



Notice of a Meeting, to be held in Committee Room No. 2 (Bad Münstereifel Room), Civic Centre, Tannery Lane, Ashford, Kent TN23 1PL on Thursday 28th September at 7.00 pm.

The Members of this Committee are:-

Cllr. Waters (Chairman)
Cllr. Barrett (Vice-Chairman)
Cllrs. Buchanan, Burgess, Shorter, Sims, Smith, Suddards

NB: Under the Council's Public Participation Scheme, members of the public can submit a petition to the Cabinet if the issue is within its terms of reference or ask a question or speak concerning any item contained on this Agenda (Procedure Rule 9 refers)

Agenda

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Nos.

1. **Apologies/Substitutes** – To receive Notification of Substitutes in accordance with Procedure Rule 1.2(iii)
2. **Declarations of Interest:-** To declare any interests which fall under the following categories, as explained on the attached document: 1
 - a) Disclosable Pecuniary Interests (DPI)
 - b) Other Significant Interests (OSI)
 - c) Voluntary Announcements of Other Interests

See Agenda Item 2 for further details

3. **Minutes** – To approve the Minutes of the Meeting of this Committee held on the 11th July 2017

Part I – For Decision

4. Business Continuity Planning
5. Presentation from Strategic Risk Owners
6. Annual Governance Statement – Progress on Remedying Exceptions

Part II – Monitoring/Information Items

7. Strategic Risk Management
8. Strategic Risk Management Training

9. External Audit Progress Report
 10. Report Tracker and Future Meetings
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DS/AEH
20th September 2017

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Declarations of Interest (see also “Advice to Members” below)

- (a) **Disclosable Pecuniary Interests (DPI)** under the Localism Act 2011, relating to items on this agenda. The nature as well as the existence of any such interest must be declared, and the agenda item(s) to which it relates must be stated.

A Member who declares a DPI in relation to any item will need to leave the meeting for that item (unless a relevant Dispensation has been granted).

- (b) **Other Significant Interests (OSI)** under the Kent Code of Conduct as adopted by the Council on 19 July 2012, relating to items on this agenda. The nature as well as the existence of any such interest must be declared, and the agenda item(s) to which it relates must be stated.

A Member who declares an OSI in relation to any item will need to leave the meeting before the debate and vote on that item (unless a relevant Dispensation has been granted). However, prior to leaving, the Member may address the Committee in the same way that a member of the public may do so.

- (c) **Voluntary Announcements of Other Interests** not required to be disclosed under (a) and (b), i.e. announcements made for transparency reasons alone, such as:

- Membership of outside bodies that have made representations on agenda items, or
- Where a Member knows a person involved, but does not have a close association with that person, or
- Where an item would affect the well-being of a Member, relative, close associate, employer, etc. but not his/her financial position.

[Note: an effect on the financial position of a Member, relative, close associate, employer, etc; OR an application made by a Member, relative, close associate, employer, etc, would both probably constitute either an OSI or in some cases a DPI].

Advice to Members on Declarations of Interest:

- (a) Government Guidance on DPI is available in DCLG’s Guide for Councillors, at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/240134/Openness_and_transparency_on_personal_interests.pdf
- (b) The Kent Code of Conduct was adopted by the Full Council on 19 July 2012, with revisions adopted on 17.10.13, and a copy can be found in the Constitution at <http://www.ashford.gov.uk/part-5---codes-and-protocols>
- (c) If any Councillor has any doubt about the existence or nature of any DPI or OSI which he/she may have in any item on this agenda, he/she should seek advice from the Corporate Director (Law and Governance) and Monitoring Officer or from other Solicitors in Legal and Democratic Services as early as possible, and in advance of the Meeting.

Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **11th July 2017**.

Present:

Cllr. Waters (Chairman);
Cllr. Barrett (Vice-Chairman);
Cllrs. Mrs Blanford, Burgess, Mrs Dyer.

In accordance with Procedure Rule 1.2 (iii) Councillor Mrs Blanford attended as Substitute Member for Councillor Buchanan.

Apologies:

Cllrs. Buchanan, Shorter, Sims, Smith.

Also Present:

Head of Finance and IT, Head of Audit Partnership, Accountancy Manager, Corporate Fraud Manager, Senior Accountant, Senior Member Services Officer.

Elizabeth Jackson - Grant Thornton UK.

80 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 22nd June 2017 be approved and confirmed as a correct record.

81 Statement of Accounts 2016/17 and the External Auditor's Audit Findings Report

The Accountancy Manager introduced this item. The report presented the 2016/17 Statement of Accounts for approval. The External Auditor's report was also attached and Elizabeth Jackson from Grant Thornton was present at the meeting to introduce this and take questions. The Appointed Auditor was proposing to issue an unqualified opinion on the accounts and, once approved, the accounts would be published.

The Accountancy Manager advised there had been a few changes since the Committee had previously considered the draft statement of accounts. The most significant of these was a misstatement of £1.7m between the bank account and the creditors. This was because whilst the payment had been made it had not been allocated so a creditor had been set up in-year. An adjustment therefore had to be made between current assets and liabilities. In addition, due to changes in the collection fund process in 2013/14, some income from court costs from that year had not been taken in to consideration. This had been picked up by the auditors and therefore written in to the accounts as an adjustment. An unadjusted error of £264k had also been picked up in the accounts and this needed to be written back in. Due to the complexity involved and because it would affect the NNDR 3 return from the

end of the year and Kent County Council and Fire, the Council had decided to not make that adjustment at this stage and include it as part of the closedown for 2017/18 and all of the statutory returns. In terms of the Audit Action Plan she explained that there were two actions. Firstly an error had been picked up in the bank reconciliation process where an item had been entered incorrectly. This had been resolved by the member of staff receiving more training and the introduction of a new control process with a second Officer review. Secondly, on journal processes, the audit highlighted that they continued to have concerns over the control of authorisation of Journals within the finance system. This was an area where External Audit and the Council often disagreed on the appropriateness of the control environment, whereby an average of 1600 journals per year were entered on to the system and in the Council's view, individual authorisation would be extremely time consuming and not significantly enhance the control environment. They would however work with External Audit to seek to develop a proportionate authorisation process.

Elizabeth Jackson then introduced the External Auditor's Audit Findings Report. She confirmed that Grant Thornton would be issuing an unqualified opinion on both the audit and the value for money conclusion which was clearly a good outcome. This would happen on the 15th July after the Council's public inspection period had closed. Additionally the quality of the set of accounts produced by the 22nd May had been very high and this was commendable in light of the earlier timetable. She also drew attention to the fact that all of the work marked as outstanding on page 13 of the Agenda had now been completed. One thing to note was that she had been contacted earlier that day by a local elector who was considering making an objection to the accounts. She had advised him that he had the ability to do so until 5pm on Friday 14th July, but this would not impact on the audit opinion she intended to issue. As mentioned there was an unadjusted misstatement of £264k. Whilst they were satisfied with management's explanation as to why they were not proposing to amend it in the accounts, a formal request to make the amendment had been included within the draft letter of representation in line with International Standards on Auditing (ISA). She concluded that External Auditors had worked well with the Council's Officers during the process and they were happy with the outcome of the overall audit.

In response to a question from a Member it was explained that the error on the bank reconciliation had included correct figures, but they had been entered the wrong way round (debit and credit). Once corrected the account had reconciled. Staff did receive training and this was a simple error by one member of staff which had been picked up by the audit.

Further to discussions on journals, Elizabeth Jackson advised that it was viewed as standard practice that all journals should be authorised before being posted to the ledger (i.e. a second person checking them). The Council's e-financial system did not include an automatic authorisation of journals so the only way this could be done was via a hard copy print out of each journal. It was therefore recognised that this was not a realistic or proportionate response, so External Audit were not insisting on this, but they did need to note that the Council had not implemented this control. She re-iterated that there were no errors or fraud in the journals and they were satisfied that the other controls that the Council had in place could effectively pick up any errors. The Head of Finance and IT confirmed that the team had also agreed to

introduce a check of 'material' journals as a meaningful and proportionate response and this would also ensure a better quality of check.

Resolved:

That the Audit Committee:

- (i) considered the Appointed Auditor's Audit Findings;
- (ii) agreed the basis upon which the accounts had been prepared (going concern);
- (iii) approved the audited 2016/17 Statement of Accounts;
- (iv) approved that the Chairman of this Committee signs and dates the accounts as required by Section 10(3) of the Accounts and Audit Regulations 2003 as approved by the Council;
- (v) approved the Chief Financial Officer's Letter of Representation to the Appointed Auditor.

82 2016/17 Financial Statements – Letters of Assurance to External Auditors

The Head of Finance and IT introduced the report which explained that each year, in support of the external audit of the Council's financial statements, it was necessary to provide two assurance letters to the Auditors. These were important statements on which the Auditors relied for their opinion work. One was from the Chairman on behalf of the Committee and the second was from the Head of Finance and IT on behalf of management and both were attached to the report. They covered assurances related to such matters as disclosure of material facts affecting the statements, fraud and contingent liabilities and legal issues affecting the statements.

Resolved:

That the Chairman's and Management's 2016/17 assurance letters be endorsed.

83 Corporate Enforcement Support and Investigations Team Annual Report 2016/17

This report reviewed the past financial year results for the Investigation Service and Enforcement Support within the Finance department. The Corporate Fraud Manager introduced the report and introduced herself to the Committee. She advised that in addition to the review of the past year, the report built upon previous reports regarding the future of the Investigation Service and requested approval to re-launch the Service with a new pro-active safeguarding approach. The report also reviewed the delegated powers of the team which would strengthen the Council's approach to tackling and safeguarding its funds and services from abuse such as: - financial irregularity; evasion; avoidance and fraud.

The Chairman opened up the report for discussion and the following points were raised: -

- The team had recovered £323,990 and the total direct cost of the team was £107,792. It was difficult to compare to previous years because powers to investigate Housing Benefit Fraud had been revoked by the Department for Work and Pensions and this had previously been an area of great focus for the team because of the levels of payment. Officers were extremely pleased with the outcomes for the past financial year and the breadth of services now covered.
- The Chairman said that any service which could produce an income level three times higher than its cost had to be recognised and appreciated and he wanted to thank those involved. In his opinion the Council had to be looking at options to increase the size of the team to maximise these opportunities. Even if the team was just breaking even, the deterrent element for individuals who may be considering fraudulent behaviour was invaluable, but the multiple of three times investment justified further investigation in to expansion possibilities. He proposed an addition recommendation (iv) to this affect.
- The Committee was pleased to see the team branch out in to other areas and the example of the successful prosecution for fly-tipping was mentioned. A Member said that publicity of such examples was key to act as a deterrent. The Corporate Fraud Manager advised that in looking to the future the team wanted to embrace the opportunities available and look to the wide-range of threats to the Council's funds and resources and safeguard them for the people that really needed them. Areas such as general enforcement, fly-tipping, Council Tax and Business Rate fraud and social housing/tenancy fraud would all be areas of focus. They were fortunate to have the backing of Kent Housing Group and had been involved in the launch of a Kent Tenancy Fraud Forum which would allow the sharing of best practice between all housing stock owners in Kent and, on Council Tax and Business Rates, they had access to the KIN (Kent Information Network) which allowed data matching.

Resolved:

That the Audit Committee:

- (i) note the contents of the report regarding the last financial year.**
- (ii) note the forthcoming financial year's work plan.**
- (iii) endorse the delegated powers of the Service outlined at Paragraph 26 of the report.**
- (iv) encourage Officers to develop a plan to enhance the team's resources, building on the good work already undertaken and giving opportunities for a larger return on investment for the Council, as well as continuing to offer an important deterrent factor.**

84 Homes and Communities Agency – 2016/17 Compliance Audit Programme

The Chairman advised that the previous day he had received a letter from the Homes and Communities Agency (HCA) advising of the outcome of a compliance audit exercise to validate adherence to the guidelines of HCA funded schemes. He was pleased to advise that the Council had received a green grade on the traffic light system which confirmed they met the requirements with no breaches. Copies of the letter had been tabled for Members' information. The Chairman had therefore been asked to draw this to the attention of the Audit Committee and sign and return the report.

Resolved:

That the letter be received, noted and signed by the Chairman.

85 Report Tracker and Future Meetings

Resolved:

That the report be received and noted.

DS

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Agenda Item No: 4
Report To: Audit Committee
Date: 28 September 2017
Report Title: Business Continuity Planning Audit Report
Report Author: Rich Clarke – Head of Audit Partnership



Summary:	The report provides the Committee with a copy of the Business Continuity Planning audit report, issued in August 2017. Our conclusion is the controls offer only <i>weak</i> assurance and need further support to work consistently at an effective level.
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Key Decision: NO

Affected Wards: All

Recommendations: 1. The Committee **notes** the Business Continuity Planning report and planned actions by officers to address its findings.

Policy Overview: N/A

Finance: N/A

Risk Assessment N/A

EIA N/A

Other Matters: N/A

**Exemption
Clauses:** N/A

**Background
Papers:** Business Continuity Planning Audit Report (attached as Appendix A)

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Report Title: Business Continuity Planning Audit Report

Purpose of the Report

1. Our audit plan, approved by Members in March 2016, included an audit to review Business Continuity Planning arrangements. The audit that later took place decided the controls offered only *weak* assurance, meaning the service needs support to work consistently at an effective level.
2. This report presents to the Committee the Business Continuity Planning report, as published in August 2017 (attached at Appendix A). Further, it provides an outline of the progress made thus far towards completing the twelve recommendations raised.

