

16 October 2018 at 7.00 pm

Conference Room, Argyle Road, Sevenoaks
Despatched: 08.10.18



Audit Committee

Membership:

Chairman, Cllr. Grint; Vice-Chairman, Cllr. Reay
Cllrs. Ball, Clack, Layland, McArthur, Purves, Searles and Williamson

Agenda

There are no fire drills planned. If the fire alarm is activated, which is a continuous siren with a flashing red light, please leave the building immediately, following the fire exit signs.

	Pages	Contact
Apologies for Absence		
1. Minutes To agree the Minutes of the meeting of the Audit Committee held on 19 July 2018, as a correct record.	(Pages 1 - 6)	
2. Declarations of Interest Any declarations of interest not already registered.		
3. Actions from Previous Meeting	(Pages 7 - 8)	
4. Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations (if any)		
5. Affordable Housing Company - Risk Assessment	(Pages 9 - 20)	Lesley Bowles Tel: 01732 227335
6. Members' Allowance Scheme Monitoring	(Pages 21 - 34)	Martin Goodman Tel: 01732227245
7. Internal Audit Progress Report	(Pages 35 - 52)	Russel Heppleston Tel: 01732227053
8. Strategic Risk Update	(Pages 53 - 76)	Russel Heppleston Tel: 01732227053
9. Member Development Proposal	(Pages 77 - 86)	Russel Heppleston Tel: 01732227053

10. **Workplan**

(Pages 87 - 88)

EXEMPT INFORMATION

At the time of preparing this agenda there were no exempt items. During any such items which may arise the meeting is likely NOT to be open to the public.

If you wish to obtain further factual information on any of the agenda items listed above, please contact the named officer prior to the day of the meeting.

Should you need this agenda or any of the reports in a different format, or have any other queries concerning this agenda or the meeting please contact Democratic Services on 01732 227000 or democratic.services@sevenoaks.gov.uk.

AUDIT COMMITTEE

Minutes of the meeting held on 19 July 2018 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllrs. Ball, Layland and Searles

Apologies for absence were received from Cllrs. Clack, McArthur, Purves, Reay and Williamson

Cllr. Scholey was also present.

1. Minutes

Resolved: That the minutes of the meeting of the Audit Committee held on 17 April 2018 be agreed and signed as a correct record.

2. Declarations of Interest

No additional declarations of interest were made.

3. Actions from Previous Meeting

The actions were noted.

4. Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations

There were none.

5. Audit Committee Terms of Reference

The Chief Finance Officer presented a report on the terms of reference for the Audit Committee agreed at the Annual Council meeting on 15 May 2018.

Members discussed the extent to which the Audit Committee could cover Quercus 7 and Quercus Housing. Representatives from Grant Thornton advised that Members should consider if the companies were on the risk register. The Chief Finance Officer advised that the companies were on the risk register and reported to the Trading Board. The Chief Finance Officer agreed to carry out research on the topic.

Action 1: The Chief Finance Officer to investigate the Audit Committees' remit in relation to Quercus 7 and Quercus Housing.

Agenda Item 1

Audit Committee - 19 July 2018

Resolved: That the Audit Committee Terms of Reference be noted.

6. Statement of Accounts 2017/18

The Committee welcomed Sarah Ironmonger, the Engagement Lead and Sebastian Evans, the Audit Manager from the Council's External Auditors, Grant Thornton to the meeting.

The Head of Finance presented a report on the Statement of Accounts 2017/18. He explained the changes from the previous year, including an accelerated timetable for completing the Statement of Accounts and a new standard of responding to all queries within one day. A Member working group had reviewed the draft Statement of Accounts in detail and provided notes which were included at Appendix C to the report. The Audit Findings in Appendix A suggested 3 adjustments however none would affect accounts.

The representatives of Grant Thornton explained their findings when considering the Statement of Accounts, which were to be signed off by the end of July 2018. They noted that despite staff changes and working to an accelerated timetable the Finance Team had managed to deliver the accounts on time and to a high standard. They advised of a late change of one line in a disclosure note which was [tabled](#) at the meeting. An unqualified audit opinion would be provided the week following the meeting with accounts being signed at the Committee Meeting. Members were advised that Grant Thornton had found no underlying issues in their accounts. The Member working group was thanked for looking over the accounts with a special thanks to Councillor McArthur for standing in as the Chair of the working group at late notice.

When considering concerns relating to pension liability the Grant Thornton representatives advised members should not be concerned about pension liability as the figure of £91m provided was only a technical deficit. The last triennial valuation provided by the actuaries reported a £21.6m deficit with a payment schedule that is included in the 10-year budget assumptions.

The Chairman summarised the findings of the Statement of Accounts, which praised Sevenoaks District Council in value for money, having a sound financial plan and arrangements in place for long term financial sustainability. No significant risks had been identified.

Resolved: That

- a) the Statement of Accounts 2017/18 be approved.
- b) the letter of representation (Appx B) be approved and signed by the Chairman
- c) the work and progress made by the External Audit Team and Internal Audit Team be commended. A special thanks be given to Alan Mitchell the Head of Finance

Audit Committee - 19 July 2018**7. Counter Fraud and Compliance Report 2017/18**

The Fraud Manager presented the report which set out the work conducted by the Counter Fraud & Compliance Team during 2017/18.

The Counter Fraud & Compliance Team has been specifically located with the Council's Revenues and Benefits Service so that an additional level of protection would be introduced within the Council's Council Tax and Business Rates collection sections. These were the main focus areas as they were the areas which provided the highest levels of funding for the Council.

Members were advised that the report showed the tangible successes achieved by the Fraud Team, however the Fraud Manager stressed that there were also intangible successes including providing value for money, protecting our reputation and increasing customer confidence in the Council Tax and Business Rate Schemes. The Fraud Manager advised that Sevenoaks District Council had continued its investment in the latest credit reference data-matching software which had provided the Fraud Team with referrals for investigation. This software was proving successful and had more than covered its costs through fraud detection.

Members were advised that some data-matching exercises operated a traffic lights system of high, medium and low risks which were investigated accordingly. In response to questions the Fraud Manager advised that phone calls were received from the public through a Fraud hotline. With the Department for Work and Pensions' plan to recommence joint welfare investigations it was hoped that this would create a more seamless investigation service in the future.

Resolved: That Members note the work of the Counter Fraud & Compliance Team carried out during the year ended 31 March 2018.

8. Annual Self-Assessment Review of the Effectiveness of the Internal Audit Service 2017/18

The Chief Finance Officer presented the findings of the Audit self-assessment review which highlighted the effectiveness of the Internal Audit function for the year 2017/18. This assessment showed that the Council had an adequate and effective Internal Audit service, which contributed towards the proper, economic and effective use of resources in achieving its objectives. An improvement had been noted since 2016/17 with 49 rather than 45 items out of 55 generally conforming.

Members noted that Audit Service was under-going changes with a new Interim Auditor Manager due to step into the role at the beginning of August. Members wished to express gratitude to Lisa Nyon, the previous Principal Auditor who had been acting up to the Acting Audit, Risk and Anti-Fraud Manager role. They thanked her for her hard work, dedication and for improving the service. Members also considered the future of the Internal Audit Service currently shared with Dartford.

Agenda Item 1

Audit Committee - 19 July 2018

Resolved: That Members note the conclusion of the Annual Self-Assessment Review of the Effectiveness of the Internal Audit Service 2017/18, that the Council had an adequate and effective Internal Audit service, which contributed towards the proper, economic and effective use of resources in achieving its objective.

9. Internal Audit Annual Report 2017/18

The Chief Finance Officer presented the report which set out the achievements of the Internal Audit Team for the period 2017/18, and concluded that the Council's arrangements for internal control and risk management were effective. The opinion was based on the work completed by Internal Audit during the year and other available sources of assurance.

Resolved: That

- a) the work of the Internal Audit Team for 2017/18 be noted; and
- b) the Acting Audit Manager's opinion that the Council had effective internal controls, risk management and governance arrangements in place for delivering its objectives and the management of its business risks, be supported.

10. Report on Internal Audit Recommendations Outstanding

The report introduced by the Chief Finance Officer updated Members on the progress of the implementation of Internal Audit Recommendations agreed with management, and reported on outstanding recommendations. The three recommendations listed all related to the Print Room Audit, with delays being due to IT improvements which were currently being addressed.

Resolved: That Members note the reasons for delayed implementation, where the ranking is medium or high, and endorse the revised dates for implementation provided by management, as set out in Appendix A to the report.

11. External Review of Internal Audit - Update

The Chief Finance Officer presented a report which was the outcome of the follow-up review of Internal Audit by PricewaterhouseCoopers (PWC), together with an action plan to address the points raised. Following the previous review in 2015 it was intended that a follow up review be undertaken in 2016 however this had been delayed due to the long term absence of the Audit, Risk and Anti-Fraud Manager. PWC found that good progress had been made but further actions were required and an Action Plan to address these issues had been produced.

Resolved: That Members note the finding from the PWC follow-up review and approve the associated action plan in Appendix B.

Audit Committee - 19 July 2018

12. Review of the Effectiveness of the Audit Committee 2017/18

The report assessed the effectiveness of the Audit Committee in 2017/18. The self-assessment indicated that the Committee had conducted itself in compliance with good practice and was therefore effective in delivering its terms of reference remit. Members requested additional training for the Committee.

Action 2: That Officers bring specific proposals for Member training to the next scheduled meeting of the Committee to allow further discussion of training requirements.

Resolved: That Members approve the Annual Self-Assessment Review of the Effectiveness of the Audit Committee 2017/18.

13. Workplan

The work plan was noted. An update on the Future of the Internal Audit Service was planned for March 2019.

THE MEETING WAS CONCLUDED AT 8.18 PM

CHAIRMAN

This page is intentionally left blank

ACTIONS FROM THE MEETING HELD ON 19.07.2018			
Action	Description	Status and last updated	Contact Officer
ACTION 1	The Chief Finance Officer to investigate the Audit Committees' remit in relation to Quercus 7 and Quercus Housing.	<p>Quercus 7 and Quercus Housing are companies wholly owned by the Council. Members agreed the Articles of Association and Shareholder Agreements prior to the companies being set up.</p> <p>The Audit Committee is not mentioned as having a role in either document and therefore has no direct remit. The Council's controlling interests are held through the Trading Board and AGM</p> <p>As included in the Audit Committee agenda on 16/10/18, the committee can look at the risks of operating companies from a council perspective.</p>	Adrian Rowbotham Ext. 7153
ACTION 2	That Officers bring specific proposals for Member training to the next scheduled meeting of the Committee to allow further discussion of training requirements.	Reporting to Committee on 16/10/18.	Adrian Rowbotham Ext. 7153

This page is intentionally left blank

AFFORDABLE HOUSING COMPANY RISK ASSESSMENT

Audit Committee - 16 October 2018

Report of **Chief Officer Communities & Business**

Status For Consideration or Comment

Key Decision No

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Anna Firth

Contact Officer Lesley Bowles Ext. 4330

Recommendation to Audit Committee: To consider and comment on the Affordable Housing Company Risk Assessment

Reason for recommendation: This is to update Members on the incorporation of an Affordable Housing Company as agreed by Council at its meeting on 21 November 2017.

Introduction and Background

- 1 Attached is the report submitted to Legal and Democratic Services Committee on 28 June 2018.

Key Implications

Financial

None directly resulting from this report.

Legal Implications and Risk Assessment Statement.

Not directly resulting from this report.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Agenda Item 5

Appendices

Appendix - Affordable Housing Company Update Report to Legal and Democratic Services 28 June 2018 (Appendix A to this report attached Appendices B-F are online only)

Background Papers

None

Lesley Bowles

Chief Officer Communities & Business

AFFORDABLE HOUSING COMPANY - UPDATE

Legal & Democratic Services Advisory Committee - 28 June 2018

Report of Chief Officer Communities & Business

Status For information

Key Decision No

Executive Summary: This report updates Members on the setting up of an Affordable Housing Company.

This report supports the Key Aim of the Community Plan to deliver Caring Communities and a Sustainable Economy.

Portfolio Holder Cllr. Anna Firth

Contact Officers Lesley Bowles, Ext. 7430
Adrian Rowbotham, Ext. 7153
Martin Goodman, Ext. 7245

Recommendation to Legal & Democratic Services Advisory Committee:

To note the report.

Reason for recommendation: This is to update Members on the incorporation of an Affordable Housing Company as agreed by Council at its meeting on 21 November 2017.

Introduction and Background

- 1 A report to Council on 21 November 2017 agreed that subject to a sound case being established, the Head of Legal and Democratic Services was authorised to incorporate a stand alone Affordable Housing Company first taking detailed advice from specialist external lawyers on the delivery model and set up process.
- 2 Council noted the broad governance and funding arrangements set out in the report. It also noted that expert external advice to develop the business case had been commissioned.
- 3 Council gave delegated authority to the Portfolio Holders for Finance, Housing & Health and Legal & Democratic Services in consultation with the

Chief Executive, Chief Finance Officer and Head of Legal & Democratic Services to settle the detailed arrangements for the establishment of the company.

- 4 The decision was made by Council in order to enable Officers to pursue Members' ambition for the Council to develop its own affordable housing within the District through an Affordable Housing Company, which is wholly owned by this Council.

The Business Case

- 5 On 14 December 2017, a special meeting of the Legal & Democratic Services Advisory Committee was called to consider the commissioned business case, which was appended to the 14 December report. It included a short options appraisal, a viability analysis and advice about governance, funding, land and a risk appraisal. Mark Baigent, the consultant, was present at the meeting in order to present his business case and answer any questions.
- 6 The consultant had considered various investment options including varying levels of S106 grant and land subsidy. The business case showed that two options could be viable, Option A, which included a 66% S106 grant and receiving land at nil value, and Option G which included a 100% grant from S106 funds but paying full land value. The assumptions for all of the options included a land value of £1m and development costs of £2m to provide 10 x 2 bedroom homes.
- 7 The Chairman recommended Option G as the option to pursue as the least risky and most viable. The Portfolio Holder for Finance agreed that it was the safer option.
- 8 Option G showed that, based on the assumptions in paragraph 6 above, the cumulative surplus on the scheme would be £3.28m by the end of 40 years. Annual surpluses increased throughout the 40 year period. The income for Year 1 would be £71,725 with management and maintenance costs of £17,500, giving a Year 1 surplus of £54,225. When looking at the company running costs for Quercus 7, it seemed likely that these could amount to as much as £100k in the first year, which would mean that the company would not be viable based on these assumptions.
- 9 Members asked for clarification as to whether s106 monies could be used for the administrative costs and that the consultant remodel Option G based on a £5million investment, rather than a £3million investment.

Subsequent activity:

At a meeting of the Portfolio Holders and Officers with delegated powers to deal with the detailed arrangements of the setting up of the company held on 19 December 2017 additional actions were agreed as follows:

10 The consultant was asked:

- a) To remodel Option G with expenditure of £5 million and £6 million on the basis that this would bring a higher surplus and potentially cover the company running costs;
- b) How we might deal with end of life replacement costs;
- c) Whether s106 monies might be used to assist the company running costs.

11 In response to questions a, b and c above, the consultant advised:

- a) **Increasing the investment** - 'Option G5 assumes we can deliver 17 homes for £5m, at a slightly lower unit cost of £294,000 per home. This option gives a Year 1 surplus of £92k and a 40 year cumulative surplus of £5.6m.

