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6 November 2019

Dear Sir/Madam

AUDIT AND MEMBER STANDARDS COMMITTEE

A meeting of the Audit and Member Standards Committee has been arranged to take place on **THURSDAY, 14TH NOVEMBER, 2019 at 6.00 PM IN THE COMMITTEE ROOM**, District Council House, Lichfield to consider the following business.

Access to the Committee Room is via the Members' Entrance.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Neil Turner', is written in a cursive style.

Neil Turner BSc (Hons) MSc
Director of Transformation & Resources

To: Members of Audit and Member Standards Committee

Councillors Greatorex (Chairman), Ho (Vice-Chair), Checkland, Grange, A Little, Norman, Robertson, Spruce and White



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AGENDA

1. **Apologies for Absence**
2. **Declarations of Interest**
3. **Minutes of the Previous Meeting** 3 - 8
4. **Mid-Year Treasury Management Report** 9 - 28
(Report of the Head of Finance & Procurement – Anthony Thomas)
5. **Internal Audit Progress Report** 29 - 42
(Report of the Head of Internal Audit Services – Rebecca Neill)
6. **Risk Management Update to include Risk Management Policy and Corporate Risk Register** 43 - 76
(Report of the Head of Internal Audit Services – Rebecca Neill)
7. **GDPR/Data Protection Policy** 77 - 82
(Report of the Monitoring Officer – Christie Tims)
8. **The Rules on Confidentiality** 83 - 90
(Report of the Director of Transformation & Resources – Neil Turner)
9. **Annual Report of the Monitoring Officer - Complaints** 91 - 94
(Report of the Monitoring Officer – Christie Tims)
10. **The Annual Audit Letter for Lichfield District Council** 95 - 106
(Report of the External Auditors - Grant Thornton)
11. **Certification Work for Lichfield District Council for Year Ended 31 March 2019**
(Verbal Update of the External Auditors - Grant Thornton)
12. **Work Programme** 107 - 110



AUDIT AND MEMBER STANDARDS COMMITTEE

24 JULY 2019

PRESENT:

Councillors Greatorex (Chairman), Ho (Vice-Chair), Checkland, Grange, A Little, Norman, Robertson, Spruce and White

Observer: Councillor Strachan (Cabinet Member of Finance & Procurement)

Officers In Attendance: Mrs K Beavis, Miss W Johnson, Mrs A Swift, Mr A Thomas, Ms C Tims and Mrs D Tilley

Also Present: Ms Laurelin Griffiths (Grant Thornton UK LLP) (External Auditor) and Mr Phil W Jones (Grant Thornton UK LLP) (External Auditor)

1 APOLOGIES FOR ABSENCE

No apologies for absence were received.

2 DECLARATIONS OF INTEREST

Councillor Grange declared a personal interest in agenda item no 4 as she had been the complainant before she was an elected member.

Councillor Checkland declared a personal interest as he was a Governor at Friary Grange School.

3 MINUTES OF THE PREVIOUS MEETING

The Minutes of the Meeting held on 24 April 2019, as printed and previously circulated, were taken as read and approved as a correct record.

4 MINUTES OF THE ASSESSMENT SUB-COMMITTEE MEETING - 01.07.19

The Minutes of the Assessment Sub-Committee meeting held on 1 July 2019, as printed and previously circulated, were taken as read and approved as a correct record.

5 ANNUAL TREASURY MANAGEMENT REPORT

Cllr Strachan, as Cabinet Member for Finance and Procurement, introduced the Annual Treasury Management Report for the financial year 2018/19. He said the headlines were in the Executive Summary of Mr Thomas's report and as members had previously found presentations a useful way to explain the finances, he introduced the Head of Finance & Procurement, Mr Thomas, who delivered a presentation.

Mr Thomas explained the purpose of the report and explained the overall responsibility remained with the Council. Mr Thomas summarised the Capital Programme which showed the original, revised and actual figures with spend on non-current assets. Examples were of property and Revenue Expenditure Funded from Capital under Statute (REFCUS), which was mainly Disabled Facilities Grants. The main variances to the budgets were illustrated, such as

acquiring the Police Station. Under performance on Disabled Facilities Grants and the “no spend” on the Property Investment Strategy were the main reasons for slippage over the year. Mr Thomas said the capital receipts were higher than planned predominantly due to our share of extra receipts from Bromford for Right to Buy. Mr Thomas highlighted the balance sheet, trends, the level of investments and sources of cash and the borrowing need and its financing. It was noted that the balance sheet had reduced on total assets less liabilities and reserves due to an increase in the pension liability and the statutory reserve.

