

AUDIT COMMITTEE

MONDAY 21 NOVEMBER 2016
7.00 PM

Bourges/Viersen Room - Town Hall

THE CHAIRMAN WILL ASSUME THAT MEMBERS HAVE READ THEIR PAPERS PRIOR TO THE MEETING TO AVOID UNNECESSARY INTRODUCTIONS TO REPORTS. IF ANY QUESTIONS ARE APPARENT FROM THE REPORTS THEY SHOULD BE PASSED TO THE REPORT AUTHOR PRIOR TO THE MEETING

AGENDA

Page No

1. Apologies for Absence

2. Declarations of Interest

At this point Members must declare whether they have a disclosable pecuniary interest, or other interest, in any of the items on the agenda, unless it is already entered in the register of members' interests or is a "pending notification " that has been disclosed to the Head of Legal Services.

3. Minutes of the Meeting Held on 22 September 2016

3 - 6

To approve the minutes of the meeting held on 22 September 2016.

4. Dispensations

7 - 8

To consider and grant general dispensations

5. Appointing Person Arrangements For The Appointment Of The External Auditor

9 - 14

6. Internal Audit: Mid Year Progress Report

15 - 44

To receive an update on progress against the Annual Audit Plan together with details of any concerns.

7. Use of Consultants

45 - 58

To receive an update on the Use of Consultants across the organisation.

8. Treasury Management

59 - 66

To receive an update on the policy and effectiveness of treasury management.

INFORMATION AND OTHER ITEMS

9. Use of Regulation of Investigatory Powers Act 2000 (RIPA)

The Committee is asked to **NOTE** that there have been no RIPA authorisations in this quarter.

10. Approved Write-Offs Exceeding £10,000

The Committee is asked to **NOTE** that there have been no approved write-off amounts to report since 22 September 2016, which exceed the Council's Financial Regulation threshold of £10,000.

11. Feedback Report

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12. Work Programme

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<http://democracy.peterborough.gov.uk/ecSDDisplay.aspx?NAME=Protocol%20on%20the%20use%20of%20Recording&ID=690&RPID=2625610&sch=doc&cat=13385&path=13385>

Committee Members:

Councillors: Fuller (Chairman), Aitken (Vice Chairman), D Over, Sims, E Murphy, K Sharp and A Shaheed

Substitutes: Councillors: King, Bond, Hussain and B Saltmarsh

Further information about this meeting can be obtained from Karen Dunleavy on telephone 01733 452233 or by email – karen.dunleavy@peterborough.gov.uk

Public Document Pack



MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT THE TOWN HALL, PETERBOROUGH 22 SEPTEMBER 2016

Present: Councillors Fuller (Chairman), Aitken (Vice Chairman), Over, Sims and Barkham

Also

Present: Councillor Seaton Cabinet Member for Resources

Officers in

Attendance: Steven Pilsworth, Service Director Financial Services
John Harrison, Corporate Director, Resources
Kirsty Nutton, Head of Corporate Finance
Keith Dawson, Head of Resilience
Janet Dawson, Audit Partner, Ernst and Young LLP
Jane Webb, Senior Democratic Services Officer

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Murphy and Shaheed. Councillor Barkham was in attendance as a nominated substitute.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE MEETING HELD ON 29 JUNE 2016

The minutes of the meeting held on Wednesday, 29 June 2016 were approved as an accurate and true record.

4. AUDIT STATEMENT OF ACCOUNTS TO THOSE CHARGED WITH GOVERNANCE

The Corporate Director Resources introduced the report to Committee, which outlined the Draft Statement of Accounts for year ending 31 March 2016 and the Statement of Accounts. The Committee were advised that there had been some slight changes but these had not been of a substantial nature. The Committee was also advised that there had been a slight amendment tabled to Note 13 on page 84 – Related Parties and Note 27 on page 108 – Council Leasing Arrangements of the agenda pack which have been appended to the minutes.

Janet Dawson from (EY), also highlighted a number of key points for Members attention in relation to the Audit of Statement of accounts report.

Key points highlighted included:

- Minor elements required completing but would be finalised before the deadline of 30 September;
- Response awaited from the Pension Fund Auditor; this had now been received and showed no issues;
- Value for money arrangements;
- Procedures for National Audit Office – deadline 21 October 2016; work would be completed in time but the Compliance Certificate would be left open until the final works were concluded;

- Great support and high quality work received from the Finance Team;
- Property, plans and equipment valuations; and
- Better Care Fund.

The Service Director Financial Services, Corporate Director Resources and Janet Dawson of EY responded to comments and questions raised by Members. In summary responses included:

- The corrected audit differences were minor;
- Auditor fees not yet set, this would be reported back and assurances given of no more than 10% would be charged;
- EY concluded positively on the value for money arrangement;
- The focus of attention had been on delivering the audit but as working relationships developed EY may then be able to identify areas of savings;
- It was appreciated and noted that EY and the Finance team had worked well together; the quality of the work produced and the outcome of the audit showed the effort of the Finance team which was appreciated;
- Members commented that it was good to note EY had explored the proposals of MRP which was a substantive piece of work and this gave confidence;
- Value for Money – provided confidence for the future;
- Summary or Risk associated with VFM made good reading.

ACTION AGREED

The Committee:

1. Received and approved the “Audit Results Report - (ISA260) for the year ended 31 March 2016” from Ernst & Young (EY), the Council’s external auditors; and
2. Received and approved the audited Statement of Accounts 2015/16.

5. RISK MANAGEMENT: STRATEGIC RISKS

The Head of Resilience introduced the report to Committee, which outlined Risk Management: Strategic Risks, which was submitted to the Audit Committee as a routine planned report on risk management.

The Head of Resilience responded to comments and questions raised by Members. In summary responses included:

- Information governance included digital safeguarding of both paper and electronic records. The correct policies were in place regarding disclosure of information and were constantly evolving;
- Computer security was covered by Information Communications Technology ICT policies;
- Strategic risks were identified by departments via a risk register and escalated where necessary to Corporate Management Team who then decided if it was necessary to record them on the Risk Register;
- As a standard part of the procurement process it was scrutinised and stressed tested in terms of ability to deliver alongside safeguards in terms of payment arrangements;
- Discussions took place with regard to how often the Committee should be updated to those areas within the red zone;
- When the risk score remains unchanged, the associated action points should be taken into consideration as they had often been considerably expanded since the previous register; in order to introduce extra measures to try to reduce the score; and
- The Financial Position score had improved since the last register; this had been due to the time within the year of the update rather than year on year.

ACTION AGREED

The Committee noted the latest Risk Management Report.

The Committee Also Agreed:

That the Head of Resilience would provide an update to be circulated by email to the Committee to keep Members apprised on those risks with a red rating.

INFORMATION AND OTHER ITEMS

6. USE OF REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

The Committee noted that there had been no RIPA authorisations in this quarter.

7. APPROVED WRITE-OFFS EXCEEDING £10,000

The Committee noted that there had been no write-offs amounts to report since 29 June 2016 which exceed the Council's Financial Regulation threshold of £10,000.

8. FEEDBACK REPORT

The Chairman introduced a report, which provided feedback on items considered or questions raised at the previous meeting of Audit Committee. It also provided an update on specific matters which were of interest to the Committee or where the Committee had requested to be kept informed of progress.

ACTION AGREED

The Committee:

Noted the report.

9. WORK PROGRAMME

The Chairman submitted the latest version of the Work Programme for the Municipal Year 2016/2017 for consideration and approval. The standard report provided details of the proposed Work Programme for the Municipal Year 2016/2017 together with any training needs identified.

The Service Director Financial Services informed the Committee that there would be an additional report received at the 21 November 2016 meeting in regards to how the Council would appoint its external Auditors in future years.

ACTION AGREED

The Committee:

Noted and approved the 2016/2017 Work Programme.

7:00pm – 7:45pm
Chairman

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AUDIT COMMITTEE	AGENDA ITEM No. 4
21 NOVEMBER 2016	PUBLIC REPORT

Contact Officer:	Kim Sawyer, Director of Governance	Tel. 01733 452361
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REPORT TO CONSIDER DISPENSATIONS

RECOMMENDATIONS	
FROM : Kim Sawyer, Director of Governance	Deadline date : 21 November 2016
<p>The Audit Committee is asked to grant a general dispensation for a four year period ending in November 2020 to all Members who may have a disclosable pecuniary interest in any business of the authority where that business relates to the functions of the authority in respect of:</p> <ul style="list-style-type: none"> i. Housing, where you are a tenant of your authority provided that those functions do not relate particularly to your tenancy or lease; ii. School meals or school transport and travelling expenses, where you are a parent or guardian of a child in full time education, or are a parent governor of a school, unless it relates particularly to the school which the child attends; iii. Statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where you are in receipt of, or are entitled to the receipt of, such pay; iv. An allowance, payment or indemnity given to Members; v. Any ceremonial honour given to Members; and vi. Setting council tax or a precept under the Local Government Finance Act 1992 	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to the Audit Committee by the Council’s Monitoring Officer as part of their statutory duties, in order to adhere to regulations under the Localism Act 2011.
- 1.2 This report is being submitted in line with the Committee’s Terms of Reference 2.2.1.15 to consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is for the Audit Committee to grant a general dispensation to allow all Members who may have a disclosable pecuniary interest in any business of the authority where that business relates to the functions of the authority in respect of 1(i) to (vi) above, to speak and /or vote at a meeting.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4 DISPENSATIONS

4.1 Blanket dispensation

Members may have a disclosable pecuniary interest in any business of the authority where that business relates to the functions of the authority in respect of:

- i. Housing, where you are a tenant of your authority provided that those functions do not relate particularly to your tenancy or lease;
- ii. School meals or school transport and travelling expenses, where you are a parent or guardian of a child in full time education, or are a parent governor of a school, unless it relates particularly to the school which the child attends;
- iii. Statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where you are in receipt of, or are entitled to the receipt of, such pay;
- iv. An allowance, payment or indemnity given to Members;
- v. Any ceremonial honour given to Members; and
- vi. Setting council tax or a precept under the Local Government Finance Act 1992

4.2 A general dispensation should be granted to allow all Members to speak and/or vote with regards to the above. The Audit Committee on 5 November 2012 granted a general dispensation regarding the above under s33 of the Localism Act 2011. Dispensations under this section may not exceed four years and therefore is due to expire in November 2016.

4.3 Therefore the Audit Committee is asked to renew the general dispensation for a further 4 years. This is consistent with the previous code of conduct in which these items were specifically excluded from the definition of a prejudicial interest, and is also consistent with the general approach being taken by the majority of other councils.

5. CONSULTATION

No consultation is required.

6. ANTICIPATED OUTCOMES

As set out in the report.

7. REASONS FOR RECOMMENDATIONS

The Council is required to abide by the provisions of the Localism Act 2011.

8. ALTERNATIVE OPTIONS CONSIDERED

These recommendations have been prepared in accordance with the Code and hence there are no acceptable alternative formats. The alternative is not to adopt these recommendations, and then the Council would be in breach of its statutory duties.

9. IMPLICATIONS

There are no specific legal or financial implications, other than the legal requirement and implications set out in the report.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

Council's Constitution, the Localism Act 2011 and associated regulations.

AUDIT COMMITTEE	AGENDA ITEM No. 5
21 NOVEMBER 2016	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton: Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Fuller: Chair of Audit Committee	
Contact Officer(s):	John Harrison, Corporate Director: Resources	Tel. 452 398

APPOINTING PERSON ARRANGEMENTS FOR THE APPOINTMENT OF THE EXTERNAL AUDITOR

R E C O M M E N D A T I O N S	
FROM : Corporate Director: Resources	Deadline date : 16 December 2016 (next Council meeting)
Audit Committee is asked to recommend to Council that:	
<ol style="list-style-type: none"> 1. The adoption of Public Sector Audit Appointments Ltd (PSAA) as the appointing person for the Council, subject to receiving a satisfactory invitation to opt into the PSAA's appointing person arrangements; and 2. To delegate acceptance of the invitation to the Corporate Director: Resources, as the Council's Section 151 Officer. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee in line with reviewing the arrangements for the appointment of External Audit as set out in the terms of reference.

2. PURPOSE AND REASON FOR REPORT

2.1 This report sets out the options available to the Council regarding the adoption of an appointing person arrangement for the appointment of an external auditor for 2018 /2019 and later years.

2.2 The Terms of Reference for the Audit Committee (agreed at Full Council) set out the key roles of the Committee including the following "2.2.1.8 To liaise with the PSAA over the appointment of the Councils external auditor".

3. TIMESCALE.

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	–
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4. BACKGROUND

4.1 The Audit Commission closed in March 2015. The Council's current auditor appointment was made under audit contracts previously let by the Audit Commission and now managed by PSAA under transitional arrangements. These audit contracts will end under the completion of the 2017 / 2018 audit.

4.2 A new appointing person arrangement is required, so that the appointment of an external auditor for the accounts of 2018 / 2019 and later years can be made.

5. OPTIONS FOR THE APPOINTING PERSON ARRANGEMENT

5.1 New appointments for the 2018 / 2019 accounts must be made under the provisions of the Local Audit and Accountability Act 2014 (the Act), and confirmed by 31 December 2017. There are three options available to the Council for appointing an auditor:

- **OPTION 1:** To undertake an individual auditor procurement and appointment exercise;
- **OPTION 2:** To undertake a joint audit procurement and appointing exercise with other bodies, those in the same locality for example; or
- **OPTION 3:** To join a “sector led body” arrangement where specified appointing person status has been achieved under the relevant Regulations.

