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South Somerset District Council

Notice of Meeting

Audit Committee

Making a difference where it counts

Thursday 28th June 2018

10.00 am

Main Committee Room, Council Offices, Brympton Way, Yeovil BA20 2HT

(disabled access and a hearing loop are available at this meeting venue)

The following members are requested to attend the meeting:

Chairman: Derek Yeomans
Vice-chairman: Tony Lock

Jason Baker	Anna Groskop	David Norris
Mike Best	Val Keitch	Colin Winder
Carol Goodall	Graham Middleton	

If you would like any further information on the items to be discussed, please contact the Case Services Officer (Support Services) on 01935 462596 or democracy@southsomerset.gov.uk

This Agenda was issued on Wednesday 20 June 2018.

Alex Parmley, *Chief Executive Officer*

This information is also available on our website www.southsomerset.gov.uk and via the mod.gov app

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Information for the Public

The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

The Audit Committee should review the Code of Corporate Governance seeking assurance where appropriate from the Executive or referring matters to management on the scrutiny function.

The terms of reference of the Audit Committee are:

Internal Audit Activity

1. To approve the Internal Audit Charter and annual Internal Audit Plan;
2. To receive quarterly summaries of Internal Audit reports and seek assurance from management that action has been taken;
3. To receive an annual summary report and opinion, and consider the level of assurance it provides on the council's governance arrangements;
4. To monitor the action plans for Internal Audit reports assessed as "partial" or "no assurance;"
5. To consider specific internal audit reports as requested by the Head of Internal Audit, and monitor the implementation of agreed management actions;
6. To receive an annual report to review the effectiveness of internal audit to ensure compliance with statutory requirements and the level of assurance it provides on the council's governance arrangements;

External Audit Activity

7. To consider and note the annual external Audit Plan and Fees;
8. To consider the reports of external audit including the Annual Audit Letter and seek assurance from management that action has been taken;

Regulatory Framework

9. To consider the effectiveness of SSDC's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements and seek assurance from management that action is being taken;
10. To review the Annual Governance Statement (AGS) and monitor associated action plans;
11. To review the Local Code of Corporate Governance and ensure it reflects best governance practice. This will include regular reviews of part of the Council's Constitution and an overview of risk management;
12. To receive reports from management on the promotion of good corporate governance;

Financial Management and Accounts

13. To review and approve the annual Statement of Accounts, external auditor's opinion and reports to members and monitor management action in response to issues raised;

14. To provide a scrutiny role in Treasury Management matters including regular monitoring of treasury activity and practices. The committee will also review and recommend the Annual Treasury Management Strategy Statement and Investment Strategy, MRP Strategy, and Prudential Indicators to Council;

15. To review and recommend to Council changes to Financial Procedure Rules and Procurement Procedure Rules;

Overall Governance

16. The Audit Committee can request of the Section 151 Officer, the Monitoring Officer, or the Chief Executive (Head of Paid Services) a report (including an independent review) on any matter covered within these Terms of Reference;

17. The Audit Committee will request action through District Executive if any issue remains unresolved;

18. The Audit Committee will report to each full Council a summary of its activities.

Meetings of the Audit Committee are usually held monthly including at least one meeting with the Council's external auditor, although in practice the external auditor attends more frequently.

Agendas and minutes of this committee are published on the Council's website at www.southsomerset.gov.uk

Agendas and minutes can also be viewed via the mod.gov app (free) available for iPads and Android devices. Search for 'mod.gov' in the app store for your device and select 'South Somerset' from the list of publishers and then select the committees of interest. A wi-fi signal will be required for a very short time to download an agenda but once downloaded, documents will be viewable offline.

Members questions on reports prior to the Meeting

Members of the Committee are requested to contact report authors on points of clarification prior to the Committee meeting.

Recording and photography at council meetings

Recording of council meetings is permitted, however anyone wishing to do so should let the Chairperson of the meeting know prior to the start of the meeting. The recording should be overt and clearly visible to anyone at the meeting, but non-disruptive. If someone is recording the meeting, the Chairman will make an announcement at the beginning of the meeting. If anyone making public representation does not wish to be recorded they must let the Chairperson know.

The full 'Policy on Audio/Visual Recording and Photography at Council Meetings' can be viewed online at:
http://modgov.southsomerset.gov.uk/documents/s3327/Policy%20on%20the%20recording%20of%20council%20meetings.pdf

Audit Committee

Thursday 28 June 2018

Agenda

Preliminary Items

1. Minutes

To approve as a correct record the minutes of the previous meeting held on Thursday 26th April 2018.

2. Apologies for absence

3. Declarations of Interest

In accordance with the Council's current Code of Conduct (as amended 26 February 2015), which includes all the provisions relating to Disclosable Pecuniary Interests (DPI), personal and prejudicial interests, Members are asked to declare any DPI and also any personal interests (and whether or not such personal interests are also "prejudicial") in relation to any matter on the agenda for this meeting.

4. Public question time

5. Date of next meeting

Councillors are requested to note that the next Audit Committee meeting is scheduled to be held at 10.00am on Thursday 19th July date in the Main Committee Room, Brympton Way, Yeovil.

Items for Discussion

Practical Implications of the Revised Prudential Code, Treasury Management Code, Local Authority Investments and Minimum Revenue Provision

Executive Portfolio Holder:	*Councillor Peter Seib*
Service Manager	*Paul Fitzgerald, S151 Officer*
Lead Officer:	*Paul Matravers, Finance Specialist*
Contact Details:	*Paul.matravers@southsomerset.gov.uk or (01935) 462275*

Purpose of the Report

1. To update Members on CIPFA's updated version of The Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes (Treasury Management Code) and The Prudential Code for Capital Finance in Local Authorities (Prudential Code) which were published in December 2017.

2. To update Members on revised guidance from the Ministry of Housing, Communities and Local Government (MHCLG) on Local Authority Investments and Minimum Revenue Provision (MRP), published in February 2018 following the consultation in 2017.

3. To summarise the key elements and requirements of the codes and guidance, highlight the changes, identify their implications and to provide an action plan for key actions and decisions that need to be taken in order to comply with the updated requirements.

Recommendation

4. Audit Committee notes the implications and actions required arising from new Codes of Practice and Statutory Guidance which includes:

   Prudential Code (2017)
   Treasury Management Code (2017)
   Statutory Guidance on Local Authority Investments (2018)
   Statutory Guidance on Minimum Revenue Provision (2018)

Background

5. The Chartered Institute of Public Finance and Accountancy (CIPFA) and central Government recognise that local authorities are undertaking a range of measures to respond to austerity impact on local government funding, including adopting updated or new strategies in respect of treasury and commercial investments. Such measures result on authorities changing attitudes and appetite for risk, and venturing into new areas. In this context, both CIPFA and Government consulted during 2017 on proposed changes to relevant codes of practice and statutory guidance.

6. Like other authorities, South Somerset has taken such measures with the Council approving a new commercial strategy in August 2017 and updated financial strategy in September 2017. It is important that SSDC therefore understands the updated requirements and ensures its governance and business processes are reviewed accordingly.

7. The new Codes and Guidance are by their nature quite technical and use terminology that is used in practice by Council staff who specialise in these areas. This report includes a lot of detail in the appendices that aims to highlight the key requirements, which by definition uses related jargon. Please contact the Lead Officer for this report if any clarification is required.

Prudential Code and Treasury Management Code of Practice

8. As referred above, in 2017 CIPFA consulted on proposed changes, and in December 2017 published updated editions of the:

- The Prudential Code for Capital Finance in Local Authorities (Prudential Code)
- Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes (Treasury Management Code)

9. Appendix A to this report focuses on the detailed practical implications of the new publications, however a summary of the major changes are provided below.

   a. **Capital Strategy** – The Prudential Code includes a requirement to produce a Capital Strategy which provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services, and a long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability.

   b. **Prudence and Prudential Indicators** – The requirement on prioritising security and liquidity has been revised: "Authorities should consider a balance between security, liquidity and yield which reflects their own risk appetite but which prioritises security and liquidity over yield." The range of Prudential Indicators has been updated including deletions and a recommendation of potential indicators to include in the Capital Strategy.

   c. **Treasury Management Practices (TMPs)** – TMPs set out the operational procedures and 'rules' followed by its treasury management staff in managing day to day decisions in respect of the council's banking, investment and borrowing arrangements. The updated Codes bring recommended wording change for TMPs.

   d. **Management Practices for Non-Treasury Investments** – New requirement for management practices (similar to TMPs) to be developed and implemented for non-treasury investments (such as commercial investment properties) – providing clearly documented procedures for our approach to commercial investment such as the scope of due diligence to be completed. In practice this is covered in our existing governance arrangements but these will be reviewed to provide further assurance.

   e. **Definition of investments** –, the definition of 'investments' has been widened to include not only financial assets (e.g. cash placed in Money Market Funds) but also non-financial assets held primarily for financial returns such as investment property.

Investment Guidance

10. In February 2018 the MHCLG (Ministry of Housing, Communities and Local Government) published revised Statutory Guidance on Local Government Investments and Statutory Guidance on Minimum Revenue Provision (MRP).

11. Below are the main changes included in the revised Local Government Investments guidance, further details are included in Appendix B:

a. **Definition of investments** – Includes a wider definition of investments to include non-financial assets held primarily for generating income return.

b. **Loans –** A new category of investment called “loans” (e.g. temporary transfer of cash to a third party, joint venture, subsidiary or associate) has been introduced within the scope of the Guidance. This will be relevant if the Council provides loan finance to third parties.

c. **Definition of Borrowing In Advance of Need –** Under the Guidance, MHCLG have emphasised that councils may not “borrow in advance of need” to profit from the investment of the sums borrowed. This is not new in the context of treasury investments. What is new is that this will apply to non-financial investments (e.g. investment in commercial property that is solely commercial). Under legislation, local authorities must “have regard to” the statutory guidance, and where authorities chose to disregard this guidance they must explain the reason(s) why including purposes for investing the money borrowed and management of risks.

   This is a key consideration for SSDC as the Council has agreed its Commercial Strategy which will reply on the use of borrowing powers to acquire assets for commercial return. The Commercial Strategy provides clarity on the reasons for the commercial investment and why it is needed to protect local services for our community. Importantly the new Guidance does not prohibit SSDC from borrowing, however we will need to reinforce our governance and reporting to ensure the reasons for disregarding the Guidance is open and transparent.

d. **Introduces the concept of proportionality –** the extent to which expenditure to meet the service delivery objectives and/or place making role of that local authority is dependent on profit-generating investment. The guidance also proposes additional reporting requirements where the Council borrows to invest and also specifies additional indicators.

e. **Reliance on Investment Income –** Investment strategies must detail the extent to which service delivery objectives are reliant on investment income and a contingency plan should yields on investments fall.

12. The main purpose of the updated guidance is to ensure local authorities are taking investment decisions with a good understanding of the risks, clear plans in place to manage risks, and a clear understanding the relative reliance on investment income in meeting its purpose and priorities. It strengthens the requirement for open and transparent reporting whilst recognising this needs to be balanced to protect the Council’s commercial position.

Managing Debt Repayment

13. In its simplest form, “MRP” is the amount a local authority should charge to the budget each year to repay capital borrowing. The main changes to the statutory guidance on Minimum Revenue Provision (MRP) issued in February 2018 (applicable from 2019/20 financial year), with additional information also included in Appendix B, are:

    a. The definition of ‘Prudent MRP’ – a revised definition is included in the guidance is ‘to put aside revenue over time to cover the Capital Financing Requirement (CFR).’ In other words we need to make sure we are budget for the repayment of capital borrowing on a prudent basis.

b. The suggested methods for calculating the provision for debt repayment have been updated, for example to propose that (subject to certain conditions) the repayment period for capital debt should not exceed 50 years.

c. Due to timing of the publication there is no requirement to reflect the revised guidance in the approved 2018/19 investment strategy and MRP policy; however the new guidance is applicable from the 2019/20 financial year.

14. Authorities can continue to choose their own method(s) for calculating MRP and will need to ensure this can be justified as prudent – for example – with our external auditor.

15. The changes to the Treasury Management Code of practice and the Prudential Code for Capital Finance are detailed in Appendix C and D respectively for information.

Financial Implications

16. There are no immediate direct financial implications in respect of this report.

17. The new investment guidance could have an impact on the Council's financial strategy – and Commercial Strategy in particular – if these were amended to strictly apply the definition of "borrowing in advance of need". In response to the Government's consultation we were clear that in our view the definition of "need" is very different in the current funding landscape for local authorities, where we have much reduced availability and reliance on government grant funding, and greater reliance on a combination of local taxation and addition income generation through commercial investment activity. The Council needs to generate income through commercial investment in order to fund and protect services. There is some flexibility to use reserves to support some investment costs however the majority of commercial investment will require upfront borrowing. Appropriate due diligence is undertaken to identify and manage risks, and the commercial strategy clearly explains how the commercial income will support the Council's priorities. It is recognised this will need to be reviewed and possibly updated, and it is a positive step to ensure this is regularly and openly reported to Members and other stakeholders through the new Capital Strategy.

18. The application of the new Codes and Guidance will be incorporated within the financial framework of the Council including the treasury and investment strategies, capital strategy and budget strategy. A summary of the proposed key actions in response to the new Codes and Guidance is shown in the table below:

Action Plan

	Action	Responsible	Target Date
1	Treasury Management Practices to be reviewed and updated ensuring compliance with the new Codes, to be approved by the S151 Officer	Finance Specialist	Sep 2018
2	Prepare new Management Practices for non-Treasury Investments, to be approved by the S151 Officer	Finance Lead Specialist	Sep 2018
3	Prepare a new Capital Strategy, to be updated annually alongside the Budget and Treasury Strategy, incorporating relevant quantitative indicators that allow Councillors and the public to assess the Council's total risk exposure as a result	S151 Officer	Feb 2019

	of its investment decisions		
4	Review Commercial Strategy and related governance and reporting, including terms of reference and decision reporting process of the Investment Assessment Group (IAG), to ensure compliance with new Codes and Guidance	Director Commercial Services and S151 Officer	Oct 2018
5	Ensure the 2019/20 Treasury Strategy meets the requirements of the new Codes and Guidance	S151 Officer	Feb 2019
6	Review and update the Council's MRP Policy for approval ready for 2019/20 financial year	S151 Officer	Feb 2019
7	Review Financial Regulations and update to reflect requirements of new Codes and Guidance as required	S151 Officer	Oct 2018
8	Ensure budget setting and monitoring reports complement the reporting requirements of the Capital Strategy and provide open and transparent information on the reliance and impact of treasury and commercial investments.	Finance Lead Specialist	Feb 2019

Background Papers
None

APPENDIX A

The Practical Implications of the new Treasury Management Code and Prudential Code

1. Adoption of the Treasury Management Code

Due to a change in the Prudential Indicators (see below) there is no longer a requirement for local authorities to formally adopt the Treasury Management Code. Local authorities in all parts of the UK are now required by law to have regard to the Code.

The Council therefore does not need to formally adopt the latest revision to the TM Code.