The Internal borrowing need was explained and the investments could be seen as spread across banks and diversified funds.

The Property Fund investment was our first higher risk, higher return investment. The value had increased to approach that of the initial investment, due to underlying property asset values increasing.

The yield of our investments were comparable to other authorities and an independent review of treasury management by Internal Audit of the systems and processes used had received “substantial assurance” at the highest level. Mr Thomas said there had also been a temporary increase to the Operational Bank Account Limit during 2018/19 – by £65,288 for one day. This had been due to the limited options available and Council approved the increase to a Treasury Management limit, which enabled increased investment diversification in higher return investments whilst providing future options with a UK domiciled Money Market Fund.

Mr Thomas said the report confirmed the Council was compliant with all treasury limits and prudential indicators for 2018/19.

A number of questions were raised by Members and answered focusing on leases and debt, investments and the actual Balance Sheet compared to the Budget.

RESOLVED:- (1) The Committee reviewed the report and issues raised within;
(2) The Committee reviewed the actual 2018/19 Prudential Indicators contained within the report.

6 STATEMENT OF ACCOUNTS

Members considered the Statement of Accounts and Mr Thomas delivered a presentation to explain the report in more detail. He said for the benefit of all new members, the Statement of Accounts has to be produced in line with the Code of Practice on Local Authority accounting in the UK. The Accounts and the Audit (England) Regulations now required a Local Authority to certify its set of accounts by 31 May and publish an audited set of its accounts by 31 July each year. Mr Thomas explained that the Constitution assigns the responsibility for considering and approving the Annual Statement of Accounts to this Audit & Member Standards Committee to enable sign-off by the Chairman and said this committee had a specific role outlined in the CIPFA publication “Audit Committee: Practical Guidance”.

Mr Thomas said that really we are trying to satisfy two financial reporting requirements; financial performance based on both accounting standards and legislation. He added that the previous committee, under last year’s Council, had already approved the Annual Governance Statement together with the accounting policies in the accounts and this was felt appropriate as they had been in office at the end of the financial year.

The Financial reporting timeline and responsibilities at the Council were graphed to show the Audit & Member Standards committee’s responsibilities.

The Revenue Financial Performance in 2018/19, under both accounting standards and legislation, was explained and the differences and the reasons why they occurred were explained.

The need for the Letter of Representation was explained as the External Auditor was required to obtain written confirmation from the Council's Management that we had disclosed all matters that could affect the Council's position. This confirmation was in the form of a letter which is approved by the Audit & Member Standards Committee and is signed by the Chairman, Chief Executive and Section 151 Officer.

Mr Thomas talked through the initiatives, looking forward to 2019/20 and beyond. Particular attention was drawn to the establishment of a Local Authority owned company.

The External Auditors advised that with their Audit Findings, there were aspects of work to be completed but these were very close to being finished.

- RESOLVED:-** (1) The Committee approved the Letter of Representation;
(2) The Committee approved the Council's Statement of Accounts for 2018/19.

7 AUDIT FINDINGS REPORT FOR LICHFIELD DISTRICT COUNCIL 2018/19

Grant Thornton (External Auditors) presented the Audit Findings for Lichfield District Council and detailed the key findings and other matters arising from the statutory audit in the preparation of the Council's financial statements for the year ended 31 March 2019.

The report detailed the audit risks and the work performed to address these. The commentaries were discussed and Grant Thornton stated that the only non-trivial adjustment to the financial statements related to the valuation of pension fund's net liability. They explained that the adjustment to the pension liability on the balance sheet had been a culmination of three issues:-

1. The initial actual valuation was based on an estimated asset return at December 2018 as provided by the pension fund officers. The actual asset return for the pension fund for the year to 31 March 2019 was significantly different;
2. The impact of the McCloud judgement, a legal ruling around age discrimination in the police force and fire service. As at the end of the financial year there was still uncertainty: the Council's actuary had omitted this from their valuation but, in fact, at the end of June, the Government's application to appeal the ruling was denied;
3. Liabilities for guaranteed minimum pensions relating to gender discrimination.