Background

3. We undertook our review of the Council's Business Continuity Planning arrangements during June 2017. We issued our draft report in early August following discussions with officers. The objective was to provide assurance the Council has properly developed and formalised business continuity arrangements in place.
4. We noted that while the Council has had some success in managing recent business continuity events, the formal business continuity arrangements could not claim the credit. Instead the Council largely relied on the expertise and commitment of individual staff. We found in particular the corporate and service level business continuity plans are out-of-date and not connected to a policy statement.
5. We raised twelve recommendations to support improvements to the service. We rated five as high priority, meaning the Council must take remedial action at the next available opportunity. A further three recommendations we rated as medium priority, meaning the Council should take remedial action normally within six months to a year. The remaining four received low or advisory ratings.
6. Officers agreed all the recommendations raised and put in place actions to address them. We include a copy of the report, including recommendations and action plan, at Appendix A.
7. An important part of our approach is to agree implementation dates in a discussion between audit and management. Although our ratings give our view on urgency of action, we do not impose implementation dates. We recognise officers must assess each action on its specifics and so regularly vary these timescales for practical, risk, capacity or cost reasons. Here, a

completed action plan sees the Council addressing all matters within 7 months of final report, and all but one within 3 months.

8. We met officers ahead of reporting to this Committee to follow up on actions since we completed the report in August. While noting that only 18 working days have passed between report publication and Committee papers, we understand officers have already acted:
 - Circulated an email from Corporate Director (Law and Governance) to Heads of Service directing that service level business continuity plans be updated by 27 September 2017 (**R9 – High**)
 - Drafted a Business Continuity Policy with commitment to present final to Cabinet at its meeting 12 October 2017 (**R1 – High**)
 - Emergency planning and business continuity to be added to the Council Strategic Risk register following agreement by Audit Committee. This action is relevant to the recommendation to include a risk assessment within the business continuity plan (**R4 – High**)
 - Agreed in principle to use funding under Council’s insurance arrangement (with Zurich) for future training initiatives (**R8 – Medium**)
 - Drawn up new templates and updated guidance on completing business continuity documents (**R6 – Low**)
 - Presented to Corporate Management Team (14 September 2017) to raise the profile of the Council’s Business Continuity (and emergency planning) arrangements. This presentation, delivered by the resilience team, covered key issues from the audit including promoting Objective Connect (**R10 – Advisory**).
9. Officers have also scheduled an update to Management Team for its meeting on 7 December 2017 with quarterly updates on business continuity scheduled thereafter. By the December 2017 meeting we expect the Council to have addressed all recommendations except R8 (testing). The Management Team paper will form the basis of a further update to Members at the next Audit Committee meeting on 5 December 2017. We intend to provide that update in the covering report but we can give a more detailed update to Members if needed.
10. We will complete our own follow-ups to confirm successful action against recommendations in line with our usual approach.

Risk Assessment

11. N/A

Equalities Impact Assessment

12. N/A

Other Options Considered

13. N/A

Consultation

14. We circulated the full final report on publication to the Chair and Vice Chair. They agreed, in keeping with settled practice, to include the full report and this cover updating Members at this meeting.
15. We also circulated earlier drafts of this covering report to officers for comment, including to a management team meeting.

Implications Assessment

16. N/A

Handling

17. N/A

Conclusion

18. Our work shows the Council needs to act to improve effective working of its business continuity arrangements. So far, management has taken prompt action towards implementing the recommendations.

Portfolio Holder's Views

19. N/A

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BUSINESS CONTINUITY PLANNING

FINAL AUDIT REPORT

AUGUST 2017

Final Assurance Rating: **Weak**

Audit Code	ABC-OR03(16-17)	Service	Health, Parking and Community Safety
Senior Auditor	Mark Goodwin	Audit Sponsor	Sheila Davison
Audit Manager	Alison Blake	Director	Terry Mortimer



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Summary Report

Our opinion based on our audit work is the Council has **Weak** controls in place for Business Continuity across the Council as a whole. This means the arrangements place the Council in excess risk and need remedial action to consistently perform effectively. We provide the definitions of our assurance ratings at appendix II.

During our work we recognised the Council has recently had practical experience in dealing with business continuity events, such as the generator failure in January 2016. While the Council had some success in managing recent events, we found this is more down to goodwill and dedication of staff than application of an effective business continuity approach.

In reviewing the Council's plan, we identified it is out of date from July 2015 and not connected to any policy statement. While some of the needed updates are mechanical, the plan is also defective in describing some arrangements that no longer work, for instance in IT recovery. The result is the Council has a plan which would fail if put into place as written.

At a service level we found a more mixed picture, with some detailed and tested plans. However, there are some key services, such as housing, whose plans lack testing or important detail. We also found that, despite extensive efforts of the resilience team, general awareness of business continuity arrangements through the Council remains limited.

Areas to improve

- Implement Business Continuity Policy **R1**
 - Update overarching Business Continuity Plan **R2**
 - Update Service Area Business Continuity Plans (to align to organisational structure)
- R7**

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Next Steps

At page 17 we describe the 12 recommendations arising from our work, and responses from management. We note the service has agreed to carry out the recommendations. We will follow them up as they fall due in line with our usual approach and consider re-evaluating the assurance rating as the service acts to address the issues identified.

We have prioritised our recommendations as below:

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	5	3	2	2

We provide the definition of our recommendation priorities at appendix II.

Findings in Context

Our most recent audit work in this area was Business Continuity Planning in February 2014. We reported then the controls offered **limited** assurance. This opinion was subsequently increased to **substantial** (November 2014) through our follow-up process which confirmed implementation of key recommendations including approval of the overarching business continuity plan by management team and testing of arrangements. We consider that the assurance offered by controls has decreased since our follow-up work. We believe the change in assurance rating can be attributed to a widening remit of the Resilience Team, which now includes managing the Safety Advisory Group (SAG) and an increased involvement in the Council's emergency planning response at the detriment to Business Continuity Planning. Furthermore, overall resources in the team have reduced following the cessation of the Resilience partnership with Swale Borough Council.

Independence

We are required by Public Sector Internal Audit Standard 1100 to act at all times with independence and objectivity. Where there are any threats, in fact or appearance, to that independence we must disclose the nature of the threat and set out how it has been managed in completing our work.

We have no matters to report in connection with this audit project.

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Acknowledgements

We would like to express our thanks to Laurel Niven – Resilience Team Leader, who assisted completion of this work. Through the Council’s management team, we would also like to thank the Business Continuity Plan owners and other staff who responded to our questionnaires to support our findings from this review.

Audit team and contact details	Report distribution list
<p>Head of Audit Partnership Rich Clarke (Rich.Clarke@MidKent.gov.uk)</p> <p>Audit Manager Alison Blake (Alison.Blake@MidKent.gov.uk)</p> <p>Senior Auditor Mark Goodwin (Mark.Goodwin@MidKent.gov.uk)</p>	<p><i>Draft and Final Report</i> Sheila Davison – Head of Health, Parking and Community Safety Jo Fox – Health, Parking & Community Safety Manager Laurel Niven – Resilience Team Leader</p> <p><i>Final Report Only</i> Terry Mortimer – Director of Law and Governance Ben Lockwood –Director of Finance and Economy Tracey Kerly - Chief Executive</p> <p>Audit Committee Members (as part of Audit Committee Papers)</p>

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Detailed Findings

We completed fieldwork during June 2017 to the agreed audit objectives and using the tests set out in the final audit brief dated March 2017. We include the audit brief at appendix I.

We have amended the brief at appendix I from its original presentation to reflect later agreement with the Audit Sponsor to vary the timing for our review because of competing work priorities.

Objective 1: To review the Council's Business Continuity Plan and supporting procedures.

In pursuance of the audit objective, the following tests were undertaken.

Test 1: To review the Business Continuity Plan for the Council.

The Council's current overarching Business Continuity Plan (BCP), as approved by Management Team and published on the intranet, is dated July 2015 (v1.0). At the time of our work the Resilience Team Leader was maintaining a 'working copy' of a revised overarching BCP which reflected a number of changes, in draft, required to this document.

An early observation of the Council's overarching BCP is that it is not governed by a Policy. When considering our findings elsewhere in this report, we consider that a clear policy statement from the Council would be a significant positive intervention. A policy statement provides the opportunity to set out clearly the Council's commitment to business continuity, including its ambition and funding support. Furthermore, clarity on how the Council will meet its responsibilities under the Civil and Contingencies Act as a category 1 responder would likely result from such a policy statement. We also note within the Kent Resilience Forum authorities increasingly see having a clear policy statement on business continuity as representing best practice. **R1**

R1: Business Continuity Policy

Priority 2: High

Implement Business Continuity Policy.

We reviewed the current BCP (v1.0) alongside the 'working copy' of draft changes made by the Resilience Team Leader. Our test confirmed that administrative changes resulting from organisational change (to named officers and from restructures) had been largely identified

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in the 'working copy.' However our review identified a number of areas which require clarification and updating in the plan including: -

- Procedure for invoking the BCP.
- Arrangements for securing and accessing plans.
- Roles and responsibilities of Business Continuity Incident Management Team. We found the plan listed a number of officers on the Business Continuity Management Team who have since left the authority.
- Contingency telephone provision.
- Contingency ICT provision. The plan currently refers to an arrangement with Phoenix which has not been in place for a number of years.

The Council's overarching Business continuity Plan is out of date with key areas identified for revision. The plan has fallen out of date to the extent that, were the Council to attempt its execution as written, the plan would fail. Consequently, its effectiveness is limited as staff need to draw on knowledge and resourcefulness not detailed in the plan for the Council to mount a successful response to a business continuity incident. We have passed our working papers from this test to the Resilience Team Leader. **R2**

R2: Update overarching Business Continuity Plan

Priority 2: High

Update and approve overarching Business Continuity Plan.

Our discussions with the Resilience Team Leader established that the Council's arrangements were supported by a Business Continuity Steering Group. The Group has a defined aim of *'developing and maintaining Business Continuity Management throughout the Council and to ensure it reflects organisation objectives, priorities and culture in order that the organisation has a response to major disruptions that threaten its ability to perform critical services.'*

The group has a generally sound membership and terms of reference. However, we established that the group had met only once; in October 2013. With no other meetings planned, this group has – in effect – been disbanded.

For the Council's overarching response to Business Continuity Planning to be effective it must involve the participation of the organisation as a whole, with the Resilience Team acting as facilitator. We consider a Steering Group for this purpose to be a good means of achieving this aim. **R3**

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R3: Business Continuity Steering Group

Priority 4: Low

Re-establish Business Continuity Steering Group and review terms of reference.

Test 2: To confirm that the Council has identified the risks to delivery of its critical services.

Our discussions with the Resilience Team Leader identified that the Council's Overarching Business Continuity Plan has been written as a generic response to any business continuity incident. The current overarching BCP (V1.0) (and the draft 'working copy') does not include a risk assessment considering scenarios which may interrupt the business operations of the Council, and its differing responses.

Without identifying its key risks, the Council may not be suitably prepared for responding to a business continuity incident. It may be beneficial to develop specific plans in response to a variety of possible scenarios, such as loss of IT, loss of building (alternative site), loss of workforce (from inclement weather / pandemic) to facilitate an effective response. This could lead to greater efficiency in the Council developing more detailed plans to more likely events (such as IT outage). **R4**

R4: Risk Assessment

Priority 2: High

Include a risk assessment within the business continuity plan.

Risks have in part been identified at a service level through completion of individual Business Impact Assessments (BIA) and Risk Assessment (RA) to establish the Council's restoration priorities. The results of service areas BIA are summarised in the overarching plan at Appendix A to prioritise restoration activities. The BIA summary in the overarching BCP is dated July 2015 but we found that service areas had completed more recent BIA (from early 2016). Therefore the restoration priorities in the current overarching BCP (and the 'working copy') are not up to date. **R5**

R5: Restoration Priorities

Priority 3: Medium

Update restoration priorities in the overarching Business Continuity Plan.

The completion of Business Impact Assessments and Risk Assessments by service areas are not supported with guidance to assist in their completion, which is largely dependent on how challenging and realistic the officer (Plan owner) is in completing the templates. Our discussions confirmed that the Resilience Team Leader does provide one to one assistance where requested to draw out issues the service should be considering. While this extra

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advice is available on request (for example recently with Chilmington Management and Planning & Development) there is no regular schedule of updates.

The arrangements would benefit from a guidance note to facilitate completion of these supporting templates. **R6**

R6: Guidance Notes to BIA and RA

Priority 4: Low

Prepare and circulate supporting guidance note to BIA and RA.

Test 3: To ensure that the Council has suitable arrangements in place to continue to deliver core functions.

Our work found that the BCP sets out adequate provision for emergency arrangements in the event of an incident. The Plan's approach is primarily identifying immediate actions and longer term considerations based on certain assumptions. Some of the areas to ensure the Council's arrangement are clearer in this regard and are brought up to date have been mentioned earlier (refer to **R2**).

Through discussion with the Resilience Team Leader we established that the Council has not identified an alternative site should the Civic Centre become unavailable. We understand officer discussions have identified a number of possible options (including the Julie Rose Stadium) but nevertheless the Council's BC Plan does not formalise this key aspect to its response. Furthermore, the results from our survey with Business Continuity Plan owners at a service level identified only a limited number of examples (4 from 22) where the service area had sought an alternative site or reciprocal arrangements with another Council or partner organisation. **R7**

R7: Alternative Sites

Priority 2: High

Identify alternative sites within business continuity plans.

Test 4: To verify that adequate testing arrangements are in place for the Business Continuity Plan, and that lessons learnt are applied.

Through our discussions with the Resilience Team Leader we established that testing was last undertaken in October 2014. This was a workshop training session delivered by Zurich, based on a fire scenario at the Civic Centre, which involved a range of officers from different service areas.

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The testing was prompted by a recommendation within our previous audit of Business Continuity.

The Council's plans were used in practice following the generator failure to the Civic Centre (in January 2016). A debrief exercise and report followed this incident. However, while that report identified further actions we have seen limited evidence of the Council undertaking those actions to improve its arrangements, beyond tenant meetings with other organisations in the Civic Centre. Consequently we cannot take assurance that the generator failure provided sustainable lessons to successfully inform future events.

