTION OF TRAVEL STATUS *	MITIGATIONS & ACTIONS STATUS	RISK INFORMATION, KEY MITIGATIONS AND ACTION NOTES
CR3	Failure to ensure adequate Information Governance	12	9			<p>Risk Owner: Corporate Director of Resources</p> <p>Key Mitigations</p> <ul style="list-style-type: none"> • BCP Council Information Governance Accountability Framework adopted, which includes assignment of key roles: <ul style="list-style-type: none"> ○ Senior Information Risk Owner ○ Deputy Senior Information Risk Owner ○ Caldicott Guardian ○ Data Protection Officer (in line with GDPR/DPA 2018 requirements) ○ Information Asset Owners ○ Information Asset Managers ○ Information Asset Advisors (IAA) • New BCP Council Information Governance Board (IGB) agreed, terms of reference revised, Board will meet quarterly • Updated comprehensive BCP Council IG training programme in place • Mandatory IG training for staff and elected members • New Cyber Security training sessions developed • Key IG guidance updated and available on BCP Council intranet facilities • Regular communications to IAA staff on new guidance • Provision of IG performance management information to Information Asset Owners and Information Asset Advisors • Business continuity testing • BCP Council breach reporting process adopted and implemented • Regular internal audit of IG accountability framework, policy and guidance

						<ul style="list-style-type: none">• Information Asset Registers being developed by BCP service delivery areas• BCP Privacy Impact Assessment (PIA) template, guidance and process in place• Strong governance system• Preceding IT infrastructures provide strong technical security• During the period of transition infrastructures will be maintained <p>Actions Completed During Qtr 3</p> <ul style="list-style-type: none">• Continual review and refinements as and where appropriate <p>Actions Proposed During Qtr 4</p> <ul style="list-style-type: none">• Continue to assess the opportunities to strengthen current arrangements further• Consider data strategy and information governance as part of the considerations of the future operating arrangements of BCP Council
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RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	NET RISK SCORE	RISK DIRECTION OF TRAVEL STATUS *	MITIGATIONS & ACTIONS STATUS	RISK INFORMATION, KEY MITIGATIONS AND ACTION NOTES
CR4	Failure to provide adequate IT and cyber security	12	6			<p>Risk Owner: Corporate Director of Resources</p> <p>Key Mitigations</p> <ul style="list-style-type: none"> • Each legacy Council had a strong infrastructure • Physical premises security • Physical data security • Encryption • Regular scanning • Multi layered security approach • Active security incident response team • Constant review of latest threats and their vectors • Regular patching and upgrades • Dedicated cyber security officer <p>Actions Proposed Completed Qtr 3</p> <ul style="list-style-type: none"> • Progress action items identified following PSNC process • The BCP Council infrastructure will be designed and built with embedded security • Completed migration into a single domain now under Microsoft and less disjointed systems • Implemented security authentication processes <p>Action Proposed during Qtr 4</p> <ul style="list-style-type: none"> • Continual work on improving security of systems • Realisation of benefits of operating under O365 • Removal of legacy systems • Working on a collaborated remote access solution.

						<ul style="list-style-type: none">• Development of a telephone strategy for BCP Council in recognition of the requirement to replace systems
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RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	NET RISK SCORE	RISK DIRECTION OF TRAVEL STATUS *	MITIGATIONS & ACTIONS STATUS	RISK INFORMATION, KEY MITIGATIONS AND ACTION NOTES
CR5	Failure to plan effectively for Brexit	12	8			<p>Risk Owner: Chief Executive</p> <p>Key Mitigations</p> <ul style="list-style-type: none"> • Take part in emergency planning and response operated by the Dorset LRF in preparation after transition period ends on 31 December 2020 • Respond to government requests for information. • Consider any subsequent changes or adjustments to the EU Citizens Settlement Scheme to EU citizens <p>Actions Completed During Qtr 3</p> <ul style="list-style-type: none"> • Internal EU Exit Coordination Group was established and met weekly • 2-weekly status reporting to Corporate Management Board (CMB) on preparations including bids for EU exit funding pot • Key issues addressed include port health requirements, traffic management, particularly around the Port of Poole, fuel disruption, staffing impact and community cohesion • Emergency Planning Team and wider Council services made a significant contribution to LRF multi-agency planning and preparedness • EU Exit Gold and Silver and deputies were identified to focus on EU Exit issues freeing up rostered duty golds and duty silvers to focus on 'routine' emergencies • CMB reporting was moved to weekly basis from the start of October <p>Above activities were largely stood down after government announcements in December 2019.</p>

						<p>Actions Proposed During Qtr 4</p> <ul style="list-style-type: none">• To follow any national directives or requirements as published• During the calendar year keep a watching brief on negotiations and follow relevant national or local guidance provided.
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RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	NET RISK SCORE	RISK DIRECTION OF TRAVEL STATUS*	MITIGATIONS & ACTIONS STATUS	RISK INFORMATION, KEY MITIGATIONS AND ACTION NOTES
CR6	Failure to adequately respond to an incident involving the activation of the emergency plan	8	8			<p>Risk Owner: Corporate Director of Resources</p> <p>Key Mitigations</p> <ul style="list-style-type: none"> • BCP Council corporate emergency plan, legacy emergency plans and county-wide LRF multi-agency plans • In-house team of emergency planning and business continuity professionals • Partnership working with Local Resilience Forum • Funded multi-agency partnership to support and facilitate multi-agency working - the Dorset Civil Contingencies Unit (CCU) • Corporate Resilience Champion - Chief Executive, and Deputy Corporate Resilience Champion - Corporate Director of Environment & Economy • BCP Council Duty Gold rota in place • Legacy Silver Duty and Duty Emergency Planning Officer rotas in place • Access to the LRF training programme delivered by the CCU in order to ensure ongoing role familiarisation • BCP Council corporate business continuity plan and legacy business continuity arrangements to respond to and mitigate the effects of a business continuity disruption <p>Actions Completed During Qtr 3</p> <ul style="list-style-type: none"> • Maintaining a business as usual service including responses to any incidents including the high winds on 2nd November • Emergency Planning College came to Dorset to deliver strategic and tactical emergency and crisis management for Golds and Silvers in October and November

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|--|--|--|--|--|--|---|
| | | | | | | <ul style="list-style-type: none">• Work commenced on a new BCP Council flood plan, a BCP Council severe weather plan and a BCP Council reception centre plan• Ongoing EU Exit preparedness work |
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Actions Proposed During Qtr 4

- Maintaining a business as usual service including responses to any incidents
- Work continuing on the new BCP Council flood plan, a BCP Council severe weather plan and a BCP Council reception centre plan

RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	NET RISK SCORE	RISK DIRECTION OF TRAVEL STATUS*	MITIGATIONS & ACTIONS STATUS	RISK INFORMATION, KEY MITIGATIONS AND ACTION NOTES
CR7	Failure to provide adequate services as a result of an incident requiring a business continuity response	8	6			<p>Risk Owner: Corporate Director of Resources</p> <p>The scoring of this risk was reviewed during the quarter. Whilst progress continues to be made these are granular shifts in the risk and not yet significant enough to require a change to the overall scores.</p> <p>Key Mitigations</p> <ul style="list-style-type: none"> • BCP Council corporate level business continuity plan • Legacy preceding council business continuity plans and arrangements • Legacy Disaster Recovery Plans • BCP Council Duty Gold & Silver rota in place • Corporate Resilience Champion - Chief Executive, and Deputy Corporate Resilience Champion - Corporate Director Environment & Economy identified • Multi-disciplinary project with IT Security, Emergency Planning, Information Governance and Learning and Development to promote cyber security <p>Actions Completed During Qtr 3</p> <ul style="list-style-type: none"> • Further training for staff • Support provided to services in updating service level business continuity plans such as libraries and Holly Tree Lodge • Responded to a business continuity incident at the Town Hall on 8th November

						<p>Actions Proposed During Qtr 4</p> <ul style="list-style-type: none">• Continue to support services – delivering business impact assessment and business continuity plan workshops• Initial draft of a corporate business continuity policy/strategy• Finalising BCP Council business continuity risk assessment
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RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	NET RISK SCORE	RISK DIRECTION OF TRAVEL STATUS*	MITIGATIONS & ACTIONS STATUS	RISK INFORMATION, KEY MITIGATIONS AND ACTION NOTES
CR9	Failure to maintain a safe and balanced budget for the delivery of services	16	12			<p>Risk Owner: Director of Finance</p> <p>The risk score was reviewed during the quarter and increased. This increase in score is reflective of:</p> <ul style="list-style-type: none"> a) the historic accumulated deficit on the high needs budget b) the significant budget pressure for 2020/2021 on both general fund and separately the Dedicated Schools Grant (DSG) high needs budget <p>Key Mitigations</p> <ul style="list-style-type: none"> • Medium Term Financial Planning (MTFP) approach including forward planning based on forecasts both of central government funding expectation and service demand • Quarterly budget monitoring reports are considered by Cabinet • Key Financial Indicators are shared regularly with Corporate Management Board • Oversight from Local Government Association & External Audit • Overview and Scrutiny Board in place to scrutinise the quarterly budget monitoring and MTFP update reports presented in-year • BCP Council approved Reserves Strategy, Capital Strategy and Treasury Management Strategy <p>Actions Completed During Qtr 3</p> <ul style="list-style-type: none"> • Stage two base budget reviews • Refinement of savings options • Member budget seminar to Overview and Scrutiny Board • Quarter Two Budget monitoring report • December MTFP Update report

						<p>Actions Proposed During Qtr 4</p> <ul style="list-style-type: none">• Quarter Three Budget monitoring report• Budget 2020/21 Report to be presented to Council including consideration of the need to set a more sustainable budget for high needs element of the Dedicated Schools Grant.
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RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	NET RISK SCORE	RISK DIRECTION OF TRAVEL STATUS*	MITIGATIONS & ACTIONS STATUS	RISK INFORMATION, KEY MITIGATIONS AND ACTION NOTES
CR10	Failure to deliver effective health and safety to protect staff, councillors and the public	16	12			<p>Risk Owner: Corporate Director of Environment & Community</p> <p>The risk score was reviewed during the quarter but remains unchanged. Whilst work continues to mitigate this risk, taking into consideration the level of change taking place in the organisation, it will take time for the new frameworks to be embedded and to reach a position of assurance across all service areas.</p> <p>Key Mitigations</p> <ul style="list-style-type: none"> • The Chief Executive Chairs the BCP Council Health and Safety Board and Fire Safety Board to develop and maintain a strong corporate standard for BCP Council and the cascade governance framework • Over-arching Corporate Health & Safety Policy and Fire Safety Policy • Operationally, legacy arrangements are being maintained with a prioritised development of new policy arrangements. • Corporate Health & Safety resource arrangements maintained in legacy Councils • Health & Safety and Fire Safety training included within induction process (e-learning modules) <p>Actions Completed During Qtr 3</p> <ul style="list-style-type: none"> • New draft governance framework for Corporate Health and Safety and Fire Safety approved by the BCP Council Health and Safety Board and Fire Safety Board. • First Health & Safety and Fire Safety Board meeting to be held in November

					<ul style="list-style-type: none">• Corporate Health & Safety and Fire Safety management restructure completed• Review of Health & Safety and Fire Safety operational plans once restructure completed, including training needs and provision• Consider and implement arrangements for health and fire safety training for flexible working arrangements between sites• Corporate fleet management IT system implementation across all areas of BCP Council <p>Actions Proposed for Qtr 4</p> <ul style="list-style-type: none">• Implement new BCP Health and Safety and Fire Safety Team structures.• Escalate Fire Safety risk issues to be considered by Corporate Management Board as part of 2021 budget setting process.
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RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	NET RISK SCORE	RISK DIRECTION OF TRAVEL STATUS*	MITIGATIONS & ACTIONS STATUS	RISK INFORMATION, KEY MITIGATIONS AND ACTION NOTES
CR11	Extent to which Members & Officers are able to fully engage with new roles & operate efficiently	9	4	New	New	<p>Risk Owner: Chief Executive</p> <p>This is a new risk added during the quarter.</p> <p>Key Mitigations</p> <ul style="list-style-type: none"> • Training and development programme • Regular liaison between Cabinet and Corporate Management Board • Mentoring • Bedding down period for service re-structures • Members toolkits • Six working groups of officers and members put in place to develop high-level delivery plans for the Corporate Strategy • A forward plan for harmonising the council's major service strategy and policy documents which will inform the Cabinet's forward plan has been agreed • Agreement of Corporate Strategy, People Strategy, Equalities Strategy leading to delivery plan will give some certainty • The Overview and Scrutiny Function has an associated skills and knowledge development programme in place to support members and ensure effective implementation of the function, which was developed in consultation with the Centre for Public Scrutiny (CfPS) as the body of excellence for scrutiny support to councils. This will include a review of the function planned for July 2020, supported by the CfPS, to provide opportunity for reflection on the first year of operation. • Extensive engagement with the Local Government Association to provide support for members as required, including making arrangements for mentoring and coaching, plus agreement to bring forward a Peer Review for the council in late 2020

						<p>Actions Proposed for Qtr 4</p> <ul style="list-style-type: none">• High-level delivery plans under development to deliver the priorities in our Corporate Strategy. Six working groups of officers and members will further develop the plans ready to be presented with the budget to Cabinet and Council in February 2020• Performance monitoring• Development programme being put in place for Members and Senior Managers• High level development programme with Korn Ferry working across Members & Officers in progress
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AUDIT AND GOVERNANCE COMMITTEE