Grant Thornton explained that none of these issues individually were material but the three added together had a material impact on the Council's liability.

They also highlighted their assessment and comments related to the property fund investment and IFRS9. It was explained that this was the first year of IFRS9 and the Council had elected to present changes in fair value in other comprehensive income. Grant Thornton, as a firm, did not agree with this approach. However, the difference was trivial at this stage: it amounts to a very small figure in the accounts (circa £45,000) although it needed highlighting in case it became material in the future.

Mr Thomas agreed that it was seen to be a technical accounting matter and not all audit firms were taking the same approach. Grant Thornton assured the committee that significant discussions were being held between the finance team and themselves on this issue. It was immaterial at the moment but could become material in time. In the meantime, it was shown in the report as an agreed difference.

The Committee indicated that they would like to see a resolution to the issue before the next set of Financial Statements were completed.

The reference to “going concern” in the Audit Findings Report was queried and Grant Thornton explained that this had become an area of greater focus in recent years following issues experienced by some bodies in the sector. They also explained that it was different to the assessment made in the private sector, as the focus of the assessment was on any possible risks to the continued delivery of service.

Mr Thomas stated that the Strategic Plan looked four years ahead at self-sustainability, the Council had a healthy position and were addressing the funding gap. He explained that most authorities had a gap, and we attempted to be proactive.

Grant Thornton said the Value for Money assessment came out unqualified and they wanted to highlight a couple of points:-

1. On Friarsgate, Grant Thornton will monitor the scheme going forward, as part of their value for money;
2. While it was positive in analysis of financial sustainability, it was important that the Council carried out appropriate diligence on plans relating to the property investment strategy, including the company progressing to ensure that financial risk was minimised and advantages to the local community were maximised.

Grant Thornton thanked Mr Thomas and the finance team for their hard work and this reassured the committee. However, additional time had been needed for further discussions with the finance team especially around pensions and this may involve an increase in the audit fee for 2018/19, which the committee noted.

8 PLANNED AUDIT FEE 2019/20

Grant Thornton (External Auditors) presented the Planned Audit fee letter for 2019/20 which the committee agreed to sign-off. The scale fee had been set by PSAA at £35,412, the same as that for the previous year. It was confirmed there were no changes to the new work programme and the scale fee covered the outline audit timetable in the letter.

9 ANNUAL REPORT FOR INTERNAL AUDIT

Mrs Kerry Beavis, Interim Audit Manager, presented the Internal Audit Annual Report including Progress Report for January to March 2019, which reported on the activity and performance of the Internal Audit section for the 2018/19 financial year. The conclusions were that Internal Audit staff had worked with staff of the Council to ensure internal control was properly maintained and that systems were appraised, and where appropriate, improved. Mrs Beavis advised that the Internal Audit section had made good progress this year in relation to achieving all of the targets, which were monitored. She said they had achieved 96% of the revised Internal Audit programme and 94 recommendations had been made during the year, 95% of which have been agreed by management for implementation. She said this exceeds the performance indicator included in the services performance targets (90%). Mrs Beavis explained that Annex A illustrated the Audit Plan 18/19 status and Annex B illustrated the implementation reviews status 18/19.

Discussions took place around the audit reports and the customer satisfaction questionnaires return. There was a little unease on the latter, as only 8 were returned and conversations took place around a desire to improve the reply rate.

It was asked how many recommendations had dropped off the system after a second follow-up audit had been carried out and the recommendations had not been implemented and if this was acceptable. Mrs Beavis explained that the recommendations do not drop off the system

but the internal audit protocol only requires two follow-up reviews to be undertaken. Mrs Tilley gave assurance that she did not let any disappear but there were some recommendations made where management decide not to take any action.

(Mrs Beavis agreed to report back on this issue).