2. Treasury Management Strategy Statement (TMSS) 2018/19

Full Council formally approved the 2018/19 TMSS on 22 February 2018; the revised code does not include any changes to the format or content of the TMSS.

This means that the strategy statement approved by Full Council in February meets the requirements of the new code and there is no requirement to take a revised TMSS to committee for approval.

In its consultation on changes to the Code, CIPFA proposed and approved changes to its treasury management Indicators. However, these are contained in the local authority sector-specific guidance notes, not the Treasury Management Code itself (which applies to the wider public sector). Arlingclose, the Council's treasury advisors, understand that updated LA Guidance Notes will be published later this year.

Where a local authority produces a capital strategy, the Treasury Management Code allows the TMSS to be approved by a Committee instead of Full Council, therefore Council could chose to delegate this to say the Executive or Audit Committee. However, government guidance across the UK requires Full Council to approve the Investment Strategy which is inextricably linked with our treasury strategy, so this will have little effect until government guidance is changed.

3. Capital Strategy

The updated Prudential Code includes a requirement for local authorities to produce a Capital Strategy, which is to be a summary document approved by Full Council covering:

- Capital expenditure and financing
- Treasury management and non-treasury investments.

A statement published by CIPFA recognises that authorities may require a lead-in period to create a Capital Strategy and states that "it recognises that this requirement may not be able to be fully implemented until 2019/20 financial year."

In a separate consultation on changes to the Guidance on Local Authority Investments applicable to authorities in England, the Ministry of Housing, Communities and Local Government (MHCLG) has proposed certain items be included within the Capital Strategy. Arlingclose will therefore produce a template for an annual Capital Strategy report when updated government guidance has been published.

4. Prudential Indicators

The new Prudential Code has deleted three Prudential Indicators

- Incremental impact on Council Tax
- Adoption of the Treasury Management Code
- Housing Revenue Account limit on indebtedness (not applicable to SSDC)

and recommends that the following three are included in the Capital Strategy:

- Authorised limit
- Operational boundary
- Estimates of capital expenditure

Although the Capital Strategy need not include the indicators for the capital financing requirement (CFR) or its comparison with gross debt, the Code recommends that forecasts for both the CFR and external debt are included.

The remaining indicators, which will be the ratio of financing costs to net revenue stream and any local indicators need not be approved by Full Council going forward.

However, given the effective requirement to include five of the six mandatory indicators in the Capital Strategy, it is anticipated that most Authorities will opt to include all six from 2019/20 onwards.

The 2018/19 Prudential Indicator estimates have been presented as in previous years. The deleted indicators described above have been included and a decision on whether these indicators are kept as local indicators in future years needs to be taken by the Council. This will be addressed through the development of approved TMSS and Capital Strategy for 2019/20.

5. Treasury Management Practices (TMPs)

The recommended wording has been updated for TMP 1 - Risk Management and TMP 4 - Approved Instruments, Methods and Techniques. There are also a number of changes to the cross-sectoral guidance notes and suggested schedules, which depending on the format of the Council's current TMPs may also need updating.

Arlingclose will issue an updated template for the TMPs in due course and the Council will update its TMPs in line with this.

6. Management Practices for Non-Treasury Investments

The revised Treasury Management Code includes a new requirement for **management practices for non-treasury investments** (similar to TMPs), including loans made and guarantees given for service purposes, shareholdings in subsidiaries and direct property investments.

Given the wide variety of non-treasury investments made by local authorities, Arlingclose are not intending to issue a template document to meet this new requirement, although suggested paragraph headings will be provided.

Although a separate requirement, it is anticipated that most Authorities will include non-treasury management practices with their TMPs, and it is proposed this is the case for SSDC.

APPENDIX B

Revised guidance from the Ministry of Housing, Communities and Local Government (MHCLG) on Local Authority Investments and Minimum Revenue Provision (MRP)

This paper summarises the main changes to the guidance on Local Government Investments and Statutory Guidance on Minimum Revenue Provision (MRP) issued in February 2018.

1. Investment Guidance

- Investments now include all the financial assets of the authority and those non-financial assets held primarily or partially to generate a profit, including investment property and loans to subsidiaries and third parties.

- The guidance includes a definition of a “loan” being an agreement for the temporary transfer of cash to another party who promises to return it, unless the other party is a local authority when it is a specified investment instead.

- The guidance is effective from 2018/19, but strategies approved before 1 April 2018 need not comply with new requirements, only mid-year amendments.

- The threshold for parish councils requiring an investment strategy has been reduced to £100,000 of investments from £500,000.

- Treasury management investments should follow the principles of the CIPFA Treasury Management Code. The guidance then states that “the only other element of this guidance that applies to treasury management investments is the requirement to prioritise security, liquidity and yield in that order”.

- Authorities must disclose in their strategies the contribution that non-treasury investments make towards service delivery objectives, for example income, economic growth, correcting market failure.

- There is a new requirement for indicators to show the authority’s total risk exposure as a result of investment decisions, including debt servicing costs where borrowing to invest. Informal commentary gives nine recommended indicators.

- Security, liquidity and yield apply in that order of importance for treasury investments, but a different balance between the three can be struck for other investments.

- There is no change to the definitions of specified and non-specified investments; but strategies must now confirm whether investments have remained with the non-specified limits.

- Loans are neither specified or non-specified, but can only be made to local enterprises, local charities and local authority subsidiaries and joint ventures if certain conditions are met including keeping a proportionate exposure, following proper accounting practice, maintaining credit control procedures and setting formal lending limits.

- Security for investment property means keeping its fair value above the purchase price. If it falls below then the strategy must state what mitigating actions will be taken; this needs to be in an updated strategy if the fall in fair value is identified at year end after the annual strategy has been approved.

- A statement is required on how the competitive market for investments has been assessed.

- A statement on liquidity is now only required for non-treasury investments that are not loans. For financial investments, this will set out how the maximum period for investment is determined; for property investments, it must state how they will be sold e.g. to meet loan maturities.

- Where the balanced budget depends on profit generating investment, the strategy must explain the extent to which service delivery objectives are dependent on achieving the expected net profit and the contingency plans in place should this not be achieved.

- Authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.

  However, it is recognised that income generation can be important for the sustainability of local services therefore if an authority chooses to 'disregard' or ignore this guidance then it must explain why it is ignored and explain the policies for investing the money borrowed, including management of the risks, and the contribution the investment income makes to fund the delivery of local priorities and services.

- Statements are required on the steps taken to ensure that members and officers can make informed investment decisions; that they are aware of the prudential framework; and on the authority's corporate governance arrangements.

- The investment strategy no longer needs to state the circumstances in which a revised strategy should be prepared.

2. Minimum Revenue Provision Guidance

- The new guidance applies from 2019/20, except the ban on backdating MRP policy (see below) which applies from 2018/19.

- The definition of prudent MRP has been changed to *"put aside revenue over time to cover their CFR"*, which differs from the revised definition in last year's proposal. [CFR = Capital Financing Requirement, which is a measure of the underlying need to borrow for capital purposes].

- The four example methods of calculating MRP remain the same, and alternative methods can still be used if they are more appropriate.

- Authorities can choose to make more MRP than they consider the prudent minimum, and this should be explicit in the MRP statement. This will effectively be an overpayment of MRP.

- MRP cannot be a credit to revenue; and can only be zero if the CFR is zero, or if an explicitly identified overpayment is being unwound.

- MRP policy may be changed, but a change cannot be backdated to create an overpayment that permits future MRP to be reduced.

- There is an exception for MRP “holidays” already planned to unwind overpayments arising on policy changes approved before 31 March 2018, where the planned reductions may continue. This is not applicable for SSDC.

- When using the depreciation method, MRP must include impairment charges. SSDC does not currently use the depreciation method.

- MRP can still be delayed until the year after an asset becomes operational; but the definition of “operational” has been changed to match accounting practice.

- The maximum asset life used in MRP calculations is to be 50 years, unless a longer life is certified by an appropriately qualified professional adviser, or the asset has been acquired on a lease of longer than 50 years.

- The application of a new accounting standard - IFRS 16 - which takes effect from 2019/20 will bring additional leased assets onto the balance sheet and transitional MRP arrangements are included.

- The depreciation method is not to be used for investment properties, since they are not depreciated.

- The useful life of computer software should be the shorter than that of the software licence and the useful life of the hardware.

APPENDIX C

CIPFA Treasury Management in Public Services Code of Practice and Cross-Sectoral Guidance Notes December 2017 – Revisions

Changes to the Treasury Management Code:

Section	Change type	Details of change
1 - Introduction	New Paragraph	**Definition of treasury management:** *“Investments in the definition above covers all the financial assets of the organisation, as well as other non-financial assets which the organisation holds primarily for financial returns, such as investment property portfolios.* *This may therefore include investments which are not managed as part of normal treasury management or under treasury management delegations. All investments require an appropriate investment management and risk management framework under this Code.”*
3 – Status	Reference Change	Reference to the **Non-Investment Products Code** replaced with the **Bank of England’s 2017 Money Markets Code**.
4 – Key Principles	Amendment	The **second principle** has been amended*: “Organisations should ensure that priority is given to security and portfolio liquidity when investing treasury management funds”* and the reference to the House of Commons 1991 report on the closure BCCI has been deleted.
5 – Clauses to be formally adopted	Text added	Text has been added to the **note to clause 2**: *“Where a capital strategy is produced by a local authority”*, the committee with delegated responsibility for the implementation and regular monitoring of TM policies and practices *“may also set the detailed treasury management policies, while being clear that overall responsibility remains with full council.”*
6 – Treasury Management Policy Statement	No change	The policy statement is unchanged, including the definition of treasury management.
7 – Treasury Management Practices **TMP 1 – Risk Management**	New Paragraph	Added to the General Statement, partly by moving text from the section on counterparty risk: *“This organisation regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment.”* **Inflation risk** has been reintroduced as a TM risk requiring management: *“The organisation will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation’s inflation exposures*”. The paragraph previously entitled “market risk

Section	Change type	Details of change
		management" is now entitled "price risk management", to better reflect the nature of the risk under discussion and separate it from other market risks.
7 – Treasury Management Practices **TMP 4 – Approved Instruments, Methods and Techniques**	New Paragraph	*"This organisation has reviewed its classification with financial institutions under MIFID II (Markets in Financial Instruments Directive) and has set out in the schedule to this document those organisations with which it is registered as a professional client and those with which it has an application outstanding to register as a professional client."*
8 – Investments that are not part of Treasury Management Activity	New Section	New section of the Code has been added to **cover investments made for reasons other than treasury management**: "Where, in addition to treasury management investment activity, organisations invest in other financial assets and property primarily for financial return, these investments should be proportional to the level of resources available to the organisation and the organisation should ensure that the same robust procedures for the consideration of risk and return are applied to these decisions. "This organisation recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios. "This organisation will ensure that all the organisation's investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management. "The organisation will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation's risk exposure."

Changes to the Cross-sectoral Guidance Notes:

Section 1 – Background and Explanatory Notes

Section	**Change type**	**Details of change**
1.1 Risk Management	New Definition	A definition of **inflation risk** has been included: "Inflation risk, also called purchasing power risk, is the chance that the cash flows from an investment won't be worth as much in the future because of changes in purchasing power due to inflation."
1.1 Risk Management (Managing Treasury Management Risks)	Reference Change	**Credit Rating Companies:** Fitch, Moody's and Standard & Poor's are no longer referred to by name, but organisations are still "advised to have regard to the ratings issued by the main agencies and to make their decisions based on all ratings."
	Text added	The section on **refinancing risk** includes a sentence on guarantees given: "Where an organisation provides financial guarantees to third parties, these should be included in these records and regularly reassessed as to the probability they will be called upon."
1.2 Performance Management in Public Service	Text added	The section on performance measurement includes the following new sentence: "CIPFA supports the use of risk benchmarks in measuring treasury management performance."
1.3 Decision Making And Analysis in the Public Services	Text added	Guidance on decision making now includes advice that "relevant due diligence" takes place on all transactions and that "in respect of investment decisions, the organisation should consider the risks to capital and returns and the implications for the organisation's future plans and budgets."
1.4 Approved Instruments, Methods and Techniques	New paragraph	Paragraph on MiFID: "The consideration of skills and experience is particularly critical where organisations request to be treated as professional clients under MIFID II. Designation under MIFID II should be endorsed by the treasury management strategy and regularly reviewed to ensure that designation remains appropriate."
1.5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements	New guidance	Now includes guidance on when **approval of the TM strategy can be delegated to a committee**. This is when full council approves a capital strategy that includes: • "an overview of the governance process for treasury management including any delegations from full board/council to cabinet/committees etc (note responsibility remains with full board/council). • a projection of external debt and internal borrowing levels over the long term. • limits on overall borrowing for the following year. • the organisation's risk appetite in terms of treasury management and the key risks it faces in terms of servicing its current and future debt requirement, and

Section	Change type	Details of change
		how these are managed, along with commentary on the sensitivity of projections. • a summary of the knowledge and skills available to the organisation and confirmation that these are commensurate with the organisation's risk appetite."
1.8 Cash and Cash Flow Management	New guidance	Advises that "where capital expenditure and investment is financed initially through internal cash reserves, allowing the requirement for borrowing to be deferred to future years, the impact on future liquidity should be considered."

<u>Section 2 - Suggested schedules to accompany an organisation's statement of its treasury management practices</u>

Sub Section	Change type	Details of change
Approved Instruments, Methods and Techniques	New guidance	**Schedule to TMP 4**, it is now suggested that as well as a list of approved instruments, a list of "**approved investments**" should be maintained.

<u>Section 3 - Guidance on investments that are not part of treasury management activity</u>

Sub Section	Change type	Details of change
	New Section	Guidance has been added on non-treasury investments, expanding on the corresponding new section of the Code itself. This recognises that such investment decisions may not prioritise security and liquidity over yield, but recommends that "such a decision should be explicit, the additional risks set out clearly and the impact on financial sustainability identified and reported." Other recommendations include: • That due diligence processes and procedures reflect the additional risk an organisation is taking on. • Where necessary independent and expert advice should be sought to ensure due diligence is suitably robust. • A published schedule should be agreed by full board/council that sets out the organisation's investment management practices for non-treasury investments. • Where a capital strategy is produced by a local authority including the authority's approach to commercial activities, the detail may be published separately and delegated to a relevant committee. • A register of investments and financial guarantees should be maintained and regularly reviewed as part of performance reporting arrangements, including

Sub Section	Change type	Details of change

		periodic reassessment of the probability of financial guarantees being called upon.
		• This register should be reconciled to the financial instruments disclosures within the statement of accounts.
		• That schedules are maintained for non-treasury investments on the following areas:
		  ○ risk management
		  ○ performance measurement and management
		  ○ decision making, governance and organisation
		  ○ reporting and management information
		  ○ training and qualifications.