5.2 For the first two options, the legislation requires an Auditor Panel to be established. Requirements include:

- At least three members, two of which must be independent;
- A majority of independent members; and
- An independent chairperson.

5.3 The Council could set up its own Auditor Panel; set up a Panel with one or more other authorities; use an existing Committee or Sub-Committee, providing that the requirements above are met; or ask another Council's Panel to carry out the functions on its behalf.

5.4 Guidance on Auditor Panels has been issued by CIPFA for local government bodies. The guidance includes a table of advantages and disadvantages of the different ways an Auditor Panel could be set up. This table is reproduced at Appendix A for information.

5.5 Option 3 requires the Secretary of State for Communities and Local Government to specify a person to appoint a local auditor to opted-in authorities (also known as a sector-led body).

5.6 PSAA is an independent company limited by guarantee incorporated by the Local Government Association in August 2014. In July 2016, the Secretary of State for Communities and Local Government specified PSAA as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. This means that PSAA can make auditor appointments for audits of the accounts from 2018 / 2019 of principal authorities that choose to opt into its arrangements.

5.7 Over 200 authorities have indicated their interest in the PSAA's scheme, which is currently being designed to reflect authorities' needs and views. The scheme will be an authorised national scheme which will take full responsibility for local auditor appointments and aim to ensure a high quality professional service and value for money.

5.8 The PSAA intends that the scheme will save time and resources for Councils and avoid the necessity to establish an auditor panel and manage their own auditor procurement. Assuming a high level of participation, the scheme should be able to attract the best audit suppliers and command competitive prices.

5.9 Moreover, the scheme will aim to appoint the same auditors to bodies which are involved in formal collaborations and joint working initiatives. It is known that a number of councils across Cambridgeshire have expressed an interest in this scheme.

5.10 Based on the information presented, option 3 is recommended.

5.11 We expect that invitations to opt in will be issued before December 2016, with at least 8 weeks being given in which to respond. The PSAA aim to award contracts to audit firms by June 2017, giving six months to consult on appointments with authorities before the 31 December 2017 deadline.

5.12 The Local Audit (Appointing Person) Regulations 2015 require that the Council may only make the decision to opt into the appointing person arrangement by the members of the Council meeting as a whole. This report therefore asks Audit Committee to recommend to Full Council that the PSAA's invitation is accepted.

6. CONSULTATION

The report has been referred through Corporate Management Team to inform as part of the future budget proposals.

7 ANTICIPATED OUTCOMES

The Council obtains the value for money as part of its appointment of external audit.

8. REASONS FOR RECOMMENDATIONS

Approval is required from Audit Committee prior to its referral to Full Council for ratification.

9 ALTERNATIVE OPTIONS CONSIDERED

Options set out in Appendix A provide details of alternative routes.

10 IMPLICATIONS

This report contains no specific financial implications.

BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- None.

APPENDICES

Appendix A: Advantages / Disadvantages of Audit Panel arrangements

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CONFIGURATION OF AN AUDIT PANEL: ADVANTAGES / DISADVANTAGES

OPTION	POSSIBLE ADVANTAGES	POSSIBLE DISADVANTAGES
Setting up own separate and individual Auditor Panel to oversee separate and individual procurement	<ul style="list-style-type: none"> • Full ownership of the process • Fully bespoke contract with the auditor • Tendering process more based on local circumstances (within EU procurement rules) 	<ul style="list-style-type: none"> • May experience difficulties in appointing majority independent panel members and independent panel chair • Will need to ensure that panel members are suitably qualified to understand and participate in the panels functions • Will have to cover panel expenses completely • May not be able to procure at a low cost, e.g. depending on authority location, risk of limited provider choice and a single authority contract may be less attractive to some providers • Will not achieve economies of scale
Set up a panel jointly with other authority / authorities as part of a procurement exercise for joint contract covering more than one authority or multiple separate contracts	<ul style="list-style-type: none"> • Less administration than a sole auditor panel • Will be able to share administration expenses • May be easier to attract suitable panel members <p>If procuring a joint audit contract:</p> <ul style="list-style-type: none"> • May still be a relatively tailored process • May be able to achieve some economies of scale <p>If procuring separate audit contracts:</p> <ul style="list-style-type: none"> • An opportunity for fully bespoke contracts with the auditor if the group of authorities can agree 	<p>If procuring a joint audit contract:</p> <ul style="list-style-type: none"> • May need to compromise on arrangements or auditor contract • May not end up with first choice of auditor, compared to an individual auditor panel. If a large group of authorities work together and decide to appointment one joint audit contract across all authorities, a joint panel may be more likely to advise appointment of an auditor it considers suitable for all authorities taken together • Need to agree appointment of members across multiple authorities and set up a joint decision making process
Use existing committee or sub-committee	<ul style="list-style-type: none"> • Existing administrative structure in place • Existing (sub) committee should already have better basic understanding of the authority's objectives and requirements 	<ul style="list-style-type: none"> • Possible need to appoint new (sub) committee members to comply with independence regulations
Use another authority's panel	<ul style="list-style-type: none"> • Will not have to set up an auditor panel • Possible more independent options for the authority using the host authority's panel 	<ul style="list-style-type: none"> • The panel may not understand the specific needs of the authority • May need a formal arrangement with the other authority • May be difficult to find an authority willing to enter into such an arrangement • May be more difficult to ensure adequate liaison with authority's own Audit Committee

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AUDIT COMMITTEE	AGENDA ITEM No. 6
21 NOVEMBER 2016	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Fuller, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

INTERNAL AUDIT: HALF YEAR UPDATE 2016 / 2017

R E C O M M E N D A T I O N S	
FROM : John Harrison, Director of Strategic Resources	Deadline date : N/A
<p>Audit Committee are asked that :</p> <p>1. The Internal Audit Update Report to 30 September 2016 be received and the Committee note in particular:</p> <p style="padding-left: 40px;">(a) Progress made against the plan and overall performance of the section; (c) Reports with an opinion of Limited or No Assurance; and (d) Initial outcomes of the Internal Audit Customer Survey.</p>	

1. ORIGIN OF REPORT

This report is submitted to Audit Committee as a routine planned report within the work programme of the Committee.

2. PURPOSE AND REASON FOR REPORT

2.1 The Terms of Reference for the Audit Committee (agreed at Full Council) set out the key roles of the Committee including the following "2.2.1.1 To consider the annual audit report and opinion of the Executive Director (Strategic Resources) and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements".

2.2 The purpose of this report provides an overall opinion on the soundness of the control environment in place to minimise risk to the Council. It is based on the findings of completed internal audits from the Annual Audit Plan 2016 / 2017 as at 30 September 2016.

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4. INTERNAL AUDIT UPDATE

4.1 Progress against Plan

4.1.1 **Appendix A** shows the status of those audits included in the original plan, as well as any unplanned audits that have arisen since the plan was approved. As is the norm, activity in the first six months has focused on jobs which have been date demand led as well as focusing on the closure of the previous year's reviews.

4.1.2 To date 6 grant certifications have been completed and 4 audit projects have been finalised. There are 20 audit projects in progress, including 3 at draft report stage. With a further 12 audit projects left to be undertaken in the second half of the year, progress against the 2016 / 2017 plan is as expected.

4.1.4 In addition, there are 7 audit projects underway for Vivacity, for whom Internal Audit also provides a service.

4.2 Performance

4.2.1 There has been 0.9 days of sickness absence per person, compared to a corporate target of 2.5 days for the half year to September.

4.2.2 There has been 100% acceptance of audit recommendations to date, against a target of 90%.

4.2.3 Follow-ups carried out to date show that 86% of agreed recommendations have been implemented, against a target of 90%.

4.3 Reports with Limited or No Assurance

4.3.1 One of four levels of assurance is allocated to each audit review. These assurance levels are: **SUBSTANTIAL**; **REASONABLE**; **LIMITED**; and **NO ASSURANCE**. Where concerns have been identified resulting in limited or no assurance, the Executive Summaries for these reviews are included at **Appendix B**, once the audit review has been agreed and finalised.

4.3.2 There is one report that currently falls into this category – The Local Offer. All recommendations have been agreed and improvements were being made during the course of the audit review, so this is not a particular cause for concern.

4.4 Customer Survey

4.4.1 During the summer we surveyed Directors, Heads of Service and other selected managers with whom we have frequent contact. The aim was to obtain a view on our services and the scope of our work, as well as how well we perform our work and respond to the needs of the Council.

4.4.2 Overall the response was very positive, with the majority of our services regarded as critical or important, and our performance rated as excellent or good by many.

4.4.3 The main theme that emerged was around awareness and understanding of our role, and a possible divergence between that and the role specified within the professional audit standards to which we adhere. We will aim to increase dialogue between ourselves and managers, as well as improving the use of our internal webpage. A survey of members is also planned to be issued this year.

4.4.4 A detailed analysis of the results can be found at **Appendix C**.

5. CONSULTATION

This report and the accompanying appendices have been issued to the deputy s.151 Officer for consideration.

6. ANTICIPATED OUTCOMES

That the Audit Committee is informed of Internal Audit's progress against the Annual Audit Plan and its business plan performance. In addition, that the Audit Committee is made aware of any key control issues highlighted by our work since the last progress report.

7. REASONS FOR RECOMMENDATIONS

The Council is subject to the Accounts and Audit Regulations 2015 and, as such, must make provision for Internal Audit in accordance with the CIPFA Code of Practice and the Public Sector Internal Audit Standards. It must also produce an Annual Governance Statement to be published with the Council's financial accounts. This report and associated papers demonstrate how the audit service is progressing against the audit plan how it will contribute to the Statement.

8. ALTERNATIVE OPTIONS CONSIDERED

The alternative of not providing an Internal Audit service is not an option.

9. IMPLICATIONS

Corporate Resource Implications

During the year, Internal Audit makes a number of recommendations. While implementing these may have resource implications for the various areas under review, Internal Audit discuss and agree recommendations with the Auditee prior to the issue of the final audit report. Therefore, it is assumed that their implementation can and will be undertaken either with existing resources or with additional resources that they can readily call upon.

Legal Implications

The Internal Audit service is undertaken in accordance with the requirements of section 151 of the Local Government Act and the requirements of the Accounts and Audit Regulations. There would be a legal implication if an Internal Audit service was not provided for, and if mechanisms were not in place to carry out a review of internal control, governance and risk management as a basis for the Annual Governance Statement.

BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

Internal Audit Annual Plan 2016 / 2017
Internal Audit reports

APPENDICES:

Appendix A	Progress of Audit Plan 2016 / 2017 (To 30 September 2016)
Appendix B	Completed Audits: Executive Summary of Audits With Limited / No Assurance
Appendix C	Internal Audit Customer Survey / Results 2016

APPENDIX A



**ANNUAL AUDIT OPINION
PROGRESS REPORT 2016 / 2017**

1. **INTRODUCTION**

- 1.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Audit Committee and the Executive Director for Resources, Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on the entire control environment by evaluating the effectiveness in achieving the organisation's objectives.
- 1.2 The purpose of this report is to bring the Committee up to date with progress made against the delivery of the 2016 / 2017 Internal Plan, as at September 2016. The information included in the progress report will feed into and inform our overall opinion in the annual Head of Internal Audit (HoIA) report issued at the year end. This opinion will in turn be used to inform the Annual Governance Statement included in the Statement of Accounts and signed by the Chief Executive and Leader of the Council.
- 1.3 Where appropriate each report we issue during the year is given an overall opinion based on four levels of assurance. To obtain this assurance, we look at the number and type of recommendations we make in each report. Our assurance ratings were amended at the start of this year (Members were notified in our Audit Plan report to Audit Committee 21 March 2016) and are summarised below:

AUDIT ASSURANCE OPINIONS	
Assurance	Definitions
Substantial	The internal control system is well designed to meet objectives and address relevant risks, and key controls are consistently applied. There may be some scope to improve the design of, or compliance with, the control framework in order to increase efficiency and effectiveness.
Reasonable	The internal control system is generally sound but there are some weaknesses in the design of controls and / or the inconsistent application of controls. Opportunities exist to strengthen the control framework and mitigate further against potential risks.
Limited	The internal control system is poorly designed and / or there is significant non-compliance with controls, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.
No	There are significant weaknesses in the design of the internal control system, and there is consistent non-compliance with those controls that exist. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives.

- 1.4 Should an audit report identify **LIMITED** or **NO** assurance, then as a matter of course those areas are followed up. Our work is carried out to assist in improving control. **However management is responsible for developing and maintaining an internal control framework.**
- 1.5 Our recommendations are graded, dependent on the severity of the findings, see below:

RECOMMENDATION RATINGS		
Status	Definitions	Implementation
Critical	Extreme control weakness that jeopardises the complete operation of the service.	Immediately
High	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency.	As a matter of priority
Medium	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority.	At the first opportunity
Low	Control weakness, which, if corrected, will enhance control procedures that are already relatively robust.	As soon as reasonably practical

2. **RESOURCES, PERFORMANCE AND OUTPUTS**

- 2.1 There have been no changes to audit resources during the year to date and the staffing position remains at 5.16 FTE.
- 2.2 The post of Chief Internal Auditor is currently also provided to Cambridge City Council (January 2011) and South Cambridgeshire District Council (July 2013) on a shared management arrangement, delivering financial savings to each Council. Those respective authorities have in recent months been in discussions with, or have already created, a series of shared services with Huntingdonshire District Council. Whilst the proposals have been shared with Peterborough, it is considered that the impact of a 4 way authority arrangement, involving a full transfer of all staff to one authority, would not be in the best interests of Peterborough and would dilute the resource and knowledge of a unitary authority. As a result, the decision has been taken by the Service Director Financial Services in conjunction with the Chief Internal Auditor to state that Peterborough would withdraw from the existing arrangements. Each of the other authorities are currently consulting on the proposals through their respective Cabinet or Scrutiny Committees. Should the proposals go ahead, there is a three month notice period which either side could exercise.