Report subject	External Audit progress report including certification of grant claims (2018/19) for legacy Councils
Meeting date	23 January 2020
Status	Public Report
Executive summary	<p>The attached report provides an update to Members on the External Auditor's progress to date in delivering their responsibilities.</p> <p>Grant Thornton have carried out grant certification work on the Housing Benefit Subsidy claims for the three predecessor Councils and the annual Teachers' Pensions returns for legacy Bournemouth and Poole Councils. All claims have been certified with only some minor errors being identified.</p> <p>Work is ongoing on Pooling Housing Capital Receipts certification returns for legacy Bournemouth Borough Council and legacy Borough of Poole Council. Both returns have been certified with only a minor error being identified for the legacy Borough of Poole Council's return.</p> <p>The report also includes a summary of emerging national issues and developments that may be relevant to the Council. In particular, the report provides a presentation on the independent probe into local government audit ('The Redmond Review').</p>
Recommendations	<p>It is RECOMMENDED that:</p> <p>Audit & Governance Committee notes the External Auditor's progress to date in delivering their responsibilities and the sector update provided.</p>
Reason for recommendations	<p>To update Audit & Governance Committee on the External Auditor's progress to date in delivering their responsibilities (including the certification of grant claims for legacy Councils).</p> <p>To advise Audit & Governance Committee of emerging national issues and developments that may be relevant to the Council.</p>

Portfolio Holder(s):	CLlr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe – Corporate Director Resources
Report Authors	Nigel Stannard Head of Audit & Management Assurance ☎01202 451969 / ☎01202 633123 ✉ nigel.stannard@bcpcouncil.gov.uk
Wards	Council-wide
Classification	For Information

Background

1. During 2017, Public Sector Audit Appointments (PSAA) awarded contracts for audit for a five-year period beginning on 1 April 2018. This year (2019/20) is the second year of that contract and Grant Thornton are the appointed External Auditors for Bournemouth, Christchurch and Poole Council.
2. Grant Thornton, as the Council's External Auditors, have a responsibility to provide regular updates to those charged with governance (Audit & Governance Committee) on progress made in delivering their responsibilities.

External Audit Progress Report

3. The report attached at Appendix A details progress made by Grant Thornton in delivering their responsibilities as external auditors.

Grant Certification Work

4. The report states that Grant Thornton have certified the annual Housing Benefit Subsidy claims for the three predecessor councils in accordance with procedures agreed with the Department for Work and Pensions (DWP) and details identified errors and necessary amendments. All claims have been certified with only some minor errors being identified on some of the claims.
5. Details of work carried out by Grant Thornton to certify the Council's annual Teachers' Pensions returns in accordance with procedures agreed with Teachers' Pensions is also included in the report. Both legacy Bournemouth and Poole Council returns were certified with only a minor issue being identified for legacy Borough of Poole Council's return.
6. The report states that work is ongoing on Pooling Housing Capital Receipts certification returns for legacy Bournemouth Borough Council and legacy Borough of Poole.

Sector Update

7. The report also includes a summary of emerging national issues and developments that may be relevant to the Council (as a local authority) which includes;

- MHCLG – Independent probe into local government audit ('The Redmond Review')
- National Audit Office – Code of Audit Practice
- Financial Reporting Council – Summary of key developments for 2019/20 annual reports
- What is the future for local audit (Municipal Journal article by Grant Thornton)
- Grant Thornton's Sustainable Growth Index Report
- Institute for Fiscal Studies – English local government funding: trends and challenges in 2019 and beyond

Options Appraisal

8. An options appraisal is not applicable for this report.

Summary of financial implications

9. The 2019/20 fee letter is included within the agenda for this Committee.

Summary of legal implications

10. There are no direct legal implications from this report.

Summary of human resources implications

11. There are no direct human resources implications from this report.

Summary of sustainability impact

12. There are no sustainability impact implications from this report.

Summary of public health implications

13. There are public health implications from this report.

Summary of equality implications

14. There are no direct equality implications from this report.

Summary of risk assessment

15. There are no risk implications from this information report.

Background papers

None

Appendices

Appendix A – Grant Thornton - Audit Progress Report and Sector Update

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Audit Progress Report and Sector Update

Bournemouth Christchurch and Poole Council
Year ending 31 March 2020

January 2020

165



Contents

Section	Page
Introduction	3
Progress at January 2020	4
Audit Deliverables	7
The Redmond Review	8
Sector Update	20

Introduction



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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority.

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

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

Progress at January 2020

Financial Statements Audit

We will begin our planning for the 2019/20 audit in January 2020 and will issue a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements.

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

- Review of the Council's control environment
- Review of brought forward balances from the predecessor councils including a review of the working papers of the auditor of Dorset County Council of the assets and balances transferred
- Obtain understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by July 2020.

Value for Money

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

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

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

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

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

We will report our work in the Audit Findings Report and aim to give our Value For Money Conclusion by July 2020.

The NAO is consulting on a new Code of Audit Practice from 2020 which proposes to make significant changes to Value for Money work. Please see page 8 for more details.

Progress at January 2020 (Cont.)

Certification of Claims and Returns

Housing Benefit Certification

We have certified the annual Housing Benefit Subsidy claims for the three predecessor councils in accordance with procedures agreed with the Department for Work and Pensions (DWP).

The claims for Borough of Poole and Christchurch Borough Council were certified by the 30 November deadline. For Bournemouth Borough Council, the Council obtained an extension from DWP to enable an amended claim to be recertified. The certified claim was submitted to DWP on 5 December 2019.

Bournemouth Borough Council

Additional testing was required due to errors identified in earned income calculations in the previous year. No errors were identified from this testing. However our initial testing of cases did identify one error in the calculation of earned income.

Testing also identified a prior year underpayment correction error made in the current year for short-term leased and self-contained licenced accommodation where the local authority is the landlord. As this correction was only made in 2 cases, the Council was able to make an amendment to the claim.

Testing identified one claim which had an error in the amount of rent which had been recorded resulting in an overpayment of benefit. As it was not possible to establish the error for amendment, additional testing of 40 cases was completed. No further errors were found.

One claim tested had an error in the classification of an overpayment because a lone parent premium had been used in error. Enquiries of the system confirmed that there were no other claims in the year which contained a lone parent premium, and the claim was amended to correct this error.

Initial testing of 6 claims containing a modified scheme identified one claim which had been recorded in modified schemes which should not have been. Further testing was then carried out on the remainder of the full population of twenty six. No further errors were found. As the full population of this error type has been tested an amendment to the claim was made.