APPENDIX D

CIPFA Prudential Code for Capital Finance in Local Authorities December 2017 – Revisions

Changes to the Prudential Code

Section	Change type	Details of change
1 – Executive Summary	New Paragraph	Now includes a reference to the Treasury Management Code, as well as reflecting the changes made to the main body of the Prudential Code.
2 – Objectives	New Paragraph	Paragraph added: "The Prudential Code requires authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long run financing implications and potential risks to the authority. Effective financial planning, option appraisal and governance processes are essential in achieving a prudential approach to capital expenditure, investment and debt." The prohibition that local indicators "should not, unless required to do so by legislation or official guidance, associate any part of the authority's external borrowing with particular item(s), category(ies) or purpose(s) of expenditure" now includes the rider "other than where it relates to a specific funding source or a subsidiary, associate or joint venture."
3 – Scope	New Paragraph	Paragraph added: "The Prudential Code covers all capital expenditure and investment decisions and should take account of all potential long-term liabilities relevant to the authority. For authorities that are required to prepare group accounts or those involved in combined authority arrangements, the consideration of investments and liabilities should include all those in which a residual interest remains with the authority."
4 – Matters Required to be Taken into Account when Setting up or Revising Prudential Indicators	Definition Change	The definition of **affordability** has been amended to "eg implications for long-term resources and ultimately the council tax."
5 – Process and Governance Issues	Various	Sub-section on **governance** discusses how "decisions around capital expenditure, investment and borrowing should align with the processes established for the setting and revising of the budget for the local authority". It also notes that "local authorities may determine the capital strategy, capital programme and prudential indicators ahead of the revenue budget … provided that explicit reference to the formal decision is made within the revenue budget report."

Section	Change type	Details of change
		New sub-section gives the **process for determining a capital strategy** “that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.” “The capital strategy is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.” It should “include sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured and to meet legislative requirements on reporting.” The Code states that a capital strategy should cover the following topics: Capital expenditure, including the approval process, long-term financing strategy, asset management, maintenance requirements, planned disposals and funding restrictions. • Debt management, including projections for the level of borrowing, capital financing requirement and liability benchmark, provision for the repayment of debt, the authorised limit and operational boundary for the coming year and the authority’s approach to treasury management. • Commercial activities, including due diligence processes, the authority’s risk appetite, proportionality in respect of overall resources, requirements for independent and expert advice and scrutiny arrangements. • Other long-term liabilities, such as financial guarantees. • Knowledge and skills, including a summary of that available to the authority and its link to the authority’s risk appetite. “In developing the capital strategy a balance should be struck between the amount of detail included and accessibility to the key audience. Where detailed information is required thought should be given to how this is made available, its format and the training needs of members to encourage active engagement. The role of the formal scrutiny process should not be overlooked in ensuring effective challenge. Links should be made where appropriate to the treasury management strategy.

Section	Change type	Details of change
		The chief finance officer should report explicitly on the affordability and risk associated with the capital strategy and where appropriate have access to specialised advice to enable them to reach their conclusions.” The sub-section on **setting prudential indicators** now requires only the indicators for total capital expenditure, operational boundary and authorised limit for to be approved by full council, with the remainder able to be delegated to a committee. New paragraph on **local indicators** has been added: “Authorities should consider whether additional local indicators are needed to reflect local circumstances, including local indicators showing the impact of residual liabilities arising from group structures where relevant. Where appropriate, to improve understanding and relevance, these may be substituted for the relevant indicator set out within this code with the exception of the authorised limit and operational boundary.”
6 - Prudence and prudential indicators for prudence	New Paragraph	This section has been expanded to include the **section on capital expenditure, debt and treasury management** from the 2011 Code. New paragraph states that: “The local authority shall ensure that all of its capital expenditure, investments and borrowing decisions are prudent and sustainable. In doing so it will take into account its arrangements for the repayment of debt (including through MRP/loans fund repayments) and consideration of risk and the impact, and potential impact, on the authority’s overall fiscal sustainability. While indicators for sustainability are required to be set over a minimum three year rolling period, indicators should be set in line with a capital strategy and asset management plan that is sustainable over the longer term. Where statutorily ringfenced resources such as the HRA or Police Fund exist, the indicators of prudence should be set separately for these areas.” The **requirement on prioritising security and liquidity** has been revised: “Authorities should consider a balance between security, liquidity and yield which reflects their own risk appetite but which prioritises security and liquidity over yield.” The statement that “authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed” has been retained in the new Code despite speculation that it would

Section	Change type	Details of change
		be deleted. The indicator on the adoption of the Treasury Management Code has been deleted.
7 – Affordability and prudential indicators for affordability	New Paragraph	The statement that affordability is ultimately determined by a judgement about acceptable council tax levels has been deleted and replaced by the following three paragraphs: “Affordability should be considered in the light of the authority’s medium-term forecast and other fiscal strategies. Capital expenditure plans should be considered alongside the cost of past borrowing, maintenance requirements and planned disposals. The authority’s MRP/loans fund repayment policy will have a critical impact on the overall affordability of new borrowing and for this reason it is important to look at affordability not just in the medium term but also over the life of the asset base or underlying debt. “Where ringfenced resources or separate funds such as the HRA or Police Fund exist, affordability must be considered against those resources available to fund borrowing. “Under combined authority arrangements affordability may need to be considered against combined authority resources and the impact on underlying authorities. Where debt or guarantees relating to LEPs, subsidiaries or other corporate and non-corporate bodies exist, the impact on the authority should be considered. In these cases the development of local indicators may be appropriate.” Further guidance on **affordability** has also been included: “The authority shall ensure that the revenue implications of capital finance, including financing costs, are properly taken into account within option appraisal processes, the capital programme and the medium-term forecast. In assessing affordability the authority shall consider the council tax implications of its capital programme, borrowing and investment decisions. The local authority shall set and monitor prudential indicators as key indicators of affordability. “It is recognised that indicators of affordability are best determined in the light of local constraints around precepts and ringfenced and statutory funds such as the HRA and Police Fund. Authorities are encouraged to use local indicators that reflect how capital finance is permitted to be financed locally. For example for those authorities with a HRA, the ratio of financing costs to revenue budget

Section	Change type	Details of change
		should be calculated within the HRA ringfence and an impact on rents calculated. In setting indicators, it should be recognised however that ultimately all debts of a local authority fall on the taxpayer." The prudential indicator is now termed the "proportion of financing costs to net revenue stream" rather than the ratio, but its calculation remains unchanged. The prudential indicator on the incremental impact of capital investment decisions has been deleted.
8 – Definitions	Definition Change	The **definition of an investment** no longer excludes any "that are held clearly and explicitly in the course of the provision, and for the purposes, of operational services". However, since it does not include anything held on the balance sheet under debtors, this will only bring equity investments, and not loans, within the scope of the Prudential Code. Net borrowing is now defined as "borrowing net of treasury management investments".

2017/18 Treasury Management Activity Report

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Purpose of Report

1. To review the treasury management activity and the performance against the Prudential Indicators for the 2017/18 financial year as prescribed by the revised CIPFA Code of Practice and in accordance with the Council's Treasury Strategy and Annual Investment Policy and Treasury Management Practices.

Recommendations

2. The Audit Committee is recommended to:
   - Note the Treasury Management Activity for the 2017/18 financial year;
   - Note the position of the individual prudential indicators for the 2017/18 financial year;
   - Note the outlook for the investment performance in 2018/19
   - Note the council operated within all of the Prudential Indicators during 2017/18.
   - Recommend the 2017/18 Treasury Management Activity Report to full Council

Background

3. The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year. The Council reports six monthly to Full Council against the strategy approved for the year. The scrutiny of treasury management policy, strategy and activity is delegated to the Audit Committee.

4. Treasury management in this context is defined as:

   "The management of the local authority's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks".

5. The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

6. Overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives.

External Context (provided by Arlingclose)

Economic background:

7. 2017/18 was characterised by the push-pull from expectations of tapering of Quantitative Easing (QE) and the potential for increased policy rates in the US and Europe and from geopolitical tensions, which also had an impact.

8. The UK economy showed signs of slowing with latest estimates showing GDP, helped by an improving global economy, grew by 1.8% in calendar 2017, the same level as in 2016. This was a far better outcome than the majority of forecasts following the EU Referendum in June 2016, but it also reflected the international growth momentum generated by the increasingly buoyant US economy and the re-emergence of the Eurozone economies.

9. The inflationary impact of rising import prices, a consequence of the fall in sterling associated with the EU referendum result, resulted in year-on-year CPI rising to 3.1% in November before falling back to 2.7% in February 2018. Consumers felt the squeeze as real average earnings growth, i.e. after inflation, turned negative before slowly recovering. The labour market showed resilience as the unemployment rate fell back to 4.3% in January 2018.

10. The inherent weakness in UK business investment was not helped by political uncertainty following the surprise General Election in June and by the lack of clarity on Brexit, the UK and the EU only reaching an agreement in March 2018 on a transition which will now be span Q2 2019 to Q4 2020. The Withdrawal Treaty is yet to be ratified by the UK parliament and those of the other 27 EU member states and new international trading arrangements are yet to be negotiated and agreed.

11. The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 0.25% in November 2017. It was significant in that it was the first rate hike in ten years, although in essence the MPC reversed its August 2016 cut following the referendum result.

12. The February Inflation Report indicated the MPC was keen to return inflation to the 2% target over a more conventional (18-24 month) horizon with 'gradual' and 'limited' policy tightening. Although in March two MPC members voted to increase policy rates immediately and the MPC itself stopped short of committing itself to the timing of the next increase in rates, the minutes of the meeting suggested that an increase in May 2018 was highly likely.

13. In contrast, economic activity in the Eurozone gained momentum and although the European Central Bank removed reference to an 'easing bias' in its market communications and had yet to confirm its QE intention when asset purchases end in September 2018, the central bank appeared some way off normalising interest rates.

14. The US economy grew steadily and, with its policy objectives of price stability and maximising employment remaining on track, the Federal Reserve Open Market Committee (FOMC) increased interest rates in December 2017 by 0.25% and again in March, raising the policy rate target range to 1.50% - 1.75%. The Fed is expected to deliver two more increases in 2018 and a further two in 2019.

15. Additional commentary from Arlingclose on financial markets, credit background, money market fund regulation, credit rating developments, MiFIDII and other developments is provided in appendix B to this report.

Local Authority Regulatory Changes

16. CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017. The required changes from the 2011 Code are being incorporated into Treasury Management strategies and monitoring reports.

17. The 2017 Prudential Code introduces the requirement for a Capital Strategy which provides a high-level overview of the long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. Where this strategy is produced and approved by full Council, the determination of the Treasury Management Strategy can be delegated to a committee. The Code also expands on the process and governance issues of capital expenditure and investment decisions.

18. Appendix D to the report on the Practical Implications of the Revised Prudential Code, Treasury Management Code, Local Authority Investments and Minimum Revenue Provision includes details of the requirements of a Capital Strategy.

19. The Council has not prepared the Capital Strategy to date, which is permitted due to the timing of the release of the updated Code and recognises that authorities have prepared their treasury strategies for the 2018/19 financial year. A report on the regulatory changes including the Capital Strategy is included on the agenda for this meeting. The report includes details of the requirements of the Capital Strategy and an action plan for the production of the strategy.

20. The target date for the preparation of a new Capital Strategy included in the action plan is February 2019. The strategy will be updated annually alongside the Budget and Treasury Strategy and will incorporate relevant quantitative indicators that allow Councillors and the public to assess the Council's total risk exposure as a result of its investment decisions.

21. The updated 2017 Treasury Management Code revised the definition of 'investments', which has been widened to include financial assets and non-financial assets held primarily for financial returns such as investment property. These, along with other investments made for non-treasury management purposes such as loans supporting service outcomes and investments in subsidiaries, must be discussed in the Capital Strategy or Investment Strategy. Additional risks of such investments are to be set out clearly and the impact on financial sustainability is be identified and reported.

    In February 2018 the MHCLG (Ministry of Housing, Communities and Local Government) published revised Statutory Guidance on Local Government Investments and Statutory Guidance on Minimum Revenue Provision (MRP). Changes to the Investment Guidance include a wider definition of investments to include non-financial assets held primarily for generating income return and a new category called "loans" (e.g. temporary transfer of cash to a third party, joint venture, subsidiary or associate).

22. The Guidance introduces the concept of proportionality, sharpens the definition of "borrowing in advance of need" and proposes additional disclosure for borrowing solely to support commercial investment. It also sets out a range of recommended indicators to meet the requirement for local authorities to develop quantitative indicators that allow Councillors and the public to assess a local authority's total risk exposure as a result of its investment decisions. Investment strategies must detail the extent to which service delivery objectives are reliant on investment income and a contingency plan should yields on investments fall.

23. The definition of prudent MRP has been changed to "put aside revenue over time to cover the CFR"; it cannot be a negative charge and can only be zero if the CFR is nil or negative. Guidance on asset lives has been updated, applying to any calculation using asset lives. Any

change in MRP policy cannot create an overpayment; the new policy must be applied to the outstanding CFR going forward only.

Investment Activity

24. The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2017/18, the Authority's investment balance ranged between **£35** million and **£75** million due to timing differences between income and expenditure.

25. Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

26. The Authority's best performing investments in 2017/18 were its £5m of externally managed pooled property funds. This generated income of £258,046 averaging 5.16% used to support services in the year. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives is regularly reviewed. In light of their strong performance and the Authority's latest cash flow forecasts, investment in these funds has been maintained for the 2018/19 financial year.

27. In line with the Council's financial strategy agreed in August 2017, we are exploring options to update our range of investments to deliver an increase in investment performance and income received through treasury investments. Options have been discussed with Arlingclose and with their advice we have during the last quarter of the financial year increased our investment in the CCLA Property Fund by £1m and invested a further £8m in four other Funds. The total principal amounts invested in externally managed / pooled funds at 31 March are summarised as follows:

Organisation	Fund Name	Amount Invested
CCLA	LAMIT Property Fund	£5,000,000
Investec	Diversified Income Fund	£3,000,000
Schroders	Income Maximiser Fund	£3,000,000
Payden	Sterling Reserve Fund	£1,000,000
Royal London	Cash Plus Fund	£1,000,000

Interest Rates 2017/18

28. As detailed in the Arlingclose external context provided above, the base rate began the financial year at 0.25% but this was increased to 0.50% in November 2017. The MPC has heightened expectations of more increases in Bank Rate despite only modest changes in inflation and growth forecasts.