2.3 Performance indicators are as follows:

- There has been 100% acceptance of audit recommendations to date, against a target of 90%.
- Follow-ups carried out to date show that 86% of agreed recommendations have been implemented, against a target of 90%; and
- The level of sickness within the team is low with 0.9 days sickness per person to September 2016 compared to a corporate target of 2.5 days at the mid-year stage.

2.4 The progress of the 2016 / 2017 Annual Plan is documented in **Appendix A**. To date 6 grant certifications have been completed and 4 audit projects have been finalised. There are 20 audit projects in progress, including 3 at draft report stage. With a further 12 audit projects left to be undertaken in the second half of the year, progress against the 2016 / 2017 plan is as expected. In addition, there are 7 audit projects underway for Vivacity, for whom Internal Audit also provides a service.

2.5 One report has been issued with a **LIMITED** assurance rating – The Local Offer. All recommendations have been agreed and improvements were being made during the course of the audit review, so this is not now a particular cause for concern. The Executive Summary for this audit is enclosed at **Appendix B**.

2.4 A Customer Survey was conducted and detailed commentary and analysis of this is attached at **Appendix C**.

2.5 It is too early in the audit year to provide an opinion on the internal controls operating across the Council that have been subject to audit from the 2016 / 2017 audit plans and with the work undertaken in its infancy there are no significant issues to be brought to the Committees attention.

Steve Crabtree
Chief Internal Auditor
October 2016

5 PROGRESS AGAINST AGREED AUDIT PLAN

Where audits are “shaded”, these represent those jobs not started at 30 September 2016.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
CORE SYSTEM ASSURANCE WORK	Core systems are those that are fundamental to providing control assurance for internal financial control and allow the s.151 officer to make his statement included in the authority’s Annual Statement of Accounts. The External Auditor also places reliance on the work undertaken by Internal Audit on core systems.							
Budgetary Control	Growth and Regeneration	IN PROGRESS	A risk based review concentrating on budget management within a major project.					
Accounts Payable	Serco / Resources	IN PROGRESS	A review of the new finance system, concentrating on specific areas such as exempt invoices and access controls and following up on work done during the implementation					
Accounts Receivable	Serco / Resources	IN PROGRESS	A review of billing and debt recovery arrangements.					
HR IT System	Serco / Resources / Governance	PROJECT ON HOLD	A review of the control framework during the design and implementation of a new HR IT system designed to enable self-serve processes.					

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK	Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. This section details audit work that specifically relates to the production of the Annual Governance Statement, as well as high level governance reviews.							
Annual Governance Statement Review	All	COMPLETED	Presented as draft to Audit Committee on 29 June 2016 and final agreed by Audit Committee on 22 September 2016					
Code of Corporate Governance	All	IN PROGRESS	Consultancy advice on the compilation of a new local Code of Corporate Governance and setting up a governance monitoring framework.					
Assurance Framework	All	TO COMMENCE QTR 4	Determine what assurance is received in relation to those risks identified in strategic and corporate risk registers. Identify gaps. Consider Internal Audit's role in filling those gaps and also in quality assuring other assurance providers.					
Annual Audit Opinion / Progress Report	All	COMPLETED	Annual Opinion presented to Audit Committee on 29 June 2016 and Progress Report being presented on 22 November 2016.					
Annual Audit Plan	All	TO COMMENCE QTR 3	Establishment of the future plans for 2017 / 2018.					
Internal Audit Effectiveness / Audit Committee Effectiveness	All	COMPLETED	Presented to Audit Committee on 29 June 2016.					
Anti-Fraud Culture	All	IN PROGRESS	Data provision for National Fraud Initiative complete. Anti-Fraud and Corruption Strategy in draft and being consulted upon. Compilation of a Fraud Risk register in progress. Review of other policies to commence in Quarter 4.					
Information Governance	All	ONGOING	Liaison and strategic overview as part of the Strategic Governance Board and Information Governance Group.					
Risk Management	All	ONGOING	Involvement in risk working group and any emerging issues.					

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
STRATEGIC AND OPERATIONAL RISKS	Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks							
Programme / Project Management	ALL	IN PROGRESS	Compilation of a programme of work to review selected projects.					
Contracts	ALL	TO COMMENCE IN QTR 3.	A review of selected contracts.					
Strategic Partnerships	ALL	TO COMMENCE IN QTR 3.	A review of the management of strategic partners, such as Serco, Skanska, Amey and Vivacity, to ensure that effective governance arrangements are in place.					
Commercial Activities	ALL	TO COMMENCE IN QTR 4	A review of governance arrangements in those areas where commercial activities and joint ventures are taking place, for example: the Peterborough Investment Partnership, ESCO, Opportunity Peterborough etc.					
Information Governance	Governance	IN PROGRESS	A high level review of our compliance with ICO requirements.					
Quality Assurance	People and Communities	TO COMMENCE IN QTR 4.	A review to look at the effectiveness of the processes in place that provide assurance over safeguarding activities within Adult's and Children's Social Care.					
Health and Safety	ALL	IN PROGRESS.	A review of arrangements to ensure that our responsibilities for health and safety are covered.					
Shared Services	ALL	TO COMMENCE IN QTR 4.	A review of governance arrangements for our shared service arrangements.					
Recruitment Checks / Disclosure and Barring Services	Governance	IN PROGRESS.	To ensure there is a robust process in place for recruitment checks and for monitoring that contractors fulfil their responsibilities in this area.					
Schools	People and Communities	IN PROGRESS.	A review of the integrity and accuracy of LGSS pension returns for schools and colleges not using PCC payroll systems is underway. Another review of Pupil Premium usage is starting in Qtr 3.					

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
STRATEGIC AND OPERATIONAL RISKS	CONTINUED							
Property	Resources	TO COMMENCE QTR 4. To cover the governance around the new delivery arrangements and the process for acquisitions and disposals.						
Local Offer	Governance / People and Communities	LIMITED	0	10	15	4	29	COMPLETED. The Executive Summary to this report is attached at the end of this document.
Blue Badges	People and Communities	IN PROGRESS. A review of processes for issuing and cancelling permits.						

GRANT	Department	ASSURANCE LEVEL	COMMENTARY
GRANT CLAIM CERTIFICATION	Certification of claims in relation to UK and European funding requirements		
Bus Service Operators 2015 / 2016	Growth and Regeneration	Certified	COMPLETED. A grant to support bus services, including community transport services.
Local Transport Funding Grant 2015 / 2016	Growth and Regeneration	Certified	COMPLETED. This grant is used by local authorities for small transport improvement schemes costing less than £5 million and also for planning and managing the road networks
Local Sustainable Transport Grant 2015 / 2016	Growth and Regeneration	Certified	COMPLETED. A scheme to help local authorities to cut carbon emissions and create local growth
Disabled Facilities Grant 2015 / 2016	People and Communities	Certified	COMPLETED. Non ring-fenced capital funding towards Disabled Facilities grants that PCC can award to disabled clients for necessary housing alterations.
Connecting Families	People and Communities	Certified phase 1	IN PROGRESS Results based funding to support families meeting certain criteria. Verification of a sample of claims prior to one of the claim submissions in 2016, and a review of Outcomes Plan and procedures.
Peterborough CLLD	Growth and Regeneration	No longer required	COMPLETED European structural and investment funding for a project called Peterborough CLLD. Consultancy advice on robust record keeping systems to comply with funding criteria.
LEP GCGPEP	Growth and Regeneration		TO COMMENCE QTR 4 Bourges Boulevard Phase 1.
Carbon Reduction Commitment	Growth and Regeneration	Certified	COMPLETED. Annual data validity audit.
Rogue Landlords Grant.	People and Communities	Certified	COMPLETED New funding to help councils tackle rogue landlords who let out substandard homes.

EXTERNAL WORKS	Work which generates income for the council
Vivacity	7 reviews are planned or in progress for this external client.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
OTHER RESOURCE PROVISION	Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests as a result of changing risks. In addition there will be a number of follow ups of previous audit activities. Finally, a number of jobs will overlap between financial years and require some time to complete.							
Carry Forward Provision	Provision for the completion of 2015-16 audits							
Capital Project Management	Resources	IN PROGRESS	Critical friend review during the implementation of updated policies and processes.					
Schools Statutory Testing	Resources	LIMITED	0	1	2	2	5	DRAFT REPORT ISSUED.
Schools Gifts and Hospitality	People and Communities	SUBSTANTIAL	0	0	5	3	8	DRAFT REPORT ISSUED.
Payroll	Resources	SUBSTANTIAL	0	0	0	3	3	DRAFT REPORT ISSUED.
Cash and Banking – Special Investigation	People and Communities	WORK COMPLETE	Ongoing liaison with outside organisations to progress.					
Winyates Primary School – Follow-up	People and Communities	NO	0	11	8	4	23	DRAFT REPORT ISSUED.
Pensions (Employee bandings)	Governance	SUBSTANTIAL	0	0	0	0	0	Analysis to determine accuracy of pension bandings and overall collection percentage.

AUDIT ACTIVITY	Department	COMMENTARY
OTHER RESOURCE PROVISION		Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests as a result of changing risks. In addition there will be a number of follow ups of previous audit activities. Finally, a number of jobs will overlap between financial years and require some time to complete.
Follow-up Provision:		Revisiting audits after 6 months to monitor the implementation of recommendations
Parking Services	Resources	MEMO ISSUED 5 high priority recommendations were made and 4 have been implemented. Further work is required to ensure that regular reconciliations are carried out and evidenced to ensure all income due is received and banked.
Cash Office	Resources/Serco	MEMO ISSUED All 4 high and medium recommendations were implemented or in progress.
Statutory Testing	Resources	IN PROGRESS.

AUDIT ACTIVITY	Department	COMMENTARY
Provision for unplanned activities:		Internal Audit provides control and risk advice to officers/management/members as a result of changing risks. This audit activity covers review work that is additional and was not specified as part of the original audit plan
Care Service Charging	People and Communities	WORK COMPLETE. Advice and analysis regarding alleged overcharging of clients by a care company.

6 AUDIT REPORTS ISSUED: OPINION OF LIMITED ASSURANCE OR NO ASSURANCE

AUDIT ACTIVITY	ASSURANCE RATING	DATE TO AUDIT COMMITTEE
The Local Offer	Limited	22 November 2016

APPENDIX B**Executive Summary – The Local Offer****Introduction**

This Audit forms part of an unplanned review which has concluded during 2016 / 17. The audit work was as a result of request made by the Service Director Adult Services and Communities, Head of Performance & Informatics and Compliance Manager (Governance) to independently review the Local Offer (LO) using a self - assessment document developed by SE7, supported by Portsmouth, Leicester City and Nottinghamshire Local Authorities.

Peterborough's Local Offer has been in place since 1st September 2014. The Local Offer must set down in one place information about provision across education, health and social care for children and young people who have special educational needs or are disabled. Information must be clear, accessible, comprehensive and up to date concerning the available provision and how it can be accessed. Provision must be responsive to local needs by involving parent carers, children and young people with special educational needs and disabilities in the development and review of the Local Offer.

Objectives and Scope

The purpose of the audit was to self - assess Peterborough City Council's approach to the Local Offer Scheme using the recommended toolkit and feed into an action plan for improvements as appropriate.

This audit was conducted in accordance with proper audit practices, which are set out in the Public Sector Internal Audit Standards (PSIAS). The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion.

Main Findings

There are several areas for improvement in relation to the Local Offer, which have been detailed within the body of the report. The main findings are as follows:-

- It has been difficult to identify overall responsibility for the Local Offer, which has led to a lack of co – ordination and timely actions taken to improve the content
- The website includes a wealth of information, but is unwieldy to navigate and so users may be 'put off'
- There has been limited co – production
- There has been limited promotion and marketing
- There is an effective and productive relationship with Family Voice Peterborough
- The Local Offer does not inform the Commissioning process

APPENDIX B

Recommendations have been addressed to the Corporate Director, People & Communities in order to allow appropriate allocation and co – ordination of agreed actions.

Conclusion and Opinion

There are several areas for improvement in relation to the Local Offer, which have been detailed below. Several of these had been identified as issues to resolve by various individuals involved with the Local Offer, and there is an awareness of the progress required in order to meet statutory requirements. Most notably, responsibility for co – ordination and monitoring of the LO has now been allocated. This has resulted in considerable efforts being made to update the Local Offer and required actions being addressed expediently. This ongoing monitoring and support of the Local Offer is key to its success. Continued use of the SE7 or newly acquired Aspire self - evaluation toolkit, which are based on the same fundamental statutory requirements, will assist in this process.

The audit opinion is Limited Assurance.

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Internal Audit Customer Survey Results

Earlier in the year we surveyed Directors, Heads of Service and other selected managers with whom we have frequent contact, including staff from Serco, Vivacity and some schools. The aim was to obtain a view on our services and the scope of our work, as well as how well we perform our work and respond to the needs of the Council.

There were 19 respondents in total, amounting to 40% of those contacted, and representing the following areas:

	Number
Resources	2
Governance	2
Growth and Regeneration	4
People and Communities	5
Other	3
Anonymous	3

Overall the response was very positive, with the majority of our services regarded as critical or important, and our performance rated as excellent or good by many.