'Option G6 is simply doubling the original numbers, i.e. 20 homes for £6m, the same unit cost of £300,000 per home. This option gives a Year 1 surplus of £108k and a 40 year cumulative surplus of £6.5m.'

Mark Baigent advised that we would 'need to deduct company running costs which he estimates could be kept to £50k per year, provided there is not much abortive work on design and planning applications for sites that do not progress into development.' He advised that the AHC could 'comfortably run the company on the basis of both these scaled up options'. He also advised that 'further investment of s106 funds in future should generate further surpluses without increasing the company running costs substantially.'

- b) **End of life replacement** - 'In terms of replacement of homes after their design life expires, the industry standard is a minimum 60 year lifespan. At that stage, the company would already hold the freehold of the land so need to fund only the redevelopment costs (demolition and rebuilding). Assuming no grant would be available, these costs would need to be met by a mix of accumulated surpluses and debt finance.

'In Option G6 (paragraph 4a above), if the model is extended over 60 years, then the cumulative surplus reaches £12.8m in Year 60. If the replacement cost is also inflated by 2% pa, then by Year 60 the cost of building 20 homes increases from £4m now to almost £13m in Year 60.'

Mark Baigent continued 'So in principle the cumulative surplus would virtually cover the replacement costs in Year 60 without much need for debt funding. However, if half the surplus each year goes into running the company, the cumulative surplus in Year 60 will meet less than half the replacement costs and so debt funding will be needed, paid for from rent income over Year 60 to Year 100.'

‘In relation to asset value, if the homes are valued at cost (i.e. land value plus build cost) and then asset value is also inflated by 2% pa, then by Year 60 the 20 homes have increased in value from £6m now to over £19m in Year 60. However, if the s106 agreement constitutes a commitment to provide affordable homes in perpetuity, then there is no real prospect of the company (or the Council) liquidating this asset. It could be sold to another affordable housing provider, but that sale would most likely be at EUSH (Existing Use - Social Housing) valuation rather than open market value.’

c **Use of S106 to fund company costs** - ‘If the s106 agreement does not specify use for capital costs of new homes then using s106 cash in lieu to finance company revenue costs and overheads is fine.’ An action was also agreed to **model a potential affordable and market housing project using land in Sevenoaks**, which it was thought may become available in the future. Advice was sought from RPC Land.

- RPC Land advised that in order to achieve the land value of £2million, the tenure mix would need to be revised to include 4 x shared ownership flats, 6 x affordable rent flats and 14 x market rent flats. They also set out suggested build costs, contingency, demolition, profit etc. and that the total GDV would be £7.175million.
- This information was passed to Mark Baigent to ask him to use it to model the development and he has produced an addendum to his original business plan which is set out at Appendix A.
- This model (Option Gm) looks at the development as a whole but focuses on the affordable element for the purposes of forecasting AHC income and expenditure. It includes AHC running costs (£50k in the first year) in addition to Management and Maintenance costs. The model shows that in Year 1 there would be a surplus of £19,710 and a surplus over 40 years of £1.2million. Mark Baigent suggests that there are benefits to a mixed tenure development with the AHC buying ‘off plan’ from the developer, who could be Quercus 7.

12 A further action was agreed to investigate if there is likely to be a **demand for Right to Buy** if Government changes the legislation so that it affects the AHC.

- West Kent housing association advised that they sold 4 homes in 2017. However, currently they can only sell properties that were in place at the time of the transfer and only to tenants who had those rights at the time of the stock transfer. This is therefore not a good indicator of future demand for newly-built properties. The Council’s Housing Policy Manager’s view was that it is impossible to predict the levels of interest at this stage. Members felt that the high cost of housing in Sevenoaks District would minimise the number of properties being bought under Right to Buy.

- 13 A further action was agreed to **check void percentage rates locally**
- West Kent housing association void rates are between 1% and 2% but they advise that for a smaller company you would normally plan for 5% (which is the percentage that Mark Baigent used in his model). The Council's Housing Policy Manager's view is that 5% may be higher than needed for an AHC in our district because demand for housing is high.
- 14 A further action was agreed to **check company running costs** - with variations, e.g. with one 1 large purchase in Year 1 and minimal activity thereafter and with some activity every 3 years.

Please see calculations at Appendix B

Sound business case

- 15 The responses to the additional questions and actions were considered at a meeting on 6 April of those Portfolio Holders and Officers with delegated authority to act and it was decided at there was a sound business case and that the company should therefore be incorporated according to the Council decision.

Incorporation

- 16 The Council's affordable housing company (Quercus Housing Limited) was incorporated on 13 April 2018. In all material matters the intention is for the Company to follow the governance structure of the Council's trading company Quercus 7 Limited. In particular, on 6 April 2017 the relevant Portfolio Holders agreed that the Directors of both Companies should be the same (subject to an agreement to act being forthcoming from the non-executive Directors). However, it should be noted that there is one material difference between the two companies in that the new Company is limited by guarantee rather than by shares.
- 17 The Council is Guarantor of the Company in the sum of £1 and has entered into a Guarantor's Agreement. This agreement reflects the provisions of the Quercus 7 Limited Shareholder Agreement but has been refreshed to omit any inapplicable terms or clauses.
- 18 The Company will report to the Cabinet, sitting not as part of the Council but as a Guarantor Board, on a quarterly basis. All Members of the Council will be entitled to attend the Company AGM, where they may question the Board of Directors and pass resolutions. By matching the procedures and processes of Quercus 7 Limited it is very much hoped that the Company will be able to act in the most efficient and cost-effective manner possible.
- 19 The Guarantor's Agreement is separate to the Articles of Association and does not have to be registered at Companies House. The Guarantor's Agreement regulates the relationship between the Council and the Company and gives rights and obligations that would not normally be put into the

Articles. All relevant documents to the incorporation of the Company, along with a copy of the Guarantor’s Agreement, are appended to this report.

Key Implications

Financial

The cost of specialist external advice and the costs of setting up the company have been met from existing budgets.

It will be necessary for Quercus Housing Limited to pay the Council for the use of its resources (including officers) and to pay the non-executive directors. These costs will need to be met through the trading activities of the Company.

The activities of Quercus Housing Limited will be funded from S106 funds.

Legal Implications and Risk Assessment Statement.

Legal implications are considered throughout the report. Members are referred to the Risk Assessment Statement accompanying the report to Council of 21 November 2017, replicated below for ease of reference. It should be noted that those risks associated with not setting up the Company are of course now inapplicable. Other risks have been assessed as remaining the same.

Risks are scored from 1 (a low impact / likelihood) to 5 (a high impact / likelihood)

Risk	Likelihood	Impact	Total	Comments and controls
Failure to set up a company in strict compliance with legislation	1	4	4 Low	Extensive consultation with other authorities and appropriate external advice on governance arrangements
Acting ultra vires	1	2	2 Low	Every new activity via the company to consider statutory obligations
Failure to comply with taxation laws - corporation tax & VAT	2	3	6 Medium	External advice sought in relation to taxation
Possibility of challenge to state aid	1	2	2 Low	Obtain full cost recovery and any loan given to the Company to be set at commercial lending rates, subject to expert advice

Inability to find sites in the parts of the District where there is an identified need	2	1	2 Low	Proactively search for property where there is an identified need, either geographically or by type of property, or where this frees up property where there is a proven need.
Available funding to incorporate an affordable housing company	2	3	6 Medium	Report to Members requests approval of a budget to enable the company to be incorporated
Available expertise to incorporate an affordable housing company	3	4	12 Medium	Plans in place to procure the expert advice required to incorporate the company
Availability of land to enable the construction of affordable housing	4	4	16 High	The Council has limited land in its ownership for the delivery of affordable housing. Business case proposed to evaluate maximising potential of existing sites.
Availability of finance to invest in the construction of affordable housing	4	4	16 High	Current assumptions are limited to the use of S106 contributions to enable affordable housing development. Business case proposed to assess financial sources and implications.
Inability to meet revenue costs of managing affordable housing from trading activity	4	4	16 High	Providing affordable housing is not a profit making activity and the Council does not have in-house expertise to manage housing stock. Business case proposed to assess and evaluate costs and models of management.
Failure to deliver community benefit from the trading activities	2	2	4 Low	The provision of affordable housing in the District will address a proven need and benefit low income families seeking to live in the District.

Adverse impact on the local housing market	2	2	4 Low	Current projections of housing delivery not expected to have a detrimental impact on the local housing market
--	---	---	----------	---

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.]

Conclusions

20 The incorporation of the company is based on a sound business case and will enable the Council to respond to Members’ ambition for the Council to develop its own affordable housing within the District through an Affordable Housing Company, which is wholly owned by this Council.

Appendices

Appendix A - Business case

[Appendix B - Estimated Company Running Costs](#)

[Appendix C - Certificate of Incorporation](#)

[Appendix D - Articles of Association](#)

[Appendix E - Memorandum of Association](#)

[Appendix F - Guarantor’s Agreement](#)

Background Papers

None

Lesley Bowles

Chief Officer, Communities & Business

Sevenoaks District Council

Affordable Housing Company Business Case Addendum

Prepared by Mark Baigent Consulting Limited (MBCL) March 2018

This addendum has been produced following a scheme appraisal for a specific SDC-owned site. The note reports on remodelling of the affordable homes income, costs and returns based on the specific scheme appraisal.

The initial modelling (December 2017) assumed an investment in 10 x 2 bedroom affordable rented homes. At that stage, the assumed costs used were £100,000 open market land value per home and £200,000 development costs per home, totalling £300,000 total scheme costs per home, i.e. £3 million for the scheme of 10 homes when full land value is included.

SDC has now procured a specific site viability appraisal (February 2018) for a proposed development of 24 flats, with an assumed mix of 10 affordable and 14 market sale homes. This appraisal delivers a land value c.£2 million and a developer profit c.£860,000 (which is presumed to be a return to Quercus 7, SDC's existing commercial property development company). The appraisal assumes sale of the 10 affordable homes for c.£2.375 million.

This translates to a unit cost of £237,500 per affordable home (i.e. £62,500 cheaper than the initial AHC modelling assumption). The site is in the High Weald BRMA so affordable rents are assumed at £176.56 per week for 2 bedroom flats (whereas the initial modelling assumed development of affordable homes in the cheaper North West Kent BRMA, i.e. £23.54 per week less income per unit).

Thus there is consequently an improvement in the Affordable Housing Company business modelling on the basis of delivering 10 affordable rented homes as part of a 24 home mixed tenure development, at a lower unit cost (due to cross-subsidy from market sales) and with a higher rental income due to the site location.

Using the same other assumptions as the earlier business case, the final option (G) has been remodelled using the mixed tenure site specific cost and income figures, as follows:

Option G(m)

	£M
Land at full market value	£2.000
Development costs (incl. developer profit)	£5.175
Total scheme costs / GDV	£7.175
Price of affordable units to AHC (CAPEX)	£2.375
Grant (s106 funds) 100% of CAPEX	£2.375
Debt 0% of CAPEX	£0
Effective grant rate	100%

The remodelling produced the following outputs:

Option	G(m)
Debt	£0m
Effective grant rate	100%
Breakeven year	Yr1
Surplus/loss (Y1-Y40)	£1.2m

The table below shows how this option performs at snapshot stages during the 40 year business plan, including both Management and Maintenance costs and the estimated Affordable Housing Company running costs.

Option G(m)	Year 1	Year 11	Year 21	Year 31	Year 40
Income	£87,210	£106,309	£129,589	£157,969	£188,787
Debt	£0	£0	£0	£0	£0
M&M costs	£17,500	£21,333	£26,004	£31,699	£37,883
AHC costs	£50,000	£60,949	£74,297	£90,568	£108,237
Surplus/loss	£19,710	£24,026	£29,288	£35,702	£42,667

As with the initial modelling, this new option has been sensitivity checked for the impact of CPI+1% rent inflation (whereas the base model was CPI only). This resulted in a continued breakeven at Yr1 with the 40 years surplus increasing to £2.5m.

The AHC running costs would not be expected to scale up significantly as more homes are developed; therefore subsequent development opportunities would be expected to deliver a more substantial surplus, assuming continued 100% effective grant rate using s106 sums.

Conclusion

This brief addendum demonstrates the improved surpluses that can be achieved through delivery of affordable homes as part of a mixed tenure development site. This note focuses on the position for the proposed Affordable Housing Company. It is also important for SDC to consider the risk profile for Quercus 7 and put in place an appropriate agreement between Q7 and the AHC to maximise the cash flow benefit for Q7 whilst shielding the AHC from the site development risk associated with development for market sale. In effect, the AHC would be in a position to buy “off-plan” from Q7, with a deposit payment at an early stage and potentially stage payments through the construction period as the affordable homes are built. This will reduce the level of peak debt taken on by Q7 during the construction phase, ahead of market sales receipts being secured to clear the development debt and return profits to Q7. This approach would enable Q7 to benefit from the debt-free 100% grant model proposed for the AHC, whilst SDC will benefit from full market value for the land disposal.

Report prepared by MBCL, March 2018.

MEMBERS' ALLOWANCE SCHEME MONITORING 2017/2018

Audit Committee - 16 October 2018

Report of Head of Legal and Democratic Services

Status For Consideration

Key Decision No

Portfolio Holder Cllr. John Scholey

Contact Officer Martin Goodman, Ext. 7245

Recommendation to Audit Committee: that Members note the contents of this report.

Introduction and Background

- 1 Within the terms of reference of the Audit Committee, the committee is required 'to monitor the implementation of the Members' Allowance Scheme'.
- 2 The Governance Committee is required 'to receive the recommendation of the Joint Independent Remuneration Panel and make recommendations for changing the Members' Allowance Scheme to the Council and, if required, to the Joint Independent Remuneration Panel'. This process took place during 2017/18 and an updated scheme will be in place from May 2019.

Members' Allowance Scheme - 2017/18

- 3 Members' allowances for 2017/18 were made public during the summer and can be viewed online here:
https://www.sevenoaks.gov.uk/downloads/download/32/councillor_allowance_and_expense_payments
- 4 Basic allowances were paid to all Members but one asked not to receive the full amount. It should be noted that allowances were paid to 55 Members as there was a by-election during the year.
- 5 Travel expenses were claimed by 28 out of 55 Members (51%).
- 6 The IT allowance was claimed by 41 out of 55 Members (75%).
- 7 Appendix G from the Constitution of Sevenoaks District Council containing the Members' Allowance Scheme (2017/18) is attached as this report's Appendix. It should be noted that the scheme in operation for 2018/19 has

Agenda Item 6

been updated from this in line with the National Joint Council for Local Government Services pay award for the year.

- 8 All Members' expenses claims are checked by Democratic Services. In the event of any question of interpretation, the Chief Executive or the Monitoring Officer will decide. No issues were found during the year.

Key Implications

Financial

The cost of the Members' Allowance Scheme is contained within the approved budget.

Legal Implications and Risk Assessment Statement.

There are no legal implications for this report.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Appendices 2017/2018 Members' Allowances Scheme.

Background Papers None.

Martin Goodman

Head of Legal and Democratic Services

APPENDIX G: Members' Allowances Scheme (2017/18)

1. INTRODUCTION

The Members' Allowances Scheme is made under the provisions of the Local Authorities (Members' Allowances) (England) Regulations 2003 (the 2003 Regulations) and other Regulations which may come into force from time to time.