29. The Arlingclose central case is for Bank Rate to rise twice in 2018 and once in the first half of 2019.

	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Downside risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75

Investment Portfolio

30. The table below shows the Council's portfolio of investments at the start and end of the 2017/18 financial year:

	Value of Investments at 1/4/2017	Value of Investments at 31/3/2018	Fixed/ Variable Rate
Investments advised by Arlingclose	**£**	**£**	
Money Market Fund	1,004,326	4,984,482	Variable
Diversified Income Fund		2,948,061	Variable
Property Fund	5,349,196	5,603,228	Variable
Total	**6,353,522**	**13,535,771**	
Internal Investments			
Certificates of Deposit	4,020,207	1,502,877	Fixed
Corporate Bonds	8,693,672	4,767,078	Fixed
Floating Rate Notes (FRNs)	10,018,545	2,008,716	Variable
Long Term Deposits (Other LAs)	3,000,000	3,000,000	Fixed
Short Term Deposits (Banks)	6,000,000	3,000,000	Variable
Short Term Deposits (Other LAs)	14,000,000	5,000,000	Variable
Money Market Funds (Constant Net Asset Value) & Business Reserve Accounts	1,000,000	2,230,000	Variable
Total	**46,732,424**	**21,508,671**	
Total Investment Values	**53,085,946**	**35,044,442**	

31. The reduction in the value of investments from £53m to £35m is due to the Councils' strategy to use cash reserves in the short term to finance the borrowing needed for the purchase of commercial property as per the commercial strategy. The Council will work closely with Arlingclose to ensure that, if there is a requirement to borrow externally in 2018/19, all options are explored and that the cost of borrowing is kept to a minimum.

Returns for 2017/18

32. The returns to 31st March 2018 are shown in the table below:

	Actual Income £'000	% Rate of Return
Investments advised by Arlingclose:		
Money Market Funds (VNAV)	8	
Diversified Income Fund (Investec)	9	
Property Fund (CCLA)	258	
Total	**275**	**4.11%**
Internal Investments:		
Certificates of Deposit (CD's)	11	
Corporate Bonds	81	
Floating Rate Notes (FRNs)	31	
Fixed Term Deposits	133	
Money Market Funds (CNAV) & Business Reserve Accounts	14	
Total	**270**	**0.83%**
Other Interest:		
Miscellaneous Loans	62	
Total	**62**	
2017/18 Total Treasury Investment Income	**607**	**1.82%**
2017/18 Treasury Income Budget	**478**	
Surplus	**129**	

33. The table above shows investment income for the year compared to the budget. The figures show a surplus over budget of £129,000. The original treasury management budget of £477,820 was derived by forecasting an average rate of return of 0.81% based on an average investment portfolio of £58.7m. The actual average investment return achieved during the year was 1.82%.

34. The outturn position is affected by both the amount of cash we have available to invest and the interest base rate set by the Bank of England. Balances are affected by the timing of revenue and capital income and expenditure, and the collection and distribution of council tax and business rates income.

Investments

35. Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2017/18.

36. The graph shown in appendix A shows the performance of the in-house Treasury team in respect of all investments for the quarter ending 31st March 2018 in comparison to all other clients of Arlingclose, showing that the Council is striking a comparatively good balance between risk and return. The following table lists the investments held on 31 March 2018

Breakdown of investments as at 31 March 2018

Date Invested	Counterparty	Nominal Amount	Rate %	Maturity Date
11 Nov 16	Northumberland County Council	1,000,000	1.00	11 Nov 20
09 Feb 17	Liverpool City Council	2,000,000	0.92	11 Nov 19
26 Jan 18	IPA SCB TD Incoming (Santander)	1,000,000	0.60	25 Jul 18
19 Apr 17	Bank of Scotland	1,000,000	0.80	19 Apr 18
27 Feb 18	Conwy County Borough Council	2,000,000	0.54	12 Apr 18
16 Mar 18	Cheshire East Council	2,000,000	0.59	02 May 18
28 Feb 18	Nationwide Building Society	1,000,000	0.63	31 Aug 18
19 Mar 18	Kings Lynn & West Norfolk Borough Council	1,000,000	0.70	05 Apr 18
	Certificates of Deposits			
10 Oct 17	Cooperative Rabobank	1,000,000	0.45	10 Apr 18
09 Feb 18	Rabobank	500,000	0.69	08 Feb 19
	Corporate Bonds			
4 Aug 14	Leeds Building Society *Covered*	500,000	2.13	17 Dec 18
22 Oct 14	Yorkshire Building Society *Covered*	1,500,000	1.56	12 Apr 18
20 Oct 16	Santander UK Plc *Covered*	1,000,000	1.04	14 Apr 21
20 Oct 16	Coventry Building Society *Covered*	500,000	0.62	19 Apr 18
10 Nov 16	National Australia Bank *Covered*	1,000,000	1.10	10 Nov 21
	Floating Rate Notes (FRN's)			
16 Jan 17	Lloyds Bank Plc *Covered*	1,600,000	0.63	16 Jan 20
16 Jan 17	Lloyds Bank Plc *Covered*	400,000	0.62	16 Jan 20
	Pooled Funds & Money Market Funds			
	Federated	1,000,000	0.32	
	Standard Life (IGNIS)	330,000	0.23	
	Invesco Aim	500,000	0.28	
	Payden Fund VNAV	1,000,000	0.69	
Various	CCLA Property Fund	5,000,000	5.16	
23 Jan 18	Royal London Cash Plus Fund	1,000,000	0.66	
1 Feb 18	Investec Diversified Income Fund	3,000,000	1.90	
27 Mar 18	Schroder Income Maximiser Fund	3,000,000		
	Santander Business Reserve	400,000	0.27	
	TOTAL	**34,230,000**		

Note: Money Market Funds are instant access accounts so the rate displayed is a daily rate

Borrowing

37. As at 31 March 2018 the Council had no external borrowing.

38. The Council's underlying need to borrow is defined as its 'Capital Financing Requirement (CFR)'. The CFR was £9.2 million at the beginning of 2017/18. Capital expenditure during 2017/18 was funded through a combination of capital receipts, revenue reserves, external contributions (e.g. S106 receipts) and borrowing. As a result the borrowing requirement (CFR) has increased to £17.4 million. However, we have followed a strategy of using our cash reserves to finance this borrowing requirement in the short term – known as "internal borrowing" – as short term investment returns foregone are currently lower than longer term borrowing rates.

Prudential Indicators – 2017/18

39. In February 2017, through approval of the Treasury Management Strategy Full Council approved the Prudential Indicators for 2017/18, as required by the Prudential Code for Capital Finance in Local Authorities. The Local Government Act 2003 allows local authorities to determine their own borrowing limits provided they are affordable and that every local authority complies with the Code.

Prudential Indicator 1 - Capital Expenditure:

40. The actual capital expenditure incurred for 2017/18 compared to the revised estimate was:

	2016/17 Outturn £'000	2017/18 Revised Estimate £'000	2017/18 Outturn £'000	2017/18 Variance £'000	Reason for Variance
Approved capital schemes	6,187	16,628	16,424	(204)	Re-profiling of the expenditure to future years
Total Expenditure	**6,187**	**16,628**	**16,424**	**(204)**	

Prudential Indicator 2 - Ratio of Financing Costs to Net Revenue Stream:

41. A comparison needs to be made between financing capital costs and the revenue income stream to support these costs. This shows how much of the revenue budget is committed to the servicing of finance.

	2016/17 Outturn £'000	2017/18 Revised Estimate £'000	2017/18 Outturn £'000	2017/18 Variance £'000	Reason for Variance
Financing Costs	(512)	(52)	(434)	(382)	Additional investment income from the Pooled Funds
Net Revenue Stream	17,782	17,793	17,983	190	
%*	**(2.9)**	**(0.3)**	**(2.4)**		

*figures in brackets denote income through receipts and reserves

42. The financing costs include interest payable and notional amounts set aside to repay debt less interest on investment income. The figure in brackets is due to investment income outweighing financing costs significantly for SSDC but is nevertheless relevant since it shows the extent to which the Council is dependent on investment income.

Prudential Indicator 3 - Capital Financing Requirement:

43. The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The year-end capital financing requirement for the council is shown below:

	2016/17 Outturn £'000	**2017/18 Original Estimate £'000**	**2017/18 Outturn £'000**	**2017/18 Variance £'000**	**Reason for Variance**
Opening CFR	9,343	9,249	9,338	89	
Capital Expenditure	8,675	4,903	18,854	13,951	Capital schemes part funded through internal borrowing in 2017/18
Capital Receipts*	(6,187)	(4,589)	(8,265)	(3,676)	Additional spend has resulted in more capital receipts required to fund the projects in year
Grants/Contributions*	(2,488)	(314)	(2,319)	(2,005)	
Minimum Revenue Position (MRP)	(113)	(74)	(169)	(95)	Initial MRP towards borrowing for commercial investments
Additional Leases taken on during the year	109	0	0	0	
Closing CFR	**9,339**	**9,175**	**17,439**	**8,264**	

*Figures in brackets denote income through receipts or reserves.

Prudential Indicator 4 – Gross Debt and the Capital Financing Requirement:

44. The Council is also required to ensure that any medium term borrowing is only used to finance capital and therefore it has to demonstrate that the net external borrowing does not, except in the short term exceed the total of capital financing requirements over a three year period.

	2017/18 Outturn £'000	**2017/18 Revised Estimate £'000**	**2017/18 Outturn £'000**	**2017/18 Variance £'000**
Borrowing	0	0	0	0
Finance Leases	227	136	138	2
Total Debt	**227**	**136**	**138**	**2**

45. Total debt is expected to remain below the CFR for the foreseeable future.

Prudential Indicator 5 - Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

46. The Council must set three years of upper limits to its exposure to the effects of changes in interest rates. As a safeguard, it must ensure that its limit would allow it to have up to 100% invested in variable rate investments to cover against market fluctuations. For this purpose, term deposits of less than 365 days are deemed to be variable rate deposits. Fixed rate deposits are investments in Eurobonds, Corporate Bonds and term deposits exceeding 365 days.

	2016/17 Actual %	2017/18 % Limit	2017/18 Actual %	2017/18 Variance %
Fixed	14.37	80	20.45	(59.55)
Variable	85.63	100	79.55	(20.45)

47. The Council must also set limits to reflect any borrowing we may undertake.

	2016/17 Actual %	2017/18 % Limit	2017/18 Actual %
Fixed	0	100	0
Variable	0	100	0

48. The indicator above has been set at 100% to maximise opportunities for future debt as they arise.

Prudential Indicator 6 - Upper Limit for total principal sums invested over 364 days:

49. SSDC must also set upper limits for any investments of longer than 364 days. The purpose of this indicator is to ensure that SSDC, at any time, has sufficient liquidity to meet all of its financial commitments.

Upper Limit for total principal sums invested over 364 days	2016/17 Actual (Principal amount) £'000	2017/18 Maximum Limit £'000	2017/18 Actual (Principal amount) £'000
Between 1-2 years	2,500	25,000	4,000
Between 2-3 years	4,000	20,000	1,000
Between 3-4 years	1,000	10,000	2,000
Between 4-5 years	2,000	10,000	0
Over 5 years	0	5,000	0

50. The table above shows that the Council adopts a policy of safeguarding its investments by minimising investments that are redeemable more than five years ahead.

Prudential Indicator 7 – Credit Risk:

51. The Council considers security, liquidity and yield, in that order, when making investment decisions.

52. Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk. The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution and its sovereign
- Sovereign support mechanisms
- Credit default swaps (where quoted)
- Share prices (where available)
- Economic Fundamentals, such as a country's net debt as a percentage of its GDP
- Corporate developments, news articles, markets sentiment and momentum

- Subjective overlay

53. The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

Prudential Indicator 8 - Actual External Debt:

54. This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities (this represents our finance leases). This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2018	**£'000**
Borrowing	0
Other Long-term Liabilities (Finance Leases)	
- Vehicles	128
- Photocopiers	10
Total	**138**

Prudential Indicator 9 - Authorised Limit for External Debt:

55. This limit represents the maximum amount that SSDC may borrow at any point in time during the year. If this limit is exceeded the Council will have acted ultra vires. It also gives the Council the responsibility for limiting spends over and above the agreed capital programme. A borrowing requirement was identified in year to finance the capital programme and further borrowing may be undertaken to fund the agreed plans to acquire investment properties. [Note the borrowing limit has increased during 2018/19]

	2016/17 Actual £'000	**2017/18 Original Estimate £'000**	**2017/18 Actual £'000**
Borrowing	0	26,000	0
Other Long-term Liabilities	227	1,000	138
Total	**227**	**27,000**	**138**

Prudential Indicator 10 – Operational Boundary for External Debt:

56. The operational boundary sets the limit for short term borrowing requirements for cash flow and has to be lower than the previous indicator, the authorised limit for external debt.

57. The S151 Officer has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next Council meeting.

	2016/17 Actual £'000	2017/18 Original Estimate £'000	2017/18 Actual £'000	2017/18 Variance £'000
Borrowing	0	24,200	0	(24,200)
Other Long-term Liabilities	227	800	138	(662)
Total	**227**	**25,000**	**138**	**(24,862)**

Prudential Indicator 11 - Maturity Structure of Fixed Rate borrowing:

58. This indicator is relevant when we borrow, then we can take a portfolio approach to borrowing in order to reduce interest rate risk. This indicator is shown as the Council has set limits in anticipation of future borrowing.

Maturity structure of fixed rate borrowing	2017/18 Upper Limit %	2017/18 Lower Limit %	2017/18 Actual %
Under 12 months	100	0	0
12 months and within 24 months	100	0	0
24 months and within 5 years	100	0	0
5 years and within 10 years	100	0	0
10 years and within 20 years	100	0	0
20 years and within 30 years	100	0	0
30 years and within 40 years	100	0	0
40 years and within 50 years	100	0	0
50 years and above	100	0	0

Prudential Indicator 12 - Incremental Impact of Capital Investment Decisions:

59. SSDC must show the effect of its annual capital decisions for new capital schemes on the council taxpayer. Capital spend at SSDC is financed from additional receipts so the figure below actually shows the possible decreases in council tax if all capital receipts were invested rather than used for capital expenditure.

Note: This prudential indicator has been deleted in the revised Prudential Code.

Incremental Impact of Capital Investment Decisions	2016/17 Actual £	2017/18 Actual £
Decrease in Band D Council Tax	0.12	0.15

Prudential Indicator 13 - Adoption of the CIPFA Treasury Management Code:

60. This indicator demonstrates that the Council has adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management
The Council initially approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 18th April 2002.