Members asked about Internal Audit Reports going to the portfolio holder in the first instance. Mrs Beavis confirmed that the portfolio holder did get a copy of the final Internal Audit reports, as did all the Audit & Member Standards committee members, but it was up to those individuals to discuss with the relevant managers how they dealt with them. Mrs Beavis advised that when a follow-up report identified an assurance level of limited or no assurance, further consideration was recommended to be carried out by this committee.

RESOLVED:- That the Annual Report of Internal Audit for 2018/19 be noted.

10 RISK MANAGEMENT UPDATE

Mrs Beavis, Interim Audit Manager, updated members on the management of the Corporate Risk Register and she highlighted the 8 corporate risks in the report. The details of these risks including the potential causes, consequences and the risk treatments measures in place were detailed in an appendix.

The Interim Audit Manager advised that there was only one corporate project risk now. The end of the ICT Support Contract had previously been identified as a project risk, but now the ICT Support had been transferred to an in-house service, the project had been completed and the risk had been removed from the register. As such, the one project risk remaining was the Friary Grange Leisure Centre and she recommended that this was monitored through this committee.

Discussions took place around peer support and whether the LGA or neighbouring authorities could be consulted. Mrs Diane Tilley, Chief Executive, advised that we had had a recent peer review which did not significantly change our approach and that we do work with many of our neighbouring authorities, especially as our Interim Internal Audit Manager also worked as Principal Auditor at Tamworth Borough Council. Mr Thomas also advised that he observed a number of other authorities and he saw that a lot of the risks were consistent across all councils, especially financial sustainability.

RESOLVED:- The Committee noted the work being undertaken to ensure the Risk Management Policy was adhered to and the actions taking place to manage the Council's most significant risks.

11 COUNTER FRAUD UPDATE REPORT INCLUDING COUNTER FRAUD & CORRUPTION AND WHISTLEBLOWING POLICIES

Mrs Beavis, Interim Audit Manager, provided members with an update on the counter fraud work completed to date during the financial year 2018/19. She advised that all amendments had been highlighted and said that there were only minor amendments recommended, the main one being the change to the definition of corruption in the counter fraud and corruption policy.

RESOLVED:- (1) The Committee approved the Counter Fraud and Corruption Policy Statement, Strategy & Guidance Notes as drafted;
(2) The Committee approved the Confidential Reporting (Whistleblowing) Policy as drafted;
(3) The Committee endorsed the Fraud & Corruption Risk

Register.

12 OVERVIEW OF THE COUNCIL'S CONSTITUTION IN RESPECT OF CONTRACT PROCEDURE RULES

Ms Tims, Interim Monitoring Officer, advised that in spring 2019 the Council appointed the Wolverhampton City Council Procurement team to provide procurement support and advice to increase efficiency and value for money across the Council.

As a result of this support and an internal assessment of procurement procedures, a review of Part 4 Section 7 of the Constitution – Contract Procedure Rules had been undertaken and the changes recommended to these procedures were detailed in the report and appendix. This would go forward to the next meeting of the Full Council for adoption.

A concern was raised as to whether there would be an inherited risk of duplicated spend. Mr Thomas said this had been taken into account in the support provided by Wolverhampton, which was to be more proactive and would consolidate spending, where appropriate. He also added that Internal Audit could look at this aspect at any time.

Members also expressed concern regarding the extending of existing contracts, which could amount to a very large amount of money but where the Constitution specified only to “notify” to Cabinet. Ms Tims advised that such extensions would only be possible within existing budget and member approvals to the overall contract spend limit were still in place.

The Constitution wording was recommended to be amended to make the requirement to notify Cabinet clearer in contract extension.

RESOLVED:- The Committee approved and recommended to full Council the adoption of the updated Contract Procedure Rules as Part 4 Section 7 of Lichfield District Council's Constitution with an amendment to Section T – Changing and Extending Contracts as suggested above.

13 WORK PROGRAMME

The Chairman introduced the Audit & Member Standards Committee Work Programme for 2019/20 and asked for comments as this was a rolling programme for this committee. As there seemed to be a lot on the programme for the next meeting, the Chairman agreed to meet with the Vice-Chairman to review whether anything could be removed or rescheduled.