The BCP makes no commitment to regularly test its arrangements. Testing would ensure the arrangements remain up to date and effective.

We have seen from our previous review that the Council responded to an audit recommendation to test, but that action appears to have been a one-off. Therefore, we now recommend that the BCP makes clear a continuing commitment to testing at defined regular intervals. **R8**

R8: Commitment to Testing

Priority 3: Medium

Set out commitment to test the Business Continuity arrangements.

Conclusion: We concluded as a result of our testing that that the Council's Business Continuity Plan is out of date and may not be effective responding to an incident which may affect on-going operations to the Council.

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Objective 2: To establish whether service areas have Business Continuity Plans that are tested and reviewed.

We undertook the following tests to establish whether individual services have Business Continuity Plans in place and that those plans have been tested. Responsibility for preparing service area Business Continuity Plans rests with the individual service with the Resilience Team providing advice on request and overseeing completion. High priority areas identified by service areas feed into the overall restoration priorities of the Council set out in its overarching Business Continuity Plan.

Test 1: All services should have in place an up to date and tested Business Impact Analysis or a service based business continuity management action plan.

Our testing found that business continuity plans at a service level were out of date and no longer fit the structure of the Council. The BIA template captures suitable information to assist in restoration and identifying risks to operations.

The majority of plans are dated January 2014 (17 of 21) although supporting Business Impact Assessments (BIA) are more recently completed.

The depth of the plans varies, for example both Planning and Housing each have a single plan, while other service areas are typically broken down into team or at a unit level. The business continuity plans for Planning and Housing do not fully document all of the functions within these service areas to consider impact from a business continuity incident, their relative importance and priority for restoration and how alternative arrangements may be employed. Plan owners too are no longer clear, following the passage of time and restructure to the organisation, most notably plans for Planning and Housing. This would inhibit coordination of a response in the very early stages of managing a business continuity incident. **R9**

R9: Update Service Area Business Continuity Plans

Priority 2: High

Update Service Area Business Continuity Plans to align to organisational structure.

The Council uses Objective Connect, a cloud based solution for service areas to electronically store their BC Plan and any other supporting documentation to support restoration of their service area. Objective Connect allows services to access their plans without reliance to a Council server providing an internet connection is available. Guidance notes for its use are available on the intranet.

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However, our survey to Plan Owners identified that 7 from 22 respondents were unaware of this this facility. **R10**

R10: Promote Objective Connect	Advisory
Promote Objective Connect to BCP Owners.	

Test 2: All BCPs at a service level should identify and prioritise key functions and systems.

A standard methodology is in place for services to compile their BCP through completion of a Business Impact Assessment to identify key functions and impact from an interruption of service. We confirmed existence of plans and correct application of the process for 5 service areas tested and found BIA were completed in early 2016. Our testing included review of 2 key contracts (Street Cleaning, Refuse and Recycling and Housing Responsive Repairs) to ensure BCP considerations had been incorporated within the contract documentation or assurance otherwise sought with the contractor. In both cases the service was able to provide this assurance although in 1 case (Housing Responsive Repairs) this was not set out as a contract term. We reported these findings to the Resilience Team.

We found some evidence that the Council's key contracts make provision for business continuity planning to ensure uninterrupted service provision but recommend that further action is coordinated by the Resilience Team to ascertain a fuller assurance position. **R11**

R11: Key Contracts	Advisory
Review business continuity provision in key contracts.	

Test 3: To verify that all Business Continuity arrangements for individual services are aligned to the corporate BC Plan

The results of individual service area BIAs are used to inform the Council's restoration priorities which appear as Appendix A in the overarching plan. We have previously identified the need to reflect the updated priorities of service areas, set out at **R5**.

Test 4: All service Business Continuity arrangements should be tested at regular intervals including after changes to management or business critical systems.

Our survey to BC plan owners resulted in 22 of 29 responses. In response to our questions around testing of plans the following results were obtained.

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When did you last test your Business Continuity Plan?

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Within the last 6 months	Green	Green	Green												
Within the last 12 months	Green	Green	Green												
Over 12 months ago	Yellow														
It's never been tested	Red	Red													

(1 respondent did not answer)

(If applicable) how was your BC Plan tested (i.e. desktop exercise, discussion with staff through team meeting)?

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Discussed at staff meeting	Green	Green	Green	Green	Green										
Desktop exercise	Green	Green	Green	Green	Green										
Other	Green	Green	Green	Green	Green										
N/A it's never been tested	Red	Red	Red	Red	Red	Red	Red								

(1 respondent did not answer)

Our survey results show that 7 of 22 BCP have not been tested within the last 12 months or ever. We note, however, that despite the Council not specifically requiring or monitoring testing of individual service plans 15 services have decided themselves to complete a test of some description. This suggests an appetite and willingness to complete testing that could be expanded across the Council. Testing can provide assurance upon the effectiveness of BCP arrangements. **R12**

We passed the full results from our survey to the Resilience Team Leader for information and action where respondents had raised specific issues.

R12: BC Plan Testing – Service Areas	Priority 3: Medium
Implement requirement for BC Plan testing by Service Areas.	

Conclusion: As a result of our testing we conclude that service area plans are out of date with limited current testing by service areas. This position may undermine services' and the Council's ability to respond to a business continuity incident.

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Objective 3: To establish staff awareness of Business Continuity arrangements.

We undertook the following test to determine the awareness of BC planning arrangements across the Council:

Test 1: To confirm that officers are aware of the Business Continuity arrangements in both their service and the Council as a whole.

We note that the Resilience Team deliver a slot at corporate inductions to raise awareness, which also extends to emergency planning and the other responsibilities of the team.

Through discussion with the Resilience Team Leader we established that the Council’s new starter (buddy checklist) and leaver forms had been recently amended to include business continuity. This will help to ensure that new employees are made aware of their service specific arrangements and assist in keeping contact lists to service area plans current.

Internal communications has been well used to promote awareness; with recent examples Business Continuity Week (in May 2017) and guidance from ransomware cyber attacks.

We sent out a questionnaire to a range of officers to gauge awareness. We received 20 responses (from 43) and the results are detailed below: -

Q1. Are you aware of the Council’s BC Plan and where would you find this?

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Yes																				
No																				

Q2. Do you know your lead officer for Business Continuity and registered on Objective Connect?

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Yes																				
No																				

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Q3. Are you aware of your call out notification arrangements within your service area and what are these?

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Yes																				
No																				

(1 respondent did not answer)

Q4. Do you feel confident in the event of a complete loss of access to the Civic Centre (or place of work) that your service would be able to provide a core service within 48 hours and be able to restore to a normal service within 1 week?

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Yes																				
No																				
Unsure																				

Q5. Would you be able to work from home in the short term?

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Yes																				
No																				
Other																				

Q6. Have you received any business continuity planning training and if so what has this been?

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Yes																				
No																				

While we can see that a lot of promotion has been done already, the survey results reflect an adverse position.

Conclusion: We concluded based on our test findings that awareness of the Council’s BC arrangements is poor despite the extensive efforts to date. Adoption and roll out of a formal policy, which we recommend at **R1**, will set out a focus to the Council’s arrangements and encourage wider awareness, as will mandating testing which we recommend at **R12**.

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Objective 4: Evaluation of arrangements in place to meet the requirements under the Civil Contingencies Act.

Having completed our testing against the first three objectives of the review, we assessed the findings so far against the responsibilities placed upon the Council as a Category 1 responder under the Civil Contingencies Act 2004 (the Act).

The Civil Contingencies Act and accompanying non-legislative measures deliver a single framework for civil protection in the UK. The Council's Category 1 responsibilities principally address emergency planning, which is a separate but related discipline outside the scope of this review. However, in fulfilling those responsibilities – summarised by the Cabinet Office into the six points below – the Council will need to have effective business continuity arrangements. Therefore our assessment is specifically centred on points 1, 3 and 6 (highlighted below).

- 1. Assess the risks of emergencies occurring and use this to inform contingency planning.**
2. Put in place emergency plans.
- 3. Put in place business continuity management arrangements.**
4. Put in place arrangement to make information available to the public about civil protection matters and maintain arrangements to warn, inform and advise the public in the event of an emergency.
5. Share information with other local responders to enhance co-ordination and efficiency.
- 6. Provide advice and assistance to businesses and voluntary organisations about business continuity management (local authorities only).**

Our testing and evaluation of arrangements established areas where the Council could improve their Business Continuity arrangements which are impacting on its responsibilities as a Category 1 responder under the Act. These issues have been largely elaborated on from our work to the previous audit objectives.

For point 6, our work established that the Council has no budget in place for this purpose. Information is available on Council's website to provide advice and assistance to business and voluntary organisations about business continuity management, which includes links to the Business Continuity Institute and a dedicated email address for external enquiries. The Council's webpage compared favourably with several Kent authorities' website pages for the same. At the time of our work, a sub group of the Kent Resilience Forum, was

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undertaking a project to utilise the Kent Prepared website as a central information site for all partners to share a link with.

Conclusion: The weaknesses identified elsewhere in this report adversely impact on the Council meeting its responsibilities as a Category 1 responder under the Civil Contingencies Act 2004. Notwithstanding, the Council's responsibility to provide advice and assistance is considered to be substantially met and the further work through the Kent Resilience Forum will assist further in this aim.

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Recommendations and Action Plan

R1: Business Continuity Policy		Priority 2: High
Implement Business Continuity Policy.		
Implementation of the recommendation will ensure clear organisational approach and commitment and guide business continuity planning at an overarching and service level. It is envisaged that the scope of a policy would set out commitment by senior management to approve, review and test the Council's arrangements.		
Management Response		
Recommendation agreed on the basis that having a policy represents best practice moving forward. Policy being drafted covering the issues suggested within the audit report and on forward plan for cabinet 12 October 2017.		
Responsible officer: Laurel Niven	Implementation date: 19 October 2017 (council)	

R2: Update overarching Business Continuity Plan		Priority 2: High
Update and approve overarching Business Continuity Plan.		
Implementation of the recommendation will ensure the Council has an up to date and effective business continuity response.		
Management Response		
Recommendation agreed. BC plan currently being updated and will be signed off by MT on the 5 October 2017. Note that appendix A can only be updated when individual service BCPs have been reviewed i.e. recommendation 9 of this audit report.		
Responsible officer: Laurel Niven	Implementation date: 5 October 2017 (BCP except appendix A) 29 October 2017 (Appendix A)	

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R4: Risk Assessment		Priority 2: High
Include a risk assessment within the business continuity plan.		
Implementation of the recommendation will ensure the most pertinent risks to the Council which may affect its ongoing business operations are identified and remedial action planned for.		
Management Response		
Recommendation agreed. Risk assessment currently being drafted for inclusion within the Overarching BCP. There will need to be a cross reference to the wider Strategic Risk Register assigning a Head of Service as risk owner. This element will be progressed in accordance with the Strategic Risk timetable.		
Responsible officer: Laurel Niven	Implementation date: 5 October 2017	

R7: Alternative Site		Priority 2: High
Identify alternative sites within business continuity plans.		
Implementation of the recommendation will ensure the Council has a back-up facility which it can provide its key services from.		
Management Response		
Recommendation agreed but review of service BCPs needs to take place before identifying alternative site(s) or other possible working arrangements. Site already identified and functional for initial BC strategic response (i.e. Aspire Depot) but larger site required for operational service delivery especially if civic centre lost for extended period. Larger site to be selected and necessary works to make functional to be undertaken. Situation to be reviewed again after results of service BCPs have taken place		
Responsible officer: Robin Jones Laurel Niven	Implementation date: TBD (single site identified and functional) 29 October (review of alternative site(s) in light of service BCPs update)	

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R9: Update Service Area Business Continuity Plans		Priority 2: High
Update Service Area Business Continuity Plans to align to organisational structure.		
Implementation of the recommendation will ensure the service areas have up to date and effective plans to respond to a business continuity incident.		
Management Response		
Recommendation agreed. Email to be issued to all HOS in order to ensure update occurs. To copy in existing BC plan holders so services to review whether changes needed in terms to areas covered &/or who their plan holder is. Email to be issued w/b 29 August 2017 by Corporate Director (Law & Governance).		
One-month deadline for completion of service BC plans to include necessary liaison and support by Resilience Manager.		
Responsible officer: Heads of Service	Implementation date: 29 September 2017	

R5: Restoration Priorities		Priority 3: Medium
Update restoration priorities in the overarching Business Continuity Plan.		
Implementation of the recommendation will ensure the Council's plans reflect current service area priorities and contribute towards an up to date and effective business continuity response.		
Management Response		
Recommendation agreed. Will be addressed as part of recommendation 2 & 9		
Responsible officer: Laurel Niven	Implementation date: 29 October 2017	

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R8: Commitment to Testing		Priority 3: Medium
Set out commitment to test the Business Continuity arrangements.		
Implementation of the recommendation will provide assurance to the Council's Business Continuity response or identify areas in its arrangements which require action to improve.		
Management Response		
Recommendation agreed. There is a £10k allocated budget per year to provide training around identified risks within the council. This is in conjunction with Zurich Municipal. Once the BCP has been updated testing will take place and then scheduled every year. Also exploring additional training through Kent Resilience Team		
Responsible officer: Laurel Niven	Implementation date: First testing by 31 March 2018	

R12: BC Plan Testing – Service Areas		Priority 3: Medium
Implement requirement for BC Plan testing by Service Areas.		
Implementation of the recommendation will provide assurance to the service areas Business Continuity response or identify areas where plans require action to improve.		
Management Response		
Recommendation agreed. Requirement to undertake testing to be included in the BC Policy and testing schedule developed. Compliance to be reported to MT as part of a regular BC update report		
Responsible officer: Head of Service	Implementation date: 19 October 2017	

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R3: Business Continuity Steering Group		Priority 4: Low
Re-establish Business Continuity Steering Group and review terms of reference.		
Implementation of the recommendation will ensure wider Officer input into the Council's Business Continuity arrangements to ensure they provide an up to date and effective response.		
Management Response		
Recommendation agreed. TOR to be updated and membership reviewed. First meeting to be held November 2017 following feedback from MT on the 5 October and completion of Appendix A on the 29 October.		
Responsible officer: Tracey Kerly	Implementation date: By end November 2017	

R6: Guidance Notes to BIA and RA		Priority 4: Low
Prepare and circulate supporting guidance note to BIA and RA.		
Implementation of the recommendation will facilitate completion of BIA and RA templates by service areas.		
Management Response		
Recommendation agreed. However, the guidance needs to be issued quickly and therefore this will be considered a high priority.		
Responsible officer: Laurel Niven	Implementation date: Guidance to be issued w/b 29 August 2017 with requirement for services to update their BCPs	

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R10: Promote Objective Connect	Advisory
Raise staff awareness of BC arrangements through internal communications.	
Implementation of the recommendation will encourage better use of this facility to service areas for retaining plans and relevant documentation to support implementation.	
Management Response	
Presentation to Corporate Management Team on the 14 September 2017 to raise awareness amongst senior managers. Pre-Cabinet presentation on the 9 November 2017 for all members. Communication plan to be developed which will run alongside the other actions identified within this document.	