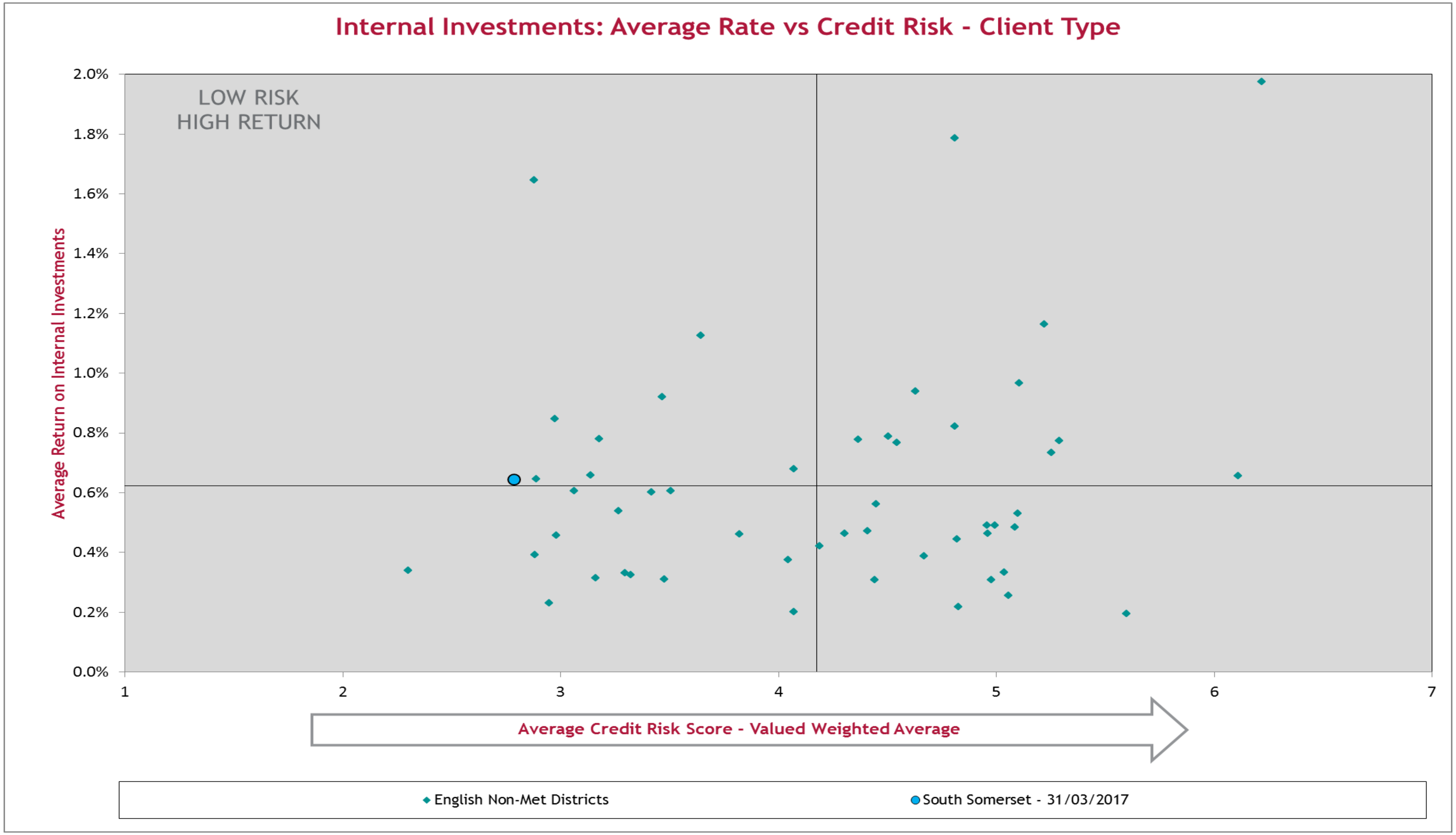
Note: The requirement to formally adopt the Prudential Code has been removed in the 2017 edition, as statutory guidance requires the Council to have regard to the Code.

Conclusion

61. The council operated within all of the Prudential Indicators during 2017/18.

Background Papers:
Treasury Management Strategy Statement 2017/18
Capital Outturn 2017/18

Appendix A – South Somerset District Council Investments compared to English Non-Met Districts



APPENDIX B – Additional commentary from Arlinglose

Financial markets:

The increase in Bank Rate resulted in higher money markets rates: 1-month, 3-month and 12-month LIBID rates averaged 0.32%, 0.39% and 0.69% and at 31st March 2018 were 0.43%, 0.72% and 1.12% respectively.

Gilt yields displayed significant volatility over the twelve-month period with the change in sentiment in the Bank of England's outlook for interest rates. The yield on the 5-year gilts which had fallen to 0.35% in mid-June rose to 1.65% by the end of March. 10-year gilt yields also rose from their lows of 0.93% in June to 1.65% by mid-February before falling back to 1.35% at year-end. 20-year gilt yields followed an even more erratic path with lows of 1.62% in June, and highs of 2.03% in February, only to plummet back down to 1.70% by the end of the financial year.

The FTSE 100 had a strong finish to calendar 2017, reaching yet another record high of 7688, before plummeting below 7000 at the beginning of 2018 in the global equity correction and sell-off.

Credit background:

In the first quarter of the financial year, UK bank credit default swaps reached three-year lows on the announcement that the Funding for Lending Scheme, which gave banks access to cheaper funding, was being extended to 2018. For the rest of the year, CDS prices remained broadly flat.

The rules for UK banks' ringfencing were finalised by the Prudential Regulation Authority and banks began the complex implementation process ahead of the statutory deadline of 1st January 2019. As there was some uncertainty surrounding which banking entities the Authority would will be dealing with once ringfencing was implemented and what the balance sheets of the ringfenced and non-ringfenced entities would look would actually look like, in May 2017 Arlingclose advised adjusting downwards the maturity limit for unsecured investments to a maximum of 6 months. The rating agencies had slightly varying views on the creditworthiness of the restructured entities.

Barclays was the first to complete its ringfence restructure over the 2018 Easter weekend; wholesale deposits including local authority deposits will henceforth be accepted by Barclays Bank plc (branded Barclays International), which is the non ringfenced bank.

Money Market Fund regulation:

The new EU regulations for Money Market Funds (MMFs) were finally approved and published in July and existing funds will have to be compliant by no later than 21st January 2019. The key features include Low Volatility Net Asset Value (LVNAV) Money Market Funds which will be permitted to maintain a constant dealing NAV, providing they meet strict new criteria and minimum liquidity requirements.

MMFs will not be prohibited from having an external fund rating (as had been suggested in draft regulations). Arlingclose expects most of the short-term MMFs it recommends to convert to the LVNAV structure and awaits confirmation from each fund.

Credit Rating developments:

The most significant change was the downgrade by Moody's to the UK sovereign rating in September from Aa1 to Aa2 which resulted in subsequent downgrades to sub-sovereign entities including local authorities.

Changes to credit ratings included Moody's downgrade of Standard Chartered Bank's long-term rating to A1 from Aa3 and the placing of UK banks' long-term ratings on review to reflect the impending ringfencing of retail activity from investment banking (Barclays, HSBC and RBS were on review for downgrade; Lloyds Bank, Bank of Scotland and National Westminster Bank were placed on review for upgrade).

Standard & Poor's (S&P) revised upwards the outlook of various UK banks and building societies to positive or stable and simultaneously affirmed their long and short-term ratings, reflecting the institutions' resilience, progress in meeting regulatory capital requirements and being better positioned to deal with uncertainties and potential turbulence in the run-up to the UK's exit from the EU in March 2019. The agency upgraded Barclays Bank's long-term rating to A from A- after the bank announced its plans for its entities post ringfencing.

Fitch revised the outlook on Nationwide Building Society to negative and later downgraded the institution's long-term ratings due to its reducing buffer of junior debt. S&P revised the society's outlook from positive to stable.

S&P downgraded Transport for London to AA- from AA following deterioration in its financial position.

Moody's downgraded Rabobank's long-term rating due to its view on the bank's profitability and the long-term ratings of the major Canadian banks on the expectation of a more challenging operating environment and the ratings of the large Australian banks on its view of the rising risks from their exposure to the Australian housing market and the elevated proportion of lending to residential property investors. S&P also upgraded the long-term rating of ING Bank to A+.

Other developments:

In February, Arlingclose advised against lending to Northamptonshire County Council (NCC). NCC issued a section 114 notice in the light of severe financial challenge and the risk that it would not be in a position to deliver a balanced budget.

In March, following Arlingclose's advice, the Authority removed RBS plc and National Westminster Bank from its counterparty list. This did not reflect any change to the creditworthiness of either bank, but a tightening in Arlingclose's recommended minimum credit rating criteria to A- from BBB+ for FY 2018-19.

The current long-term ratings of RBS and NatWest do not meet this minimum criterion, although if following ringfencing NatWest is upgraded, the bank would be reinstated on the Authority's lending list.

MiFID II:

As a result of the second Markets in Financial Instruments Directive (MiFID II), from 3rd January 2018 local authorities were automatically treated as retail clients but could "opt up" to professional client status, providing certain criteria was met which includes:

- having an investment balance of at least £10 million
- and the person(s) authorised to make investment decisions on behalf of the authority have at least a year's relevant professional experience.

In addition, the regulated financial services firms to whom this directive applies have had to assess that that person(s) have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The Authority has met the conditions to opt up to professional status and has done so in order to maintain its erstwhile MiFID II status prior to January 2018. The Authority will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

Internal Audit Annual Activity Report 2017/18

Head of Service: *Gerry Cox, Chief Executive - SWAP*
Lead Officer: *Alastair Woodland - Assistant Director*
Contact Details: *Alastair.Woodland@swapaudit.co.uk*

Purpose of the Report

This report provides a summary of the delivery of the Internal Audit Plan for the year 2017/18. The report aims to provide assurance to the Audit Committee regarding the effectiveness of the control environment operated by and on behalf of the council during the year, and highlight any significant matters to be addressed by management.

Recommendation

To note that no significant findings are identified through the delivery of the plan for the year, and to note the conclusions and recommendations included in the report.

Background

The Audit Committee agreed the 2017/18 Internal Audit Plan at its March 2017 meeting, and has received progress reports during the year. This report is to inform the Audit Committee of the end of year results and conclusions through the delivery of the audit plan. This also informs the auditor's annual opinion which is contained in a separate report.

Financial Implications

There are no financial implications associated with these recommendations.

Background Papers: *None*

SOUTH WEST AUDIT PARTNERSHIP

Delivering Audit Excellence

South Somerset District Council

Report of Internal Audit Activity

2017-18 Outturn Report Update

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Contents

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Internal Audit Plan Progress 2017/18

Our audit activity is split between:

- **Operational Audit**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**

Role of Internal Audit

The Internal Audit service for the South Somerset District Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter which for the 2017-18 plan year was approved by the Audit Committee at its meeting on 22 June 2017.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Governance Audits
- IT Audits
- Grants
- Other Special or Unplanned Reviews

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Senior Leadership Team and External Auditors. The 2017-18 Audit Plan was reported to this Committee and approved at its meeting in March 2017.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

Outturn to Date:

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action

Internal Audit Work Programme

The schedule provided at **Appendix B** contains a list of all audits as agreed in the Annual Audit Plan 2017/18. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective "assurance opinion" rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit "Audit Framework Definitions" as detailed in Appendix A.

Since the last update in February 2018 the following audits have been completed:

- Organised Crime Checklist (Reasonable Assurance)
- Governance of Service Redesign - Transformational Support (Non-Opinion)
- Financial Services Processes Redesign - Transformational Support (Non-Opinion)
- Business as Usual - Transformational Support (Non-Opinion)
- Housing Benefit Claims/Subsidy (Non-Opinion)
- Elections (Substantial)

2017/18 Audit Plan

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings that have resulted in them receiving a 'Partial Assurance Opinion' are reported; there are no Partial Opinion reports this time.

Whilst no Partial Opinion Audit have been identified, I have included in **Appendix C** a summary of the work we carried out to support the transformation programme; this was non-opinion advice to support senior management.

Internal Audit Plan Progress 2017/18

We keep our audit plans under regular review so as to ensure that we auditing the right things at the right time.

Approved Changes to the Audit Plan

The audit plan for 2017/18 is detailed in **Appendix B**. Inevitably changes to the plan will be required during the year to reflect changing risks and ensure the audit plan remains relevant to South Somerset District Council. Members will note that where necessary any changes to the plan throughout the year will have been subject to agreement with the appropriate Manager and the Section 151 Officer.

There have been no further plan changes since the February 2018 update.

At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- **Substantial**
- **Reasonable**
- **Partial**
- **No Assurance**
- **Non-Opinion/Advisory**

Audit Framework Definitions

Control Assurance Definitions

Substantial	▲★★★	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	▲★★★	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	▲★★★	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
None	▲★★★	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Non-Opinion/Advisory – In addition to our opinion based work we will provide consultancy services. The "advice" offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Recommendation are prioritised from 1 to 5 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Audit Framework Definitions

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

- Priority 5: Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.
- Priority 4: Important findings that need to be resolved by management.
- Priority 3: The accuracy of records is at risk and requires attention.
- Priority 2: Minor control issues have been identified which nevertheless need to be addressed.
- Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Definitions of Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major	↔	1 = Minor		
						Recommendation				
						5	4	3	2	1
Grant Certification	Boden Mill & Chard Regeneration Scheme Statement of Accounts	1	Final	Non-Opinion	0	0	0	0	0	0
Operational	Yeovil Cemetery & Crematorium Annual Accounts	1	Final	Non-Opinion	1	0	0	1	0	0
Operational	Licensing	1	Final	Reasonable	3	0	0	3	0	0
ICT	Cyber security	1	Final	Reasonable	3	0	1	2	0	0
Governance, Fraud & Corruption	Grant Funding Fraud Audit	2	Final	Substantial	2	0	0	2	0	0
Governance, Fraud & Corruption	Organised Crime checklist	2	Final	Reasonable	2	0	0	2	0	0
Key Control	Treasury Management	3	Final	Substantial	0	0	0	0	0	0
Governance, Fraud & Corruption	Business Rates Fraud Audit	3	Final	Reasonable	2	0	0	2	0	0
Key Control	Creditors	3	Final	Reasonable	1	0	0	1	0	0
Key Control	Cash Receipting	3	Final	Reasonable	4	0	0	4	0	0
Key Control	Payroll	3	Final	Substantial	0	0	0	0	0	0
Operational	Governance of Service Redesign (Transformational Support)	4	Final	Non-Opinion	0	0	0	0	0	0
Operational	Financial Services Processes Redesign (Transformational Support)	4	Final	Non-Opinion	0	0	0	0	0	0

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major	↔		1 = Minor	
						Recommendation				
						5	4	3	2	1
Operational	Business as Usual (Transformational Support)	4	Final	Non-Opinion	0	0	0	0	0	0
Operational	Housing Benefit Claims/Subsidy	4	Final	Non-Opinion	0	0	0	0	0	0
Operational	Elections	4	Final	Substantial	0	0	0	0	0	0
Operational	Records Management 1718 - SSDC	1	Removed	-	0	0	0	0	0	0
Operational	Risk Management Support 1718 - SSDC	1	Removed	-	0	0	0	0	0	0
Follow Up	Risk Management Follow Up	2	Removed	-	0	0	0	0	0	0
Operational	LED contract compliance 1718 - SSDC	3	Removed	-	0	0	0	0	0	0
Operational	Programme and Project Management 1718 - SSDC	3	Removed	-	0	0	0	0	0	0
Operational	Procurement Review 1718 - SSDC	3	Removed	-	0	0	0	0	0	0
Operational	Key Income Streams 1718 - SSDC	4	Removed	-	0	0	0	0	0	0
Operational	S106/ CIL 1718 - SSDC	4	Removed	-	0	0	0	0	0	0
Operational	Accountability 1718 - SSDC	4	Removed	-	0	0	0	0	0	0
Operational	Business Continuity Key Service Test 1718 - SSDC	4	Removed	-	0	0	0	0	0	0

Schedule of significant findings identified from Internal Audit work Since the 2018 February Audit Committee Update

No	Name of Audit	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action
No significant Findings to bring to your attention however, below is a summary of the conclusions reached and recommendations made in relation to the reviews relating to the Transformation Programme.						