The total amount of overclaimed subsidy amended on the claim was £499..
The extrapolated error reported to DWP was £12,829.

Christchurch Borough Council

Additional testing was required due to errors in earned income calculations identified in the previous year. No errors were identified in current year testing but 3 errors were identified from the additional testing undertaken. Two errors resulted in an underpayment of benefit and one case resulted in an overpayment of benefit of £62. As we are unable from the level of testing undertaken to make an accurate amendment to the claim an extrapolated error was reported to DWP. The extrapolated error resulted in an overclaim of subsidy paid of £683.

Borough of Poole

No errors or amendments were required for the claim for Borough of Poole.

Teachers Pensions

We certify the Council's annual Teachers' Pensions returns in accordance with procedures agreed with Teachers' Pensions.

Returns were certified for Bournemouth Borough Council and Borough of Poole. No issues were identified with the return submitted by Bournemouth Borough Council.

For Borough of Poole our testing identified two differences between the expected percentage of pay deducted and the actual amount deducted. The differences totalled £65 and related to refunds administered during the year which had been reported to the Teachers Pensions Agency as part of the monthly returns.

Pooling Housing Capital Receipts.

Certification is required for returns for Bournemouth Borough Council and Borough of Poole. Our work in this area remains ongoing.

Progress at January 2020 (Cont.)

Other areas

Meetings

We met with Finance Officers on 5 December 2019 as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

We continue to have regular contact with the finance team as we begin planning the 2019/20 audit of the Council.

Events

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

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

Audit Fees

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

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

We are currently reviewing the impact of these changes on both the cost and timing of audits. We will discuss this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, before communicating fully with the Audit and Governance Committee. Our 2019/20 fee letter is included within the agenda for this Committee.

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

Audit Deliverables

2019/20 Deliverables	Planned Date	Status
<p>Fee Letter Confirming audit fee for 2019/20.</p>	January 2020	Included in the Committee papers
<p>Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements.</p>	March 2020	Not yet due
<p>Audit Findings Report The Audit Findings Report will be reported to the July Audit and Governance Committee.</p>	July 2020	Not yet due
<p>Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	July 2020	Not yet due
<p>Annual Audit Letter This letter communicates the key issues arising from our work.</p>	August 2020	Not yet due

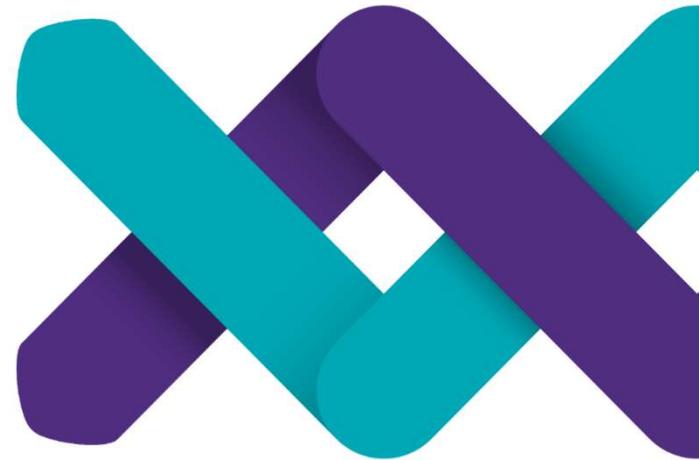
The Redmond Review

Scope

- Launched on 17 September 2019
- Call for Views by 20 December (extended from 22 Nov)
- Led by Sir Tony Redmond, former President of CIPFA

Purpose – to assess

- Effectiveness of audit in local authorities
- Transparency of financial reporting



The Redmond Review

Call for Evidence

- The Expectations Gap
- Audit and Wider Assurance
- Audit Quality
- The Financial Reporting framework
- Auditor Reporting

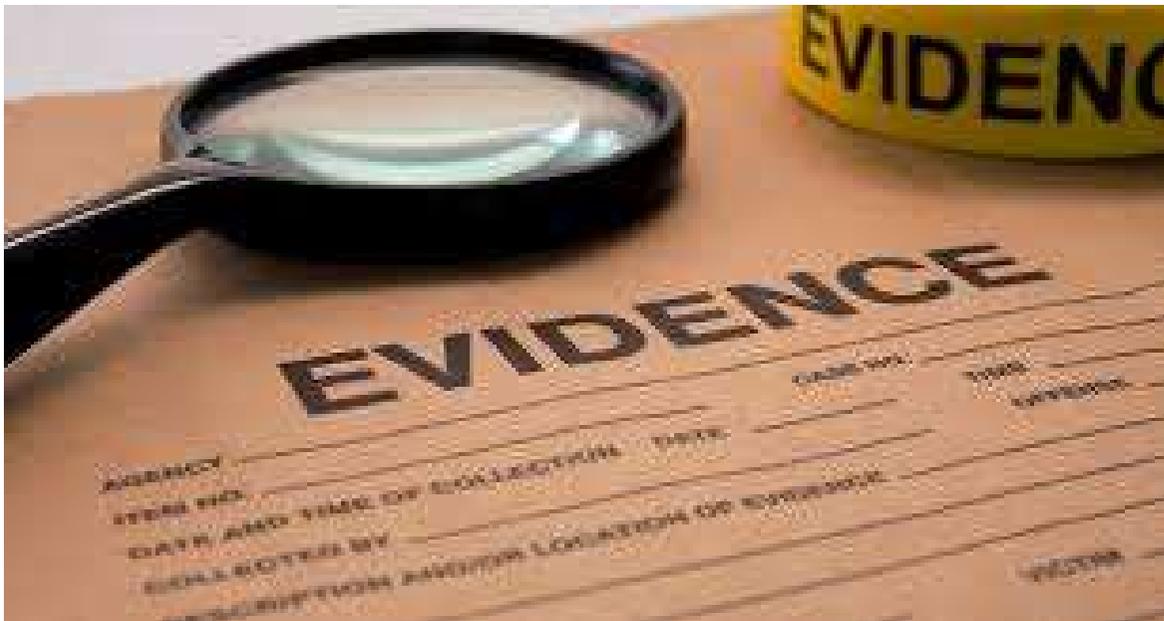
Report to Secretary of State extended to Summer 2020

173



A call for Evidence

What will we be saying in our response?