R11: Key Contracts	Advisory
Review provision of business continuity in key contacts	
Implementation of the recommendation will ensure the Council gains assurance that service provision delivered through a key contract would not be interrupted following a business continuity incident.	
Management Response	
Liaison with Procurement and Support Manager and Legal Service to ensure BC addressed within key contracts.	

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Appendix I: Audit Brief (issued as final 30.03.17)

About the Service

Business Continuity is the planning and preparation to ensure that an organisation can continue to operate in the event of a serious incident or disaster. Under the Civil Contingencies Act 2004, the Council is classified as a Category 1 responder, and as such the Council is required to:

- Have in place suitable Business Continuity arrangements
- Provide assurance and assistance to businesses and voluntary organisations

The Head of Health Parking & Community Safety has within her remit responsibility for the Council's Business Continuity arrangements, which is delivered through the Resilience Team. The Council works in partnership with the Kent Resilience Team to support its work.

The Council's Business Continuity arrangements overlap across all areas of the Council, and a Business Continuity Plan (BCP), dated 2015, is available on the intranet. At the time of planning the audit, work was ongoing with services to update their individual plans and the restoration priorities of the Council. The outcomes from this will inform revisions to the BCP as necessary.

Structure Chart



Note: Above structure effective from 1st April 2017 to reflect change of responsibilities between Health, Parking and Community Safety Managers.

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About the Audit

This audit is an **operational review** meaning that we will focus on the objectives and risks of the service and the effectiveness of associated controls.

The proposed audit forms part of the 2016/17 annual plan, which was agreed by the Council's Audit Committee on the 15 March 2016.

The overarching objective of the audit is to ensure that the Council has appropriately developed Business Continuity arrangements, which are formalised through a policy and supporting procedures.

Our findings in this review will contribute towards the **internal controls** aspect of the Head of Audit Opinion, to be issued in June 2017.

Audit Objectives

1. To review the Council's Business Continuity Plan and supporting procedures.
2. To establish whether service areas have Business Continuity Plans that are tested and reviewed.
3. To establish staff awareness of Business Continuity arrangements.
4. To establish how the Council is meeting its responsibilities for Business Continuity under the Civil Contingencies Act 2004.

Audit Scope

1. Roles and responsibilities for Business Continuity Planning.
2. The Council's Business Continuity Plan and supporting procedures.
3. Individual Business continuity Plans for service areas.
4. Business Continuity Testing exercises.
5. Training and awareness.
6. Key service contracts.

Audit Testing

1. Desktop review of the Council's Business Continuity Plan.
2. Survey to establish Officer awareness of Business continuity arrangements.
3. Review of Business Continuity testing/actual events.
4. Evaluation of arrangements in place to meet the requirements under the Civil Contingencies Act.

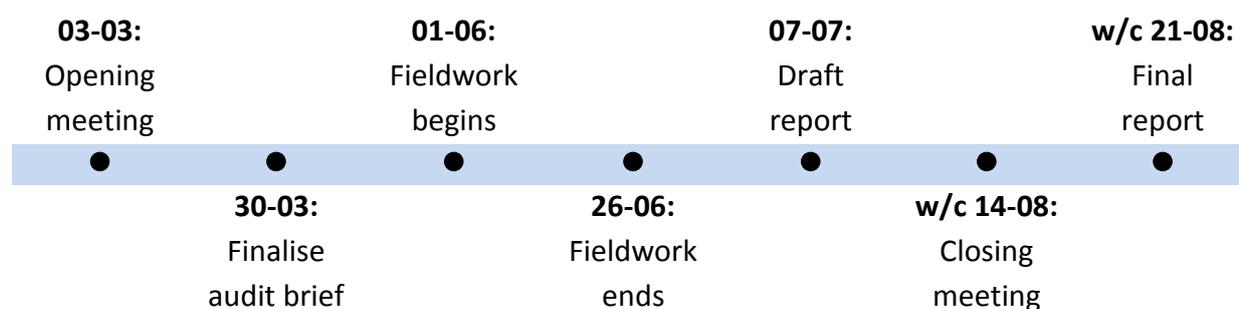
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Audit Resources

Based on the objectives, scope and testing identified we expect this review will need **12 days** of audit time, broadly divided as follows:

Audit Task	Auditors	Number of Days (Projected)
Planning	Mark Goodwin	1.5
Fieldwork	Mark Goodwin	7.5
Reporting	Mark Goodwin	2
Supervision & Review	Alison Blake / Russell Heppleston	1
Total		12

Audit Timeline



Resources required by audit

Documents required	
Overarching Business Continuity Plan	Supporting Business Impact Assessments to BCP
Supporting Risk Assessment to BCP	Minutes from Working Groups (if applicable)
Supporting paperwork to testing of plans	Training records
Systems access	
Server access to information above	

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Appendix II: Assurance & Priority level definitions

Assurance Ratings

Full Definition	Short Description
<p>Strong – Controls within the service are well designed and operating as intended, exposing the service to no uncontrolled risk. There will also often be elements of good practice or value for money efficiencies which may be instructive to other authorities. Reports with this rating will have few, if any, recommendations and those will generally be priority 4.</p>	<p>Service/system is performing well</p>
<p>Sound – Controls within the service are generally well designed and operated but there are some opportunities for improvement, particularly with regard to efficiency or to address less significant uncontrolled operational risks. Reports with this rating will have some priority 3 and 4 recommendations, and occasionally priority 2 recommendations where they do not speak to core elements of the service.</p>	<p>Service/system is operating effectively</p>
<p>Weak – Controls within the service have deficiencies in their design and/or operation that leave it exposed to uncontrolled operational risk and/or failure to achieve key service aims. Reports with this rating will have mainly priority 2 and 3 recommendations which will often describe weaknesses with core elements of the service.</p>	<p>Service/system requires support to consistently operate effectively</p>
<p>Poor – Controls within the service are deficient to the extent that the service is exposed to actual failure or significant risk and these failures and risks are likely to affect the Council as a whole. Reports with this rating will have priority 1 and/or a range of priority 2 recommendations which, taken together, will or are preventing from achieving its core objectives.</p>	<p>Service/system is not operating effectively</p>

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Recommendation Ratings

Priority 1 (Critical) – To address a finding which affects (negatively) the risk rating assigned to a Council strategic risk or seriously impairs its ability to achieve a key priority. Priority 1 recommendations are likely to require immediate remedial action. Priority 1 recommendations also describe actions the authority **must** take without delay.

Priority 2 (High) – To address a finding which impacts a strategic risk or key priority, which makes achievement of the Council’s aims more challenging but not necessarily cause severe impediment. This would also normally be the priority assigned to recommendations that address a finding that the Council is in (actual or potential) breach of a legal responsibility, unless the consequences of non-compliance are severe. Priority 2 recommendations are likely to require remedial action at the next available opportunity, or as soon as is practical. Priority 2 recommendations also describe actions the authority **must** take.

Priority 3 (Medium) – To address a finding where the Council is in (actual or potential) breach of its own policy or a less prominent legal responsibility but does not impact directly on a strategic risk or key priority. There will often be mitigating controls that, at least to some extent, limit impact. Priority 3 recommendations are likely to require remedial action within six months to a year. Priority 3 recommendations describe actions the authority **should** take.

Priority 4 (Low) – To address a finding where the Council is in (actual or potential) breach of its own policy but no legal responsibility and where there is trivial, if any, impact on strategic risks or key priorities. There will usually be mitigating controls to limit impact. Priority 4 recommendations are likely to require remedial action within the year. Priority 4 recommendations generally describe actions the authority **could** take.

Advisory – We will include in the report notes drawn from our experience across the partner authorities where the service has opportunities to improve. These will be included for the service to consider and not be subject to formal follow up process.

Agenda Item No: 6
Report To: Audit Committee
Date of Meeting: 28th September 2017
Report Title: Annual Governance Statement – Progress on Remedying Exceptions
Report Author & Job Title: Nicholas Clayton-Peck, Senior Policy, Performance and Scrutiny Officer
Portfolio Holder Cllr. Shorter
Portfolio Holder for: Finance & IT



Summary: This report updates on the progress made towards the areas of review highlighted by the 2016-2017 Annual Governance Statement

Key Decision: NO

Significantly Affected Wards: N/A

Recommendations: **The Audit Committee is asked to:-**

- I. Note progress made towards the areas of review highlighted by the Annual Governance Statement as detailed in this report**

Policy Overview: Each year the council must produce and approve an Annual Governance Statement (AGS). AGS are designed to summarise for members and residents the council's approach to governance and show how the council fulfils the principles for good corporate governance in the public sector.

Financial Implications: None

Legal Implications None

Equalities Impact Assessment N/A

Other Material Implications: None

Exempt from Publication: NO

Contact: Nicholas.Clayton-Peck@ashford.gov.uk (01233 330208)

Report Title: Annual Governance Statement – Progress on Remediating Exceptions

Introduction and Background

1. Each year the council must produce and approve an Annual Governance Statement (AGS). AGS are designed to summarise for Members and residents the council's approach to governance and show how the council fulfils the principles for good corporate governance in the public sector. The AGS needs to draw conclusions, based on evidence throughout the past year, about the effectiveness of the council's arrangements.
2. The 2016-2017 Annual Governance Statement (AGS) was agreed by the June 2017 meeting of the Audit Committee and identified three areas for continued work and review -

Governance Area	Responsible Department	To be delivered by
Modern.Gov	Legal and Democratic Services	March 2018 (as set out in PID)
Peer Challenge	Directors / Management Team	January 2018
Compliance with the Transparency Code	Corporate Policy and Performance	March 2018

3. This report updates on the progress made towards these areas of review highlighted by the 2016-2017 Annual Governance Statement.

Purpose of this report

4. To update on the progress made towards the areas of review highlighted by the 2016-2017 Annual Governance Statement.

Progress to Date

Modern Gov

5. Staff in Member Services (and elsewhere) have been trained in use of the system. The intention is for Management Team to be using ModernGov for the running of their meetings by the end of 2017.
6. Concurrently, a cohort of all Cabinet Members and a small number of other early adopters will be trained and provided with devices by early 2018, ahead of user testing and a wider rollout across the organisation.

Peer Challenge

7. Peer challenge is a process by which a small team of councillors and officers from other local authorities are invited to look at the council's systems, processes and outcomes, and to make recommendations about what might be further reinforced or improved. Just over two-thirds of councils have commissioned a peer challenge.
8. Discussions will be taking place with the LGA to consider when a Peer Challenge could be programmed to take place at Ashford. The scope of any peer challenge will need to be defined in conjunction with Management Team and the Leader so that it reflects the council's direction of travel. Subject to the LGA's timetable and availability, such a review could take place during early 2018.

Compliance with the Transparency Code

9. Whilst compliance with the Code is an ongoing issue, the Annual Governance Statement was prepared in advance of a four-way best practice governance audit on transparency, conducted across the Mid-Kent Audit Partnership.
10. This audit is now complete, and confirmed that "*Ashford Borough Council is fully compliant with Principle G of the Good Governance Framework [covering the organisation's decision-making, service delivery and performance], and therefore no improvement is needed.*"
11. The audit also looked more widely at the council's publication of data against the Code, and whilst Ashford was found to demonstrate effective implementation against the Code (with no areas found to be 'not compliant', the review did highlight a small number of areas with partial compliance – either due to out of date information, or information being partially published.
12. Efforts are already underway to close these gaps, and further details will be published at the next quarterly update.

Conclusion and Next Steps

13. Work is still required in each of the three areas identified in the AGS in order to complete the areas of further governance work identified. This is to be expected – being the first quarterly update against the council's compliance (and still in advance of each area's 'to be delivered by' date).
14. As such, a further update on each area will be provided at the next quarterly update.

Contact and Email

15. Nicholas Clayton-Peck, Senior Policy, Performance and Scrutiny Officer
16. Nicholas.clayton-peck@ashford.gov.uk

Agenda Item No: 7

Report To: Audit Committee

Date of Meeting: 28th September 2017

Report Title: Strategic Risk Management:
Update Report September 2017

Report Author & Job Title: Kirsty Hogarth, Corporate Policy & Performance Manager

Portfolio Holder Cllr Neil Shorter
Portfolio Holder for: Finance & IT



Summary:

Twice a year the Audit Committee considers the Council's Strategic Risks and is asked to note the updated assessments and to agree the adequacy of key controls and the mechanisms for monitoring and mitigation. This report fulfils those obligations.

Since adoption of the risk approach agreed in 2015, monitoring and assessment of strategic risk has been an evolving process, so some of the risk titles and descriptors have been amended to better reflect the risk factors. It has been proposed, however, to have a more major review of the risk framework, so this should be the last time risk will be presented in this format to Members. A new framework is currently being developed by the Audit Partnership in tandem with the Corporate Policy, Economic Development & Communications Team and is scheduled to be presented to Audit Committee in March 2018.