Audit Assignments completed since the February 2018 update:

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Corporate Governance Committee.

Summary of Transformational Work

The following information provides a brief summary of each of the Transformation Audits that we have undertaken since the February 2018 Audit Committee.

<u>Business as usual - Advisory</u>

Objective:
To provide assurance that steps have been taken to ensure that Business as Usual is maintained as reasonably as possible through the Transformation Programme.

Risk:
Transformational change will cause disruption to the delivery of council services, leading to financial loss and reputational damage.

Scope:
It was agreed that we would conduct meetings with Managers within the Corporate Performance Team to seek to assess what activities were considered business critical, statutory requirements or 'nice to have' to attempt to provide a judgement of where activities could be temporarily ceased to allow the release of resources to support the Transformation Programme.

Audit Assignments completed since the February 2018 update:

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Corporate Governance Committee.

Summary of Transformational Work

Outcome from Meetings with Service Managers:

Of the 23 managers we met with, it is fair to say that without exception there is a feeling that their Service is already stretched to the limit and they are operating with reduced staff either as a result of vacancies or long-term sickness.

In all we captured 125 individual service lines of which 85 were considered Critical, 36 Non-Critical and four as Nice to Have. Of the 85 Critical service lines 35 were considered to be Statutory.

The outcome of the meetings with Managers indicates that potentially difficult decisions may need to be made if Managers are required to release capacity to support Transformation and would give rise to a risk of non-delivery of statutory/Critical services.

We recommended that Senior Management should now review the findings of the report in conjunction with the details of the meeting outcomes with Service Managers to identify areas where they would look to release capacity to support Transformation. A logical approach would be to consider the 'Nice to Have' and Non-Critical services first, working up to more critical services. There may be opportunities for releasing capacity here, however a Senior Management or Director judgement will be required. This will also allow for a strategic, corporate decision to be taken across Services, rather than a siloed approach for each Service. Subsequently, an impact assessment can be taken across the Council and reported to Members accordingly.

Audit Assignments completed since the February 2018 update:

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Corporate Governance Committee.

Summary of Transformational Work

Financial Services Process Redesign - Advisory

Objective:
To review the redesign of Financial Services processes to provide assurance that an approach has been undertaken which seeks to meet Transformation objectives, whilst giving due consideration to maintenance of necessary controls, audit trails/requirements and the management of risk.

Risk
Service redesign does not deliver the anticipated benefits through Transformation, leading to financial loss through increased resource requirements, circumventing of new technology, additional requirements from Internal & External Audit and unanticipated/unidentified risks through weakening/loss of controls in redesigning the process.

Conclusion
The steps taken to redesign Financial Service processes appear reasonable on the basis of this review. The Council has taken steps to manage risk, however the process maps do not and cannot reasonably highlight all control areas and as such, to provide assurance that controls are operating effectively once redesigned, it is recommended that a full review of financial key control areas is conducted as part of the 2018/19 audit plan. In addition we will be attending service reengineering workshops for high profile/risk services in order to provide an audit view on the residual control environment.

Audit Assignments completed since the February 2018 update:

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Corporate Governance Committee.

Summary of Transformational Work

Service Redesign – Governance Arrangements - Advisory

Objective:
To provide assurance that effective governance exists over the Service Redesign process.

Scope:
We were asked to review whether there were effective governance arrangements in place around Service Redesign. This included providing advice and support on the escalation process and the Issues and Decisions Group.

Key areas of focus

- Business Plan
- Implementation Plan
- Decision Making and Approval
- Issues and Decisions Group
- Business Analysts (BA)

Our conclusion was that the Service Redesign team have implemented appropriate governance arrangements to ensure that the monitoring, managing and reporting of the service redesign process is effective. These include a Service Redesign Guide detailing clear roles and responsibilities, an escalation process, Issues and Decisions Group and regular reporting to the Programme Board.

At the time of reporting there were a small number of areas that were yet to be finalised and these are summarised below for clarity:

- Confirmation whether there is sufficient Business Analyst resource
- Designing of Jira (planning and tracking software) to fit the requirements of the project

Audit Assignments completed since the February 2018 update:

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Corporate Governance Committee.

Summary of Transformational Work

- Updating of Terms of Reference for the Issues and Decisions Group

We have not raised any specific recommendations relating to these points in this report as we are assured by the Service Redesign Lead that they are currently being implemented by the Project team.

Internal Audit Annual Report and Opinion 2017/18

Head of Service: *Gerry Cox, Chief Executive - SWAP*
Lead Officer: *Alastair Woodland - Assistant Director*
Contact Details: *Alastair.Woodland@southwestaudit.co.uk*

Purpose of the Report

This report provides an update on the position of the Internal Audit Plan at the end of 2017/18 and also provides Internal Audit's overall Opinion on the systems of internal control at South Somerset District Council.

Recommendation

To note the Annual Opinion Report for 2017/18.

Background

The Audit Committee agreed the original 2017/18 Internal Audit Plan at its March 2017 meeting, with progress updates provided during the year.

SSDC S151 Officer Comments

The annual report and opinion of the Head of Internal Audit provides those charged with governance – including the Council's Senior Leadership Team and Members – with his conclusions from the work undertaken by South West Audit Partnership (SWAP) during the year.

I have appreciated the flexibility shown by SWAP in varying the audit plan during the year to support the needs of the Council's transformation programme and meet the requirements of emerging issues.

As shown in the Auditor's detailed report, the overall assurance provided is "**reasonable**". This is acceptable in terms of good governance, and it is recognised that some areas of control will need to be introduced or improved to address the recommendations provided.

The overall number of recommendations for actions has reduced compared to the previous year, reflecting progress and also the advisory nature of a significant proportion of the Audit Plan. It is pleasing to note that of the 18 recommendations for management actions arising from completed audit, only one is a Priority 4 "Important findings that need to be resolved by management", and there were no Priority 5 major issues requiring immediate attention. This reflects well on the level of controls being operated in the areas reviewed.

I would like to thank the Internal Audit team for their support to the Council's governance and assurance arrangements during the last year.

Background Papers

None

SOUTH WEST AUDIT PARTNERSHIP

Delivering Audit Excellence

South Somerset District Council

Report of Internal Audit Activity

Annual Opinion Report 2017/18

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Contents

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Summary

The SWAP Director is required to provide an opinion to support the Annual Governance Statement.

Purpose

The Accounts and Audit Regulations (England) 2015 requires public authorities to publish an Annual Governance Statement (AGS). The Statement is an annual review of the Systems of Internal Control and gathers assurance from various sources to support it. One such source is Internal Audit. The Head of Internal Audit should provide a written annual report to those charged with governance to support the AGS. This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's risk management systems and internal control environment
- Disclose any qualifications to that opinion, together with the reasons for the qualification
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.

The SWAP Director is required to provide an opinion to support the Annual Governance Statement.

Background

The Internal Audit service for South Somerset District Council is provided by the South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). The Partnership is also guided by the Internal Audit Charter which is reviewed annually. Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness through the work based on the Annual Plan agreed by Senior Management and this Committee.

The position of Internal Audit within an organisation's governance framework is best summarised in the three lines of defence model shown below:

The Three Lines of Defence Model

Adapted from ECIIA/FERMA *Guidance on the 8th EU Company Law Directive, article 41*

Internal Audit Annual Opinion 2017/18

The SWAP Director is required to provide an opinion to support the Annual Governance Statement.

Annual Opinion

This Annual Report gives the opinion of the Director (Head of Internal Audit) on the adequacy and effectiveness of internal control, governance and risk management within South Somerset District Council. Internal Audit has not reviewed all risks and assurances relating to South Somerset District Council and cannot provide absolute assurance on the internal control environment. Our opinion is derived from the completion of the risk based internal audit plan at **Appendix B**, and as such it is one source of assurance on the adequacy of the internal control environment.

Senior Management and Members through the various committees are ultimately responsible for ensuring an effective system of internal control. The purpose of internal control is to manage risk rather than eliminate it. Getting the balance of internal control right is essential for organisational success to knowingly take risk rather than be unwittingly exposed to it. Under control could expose the organisation to unacceptable risk and destroy value as over control takes valuable resources and can create inefficiency. Therefore, the Internal Control Environment needs the right balance to help South Somerset District Council to deliver its services with ever decreasing resources.

For the 2017-18 audit plan for South Somerset District Council there will be a total of 17 reviews delivered. In agreement with management, and previously reported to this Committee, some reviews were 'exchanged' or 'removed' in order to respond to the transformation programme and any new and emerging risks.

All reviews have been completed to report stage. Of the 17 2017-18 reviews, 10 have returned opinions and there were no 'Partial' opinions offered. There have been 4 reviews that have received Substantial Assurance, and this is highly commendable, with 6 reviews receiving reasonable assurance.

The SWAP Director is required to provide an opinion to support the Annual Governance Statement.

Annual Opinion Continued

It is also worth noting the number of 'Non-Opinion' audits during 2017-18. Given the level of change within the authority, Internal Audit has a role to play in being the 'Trusted Advisor', and as such we have been involved in a number of areas of change. Although no opinion is offered with this work, details of the work and findings are shared with the Committee and an action plan to address areas for improvement is agreed where necessary.

I have considered the balance of 2017/18 audit work and outcomes against this environment and am able to offer **reasonable** assurance in respect of the areas reviewed during the year, as most were found to be adequately controlled. Generally, risks are well managed, but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives.

Whilst some recommendations have been made for improvement, I do not consider there to be any areas of significant corporate concern, provided they are kept under periodic review. This is particularly important owing to personnel changes within the Council. To this end, SWAP will continue to attend Leadership and Management meetings and Senior Leadership Team meetings to maintain the necessary communication channels with management.

Our audit activity is split between:

- **Operational Audits**
- **Key Control Audits**
- **Governance, Fraud & Corruption Audits**
- **IT Audits**
- **Special Reviews**
- **Follow-up**

Internal Audit Work Programme

The schedule provided at **Appendix B** contains a list of all audits agreed for inclusion in the Annual Audit Plan 2017-18 and final outturn for the financial year. In total, 17 have been delivered. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Of the 17 reviews in the 2017/18 audit plan, they are broken down as follows:

Type of audit	2017-18 original plan	2017-18 revised plan
Operational Audits (including Income Reviews)	13	7
Key Control	4	4
Grant Certification	1	2
Governance, Fraud & Corruption	4	3
ICT	1	1
Follow-up	1	0
TOTAL	24	17

As outlined above a number of were 'exchanged' or 'removed' in order to respond to the transformation programme and any new and emerging risks.

In addition to the 2017-18 annual Audit Plan, we have also undertaken a number of benchmarking and comparison pieces of work during the year that are summarised in the 'added value' section of this report.

Significant Corporate Risks

Identified Significant Corporate Risks should be brought to the attention of the Audit Committee.

Significant Corporate Risks

We provide a definition of the 4 Risk Levels applied within audit reports. For those audits which have reached report stage through the year, we give a summary where we have assessed the risks as 'High'.

There we no significant corporate risks identified this year however, the Council faces some significant challenges in the year ahead with its transformation programme, cyber security and GDPR preparedness. At this point in time we are satisfied that good progress is being made and these areas will be included in the 2018/19 Annual Plan.

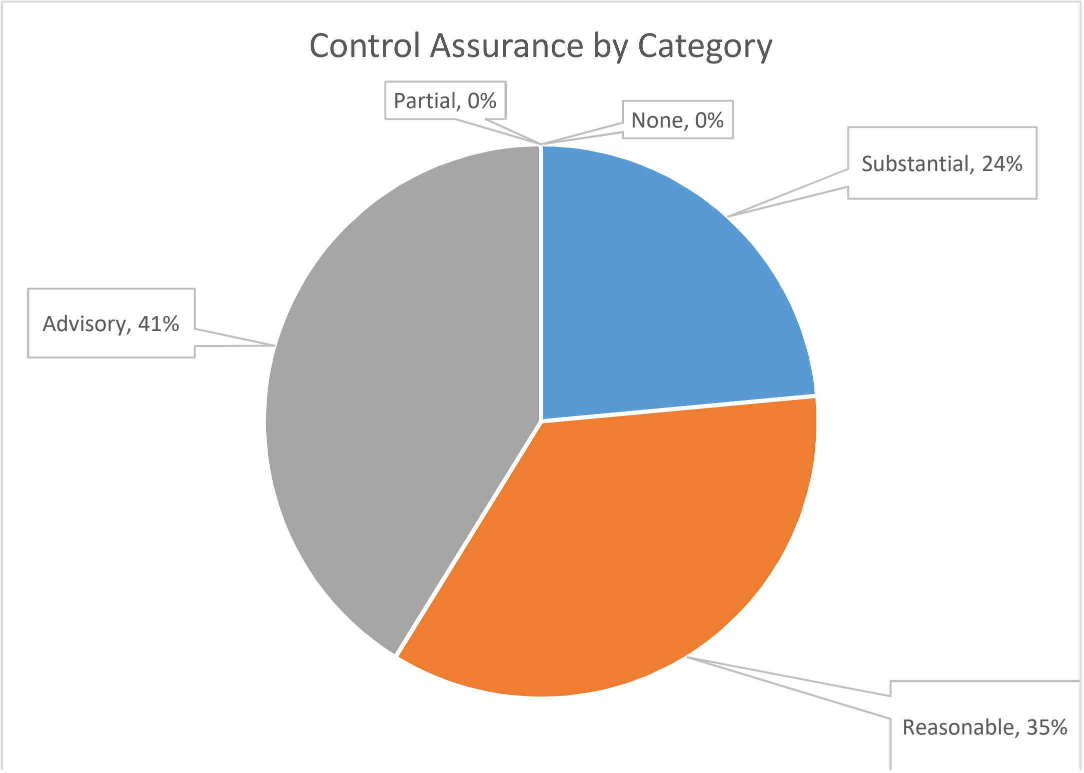
SWAP Performance - Summary of Audit Opinions

At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition":

- **Substantial**
- **Reasonable**
- **Partial**
- **None**
- **Advisory (Non-Opinion)**

Summary of Audit Opinion

The breakdown of audit opinions by category is summarised below. Definitions for each assurance category can be found in **Appendix A.**