One of the main themes that emerged is around awareness and understanding of our role. Responses indicate that Internal Audit are seen in a more traditional role, with compliance auditing, fraud investigations and finance being seen as the most important aspects of our work. In addition, it was notable that respondents rated our work as providing more value for their teams than for the council as a whole. Whilst we clearly carry out work that is valued, we are mindful that professional audit standards and statute dictate that our role is one of risk based assurance covering the whole governance, risk and control framework of an organisation.

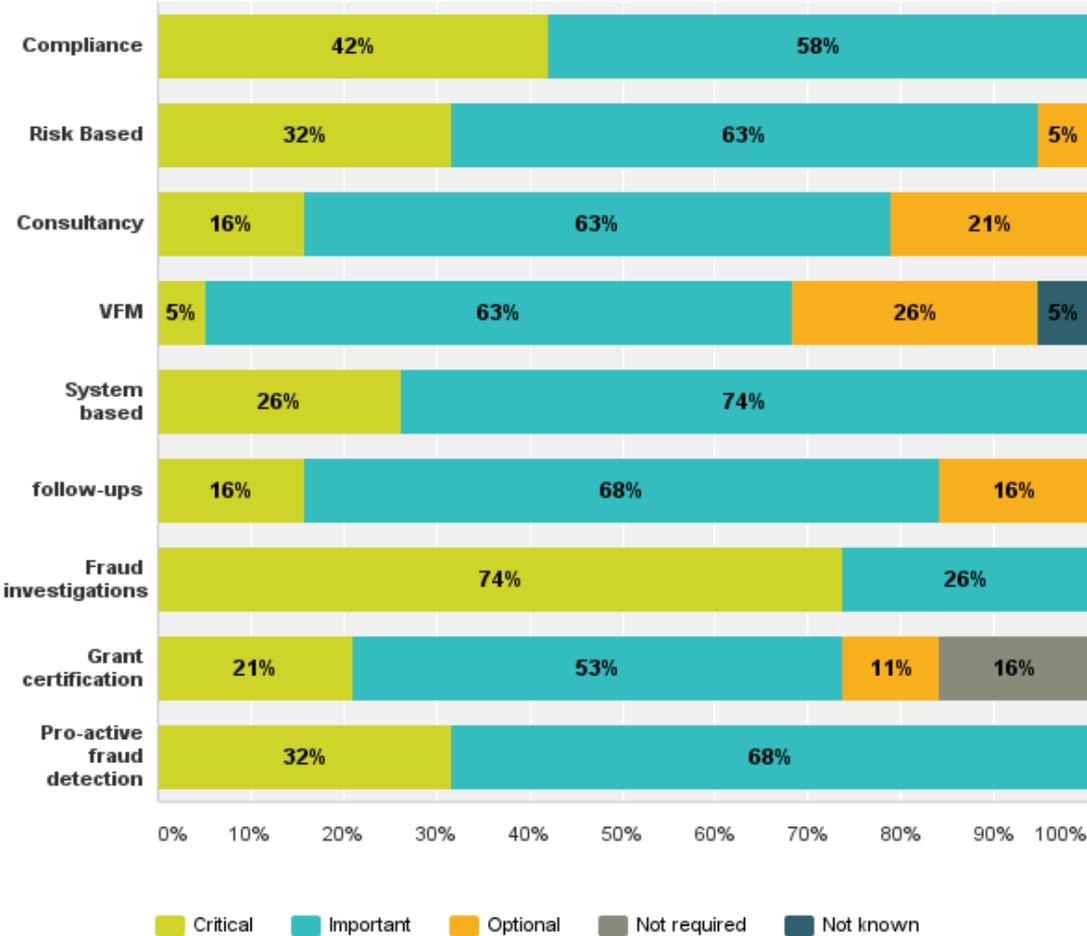
The divergence between the two is something we need to explore to ensure that we are providing a service that both meets professional standards and the needs of the organisation. We will be meeting with senior management teams over the next few weeks to explore further their requirements and a survey of members is also planned. We will also be carrying out a self-assessment against the Public Sector Internal Auditing Standards and looking at our work processes to ensure they are efficient.

Detailed results can be found in the following pages.

Internal Audit Customer Survey Results

Q1 Internal Audit provide a variety of services. Please rate the following in terms of their importance to you.

Answered: 19 Skipped: 0



KEY POINTS

- Fraud Investigations, Compliance and Pro-active Fraud Detection are considered the most important. All felt these were not optional. Fraud is always given priority, but we carry out few compliance audits.
- Middle of the range is our routine work – Systems and Risk based audits and follow-ups. Risk based auditing and following up audits (to monitor implementation of

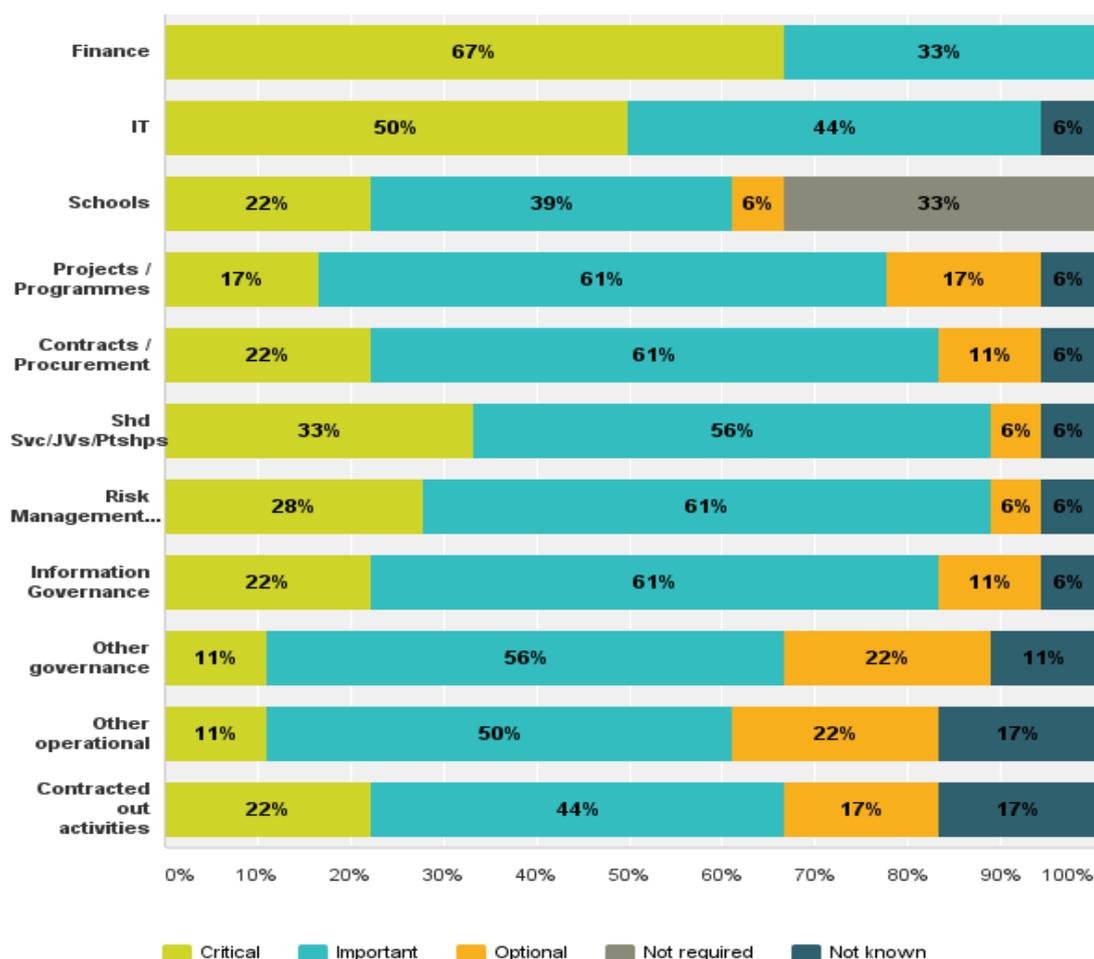
Internal Audit Customer Survey Results

recommendations) are key according to the professional standards that we must follow according to statute.

- Bottom 3 are VFM, Grant Certification, and Consultancy. More respondents felt these were optional or not required. Those who felt that grant audits are not required were from areas that don't receive grants.

Q2 The scope of Internal Audit's work covers all council activities. Some key activities that we focus on are listed below. How important is our work in each of these areas?

Answered: 18 Skipped: 1



KEY POINTS

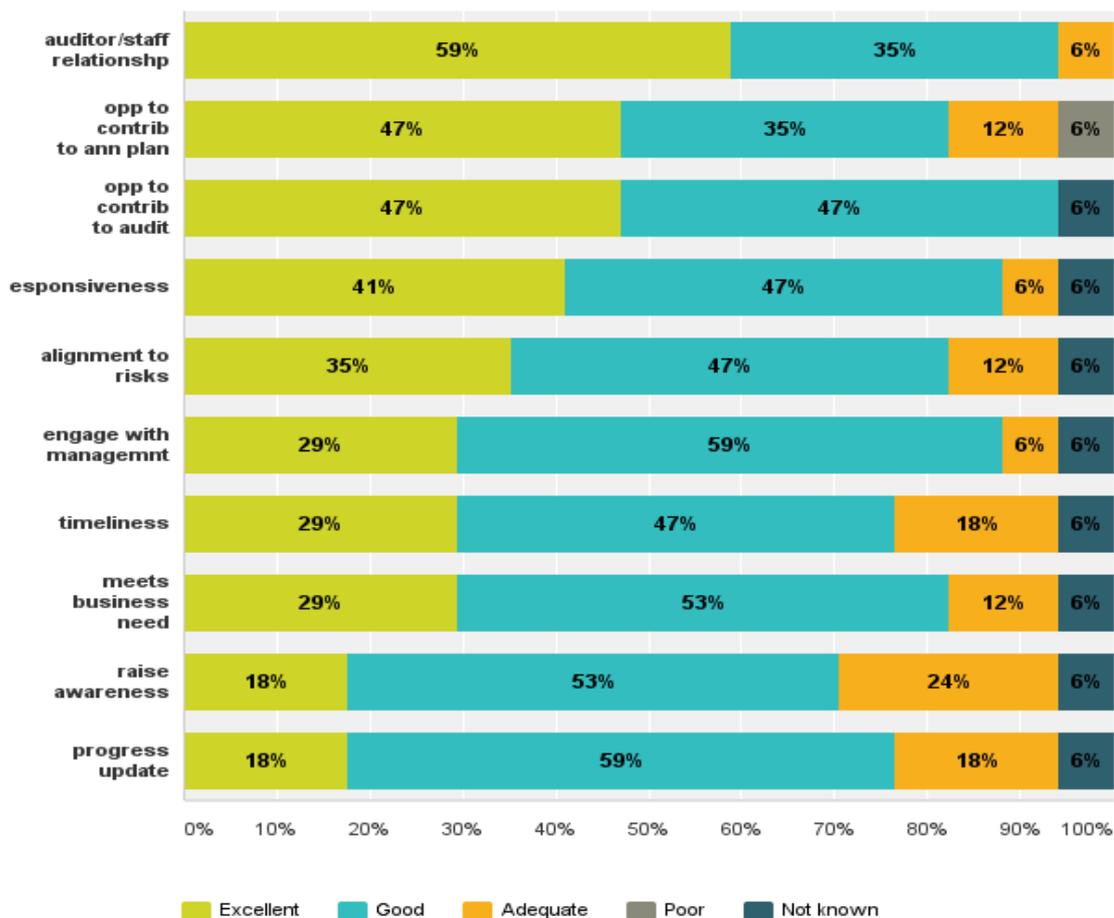
- Top 2 are Finance and IT by some margin. Both important but also possibly areas with which Internal Audit is traditionally associated.
- Schools seems least important, but a number of 'not required' responses on schools come from areas that have little or no involvement with schools.

Internal Audit Customer Survey Results

- All areas rated critical by some.
- Our prioritisation of resource into any of the above areas is determined by levels of risk.

Q3 As customers of Internal Audit, how do you rate our performance in the following areas?