Recommendations: **The Audit Committee is asked to:-**

- I. Consider the updated risk factors and agree the assessments, as well as the adequacy of the key controls and the mechanisms for monitoring and mitigation;**
- II. Note the proposal to include a further Strategic Risk on Emergency Planning and Business Continuity**
- III. Note that a new risk framework is being developed to improve risk management arrangements and will be presented to Audit Committee in March 2018.**

Policy Overview: In line with good governance practice and principles

Financial Implications: None at this stage

Legal Implications None at this stage

Equalities Impact Assessment Not Required because equalities issues are assessed as part of the project initiation process

Contact: kirsty.hogarth@ashford.gov.uk – Tel: (01233) 330413

Report Title: Strategic Risk Management - Update Report September 2017

Introduction and Background

1. Twice a year the Audit Committee considers the Council's Strategic Risks and the Risk Management processes. This report is an update of the report reviewed by Audit Committee in March this year and is part of the monitoring process for the Council's seven identified Strategic Risks which, it was agreed, should be monitored and reviewed at a high level and on a regular basis. This report fulfils those obligations.
2. All seven themes underpin and support the Council's corporate agenda and they cover areas that the Council needs to ensure are working properly if it is to achieve its five year Corporate Plan 2015-2020 – *for aspiration, action and achievement*.

Proposal/Current Position

3. Since adoption of the risk approach – originally agreed in 2015 - monitoring and assessment of strategic risk has been a regular, but evolving, process, so some of the risk titles and descriptors were amended (in March) to better reflect the risk factors.
4. This September 2017 report and accompanying appendix is, therefore, part of the agreed monitoring process which Audit Committee Members undertake.
5. As recommended in the March report to Audit Committee, continuous improvement of the Council's risk management arrangements is important so, in order to ensure that risk management remains robust, Management Team has proposed that a major review of the risk framework should take place, with the Audit Partnership and the Corporate Policy Team working together to achieve this. This should, therefore, be the last time that risk will be presented in this format (or with this content) to Members.
6. The earlier agenda item for this Committee, dealing with the Final Audit Report of Business Continuity Planning (August 2017), demonstrated that a more corporate oversight of Business Continuity Planning was required – specifically to “consider scenarios which may interrupt the business operations of the Council”.
7. In response to that requirement, Members of the Audit Committee will be reassured to note that Management Team has both agreed the recommendation to include a risk assessment within the Business Continuity Plan, and also now agreed that an appropriate level of monitoring and review would be achieved by including both Emergency Planning and Business Continuity Planning as part of the Strategic Risk Register, with the Head of

Service becoming the risk owner.

8. Work has started on this already, and it should be completed by the time of the next Audit Committee's consideration of risk in March 2018.
9. In addition, a new framework is currently being developed by the Audit Partnership in tandem with the Corporate Policy, ED & Comms Team and is scheduled to be presented to Audit Committee in March 2018.
10. The new framework will look at the various elements of risk, including:
 - (a) the potential amalgamation of strategic and operational risks, with the intention of reporting the highest risks (in both categories) to Members;
 - (b) reviewing the risk criteria to ensure they are robust;
 - (c) reassessing the categories of strategic risk to avoid duplication of themes and criteria; and
 - (d) reviewing the presentation of risk to ensure that it facilitates Members and Officers in monitoring risk and ensuring that risk controls are adequate.
11. This review process is currently taking place and will be completed in time for the Audit Committee's March meeting.
12. For this meeting, however, Members are asked to consider the updated position on the management of strategic risk and to endorse the monitoring approach and the controls that are currently in place.
13. The following section – 'The Risks in Context' – reminds Members of the context for each risk and gives a full update. The attached appendix is the risk template with the risk position shown graphically.

The Risks in Context

ABC 1603/1: Organisation Skills & Capacity to Deliver (Risk Owner: Terry Mortimer)

(a) Succession planning & resourcing

14. Concern had been raised over the capacity and resilience of the senior management tiers. Since the last report the Chief Executive has completed and implemented a management restructure. This sought to realign service areas with complementary services as well as increase the strategic capacity of the organisation.
15. Four senior manager posts were created (Head of Planning & Development, Head of Legal and Democracy, Head of Policy, Economic Development and Communications and a Director Finance and Economy) These posts are intended to increase and improve capacity as well as create a wider pool for future succession to aid resilience as there is planned and unplanned turnover.
16. A rigorous and thorough recruitment process to fill all four management positions has now been completed. All four post holders (three of them external candidates) will be in post by the end of November 2017. A

structured induction programme is currently being planned to ensure that the new members of staff have a thorough introduction to ABC and are able to operate as effectively as possible in a short amount of time. A good induction process is also important so that each new starter feels welcome and crucially sets the tone for the 'settling-in' period. As part of the ongoing succession planning work all four post holders will be considering the resources they have and the associated risks as they start with ABC; and the HR team will be supporting this process.

17. Programme management and project initiation processes are becoming embedded and post project reviews have been undertaken to ascertain areas of learning and good practice to help inform future improvements in project resource planning.
18. A flexible way to increase resources for a short term need is to engage a specialist consultant. Equally, overuse of consultants can place the council at risk as the organisational knowledge and skills developed by the consultant leave the council at the end of the assignment, or when a more lucrative assignment comes along. Consequently, a desk-top review of consultants has been undertaken to ascertain whether the consultants engaged over the last two years are covering 'day jobs', a one-off project or providing specialist skills. As the findings of this review emerge it is possible that we will seek to improve resilience by converting some consultant roles into permanent establishment posts.
19. The previous report to Audit Committee in March 2017 identified Member skills and capacity as a potential control mechanism, although one that could become a risk in itself if not substantially embedded within the organisation.
20. During 2017, to date, training sessions in Planning, Data Protection and Chairmanship Skills have been supplied for Members and participation levels have generally been good. A training event on licensing is taking place in October.
21. The main focus this year, however, has been the development of Modern.Gov. An electronic system that will facilitate access to documents, participation in meetings and access to training on Learning & Development modules, this system will begin to be rolled out to Members in January 2018. As well as improving the way in which Members can view agendas and minutes, it will also include the long-requested Members' training library area.

(b) Engagement and workforce culture

22. A well-motivated workforce and engaged workforce contributes to good productivity levels and low sickness absence levels; and such a workforce make good ambassadors for the council and have high morale.
23. Our engagement plan is a mix of internal communication of key corporate projects and progress, consultation and feedback as well as more social events designed to help teams network. Our current engagement plan is being rolled out with good take up.

24. Reflecting the good work we are doing, for the third year running we have been shortlisted for three national engagement awards. These acknowledge and provide us with a national benchmark that shows how well we plan and deliver our engagement activities and how well they are linked to the delivery of objectives.
25. A good indication of engagement is sickness absence levels. The 2016/17 levels continued to be low (6.43 days per FTE). In June 2017 the O&S Committee were confident that sickness absence was being well managed. As wellbeing is a focus for this year a wellbeing survey is planned for the autumn to take a temperature check on how staff view their wellbeing; results from this will inform our work for the following year.
26. Work has been completed on internal corporate values that complement the existing competency framework. This is in the process of being embedded into the organisation through internal communications, annual appraisals and the staff awards scheme - as well as informal recognition schemes.

(c) Learning & Development Strategy

27. The 2017/18 training plan is on course for being delivered, having been determined using information from annual appraisals. A new appraisal process that is linked to a learning management system will be launched across all staff in December/January of this financial year. This will help us with better record keeping and evaluation processes so we can determine the impact that Learning and Development has had and ensure that there is closer assessment of the value of the investment in L&D.

(d) Pay and Reward

28. The scoping for the Pay and Reward project is planned for later in the year and will be about making sure our pay and benefits are attractive and able to support a more entrepreneurial/commercial way of working. There has been much publicity recently about the public sector pay cap and whilst we have regard for the national picture the recent news about Police and Prison Officers breaching the pay cap is unlikely to materially affect ABC as we are on locally agreed conditions, and negotiate pay awards with our local Unison branch.

ABC 1603/2: Housing & Infrastructure (Risk Owner: Richard Alderton)

29. The varying risks within this category have been mitigated during the course of the year by different actions, and some significant progress has been made on key Big 8 infrastructure projects.
30. This update demonstrates, for example, that the risk to delivery of one of the major infrastructure projects (J10A) has been mitigated by £16m forward funding of developer contributions, achieved by working with the HCA and DCLG. This is a substantial step forward in achieving a new junction – along with progress on the approval process for this Nationally Significant Infrastructure Project (NSIP). In turn this has mitigated the risk of the new local plan being found ‘unsound’ on the basis that a highway network had

insufficient capacity to cater for planned growth. The junction remains on course to be open to traffic in mid-2019.

31. Another major transport infrastructure project with a key bearing on the future of the town – the signalling of the spurs from the High Speed line into Ashford International Station – has also progressed substantially. The risk of non-delivery has been much reduced by the success of the Council and the County Council working together to secure substantial funding (£9.8m) for the project from the South East Local Enterprise Partnership. The project should be completed by March 2018.
32. At Chilmington Green – another ‘Big 8’ project - the s106 agreement was completed (January 2017), resulting in over £110m investment in infrastructure of all sorts in the coming years – including some £45m on a wide range of community facilities to support the growing population in this area of the town. A working protocol with Kent County Council has been agreed to help to establish a joined-up working approach to delivery of infrastructure on the site.
33. In terms of project resource co-ordination and progress, the Council’s programme management system assists in risk mitigation because it is becoming embedded across the organisation to ensure best and effective use of resources. Further details are available at Appendix 1. The pioneering ‘District Deal’ with the County Council is regularly updated and provides a way of responding to joint working issues that arise here and elsewhere and a joint networking event between KCC and ABC is planned to ensure that the District Deal continues to be a focus mechanism for partnership working.

ABC 1603/3: Key Project Failure (Risk Owner: Paul Mckenner)

34. At the March Audit Committee, Members heard that a number of projects were coming to fruition, thereby reducing risk. Of the ‘Big 8’ projects (the main key projects for the Council), several have progressed since the last report, although it is important to acknowledge that, in most cases, the risk has changed, rather than reduced.
35. For example, in the built environment, the original risk was to construction. Once buildings are started, the main risk changes in nature. Additionally, there are consequential risks which could impact on other parts of the Council’s business and other Council opportunities.
36. The main risk of key project failure is to Ashford’s growth and economic regeneration, as well as to income generation for the Council. All these would lead to reputational risk for the borough and for the Authority. It is, therefore, the role of groups such as the Ashford Strategic Delivery Board not only to monitor and further project progress but, equally as important, to identify potential risks and mechanisms for controlling or ameliorating those risks.

ABC 1603/4: Resource Limitations (Risk Owner: Ben Lockwood)

37. Income generation remains the focus for the Council and, with an uncertain government agenda (particularly on NNDR reform and any future finance

settlement for local government), the risk to this area remains stable, with a view of 'cautious optimism'.

38. The Medium Term Financial Plan, highlighting a small but manageable budget pressure, will be considered by Cabinet in October. Heads of Service have been reminded to be cost conscious and to exercise caution on spending while continuing to focus on the need to deliver the Council's commercial agenda.
39. In line with this, a 1% savings target has been set across all services, to enable the Council to meet the budget pressures in a measured and planned way.
40. In terms of the wider economy, there has been mixed news over the summer, with Brexit negotiations forming the main activity, and the market responding to negotiations as and when decisions emerge. With inflation currently higher than its target, the economy is slowing and UK growth is projected to be a little weaker than anticipated. The Council's focus will therefore remain on maintaining its commercial activity while achieving small savings targets in order to minimise and manage its risk.

ABC 1603/5: Collaborative Working (Risk Owner: Tracey Kerly)

41. Collaborative working is very important to this Authority – both in terms of external partners and internal cross-service working – particularly in respect of progressing projects important to the borough.
42. At the previous Audit Committee in March, Members learned that there were 11 key controls for this strategic risk area. We would now like to increase this again, to 12, because the District Deal (the agreement between ABC and KCC) which facilitates and furthers projects, was not listed previously as a control.
43. However, this collaborative working between KCC and ABC has been not only the mechanism for catalysing projects in the first instance but also the method of removing obstacles to progressing various projects. District Deal will shortly be strengthened further by a networking event, organised and led by senior officers of both Authorities.

ABC 1603/6: Community Capacity (Risk Owner: Christina Fuller)

44. The risk to the Council in this context is that there will be insufficient capacity within the Voluntary Sector to accommodate ABC's aims in working with the community
45. This is important because the Voluntary Sector in Ashford provides a diverse range of services to local communities - from the provision of community and leisure buildings, parks and play areas, sports and youth activities and advice and advocacy services, to highlight a few.
46. The consequences of the voluntary sector no longer having the capacity or resources to continue to deliver would have a negative impact on the Council in a number of ways, leading to the strategic risk identified.

47. The delivery of important services currently provided in partnership with the VCS would be at risk, as the Council does not have the resources to deliver them. These include youth services, advice services, mediation services and the management of community assets. This would result in community buildings, parks and open spaces becoming less accessible or possibly being closed.
48. This in turn would impact on the health and wellbeing of local communities and the Council's ability to meet the aims of its corporate plan, particularly Priority 3 – Active and Creative. Many vulnerable people rely on the services and support provided by the VCS and a loss of these services could result in those vulnerable people turning to the Council for help and support, thereby impacting on council resources.