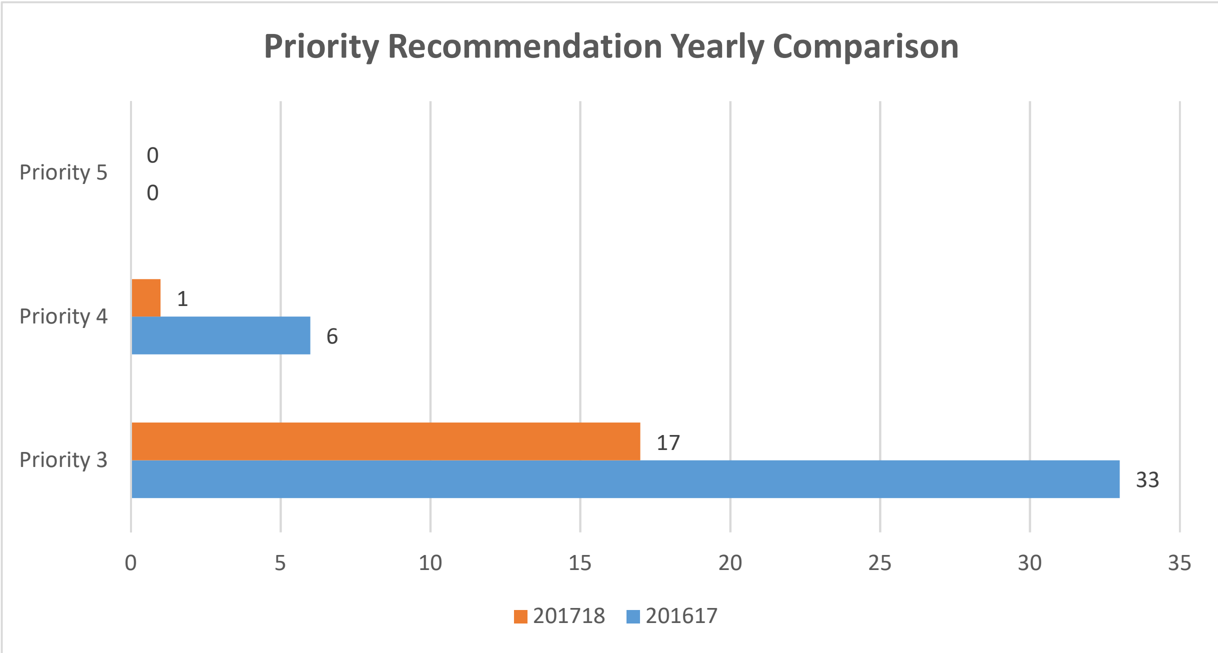
Summary of Audit Work 2017/18

SWAP Performance - Summary of Audit Recommendations by Priority

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action

Priority Actions

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. Therefore, recommendations are assessed as to how important they are to the scope of the area audited. Priority 5 recommendations being more important than priority 3. All recommendations as currently contained in **Appendix B** are summarised below and compared to the previous year.



Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.

Added Value

Primarily Internal Audit is an assurance function and will remain as such. However, as we complete our audit reviews and through our governance audit programmes across SWAP we seek to bring information and best practice to managers to help support their systems of risk management and control. The SWAP definition of "added value" is; "it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost".

In addition to audits undertaken in **Appendix B**, where requested by client officers we look to share risk information, best practice and benchmarking data/information. The following are some of the areas where SSDC has requested or participated in a request enabling us to produce benchmarking reports across the partnership:

- **Fraud Bulletins** – We send out regular fraud bulletins highlighting where there are attempted frauds and what officers need to be on the lookout for.

- **Partners Newsletters** – We also produce quarterly partner newsletters that provides information on topical areas of interest for public sector bodies.

- **Disabled Facilities Grants, Better Care Fund and Home Improvement Grants** - Comparisons were made with performance targets set, number of grants approved, value of grants approved, staffing arrangements, funding received from the Better Care Fund (except for Powys Council who do not benefit from this funding), population and household data, whether a Home Improvement Agency (HIA) is used, and whether loans are offered as an alternative to grants.

Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.

Added Value Continued

- **Fees & Charges for Discretionary Street Scene Service Provision** - a comparison of the fees and charges for discretionary Street Scene services provided to the public among our partners; which is attached to this test.

- **Licensing Total Cost Recovery in the Provision of the Licensing Service** – Review on licensing fees compared to cost of service delivery.

- **Environmental Protection** – One of our partners requested the processes relating to permitted installations were compared in the following areas: Information available online for operators; Number of permitted installations and frequency of inspections; Pro-active investigations / Intelligence gathering; For enforcement Number of notices issued / Prosecutions brought against operators; Public Register; Fees and Charges; Payment methods; Annual Subsistence Charge / Late payment charge; Debt Management / Revocation or Suspension of Permit; Cost Accounting

- **Elections Payroll** - Comparisons were made in relation to recruitment, the availability and appointment process, the payment of expenses for election duties through Payroll, the requirement to declare any personal interests, and whether the responses demonstrated a separation of duties.

- **Electoral Registration** - Under the Representation of the People Act 1983, the Council has a duty to maintain registers of UK Parliamentary and local government electors. Although a process for fulfilling this duty is prescribed and overseen by the Electoral Commission, Councils have some discretion in how they implement this process. One of our partners requested that we undertake a benchmarking exercise with our partners to identify any areas in which they could improve the effectiveness and efficiency with which they implement this process.

The SWAP Director reports performance on a regular basis to the SWAP Management and Partnership Boards.

SWAP Performance

SWAP now provides the Internal Audit service for 18 Councils, 3 Police Authorities, 3 Office of Police and Crime Commissioners and also many subsidiary bodies. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective outturn performance results for South Somerset District Council for the 2017-18 year are as follows;

Performance Target	Average Performance
Audit Plan – Percentage Progress Final, Draft and Discussion In progress	100% 100%
Quality of Audit Work Customer Satisfaction Questionnaire	87%*

*At the close of each audit review a Customer Satisfaction Questionnaire is sent out to the Service Manager or nominated officer. The aim of the questionnaires is to gauge satisfaction against timeliness, quality and professionalism. A score of 80% would reflect the fact that the client agreed that the review was delivered to a good standard of quality, i.e. agreed with the statement in the questionnaire and satisfied with the audit process and report.

Plan Performance 2017/18

The SWAP Director reports performance on a regular basis to the SWAP Management and Partnership Boards.

SWAP Performance

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).

SWAP has been independently assessed and found to be in full conformance to the International Professional Practices Framework and the PSIAS. As a result of the external assessment, a Quality Assessment Improvement Plan (QAIP) was produced. This document is a live document, reviewed regularly by the SWAP Board to ensure continuous improvement.

At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- **Substantial**
- **Reasonable**
- **Partial**
- **None**

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Audit Framework Definitions

Control Assurance Definitions

Substantial	▲★★★	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	▲★★☆	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	▲★☆☆	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
None	▲☆☆☆	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Non-Opinion/Advisory – In addition to our opinion-based work we will provide consultancy services. The "advice" offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Recommendation are prioritised from 1 to 5 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Audit Framework Definitions

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

- Priority 5: Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.
- Priority 4: Important findings that need to be resolved by management.
- Priority 3: The accuracy of records is at risk and requires attention.
- Priority 2: Minor control issues have been identified which nevertheless need to be addressed.
- Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Definitions of Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ↔ 1 = Minor Recommendation				
						5	4	3	2	1
Grant Certification	Boden Mill & Chard Regeneration Scheme Statement of Accounts	1	Final	Non-Opinion	0	0	0	0	0	0
Operational	Yeovil Cemetery & Crematorium Annual Accounts	1	Final	Non-Opinion	1	0	0	1	0	0
Operational	Licensing	1	Final	Reasonable	3	0	0	3	0	0
ICT	Cyber security	1	Final	Reasonable	3	0	1	2	0	0
Governance, Fraud & Corruption	Grant Funding Fraud Audit	2	Final	Substantial	2	0	0	2	0	0
Governance, Fraud & Corruption	Organised Crime checklist	2	Final	Reasonable	2	0	0	2	0	0
Key Control	Treasury Management	3	Final	Substantial	0	0	0	0	0	0
Governance, Fraud & Corruption	Business Rates Fraud Audit	3	Final	Reasonable	2	0	0	2	0	0
Key Control	Creditors	3	Final	Reasonable	1	0	0	1	0	0
Key Control	Cash Receipting	3	Final	Reasonable	4	0	0	4	0	0
Key Control	Payroll	3	Final	Substantial	0	0	0	0	0	0
Operational	Governance of Service Redesign (Transformational Support)	4	Final	Non-Opinion	0	0	0	0	0	0

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ↔ 1 = Minor Recommendation				
						5	4	3	2	1
Operational	Financial Services Processes Redesign (Transformational Support)	4	Final	Non-Opinion	0	0	0	0	0	0
Operational	Business as Usual (Transformational Support)	4	Final	Non-Opinion	0	0	0	0	0	0
Operational	Housing Benefit Claims/Subsidy	4	Final	Non-Opinion	0	0	0	0	0	0
Operational	Elections	4	Final	Substantial	0	0	0	0	0	0
Grant Certification	Growth Deal Payments (YIC Phase 2)	4	Final	Non-Opinion	0	0	0	0	0	0
Operational	Records Management 1718 - SSDC	1	Removed	-	0	0	0	0	0	0
Operational	Risk Management Support 1718 - SSDC	1	Removed	-	0	0	0	0	0	0
Follow Up	Risk Management Follow Up	2	Removed	-	0	0	0	0	0	0
Operational	LED contract compliance 1718 - SSDC	3	Removed	-	0	0	0	0	0	0
Operational	Programme and Project Management 1718 - SSDC	3	Removed	-	0	0	0	0	0	0
Operational	Procurement Review 1718 - SSDC	3	Removed	-	0	0	0	0	0	0
Operational	Key Income Streams 1718 - SSDC	4	Removed	-	0	0	0	0	0	0
Operational	S106/ CIL 1718 - SSDC	4	Removed	-	0	0	0	0	0	0
Operational	Accountability 1718 - SSDC	4	Removed	-	0	0	0	0	0	0

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major		↔		1 = Minor
						Recommendation				
						5	4	3	2	1
Operational	Business Continuity Key Service Test 1718 - SSDC	4	Removed	-	0	0	0	0	0	0

Total	18	0	1	17	0	0

Review of Effectiveness of Internal Audit 2017/18

Director:	Netta Meadows, Director Strategy and Commissioning / Support Services
Lead Officer:	Paul Fitzgerald, S151 Officer
Contact Details:	Paul.fitzgerald@southsomerset.gov.uk or 07774 335746

Purpose of Report

1. To inform the Audit Committee of the assessment and outcome of the review of the effectiveness of Internal Audit function performed by SWAP (South West Audit Partnership) during 2017/18.

Recommendations

2. Audit Committee notes the findings of the review including the opinion of the S151 Officer regarding the effectiveness of the internal audit function.

Background

3. The South West Audit Partnership (SWAP) is a company that provides the Internal Audit service to 24 public sector organisations, as well as a number of related bodies such as the Somerset Waste Partnership. The company is wholly owned by its local authority partners.

4. Internal audit forms a part of the corporate governance and internal control framework that provides accountability to stakeholders on all areas of the Council Plan. Their opinion on the adequacy and effectiveness of the Council's internal control framework forms a part of the evidence used in preparing the Annual Governance Statement (AGS) for 2017/18. The AGS will be published on the Council's website alongside the audited annual Statement of Accounts in July 2018.

5. There are several statutory requirements regarding Internal Audit, summarised below.

5.1. The Accounts and Audit (England) Regulations 2015 require authorities to review the effectiveness of the system of Internal Audit. They also state "A relevant authority must 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."

5.2. Section 151 of the Local Government Act 1972 states that every local authority in England and Wales should "make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the proper administration of those affairs." CIPFA has defined "proper administration" in that it should include "compliance with the statutory requirements for accounting and internal audit".

5.3. The CIPFA Statement on the Role of the Chief Finance Officer in Local Government states that the Chief Finance Officer (CFO) must:

- Ensure an effective internal audit function is resourced and maintained
- Ensure that the authority has put in place effective arrangements for internal audit of the control environment and systems of internal control

- Support the authority's internal audit arrangements
- Ensure that the Audit Committee receives the necessary advice and information, so that both functions can operate effectively.

6. Therefore it is important that the findings of the review of the effectiveness of the system of internal audit are considered by the Audit Committee as a part of the consideration of the governance framework. This review has to be carried out by someone independent of SWAP.

Compliance with PSIAS and Local Government Application Note

7. The Public Sector Internal Audit Standards (PSIAS) and a Local Government Application Note set out how an internal audit function should be fulfilled. The main focus is the internal audit service itself, but the Standards also refer to the wider elements of the "system of internal audit", including the importance of the direct relationship between Internal Audit and the Audit Committee. The Standards cover:

   - Purpose, authority, and responsibility
   - Independence and objectivity
   - Proficiency and due professional care
   - Quality Assurance and Improvement Programme
   - Managing the Internal Audit Activity
   - Nature of Work
   - Engagement Planning
   - Performing the Engagement
   - Communicating Results
   - Monitoring Progress.

8. The Audit Charter for 2017/18 was approved by the Audit Committee in March 2017 to comply with these requirements. SWAP has a Quality Assessment Improvement Plan in place following a review undertaken independently by the Devon Audit Partnership in 2016.

The Review of SWAP

9. The Council's review of Internal Audit has been carried out by the S151 Officer. The findings were reported to the Senior Leadership Team in June 2018 as part of the overall evaluation and supporting evidence for the Annual Governance Statement. The following criteria were used in the evaluation:

   - Annual report and opinion of the Head of Internal Audit
   - Audit plan and monitoring reports
   - Reports on significant findings
   - Key performance measures and service standards
   - Reports by the Council's External Auditor covering the extent of reliance placed on internal audit work on key financial systems.

10. It was found that overall the function has continued to perform well and that this view was supported by the comments of external auditors and client satisfaction. The table below shows some measures of the overall performance of the function during the year compared to the previous two years:

Performance Measure	2015/16	2016/17	2017/18
Levels of satisfaction from feedback questionnaires	83%	81%	87%
Audits and reviews completed in year compared to the plan (all at least at final draft stage)	76% (21 out of 26)	94% (15 out of 16)	88% (15 out of 17)
Total completed audits and reviews	21 (5 in progress)	15 (2 in progress)	17
Cost of audit service to SSDC	£104,140	£94,140	£94,140
Number of actions for improvements agreed by managers	58	42	18

11. As shown above, the satisfaction with the audits carried out at SSDC is 87%, and is above the target set by the SWAP Board where 80% is ‘good’. The majority of the audit plan has been delivered and two residual audits from the 2016/17 plan were completed in 2017/18.

12. The number of management actions reported is lower than in previous years, reflecting the weighting of audit activity towards advisory support – reflecting best use of resources to support the Council’s transformation programme. This has proven to be successful with this ‘up front’ support to the development of controls and procedures being very welcome by the project team and those involved in this design activity.

13. The cost of the service remained at on budget, with SWAP daily rates continuing to be frozen in 2017/18 – this continued the trend with no fee increases seen since the inception of the partnership twelve years ago.