In making this Scheme, the Council must have regard to the recommendations made by the Joint Independent Remuneration Panel.

This Scheme has effect for the financial year appertaining to the year it is introduced and continues until amended or revised.

This Scheme may be amended at any time having regard to the recommendations of the Joint Independent Remuneration Panel.

For the avoidance of doubt, where the only change to this Scheme is effected by annual updating of allowances, this Scheme shall be deemed not to have been amended.

2. STATUTORY MEMBERS' ALLOWANCES SCHEME

2.1 Basic Allowance

Every District Council Member shall be paid an annual basic allowance as set out in Schedule 1 below. It will be paid in instalments of one-twelfth on the 15th of each month, with minor adjustments where necessary to ensure that the total annual sum is correct. The allowance is subject to annual updating - see paragraph 2.8 below.

The basic allowance covers time incurred by a District Council Member in carrying out his/her ordinary duties for the Council. However, it excludes travel and subsistence allowances for approved duties which are referred to separately below. Furthermore, the Council makes available to Members a certain amount of equipment over and above the basic allowance. Again, this is referred to separately below.

2.2 Special Responsibility Allowances

An annual special responsibility allowance (SRA) will be paid to certain Members. SRAs will be paid in monthly instalments. They are not payable when a Member temporarily steps into another's role (say, when the Vice-Chairman chairs a meeting). The special responsibility allowances are set out in Schedule 1 below.

2.3 Child and Dependant Carer's Allowance

Members may claim an allowance in respect of expenses necessarily incurred in relation to the provision of care for their children and other dependants while

Agenda Item 6

carrying out approved duties. Approved duties are listed in a separate section below. Claims should be made monthly in arrears, by attaching the receipt(s) to the submitted Member's claim form and entering the amount claimed on the form. Claims will not be paid without documented receipts.

The allowance to be paid per dependent child per hour during normal daytime working hours (8am to 6pm on Mondays to Fridays) and a single maximum payment per hour as set in Schedule 1 for child care arranged outside normal working hours, accompanied by an official receipt.

The dependent adults carer's allowance will be paid up to the figure in Schedule 1 per hour for the employment of a replacement carer for whom the Member is normally a full time carer. This will also apply where the Member has to arrange care for a disabled dependent child. In either case, the definition of dependant being as set out in the Employment Rights Act 1996 (s.57A), such claims to be supported by a doctor's letter confirming that the dependant is in need of constant or specialist care/supervision; (NB Carer's allowance and the allowance payable in respect of a disabled dependent child, is not payable in respect of the same child for the same period.).

2.4 Pensionable Allowances

Statutory regulations allow local authorities to make certain allowances pensionable, but only if so recommended by their independent remuneration panel. At Sevenoaks it has been agreed that the option to allow Members to participate in the Local Government Pension Scheme should not be introduced at this time.

2.5 Renunciation of Allowances

A Member may choose to forego all or part of his/her entitlement to basic or special responsibility allowances under this scheme. If this is the case, he/she should give notice of this in writing to the Chief Executive or Monitoring Officer, stating what element of his/her allowance entitlement he/she does not wish to claim. The notice should also state whether this is for the current municipal year or the remainder of the Member's term of office - if the notice does not specify a time period then it will be assumed to mean the remainder of the term of office.

A Member not wishing to claim the expenses described in section 3 below need not give notice in writing - he/she simply does not submit any expenses claim forms.

2.6 Publicising Allowances and Expenses Paid

As soon as reasonably practicable after determining a Scheme of Allowances, a copy of the Scheme will be made available for inspection and publication will take place in accordance with the 2003 Regulations.

As soon as practicable after 1st April each year arrangements will be made for the publication of the total paid to each Member in each category of allowance specified in this Scheme, in the preceding year.

2.7 Suspension of Allowances

Any Member/Co-optee who is suspended or partially suspended from his/her responsibilities or duties as a Member of the Council in accordance with legislation or regulations that may come into force from time to time may have his/her allowances withdrawn for the period of any suspension.

Where any payment allowance under this Scheme has already been made in respect of any period during which a Member/Co-optee is suspended or partially suspended or ceases to be a Member or Co-optee of the Council or is in any other way not entitled to receive the allowance in respect of that period the Council may require that such allowance or part of as relates to any such period be repaid to the Council.

2.8 Annual Updating

Members' allowances except for travelling expenses are updated annually in line with the National Joint Council for Local Government Services pay award.

3. **PAYMENT OF EXPENSES**

3.1 Approved Duties

Members/Co-optee members may claim reimbursement of travel, subsistence, Child and Dependent Carer's Allowance and conference expenses incurred whilst undertaking an approved duty. No expenses claimed more than three months after they were incurred will be paid.

Attendance at any of the following is an approved duty:

- (a) The attendance at a meeting of the District Council or of any committee or sub-committee or Working Group of the District Council, or of any body to which the Council make appointments or nominations, or any committee or sub-committee of such a body (If the outside organisation will pay travel and/or subsistence costs, then the Member should claim against that organisation and cannot claim from the District Council.);
- (b) The attendance at any meeting, the holding of which is authorised by the District Council, or a committee or sub-committee of the District Council, or a joint committee of the District Council and one or more local authority within the meaning of section 279(1) of the 1972 Act, or a sub-committee of such a joint committee provided that:-
 - (i) where the authority is divided into two or more political groups, it is a meeting to which members of at least two groups have been invited, or
 - (ii) if the authority is not so divided, it is a meeting to which at least two members of the authority have been invited;
- (c) the attendance at a meeting of any association of authorities of which the District Council is a member

Agenda Item 6

- (d) the attendance at a meeting of the executive (Cabinet) or a meeting of any of its committees;
- (e) the attendance at pre-meeting briefings by Chairmen and Vice-Chairmen of Committees;
- (f) the performance of any duty in pursuance of any standing order made under section 135 of the 1972 Act requiring a Member or Members to be present while tender documents are being opened;
- (g) the performance of any duty in connection with the discharge of any function of the District Council by or under any enactment and empowering or requiring the District Council to inspect or authorise the inspection of premises (including site visits for planning matters); and
- (h) the attendance of any pre-arranged meetings with Officers relating to issues within the Members' responsibilities. This would encompass Portfolio Holder briefings etc. In the event of any question of interpretation, the Chief Executive, or, in his absence, the Monitoring Officer, will decide.
- (i) The attendance at meetings, training or other events where the Member is an official Council representative or requested to attend by the Leader, relevant Cabinet Member or Chief Officer.

Further Clarification of Approved Duties:

In-house training and development seminars including Members' Induction, Staff Induction and service-specific seminars

Conferences or seminars arranged by a Chief Officer.

Expenses will not be paid for attendance at national and regional bodies if the Member was not appointed to the organisation or event by the District Council.

Travel and subsistence allowances for co-opted and lay/expert members of committees and panels will be paid, at the same level as for elected Members.

Schedule 2 sets out tables of examples of what are approved duties. In specific cases not covered by this schedule Members should contact the Democratic Services Team. A decision will be made by the Chief Executive or the Monitoring Officer and the table updated accordingly

3.2 Travelling, Subsistence and other Expenses

Travelling Allowances

Travelling allowances are payable in accordance with the HMRC maximum tax free allowance from time to time:

Per mile up to and including 10,000 miles	45 pence
Over 10,000 miles	25 pence

Bicycles:

20 pence per mile tax free as per HMRC’s maximum tax free allowance for claims.

Motorcycles:

24 pence per mile tax free as per HMRC’s tax free allowance for claims.

Public Transport:

Authorised journeys taken using public transport should be reimbursed at the cost of standard travel.

Travelling allowances may be claimed by Members for attendance at meetings of the bodies or for the purposes listed in 3.1 above.

Car sharing is encouraged by the Council for duties involving more than one Member. Any claim should be made by the vehicle driver only.

Travel by taxi should only be used in exceptional circumstances and, if it is necessary, should involve more than one Member if possible.

3.3 Subsistence Expenses and Council Refreshments

- A Member may claim reimbursement of subsistence costs incurred personally while on approved duties. The latter are described at a separate section below. In order to qualify for reimbursement:
- the Member must be away from his/her usual residence for a minimum of four hours (this time period applying only to the time spent in travel to and from, and attendance at, the approved duty outside the District)
- there must be no meal provided at the approved duty, either by the Council or any other organiser for the event
- claims will only be reimbursed for subsistence purchased in the close vicinity of a local event, or in the vicinity of, or whilst travelling to or from, an event more distant.
- the Member should attach a receipt to his/her expenses claim form to show that a meal was purchased (and the amount paid will be the amount incurred and shown on the receipt up to the maximum limit shown below).

The rates payable are set annually when the annual pay award is agreed. They are currently as set out in the table below.

Subsistence type	Details	Payment amount
Lunch allowance	Covers the period from 12 noon to 2 p.m.	£9.86

Agenda Item 6

Evening meal allowance	For a period of absence ending after 7 p.m.	£12.21
Absence overnight	To cover hotel and associated expenses - but note that, in these cases, the Council will book and pay for hotel accommodation directly (see 'conferences' at separate section below)	£79.82 (increased to a maximum of £91.04 in certain circumstances, e.g. for meetings in London and for LGA meetings)

If a meal is taken on a train, this is taken to relate to the subsistence allowance which it most closely equates to (i.e. lunch or evening). The above conditions still apply.

The Council may provide refreshments for 'approved duty' meetings which last over the lunchtime period or which start between 4.30 p.m. and 6 p.m.

The District Council requires that Members ensure that any overnight stay bookings for approved duties and conferences are made by Council Officers. The Council will then pay for the cost of the accommodation and breakfast. Lunch and evening meal costs up to the subsistence amounts shown above and travel will be claimable.

3.6 Child and dependant carer's allowances

Members may claim an allowance (set out in Schedule 1 below) for the use of childminders, babysitters or other sitters for dependants while carrying out approved duties. See section 2.3 above for details. Claims must be supported by receipts for payments made.

3.7 ICT and other equipment

Members are securely able to access all Council information and communications from any internet access point, including a home computer, through the Members' Electronic Portal. In order to recognise that part of the cost of provision of such equipment is for the performance of Members' duties, Members may make claim for the following financial support:

- (a) an allowance of up to £124 per annum is available to councillors paid on a yearly basis and separately from the Basic and other allowances. This allowance is available to Members who use their own IT resources to undertake their council duties;
- (b) In exceptional circumstances where a Member is unable to afford the purchase cost of a suitable computer the Council would consider assisting the Member by advancing a lump sum which would then be recovered via repayments from this allowance;

- (c) where a Member has been provided with a Council funded computer, no allowance will be paid; and
- (d) all such allowances are subject to tax along with Basic and Special Responsibility Allowances in the normal way.

3.8 Claims procedure

Claims for travel, subsistence and dependant carer's allowances must be made each month using the Members' claim form. Members can either submit a claim in writing or on-line. If any Member wishes to submit claims on-line, he/she is required to sign a 'request to submit forms via e-mail' and return it to the Head of Legal & Democratic Services or Democratic Services Team Leader so that a members' claim form can be sent electronically for completion. All claims must be received by the Democratic Services Team by the twentieth day of the month. This is essential as they must be verified and approved by the twenty third day of the month in time for the monthly payroll run on the fifteenth of the following month. Any claims received after these dates will be paid on the subsequent pay run.

Members should ensure that they submit claims each month as claims stretching back over several months may be delayed owing to the increased difficulty of verifying them. Claims over 3 months old will not be paid. All claims to be finalised within one month of the start of the financial year.

The claim form must include receipts for all expenses claimed other than car mileage, and must be signed by the Member to declare that he/she is entitled to all amounts claimed and has not already been reimbursed for these amounts by the Council or any other organisation. For those claims submitted electronically, all relevant receipts must also be submitted to support the claim.

If a Member wishes to reclaim tax paid on subsistence allowances, he/she must provide relevant receipts to HMRC. If a Member applies for benefit, he/she must declare any allowances and expenses received from the Council on his/her application form.

Should it ever arise that the Council incurs expenditure on behalf of a Member's spouse or partner, then a debtor's account will be sent to the Member to recover all additional costs and a copy of the accounts will be placed with the file of payments to Members.

4. GUIDANCE FOR OFFICERS IN RESPECT OF PAYMENT TO MEMBERS

All Officers must adhere to the above scheme when verifying and making payments to Members. The Head of Legal & Democratic Services or Democratic Services Team Leader must verify all Member claims prior to passing them for payment taking particular note of Schedule 2. The Finance Team will maintain a file of payments to Members. For all payments under the Members' Allowances Scheme, this must show the name of the recipient, together with the amount and nature of each payment. It is open for inspection free of charge by electors in the area, who may copy any part of it.

Agenda Item 6

The scheme also applies to Officers incurring expenditure on a Member's behalf - if an Officer spends more than the prescribed limits shown above for a Member's travel and/or subsistence then *the Officer cannot claim the excess, but must bear the cost personally*. If an Officer wishes to make a claim for Member travel and/or subsistence, he/she must complete an employee travel and subsistence expenses claim form in the usual way, but stating clearly which Member(s) were paid for, and the details of the payment (cost, time of day incurred) which will allow it to be checked against the prescribed subsistence scheme. A copy must be sent immediately to the Finance Team for recording in the file of payments to Members.

If any other issue of payment to a Member arises, other than one covered by the above Members' allowance scheme or a normal service issue, then prior written approval should be obtained from the Chief Executive or Monitoring Officer.

When a department arranges any seminar, conference, course or visit which will incur costs on behalf of a Member, the lead officer must liaise with the Chief Finance Officer to ensure that only permitted expenditure is incurred. The lead Officer of the event should keep a list of Members attending an approved event, and forward it immediately afterwards to the Head of Legal and Democratic Services or Democratic Services Team Leader and the Finance Team to ensure that any subsequent Member claims for travelling and/or subsistence can be verified.

Tours outside the Sevenoaks District may be arranged by the relevant department. They will still require formal committee/cabinet approval and adequate budgetary provision. Any overnight stop, unless paid for directly by the Council, and any lunch or evening meals purchased for the Members involved must adhere to the subsistence rates shown above. If air tickets are reserved, the cheapest rate of public air travel must always be used.

Any proposed payment or commitment of civic funds must be referred to the Chief Executive or Monitoring Officer for prior approval. These Officers must ensure all payments so made remain within budgeted levels of expenditure, and that any payments to or on behalf of Members are recorded in the file of payments to Members.