174

Local government has changed Longer more complex accounts, lower fees

The changing face of local government financial reporting – Birmingham City Council

	2008/09	2018/19
Auditor	Audit Commission	Grant Thornton
Length of financial statements (excluding opinion)	91 pages	219 pages
Length of audit opinion	3 pages	12 pages
Date opinion signed	Feb 2010 (11 months after year end)	September 2019 (6 months after year end)
Scale fee for audit opinion	£700,000	£241,000
Audit fee – grant claims	£300,000	£100,000

175

Peak work: Nearly half our work on local government accounts is in a two month window

176

Time of year	Work completed (nationally)
June – July	47%
Rest of the year	53%

Challenges of recruitment and retention

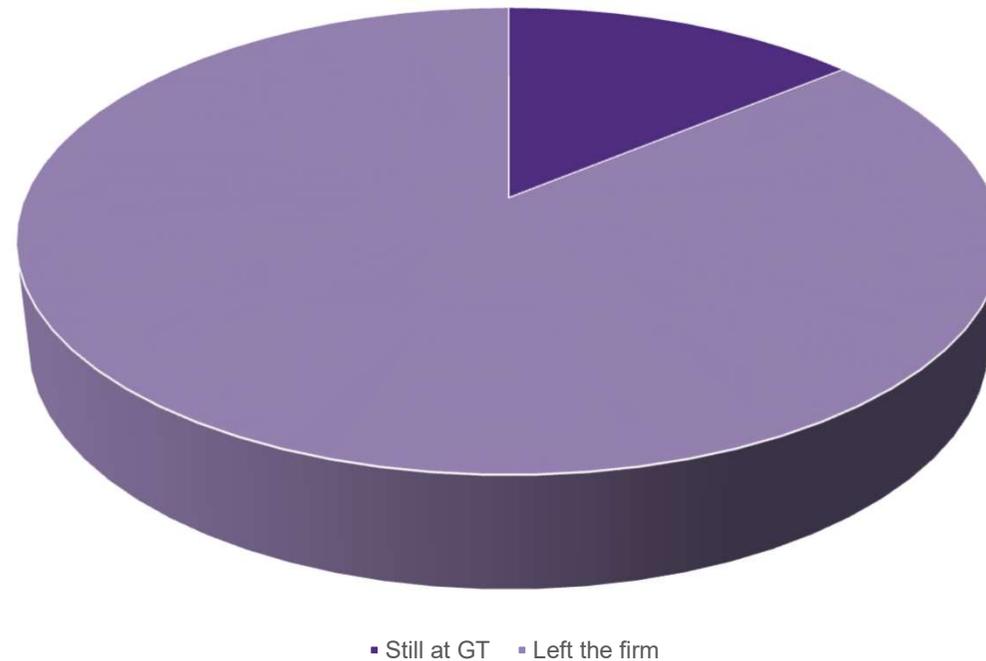
Of the 80 people who TUPE transferred to GT London in 2012, the great majority have left the profession



- Still in GT local audit
- Retired
- Local Government or NHS
- Central government or Not for Profit
- Local audit - working for another firm
- Other employment

Challenges of recruitment and retention

Of 57 fee earners that joined the GT South West public sector team in 2012, only 8 remain



178

Who audits the auditor?

	2012	2020
Regulatory / supervisory body	Audit Commission	FRC/ ICAEW
Number of external inspections per annum	5	15
Public Reporting at audit level	No	Yes
Potential sanction	Recommendation to Head of Audit	Fine of individual and firm



Change in audits signed over past three years

Year	Target date	% opinions signed (all firms)
2016/17	30 Sep	95%
2017/18	31 July	80%
2018/19	31 July	58%

180

Contributory factors to delays in sign off (GT 2018/19)

181

Factor	%
Poor working papers	18
Authority resource constraints	12
Complex technical issues	46
Audit resource constraints	18
Other	6

Our response to Sir Tony Redmond

Key messages we will be highlighting in our response

Local audit is facing an unprecedented set of challenges

- Accounts have grown far more complex
- Authorities are engaging in more innovative / unusual transactions
- Austerity has reduced the ability of many authorities to prepare high quality accounts and working papers
- Audit fees have fallen to an unsustainably low level
- The sign off date of 31 July is too tight
- Retention of key people is very difficult in this environment
- Authorities are not getting the service they deserve
- Radical and urgent reform is needed!

182

Our prescription

Actions

A 'system wide' solution is needed. This should include:

- **The establishment of a separate regulator for local audit**
- **Rebasing of audit fees to a level which reflects the additional work we are now undertaking**
- **A simplified CIPFA Code/ tiered approach**
- **A revised approach to Value for Money**
- Replacement of the conclusion with a narrative report, at a different time of year
- A focus on governance, financial sustainability and the three 'E's
- **Move the target publication date for LG accounts back to 30 September**

Sector Update

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

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

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

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

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

Public Sector

Local
government

MHCLG – Independent probe into local government audit

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

Other key areas of the review include whether:

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

National Audit Office – Code of Audit Practice

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. 'Relevant authorities' are set out in Schedule 2 of the Act and include local councils, fire authorities, police and NHS bodies.

Local auditors must comply with the Code of Audit Practice.

Consultation – New Code of Audit Practice from 2020

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

In order to determine what changes might be appropriate, the NAO is consulting on potential changes to the Code in two stages:

Stage 1 involves engagement with key stakeholders and public consultation on the issues that are considered to be relevant to the development of the Code.

This stage of the consultation is now closed. The NAO received a total of 41 responses to the consultation which included positive feedback on the two-stage approach to developing the Code that has been adopted. The NAO state that they have considered carefully the views of respondents in respect of the points drawn out from the [Issues paper](#) and this will inform the development of the draft Code. A summary of the responses received to the questions set out in the [Issues paper](#) can be found below.

[Local audit in England Code of Audit Practice – Consultation Response \(pdf – 256KB\)](#)

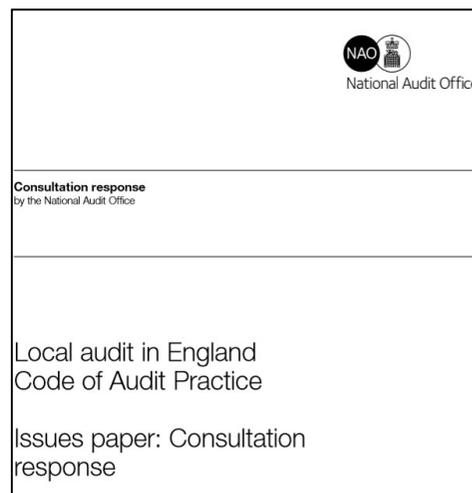
Stage 2 of the consultation involves consulting on the draft text of the new Code. To support stage 2, the NAO has published a consultation document, which highlights the key changes to each chapter of the draft Code. The most significant changes are in relation to the Value for Money arrangements. Rather than require auditors to focus on delivering an overall, binary, conclusion about whether or not proper arrangements were in place during the previous financial year, the draft Code requires auditors to issue a commentary on each of the criteria. This will allow auditors to tailor their commentaries to local circumstances. The Code proposes three specific criteria:

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

The consultation document and a copy of the draft Code can be found on the NAO website. The consultation closed on 22 November 2019. The new Code will apply from audits of local bodies' 2020-21 financial statements onwards.