Service Standards

14. In assessing SWAP’s performance it is important to review the standards of service and that each authority is afforded the same standards and also senior officer time. The following table outlines the minimum standards and whether these have been delivered for South Somerset District Council:

Service Standard	Expected Standard	Delivery of Standard
Attendance by SWAP Assistant Director at Audit Committee	At least 4 times per annum	Yes – attendance at committee to provide regular updates on progress and advice to Members on good governance, control and risk management.
Liaison meetings with S151 Officer and Audit Manager	6 times per annum	Fewer meetings during the year in 2017/18 however effective communication has been maintained.
Agreement of Audit Plan:		
Prepared for S151 / SLT	By mid-January each year	Yes – draft audit plan reviewed to align with appropriate rolling programme of key control audits and to meet key risk areas identified.
Prepared for Audit Committee	By end January each year	Yes – draft plan completed, and presented to Audit Committee in March 2017
Audit Plan monitoring reports	4 times per annum including Annual Report	Yes – updates provided to Audit Committee in June, September, November, February.
Agreement of Audit Charter	By 31st March prior to	Yes – Audit Charter agreed March 2017.

Service Standard	Expected Standard	Delivery of Standard
	reporting year by Audit Committee	
To assist with member/ officer training in audit and governance	Once per annum	Two member training days were also held in October 2016 at Buckfast Abbey and Haynes Motor Museum, designed as a networking and training event.

2017/18 Action Plan

15. The following shows progress against the actions to be completed in 2016/17:

Actions Arising from Last Review	Progress
To update and maintain the Quality Assurance and Improvement Programme	The QAIP focused on the delivery of the Top 10 Company Priorities. These include: Review of partner correspondence & Audit Reports; Document Management and Information Management; Quality review model; Embedding Added Value; Marketing Strategy; Partners Commissioning; Commercial Strategy; Workforce Planning; Management Team Agenda and Board Champions. The majority of these have been delivered. Further details can be found from the SWAP Board QAIP update report.

Opinion on the Effectiveness of Internal Audit

16. It is the opinion of the S151 Officer and the Senior Leadership Team that the system of internal audit is effective.

Actions to be Completed in 2018/19

17. The review of the effectiveness of internal audit has not highlighted any significant issues. The following action(s) are proposed to ensure continuous improvement and effectiveness of the internal function:

Actions Arising from This Review	Progress
To update and maintain the Quality Assurance and Improvement Programme	QAIP being reviewed and updated at next SWAP Board meeting.
Review new CIPFA Position Statement: Audit Committees in Local Authorities and Police, 2018 edition, and determine opportunities and delivery plan for Audit Committee development	Not yet due
Prepare training and guidance for Audit Committee member development, to be delivered following district council elections in May 2019.	Not yet due

Financial Implications

18. There are no financial implications to SSDC arising from the review of the effectiveness of internal audit. The agreed actions can be delivered within existing SWAP budget.

Health, Safety & Welfare – Report

Strategic Director: *Netta Meadows: Director Strategy & Commissioning*
Service Manager: *Pam Harvey, Civil Contingencies Manager*
Lead Officer: *Pam Harvey, Civil Contingencies Manager*
Contact Details: *Pam.harvey@southsomerset.gov.uk or (01935) 462303*

Purpose of the Report

This report is designed to provide assurance to the Committee on health, safety and Welfare matters, our approach to minimising accidents and other incidents in the work place and our process for monitoring, reviewing and reporting them.

Recommendation

(1) Members are asked to review the content of the report and to comment on it. It is hoped that Members are reassured that our approach to managing all matters of health, safety and welfare matters is robust and feel able to support it.

Report

Health & Safety Management

Following the last report to Member's in September 2017 there have been some significant changes in a number of areas of health & safety management.

Transformation

As part of the Transformation project, arrangements for the management of Health & Safety have changed. Following the Phase one senior leadership restructure, the responsibility for Health & Safety now lies in the Strategy & Commissioning Directorate, with the Director (Strategy & Commissioning) taking a lead role on Health & Safety. As part of the Phase 2/3 restructure, a Specialist will be responsible for Health & Safety. There is a requirement for the post holder to be qualified, or be prepared to study for the appropriate NEBOSH certificate.

Safety Group

As part of the Transformation project it became clear that the former Safety Panel required some significant organisational changes in order to support Managers and the organisation in transition. Therefore, in November 2017 the Safety Panel was relaunched as the Safety Group with revised terms of reference (see appendix 1) and a comprehensive work plan (appendix 2). The Safety group now meets more frequently during Phases 2/3 of the transformation project in order to drive through the work plan and support the accountable Officers.

Health & Safety Management System

The TEN Health & Safety Management System is regularly used by all services to enter and update risk assessments and to enter incident reports. There are now over 1000 operational risk assessments and safe systems of work that are specific to activities carried out by Council services. However, due to the inadequacies of the TEN system, as part of the Safety Group work programme we are looking to procure an 'off the shelf' Health & Safety system, that will assist with monitoring and compliance in terms of the Councils Health & Safety responsibilities. An amount has been set aside from the IT transformation budget to procure the system, however there will be annual costs that will need to be built into budgets post transformation.

Annual Health & Safety & Fire Risk Inspection's

All Council Offices have been inspected this year, and Property services have an action plan of works or modifications that are required. A programme of Fire Risk Assessments on all Council Offices has been carried out, and an action plan for each building will be compiled.

First Aid & Fire Wardens

Due to the organisational changes there have been a variety of staff moves that have resulted in the arrangements for Fire Wardens and First Aiders in Council Offices being amended. At the present time there are interim arrangements in place until January 2019 when the transformation programme is completed and more formal arrangements can be made. The interim arrangements will be reviewed regularly as the staff changes gather pace.

Training

As part of the Safety Group work plan, a comprehensive training programme for Safety Group members and managers is being compiled. This training is intended to support Safety Group members in understanding Health & Safety legislation to enable them to fully participate in the group. Managers training will be designed to support them to carry out their Health & Safety responsibilities as Managers in a forward thinking organisation.

Accident Statistics

Period covered April 2017 – April 2018

Service	No of Reported Accidents	Days Lost	Comments
Streetscene	19	24	Mainly minor accidents 1 accident Riddor reportable
Development Control	2	0	Minor accidents
IT	1	0	Minor Accidents
Yeovil Innovation Centre	1	0	Minor Accidents
Revenues & Benefits	3	Over 6 months	One person with an ongoing medical condition*
Countryside	2	-	Minor accidents
Arts & Entertainment	6	-	Minor accidents
Property & Engineering	3	-	Minor accidents
Customer Services	1	0	Minor Accidents
Environmental Health	5	0	Minor Accidents
Housing & Welfare	1	0	Minor Accidents
Finance	1	0	Minor Accident
H/R	1	0	Minor Accident
Area Development	1	0	Minor Accident
Total	**47**	**202**	

Minor accident: Cuts & Bruising requiring minimal First Aid

Incident Statistics

Period covered April 2017 – September 2017

Service	No of Reported Incidents	Type of Incident	Comments
Environmental Health	4	Violence to staff	
Customer Services	3	Violence to staff	
Countryside	2	Violence to staff	
Housing & Welfare	1	Violence to staff	
Development Control	1	Violence to staff	
Streetscene	1	Violence to staff	
Leisure	1	Violence to staff	
Revenues & Benefits	1	Violence to staff	
Octagon	1	Violence to staff	

Further information will be available at the meeting

Appendix 1:

Terms of Reference for Health and Safety Group

Aim:

The Health and Safety Group aims to contribute to a working environment that is safe for Employees, Elected Members, Contractors, Visitors and Members of the Public. It is a Safety Group set up in accordance with the Health and Safety at Work etc Act 1974, The Safety Representatives and Safety Committees Regulations 1977 (as amended) and The Health and Safety (Consultation with Employees) Regulations 1996 and will ensure we meet our legal responsibilities.

1. To promote a consistent and corporate approach to all aspects of health and safety.
2. To share knowledge, learn from and support colleagues and find solutions to health and safety matters.
3. To take a proactive approach to health and safety to reduce incidents and accidents.
4. To communicate health and safety guidance, policy and legislation to ensure the safety of all who undertake work and use the council's services, buildings and open spaces.

Governance and Composition:

Membership of the Safety Group to reflect the full range of staff within the organisation:

- The Director of Commissioning and Strategy or a member of Senior Leadership Team (SLT)
- The Health and Safety Advisor or 'appointed person'
- A Safety Representative from each of the trade unions; Unison and GMB
- Two representatives from each Service area; Commissioning & Strategy, Service Delivery, Commercial Services & Income Generation and Support Services
- A representative for each of the higher risk operational services; Property Services, Streetscene, Countryside, Leisure, Octagon/Westlands, Locality

Quorum of the group will consist of:

- A member of SLT
- One Trade Union representative
- The Health & Safety Advisor
- One representative from each of the four service areas as listed above
- Three representatives from operational services as listed above

All Quorum members to be present for a meeting of the Health and Safety Group to take place.
Additional representatives to be invited to join the Group where specialist input required.

Representatives will receive appropriate health and safety training (as delivered by the SSDC training policy) to enable full participation of the Group.

The Group will meet bi-monthly commencing January 2018. Extraordinary meetings may be called to discuss matters of immediate concern.

The Group to report annually to Audit Committee and bi-annually to SLT, or as required.
Terms of Reference to be reviewed by the Group annually or as required.

Work Plan:

A work plan to be agreed by the Group and reported to Audit Committee annually or as required.
The plan to be realistic, achievable and focussed on delivering the organisations key priorities and strategies.

Appendix 2

Health and Safety Group Work Plan 2018

	Action	Timescale	Accountable Officer	Milestones	Milestone date	ToR Aim	Progress/comments	Status
1	Rewrite Safety Policy following Transformation	January 2019	Pam Harvey, Health and Safety Advisor	Set up sub-group (PH, AM, IC, SH, SWL) Draft Policy to Safety Group Update current H&S Policy Section 9 Selection & Control of Contractors to be reviewed Create new policy Formally consult ECG & Unions	completed 31/05/18 Completed 30/06/18 30/01/19 Jun 18 – Jan 19	1, 2, 3, 4	First group meeting agreed to ensure compliance that the current safety policy will be brought up to date and put out for consultation with sub group. Draft policy to be brought to May Safety Group	
2	Health and Safety Reports to Audit Committee and SLT	June 2018 & Dec 2018	Netta Meadows, Director of Strategy and Commissioning	Reports to be taken to Health and Safety Group prior to meeting	15/05/18 27/11/18	1 & 4	Audit Committee June 2018 SLT June & December 2018	

3	Produce health and safety guidance for agile, home and lone workers (to include locality)	By June 2018	Alice Knight, Welfare and Careline Manager	Set up sub-group (AK, LD, AG, TG, SB + AML) Draft guidelines for discussion at H&SGroup Final draft for consultation Adopt guidelines – H&S Group	28/02/18 27/03/18 30/04/18 15/05/18	1, 2, 3	Draft guidance taken to Safety Group 27/3/18. Further revision required, to come back to Group 15/5/18 Next meeting of sub Group 20/4/18	
4	Programme of Health and Safety Training for managers and Health & Safety Group representatives	January – December 2018	Pam Harvey, Health and Safety Advisor	Diarise Training Dates Develop training programme LMT and H&S Group Members to be trained	30/04/18 30/06/18 31/08/18	1, 3, 4		
5	Risk Assessments	June – December 2018	Pam Harvey, Health and Safety Advisor	Establish reporting mechanism and review cycle for risk assessments Review all current Risk Assessments (1,500) Reallocation of risks where ownership changes Report quarterly to H&S Group risks for review	30/06/18 Jun-Dec 18 Jun–Dec 18 17/07/18 27/11/18	1, 4		

6	Fully implement Skyguard lone working devices with registered users/services	By May 2018	Shirley Courage, Research & Support Officer	Devices issued to all registered users/ services Training in use of devices delivered System admin training delivered	30/04/18 31/05/18 31/05/18	2, 3, 4		
7	New arrangements for Fire Wardens and First Aiders during Transformation	By January 2019	Pam Harvey, Health and Safety Advisor	Implement new arrangements for Phase 1 Review of defibrillators on SSDC sites	Completed 30/06/18	3, 4	Interim arrangements in places and constantly reviewed	
8	Health and Safety inspections and fire risk assessments conducted for all council premises	January – August 2018	David Coombs, Principal Property Management Officer	Evaluate arrangements and responsibilities in all SSDC owned and occupied properties Carry out fire and site risk assessments in accordance with Inspection Schedule Confirm with lease holders fire safety arrangements Compile template for risk assessments to be agreed by Safety Group Safety Group to review Risk Assessments quarterly	31/03/18 Ongoing 31/08/18 31/5/18 July, Nov 18 Jan, Mar 19	3, 4	LED managed sites inspected January 2018	

9	Review guidance for ‘workplace pressure’	June 2018	Nigel O’Grady, Principal Food & Safety Officer	Review current internal & external resources available Signpost staff/services to guidance/resources Bring to Safety Group/ ECG Establish baseline of where organisation is now	17/07/18 17/07/18 17/07/18 17/07/18	3	Review national HSE programmes aimed at tackling stress in the workplace.	
10	Review of TEN Health and Safety System and evaluation of replacement systems	January 2019	Pam Harvey, Health and Safety Advisor	Evaluate potential systems against criteria for replacement of TEN Set up working Group Demonstration of shortlisted systems for Safety Group Procurement of replacement system	Completed 17/07/18 27/11/18 01/01/19	1	Early discussion with ICT Workstream Lead and Transformation	

Key:

	Not started or little progress
	Some progress made, behind target
	Milestone on target or completed

Audit Committee Forward Plan

Lead Officer: *Kelly Wheeler, Case Services Officer*
Contact Details: *Kely.wheeler@southsomerset.gov.uk or 01935 462038*

Purpose of the Report

This report informs Members of the agreed Audit Committee Forward Plan.

Recommendation

Members are asked to comment upon and note the proposed Audit Committee Forward Plan as attached.

Audit Committee Forward Plan

The forward plan sets out items and issues to be discussed over the coming few months and is reviewed annually.

Items marked in italics are not yet confirmed.

Background Papers: *None*

Audit Committee Forward Plan

Committee Date	Item	Responsible Officer
19 Jul 18	Annual Governance Statement External Audit – Audit Findings Report Approve Annual Statement of Accounts Approve Summary of Accounts	S151 Officer S151 Officer (GT) Finance Specialist Finance Specialist
25 Oct 18	Internal Audit Plan Progress Q2 Treasury Management Practices Treasury Management Mid-Year Performance and Strategy Update – **Needs to go on to Full Council**	Alastair Woodland (SWAP) Finance Specialist Finance Specialist
22 Nov 18	External Audit – Certification of Housing benefit Subsidy Claim External Audit – Annual Audit Letter Annual Fraud Programme Update	Finance Specialist (GT) Finance Specialist (GT) Legal Specialist
24 Jan 19	Internal Audit Plan Progress Q3 Treasury Management Strategy Statement 19/20 – **Needs to go on to Full Council**	Alastair Woodland (SWAP) Finance Specialist
28 Mar 19	Internal Audit Plan 2019/20 - approve 2019/20 plan Internal Audit – Charter External Audit Plan for 2017/18 Accounts External Audit Progress Report 2017/18 Accounts	Alastair Woodland (SWAP) Alastair Woodland (SWAP) Finance Specialist (GT) Finance Specialist (GT)