Schedule 1Members' Allowances Scheme (2017/18)

Description of Allowance	2016/17 Allowance per Member (£)	2017/18 Allowance per Member £
Basic Allowance (all Members)	5,306	5,359
<u>Special Responsibility Allowances:</u>		
Opposition Group Leaders:		
Liberal Democrat (2 Members)	1,318	1,331
UKIP (2 Members)	1,318	1,331
Cabinet Chairman (Council Leader)	15,919	16,078
Cabinet members	6,633	6,699
Deputy Cabinet Members	664	671
<u>Chairmen</u>		
Advisory Committees (x7)	2,123	2,144
Audit	2,123	2,144
Community Infrastructure Levy Spending Board	-	2,144
Development Control	3,185	3,217
Governance	2,123	2,144
Health Liaison Board	2,123	2,144
Licensing	2,123	2,144
Scrutiny	2,123	2,144
Sevenoaks Joint Transportation Board	2,123	2,144
Standards	1,063	1,074
<u>Vice-Chairmen</u>		
Advisory Committees (x7)	530	535
Audit	530	535
Community Infrastructure Levy Spending Board	-	535
Development Control	796	1000
		(as of 21/11/17)
Governance	530	535
Health Liaison Board	530	535
Licensing	530	535

Agenda Item 6

Scrutiny	530	535
Sevenoaks Joint Transportation Board	530	535
Standards	266	269
 <u>Committee Members</u>		
Development Control members	266	269
Licensing Committee members	133	134
Childcare Allowance	Up to £6.19 per hour per Member	Up to £6.19 per hour per Member
Dependent Carers Allowance	£16.00 per hour per Member	£16.00 per hour per Member
Travel and Subsistence Expenses	Reimbursed in line with the scheme in force for staff of the Council the National Joint Council for Local Government Services pay award	Reimbursed in line with the scheme in force for staff of the Council the National Joint Council for Local Government Services pay award
I.T. Allowance	124	125
Ancillary Expenses (broadband)	Nil	Nil
Special Responsibility Allowance	Only one allowed	Only one allowed
Pensions	Nil	Nil

Schedule 2

Members' Allowance Scheme - Approved Duties Specific Examples

- Attendance at a meeting of Council
- Attendance at a meeting of Cabinet (all Members)
- Attendance at a meeting of any Committee/Sub-Committee/Working Group/Board/Hearing of which you are a Member (attendance at Committee meetings as an observer is not considered an approved duty, the only exception to this being meetings of the Cabinet).
- Attendance at a meeting of any outside organisation that you are appointed to by the Executive or the Council
- Attendance at any Development Control Meeting and Development Control Site Meeting as agreed by the Chairman or Vice-Chairman of Development Control, if you are a member of Development Control or a local member for the ward concerned
- Attendance of any other site visit approved by Council, the Executive or any Committee/Sub-Committee/Working Group/Board/Hearing, if you are a member of the relevant body
- Attendance by a member of the Executive at any Committee/Sub-Committee/Working Group/Board/Hearing that is discussing matters within that member's Portfolio
- Attendance at any meeting organised by Officers of the Council to which at least two political groups have been invited
- Attendance at any training session organised by Officers of the Council to which the Member has been invited
- Attendance at any service-specific seminar organised by Officers of the Council to which the Member has been invited
- Attendance at any Conference or Seminar where prior agreement has been made by a Chief Officer of the Council
- Attendance at pre-meeting briefings by Chairman/Vice-Chairman of Committees/Sub-Committees/Working Groups/Boards/Hearings
- Attendance of members of the Executive at Briefing meetings
- Attendance of a member of the Executive that is required to attend a tender opening
- Attendance at any meeting pre-arranged by Officers of the Council relating to issues within the Member's responsibilities

This page is intentionally left blank

INTERNAL AUDIT PROGRESS REPORT

Audit Committee - 16 October 2018

Report of	Audit Manager
Status	For Consideration
Key Decision	No

Executive Summary: The attached report (Appendix A) provides Members with an update on progress so far towards completing the 2018/19 Audit Plan. It also provides a broader update on the service following the appointment of the Interim Audit Manager (Chief Audit Executive) in August 2018.

This report supports the Key Aim of

Portfolio Holder	Cllr. John Scholey
Contact Officers	Russell Heppleston, Ext. 7053 Adrian Rowbotham, Ext. 7153

Recommendation to Audit Committee: That the Internal Audit Progress Report (Appendix A) is noted

Reason for recommendation: Reporting the outcomes of the internal audit service is a requirement under the Public Sector Internal Audit Standards. As those charged with governance, the Audit Committee is required through its Terms of Reference to provide oversight of the internal audit service.

Introduction and Background

- 1 The Audit Committee receives updates from the Internal Audit partnership throughout the year. Principally updates have included progress against the audit plan and implementation of audit actions.
- 2 Following the appointment of a new Audit Manager in August 2018 we have taken the opportunity to consolidate a number of individual reports into a broader service update report. This includes all of the previously agreed updates, but also make reference to the mandated updates required through the Standards.

Agenda Item 7

Key Implications

Financial

The Internal Audit Partnership is responsible to deliver the audit service. Delivery of the plan is already approved within the Council's budget and so needs no new funding to be delivered.

Legal Implications and Risk Assessment Statement

There are no legal implications associated with this decision.

We present this report for information only and so there are no direct risk management implications.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Conclusions

The attached report (Appendix A) provides Members with an update on progress so far towards completing the 2018/19 Audit Plan. The results show good progress by the service within a backdrop of vacancies and uncertainty over the future strategy for the service. As such, the report brings some matters to the attention of Members for consideration and update at a later date.

Appendices

Appendix A - Internal Audit Progress Report
(October 2018)

Background Papers

This is the first time that we are reporting service progress in this format. Previous updates are publically available on the Council's [website](#).

Adrian Rowbotham
Chief Finance Officer

DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

Internal Audit Progress Report

October 2018

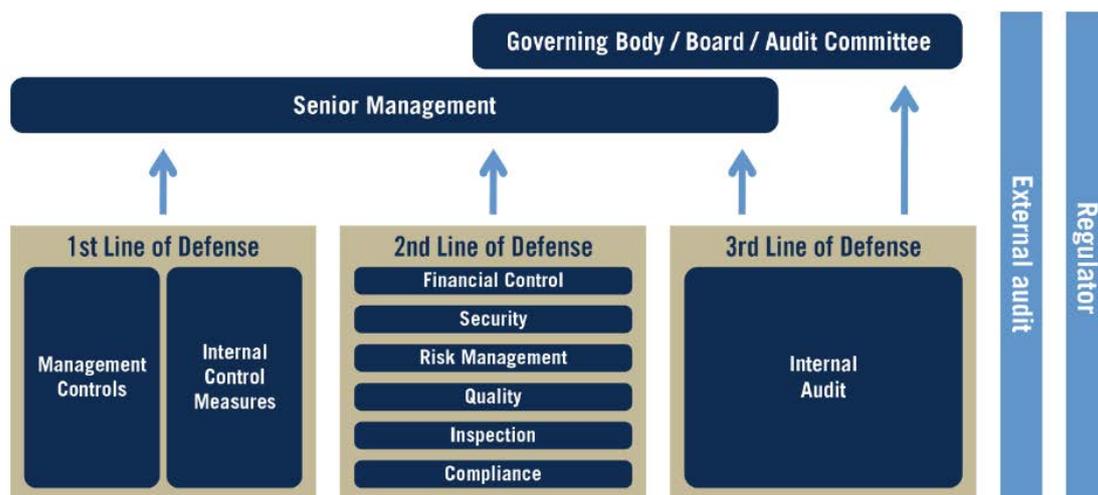


Introduction

1. All local authorities must make proper provision for internal audit in line with the [Local Audit and Accountability Act 2014](#) and the [Accounts and Audit Regulations 2015](#) (regulation 5). The latter requires authorities to:

“...undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

2. The Regulations state that services must follow the [Public Sector Internal Audit Standards](#) – an adapted and more demanding version of the global standards. These ‘Standards’ mandate the mission of internal audit: **to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight**
3. Internal audit is an objective and independent assurance and consulting service designed to enhance and protect the Council’s values and priorities. It helps the Council by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance.
4. The Standards demand an annual opinion from the Chief Audit Executive (the Audit Manager fulfils this role for the Council). The Opinion considers **internal control, corporate governance and risk management**. It is a key part of the overall assurance Members and Officers of the Council draw on when evaluating governance. The diagram below¹ shows internal audit’s position alongside other sources of assurance:



5. This report updates Members on progress and findings so far as we complete the Audit Plan approved by this Committee in [April 2018](#).

¹ Taken from the Institute of Internal Audit’s Professional Practices Framework (US illustration includes US spelling)

Internal Control

6. Internal control is how the Council ensures achievement of its objectives. In particular, internal control achieves and displays effectiveness and efficiency, reliable financial reporting and compliance with law, rules and policies. It incorporates both financial and non-financial aspects.
7. We gather evidence to support this part of the Opinion principally through completing the reviews set out in our **audit plan**. As we deliver this work we assess and conclude on the overall level of assurance offered by the controls in accordance with the agreed definitions (see appendix I)

Audit Plan Progress

8. This Committee approved our Audit Plan 2018/19 in April 2018. The plan set out, a summary of the audit projects to be delivered, along with a resource plan showing the total number of days allocated to the plan.
9. We began work on the plan in May 2018, following completion of the remaining 2017/18 audit work.
10. We use a time recording system called Teammate to log all time spent, each day, on the different audit related tasks. This system enables us to capture time spent delivering different activities and individual audit projects. Reporting from this system, the table below shows progress in the total number of days delivered against the plan up to 30/09/18:

Category	2018/19 Plan Days	Outturn to September 2018	Days Remaining
2017/18 Assurance Projects	0	8	N/A
2018/19 Assurance Projects	256	134	122
Contingency and Consultancy Reported as: <i>General administration/Committee reporting/service development/Audit Planning/risk management/joint working</i>	156	88	68
Totals (18/19 Work Only)	412	222	190

11. Based on the figures above, we have used just over 50% of the days towards the 18/19 audit plan at the half yearly position.
12. There is increased time spent to the contingency codes (which at the time of planning were collated to include all general admin as well as any consultancy time). We will be undertaking some work over the next few months to better understand this time, and will be in a position to report in more detail at our next progress update.

Audit Work

13. The table below shows delivery of the audit plan up to the end of September 2018. For completeness, we also include projects that were in progress at the end of 17/18 (which would not have been reported in full as part of our previous update in July 2018):

Audit projects completed

Sevenoaks Audit Plan 2018/19				
No	Title	Budget	Date Issued	Conclusion
2017/18 Audit Work Completed after March 2018				
	Key Financial Systems 2017/18	-	April 18	Limited
	Vehicle Procurement 2017/18	-	April 18	Full
	The Print Studio 2017/18	-	April 18	Limited
	Corporate Health & Safety 2017/18	-	April 18	Full
	Quercus 7 2017/18	-	May 18	Substantial
	Environmental Health Project 2017/18	-	May 18	n/a
2018/19 Audit Work Completed so far				
1	SDC7-18/19 Health	10	July 18	Full
2	ADDED Housing Register	5	August 18	n/a
3	SDC9-18/19 Fly-Tipping	5	September	Full
4	SDC11 - Environmental Health (Food Safety) SHARED	10*	AB	Draft Reporting
5	SDC8-18/19 Community Safety	5	PA	Draft Reporting

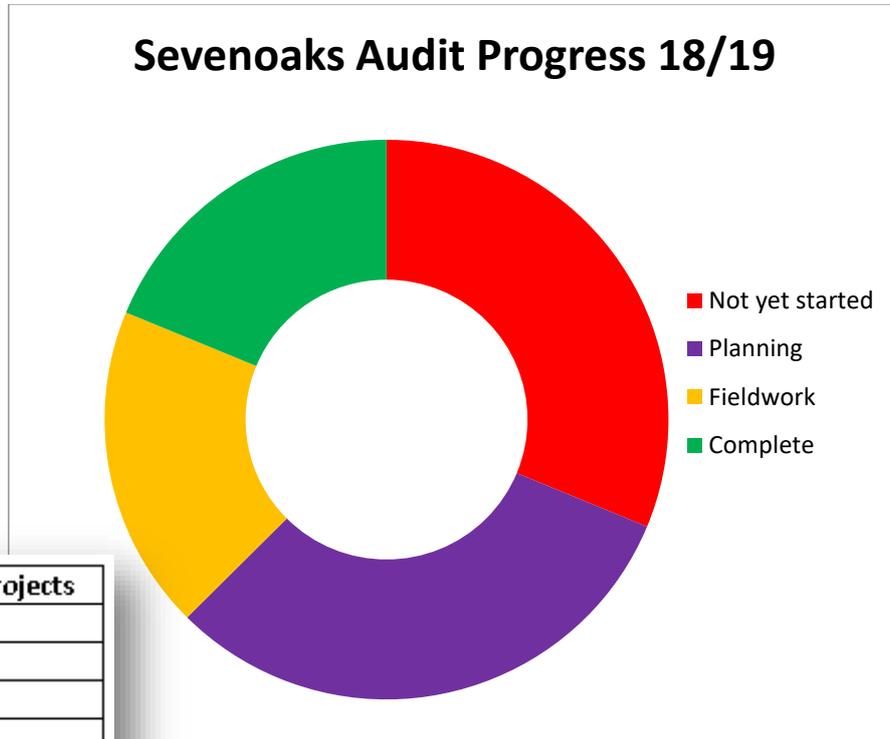
*Days shared with Dartford

Audit projects awaiting completion

Sevenoaks Audit Plan 2018/19				
No	Title	Budget	Expected	Progress
6	SDC1-18/19 Community Infrastructure Levy	5	October 18	Fieldwork
7	SDC5-DBC4-18/19 Revs & Bens Risk Based Verification SHARED	10*	Q3	Planning
8	SDC6-DBC5-18/19 Revs and Bens - Recovery SHARED	10*	Q3	Planning
9	SDC10-18/19 Markets	10	Q3	Planning
10	SDC13-18/19 Payroll	10	Q3	Planning
11	SDC3-18/19 Homelessness Reduction Act	10	Q4	Planning
12	SDC2-18/19 Private Sector Letting Scheme	10	Q4	Not yet started
13	SDC4-18/19 Key Financial Systems	15	Q4	Not yet started
14	SDC15-18/19 IT Security	10	Q4	Not yet started
15	SDC12-18/19 Business Continuity	10	Q4	Not yet started
16	SDC14-18/19 GDPR	15	Q4	Not yet started

*Days shared with Dartford

14. The chart below shows a summary of the audit plan based on current progress (with fieldwork including any work not yet reported as final):



Stage	Projects
Not yet started	5
Planning	5
Fieldwork	3
Complete	3
Progress	69%

Audit Work Summaries

15. An executive summary (of all the work completed in the table above) is included below.

Key Financial Systems – Issued in April 2018

16. The purpose of this review was to provide an assurance regarding the effectiveness of the Council’s Key Financial Systems with regard to the accuracy and completeness of transactions and compliance with Council policy and to ensure that these arrangements are fit for purpose to deliver service objectives and comply with Council procedures.
17. The opinion of the auditor was that there is **Limited Assurance** in place to ensure achievement of service objectives pertaining to the audited system. This meant there were weaknesses identified within the framework and there existed evidence of non-compliance with Council procedures or good practice, which put the achievement of the Council’s or service objectives, in many of the areas reviewed, at risk.
18. Audit recommendations were made to improve the following areas where our testing identified issues:
1. Non-compliance with the Financial Procedure Rules
 2. Potential lack of separation of duties
 3. The maximisation of opportunities to achieve or demonstrate efficiency or value for money
 4. The compliance of creditor and credit card transactions with Financial Procedure Rules and good practice. It was also noted that the corporate credit card procedures were not included in the Financial Procedure Rules.

Priority Ranking	Number of recommendations
Very High	0
High	1
Medium	1
Low	3
Total	5

Vehicle Procurement – Issued in April 2018

19. The purpose of this review was to provide an assurance regarding the effectiveness of the processes and the financial strategy used to procure vehicles for the Depot to ensure adequacy and fitness for purpose to deliver service objectives and comply with council procedures.
20. The opinion of the auditor was that there is **Full Assurance** in place to ensure achievement of service objectives pertaining to the audited system. A sound framework of control is in place that meets the Council’s or service objectives. All expected controls tested are in place and are operating effectively.
21. There were no recommendations arising from this review.