Challenges

49. While successful in mitigating the risks identified, there are some challenges that remain when trying to build VCS capacity. As autonomous organisations, many VCS groups do not appreciate "interference" from the statutory sector in the way they deliver their services. Unless directly funding an organisation, the Council has limited influence on the services they deliver, the way they deliver them or their governance arrangements, including how they train trustees and volunteers.
50. It is a challenge for VCS organisations to recruit and retain trustees/committee members with the right skills and capacity to effectively steer their organisations in a direction that ensures their sustainability. This, coupled with the fact that many trustees/committee members are older will challenge the sectors' ability to remain responsive to a challenging and changing future environment.
51. Funding to VCS from the statutory sector has reduced dramatically in the last few years. VCS organisations are therefore prioritising service delivery to meet funding targets and do not have spare capacity to attend partnership boards and meetings. This could lead to a danger that the voluntary sector is not consulted on policy decisions or involved in the decision making process. This environment also makes it a challenge for VCS organisations to network and share best practice.

Mitigation Update

52. We continue to mitigate risks identified within this category by working closely with VCS organisations to support their governance arrangements, policy framework, funding levels and service delivery in order to increase capacity and encourage long-term sustainability.
53. Meetings with VCS providers to look at early identification of potential problems and issues is ongoing and a priority for Culture.
54. We are looking to further develop capacity within the voluntary sector by identifying and promoting new support organisations and are currently

investigating the suitability of a business advice service through the Kent & Medway Growth Hub. <http://www.kentandmedwaygrowthhub.org.uk/>

55. We are also working with partners to provide greater access to specialist training such as using volunteers, accessing funding, marketing and promotion
56. We have worked closely with the Volunteer Centre to develop and support a new community led trust to manage and run council assets in the Repton development and, in partnership, have been successful in setting up a Repton Community Trust. The trust will be supported and developed by the Council and its partners to ensure it has the skills and capacity to successfully run and manage its community assets in the long term.
57. We are working with the Chilmington Management Team to support a robust approach to community management. Significant and dedicated staff and funding resources are available to the Chilmington team which are not available in general but any areas of best practice will be duplicated where possible. In itself, the approach used at Chilmington is designed to help ensure community management is successful, as the overall approach taken to the policy and the negotiated financial and governance arrangements for the Chilmington Community Management Organisation should help to ensure self-sufficiency and long term sustainability.
58. We have provided assistance in awareness raising and promotion of the VCS through regular features in Ashford Voice and promotion through the Council's website. We provide a dedicated page on the Council's website and are looking at developing this page and identifying the resources needed to keep information accurate and up to date.
59. We have had discussions around supporting and enabling better promotion of the voluntary sector and have identified an opportunity for VCS to signpost to their services via the One You shop in Park Mall. We will reinvigorate promotion of the directory on the live it well website - <http://www.liveitwell.org.uk/> - to both VCS and service users.

Focus for Mitigations in Future

60. We will work with partners to focus commissioned youth services on educating, recruiting and developing the skills of young people to take up trustee posts and volunteering opportunities. At the recent Ashford College Fresher's Fair, we promoted the need for young people to volunteer.
61. We will also look at the feasibility of funding expenses of the VCS representatives for sitting on partnership committees/boards/working groups such as the Health and Wellbeing Board. When sitting on such groups it is important that the organisation provides the VCS perspective but also disseminates information to the sector.

ABC 1603/7: Reputation (Risk Owner: Tracey Kerly)

62. Audit Committee's last consideration of this strategic risk in March this year saw that new performance and risk management software had enabled earlier identification and tracking of risks.
63. Those systems are now well embedded in the Authority and good progress has been made on some important projects, but Directors and Management Team have agreed that Reputation risk should remain at amber because of the many external factors influencing reputation that are outside the Council's immediate control, as well as the importance to the Council of maintaining its reputation for effective and efficient service and project delivery, combined with high standards and a commitment to its residents and businesses.

Conclusion

64. Risk owners have reviewed and reassessed the risks and controls within their specific areas and are satisfied that this report and attached Appendix represent an accurate picture of strategic risk as it currently stands within the Authority.
65. Work has already begun, however, on a major review of the risk framework. The new framework will incorporate the amalgamation of strategic and operational risks, so that only the highest risks in each category are reported to Members; the new framework will be appropriate and fit-for-purpose, with robust risk criteria which avoid the duplication of themes; and it will also incorporate a review of the presentation of risk to ensure it is readable and easy to understand.

Contact and E-mail

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Strategic Risk report



Report Type: Risks Report

Generated on: 20 September 2017

Risk Title	Organisational Skills & Capacity to Deliver	
Risk Owner	Terry Mortimer	
Risk Code	ABC1603/1	
Risk Description	<p>Organisational capacity and capability do not match the requirements or ability to deliver</p> <p>Risk that resources will not meet requirements: staffing, funding, equipment (particularly IT), accommodation, training, elected members, particularly with future organisational changes</p>	
	IC001 Succession Planning Strategy	
	IC002 Engagement Strategy	
	IC003 Learning & Development Strategy	
	IC004 Flexible resourcing framework that gives ability to access short term skilled staff	
	IC005 Business continuity plans	
	IC006 MTFP and budget monitoring processes	
	IC007 Programme management processes	
	IC008 Risk Framework	
	CRIC004 Service planning	
	IC051 Pay & Reward package	
	IC052 Member capacity & training	
	IC053 Workforce Culture	
	IC061 Structured Induction Programme	
	IC062 Modern.Gov	
Update	<p>Key risks are being addressed by:</p> <p>(i) Resourcing and Succession Planning: where Programme Management and Project Initiation processes are now becoming embedded. Service plans and service risks are reviewed, as required, and a review of the use of consultants has taken place. Restructure now complete; with four new senior management posts recruited; staff will all be in place by end of November 2017.</p> <p>(ii) Engagement Strategy: ensures highly engaged/highly performing workforce.</p>	

Appendix 1

	<p>Current engagement plan being rolled out with good staff take up.</p> <p>(iii) Learning and Development Strategy: performance appraisals identify individual learning needs. A new appraisal system linked to a learning management system will be launched in December 2017/January 2018.</p> <p>(iv) Pay & Reward Package: pay, reward, terms & conditions to be reviewed towards end 2017/18.</p> <p>(v) Member Skills & Capacity: Modern.Gov will be rolled out to Members in January 2018.</p> <p>(vi) Workforce Culture: ABC values being rolled out across organisation via senior management.</p>
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Risk Title	Housing & Infrastructure	
Risk Owner	Richard Alderton	
Risk Code	ABC1603/2	
Risk Description	<p>Infrastructure projects being delivered by others but required to support ABC's development goals are delayed, abandoned or mismanaged.</p> <p>(i) Risk of individual affordability & skills gaps leading to inability to obtain housing</p> <p>(ii) Lack of funding for necessary infrastructure needed to maintain prime location status</p> <p>(iii) Risk of not attracting developers to ensure a supply and range of housing to meet diverse needs and emerging markets</p> <p>(iv) Under provision across borough of new or refurbished sports, cultural and leisure facilities</p>	
	<p>IC009 Regular liason with HCA and Highways England to secure funding for j10a</p> <p>IC010 Economic Regeneration and Investment Board</p> <p>IC011 New Local Plan allocations based on deliverability criteria & Planning Policy Task Group</p> <p>IC012 HRA business plan</p> <p>IC013 Regular liason with Homes and Communities Agency to take advantage of new government programmes</p> <p>IC014 Work with Ashford College on future curriculum</p> <p>IC015 Internal group monitoring s106 spend to seek best community return on a range of facilities</p> <p>IC050 Ashford Strategic Delivery Board (ASDB)</p> <p>IC063 Regular close working with KCC and others through District Deal</p>	
Update	<p>(i) £16m forward funding of developer contributions achieved through work with HCA and DCLG and progress made on approval process.</p> <p>(ii) Revisions to the new Local Plan for June 2017; submission of Plan for examination by end 2017. Important to ensure sufficient land is available for new housing to meet Government land supply targets.</p> <p>(iii) Progress meetings assists with progressing issues and ASDB with monitoring and preventing strategic blockages, taking place on all projects; District Deal.</p> <p>(iv) Regular PFH/College meeting to support Business Advisory Council which meets quarterly to update on Ashford College activities and strategic direction.</p>	

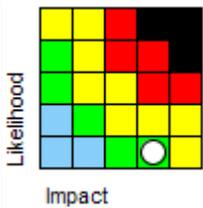
	<p>(v) Spurs signalling progressed substantially, assisted by securing of £9.8m funding via SELEP. Completion due March 2018.</p> <p>(vi) S106 contributions still being monitored; prioritisation is a focus. CIL - consultation has taken place on charges, which will be applied after Local Plan adoption in mid 2018.</p> <p>(vii) S106 agreement on Chilmington Green will lead to substantial community facilities being developed.</p> <p>(viii) Programme Management and PID process now embedded across ABC to ensure integration, co-ordination and best use of resources.</p> <p>(ix) S278 works being co-ordinated by KCC in liaison with ABC and developers to ensure all major highway works are programmed to prevent barriers to development delivery.</p>
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Appendix 1

Risk Title	Key Project Failure	
Risk Owner	Paul McKenner	
Risk Code	ABC1603/3	<p>The risk matrix is a 5x5 grid. The vertical axis is labeled 'Likelihood' and the horizontal axis is labeled 'Impact'. The grid contains the following colored cells: (1,1) yellow, (1,2) yellow, (1,3) red, (1,4) black, (1,5) black; (2,1) green, (2,2) yellow, (2,3) red, (2,4) red, (2,5) black; (3,1) green, (3,2) yellow, (3,3) yellow, (3,4) red, (3,5) black; (4,1) blue, (4,2) green, (4,3) yellow, (4,4) yellow, (4,5) yellow; (5,1) blue, (5,2) blue, (5,3) green, (5,4) green, (5,5) yellow. A white circle is located in the cell at (5,5).</p>
Risk Description	One or more of the Council’s key projects fails to deliver to time, quality or to budget with consequent impacts on ABC’s reputation, finances and service outcomes.	
	IC010 Economic Regeneration and Investment Board	
	IC016 ASDB	
	IC017 Programme management & PID process	
Update	<p>Several 'Big 8' projects have progressed since previous report in March 2017. Although progress is good, risk remains at same level as its nature has changed, rather than being removed.</p> <p>Additional new projects likely to replace completed projects, so Council's exposure and risk score have been assessed at same level.</p>	

Appendix 1

Risk Title	Resource Limitations	
Risk Owner	Ben Lockwood	
Risk Code	ABC1603/4	
Risk Description	<p>ABC suffers further loss of government income, failure to achieve income or successfully control expenditure.</p> <ul style="list-style-type: none"> • Risk to self sufficiency of not generating an additional £2m pa by 2020 remains ABC's focus. • Risk through NNDR reform and future local government settlement arrangements. • Slowing UK economy and weaker growth than expected and higher inflation could affect income generation and put pressure on budgets. 	
	<p>IC019 MTFP</p> <p>IC021 Budget monitoring</p> <p>IC022 HRA business plan</p> <p>IC023 Budget scrutiny</p> <p>IC024 Borrowing policy</p> <p>IC025 S151 officer</p> <p>IC026 Pro-active income generation</p> <p>CRIC002 Programme Management</p> <p>IC064 Setting of 1% savings target across all services</p>	
Update	<p>MTFP has highlighted a small but manageable budget pressure.</p> <p>1% savings target set across all services to allow budget pressures to be met in a measured way.</p> <p>Council's estimate of business rates income has met budget requirement and allowed for appeals at levels assumed by central Government.</p> <p>Good progress continuing to be made on delivering commercial agenda.</p>	

Risk Title	Collaborative Working	
Risk Owner	Tracey Kerly	
Risk Code	ABC1603/5	
Risk Description	<p>Loss of effective working relationships in one or more of the partnering organisations ABC works with and relies upon to achieve its objectives.</p> <p>(i) Risk resources will not meet requirements for different organisational and/or partner relationships</p> <p>(ii) Risks & opportunities provided by any future devolution agenda and future shared services</p> <p>(iii) Risk of managing ongoing investor/developer relationships</p>	
	<p>IC010 Economic Regeneration and Investment Board</p> <p>IC027 ASDB</p> <p>IC027 H&WB</p> <p>IC030 Attendance of Kent & Medway Chief Executives</p> <p>IC032 East Kent Regeneration Board</p> <p>IC033 JTB</p> <p>CRIC002 Programme Management</p> <p>IC054 Relationship Management</p> <p>IC055 Management Team regular corporate reports</p> <p>IC056 Joint strategies with organisations to facilitate specific projects or service delivery - (e.g. town centre projects) - with ABC providing information/contacts</p> <p>IC060 Community Safety Partnership</p> <p>IC063 Regular close working with KCC and others through District Deal</p>	
Update	<p>At this stage, working relationships between ABC & various partnering organisations remain reasonably strong and well on the way to delivering their stated goals. The District Deal is proving a sound mechanism although will be strengthened in the New Year with a networking event.</p> <p>It still remains unwise to make any assumptions; although this Strategic Risk Assessment is based on current collaborative working (and therefore good) it will be revisited regularly.</p> <p>Additionally, Programme Management and Management Team reporting processes are now becoming embedded to enhance awareness and control.</p>	