Answered: 17 Skipped: 2



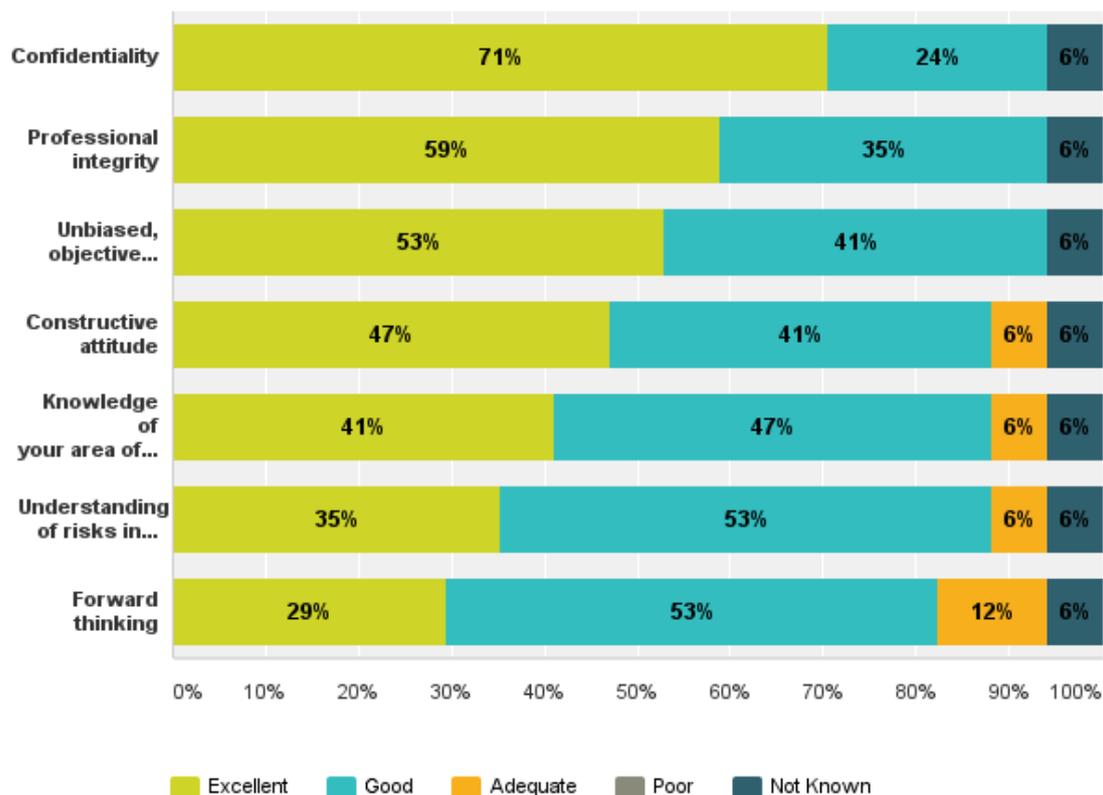
KEY POINTS

- Respondents rated our level of performance highly in all areas, but those areas that could be improved include: raising awareness of our role; timeliness of our work; and provision of progress updates.
- There was a comment that capability is excellent but there is concern about the capacity to deliver in a timely manner.
- Another comment was a suggestion to meet with management teams twice annually to discuss progress.

Internal Audit Customer Survey Results

Q4 Based on your contact with audit team members over the last year, how do you rate them on the following attributes?

Answered: 17 Skipped: 2



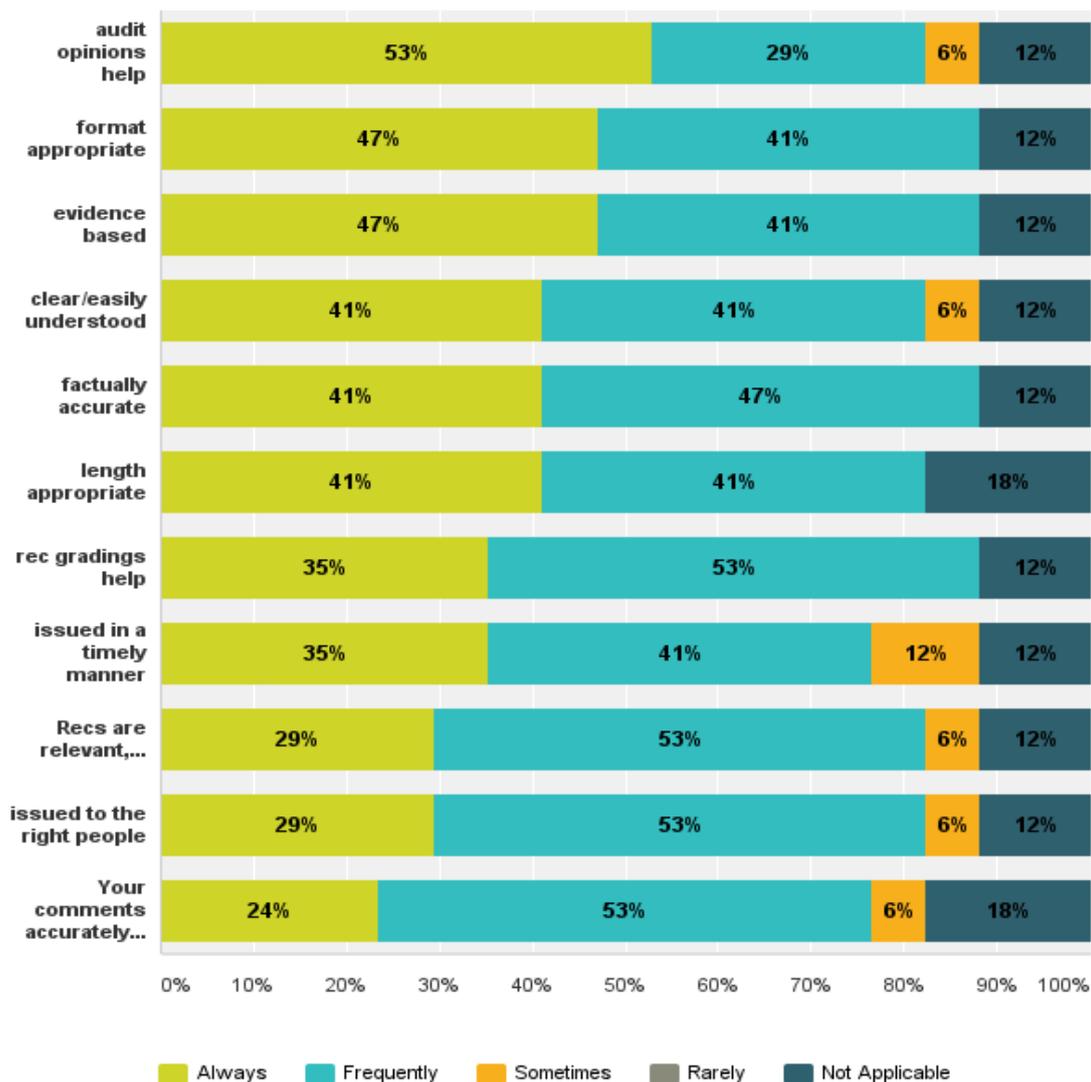
KEY POINTS

- A very good response, generally.
- One respondent felt we were only adequate in four of the categories, and we have discussed with them the reasons for this, which relate to one specific area of our work.
- A comment was made that we have good knowledge of Payroll systems and procedures.

Internal Audit Customer Survey Results

Q5 The final product of our work is usually a formal report, but it can also be a less formal written response such as an email or memo. How often do we meet the following standards?

Answered: 17 Skipped: 2



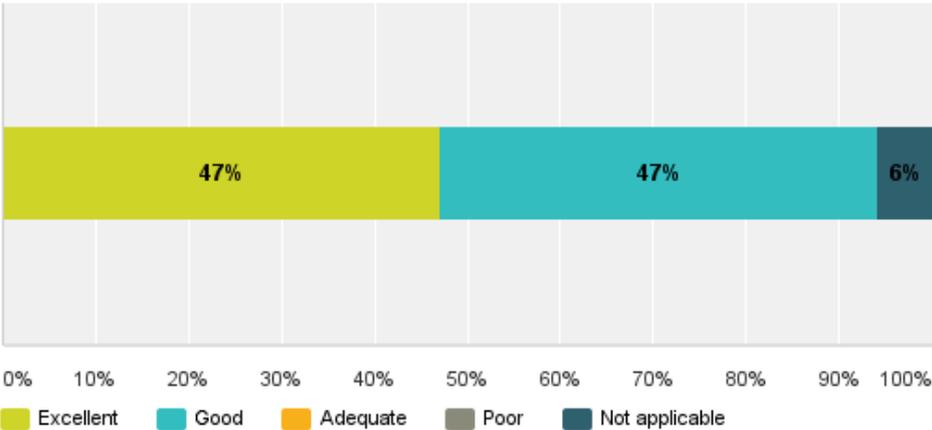
KEY POINTS

- A good response again although we can always improve. Areas to concentrate on include: – timeliness; recommendations being relevant, practical and proportional; issued to the right people; client comments accurately reflected. We do have a robust quality assurance process and rarely receive negative comments about individual reports, but we need to re-introduce our post-audit questionnaire to obtain more detailed feedback on individual audits.

Internal Audit Customer Survey Results

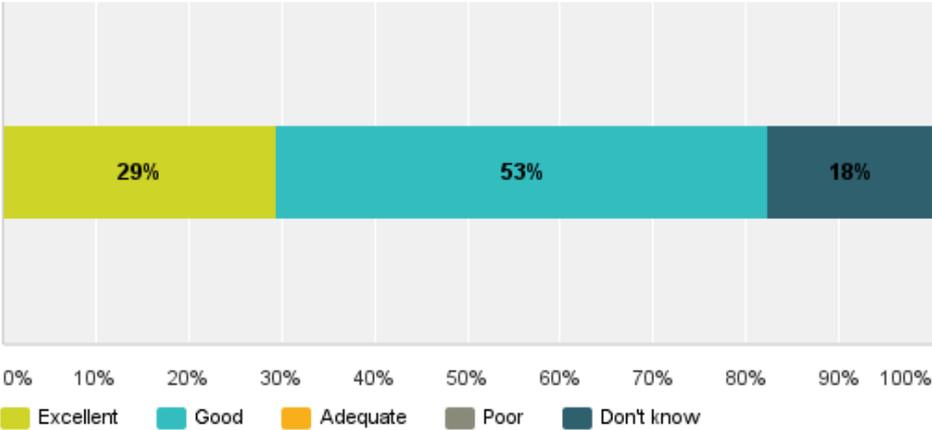
Q6 How do you rate the value of our work to your team?

Answered: 17 Skipped: 2



Q7 How do you rate the value of our work to the Council as a whole?

Answered: 17 Skipped: 2



It is interesting that more people recognise our direct value to their team, rather than to the council as a whole and a number of people don't know what our value is to the council. Along with discussions with senior management teams regarding expectations, we will explore how we can raise awareness of the work that we do.

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AUDIT COMMITTEE	AGENDA ITEM No. 7
21 NOVEMBER 2016	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr David Seaton, Cabinet Member for Resources	
Contact Officer(s):	John Harrison, Corporate Director Resources Steven Pilsworth, Service Director, Financial Resources	Tel. 452520 Tel. 384564

USE OF CONSULTANTS – UPDATE REPORT

RECOMMENDATIONS	
FROM : Corporate Director Resources	Deadline date : N/A
1. That Audit Committee consider the update report on the use of Consultants for the period 1 October 2015 – 30 September 2016.	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Audit Committee following the Sustainable Growth Scrutiny Committee review into Peterborough City Council's use of consultants, the subsequent endorsement of their recommendations by Cabinet, and the agreement of Audit Committee to undertake an on-going monitoring role.

2. PURPOSE AND REASON FOR REPORT

- 2.1 Sustainable Growth Scrutiny Committee recommended that the on-going monitoring role at Member level is undertaken by Audit Committee. Audit Committee considered their approach to this role at their meeting of 26 March 2012. This report is in line with the approach agreed and subsequent updates, and is in accordance with the Committees' Terms of Reference:

- 2.2.1.11 To review any issue referred to it by the Chief Executive or a Director, or any Council body; and
- 2.2.1.15 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4. REVIEW OF THE USE OF CONSULTANTS

- 4.1 In March 2010, the Sustainable Growth Scrutiny Committee requested a review into Peterborough City Council's use of consultants. A cross-party review group was established to undertake this work on behalf of the Sustainable Growth Scrutiny Committee.
- 4.2 The report from the Consultancy Review Group was issued in March 2011. Scrutiny also recommended that on-going monitoring of the use of consultants should fall to Audit Committee. Audit Committee considered this role at their meeting of 26 March 2012.
- 4.3 A further report, outlining the information requested, was discussed at the meeting of 5 November 2012. Further updates have been considered at the meetings of 4 February 2013, 4

November 2013, 3 November 2014 and again on November 9 2015. This report continues the regular reporting to Audit Committee.

4.4 **Use of consultants**

The definition of consultancy is based upon standard procurement classification. As such it covers a wide range of companies and services. Expenditure is included here if the company meets the standard classification, irrespective of exactly what services have been provided.

4.5 The spend for the last seven full years, plus in current year to date, for both consultancy and interim spend is shown below. The trend over that period is for a reduction in spend.

	Consultancy £m	Interim £m	Total £m
2009-10	7.1	1.4	8.5
2010-11	5.3	1.1	6.4
2011-12	4.7	0.7	5.4
2012-13	3.5	0.8	4.3
2013-14	3.3	1.2	4.5
2014-15	1.9	1.1	3.1
2015-16			
April 15 – September 15*	0.5	0.5	1.0
October 15 – March 16	<u>0.6</u>	<u>0.9</u>	<u>1.5</u>
TOTAL 2015-16	1.1	1.4	2.5
2016-17 (6 month period to end September 2016)	0.6	1.1	1.7

* Breakdown provided to Audit Committee 9 November 2015

4.6 Consultancy spend continued to reduce in 2015-16. Interim spend in 2015-16 has increased since the previous year and in the six month period to September 2016 has further increased mainly due to interim roles within the People and Communities department. There are a number of interim roles supporting the council's transformation programme which includes customer experience, adult social care transformation and change management and communications. Although the transformation programme is being led with the People and Communities department some of the interim roles sit within other departments, for example communication and change management roles. In addition there have been a number of interim roles in senior management positions. The Quality Assurance team and Commissioning team interims were filling vacancies due to restructures within the teams.

4.7 The council as part of its budget setting for 2016/17 budgeted for consultancy and interim spend to support the customer experience programme, a major transformation project for the future delivery of services by the council and is an invest to save basis initiative. Investment is needed to support the project as it will be implemented over the next few years. The council invested £1.5m in 2016/17 and £1.0m in 2017/18 to deliver £2.0m and £5.1m savings respectively.

4.8 It should be noted that the exact pattern of spend depends entirely on what projects are underway in the council. These projects may be one-off, but given the scale of some projects they may continue across more than one year. Spend on consultants occurs across both the revenue and capital budgets of the Council, some of which is externally grant funded.