Print Studio – Issued in April 2018

- 22. The purpose of this audit was to look at the processes in place for income collection from internal and external customers to ensure they are fit for purpose and follow Council procedures.
- 23. The opinion of the auditor is that there is **Limited Assurance** in place to ensure achievement of service objectives pertaining to the audited system. This means there are weaknesses identified within the framework and there exists evidence of non-compliance with Council procedures or good practice, which puts the achievement of the Council’s or service objectives in many of the areas reviewed at risk.
- 24. Audit recommendations were made to improve the following areas where our testing identified issues:
 - 1. Raising of invoices for ad-hoc work requested by members of staff
 - 2. Raising of sales orders/ invoices to external customers
 - 3. Invoice generation/costing process
 - 4. Purchased of a piece of software that is not being used that could help the print studio to become more efficient

Priority Ranking	Number of recommendations
Very High	0
High	1
Medium	2
Low	0
Total	4

Corporate Health & Safety – Issued in April 2018

- 25. The purpose of this audit was to provide reasonable assurance regarding the effectiveness of the arrangements in place for Corporate Health and Safety in order to ascertain compliance with Council policy and Health and Safety legislation, regulation and guidance.
- 26. The opinion of the auditor was that there is **Full Assurance** in place to ensure achievement of service objectives. We found that the Council has sound corporate arrangements in place to support the Council’s compliance with legislation and regulations. The main control is the establishment of the corporate H&S group, who’s terms of reference include the review of H&S related policies and procedures; review trends in types of accidents/incidents with designed strategies to reduce the seriousness and impact of these instances in the future. This group is an invaluable resource that supports services in their own H&S risk assessment. Members of the group participate in other Kent wide network, which has resulted in shared experiences/knowledge and lesson learnt to inform the Council’s own H&S processes. The use of a standard approach for service H&S risk assessment facilitates a consistent approach across the Council.
- 27. There were no recommendations arising from this review.

Agenda Item 7

Quercus 7 – Issued in May 2018

28. The purpose of this review was to provide assurance on the relationship between Quercus 7 Limited (Q7) and Sevenoaks District Council (SDC), with particular focus on potential conflicts of interest between the two entities and the use of Council resources to support Council initiatives. This review was also to ensure that arrangements are fit for purpose to deliver service objectives and compliance with Council procedures.
29. The opinion of the auditor was that there is **Substantial Assurance** in place to ensure achievement of service objectives pertaining to the audited system. This meant there is generally a sound framework of control in place designed to meet the Council has or service objectives. However, there are isolated weaknesses in design of controls, or inconsistent application of controls, which puts the achievement of a limited number of objectives at risk.

Priority Ranking	Number of recommendations
Very High	0
High	0
Medium	1
Low	2
Total	3

Health – Issued in July 2018

30. The purpose of the review was to evaluate the Council's contribution to the One You Kent programme funded by Kent County Council (KCC), which aims to support the health and wellbeing of residents in the County and how we tailor our services to support needs within our district.
31. The opinion of the auditor is that there is **Full Assurance** in place to ensure achievement of service objectives pertaining to the audited system. This means a sound framework of control is in place that meets the Council's or service objectives. All expected controls tested are in place and are operating effectively.
32. There were no recommendations arising from this review. We have set aside 2 days to review the delivery of outcomes towards the end of the year.

Fly-tipping – Issued in September 2018

33. The purpose of this audit review was to provide assurance over the effectiveness of the processes in place to report and investigate instances of fly tipping in the Sevenoaks District.
34. It is our opinion, based on the results of our work, that there is **Full Assurance** in place to ensure achievement of service objectives and management of key risks. This means there is a sound framework of control is in place that meets the Council aims and or service objectives. All expected controls tested are in place and are operating effectively.

Priority Ranking	Number of recommendations
Very High	0
High	0
Medium	0
Low	2
Total	2

Additional Work (not rated)

Housing Register – Issued in august 2018

35. The purpose of this review is to assess the possibility of maintaining the Housing Register arrangements in house using existing Sevenoaks District Council (SDC) resources. Currently SDC pay £50,000 per annum plus a further £30,000 from Section 106 funds to West Kent Housing Association (WKHA) for maintaining the SDC Housing Register and providing administration of the Choice Based Letting Scheme. This current arrangement is for a 3-year period and is due to end in March 2019.

Follow-up of Audit Recommendations

36. The Internal Audit process can be summarised into 5 key steps:



Figure a: Internal Audit Process

37. We raise recommendations to assist management in addressing control failings, or to suggest service improvements following the results of our testing. All audit recommendations are tracked and followed up during key points during the year (usually each quarter). This enables us to monitor and report progress towards implementation. If the actions have not been fully implemented then we will review dates, and where appropriate, agree to defer and follow-up at a later date.
38. The audit plan cycles spans the entire year, and so inevitably we will always end up with live recommendations being tracked and carried into the next audit plan year. At the end of 2017/18 we had 13 live recommendations being tracked into 2018/19. Following review up to the end of September 2018, 3 have now been closed as being fully implemented. The table below shows, in summary, the 10 recommendations brought forward from 2017/18:

	Total	High Priority	Medium Priority	Low Priority
Recommendations brought forward into 2018/19	13	2	4	7
Implemented since 01/04/18	3	0	0	3
Not Yet Due	5	2	2	1
Delayed Implementation but no additional risk	5	0	2	3
Remaining recommendations live	10	2	4	4

39. The table below shows in more detail the projects where recommendations are still in progress / are due at a later date:

Project	Report Issue Date & Rating	Recs Agreed	Delayed	Agreed Deferrals	Not due	Completed	Full Completion date
Repair & Maintenance Arrangements 2014/15	5/5/15 Satisfactory/Satisfactory	13	0	1 (Low)	0	12	
IT Acquisitions 2017/18	28/6/17 Substantial Assurance	2	0	1 (Low)	0	1	
Discretionary Housing Payments 2017/18	5/7/17 Full Assurance	2	0	0	0	2	25/9/18
Housing Benefits & Council Tax Support 2017/18	4/12/17 Full Assurance	1	0	0	0	1	25/9/18
NDR 2017/18	5/12/17 Full Assurance	1	0	0	0	1	25/9/18
Tree Application – Decision Making 2017/18	15/12/17 Limited Assurance	3	0	0	1 (Low)	2	
Members' Expenses 2017/18	13/3/18 Substantial Assurance	1	0	0	1 (Medium)	0	
Key Financial Systems 2017/18	9/4/18 Limited Assurance	5	0	0	2 (Medium & High)	3	
Print Studio 2017/18	13/4/18 Limited Assurance	3	0	3 (2 Medium)	1 (High)	0	
Quercus 7 2017/18	8/5/18 Substantial Assurance	2	0	1 (Low)	0	1	
TOTAL		33		5	5	23	

40. As outlined in the 'figure a' (above) the internal audit process is a continuous process. The cycles allows for risks to be input directly back into future audit planning. In order to ensure that we are providing valuable assurance we cannot overlook outstanding audit actions, particularly when left outstanding over a long period of time. As such, we will be undertaking a full review of outstanding recommendations as part of the audit planning process this year. We will keep Members informed with the progress of this work are part of our regular reporting.

41. Both high risk recommendations were reported to the Committee in **July 2018** where a deferred date of January 2019 was agreed.

Audit actions from 2018/19 projects

42. We have issued 2 final reports from the 18/19 audit plan. One of these reports included recommendations. A summary is detailed below:

Project	Report Issue Date & Rating	Recs Agreed	Delayed	Agreed Deferrals	Not due	Completed	Full Completion date
SDC9-18/19 Fly-Tipping	September 2018 FULL	2	0	0	2 (Low)	0	

Teammate

43. We purchased and implemented new audit management software in 2017/18 called Teammate. Following a period of training, and development, we are now using the system for all audit work undertaken from the 18/19 audit plan. Part of the system is designed specifically to enable the automation of audit recommendations. This includes the facility to send out e-mail notifications, create and sign-off electronic working papers and greatly enhance reporting.
44. We will be undertaking a project within the service this year to track the implementation of actions through the system to realise the benefits and efficiencies offered by the new software.

Service update

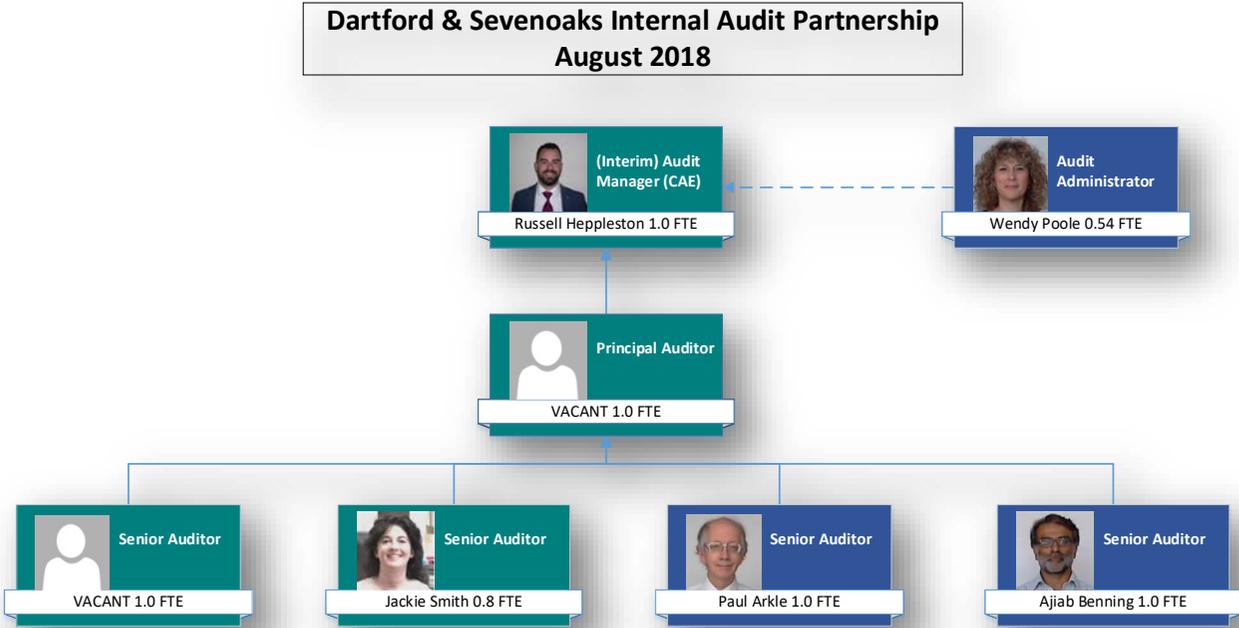
45. Internal Audit services across Kent are delivered mainly through Partnerships or Shared Service working. So, following the departure of the previous Audit Manager in July 2018, the Council approached its neighbours to see whether resource and expertise could be made available, on a short term basis, to help support the Internal Audit service.
46. A number of options were explored (including private firms), and following interviews, a secondment agreement was entered into to cover the period 1 August 2018 to 31 January 2019 with Mid Kent Audit.
47. Using the External Quality Assessment report (most recently reported to this Committee in [July 2018](#)) the following areas have been agreed as the key focus over the secondment period:

Action Area	Description	EQA
Audit Strategy & Operating Models	Draft the Internal Audit Strategy and delivery model options for the longer term operation of the service	EQA 1.1
Audit Charter	Update the Internal Audit Charter to be compliant with the PSIAS, and to better reflect the level of service for each Authority. Charters to also set out the roles of CAE, Board and set out the safeguards to independence	EQA 1.0, 1.2
Internal Audit Process	Undertake an exercise to refresh the audit process to ensure compliance with PSIAS and harmonised where appropriate across both Authorities with the aid of Teammate to provide efficiency and consistent working practices	EQA 3.2, 3.5, 4.1, 4.2, 4.6
Brand & Presentation	Update and refresh key audit documents (audit briefs, reports, follow-ups, and management team / audit committee reports) to include recognised good practice and to meet the needs of each Partner	EQA 4.2
Communication & Engagement	Create a suite of supporting literature for auditee's and the Council to raise awareness of the service and wider profession (providing clarity / education of the internal audit service, process, FAQ's and consultancy & additional services)	EQA 4.1, 4.2, 5.4
Risk Management	Provide updated risk management strategies for each Partner, including recognised good practice updates, and improved risk reporting to Management Teams and Members	

48. Members will continue to receive regular updates on how the above actions are being progressed, and will be a key part of the process for approving any future plans and strategies for the service.
49. In addition to the actions above, the Audit Manager will provide onsite support and direction to the team, and will ensure effective deployment of resources. This includes undertaking a skills assessment to ensure that the necessary expertise is developed and nurtured to enable effective delivery of the audit plan.

Meet the Team

- 50. The Partnership is made up of 4 operational auditors, a Principal Auditor (an operational manager post) an Audit Manager (who fulfils the role as Chief Audit Executive) and an Administrator.
- 51. Although Auditors are employed by different Authorities, they deliver a varied programme of audit projects across both Council sites. Where possible we harmonise the planned work to create efficiencies (through preparation of audit work) and to enhance the value through greater insight. This also creates cross learning, and is something that we are seeking to enhance over the coming months.



- 52. We are currently holding two vacancies until the outcomes of the future strategy and model of the Partnership have been agreed. However, the funds from these vacancies will be invested into delivering a series of specialist reviews across both sites. Access to specialist audit resource is available, at a reasonable cost, through Mid Kent Audit, Kent County and also London Audit Group. We will continue to keep the Committee up to date with the outcomes of this work, and agree any additional work through the Chairman as per the Audit Charter.

Acknowledgements

53. We would like to take this opportunity to thank Officers, Managers and Members for their ongoing support and assistance in enabling us to undertake our work. Internal Audit is seen as a critical friend within the Council and we are pleased to report that we do not receive any undue pressure or hindrance when undertaking our work. This is both a testament to the auditor's approach and professionalism, and the Council's culture to embrace the findings of each review, and to seek improvement through the audit process.

Agenda Item 7

Appendix I

Definitions of Assurance ratings:

OPINION	DEFINITIONS
<p>Full Assurance (no High or Medium Risk Recommendations)</p>	<p>A sound framework of control is in place that meets the Council's or service objectives. All expected controls tested are in place and are operating effectively.</p> <p>No specific follow-up review will be undertaken; follow-up will be undertaken as part of the next planned review of the system.</p>
<p>Substantial Assurance (no High Risk Recommendations)</p>	<p>There is generally a sound framework of control in place designed to meet the Council's or service objectives. However, there are isolated weaknesses in design of controls, or inconsistent application of controls, which puts the achievement of a limited number of objectives at risk.</p> <p>Follow up of medium priority recommendations only will be undertaken within 3 to 6 months; follow up of low priority recommendation will be undertaken as part of the next planned review of the system.</p>
<p>Limited Assurance</p>	<p>Weaknesses identified within the framework and there exist evidence of non-compliance with Council procedures or good practice, which puts the achievement of the Council's or service objectives in many of the areas reviewed at risk.</p> <p>Follow-up of high and medium priority recommendations only will take place within 3 to 6 months; follow-up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<p>No Assurance</p>	<p>Absent or non-existent evidence of framework; fundamental weaknesses identified within design; operation of key controls have resulted in failure, or could result in failure to achieve the Council's or service objectives in the areas reviewed.</p> <p>Follow-up of high and medium priority recommendations only will take place within 3 to 6 months; follow-up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>

STRATEGIC RISK UPDATE

Audit Committee - 16 October 2018

Report of Audit Manager

Status For Decision

Key Decision No

Executive Summary: The Council continually monitors key strategic risk issues through the strategic risk register. These risks are reviewed, monitored and reported on a regular basis.