Link to NAO webpage for the Code consultation:

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/>



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

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

The reporting environment

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

Critical judgements and estimates

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

IFRS 16 Leases

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

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

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



What is the future for local audit?

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

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

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

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

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

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

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

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

There are a number of possible solutions including:

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

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

The online article is available here:

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

Grant Thornton's Sustainable Growth Index Report

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

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

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

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

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

Our index is divided into six baskets. These are:

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

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

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

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

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

The online report is available here:

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



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

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

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

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

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

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

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

The IFS report is available on their website below:

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





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AUDIT AND GOVERNANCE COMMITTEE

Report subject	External Audit Fee Letter 2019/20
Meeting date	23 January 2020
Status	Public Report
Executive summary	<p>This report sets out the Council's External Auditor's core fee of £160,000 for the audit of the Council's 2019/20 financial statements. These fees are agreed by Public Sector Audit Appointments Ltd (PSAA).</p> <p>The report also sets out the Council's fees likely to be charged for other (grant certification) work completed by the External Auditor, £34,000. These fees are not agreed by PSAA and are a negotiated process between the Council and the provider. The Council can choose provider although the provider must be accredited to do such work.</p> <p>Total External Audit Fees for 2019/20 are therefore likely to be £194,000.</p>
Recommendations	<p>It is RECOMMENDED that:</p> <p>That Audit & Governance Committee note the External Auditor's proposed annual fee for 2019/20 as set out in the letter attached to this report.</p>
Reason for recommendations	To advise Audit & Governance Committee of the External Auditor's proposed fee for 2019/20.

Portfolio Holder(s):	Cllr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe – Corporate Director Resources
Report Authors	Nigel Stannard Head of Audit & Management Assurance ☎01202 451969 / ☎01202 633123 ✉ nigel.stannard@bcpcouncil.gov.uk
Wards	Council-wide
Classification	For Information

Background

1. The Local Audit and Accountability Act 2014 provides the framework for local public audit. The Public Sector Audit Appointments Limited (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and has the power to make auditor appointments for audits of opted-in local government bodies (which includes Bournemouth, Christchurch and Poole Council) from 2018/19.
2. For opted-in bodies PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work.
3. From 2018/19 all grant work (including housing benefit certification) falls outside the PSAA contract. This work will be subject to separate engagements agreed between the grant-paying body, the Council and the External Auditor.

External Audit (Core) Fee Letter 2019/20

4. The attached Audit Fee letter (Appendix A) refers to the increased regulatory focus facing all audit suppliers and the impact this will have on the scope of work for 2019/20 and beyond.
5. The Audit Fee letter also refers to a letter from Tony Crawley, CEX of PSAA, explaining the changing regulatory landscape. In his letter, Mr Crawley highlights: *“significantly greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work across all sectors – and this includes local audit. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the current expectations.”* The full letter is attached at Appendix B.
6. PSAA published the 2019/20 scale fee for the Council in November 2019, following a consultation process. Further details are set out on the PSAA website. The Council's scale fee for 2019/20 has been set by PSAA at £130,000. The combined

scale fee for the three predecessor councils was £193,656 in 2018/19 and £251,554 in 2017/18.

7. The fees are based on the expectation that the Council provides the External Auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes.
8. Total additional fees of £30,000 are proposed by Grant Thornton (which will require agreement by PSAA).
9. £10,000 of the additional fees are as a result of Grant Thornton auditing the new BCP organisation for the first time, due to 'increased challenge and depth of work including issues relating to opening balances'.
10. The remaining £20,000 of additional fees are as a result of the Financial Reporting Council's (FRC) expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake additional and more robust testing. These areas include more challenge on property, plant and equipment (PPE or 'Fixed Assets'), improved quality of work on Pensions (IAS 19), additional work on dealing with complex accounting issues and new accounting standards, and increased testing from a reduction in the materiality level.
11. In summary the Council's scale fee, £130,000 plus the estimated additional fee of £30,000 combines to create a core fee estimate of £160,000.

External Audit other fees 2019/20

12. The Council is also required to have certain grants reviewed and certified by an External Auditor. These fees are not agreed by PSAA and are a negotiated process between the Council and a provider. The Council can choose provider although the provider must be accredited to do such work, there are only six such accredited providers. For 2019/20 the Council has appointed Grant Thornton to do this work for a combined estimated fee of £34,000.
13. It should be noted that there will be a saving on BCP Council's cost of grant certification work by the External Auditor (compared to that charged to the legacy three Councils) of approximately £30,000. The work will consist of certifying a Housing Benefit Subsidy claim, a Teachers Pensions return and a Pooling Housing Capital Receipts return.
14. The saving is due to a single claim of each type for the Council rather than (as previously) individual claims for each legacy Council.
15. The agreement of these other fees 2019/20 is not finalised.

Options Appraisal

16. Options appraisal is not applicable for this report.

Summary of financial implications

17. External Audit fees estimates for 2019/20 total £194,000, (Core fee £160,000 plus Grant certification fee estimate £34,000).
18. The Council has a budget estimate of £136,800 which means there is an estimated budget pressure of £57,200. This pressure is reported in Council budget monitoring.

Summary of legal implications

19. There are no direct legal implications from this report.

Summary of human resources implications

20. There are no direct human resource implications from this report.

Summary of sustainability impact

21. There are no sustainability impact implications from this report.

Summary of public health implications

22. There are no public health implications.

Summary of equality implications

23. There are no direct equality and diversity implications.

Summary of risk assessment

24. There are no direct risk implications from this report.

Background papers

None

Appendices

Appendix A - Grant Thornton - Fee letter, audit scope and additional work 2019/20

Appendix B - Letter from CEX of PSAA (Tony Crawley)

Mr A Richens
 Chief Finance Officer
 Bournemouth Christchurch and Poole Council
 Town Hall
 Bourne Avenue
 Bournemouth
 BH2 6EB

Grant Thornton UK LLP
 110 Bishopsgate
 London
 EC2N 4AY

6 January 2020

Dear Adam

Fee letter, audit scope and additional work 2019/20

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

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

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

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

Increased challenge and depth of work – raising the quality bar

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

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

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

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

As part of our planning, we have also reflected on the level of materiality which is appropriate for your audit. As outlined above, the profile of local audit has increased considerably over the past year. The reviews led by Sir John Kingman, Sir Donald Brydon and Sir Tony Redmond are focusing attention on the work of auditors everywhere. Parliament, through the work of its Scrutiny Committees, has made clear its expectations that auditors will increase the quality of their work. Reflecting this higher profile, and the expectations of stakeholders, we propose to reduce the materiality level for all major audits. This will increase the volume and scope of our testing and reporting to those charged with governance, as well as providing you with additional assurance in respect of the audit.