4.9 The policy agreed by Cabinet and Audit Committee to manage use of consultants, including the need for a business case to be produced, remains in place. The Corporate Management Team have reviewed all arrangements as part of the 2016/17 budget process, and considered the necessary exit strategies to reduce reliance on interims.

4.10 A list of companies used for the period 1 October 2015 to 30 September 2016 is included in appendix 1, indicating the breadth of these companies and services that are included in the standard classification and in the analysis in this report. Appendix 2 includes the breakdown of

spend by department for the same period, and Appendix 3 includes those interims in role for more than one year as at 30 September 2016.

5. CONSULTATION

- 5.1 Audit Committee considered options for how they wish to monitor use of consultants in the future at their meeting of 26 March 2012. Subsequent discussions at the meetings referred to have refined the information they wish to monitor.

6 ANTICIPATED OUTCOMES

- 6.1 That Audit Committee consider the update report on the use of consultants.

7 REASONS FOR RECOMMENDATIONS

- 7.1 The recommendations are in line with the recommendations of Scrutiny, and the view of Audit Committee in undertaking this role.

8 ALTERNATIVE OPTIONS CONSIDERED

- 8.1 Audit Committee considered options for how they wish to monitor use of consultants in the future at their meeting of 26 March 2012.

9 IMPLICATIONS

- 9.1 Where appropriate, the policy outlines implications for areas such as Legal, Human Resources, Procurement and Finance.
- 9.2 This report does not have implications for specific wards.

10 BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- Consultancy Review Report, March 2011;
- Report to Sustainable Growth Scrutiny Committee, 8 November 2011;
- Report to Sustainable Growth Scrutiny Committee, 6 March 2012; and
- Reports to Cabinet and Audit Committee 26 March 2012.
- Report to Audit Committee of 5 November 2012
- Report to Audit Committee of 4 February 2013
- Report to Audit Committee of 4 November 2013
- Report to Audit Committee of 3 November 2014 and supplementary report to Audit Committee of 2 February 2015
- Report to Audit Committee of 9 November 2015

11 APPENDICES

- Appendix 1 - list of companies used during the period 1 October 2015 and 30 September 2016 with project breakdown; and
- Appendix 2 - Spend by department
- Appendix 3 – consultants/interims in place for more than one year as at 30 September 2016.

Appendix 1 - List of companies with project descriptions
Period of 1 October 2015 – 31 March 2016 (2015/16) being spend since the last Audit Committee report

Supplier name	Project / Initiative	Consultant	Interim	Grand Total
Artelia UK	Space study of council premises	27,360		27,360
Artelia UK Total		27,360		27,360
Athene Communications	Communication support - Provision of media cover and internal communications on the transformation programme (The total spend between Athene Communications and Westco trading period in this report is £160k - £60k to cover media roles including maternity cover, £48k on the customer experience programme, £22k covering a vacant post, £30k on projects such as media training, energy campaign and internal communications)		47,650	47,650
Athene Communications Total			47,650	47,650
Baltimore Consulting	Educational Psychology	15,000		15,000
	Passenger Transport review	4,500		4,500
	Interim Head of Admissions		50,600	50,600
Baltimore Consulting Total		19,500	50,600	70,100
Cambridgeshire County Council	Sacre and Religious Education course programme development 2015-16		3,400	3,400
Cambridgeshire County Council Total			3,400	3,400
Caritas Recruitment	High cost placements, Reablement and Assistive Technology (Adult Social Care)		22,800	22,800
Caritas Recruitment Total			22,800	22,800
Chatham Associates Ltd	Interim Finance Manager role in Financial Services - support to the Serco PSSP contract and Energy initiative projects		20,250	20,250
Chatham Associates Ltd Total			20,250	20,250
Claudia Wade Ltd	School improvement	29,972		29,972
Claudia Wade Ltd Total		29,972		29,972
Deloitte LLP	Professional services - Waste project	22,962		22,962
	Professional services - Fletton Quays project	9,777		9,777
	Professional services - Energy projects	51,093		51,093

Supplier name	Project / Initiative	Consultant	Interim	Grand Total
Deloitte LLP Total		83,831		83,831
East Cambridgeshire District Council	Local Plan Viability Assessment	14,925		14,925
East Cambridgeshire District Council Total		14,925		14,925
Enterprise	Asset Management surveying	20,253		20,253
Enterprise Total		20,253		20,253
GatenbySanderson Ltd	Interim Assistant Director - Property Services		30,510	30,510
GatenbySanderson Ltd Total			30,510	30,510
Green Park Interim and Exec Ltd	HR consultant to support the customer experience programme which includes new ways of working and terms and conditions		99,970	99,970
	Interim Head of Service (ASC) – this role is supporting delivery of commissioning savings projects		17,690	17,690
	Interim Manager Strategic Commissioning – these are covering vacant roles		12,790	12,790
Green Park Interim and Exec Ltd Total			130,450	130,450
Kealey-HR	HR Support and union liaison	375		375
Kealey-HR Total		375		375
Lind Associates	SEND consultancy	52,837		52,837
Lind Associates Total		52,837		52,837
Number 10 Interim Ltd	3 consultants to support the project - Social care system reporting including implementing business objects	16,250		16,250
Number 10 Interim Ltd Total		16,250		16,250
Panoramic Associates Limited	Public Health		6,960	6,960
Panoramic Associates Limited Total			6,960	6,960
Patten Resource Management	Transformation Director - Adult Social Care and Customer Experience		48,300	48,300
Patten Resource Management Total			48,300	48,300
Penna Plc	Review of governance arrangements	49,938		49,938
Penna Plc Total		49,938		49,938
ReThink Recruitment	Commissioner		3,325	3,325

Supplier name	Project / Initiative	Consultant	Interim	Grand Total
ReThink Recruitment Total			3,325	3,325
Richard Ellis-Braithwaite	Asteria project - Implementation of a data matching tool to help with identifying fraud and errors	14,031		14,031
Richard Ellis-Braithwaite Total		14,031		14,031
Sanctuary Personnel Ltd	Better Care Fund	17,719		17,719
	Commissioner		15,400	15,400
	Interim Manager Strategic Commissioning		44,448	44,448
	Interim Head - Social Care		17,000	17,000
	Strategic Lead Adult Safeguarding		18,480	18,480
	Quality Assurance Officer		51,490	51,490
	Project Manager - communities	24,296		24,296
	Quality Assurance Manager		16,317	16,317
Sanctuary Personnel Ltd Total		42,015	163,135	205,150
Serco Ltd	Adult Social Care Procurement Support		68,717	68,717
	Interim Head of Service (ASC) – this role is supporting delivery of commissioning savings projects		63,312	63,312
	Interim Manager Strategic Commissioning – these are covering vacant roles		28,719	28,719
	Transformation Director - Adult Social Care and Customer Experience		20,330	20,330
	Transformation Lead (Adult Social Care and Customer Experience)		77,287	77,287
	Interim Finance Manager role in Financial Services - support to the Serco PSSP contract and Energy initiative projects		8,325	8,325
	Children's Social care improvement	12,086		12,086
	Delivery Vehicles - alternative models of delivery of services within people and communities	73,202		73,202
	Waste 2020 project to provide the council engineering advice / supervision of contractor during commissioning and testing phase of Energy from Waste plant	48,086		48,086
	Connecting Cambridgeshire Broadband project	43,277		43,277
	Project manager support on the HR case management system	16,402		16,402
Serco Ltd Total		193,053	266,689	459,742

Supplier name	Project / Initiative	Consultant	Interim	Grand Total
South Cambs District Council	Gypsy and Traveller Accommodation Needs Assessment	4,690		4,690
South Cambs District Council Total		4,690		4,690
Terry Reynolds Education Consulting Ltd	Interim Assistant Director - Education		30,886	30,886
Terry Reynolds Education Consulting Ltd Total			30,886	30,886
WESTCO TRADING LIMITED	Communication support (The total spend between Athene Communications and Westco trading period in this report is £160k - £60k to cover media roles including maternity cover, £48k on the customer experience programme, £22k covering a vacant post, £30k on projects such as media training, energy campaign and internal communications)		36,845	36,845
WESTCO TRADING LIMITED Total			36,845	36,845
V4 Services Ltd	Connecting Cambridgeshire Broadband project	9,630		9,630
	Project manager support on the HR case management system	16,200		16,200
V4 Services Ltd Total		25,830		25,830
Grand Total		594,860	861,800	1,456,660

Period of 1 April 2016 – 30 September 2016 (2016/17 to date)

Supplier name	Project / Initiative	Consultant	Interim	Grand Total
Arcus Global Ltd	ICT consultancy (Salesforce applications provided by Arcus Global)	14,400		14,400
	Professional service support for the council around structuring and maintenance of the Salesforce environment (Salesforce Environment Review and Domain Management)	12,642		12,642
Arcus Global Ltd Total		27,042		27,042
Artelia UK	Space study of council premises	1,725		1,725
Artelia UK Total		1,725		1,725
Athene Communications	Communication support - Provision of media cover and internal communications on the transformation programme (The total spend between Athene Communications and Westco trading period in this report is £160k - £60k to cover media roles including maternity cover, £48k on the customer experience programme, £22k covering a vacant post, £30k on projects such as media training, energy campaign and internal communications)		69,388	69,388
Athene Communications Total			69,388	69,388
Badenoch & Clark Ltd	Programme Manager - Council's Front Door including better health and social care integration	37,718		37,718
Badenoch & Clark Ltd Total		37,718		37,718
Baltimore Consulting	Educational Psychology	-1,000		-1,000
	Interim Head of Service - Older People		29,070	29,070
	Passenger Transport review	43,575		43,575
	Interim Head of Admissions		67,100	67,100
Baltimore Consulting Total		42,575	96,170	138,745
Cambridgeshire County Council	Sacre and Religious Education course programme development 2015-16		3,400	3,400
Cambridgeshire County Council Total			3,400	3,400
Caritas Recruitment	High cost placements, Reablement and Assistive Technology (Adult Social Care)		53,000	53,000
Caritas Recruitment Total			53,000	53,000

Supplier name	Project / Initiative	Consultant	Interim	Grand Total
Deloitte LLP	Professional services - Waste project	0		0
	Professional services - Fletton Quays project	0		0
	Professional services - Energy projects	0		0
Deloitte LLP Total		0		0
Eden Brown Ltd	Quality Assurance Officer		23,760	23,760
Eden Brown Ltd Total			23,760	23,760
Enterprise	Asset Management surveying	3,450		3,450
Enterprise Total		3,450		3,450
GatenbySanderson Ltd	Interim Assistant Director - Property Services		41,850	41,850
GatenbySanderson Ltd Total			41,850	41,850
Grant Thornton UK LLP	Professional services - Housing Joint Venture	38,692		38,692
	Professional services - Norse Joint Venture	3,500		3,500
Grant Thornton UK LLP Total		42,192		42,192
Green Park Interim and Exec Ltd	HR consultant to support the customer experience programme which includes new ways of working and terms and conditions		66,560	66,560
	Interim Head of Service (ASC) – this role is supporting delivery of commissioning savings projects		30,500	30,500
	Interim Manager Strategic Commissioning – these are covering vacant roles		98,410	98,410
Green Park Interim and Exec Ltd Total			195,470	195,470
Kealey-HR	HR Support and union liaison	1,125		1,125
Kealey-HR Total		1,125		1,125
Lind Associates	SEND consultancy	77,854		77,854
Lind Associates Total		77,854		77,854
NHS Cambs & P'boro CCG (Clinical Commissioning Group)	Better Care Fund	20,385		20,385
NHS Cambs & P'boro CCG (Clinical Commissioning Group) Total		20,385		20,385
NPS Group	Property client and commissioning role		7,691	7,691
	Interim PFI Manager		4,003	4,003
NPS Group Total			11,694	11,694

Supplier name	Project / Initiative	Consultant	Interim	Grand Total
Number 10 Interim Ltd	3 consultants to support the project - Social care system reporting including implementing business objects	119,265		119,265
Number 10 Interim Ltd Total		119,265		119,265
Patten Resource Management	Transformation Director - Adult Social Care and Customer Experience		51,175	51,175
Patten Resource Management Total			51,175	51,175
Penna Plc	Review of governance arrangements	35,014		35,014
Penna Plc Total		35,014		35,014
Peopletoo Ltd	Early Help Review and Children's Demographic Analysis	27,000		27,000
Peopletoo Ltd Total		27,000		27,000
Ray Worsley Education Consultancy	Education	1,800		1,800
Ray Worsley Education Consultancy Total		1,800		1,800
ReThink Recruitment	Commissioner		24,938	24,938
ReThink Recruitment Total			24,938	24,938
Sanctuary Personnel Ltd	Commissioner		17,500	17,500
	Interim Manager Strategic Commissioning		3,250	3,250
	Interim Head - Social Care		41,000	41,000
	Independent Chair		29,421	29,421
	Strategic Lead Adult Safeguarding		43,680	43,680
	Quality Assurance Officer		52,867	52,867
	Project Manager - communities	35,966		35,966
	Interim Head of Commissioning		80,518	80,518
	Health and Social Care	15,708		15,708
	Quality Assurance Manager		31,635	31,635
Sanctuary Personnel Ltd Total		51,674	299,871	351,545
Serco Ltd	Adult Social Care Procurement Support		3,166	3,166
	Transformation Lead (Adult Social Care and Customer Experience)		16,008	16,008