The Audit Committee is responsible for oversight of the Council’s internal control, risk management and governance processes, and so has a vital role to ensure that sound risk management practices are being followed. As such, the Committee receives an update report annually to gain assurance that key risk issues are being managed effectively.

The report details the key strategic risk issues currently facing the Council and includes information on how we are currently managing each risk to an acceptable level. The strategic risk register is attached in Appendix A.

A summary of key changes is outlined in the body of this covering report.

This report supports the Key Aim of

Portfolio Holder Cllr. John Scholey

Contact Officers Russell Heppleston, Ext. 7053

 Adrian Rowbotham, Ext. 7153

Recommendation to Audit Committee:

- a) That the strategic risk management process is noted
- b) That the strategic risk register (Appendix A) is agreed

Reason for recommendation: The Audit Committee is charged with oversight of risk management and so it is important that they are aware of the processes and key risk issues facing the Council. By reviewing and agreeing the strategic risk register the Committee is able to demonstrate that it is effectively discharging its duties in accordance with the Terms of Reference.

Introduction and Background

- 1 We recognise we will need to take risks, both in our ordinary business and to achieve the priorities set out in our Corporate Plan. Good risk management ensures we make well informed decisions and that we understand the associated risks. It is an important component to maintain effective governance and also provides control and a high level of due diligence consistent with our public responsibilities as a Local Authority.
- 2 Oversight of the Council's risk management falls with the Audit Committee, and consistent with its Terms of Reference, the Committee receives regular updates to gain assurance over the effectiveness of processes in place to manage risks.
- 3 This report, and attached appendix A, provides an update to the Council's strategic risk processes, and details the risk issues on the Strategic Risk Register.

Strategic Risk Process

- 4 Risk management is not the sole responsibility of one individual, but is a role for all of our Officers and Managers. In order to ensure that key risk issues are being identified and managed, risk management sits at the centre of the Council and is key risks are monitored by the Strategic Management Team. The cycle below shows how Officers, risk owners and Senior Officers are engaged in the process:



- 5 The report (Appendix A) includes further narrative on how we captured strategic risks, including the role of the *Risk Management Group*. We have followed the above process to review and update the strategic risk register. A summary of the key updates are set out below.

Key changes

6 Since being last reported (September 2017) the following key changes have been made to the register:

- **REMOVED RISK: Shared Services**

Rationale: While the Council will continue to consider shared service working, this risk was originally identified at a time when the Council was actively pursuing new partners. Given the existing shared services, the focus now is on effective delivery. These risks are managed through operational risk registers, service plans and performance measures.

- **ADDED RISK SR09: Customer re-design**

Rationale: This risk recognises the potential wider impact on service delivery and staff resulting from significant transformational work.

- **ADDED SR12: Safeguarding**

Rationale: The Council has robust controls in place to reduce the likelihood of failing to respond to a safeguarding concern. While the Council does not have direct social care responsibilities, the increased interactions with potentially vulnerable adults, families, coupled with the significant impact in the event of an incident, has resulted in this being escalated to the strategic risk register.

- **ADDED SR13: Local Plan**

Rationale: Recognised in the majority of Local Authority risk registers, until now the risks associated with the Local Plan have largely been managed through the Local Development Strategy. However, given the timing, and implications, this risk has now been escalated into the Strategic Risk register

- **Formatting changes**

Rationale: To enable the strategic register to stand alone as a key management document, including introduction, summary, and narrative to support how we score, monitor and maintain risks.

Emerging Risks

7 Risk management is a continuous process and it is important that we maintain an awareness of emerging risk issues so that we can respond to them in a timely and effective way. We have therefore added a 'risk radar' to illustrate some important risk issues that are, as yet, too uncertain to quantify. The inclusion of this will also enable Members to add emerging risk issues for consideration at a later date as and when appropriate.

Agenda Item 8

Other Options Considered and/or Rejected

- 8 The Audit Committee has received regular updates on the Council's risk management processes, and strategic risks. The Committee could decide that it no longer requires these updates, however, that would be contrary to the Committee's Terms of Reference.
- 9 To continue to receive risk management updates is therefore the only option considered.

Key Implications

Financial

Risk management support is provided through the Internal Audit partnership within existing budgets and resources. This decision therefore has no direct financial implications.

Legal Implications and Risk Assessment Statement

There are no legal implications associated with this decision.

Risk management is the focus of this report.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Conclusions

Strategic risk management helps the Council to maintain awareness of key issues that could prevent the successful delivery of the vision and priorities set out in the Corporate Plan. The strategic risk register (Appendix A) sets out the Council's response to these key risk issues. It is important that the right risks are captured, and that the Audit Committee is assured that appropriate mechanisms are in place to manage any high level risks to an acceptable level.

Appendices

Appendix A - Strategic Risk Register

Background Papers

The **risk management strategy** was reported to and agreed by Audit Committee in [September 2017](#).

The **Strategic risk register** was last reported to and agreed by the Audit Committee in [September 2017](#).

Adrian Rowbotham
Chief Finance Officer

Strategic Risk Register

October 2018

Page 57



Agenda Item 8

Introduction

Risk management is the process of identifying, quantifying and managing the risks that we face in attempting to achieve our objectives.

The Council's [Risk Management Strategy](#) sets our approach to managing risks. The Strategy recognises that we will need to take risks in order to achieve our objectives, yet in doing so; we will ensure that the risks we take are well informed and that any negative consequences are managed to an acceptable level.

We manage risks at two levels:

Strategic level: These risks are directly linked to the delivery of the [Corporate Plan](#). Being more strategic in nature means they are inherently more risky, with impacts that could be felt Council wide. As such, these risks are closely monitored, updated and reported.

Operational level: These risks are more directly linked with the day to day operation of Council services, and are mainly identified and monitored through the service planning process. Operational risks are monitored and updated by our Managers and Officers, and escalated where appropriate through to the Risk Management Group.

The **Risk Management Group** is a working group made up of a cross section of Officers within the Council. The Group has oversight of the risk management process. The purpose of the Group is to ensure that we have effective risk management arrangements in place and that we continue to develop and improve them and keep up with good practice. In addition, the Group takes an active role to monitor and update the strategic risks, and identify actions needed to manage them to an acceptable level.

Purpose

This document sets out our strategic risks. The register (detailed below) shows the triggers for each risk, the impact to the Council if the risk materialises, and the internal controls we have in place to manage the risk. In response to these risks, we have also identified any further actions that we need to take to keep the risk to an acceptable level.

Strategic Risk Profile

We assess risks based on *impact and likelihood* to gain an overall view of whether the risk poses a significant threat to the achievement of objectives. Multiplying the impact and likelihood gives us an overall score which is used to inform our response to the risk:

Impact: This is the consideration of how severely the Council would be affected if the risk was to materialise.

Likelihood: This is the consideration of how likely it is that the risk will occur, also known as probability.

The strategic risk register includes 13 risks. The matrix below shows the *net* risk score (taking into consideration existing controls) for each risk:

Ref	Risk Title	Score
SR01	Finance	10 Medium
SR02	Property Investment Strategy	9 Medium
SR03	Asset management & maintenance	9 Medium
SR04	Knowledge, capacity & culture	8 Medium
SR05	Technology	9 Medium
SR06	Information & data management	8 Medium
SR07	Legal compliance, governance & ethics	6 Low
SR08	Capacity of community partners	6 Low
SR09	Customer Re-Design	8 Medium
SR10	Health & Safety (incl. Staff Wellbeing)	8 Medium
SR11	Emergency planning & severe weather events	6 Low
SR12	Safeguarding	4 Low
SR13	Local Plan	8 Medium

Likelihood	Very Likely (5)					
	Likely (4)					
	Possible (3)			SR02 SR03 SR05		
	Unlikely (2)			SR07 SR08 SR11	SR04, SR06 SR09, SR10 SR13	SR01
	Very Unlikely (1)				SR12	
		No Impact (1)	Minor (2)	Significant (3)	Serious (4)	Breakdown of Service (5)
Impact						

The summary below maps each of the strategic risks to the Council’s Corporate Plan:

No.	Risk	Net Risk Rating	Value for Money	Keep the District Safe	Provide high quality services	Protect the Green Belt	Support and grow the local economy
01	Finance	10 Medium	✓	✓	✓	✓	✓
02	Property Investment Strategy	9 Medium	✓		✓		✓
03	Asset management & maintenance	9 Medium	✓		✓		✓
04	Knowledge, capacity & culture	8 Medium	✓	✓	✓	✓	✓
05	Technology	9 Medium	✓	✓	✓	✓	✓
06	Information & data management	8 Medium	✓	✓	✓	✓	✓
07	Legal compliance, governance & ethics	6 Low	✓	✓	✓	✓	✓
08	Capacity of community partners	6 Low	✓	✓	✓		✓
09	Customer Re-design	8 Medium	✓		✓		✓
10	Health & Safety (incl. Staff Wellbeing)	8 Medium	✓	✓	✓	✓	✓
11	Emergency planning & severe weather events	6 Low	✓	✓	✓	✓	✓
12	Safeguarding	4 Low		✓	✓		
13	Local Plan	8 Medium	✓		✓	✓	✓

Strategic Risk Register

The strategic risks are detailed below. Each risk has a lead officer who is best placed to co-ordinate the response to the risk. The impact and likelihood of each risk are first assessed gross (without existing controls in place) and then re-assessed following the identification of key controls (net). Actions have been identified to further enhance controls, and progress is updated quarterly through the Risk Management Group.

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR01: Finance - Failure deliver a balanced budget Lead Officer: Adrian Rowbotham								
<ul style="list-style-type: none"> Limited opportunity to generate income through the business rates retention scheme and New Homes Bonus Effect of council tax capping and referendum costs Low and decreasing level of government grant Potential for negative government funding (local authority to make payments to Government) Effect of cost of external borrowing on the Council's budgets Loss of external funding Accuracy of budget assumptions Failure to meet savings targets Poor financial plans and strategies Ineffective financial governance Lack of capacity and skilled professionals within the finance team Failure to maintain proper financial and budgetary controls Procurement 	<ul style="list-style-type: none"> Poor financial health Inability to maintain services and deliver Council Vision and Promises Reputational damage Negative impact on staff morale and potential recruitment and retention difficulties Poor outcome for the Audit of Accounts or Value for Money assessment - Potential for increased intervention 	4	5	20	<ul style="list-style-type: none"> Self-sufficient budget position; no reliance on direct government funding Long term 10 year budget framework Savings Plan Property Investment Strategy Strong financial and scenario planning over the short, medium and long term Effective budget setting and financial monitoring processes embedded Financial and budget risk management process in place Effective financial governance including reports to FAC, Cabinet, Audit Committee and Scrutiny Committee Restructured service with qualified and experienced officers in post development Annual Internal and External Audit reviews Contract and Financial Procedure Rules, Procurement Working Group and procurement training for officers. 	2	5	10

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR02: Property Investment Strategy - Failure to identify opportunities to meet the Property Investment Strategy Lead Officer: Adrian Rowbotham								
<ul style="list-style-type: none"> Ability to seek appropriate investment opportunities Appetite for risk within investment strategy to enable the Council to generate target returns Ability to deliver sufficient funds to maximise the opportunities presented through the Property Investment Strategy Appetite to prudentially borrow over the medium to long term The cost of interest payments Lack of capacity or skilled professionals to advise on investment and borrowing strategies Ineffective governance processes that could result in opportunities being missed or being ineffectively scrutinised Ineffective use of Quercus 7 to support the Council's investment strategy Ability to borrow funds 	<ul style="list-style-type: none"> Lack of diversity in investments Cost of interest payments Negative impact on budgets, reserves and the ability to deliver Council projects Poor financial health Unable to maintain low increases in council tax levels Reputational damage Poor outcome for the Audit of Accounts or Value for Money assessment and potential for increased intervention 	4	4	16	<ul style="list-style-type: none"> Council approved Property Investment Strategy, with defined rates of return demonstrating risk appetite Governance arrangements defined with appropriate delegations agreed Qualified and experienced officers in post Professional, external advisers engaged to support the development of strategies and fill skills gaps Effective budget setting and financial monitoring processes embedded Effective financial governance including reports to FAC, Cabinet, Audit Committee and Scrutiny Committee Regular Quercus 7 Board and Trading Board meetings - including regular review of investment parameters to monitor market fluctuations 	3	3	9

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
<p>SR03: Asset Management & Maintenance - Losing the ability to:</p> <p>a) Dispose of surplus land; b) Maintain and develop assets and land holdings; c) Secure tenants for vacant or part-vacant assets</p> <p>Lead Officers: Lesley Bowles & Richard Wilson</p>								
<ul style="list-style-type: none"> • Lack of finance to deliver asset management plans and maintenance programmes • Lack of capacity to appropriately manage, maintain and invest in the council's assets • Failure to maximise the benefit from asset disposals • Lack of tenants to occupy vacant or part-vacant assets • Lack of buyers for surplus Council land • Failure to adopt effective governance procedures • Project management skills to ensure cost effective and robust developments • - Failure to identify partners to take forward projects and initiatives 	<ul style="list-style-type: none"> • Decrease in asset values placing increased pressure on council budgets • Failure to maximise the opportunity to raise income from investment in assets • Increased insurance premiums • Adverse impact on service delivery • Loss of investment or income opportunities • Reputational damage 	4	4	16	<ul style="list-style-type: none"> • Property / Asset Register (record of land in Council ownership) • Annual review of Asset Management Plan • Asset maintenance budgets reviewed annually • Ongoing strategic review of council owned property • Inventory registers in place • Financial procedure rules and disposal policy in place • Economic Development & Property team in place • Professional, external advisers engaged to support the development of strategies and fill skills and capacity gaps <p>Action:</p> <ul style="list-style-type: none"> • In the process of reviewing the Asset Management Plan as part of the 19/10 budget • Surveys commissioned for all Council buildings to assess planned maintenance requirements for estimated life of buildings 	3	3	9

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
<p>SR04: Knowledge, capacity & culture - Management of the Council's human resources fails to protect the Council's culture, making it difficult to address gaps in capacity and knowledge</p> <p>Lead Officer: Jim Carrington-West & Graham Taylor</p>								
<ul style="list-style-type: none"> • Continuing reductions to Council budgets • National and local pay constraint • Employment and retention of high quality staff • Amendments to the Local Government Pension Scheme • Increased demand for services and high levels of work with reduced capacity and resources • Requirement for new skills to deliver the Council's Corporate Plan promises • Lack of capacity within the Human Resources team to develop policy and support the workforce • Ineffective succession planning • High staff turnover • Loss of IIP Platinum status 	<ul style="list-style-type: none"> • Lack of resources to employ, develop and support the wellbeing of staff • Impact of poor mental health across the organisation • Reduced morale and staff satisfaction • Reduced productivity • Reduced quality of staff and work / services • Unable to recruit or retain high quality staff • Increased absence levels • Unable to continue to deliver the range and quality of services currently experienced • Skills gaps that inhibit the ability to deliver Council projects • Reputational damage as an employer and a service provider 	4	4	16	<ul style="list-style-type: none"> • 10 year budget minimises the need for short notice changes to the workforce • HR Strategy including workforce development plan, recruitment and retention policies • Managing Attendance Policy supported by return to work and staff wellbeing initiatives • Staff Appraisal Scheme and Personal Development Plans • Regular Staff Surveys and Investors in People Assessments to benchmark effectiveness as an employer • Management and Staff Development programmes to support staff and protect the organisational culture • Ability to engage professional, external advisers to support the organisation and fill skills and capacity gaps • Investors in People Platinum status demonstrates the Council is a high quality employer <p>Action:</p> <ul style="list-style-type: none"> • IIP Working Group in place until January 2019 to support re-assessment of IIP Platinum 	2	4	8