(The Meeting closed at 7.40 pm)

CHAIRMAN

Mid-Year Treasury Management Report

Cabinet Member for Finance and Procurement

Date:	14 November 2019
Agenda Item:	4
Contact Officer:	Anthony Thomas
Tel Number:	01543 308012
Email:	Anthony.thomas@lichfielddc.gov.uk
Key Decision?	YES
Local Ward Members	Full Council



AUDIT AND MEMBER STANDARDS COMMITTEE

1. Executive Summary

- 1.1 The report covers the projected mid-year (30 September 2019) Treasury Management performance in 2019/20.
- 1.2 Capital expenditure is projected to be **£10,877,000** and this is **(£1,664,000)** less than the Approved Revised Budget of **£12,541,000**. This projected reduction is principally due to the re-phasing of Housing Grants until 2020/21 **(£751,000)** and delaying the loan to the Council Development Company **(£675,000)** for one year.
- 1.3 There is projected to be **(£1,382,000)** capital receipts received in 2019/20 compared to the Approved Budget of **(£1,387,000)**.
- 1.4 The funding of the Capital Programme in 2019/20 reflects the projected expenditure of **£10,877,000**.
- 1.5 The Balance Sheet projections indicate investment balances at the 31 March 2020 will be **£26,802,000** and these are **£3,113,000** higher than the Approved Budget of **£23,689,000**. This is due to higher than projected earmarked reserves.
- 1.6 In terms of funding the Capital Programme, the borrowing need of **£6,208,000** and its financing is projected to be in line with the Approved Budget although this is highly dependent on the financial performance of the Property Investment Strategy.
- 1.7 The Council was required to approve a new Investment Strategy Report for 2019/20 to comply with the requirements of statutory guidance issued by the Government in January 2018. This report focuses on Treasury Management investments as well as how the authority invests its money to support local services and earns investment income from commercial investments. Monitoring information on Service and Commercial investments is provided in this mid-year report.
- 1.8 The Council's treasury investments achieved a risk status of **AA-** (excluding the two long-dated pooled funds) that was more secure than the aim of **A-** and yield exceeded all four of the industry standard London Interbank (LIBID) yield benchmarks.
- 1.9 The report confirms the Council was compliant with all Treasury Limits and Prudential Indicators for 2019/20.

2. Recommendations

- 2.1 To review the report and issues raised within.
- 2.2 To note that from 1 April 2019, the Council under IFRS9, will apply Fair Value through Profit and Loss (FVPL) to financial assets such as the Property Fund. The impact of this change on the revenue account will be mitigated by the Statutory Override from 1 April 2019 until the 31 March 2023.
- 2.3 To review the projected 2019/20 Prudential Indicators contained within the report.

3. Background

The Capital Programme and Treasury Management

- 3.1. This Mid-Year Treasury Report is a requirement of the Council's reporting procedures. It covers the Treasury activity during 2019/20 and the projected Prudential Indicators for 2019/20.
- 3.2. Treasury Management is defined as: *"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*
- 3.3. Overall responsibility for Treasury Management remains with the Council. No Treasury Management activity is without risk; the effective identification and management of risk are integral to our Treasury Management objectives.
- 3.4. Our Treasury Management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annual Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members be informed of treasury management activities at least twice a year.
- 3.5. We report quarterly to the Cabinet on Treasury activity and this report to Audit and Member Standards will provide more information on capital financing, Balance Sheet projections and Prudential Indicators.
- 3.6. This report is prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code and
 - a) presents details of capital spend, capital financing, borrowing and investment transactions;
 - b) reports on the risk implications of Treasury decisions and transactions;
 - c) gives details of the mid-year position on Treasury Management transactions in 2019/20;
 - d) confirms compliance with Treasury limits and Prudential Indicators
- 3.7. The performance of the Treasury Management function should be measured against the hierarchy of investment objectives of **Security** (the safe return of our monies), **Liquidity** (making sure we have sufficient money to pay for our services) and **Yield** (the return on our investments).
- 3.8. In addition, external borrowing is considered against the objectives of it being **affordable** (the impact on the budget and Council Tax), **prudent** and **sustainable** (over the whole life).
- 3.9. We have recently reviewed the approach to Treasury Management focussing on the financing of the Property Investment Strategy and the approach to investments and several revisions are proposed in the draft MTFS.
- 3.10. The Approved Property Investment Strategy indicated "where acquisitions are being made, it would be considered unwise to fully fund property investment through borrowing due to the associated risks, and so the proposed approach is for borrowing to be limited to between 65-75% of the cost."
- 3.11. The approved MTFS was based on a prudent approach until updated Balance Sheet projections were available and modelled financing of the Property Investment Strategy using 100% external borrowing.
- 3.12. The MTFS however did reference the potential to reduce external borrowing for the Property Investment Strategy through the use of internal borrowing (Minimum Revenue Provision is still legally required to be set aside).