Supplier name	Project / Initiative	Consultant	Interim	Grand Total
	Delivery Vehicles - alternative models of delivery of services within people and communities	21,891		21,891
	Waste 2020 project to provide the council engineering advice / supervision of contractor during commissioning and testing phase of Energy from Waste plant	6,869		6,869
Serco Ltd Total		28,761	19,174	47,934
Socitm Ltd	ICT Interim to additional client team project support		24,000	24,000
Socitm Ltd Total			24,000	24,000
STC (Wirksworth) Ltd	Passenger Transport review	5,975		5,975
STC (Wirksworth) Ltd Total		5,975		5,975
Terry Reynolds Education Consulting Ltd	Interim Assistant Director - Education		60,981	60,981
Terry Reynolds Education Consulting Ltd Total			60,981	60,981
Thawait's Consulting Ltd	Interim Child Health Transformation Lead		49,000	49,000
Thawait's Consulting Ltd Total			49,000	49,000
WESTCO TRADING LIMITED	Communication support (The total spend between Athene Communications and Westco trading period in this report is £160k - £60k to cover media roles including maternity cover, £48k on the customer experience programme, £22k covering a vacant post, £30k on projects such as media training, energy campaign and internal communications)		6,841	6,841
WESTCO TRADING LIMITED Total			6,841	6,841
White, Steve J	Adolescent Services		14,107	14,107
White, Steve J Total			14,107	14,107
Willowmead Consultants Ltd	Transformation Lead (Adult Social Care and Customer Experience)		72,485	72,485
Willowmead Consultants Ltd Total			72,485	72,485
V4 Services Ltd	Connecting Cambridgeshire Broadband project	59,947		59,947
	Project manager support on the HR case management system	15,998		15,998
V4 Services Ltd Total		75,944		75,944
Grand Total		599,499	1,117,303	1,716,802

Appendix 2 - Spend by department

This table breaks down the consultancy and interim spend shown in appendix 1 outlined in section 4.5 by department:

Period	Department	Consultant	Interim	Grand Total
Oct 15 - Mar 16	Governance	66,344	99,970	166,314
	Growth & Regeneration	39,868		39,868
	People & Communities	189,348	619,890	809,238
	Public Health		6,960	6,960
	Resources	299,300	134,980	434,280
Oct 15 - Mar 16 Total		594,860	861,800	1,456,660
Apr 16 - Sep 16	Governance	48,639	71,660	120,299
	Growth & Regeneration	42,142		42,142
	People & Communities	386,504	939,973	1,326,477
	Resources	122,214	105,670	227,884
Apr 16 - Sep 16 Total		599,499	1,117,303	1,716,802
Grand Total		1,194,358	1,979,103	3,173,461

As outlined earlier in this report (paragraph 4.7), the People and Communities department lead the council's customer experience programme with all consultancy and interim roles supporting the programme being charged to this department which is where the budget has been allocated to. Although some roles are interim, these are not substantive roles once the programme has completed.

Appendix 3 - Interims utilised for more than a year as at end of September 2016

The following appendix lists roles that were being utilised at the end of September 2016, and were being utilised in some form 12 months earlier. Note that not all individuals will have been employed continuously in that period, some will have worked for ad hoc periods as necessary, and/or operate on a part time basis. All of the roles below are supporting the council's transformation programme which was a two year project.

- Transformation Lead (Adult Social Care and Customer Experience)
- Transformation Director – Adult Social Care and Customer Experience
- Interim Head of Service (ASC)
- HR Consultant

As outlined earlier in this report (paragraph 4.7), the above roles are supporting the council's customer experience programme. Although some roles are interim, the above roles are not substantive roles once the programme has completed.

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AUDIT COMMITTEE	AGENDA ITEM No. 8
21 NOVEMBER 2016	PUBLIC REPORT

Committee Member(s) responsible:	Resources portfolio holder, Cllr Seaton		
Contact Officer(s):	John Harrison, Corporate Director: Resources	☎ 452398	
	Steven Pilsworth, Service Director: Financial Services	☎ 384569	

TREASURY MANAGEMENT MID YEAR UPDATE

R E C O M M E N D A T I O N S	
FROM : John Harrison, Corporate Director: Resources	Deadline date : N/A
Audit Committee is asked to	
1. To review current performance against the Treasury Management Strategy (TMS) set in the Medium Term Financial Strategy (MTFS)	

1. ORIGIN OF REPORT

- 1.1 The Treasury Management in the Public Services: Code of Practice 2011 recommends that Members receive reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.
- 1.2 The annual strategy is approved by Council as part of the MTFS. The original strategy was approved on 9 March 2016 however, the MTFS and corresponding TMS were revised, resubmitted and approved on 13 July 2016. The Revised MTFS (and related Prudential Indicators) incorporate changes to the Invest to Save programme. The final performance against the revised strategy will be reported to Audit Committee in June 2017 alongside the Statement of Accounts. This report forms the mid-year review against the Revised TMS.

2. PURPOSE AND REASON FOR REPORT

- 2.1 To report current performance and the forecast outturn position against the Prudential Indicators in the strategy.
- 2.2 This is in accordance with the Committees' Terms of Reference – 2.2.1.15 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4. TREASURY MANAGEMENT STRATEGY PRUDENTIAL INDICATORS

- 4.1 The Prudential Code underpins the system of capital finance. Local authorities determine their own programmes for capital investment in long term and current assets that are central to the delivery of quality local public services. Prudential indicators are developed as part of the annual MTFS process to ensure that:

a) Capital investment plans are affordable;

- b) All external borrowing and other long term liabilities are within prudent and sustainable levels; and
- c) Treasury management decisions are taken in accordance with professional good advice.

- 4.2 The 2016/17 Prudential Indicators are shown in Appendix 1. The Council's performance to date and forecast performance are all within the limits set in the Revised MTFS.
- 4.3 The Council has continued to operate a restrictive lending list due to the continued economic uncertainty. Surplus cash is only invested for short periods with Barclays, Bank of Scotland (part of the Lloyds Banking Group). The Council also invests with other Local Authorities and the Debt Management Office (DMO).
- 4.4 Since the decision to leave the EU, financial institution credit ratings have been adversely affected which has meant that the Council is no longer able to use the Bank of Scotland call account to invest surplus cash balances, and can only invest a maximum of £500k with Barclays Bank Plc across both the current and call account due to the banks credit rating having fallen below the levels recommended in the TMS. The Council is limited to using the DMO or other Local Authorities and monies have to be placed for a set period of time and cannot be redeemed if an emergency situation arises and the cash is required. In such cases the Council would go out to the market and borrow to cover the situation.
- 4.5 To help manage surplus funds and mitigate credit rating risk the Council is in the process of setting up facilities with Money Market Funds (MMF). This option is already outlined and approved as part of the TMS approved options to invest surplus cash in Fitch Rated AAA - Money Market Fund – Collective Limit £50m – Individual Limit 10m. Use of MMFs would enable the Council to help protect investment income from the reducing interest rates whilst providing mitigation of the exposure to counterparty risk.
- 4.6 The Council has continued to borrow to fund the capital programme. Loans have been arranged at interest rates to achieve budget certainty and for varying periods to fit in with the Councils debt maturity profile.
- 4.7 The Bank of England Monetary Policy Committee reduced the Base Rate to 0.25% in August 2016. This was the first change to interest rates since 2009. This reduction will have an impact on the cost of any new borrowing taken after this date as well as on income received from investing surplus cash balances.

5. CONSULTATION

- 5.1 The Council's Prudential Code and Treasury Management Strategy 2016-2026 has undergone full consultation and been through the scrutiny process as it forms part of the annual MTFS and Revised MTFS.
- 5.2 The Council continues to liaise with its treasury advisors, Capita Asset Services.

6. ANTICIPATED OUTCOMES

- 6.1 As set out in the report.

7. REASONS FOR RECOMMENDATIONS

- 7.1 This report is given to the Committee to review performance against the Prudential Indicators in the TMS set in the MTFS and Revised MTFS.

8. ALTERNATIVE OPTIONS CONSIDERED

The Prudential Code and Treasury Management Strategy 2016-2026 is required to be prepared in accordance with the Treasury Management in the Public Services: Code of Practice 2011. This report sets out the performance against the associated indicators. The options are therefore limited.

9. IMPLICATIONS

- 9.1 To provide the Committee the opportunity to review current performance against the revised Prudential Indicators.

Legal Implications

Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the Council is required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice and also the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414), which clarifies the requirements of the Minimum Revenue Provision guidance.

10. BACKGROUND DOCUMENTS

(Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- The Prudential Code for Capital Finance in Local Authorities –2011 Edition, CIPFA; and
- Treasury Management in the Public Services, Code of Practice and Cross-Sectoral Guidance Notes – 2011 Edition, CIPFA

11. APENDICES

- Treasury Management Strategy – Prudential Indicators – Forecast Outturn as at 30 September 2016.

Treasury Management Strategy – Prudential Indicators – Forecast Outturn as at 30 September 2016

The Prudential Code for Capital Finance in Local Authorities provides a framework for local authority capital finance to ensure that:

- (a) capital expenditure plans are affordable,
- (b) all external borrowing and other long term liabilities are within prudent and sustainable levels;
- (c) treasury management decisions are taken in accordance with professional good practice.

In taking decisions in relation to (a) and (c) above, the local authority is accountable by providing a clear and transparent framework.

The Code requires the Council to set a range of Prudential Indicators for the forthcoming financial year and at least the following two financial years. The Council has set out indicators for the next 10 financial years in line with setting a 10 year budget. During the financial year to date the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Revised Annual Treasury Management Strategy. The actual and forecast outturn for the Prudential Indicators for the financial year is detailed below. The indicators include the Invest to Save scheme however the costs of borrowing associated with the scheme will be offset by the income generated by these projects.

The updated 2016/17 Prudential Indicators are shown below and the Council's performance to date against them. All performance is within the limits.

1. Indicator 1: Capital Expenditure

This indicator is the estimated capital expenditure for the year based on the Capital Programme for that period.

Capital Expenditure	2016/17 Indicator £m	2016/17 Actual @30.09.16 £m	2016/17 Forecast Outturn £m
Capital Expenditure	100.1	18.4	100.0
Invest to Save	56.5	5.2	68.5
Total	156.6	23.6	168.5

The position shows the forecast as at 30 September 2016. The forecast is revised every month. The forecast outturn is higher than the MTF5 indicator due to the slippage of the Invest to Save and other capital budgets from 2015/16 to 2016/17, resulting from delays in progressing the planned schemes.

2. Indicator 2: Capital Financing Requirement (CFR)

The CFR measures the Council's underlying need to borrow money in the long term for capital purposes. Any capital expenditure which has not immediately been paid for will increase the CFR.

Capital Financing Requirement	2016/17 Indicator £m	2016/17 Actual @30.09.16 £m	2016/17 Forecast Outturn £m
CFR b/fwd	546.0	480.9	480.9
Underlying Need to Borrow	52.3	(0.6)	55.5
Underlying Need to Borrow - Invest to Save	60.0	4.6	67.9
Total CFR C/fwd	658.3	485.0	604.3

3. Indicator 3: Actuals and estimates of the ratio of financing costs to net revenue budget

The Council must estimate the proportion of the revenue budget, which is taken up in financing capital expenditure i.e. the net interest cost and to make provision to repay debt.

Ratio of net financing costs to net revenue stream	2016/17 Indicator	2016/17 Actual @30.09.16	2016/17 Forecast Outturn
Total Ratio	6.1%	5.5%	5.2%

4. Indicator 4: Actuals and estimates of the incremental impact of capital investment on Council Tax

This indicator is intended to show the impact of the Council's decisions about capital investment on the level of Council Tax required to support those decisions over the medium term.

The calculation of this indicator has been done on the basis of the amount of the capital programme that is financed from borrowing. The calculation is based on the interest assumption for borrowing that was included in the capital financing budget for the MTFS. The revenue costs are divided by the estimated Council Tax base for the year, and performance is shown in the table below.

Incremental impact on capital investment decisions on Council Tax	2016/17 Indicator	2016/17 Actual @30.09.16	2016/17 Forecast Outturn
Total Incremental Impact	(£197.70)	(£239.73)	(£262.38)

5. Indicator 5: Proportion of Gross Debt to the CFR

This indicator shows the proportion of the Council's external borrowings (Gross Debt) against the CFR.

Proportion of Gross Debt to the CFR	2016/17 Indicator	2016/17 Actual @30.09.16	2016/17 Forecast Outturn
	£m	£m	£m
CFR	658.4	485.0	604.3
Gross Debt	584.1	410.1	525.0
% of Gross Debt to CFR	88.7%	84.6%	86.9%

6. Indicator 6: The Operational Boundary

The Operational Boundary is a measure of the day to day likely borrowing for the Council. The code recognises that circumstances might arise when the boundary might be exceeded temporarily, but if this continues for a lengthy period then it ought to be investigated.

This indicator takes into consideration the capital programme over the life of the MTFS and the ability to phase the borrowing over this period. The indicator provides flexibility for the Council to take advantage of favourable interest rates in advance of the timing of the actual capital expenditure.

Operational Boundary	2016/17 Indicator	2016/17 Actual @30.09.16	2016/17 Forecast Outturn
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	£m	£m	£m
Borrowing	690.9	371.7	486.6
Other Liabilities	38.6	38.4	38.4
Total Operational Boundary	729.5	410.1	525.0

7. Indicator 7: The Authorised Limit

The Authorised Limit represents the maximum amount the Council may borrow at any point in time in the year. It is set at a level the Council considers is “prudent”.

The indicator takes account of the capital financing requirement estimated at the start of each year, plus the expected net borrowing requirement for the year. This makes allowance for the possibility that the optimum time to do all borrowing may be early in the year.