Risk Title	Community capacity	
Risk Owner	Christina Fuller	
Risk Code	ABC1603/6	
Risk Description	<p>Insufficient capacity within Ashford to accommodate ABC’s aims for working with the community.</p> <p>(i) Assets (ABC owned leisure or cultural facilities) are not improved by community partners (voluntary community sector - VCS)</p> <p>(ii) Demand from community rises and the Council is unable to meet service delivery expectations</p> <p>(iii) New communities not supported by ABC with the best mix of community services and facilities</p> <p>(iv) PCs and other local voluntary sector groups unable to take on asset or community facility management.</p> <p>(v) Delivery of services provided in partnership with VCS (eg. youth, advice and mediation services) unable to be resourced.</p> <p>(vi) Consequential impact on health and wellbeing of local communities.</p> <p>(vii) ABC unable to meet aims of corporate plan.</p>	
	<p>IC034 Close working with VCS organisations to support governance, policy, funding levels and service delivery</p> <p>IC037 Lease agreements and service level agreements in place to agree roles and responsibilities. Lease agreements monitored regularly.</p> <p>IC038 Providers are encouraged to provide improvement plans and funding strategies to maintain and improve community assets</p> <p>IC039 Consultation and engagement with community providers to understand how they can support delivery</p> <p>IC040 Research commissioned to inform Local Plan that identifies growth needs to plan for local facilities (new and extending existing) and look at management models/partnerships and access (local transport)</p> <p>IC042 Parish Councils and local clubs supported to take on management of new assets and extending facilities</p> <p>IC057 Working closely with Ashford KALC</p> <p>IC058 Provision of discretionary rate relief to VCS organisations and working with them to ensure they maintain eligibility</p> <p>IC065 Early identification of potential problems and issues through regular meetings with VCS</p> <p>IC066 Attempting to develop more capacity within voluntary sector through business advice</p> <p>IC067 Provision of greater access to specialist training through partnership working</p>	

Appendix 1

	IC068 Work with specific voluntary sector organisations to support community management and delivery
	IC069 Awareness raising and 'signposting' through Ashford Voice, Council website and One You Shop in Park Mall.
Update	<p>IC039 - Close working relationship with KALC maintained.</p> <p>IC035 - Looking at opportunities to support the voluntary sector through S106 developer contributions; opportunities being sought in discussion with planning through S106 process.</p> <p>IC034 - Full grant and funding advice service provided through Community Grants Fund.</p> <p>IC059 - Close working links and referral agreement with Ashford Volunteer Centre (a consortium member of Stronger Kent Communities) - an infrastructure support project commissioned by KCC</p>

Appendix 1

Risk Title	Reputation	
Risk Owner	Tracey Kerly	
Risk Code	ABC1603/7	
Risk Description	<p>The council is seen as unable to deliver on its priorities and/or does not communicate adequately to fulfil the wider expectations of its residential and business communities.</p> <p>(i) Risk that ABC is not seen as a reliable delivery partner (ii) Failure to manage the housing landlord role (iii) Risk of not delivering quality gateways, borough presentation & approaches to town centre (iv) Risk not all residents & businesses have a fair deal by inconsistent and/or insufficient enforcement of quality and compliance</p>	
	IC017 Programme management & PID process	
	IC044 ASDB	
	IC045 H&WB	
	IC046 Attendance of Kent & Medway Chief Executives	
	IC047 JTB	
	IC048 Satisfaction surveys	
	IC049 Communications strategy	
	CRIC002 Programme Management	
	IC063 Regular close working with KCC and others through District Deal	
Update	<p>Reputational risk to the Council - because of the nature of strategic risk - is often influenced or affected by external factors which, by their nature, remain outside the Council's control.</p> <p>Although it is currently considered to present slight risk, Directors and Management Team remain conscious that is the area can change swiftly and so advise that the risk should remain as 'amber'.</p> <p>The Ashford Strategic Delivery Board, however, continues to review risks on a regular basis & District Deal is in place to assist with project progress.</p> <p>With the addition of new performance and risk management software, risks are able to be identified and tracked at an earlier stage.</p>	

Audit Committee Update Ashford Borough Council Progress Report and Update

September 2017

Elizabeth Jackson

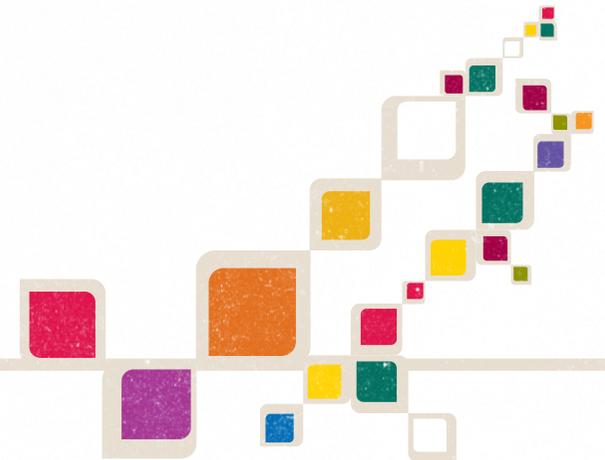
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



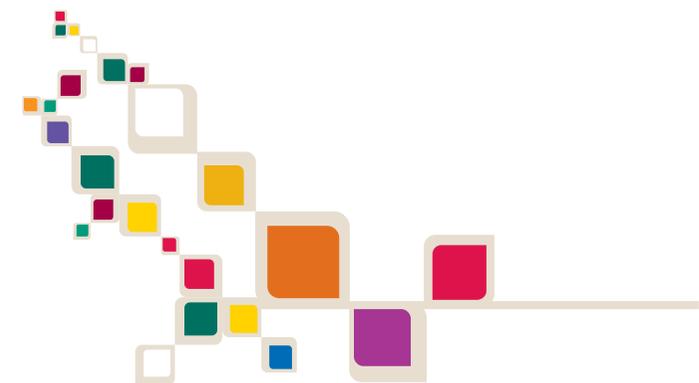
Introduction

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

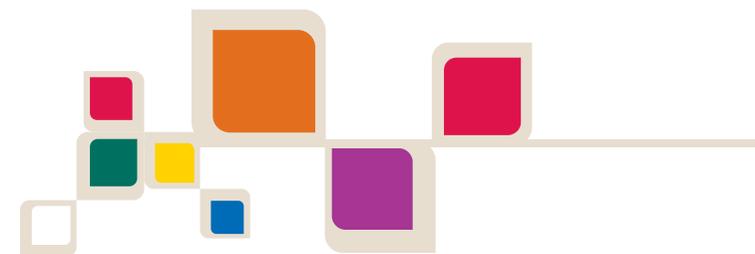
Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications and articles, including the reports mentioned in this update along with other items:

- Income generation is an increasingly essential part of providing sustainable local services ; <http://www.grantthornton.co.uk/en/insights/the-income-generation-report-local-leaders-are-ready-to-be-more-commercial/>
- Social enterprises are becoming increasingly common vehicles for delivering services that are not an ‘essential’ service for an authority but still important to the local community; <http://www.grantthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/>
- Fraud risk, 'adequate procedures', and local authorities; <http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- Brexit and local government; <http://www.grantthornton.co.uk/en/insights/a-global-britain-needs-more-local-government-not-less/> and <http://www.grantthornton.co.uk/en/insights/brexit-local-government--transitioning-successfully/>

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

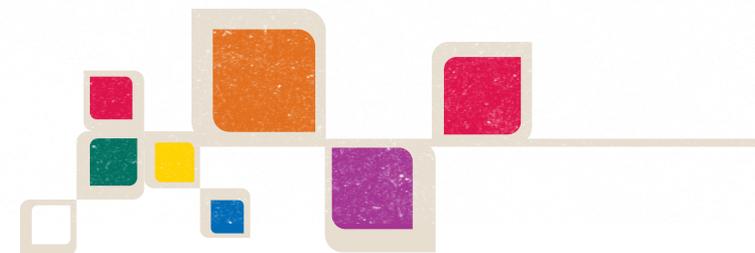


Progress at September 2017



2017/18	Planned Date	Complete?	Comments
<p>Fee Letter We are required to issue a 'Planned fee letter for 2017/18 by the end of April 2017. This is the final audit year under the current contract. PSAA has awarded contracts to audit suppliers and is currently consulting on local appointments. Your audit supplier from 2018/19 will be confirmed by the end of December 2017.</p>	<p>April 2017</p>	<p>yes</p>	<p>The fee letter was presented to the Committee in June 2017.</p>
<p>Accounts Audit Plan We will issue a detailed accounts audit plan to the Council setting out our proposed approach the audit of the Council's 2017/18 financial statements. This will be issued upon completion of our audit planning.</p> <p>The statutory deadline for the issued of the 2017/18 opinion is brought forward by two months to 31 July 2018.</p>	<p>March 2018</p>	<p>Not yet due</p>	<p>We will start planning the 2017/18 audit in November 2017. The Council is well placed to deliver the accounts by 31 May and for the audit opinion to be issued before the new statutory deadline of 31 July 2018 as the 2016/17 accounts were signed on 15 July 2017.</p> <p>The audit team for 2017/18 is changing to:</p> <ul style="list-style-type: none"> • Paul Hughes – Engagement Lead • Trevor Greenlee – Engagement Manager <p>A handover meeting from the outgoing Engagement Lead will take place with the finance team in October 2017.</p>

Progress at September 2017



2017/18	Planned Date	Complete?	Comments
<p>Interim accounts audit</p> <p>Our interim fieldwork visit plan will reflect the need to complete as much as possible earlier in the audit cycle. Our work will include:</p> <ul style="list-style-type: none"> • review of the Council's control environment • Updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Value for Money conclusion risk assessment. 	<p>December 2017 to March 2018</p>	<p>Not yet due</p>	<p>We will agree dates for the interim audit visits at the October handover meeting. As in previous years, we will focus on early substantive testing to ensure pressure is reduced on the finance team and auditors for the June 2018 financial statements visit.</p>
<p>Final accounts audit</p> <ul style="list-style-type: none"> • proposed opinion on the Council's accounts • proposed Value for Money conclusion • review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 	<p>July 2018</p>	<p>Not yet due</p>	<p>The financial statements audit will be scheduled for June 2018.</p>
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work is unchanged to last year and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	<p>July 2018</p>	<p>Not yet due</p>	<p>We will complete the initial risk assessment to determine our approach for reporting in the audit plan.</p> <p>Our work will be reported in the Audit Findings Report presented to the July 2018 meeting of the Audit Committee.</p>

Technical Matters



Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and forthcoming provisions for IFRS 9 and IFRS 15

Code of Practice on Local Authority Accounting in the United Kingdom 2017/18

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2017/18. The main changes to the Code include:

- amendments to section 2.2 (Business Improvement District Schemes (England, Wales and Scotland), Business Rate Supplements (England), and Community Infrastructure Levy (England and Wales)) for the Community Infrastructure Levy to clarify the treatment of revenue costs and any charges received before the commencement date
- amendment to section 3.1 (Narrative Reporting) to introduce key reporting principles for the Narrative Report
- updates to section 3.4 (Presentation of Financial Statements) to clarify the reporting requirements for accounting policies and going concern reporting
- changes to section 3.5 (Housing Revenue Account) to reflect the Housing Revenue Account (Accounting Practices) Directions 2016 disclosure requirements for English authorities
- following the amendments in the Update to the 2016/17 Code, changes to sections 4.2 (Lease and Lease Type Arrangements), 4.3 (Service Concession Arrangements: Local Authority as Grantor), 7.4 (Financial Instruments – Disclosure and Presentation Requirements)

- amendments to section 6.5 (Accounting and Reporting by Pension Funds) to require a new disclosure of investment management transaction costs and clarification on the approach to investment concentration disclosure.

Forthcoming provisions for IFRS 9 and IFRS 15

CIPFA/LASAAC has issued 'Forthcoming provisions for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers in the Code of Practice on Local Authority Accounting in the United Kingdom 2018'. It sets out the changes to the 2018/19 Code in respect of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. It has been issued in advance of the 2018/19 Code to provide local authorities with time to prepare for the changes required under these new standards.

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes a single classification approach for financial assets, a forward looking 'expected loss' model for impairment (rather than the 'incurred loss' model under IAS 39) and some fundamental changes to requirements around hedge accounting.

Technical Matters

Questions:

- Is your Head of Finance aware of the changes to the Code of Practice in 2017/18 and the forthcoming changes to lease accounting and revenue recognition?

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 changes the basis for deciding whether revenue is recognised at a point in time or over a period of time and introduces five steps for revenue recognition.

It should be noted that the publication does not have the authority of the Code and early adoption of the two standards is not permitted by the 2017/18 Code.

Sector issues



Independent Review of Building Regulations and Fire Safety

Sector Issues

The Government has published the terms of reference for the independent Review of Building Regulations and Fire Safety, commissioned following the Grenfell Tower fire tragedy.

The DCLG press release states:

“This Review will urgently assess the effectiveness of current building and fire safety regulations and related compliance and enforcement issues, with a focus on multi occupancy high rise residential buildings. This will include addressing whether the government’s large-scale cladding system testing programme identified any potential systemic failures.

The Review’s 2 key priorities are to develop a more robust regulatory system for the future and provide further assurance to residents that the buildings they live in are safe and remain safe. While the Review will cover the regulatory system for all buildings, it will have a specific focus on multi occupancy high rise residential buildings.

Dame Judith Hackitt, a qualified engineer with strong regulatory background, is leading the Review and will draw on the experience of local government, industry, the fire sector, international experts and MPs. She will also engage with residents of multi occupancy residential buildings.

The Review will report jointly to Communities Secretary Sajid Javid and Home Secretary Amber Rudd. An interim report will be submitted in autumn 2017 and a final report submitted in spring 2018. The Review will co-operate fully with the Public Inquiry, and Dame Judith Hackitt will review her recommendations in the light of the findings of the Inquiry.”

The terms of reference state that the review will:

- map the current regulatory system (i.e. the regulations, guidance and processes) as it applies to new and existing buildings through planning, design, construction, maintenance, refurbishment and change management;
- consider the competencies, duties and balance of responsibilities of key individuals within the system in ensuring that fire safety standards are adhered to;
- assess the theoretical coherence of the current regulatory system and how it operates in practice
- compare this with other international regulatory systems for buildings and regulatory systems in other sectors with similar safety risks;
- make recommendations that ensure the regulatory system is fit for purpose with a particular focus on multi-occupancy high-rise residential buildings.

The full terms of reference are available at:

<https://www.gov.uk/government/publications/independent-review-of-building-regulations-and-fire-safety-terms-of-reference>

Procurement of external audit services



Public Sector
Audit Appointments

Procurement outcome

As a result of the highly successful procurement of auditor services, opted-in Local government and police bodies throughout England will collectively benefit from reduced fees for audit services in 2018/19 compared to 2016/17. Aggregate savings are expected to exceed £6 million per annum, equivalent to a reduction of approximately 18% in the scale fees payable by local bodies.