3.13. Internal borrowing has three advantages:

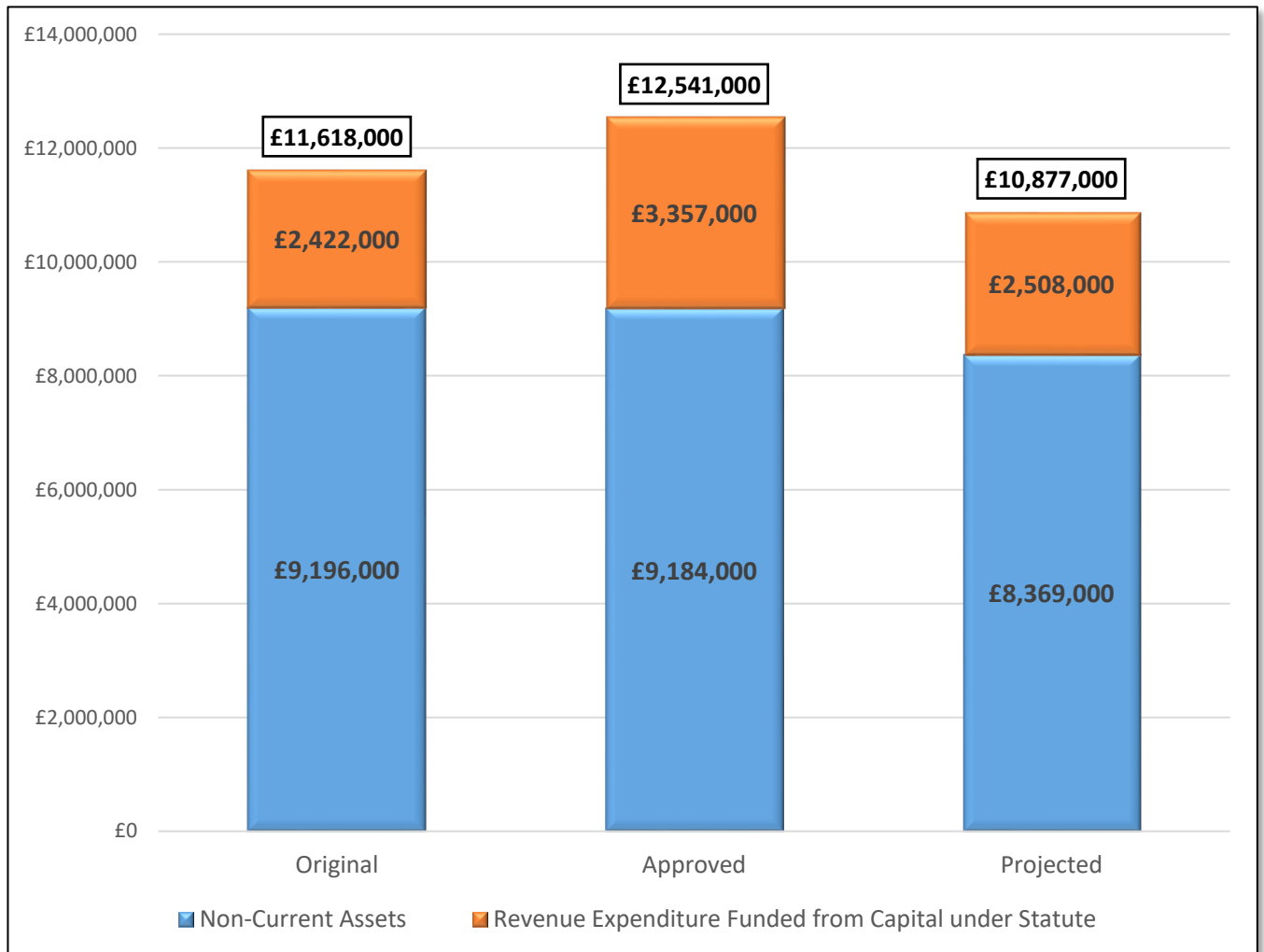
- It reduces credit risk (i.e. the risk that investments will not be repaid).
- It has a lower cost than external borrowing (2.83%) with the financing cost being the investment income foregone (0.85%).
- There is the ability to 'repay' the internal borrowing as a result of windfall income without early repayment penalties and therefore no Minimum Revenue Provision is payable thereby increasing the asset's net return.