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

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

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

Pensions (IAS 19)

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

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

Complex accounting issues and new accounting standards

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

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

Local issues

This year will be particularly challenging for the Council, the merger of two unitary authorities, a district council and parts of Dorset County Council's assets and services in relation to Christchurch Borough Council will be complex for both finance staff and for the audit team.

Impact on the audit and associated costs

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

We benefit from effective and constructive working relationships which we have established during our engagement with you to date. This allows us to absorb some of the impact of these changes. Using our strong working knowledge of you and efficiencies that we are continuously seeking to implement as part of our focus on continued collaborative working with you, we have sought to contain the impact as much as possible to below the market average.

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

Area	Cost £		
	2019/20	2018/19*	2017/18*
Increased challenge and depth of work including issues relating to opening balances	10,000	-	-
Materiality reflecting additional areas coming within the scope of our audit and the increased sample sizes required.	4,000	-	-
PPE	5,000	11,500	-

Pensions	3,500	6,000	-
New standards/ developments including preparations for IFRS 16 (leases)	2,500	-	-
Total	25,000	17,500	-
PPE Valuation – cost of auditor's expert	5,000	-	-
Total including valuer	30,000	17,500	-

* combined fee for the three predecessor councils

Scale fee

PSAA published the 2019/20 scale fee for the Council in November 2019, following a consultation process. Further details are set out on the [PSAA website](#). The Council's scale fee for 2019/20 has been set by PSAA at £130,000.

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes'.

The additional work set out above would give a scale fee for the statutory accounts audit for 2019/20 of £130,000 plus VAT plus a variation of £30,000 totalling £160,000. This includes the cost of the external valuer which we have determined to be necessary to support our audit work in this area. The combined scale fee for the three predecessor councils was 2018/19 £193,656 and 2017/18 £251,554.

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

The additional work we are now planning across the whole of our portfolio will inevitably have an impact on the audit timetable and whether or not your audit can be delivered to appropriate quality standards by the 31 July 2020. Grant Thornton remains the largest trainer of CIPFA qualified accountants in the UK and is committed to continue to resource its local audits with suitably specialised and experienced staff but the pool of such staff is relatively finite in the short-term. I will be happy to explain the impact of the further work we are planning to undertake on our delivery timetable for your audit, which at this stage is planned to be delivered by 31 July 2020.

All grant work, including housing benefit certification, falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Future changes to audit scope

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

- a) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;

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

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

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

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
October 2019	30,000
December 2019	33,333
March 2020	33,333
June 2020	33,334
Additional Fee September 2020	30,000
Total	160,000

Outline audit timetable

We will undertake our audit planning and interim audit procedures in January to March 2020. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in June and July 2020 and work on the whole of government accounts return in July 2020.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January-March 2020	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June and July 2020	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	July 2020	Audit Findings (Report to those charged with governance)	As above

Whole of government accounts	July 2020	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	August 2020	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Our team

The key member of the audit team for 2019/20 are:

	Name	Phone Number	E-mail
Key Audit Partner	Paul Dossett	07919025198	paul.dossett@uk.gt.com
Engagement Manager	Sam Harding	07880456131	sam.g.harding@uk.gt.com

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

Yours sincerely



Paul Dossett
Engagement Lead and Key Audit Partner

For and on behalf of Grant Thornton UK LLP

Letter from CEX of PSAA - Audit fees consultation for 2020/21 and update on audit planning 2019/20

Dear Section 151 Officer

Normally at this time PSAA is consulting on the following year's audit scale fees. However, this year is unusual in that the National Audit Office is itself consulting on the new Code of Audit Practice that will apply to all local government and NHS audits from 2020/2021. The NAO's second and final consultation stage has now completed, and we understand that it is expecting to present the new Code for Parliamentary approval in the near future. PSAA commissions audits that are Code compliant, and so we need to see the final version before we are able to consult on the scale fees for 2020/2021. Our current plan is to consult with bodies from 27 January to 6 March 2020.

Please note that the NAO intends to consult on and then update the Auditor Guidance Notes (AGNs) that support the Code following its approval. Those AGNs will provide more detail on the auditor's responsibilities, which will be an important factor in ultimately determining the impact on any individual body. We will need to take this further consultation into account when constructing our fee proposals. We will notify you when our consultation paper is issued and look forward to your contribution.

We also want to take this opportunity to update you on the current challenges facing audit. You will no doubt be aware, either directly or indirectly, of the significant numbers of delayed 2018/19 audit opinions in local bodies. This is a much more prevalent problem than in previous years and, needless to say, we are very sorry that it has arisen. The causes of delay vary from body to body. However, the most frequent explanations appear to be an increasing shortage of audit resources suitable for local government work (including significant recruitment and retention challenges), and/or concerns about the quality of draft accounts and working papers (it is acknowledged by CIPFA that producing IFRS-based, code-compliant accounts is a time-consuming annual task, placing considerable strain on what are now leaner finance teams), and/or challenges resolving technical issues within increasingly complex accounts.

It is also apparent that the well publicised challenges facing the auditing profession following a number of significant financial failures in the private sector have played a part. As you know, these high profile events have led the Government to commission three separate reviews - Sir John Kingman has reviewed audit regulation, the Competition and Markets Authority has reviewed the audit market, and Sir Donald Brydon is currently looking at the audit product.

It is not yet clear what the long term implications of these reviews will be. However, the immediate impact is clear - significantly greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work across all sectors – and this includes local audit. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the current expectations.

We are aware that there is a wide-ranging debate about the areas of focus for local government audit work, including concerns that there is too much focus on figures that are not necessarily priorities for audited bodies and electors. CIPFA has recently consulted on the strategy for the Accounting Code, including possible ways that it may evolve in the future. MHCLG has also commissioned Sir Tony Redmond to review financial reporting and audit in local government. Until such time as changes are made, however, the position is that auditors are required to ensure that they have sufficient assurance to meet the professional requirements in the current framework before they can issue their opinions.

We have spoken to many finance officers and members about their audits, and have just carried out a survey of all opted-in bodies to gather views more formally. One issue that arises regularly is the timing and clarity of auditors' communication. Too frequently bodies do not receive information about additional work which the auditor may need to undertake (as well as related fee implications) until very near to the end of the audit process. We have stressed that bodies need this information at the earliest possible opportunity (accepting that that unforeseen issues arise during the audit process, and that this may be towards the end – the aim is though that they are highlighted as soon as is practicable). This includes that wherever possible auditors should highlight at the planning stage any additional work which is likely to be required during the audit, including potential fee implications. Whilst it may not be possible to quantify the proposed fee until the work is done, early discussion can help to avoid misunderstandings at a later stage. Please note that any proposed variation to the fee remains subject to PSAA approval, and cannot be charged unless we agree to it. There is a description of our process for considering fee variations, and through which we independently review every proposed fee variation, on our website.