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR05: Technology - The Council's Information Technology doesn't meet the needs of the Council, Members, Officers and the local community								
Lead Officer: Jim Carrington-West								
<ul style="list-style-type: none"> Lack of finance to effectively procure and develop IT infrastructure and solutions across the Council Lack of capacity and skilled professionals to procure, implement and develop IT infrastructure and solutions across the Council Failure to identify areas where IT solutions could improve service delivery and reduce costs Failure to implement robust IT security arrangements in existing and new infrastructure and software Failure to meet the demands of partnership working in the delivery of solutions and on-going IT support - Poor data management preventing the implementation of new services 	<ul style="list-style-type: none"> Failure to effectively deliver Council services and objectives Failure to benefit from the service efficiencies good use of IT would deliver e.g. channel shift, demand management, digital services Failure to maximise the cost savings and value for money efficient use of IT would deliver Security lapse could compromise the Council IT network and render systems inoperable Data loss Reputational damage Failure to deliver projects within required timescales - Failure to provide adequate day to day support to customers 	3	4	16	<ul style="list-style-type: none"> IT Strategy and Action Plan IT Security Policy Business Continuity Plan Disaster recovery plans in place Project Steering Groups meet regularly to ensure effective management of key projects Network security measures in place including firewall and access level controls Risk management and procurement best practice embedded across the Council Internal Audit review of IT Security Experienced staff in post Effective budget setting and financial monitoring processes embedded Officer groups in place to support progress of digital services 	3	3	9

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR06: Information & Data Management - Failure to properly protect, preserve and make best use of the data and information resources that the Council holds Lead Officer: Jim Carrington-West								
<ul style="list-style-type: none"> Lack of capacity or skills within the workforce to implement a knowledge management system Lack of IT capacity to support a knowledge and information management system Ensuring compliance with the requirements of the Code of Connection <p>Ensuring security levels are appropriate to protect data and information without preventing effective and efficient service delivery</p> <p>Breach / non-compliance with General Data Protection Regulations (GDPR)</p>	<ul style="list-style-type: none"> Failure to meet the Council's objectives Failure to continue to deliver high quality services across the Council Increased costs from recruitment and staff training Negative impact on the organisations culture and on staff morale Reputational damage 	4	4	16	<ul style="list-style-type: none"> Data Protection policies in place and available to all staff Training for all staff on Data Protection IT Strategy, Plan and Steering Group in place Annual assessment against the Code of Compliance Disaster recovery plans in place Business Continuity Plan in place Information Governance Policy endorsed by SMT GDPR working group& regular reporting to Senior Management Planned Internal Audit Review of GDPR Compliance 	2	4	8

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
<p>SR07: Legal compliance, governance & ethics - Failure to recognise and adapt to changes in legislation and to deliver proper governance, scrutiny and internal control to protect the Council from poor practice and mismanagement</p> <p>Lead Officer: Jim Carrington-West</p>								
<ul style="list-style-type: none"> Lack of capacity in the workforce to identify and adhere to legislative changes Lack of finance to adjust to changes in legislation Lack of Member or Senior Management support to deliver service changes in response to new legislation Breakdown in relationships between Members and Officers Lack of capacity and skilled professionals within the Legal, Democratic and Internal Audit teams Lack of financial resources to deliver high quality governance arrangements Governance arrangements which may not provide effective oversight of shared service arrangements Lack of skills and resources to provide Anti-Fraud and Corruption service Ineffective support for Councillors in relation to governance, legal compliance and ethics Procurement undertaken outside of / in breach of the Rules 	<ul style="list-style-type: none"> Failure to fulfil statutory duties resulting in government intervention and an increase in legal liabilities Failure to continue to deliver high quality services Increase in customer complaints and falling satisfaction levels Increase in incidences of fraud and error Failure to maximise the opportunities changes to legislation may bring Ineffective political and management leadership Ineffective scrutiny of decision making and performance Failure to deliver statutory requirements including an up to date constitution, an effective Internal Audit function and an Annual Governance Statement Reputational damage 	3	4	12	<ul style="list-style-type: none"> Dedicated Lexcel accredited in house Legal team with qualified and experienced officers in place Professional managers within service areas Council's Constitution including Codes of Conduct, Officer / Member Protocol and Standards regime Cabinet and Committee Structure including Advisory, Governance, Audit, Scrutiny & Standards Committee's Monitoring Officer and Section 151 officers in post Internal Audit function complies with Public Sector Internal Audit Standards Risk Management processes embedded Effective budget setting and financial monitoring processes embedded Annual review of Committee Terms of Reference Members Handbook and Training Annual Governance Statement and action monitored and plan reported to Audit Committee <p>Action</p> <ul style="list-style-type: none"> Review effectiveness of Procurement Working Group 	2	3	6

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR08: Capacity of Community Partners - <i>The impact of austerity and reduced public spending on the workloads and budgets of community partners and the voluntary sector</i> Lead Officer: Lesley Bowles								
<ul style="list-style-type: none"> • Reductions in Government funding of partners such as housing, health, leisure, Police and Fire & Rescue services • Changes to the way Government grant is distributed inhibiting the delivery of local priorities e.g. health funding • Reductions in Council grant constraining the funding available for community grants <p>Reduction in the number of voluntary sector organisations operating in the District as a result of funding difficulties or lack of willing volunteers</p>	<ul style="list-style-type: none"> • Unable to deliver the priorities and actions set out in the Community Plan, Community Safety Action Plan and Health Action Plan • Unable to deliver on the priorities and actions set out in the Council's health and housing strategies • Increased hardship in the District 	3	3	9	<ul style="list-style-type: none"> • Robust budget setting processes in place which considers the benefits of the Council's community grant scheme • Ability to attract external funding to sustain community projects • Strong relationships with local community and voluntary groups • Community Awards Scheme to celebrate the success of local residents and community projects and promote the benefits of volunteering • Robust monitoring 	2	3	6

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR09: Customer re-design project - Potential impact on staff, organisational culture and service performance that may arise through the Council's customer re-design project Lead Officer: Lee Banks								
<ul style="list-style-type: none"> Adequate project management in place for each phase of the customer re-design Adequacy of the communication plans for the customer re-design Level of engagement with managers and staff throughout the project Sufficient resource and skills to deliver the project effectively Sufficient budget to deliver the programme and the outcomes identified 	<ul style="list-style-type: none"> Increase in staff turnover Falling morale and satisfaction in the workplace Decline in service performance and customer satisfaction Project unsuccessful in delivering the desired outcomes 	3	4	12	<ul style="list-style-type: none"> Project management structure in place for the customer re-design project Communications plan in place for the customer re-design project Frequent briefings of Managers and Staff to keep them informed Project methodology developed in partnership with expert consultants Staff trained to deliver the programme by expert consultants Performance measures in place evaluate service performance Budget identified to support invest to save projects 	2	4	8

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR10: Health & Safety - Breach / non-compliance with Health & Safety legislation and practices resulting in harm to workforce Lead Officer: Richard Wilson								
<ul style="list-style-type: none"> Health and Safety Policy, guidance and training for staff Controls for the effective management of Health and Safety Effectiveness of health and safety risk assessments Awareness of health and safety controls and practices at work Capacity and skills to ensure continuous provision of high quality health and safety in the work place Property standards decline Non-compliance with statutory requirements 	<ul style="list-style-type: none"> Poor working practices Increased absence from work Work place accidents and near misses Health and Safety Executive inspections and fines Reputational damage as a service provider and as an employer Corporate Manslaughter Financial burden 	4	4	16	<ul style="list-style-type: none"> Health and Safety Policy regularly updated Health and Safety guidance Health and Safety risk assessments Health & Safety risks included within Operational Risk Registers Regular review and monitoring of risk assessments and safe working practices Health and Safety training Health monitoring Accident recording, monitoring and action planning CIEH qualified Officers to undertake risk assessments Occupational health service 	2	4	8

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR11: Emergency planning & severe weather events - Ability to respond effectively in the event of a prolonged major incident while maintaining the ability to keep services running								
Lead Officer: Richard Wilson								
<ul style="list-style-type: none"> Adequacy of emergency plan & business continuity plans Ability to appropriately implement emergency plans in response to any given event Capacity or specialist skills within the workforce to co-ordinate and respond to a major emergency <p>Controls for major emergency hazards Security - responding to national threat levels (move to critical plans within the major) emergency plan)</p>	<ul style="list-style-type: none"> Disruption to the community and to community services Inability to maintain Council services Excessive non-recoverable expenditure on response Loss of Council information Reputational damage 	3	4	12	<ul style="list-style-type: none"> Emergency Planning Officer Group Expertise to formulate and co-ordinate the Council's emergency response Programme of training delivered to staff on Emergency Planning & business continuity District Major Emergency Plan (including the Business Continuity Plan) in place, regularly updated, enhanced and tested Community Risk Register IT Disaster Recovery Plan in place and tested Collaborative arrangements and plans agreed with other Category 1 and 2 responders, Town and Parish Councils, the voluntary sector and others Access to support resources from across the Council, including Direct Services Applied learning from experience of emergency and flooding incidents Council is a member of the Kent Resilience Forum which gives access to expertise and resources Business continuity impact assessments undertaken identifying priority services Mutual aid provision via Civil Contingencies Act 	2	3	6

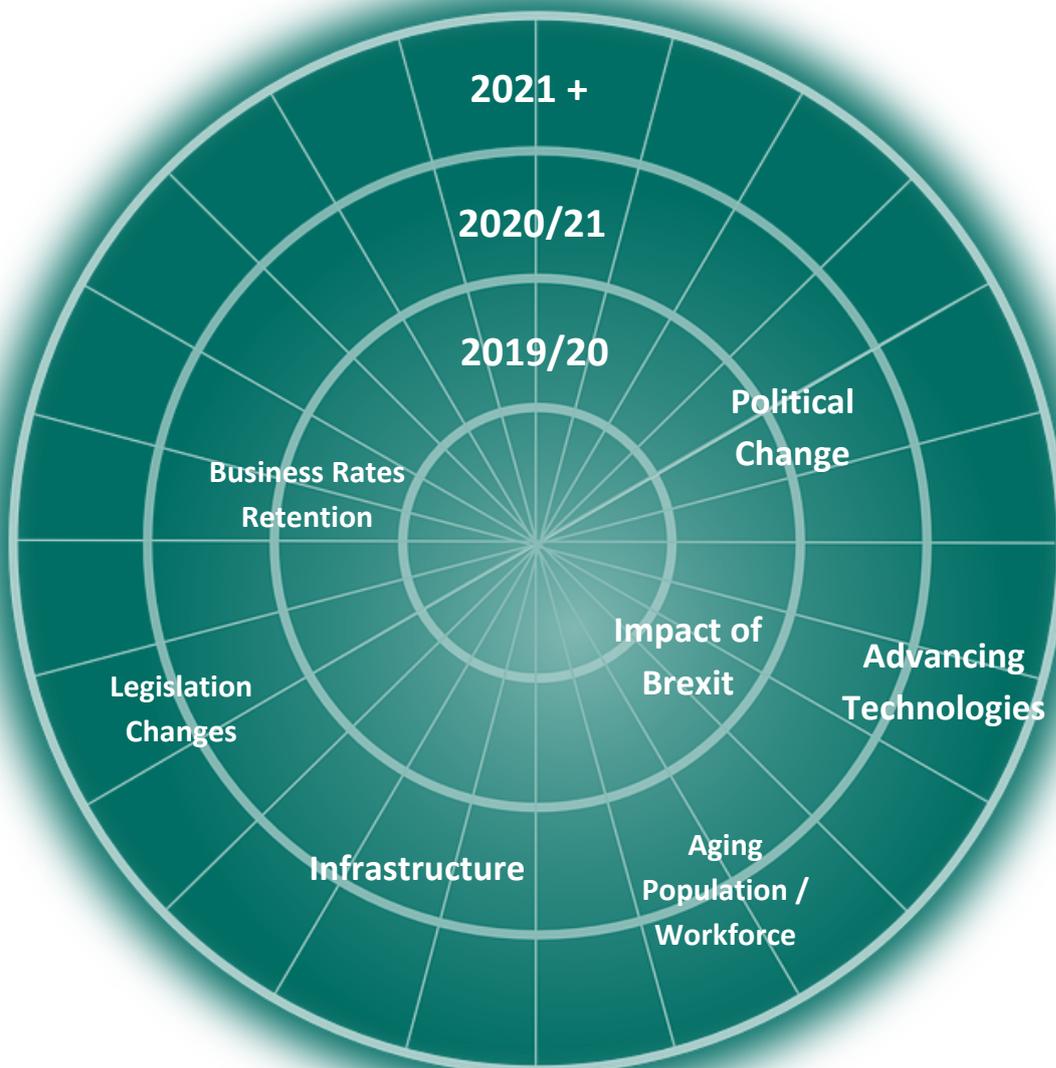
Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR11: Safeguarding - Failure to identify and act on a Safeguarding concern Lead Officer: Lesley Bowles								
<ul style="list-style-type: none"> Failure by the organisation or a member of staff to take action to refer a child or vulnerable adult to the appropriate agency when we become aware that they may be at risk Training and awareness of Safeguarding duties and processes <p>Increased interaction with potentially vulnerable children and adults</p> <p>Reductions or loss of resources, capacity and knowledge / expertise</p>	<ul style="list-style-type: none"> Could result in domestic homicide, suicide or other death, injury or continuing neglect, continuing modern slavery, human trafficking, terrorism Damage to public confidence and Council reputation 	2	4	8	<ul style="list-style-type: none"> Safeguarding Policy, DBS checks in place for relevant staff, Training for staff, Promotion of safeguarding to all staff through posters, Safeguarding newsletters and Grapevine Simple reporting arrangements A corporate Safeguarding Group to continually review and update policy and processes Staff trained as trainers Trained Designated Safeguarding Officers. Lead Chief Officer reports regularly to SMT. Deputy Lead is also a Chief Officer Annual Section 11 Audits to provide external assurance Internal audit review and follow-up Good working relationship with KCC and the Kent Safeguarding Boards <p>ACION:</p> <ul style="list-style-type: none"> Further plans to have staff sign up to the policy online and complete online training as soon as they join the organisation. 	1	4	4

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR13: Local Plan - <i>The Local Plan is not found sound at examination</i> Lead Officer: Richard Morris								
<ul style="list-style-type: none"> The weight the Inspector attributes to material factors is inconsistent with examination examples A plan is submitted that doesn't align with the evidence base Government introduce new, or amend existing, plan making requirements 	<ul style="list-style-type: none"> Unplanned, unsuitable and unsustainable development could occur Housing growth could not deliver the identified infrastructure needs The appropriate balance of uses; housing; employment; retail; social and community facilities would not be delivered Cherished landscapes could not be protected Significant waste of public monies 	3	4	12	<ul style="list-style-type: none"> Full Member engagement on plan making and agreement on strategy and approach Officer membership of expert groups so knowledge is current External plan making and legal support to ensure compliance with the statutory process Robust evidence base and high standard stakeholder and community engagement Use of Counsel to advise on procedural and soundness issues Close liaison with key stakeholders such as PINS, and the CLG Monitoring of comparable DPDs and identify relevant lessons Staff training and good levels of awareness Peer review 	2	8	8

Strategic Risk Radar

Long-term horizon scanning allows us to be aware of key risks which are, as yet, too uncertain to assess or quantify. By keeping our eye on and tracking these issues we are able to draw them down into the strategic risk register when the timing is right.