The results of the process announced on 20 June 2017 involve the award of the following contracts:

- Lot 1 of approx. £14.6 million per audit year was awarded to Grant Thornton LLP;
- Lot 2 of approx. £10.9 million per audit year was awarded to EY LLP;
- Lot 3 of approx. £6.6 million per audit year to awarded to Mazars LLP;
- Lot 4 of approx. £2.2 million per audit year to awarded to BDO LLP;
- Lot 5 of approx. £2.2 million per audit year to awarded to Deloitte LLP; and
- Lot 6 with no guaranteed value of work to awarded to a consortium of Moore Stephens LLP and Scott-Moncrieff LLP.

Contracts were awarded on the basis of most economically advantageous tender with 50% of the available score awarded to price and 50% awarded to quality.

The procurement strategy, agreed by the PSAA Board in December 2016, sets out the basis on which the procurement of audit services was carried out.

Having concluded the procurement, PSAA will commence the process of appointing auditors to opted-in bodies. For more information on the auditor appointment process [click here](#).

Sector Issues

Finalising and confirming appointments

The PSAA Board will approve all proposed appointments from 2018/19, following consultation with audited bodies, at its meeting in mid-December. The Board's decision on the appointment of auditors is final. Following Board consideration, we will write to each audited body to confirm their appointment. We plan to send all confirmations on 18 December..



Housing Benefit (Subsidy) Assurance Process 2018/19: Module 1 Special Purpose Framework Instruction:

This Circular sets out the arrangements for the audit of the housing benefits subsidy for 2018/19. It is for the LA to appoint a reporting accountant to undertake this work and notify the DWP of this. A standard letter of notification for the LA use is set out in Appendix 1. This letter of notification must be issued to the DWP by the LA no later than the 1st March 2018.

Local Authority 2016/17 Revenue Expenditure and Financing

Sector Issues

DCLG has produced a summary of Local Authorities' 2016/17 provisional revenue spending and financing. It notes that Local government expenditure accounts for almost a quarter of all government spending and the majority of this is through local authority revenue expenditure. The summary is compiled from the Revenue Outturn (RO) returns submitted by all local authorities in England. Coverage is not limited to local councils in England and includes other authority types such as Police and Crime Commissioners and Fire authorities.

The headline messages include:

- Local authority revenue expenditure totalled £93.5 billion for all local authorities in England in 2016-17. This was 1.1% lower than £94.5 billion spent over 2015-16.
- Expenditure on Adult Social Care increased to £14.9 billion in 2016-17. This was £0.5 billion (3.6%) higher than in 2015-16. 2016-17 was first year local authorities were able to raise additional funding for Adult Social Care through the council tax precept.
- The largest decrease in local authority expenditure was on Education services. This was £0.8 billion (2.4%) lower in 2016-17 than in 2015-16. The majority of this decrease is due to local authority funded schools converting to academies.
- Local authorities are financing more of their expenditure from locally retained income. 40.4% of revenue expenditure was funded through council tax and retained business rates and 57.5% from central Government grants. The remaining 2.1% was funded by reserves and collection fund surpluses. These percentages were 38.7%, 60.4% and 0.9% respectively in 2015-16.
- Local authorities used £1.5 billion (6.2%) of the £24.6 billion reserves balance held at the start of the 2016-17.
- Local authorities' use of reserves was £1.1 billion higher in 2016-17 than in 2015-16. Due to changes in their capital programme, £0.5 billion of this increase is due to the Greater London Authority.

The full report is available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/639755/Revenue_Expenditure_and_Financing_2016-17_Provisional_Outturn.pdf

Did you know....

This data set and many others are included in CFO Insights.

CFO Insights is the Grant Thornton and CIPFA online analysis tool. It gives those aspiring to improve the financial position of their organisation instant access to insight on the financial performance, socio-economic context and service outcomes of theirs and every other council in England, Scotland and Wales.

More information is available at:

<http://www.cfoinsights.co.uk/>

Grant Thornton publications



Setting up a successful social enterprise

Local government continues to innovate as it reacts to ongoing austerity. An important strand of this response has been the development of alternative delivery models, including local authority trading companies, joint ventures and social enterprises.

This report focuses on social enterprises in local government; those organisations that trade with a social purpose or carry out activities for community benefit rather than private advantage. Social enterprises come in a variety of shapes and sizes as they do not have a single legal structure or ownership rule and can adopt any corporate form as long as it has a social purpose.

In this report we explore what social enterprises look like, the requirements for setting one up, how they should be managed to achieve success and how they can be ended.

We have complemented this with a range of case studies providing inspiring ideas from those that have been successful and some lessons learned to take into consideration.

Key findings from the report:

- Austerity continues to be a key driver for change: social enterprises are a clear choice where there is an opportunity to enhance the culture of community involvement by transferring these services into a standalone entity at its centre
- The social enterprise model tends to lend itself more to community services such as libraries, heritage management and leisure, but not exclusively so
- Social enterprises can open up new routes of funding including the ability to be flexible on pricing and access to pro bono or subsidised advice
- Some local authorities have converted existing models into social enterprises; for example where a greater focus on social outcomes has been identified

Striking a balance between financial and social returns

If you are a local authority looking to transition a public service to a social enterprise model certain factors will be key to your success including: leadership, continuing the culture, branding, staff reward and secure income stream.

Download our guide to explore how to handle these factors to ensure success, the requirements for setting up a social enterprise; and how social enterprise can be ended. The guide also showcases a number of compelling case studies from local authorities around England, featuring inspiring ideas from those social enterprises that have been a success; and lessons learned from those that have encountered challenges.

Grant Thornton publications

Questions:

- Is your Council exploring options for delivery of services?
- Have you read our report?
- Have you downloaded our guide?



<http://www.grantthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/>

A Manifesto for a Vibrant Economy

Developing infrastructure to enable local growth

Cities and shire areas need the powers and frameworks to collaborate on strategic issues and be able to raise finance to invest in infrastructure priorities. Devolution needs to continue in England across all places, with governance models not being a “one-size-fits all”. Priorities include broadband, airport capacity in the North and east-west transport links.

Addressing the housing shortage, particularly in London and the Southeast, is a vital part of this. There simply is not enough available land on which to build, and green belt legislation, though designed to allow people living in cities space to breath, has become restrictive and is in need of modernisation. Without further provision to free up more land to build on, the young people that we need to protect the future of our economy will not be able to afford housing, and council spending on housing the homeless will continue to rise.

Business rates are also ripe for review – a property-based tax is no longer an accurate basis for taxing the activity and value of local business, in particular as this source of funding becomes increasingly important to the provision of local authority services with the phasing out of the Government’s block grant.

Demographic and funding pressures mean that the NHS no longer remains sustainable, and the integration of health and social care – recognised as critical by all key decision makers – remains more aspiration than reality. .

There is an opportunity for communities to take a more holistic approach to health, for example creating healthier spaces and workplaces and tackling air quality, and to use technology to provide more accessible, cheaper diagnosis and treatment for many routine issues

Finding a better way to measure the vibrancy of places

When applied to a place we can see that traditional indicators of prosperity such as GVA, do not tell the full story. To address this we have developed a [Vibrant Economy Index](#) to measure the current and future vibrancy of places. The Index uses the geography of local authority areas and identifies six broad objectives for society: prosperity, dynamism and opportunity, inclusion and equality, health wellbeing and happiness, resilience and sustainability, and community trust and belonging.

The city of Manchester, for example, is associated with dynamic economic success. While our Index confirms this, it also identifies that the Greater Manchester area overall has exceptionally poor health outcomes, generations of low education attainment and deep-rooted joblessness. These factors threaten future prosperity, as success depends on people’s productive participation in the wider local economy, rather than in concentrated pockets.

Every place has its own challenges and opportunities. Understanding what these are, and the dynamic between them, will help unlock everybody’s ability to thrive. Over the coming months we will continue to develop the Vibrant Economy Index through discussions with businesses, citizens and government at a national and local level.

Guy Clifton – Head of Local Government Advisory

Grant Thornton publications

Question:

- Have you read our manifesto?



<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/documents/creating-manifesto-vibrant-economy-draft-recommendations.pdf>

The Board: creating and protecting value

Grant Thornton publications

In all sectors, boards are increasingly coming under pressure from both the market and regulators to improve their effectiveness and accountability. This makes business sense given a strong governance culture in the boardroom produces better results, promotes good behaviour within the organisation and drives an organisation’s purpose.

Grant Thornton’s new report ‘The Board: creating and protecting value’ is a cross- sector review of board effectiveness, based on a survey of executives and non-executives from a range of organisations including charities, housing associations, universities, local government, private companies and publically listed companies.

It considers the challenges faced by boards, ways in which they can operate more effectively; and how to strike the right balance between value protection and value creation.

This report uses the DLMA analysis which categorises skills into four areas: Directorship, Leadership, Management and Assurance. This powerful tool provides a framework (see graph 1) with which to evaluate how well an organisation is performing in balance of skills and understanding of roles; and responsibilities between the executive and Board. It helps align risk (value protection) and opportunity (value creation) with overarching strategy and purpose.

Value creation	
Directorship How well do the non-executives: <ul style="list-style-type: none"> design, debate and decide the organisation’s future? inspire and guide the executive to realise the organisation’s purpose? provide support to the executives? 	Leadership How well do the executives: <ul style="list-style-type: none"> Make decisions aligned with realising the organisation’s purpose? Inspire and motivate employees to realise the organisation’s purpose? model the values of the organisation?
Assurance How well do the non-executives: <ul style="list-style-type: none"> monitor financial, compliance and business indicators? ensure appropriate processes are in place to manage risk? have oversight of the executive team? 	Management How well do the executives: <ul style="list-style-type: none"> set goals, creating plans and allocating resources to achieve them? effectively assign roles and responsibilities? Focus on day-to-day tasks and resources needed to deliver strategic aims?
Value protection	

Source: The Board: Creating and protecting value, 2017, Grant Thornton

Question:

- Have you read our report?



<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/board-effectiveness-report-2017.pdf>

International Consortium on Governmental Financial Management

Introduction

Grant Thornton and the International Consortium on Governmental Financial Management (ICGFM) partner every other year to perform an international survey of Public Financial Leaders.

In 2015 the theme was innovation in public financial management. This year's survey has been designed to identify and describe emerging issues around transparency and citizen engagement – building on the themes highlighted in the 2015 report.

The insights will be published in a report later in 2017 and we would be delighted if you were able to spend some time completing the brief on-line questionnaire which can be found [here](#). Your Audit Manager will be able to provide you with a link to the survey if required.

Please note that the ICGFM and Grant Thornton will not identify, or attribute thoughts and quotations to, individual survey respondents in the final 2017 report. This preserves your anonymity, so please respond freely, honestly and openly.

We have again partnered with the ICGFM to survey Financial Leaders

Question:

- Have you completed the ICGFM survey on transparency and citizen engagement?





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Audit Committee - Future Meetings

Date 28/09/2017			
Publish by 20/09/17			
Reports to Management Team by 7th September		Council 19/10/17	
1	Business Continuity Planning	RC/SD	
2	Presentation from Strategic Risk Owners (Christina Fuller and Richard Alderton)	CF/RA	
3	Annual Governance Statement – Progress on Remedying Exceptions	NC-P	
4	Strategic Risk Management	KH	
5	Strategic Risk Management Training	RH	
6	External Audit Progress Report	Gr Th	
7	Report Tracker & Future Meetings	DS	

Date 05/12/2017			
Publish by 27/11/17			
Reports to Management Team by 16th November		Council 14/12/17	
1	Presentation from Strategic Risk Owner (Subject TBC)	TBC	
2	Annual Governance Statement – Progress on Remedying Exceptions	NC-P	
3	Annual Audit Letter 2016/17	Gr Th (cover by ABC)	
4	Internal Audit Interim Report	RC	
5	External Audit Progress Report	Gr Th	
6	Report Tracker & Future Meetings	DS	

Date 20/03/2018			
Publish by 12/03/18			
Reports to Management Team by 1st March 2018		Council 19/04/18	
1	Certification of Grant Claims – Annual Report	Gr Th (cover by ABC)	
2	Presentation of Financial Statements	MS	
3	Strategic Risk Management	KH	
4	Presentation from Strategic Risk Owner (Subject TBC)	TBC	
5	Annual Governance Statement – Progress on Remedying Exceptions	NC-P	
6	Internal Audit Charter	RC	
7	Internal Audit and Assurance Plan 2018/19	RC	
8	External Audit Progress Report	Gr Th	
9	Report Tracker for Future Meetings	DS	

Date 19/06/2018			
Publish by 11/06/18			
Reports to Management Team by 7th June		Council 19/07/18	
1	Presentation from Strategic Risk Owner (Subject TBC)	TBC	
2	An Early Look at the Statement of Accounts for 2017/18 (including member training)	MS	
3	Internal Audit Annual Report 2017/18	RC	
4	Annual Report of the Audit Committee 2017/18	RC	
5	Approval of Annual Governance Statement 2017/18	NC-P	
6	External Audit Fee Letter	Gr Th	
7	External Audit Progress Report	Gr Th	
8	Report Tracker for Future Meetings	DS	

Date 10/07/2018			
Publish by 02/07/18			
Reports to Management Team by 21st June		Council 19/07/18	
1	Statement of Accounts 2016/17 and the External Auditor's Audit Findings Report	Gr Th (cover by ABC)	
2	2016/17 Financial Statements – Letters of Assurance to External Auditors	BL	
3	Corporate Enforcement Support & Investigations Team Annual Report 2016/17	DD	
4	The External Audit Work Plan for Ashford Borough Council	Gr Th (cover by ABC)	
5	Report Tracker & Future Meetings	DS	

14/9/2017