The limits also incorporated margins to allow for exceptional short-term movements in the Council’s cash flow, bids from service departments to finance efficiencies, changes to the timing of capital payments and fluctuations in the realisation of capital receipts.

Authorised Limit	2016/17 Indicator £m	2016/17 Actual @30.09.16 £m	2016/17 Forecast Outturn £m
Borrowing	796.6	371.7	486.6
Other Liabilities	38.6	38.4	38.4
Total Authorised Limit	835.2	410.1	525.0

It is ultra vires to exceed the Authorised Limit so this should be set to avoid circumstances in which the Council would need to borrow more money than this limit. However, the Council can revise the limit during the course of the year. The forecast outturn is lower than the indicator as the Council does not currently anticipate borrowing in advance of need due to the additional cost of holding the funds until required.

8. Indicator 8: Fixed Interest rate exposure

This indicator places an upper limit on the total amount of net borrowing which is at fixed rates secured against future interest rate movements. The upper limit allows flexibility in applying a proportion of the investment portfolio to finance new capital expenditure. It also reflects a position where the majority of borrowing is at fixed rate which provides budget certainty with 100% of borrowing being at fixed rate. The upper limit for fixed interest rate exposure was set to allow for flexibility in applying a proportion of the investment portfolio to finance new capital expenditure. It also reflected a position where the majority of borrowing was at fixed rates to provide budget certainty.

Upper limit for fixed rate exposure	2016/17 Indicator £m	2016/17 Actual @30.09.16 £m	2016/17 Forecast Outturn £m
Upper Limit	796.6	410.1	525.0
% of fixed interest rate exposure	100%	100%	100%

9. Indicator 9: Variable interest rate exposure

This indicator places an upper limit on the total amount of net borrowing (borrowing less investment) which is at variable rates subject to interest rate movements. The intention is to keep the variable rate borrowing below 25% of the total gross borrowing (CFR).

The limit is expressed as the value of total borrowing less investments

Upper limit for variable rate exposure	2016/17 Indicator £m	2016/17 Actual @30.09.16 £m	2016/17 Forecast Outturn £m
Upper Limit	199.2	0.0	0.0
% of variable interest rate exposure	25%	25%	25%

The indicator for actual and forecast outturn is zero due to the current borrowing strategy of borrowing only at a fixed interest rate in the current economic climate of volatile interest rates. Borrowing at fixed interest rates provides budget certainty for the Council.

10. Indicator 10: Maturity structure of borrowing

The prudential limits have been set with regard to the maturity structure of the Council's borrowing, and reflected the relatively beneficial long term rates that were expected to be available over the next few years. The borrowing that the Council has actually taken up to the end of September is £371.7m (shown in the indicator below).

Period	Upper Limit Indicator	Actual Borrowing @30.09.16	Actual Borrowing @30.09.16 £m
Under 12 months*	40%	5%	18.3
1 – 2 years	40%	4%	16.0
2 – 5 years	80%	7%	25.0
5 – 10 years	80%	5%	20.1
Over 10 years	100%	79%	292.3
Total Borrowing			371.7

* The borrowing for under 12 months includes £17.5m of Lenders Option Borrowers Option (LOBO) loans. Although the loans are due to mature in 30-40 years time, they are classed as loans repayable within the financial year due to LOBO's having a call-in date every 6 months.

Although this table is not a Prudential Indicator it gives a breakdown of the types of borrowing held by the Council and the average interest rates for each:

Borrowing	31 Mar 2016		30 Sep 2016	
	Amount (£m)	Average Interest Rate	Amount (£m)	Average Interest Rate
Long Term:				
Public Works Loan Board	282.4	3.90%	312.9	3.76%
Market Loans	17.5	4.53%	17.5	4.53%
Local Enterprise Partnership	3.8	0.00%	3.8	0.00%
Short Term:				
Local Authorities	59.5	1.58%	37.5	1.86%
Total 'Market' Borrowing	363.2		371.7	
Public Finance Initiative & Leases	38.4		38.4	
Total Borrowing	401.6		410.1	

11. Indicator 11: Total Investments for periods longer than 364 days

Authorities are able to invest for longer than 364 days; this can be advantageous if higher rates are available. However it would be unwise to lend a disproportionate amount of cash for too long a period particularly as the Council must maintain sufficient working capital for its operational needs.

	2016/17 Indicator £m	2016/17 Actual @30.09.16 £m	2016/17 Forecast Outturn £m
Principal sums invested >364 days	10.0	0.0	0.0

This indicator reflects the Council's current lending policy of keeping investments short term for liquidity purposes. Also the Council has run down its cash balances as an alternative to new borrowing and does not have the available cash balances to invest for long periods.

The indicator was set at £10m to allow for the accounting treatment of the Local Authority Mortgage Scheme (LAMS). At present the Council has £2m deposited in the LAMS scheme with Lloyds TSB and this is treated as capital expenditure, as a loan to a third party, (see section 3.5 of the TMS). There is currently no plan to extend this initiative. The Council's external auditors highlighted in a previous Statement of Accounts report that there was some debate about the accounting treatment for LAMS. Whilst the Council is confident of its accounting treatment as a capital loan, if the accounting treatment changed for this deposit for to be classed as an investment then this indicator would cover this investment.

AUDIT COMMITTEE	AGENDA ITEM No. 11
21 NOVEMBER 2016	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Fuller, Chair of Audit Committee	
Contact Officer(s):	Karen S Dunleavy, Democratic Services Officer	☎ 452233

FEEDBACK REPORT

1. ORIGIN OF REPORT

This is a standard report to Audit Committee which forms part of its agreed work programme.

2. PURPOSE AND REASON FOR REPORT

This standard report provides feedback on items considered or questions asked at previous meetings of the Committee. It also provides an update on any specific matters which are of interest to the Committee or where Committee have asked to be kept informed of progress.

3. APPENDICES

Appendix A – Summary of Feedback Responses

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AUDIT COMMITTEE: RECORD OF ACTION TAKEN

MUNICIPAL YEAR: MAY 2016 - APRIL 2017

AGENDA ITEM	ACTION ARISING	OFFICER RESPONSIBLE	ACTION TAKEN	ACTION RAISED	SIGN OFF DATE
RISK MANAGEMENT: STRATEGIC RISKS	That the Head of Resilience would provide an update to be circulated by email to the Committee to keep Members apprised on those risks with a red rating.	Kevin Dawson	A report will be provided to Committee on 13 February 2017	22 September 2016	11 November 2016

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AUDIT COMMITTEE	AGENDA ITEM No. 12
21 NOVEMBER 2016	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Fuller, Chair of Audit Committee	
Contact Officer(s):	Karen S Dunleavy, Democratic Services Officer	☎ 452 233

WORK PROGRAMME

1. ORIGIN OF REPORT

This is a standard report to Audit Committee which forms part of its agreed work programme. This standard report provides details of the Draft Work Programme for the following municipal year.

2. UPDATE

2.1 Work Programme 2015 / 2016 (Appendix A)

The Work Programme is based on previous years agendas. The programme has been refreshed throughout the year in consultation with senior officers and the Committee membership to ensure that it remains relevant and up to date. In addition, any delays in reporting issues are recorded so that they do not drop off the committee agenda.

2.2 Training for members on specific aspects of the Audit Committee agenda are available throughout the year and will be arranged on request and will take place on a separate day to that of the Committee meeting.

DATE: 29 JUNE 2016			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous Meeting	Democratic Services Karen Dunleavy	
	Internal Audit: Annual Audit Opinion	Internal Audit Steve Crabtree	To receive, consider and endorse the annual Audit Opinion of Internal Audit for the year ended 31 March 2016.
	Investigations Team Annual Report 2015 / 2016	Internal Audit Steve Crabtree	To receive, consider and endorse the annual report on the investigation of fraud and irregularities for the year ended 31 March 2016
	Draft Annual Governance Statement	Internal Audit Steve Crabtree	To receive, consider and endorse the draft Annual Governance Statement for the year ended 31 March 2016
	Budget Monitoring Report Final Outturn 2015 / 2016	Finance Steven Pilsworth	To receive, consider and endorse the final outturn position for the year ended 31 March 2016
	Draft Statement of Accounts 2015 / 2016	Finance Steven Pilsworth	To receive, consider and comment on the draft Statement of Accounts for the year ended 31 March 2016
	Audit Plan	EY	To receive the Audit Plan from EY, to review their proposed approach and scope for the 2015/16 audit in accordance with requirements, and to ensure that the EY audit is aligned with the Committee's service expectations.
	INFORMATION AND OTHER ITEMS		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Steven Pilsworth	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Standard	Feedback report	Democratic Services Karen Dunleavy	
Standard	Draft Work Programme 2016 / 2017	Democratic Services Karen Dunleavy	

OTHER POSSIBLE AGENDA ITEMS

	Governance Reports	Governance Ben Stevenson	Major changes to governance arrangements, policies and procedures requiring approval. Examples would include updates to Financial Regulations or Contract Rules.
	Member Reports	Governance Ben Stevenson	Specific reports relating to the Members Code of Conduct and / or the Hearing Panel (sub-committee to the Audit Committee)

DATE: 22 SEPTEMBER 2016			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous Meeting	Democratic Services Karen Dunleavy	
	Risk Management: Strategic Risks	Governance Kevin Dawson	To receive details of the strategic risks impacting on the Council and the mitigating actions to address these.
	Audit of Statement of Accounts To Those Charged with Governance (ISA260)	Finance Steven Pilsworth & EY	To receive the final Statement of Accounts for the year ended 31 March 2016 incorporating the Annual Governance Statement together with the annual report to those charged with governance following their scrutiny by External Audit.
	INFORMATION AND OTHER ITEMS		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required. To also include the outcome of a recent Surveillance Commission Inspection.
	Approved Write-Offs Exceeding £10,000	Finance Steven Pilsworth	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Standard	Feedback report	Democratic Services Karen Dunleavy	
Standard	Work Programme 2016 / 2017	Democratic Services Karen Dunleavy	

OTHER POSSIBLE AGENDA ITEMS

	Governance Reports	Governance Ben Stevenson	Major changes to governance arrangements, policies and procedures requiring approval. Examples would include updates to Financial Regulations or Contract Rules.
	Member Reports	Governance Bens Stevenson	Specific reports relating to the Members Code of Conduct and / or the Hearing Panel (sub-committee to the Audit Committee)

DATE: 21 NOVEMBER 2016			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous Meeting	Democratic Services Karen Dunleavy	
	Internal Audit: Mid Year Progress Report	Internal Audit Steve Crabtree	To receive an update on progress against the Annual Audit Plan together with details of any concerns
	Use of Consultants	Finance Steven Pilsworth	To receive an update on the Use of Consultants across the organisation
	Treasury Management	Finance Steven Pilsworth	To receive an update on the policy and effectiveness of treasury management
	Appointing person arrangements for the appointment of the external Auditor	Steven Crabtree	
	INFORMATION AND OTHER ITEMS		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Steven Pilsworth	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Standard	Feedback report	Democratic Services Karen Dunleavy	
Standard	Work Programme 2016 / 2017	Democratic Services Karen Dunleavy	

OTHER POSSIBLE AGENDA ITEMS

	Governance Reports	Governance Ben Stevenson	Major changes to governance arrangements, policies and procedures requiring approval. Examples would include updates to Financial Regulations or Contract Rules.
	Member Reports	Governance Ben Stevenson	Specific reports relating to the Members Code of Conduct and / or the Hearing Panel (sub-committee to the Audit Committee)

DATE: 13 FEBRUARY 2017			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous meeting	Democratic Services Karen Dunleavy	
	External Audit: Annual Audit Letter and Other External Reports.	EY	To receive and approve the External Audit report in relation to issues identified as part of their audit works
	INFORMATION AND OTHER ITEMS		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Finance Steven Pilsworth	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Standard	Feedback report	Democratic Services Karen Dunleavy	
Standard	Work Programme 2016 / 2017	Democratic Services Karen Dunleavy	

OTHER POSSIBLE AGENDA ITEMS

	Governance Reports	Governance Ben Stevenson	Major changes to governance arrangements, policies and procedures requiring approval. Examples would include updates to Financial Regulations or Contract Rules.
	Member Reports	Governance Ben Stevenson	Specific reports relating to the Members Code of Conduct and / or the Hearing Panel (sub-committee to the Audit Committee)

DATE: 27 MARCH 2017			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous Meeting	Democratic Services Karen Dunleavy	
	Risk Management: Strategic Risks	Governance Kevin Dawson	To receive an update on the strategic risks for the Council
	Internal Audit: Draft Internal Audit Plan 2017 / 2018	Internal Audit Steve Crabtree	To receive and approve the Internal Audit Plan 2017 / 2018
	Draft Annual Audit Committee Report	Democratic Services Karen Dunleavy	To receive the Draft Annual Audit Committee Report prior to submission to Council
	INFORMATION AND OTHER ITEMS		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Steven Pilsworth	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Standard	Feedback report	Democratic Services Karen Dunleavy	
Standard	Work Programme 2017 / 2018	Democratic Services Karen Dunleavy	

OTHER POSSIBLE AGENDA ITEMS

	Governance Reports	Governance Ben Stevenson	Major changes to governance arrangements, policies and procedures requiring approval. Examples would include updates to Financial Regulations or Contract Rules.
	Member Reports	Governance Ben Stevenson	Specific reports relating to the Members Code of Conduct and / or the Hearing Panel (sub-committee to the Audit Committee)

To be rescheduled:			
		Section / Lead	Description