The precise impact of professional requirements will vary with the unique circumstances of individual bodies. However, your audit lead will be able to update you on how your audit is evolving including any resource, fee or timetable implications. This local dialogue is a vital part of the audit process, and is there to ensure that at any given stage you are well informed about what is happening and why.

I hope this information is helpful to you. Please do not hesitate to contact PSAA if we can be of assistance in any way.

Yours sincerely

Tony Crawley, Chief Executive

Tony Crawley
Chief Executive

Public Sector Audit Appointments Limited

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AUDIT AND GOVERNANCE COMMITTEE



Report subject	Forward Plan 2019/20
Meeting date	23 January 2020
Status	Public Report
Executive summary	This report sets out the core reports to be received by the Audit & Governance Committee for the 2019/20 financial year in order to enable it to fulfil its terms of reference.
Recommendations	<p>It is RECOMMENDED that:</p> <p>The Audit & Governance Committee approves the forward plan set out at Appendix A.</p>
Reason for recommendations	To ensure that Members of the Audit & Governance Committee are fully informed of the core reports to be considered during 2019/20.

Portfolio Holder(s):	Cllr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe – Corporate Director Resources
Report Authors	Nigel Stannard Head of Audit & Management Assurance ☎01202 451969 / ☎01202 633123 ✉ nigel.stannard@bcpcouncil.gov.uk
Wards	Council-wide
Classification	For Recommendation Approval

Background

1. Good practice dictates that a Forward Plan should be agreed which sets out the reports to be considered by the Audit & Governance Committee over the next 12 months.

The Forward Plan

2. The Forward Plan set out at Appendix A has been developed through discussion with the Chair and Vice Chair of the Audit & Governance Committee, the S151 Officer and the Council's External Auditors. The plan sets out proposals for the forward management of core reports to be considered by the Audit & Governance Committee in order to enable it to fulfil its terms of reference.
3. The Audit & Governance Committee should note that the plan does not preclude extraordinary items being brought before the Committee in consultation with the Chair and Vice Chair as necessary and appropriate, thus ensuring that the Audit & Governance Committee business is consistent with the requirements of the Council's Financial Regulations.

Options Appraisal

4. An options appraisal is not applicable for this report.

Summary of financial implications

5. There are no direct financial implications from this report.

Summary of legal implications

6. There are no direct legal implications from this report.]

Summary of human resources implications

7. There are no direct human resource implications from this report.

Summary of sustainability impact

8. There are no direct sustainability impact implications from this report.

Summary of public health implications

9. There are no public health implications from this report.

Summary of equality implications

10. There are no direct equality implications from this report.

Summary of risk assessment

11. The risk implications are as set out in the report.

Background papers

None

Appendices

Appendix A – Audit & Governance Committee - Forward Plan 2019/20

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Audit & Governance Committee - Forward Plan 2019/20

REPORT	25 JUL 2019	10 OCT 2019	14 NOV 2019 (extra)	19 DEC 2019 (extra)	23 JAN 2020	20 FEB 2020 (extra)	12 MAR 2020 (extra)	30 APR 2020
ANNUAL REPORTS								
Statement of Accounts 2018/19	✓							
Chief Internal Auditor's Annual Opinion Report 2018/19	✓							
Annual Governance Statement 2018/19 (<i>1 update on Action Plan</i>)	✓				✓ ₁			
Annual Breaches, Waivers & Exemptions Report 2018/19	✓							
Annual Review of Register of Declarations of Outside Interests & Receipts of Gifts & Hospitality by Officers 2018/19	✓							
Use of Regulation of Investigatory Powers Annual Report (including Report of the Office of Surveillance Commissioner) 2018/19	✓							
Annual Report of Internal Audit Counter Fraud Work and Whistleblowing Referrals 2018/19		✓						
Local Government and Social Care Ombudsman Annual Report 2018/19		✓						
Equality & Diversity Annual Report 2018/19 (<i>2 Corporate Director (Resources) has requested delay until July 2020</i>)		✓ ₂						
Treasury Management Policy Refresh/Approval for next financial year					✓			
Internal Audit Charter & Audit Plan for next financial year								✓
Assurance Framework & Internal Audit Planning Consultation					✓			
Emergency Planning & Business Continuity Update		✓						
Information Governance Update								✓
Health & Safety Update					✓			
Fire Safety Update					✓			
QUARTERLY/HALF YEARLY REPORTS								
Internal Audit - Quarterly Audit Plan Update (<i>3 to include Audit Charter & Audit Plan for 2019/20</i>)	✓ ₃	✓			✓			✓
Risk Management – Corporate Risk Register Update	✓	✓			✓			✓
Forward Plan (refresh)	✓	✓			✓			✓
Treasury Management Monitoring Report		✓						✓
AD HOC / OTHER REPORTS								
Independent Investigation and Response to a Deputation regarding Kinson Community Centre	✓	✓			✓			
Local Code of Governance 6 month review (thereafter included in Annual Governance Statement Annual Report above)		✓						
BCP Council Investment to Support the One Dorset Pathology Unit		✓						
BCP Sustainable Procurement Strategy								✓
BCP Declarations of Outside Interests for officers and Receipt of Gifts & Hospitality by Officers					✓			
Review of Constitution and Future Audit & Governance Committee Programme		✓			✓			
Statement of Purpose and Review of CIPFA Guidelines for Audit and Governance Committees and Statutory Financial Reporting Duties for Local Authorities			✓					

REPORT	25 JUL 2019	10 OCT 2019	14 NOV 2019 (extra)	19 DEC 2019 (extra)	23 JAN 2020	20 FEB 2020 (extra)	12 MAR 2020 (extra)	30 APR 2020
AD HOC / OTHER REPORTS - CONTINUED								
Establishment of the Capital Programme and the Management and Monitoring of Capital Project Budgets				✓				
Relationship between the General Fund and The Housing Revenue Account						✓		
Management of Interests during structured procurement processes							✓	
EXTERNAL AUDIT REPORTS								
External Auditor – Audit Findings Report 2018/19	✓							
External Auditor – Audit Findings Report 2018/19 (updated for Bournemouth and Poole Legacy Councils)		✓						
External Auditor – Annual Audit Fee 2019/20					✓			
External Auditor – Annual Audit Letter 2018/19 (for the three legacy Councils)		✓						
External Auditor – Certification of Claims and Returns 2018/19 for the three legacy Councils (w.e.f. January 2020 now included in Audit Progress Report & Sector Update Report below)								
External Auditor – Audit Plan 2019/20 (4 2018/19 Audit Plans for legacy Councils - for information only)	✓ ₄							✓
External Auditor – Audit Progress & Sector Update					✓			✓
External Auditor – External Audit Reform		✓						