Having a longer-term view of strategic risk also enables us to be aware of local, sector-wide and even global issues. The chart below shows some of issues we are keeping on our radar for potential future inclusion into the strategic risk register:



Monitoring

We keep a watching eye on our strategic risks, principally through the Council's Management Team on a quarterly basis, and through our Audit Committee annually.

However, risk management is an ongoing and living process. We operate in a volatile environment where risks are ever changing. It is therefore vital that we have an awareness of emerging risks, and ensure that we are in the best position to respond to those risks. As such, we have a Risk Management Group who maintains an overall responsibility to ensure that we are managing our strategic risks effectively.

A supporting work plan is in place to set out how we develop, maintain and monitor the risk management process and the management of our risks:

Meeting	Responsibilities					
	Risk Framework	Risk Management	Risk Issues	Risk Actions	Risk Culture	Training & Guidance
	To develop and maintain the Council's Risk Management Framework	To act as a sounding board for high level risks to ensure that actions are being taken to manage impact / likelihood	To maintain a broader view of the risk profile for the Council and highlight key risk themes and emerging risks	To develop and implement effective risk management responses and actions	To champion and advocate risk management across the Council	To provide risk management support, guidance and training
Spring (Q1)		✓	✓	✓	✓	
Summer (Q2)		✓	✓	✓	✓	✓
Autumn (Q3)		✓	✓	✓	✓	
Winter (Q4)	✓	✓	✓	✓	✓	✓
Key project	<i>Review and update of Risk Management Strategy</i>	<i>Refresh and update of Strategic & Operational Risks</i>	<i>Reporting of risk analysis & intelligence</i>	<i>Risk Action Plans</i>	<i>Communication of risk information on website</i>	<i>Update training programme & guidance</i>
Audit Committee	16 October 2018	16 October 2018				

This page is intentionally left blank

Agenda Item 9

Introduction and Background

- 1 All Members, but particularly those members of the Audit Committee, play a key role in ensuring the Council's systems of control, risk management and corporate governance are designed and operating effectively. In order to properly fulfil these responsibilities Members should ensure that their knowledge, expertise and understanding of current practice remains up to date.
- 2 The Committee undertakes a self-assessment each year, which follows [CIPFA's Practical Guidance](#). While the most recent assessment (2017/18) did not highlight any areas of specific weakness, the Committee itself expressed a desire to want to continually develop their knowledge, skills and effectiveness. As such, Officers were requested to bring back proposals on how best to achieve continuous development through the delivery of a series of development sessions. This proposal is attached in Appendix A.

Other Options Considered and/or Rejected

- 3 Until now, the Committee has developed expertise, knowledge and technical ability through experience and through ad-hoc training. While this approach has allowed the Committee to stay abreast of current practice, the Committee itself has recognised the need to improve. As such, we have developed proposals for a new programme rather than considering to stay with the previous approach.

Key Implications

Financial

Briefing sessions can be delivered by an appropriately qualified and experienced individual, who may be an officer of the Council or where budget allows and there is identified need, an external training provider. Any expenditure will be managed in accordance with the Financial Procedures.

Legal Implications and Risk Assessment Statement

There are no legal implications associated with this decision.

The Audit Committee maintains oversight of the Council's risk management processes. Therefore up to date knowledge of risk management practice is necessary to ensure effective oversight and monitoring.

Equality Implications

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Conclusion

The Member development proposal (Appendix A) is intended to provide Members with a programme to develop knowledge, expertise and effectiveness, with sufficient coverage and flexibility to be adaptive to assessed development needs and demands of the Committee's work plan.

Appendices

Appendix A - Member Development Proposal

Background Papers

Details of the Audit Committee Terms of Reference are published on the Council's [website](#) and were most recently agreed at the Annual Council meeting on [15 May 2018](#).

The associated action that has generated this proposal is recorded in the Minutes of the meeting of the Audit Committee on the [19 July 2018](#).

Adrian Rowbotham

Chief Finance Officer

This page is intentionally left blank

Audit Committee - Member Development Proposal

Introduction

This proposal sets out, in draft, how a Member development programme might look for the Audit Committee. The Programme set out below takes its lead from the Committee terms of reference and seeks to provide comprehensive coverage of both those terms and the wider expectations of an Audit Committee as described by CIPFA.

Context

- The Terms of Reference for the Audit Committee were first drafted in 2012/13 and were most recently agreed in the Annual Council meeting in May 2018.
- The Audit Committee undertakes a self-assessment following CIPFA's Practical Guidance each year - this includes an assessment of skills and knowledge.
- The first assessment was undertaken in March 2015 after the Committee's second full year of operation.
- The most recent assessment for 2017/18 did not highlight any areas of specific concern or weakness.

Following the most recent assessment, Members of the Audit Committee made the following recommendation:

That Officers bring specific proposals for Member training to the next scheduled meeting of the Committee to allow further discussion of training requirements.

Previous training

Over the past 3 years a number of training sessions have been arranged and have been well attended by Members. Notably, joint training with Dartford Audit Board members in June 2017:

- **June 2015:** Role of Internal Audit
- **September 2015:** Risk Management
- **January 2017:** Joint training proposal (with Dartford) using CIPFA training brochure offering bite size sessions on 4 of the following sessions (topics highlighted below):
 - Case study using a standard internal audit report
 - Roles and responsibilities
 - Public Sector Internal Audit Standards (PSIAS)
 - Risk management
 - Corporate governance
 - Approving the annual accounts
 - Fraud and corruption
 - Value for money
 - Assurance gathering
 - How effective is the Audit Committee?

- **Monday 5th June 2017:** Training delivered by CIPFA on above 4 highlighted topics
- **Tuesday 13 June 2017:** Grant Thornton delivered training on the Statement of Accounts

Proposed Programme

The table below sets out 10 overall themes, with related topics that can be covered as part of training, development or briefing sessions. Each theme is linked to the Terms of Reference and includes suggested timings based on previous training history, and also relevance to the work plan:

Development Theme & Specific Topics	Ref to ToR	Suggested Timing	Training History
Internal Audit Activity <ul style="list-style-type: none"> - Committees role in relation to internal audit - Ensuring an effective internal audit process <ul style="list-style-type: none"> - Internal audit planning 	b, c, d, e	Jan - March in advance of audit plan	June 2017 (part covered)
Reviewing the Annual Governance Statement <ul style="list-style-type: none"> - The AGS within the Council's governance <ul style="list-style-type: none"> - Specific topics within the AGS - Comparative review of AGS across local gov 	k, m, n	Jan - March	
Countering Fraud <ul style="list-style-type: none"> - Whistleblowing <ul style="list-style-type: none"> - Investigative practice - Fraud risks and the Councils response <ul style="list-style-type: none"> - Governance polices 	g,	Flexible	June 2017
Risk Management <ul style="list-style-type: none"> - Ensuring effective risk management - Specific strategic and operational risks <ul style="list-style-type: none"> - Risk management strategy - Local government risk outlook 	k	July - In advance of risk management report in October	September 2015 & June 2017
Role of internal and external audit <ul style="list-style-type: none"> - Differences in internal/external audit role <ul style="list-style-type: none"> - Assuring effective external audit - External auditor appointment 	h, i, j, l	Flexible	June 2015 (Role of IA) June 2017 (part covered)
Understanding local authority accounts <ul style="list-style-type: none"> - General understanding of accounts <ul style="list-style-type: none"> - Specific update/annual issues - Comparative review of LG accounts 	q, r, s	n/a - working group	June 2017
Procurement and contract procedures <ul style="list-style-type: none"> - Contract Procedure Rules <ul style="list-style-type: none"> - Procurement risks - Effective procurement processes 	k	Flexible	
Assurance on value for money <ul style="list-style-type: none"> - How external audit assess VfM conclusion <ul style="list-style-type: none"> - Measuring value for money in local government - Data quality and performance measurement 	i	Flexible	

Development Theme & Specific Topics	Ref to ToR	Suggested Timing	Training History
Internal Audit Standards - IA Charter & Strategy - Public Sector Internal Audit Standards - Specific work on IA conformance & the EQA	a, f	March - July in advance of the Opinion	
Standards / Members Code of Conduct - Committees role in Standards - The Kent Code - Hearing practices	o, p	Flexible	

Putting the programme into practice

Invitations - Ensuring effective governance is something that all Members have a role in, and so invites could be open to all Members.

Resource - We can deliver most (if not all) of the briefings using experienced and qualified officers of the Council, but if necessary, bringing in some external expertise (for instance asking our external auditors to run a session).

Delivery options -

- Immediately preceding a meeting of the Audit Committee (this may maximise attendance - and would still allow other members to attend (30-45min sessions))
- During the meeting - dedicating a 20 min agenda item to include a briefing, delivered as part of the meeting
- Specific programmed events (such as an afternoon or as part of wider Member engagement sessions)

Timing - Sessions designed to complement future items on the work plan - making suggestions to enable healthy challenge when the reports are considered. I.e. briefing on the audit plan in Jan in advance of the plan approval in March.

Scope - The Member Development programme should be led from the Terms of Reference, to ensure that we equip Members with the knowledge necessary to fulfil their responsibilities.

AUDIT COMMITTEE - Terms of Reference

1. Introduction
 - 1.1 The Council will appoint the Audit Committee to discharge the functions conferred by the Accounts and Audit Regulations 2015 in relation to the matters set out below and specifically to consider the Council's Financial and Governance arrangements, relating to the system of internal control and the effectiveness of internal audit, the annual governance statement; including the arrangements for the management of business risks, in compliance with Regulations 3 and 6 of the Accounts and Audit Regulations 2015 and any subsequent legislation.
 - 1.2 The number of meetings and Terms of Reference of the Audit Committee may be reviewed from time to time by the Governance Committee which may report to the Council.
2. Membership of the Committee
 - 2.1 All Members of the Council, except members of the Cabinet or their deputies and the Chairman of the Council, may be members of the Audit Committee. However, no Member may be involved in reviewing a decision in which he/she has been directly involved.
 - 2.2 The Committee will be made up of 9 elected Members, one of which shall serve as Chairman, that follow the political proportionality of the Council. The Chairman will not be a member of any Cabinet Advisory Committee. The membership of the Committee can be found at Appendix H - Membership of Council Committees, Cabinet and Advisory Committees.
 - 2.3 The Audit Committee shall be entitled to recommend to Council the appointment of up to two additional co-opted non-voting members. Any co-opted members must have the necessary technical knowledge and skills to be of value to the business of the Committee.
3. Terms of Reference of the Audit Committee

Audit Activity

- (a) To review, in collaboration with the Audit, Risk and Anti-Fraud Manager, the Internal Audit Charter on an annual basis and to consider and approve any further development of the Council's Internal Audit Charter, Strategy or terms of reference such as shall be appropriate.
- (b) To consider and approve the annual internal audit plan, including a summary of internal audit activity regarding the level of assurance that it can give over the Council's internal control, corporate governance and risk management arrangements. Further, to commission work as required from both Internal and External Audit.
- (c) To consider the Audit, Risk and Anti-Fraud Manager's annual report and assurance opinion.
- (d) To consider quarterly progress reports from the Audit, Risk and Anti-Fraud Manager regarding the progress of the Annual Internal Plan. The

Committee may request to review any individual audit report should they or the Audit, Risk and Anti-Fraud Manager deem it appropriate to do so.

- (e) To consider a report on the progress of all recommendations made by internal audit and other external regulatory or review agencies.
- (f) To receive and consider the annual report on the review of the effectiveness of the internal audit function.
- (g) To consider confidential reports on investigations carried out by Internal Audit of suspected fraud; corruption or bribery allegations within the Council or its partners.
- (h) To make proper arrangements regarding the appointment of the Council's External Auditor; to consider the appointed External Auditor's annual letter, relevant reports, and the report to those charged with governance.
- (i) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- (j) To consider any external audit report resulting from the Statement of Accounts and any recommendations and comments received from the District Auditor.

Regulatory Framework

- (k) To maintain an overview of the effective development and operation of corporate governance and risk management in the Council, and to monitor compliance with statutory duties and the Council's Constitution in respect of Financial and Contract Procedure Rules.
- (l) To monitor Council policies on 'Raising Concerns at Work'; the anti-fraud and anti-corruption strategy; the Bribery Act; and the Council's complaints process; including the Council's whistleblowing arrangements.
- (m) To consider and approve the Council's Annual Governance Statement and recommend its adoption to Council
- (n) To monitor the Council's arrangements for corporate governance and if necessary to recommend actions to ensure compliance with best practice; and to also consider compliance with the Council's own and other published standards and controls.
- (o) To receive and consider reports from the monitoring officer on lawfulness and/or maladministration; to review any issue referred by the Chief Executive, a Chief Officer, or a Statutory Officer.
- (p) To monitor the implementation of the Members' Allowance Scheme.

Accounts

- (q) To review the annual Statement of Accounts. Specifically to consider whether appropriate accounting policies, including International

Financial Reporting Standards, have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

- (r) To approve the Statutory Statement of Accounts when the deadline for approval does not allow approval by full Council.
- (s) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts, and comments received from the District Auditor.

Audit Committee 2018/19 - Work Plan (as at 01/10/18)

	16 October 2018	8 January 2019	28 March 2019	Summer 2019
Internal Audit (Irregularities to be reported confidentially as & when necessary)	Internal Audit Progress Report	Internal Audit 2018/19 - 2 nd progress report Report on Internal Audit Recommendations Outstanding	Future of Internal Audit Services Report Internal Audit 2018/19 - 3 rd progress report Report on Internal Audit Recommendations Outstanding Internal Audit Plan 2019/20	Annual Self-Assessment Review of the Effectiveness of the Internal Audit Service 2018/19 Internal Audit Annual Report 2018/19 Report on Internal Audit Recommendations Outstanding
Risk Management	Strategic Risk Update			
Accounts and External Audit		Annual Audit Letter 2017/18 Housing Benefit Subsidy 2017/18	Annual Governance Statement 2018/19 Statement of Accounts 2018/19 - setting up a Member Working Group External Audit - Annual Audit Plan	Statement of Accounts 2018/19

	16 October 2018	8 January 2019	28 March 2019	Summer 2019
Other	Members' Allowance Scheme Monitoring Member Development Proposal Affordable Housing Company - Risk Assessment		Annual Report to Council	Audit Committee Terms of Reference Review of the Effectiveness of the Audit Committee 2018/19 Counter Fraud and Compliance Report 2018/19