3.14. Balance Sheet projections indicate that there is the option of **£11m** of internal borrowing being used to fund the Property Investment Strategy of **£45m** and this would result in a lower financing cost. It is important to note, internal borrowing is dependent on both Balance Sheet and interest rate projections.

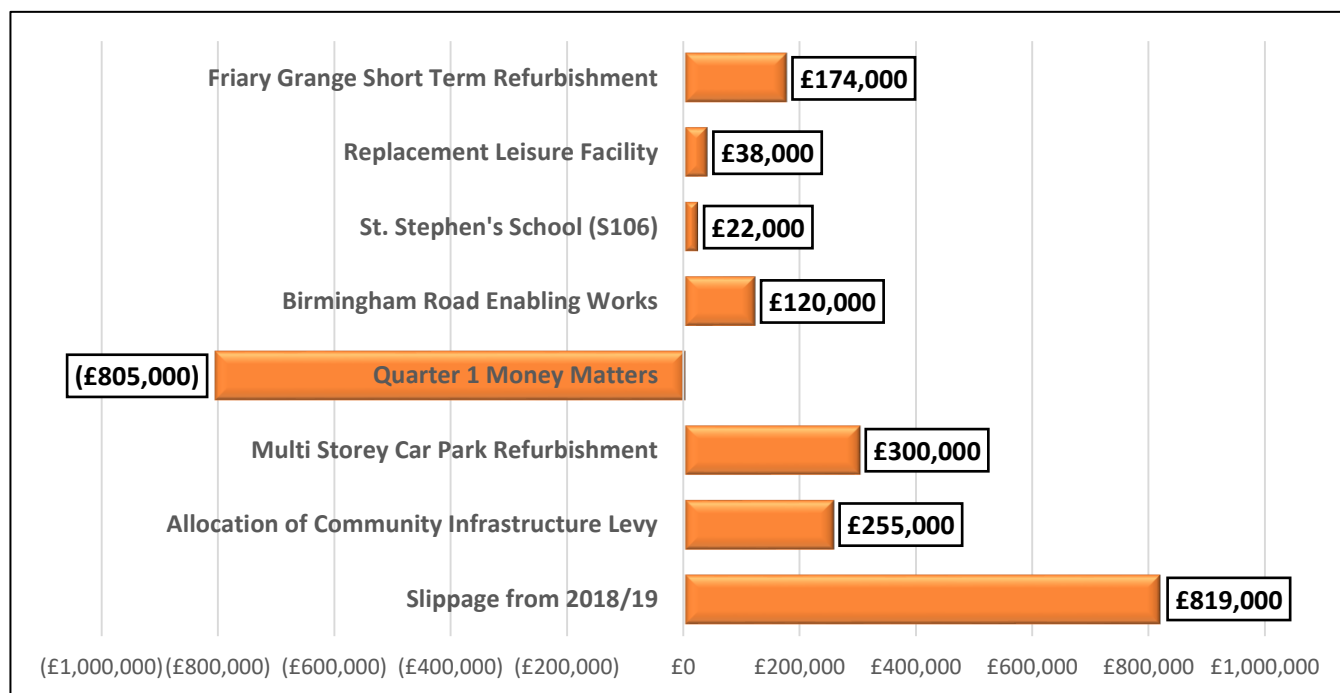
3.15. In addition, the successful investments in the Property Fund, Diversified Income Fund and Invest to Save schemes mean that further investments are planned in these areas to increase income.

The Capital Programme

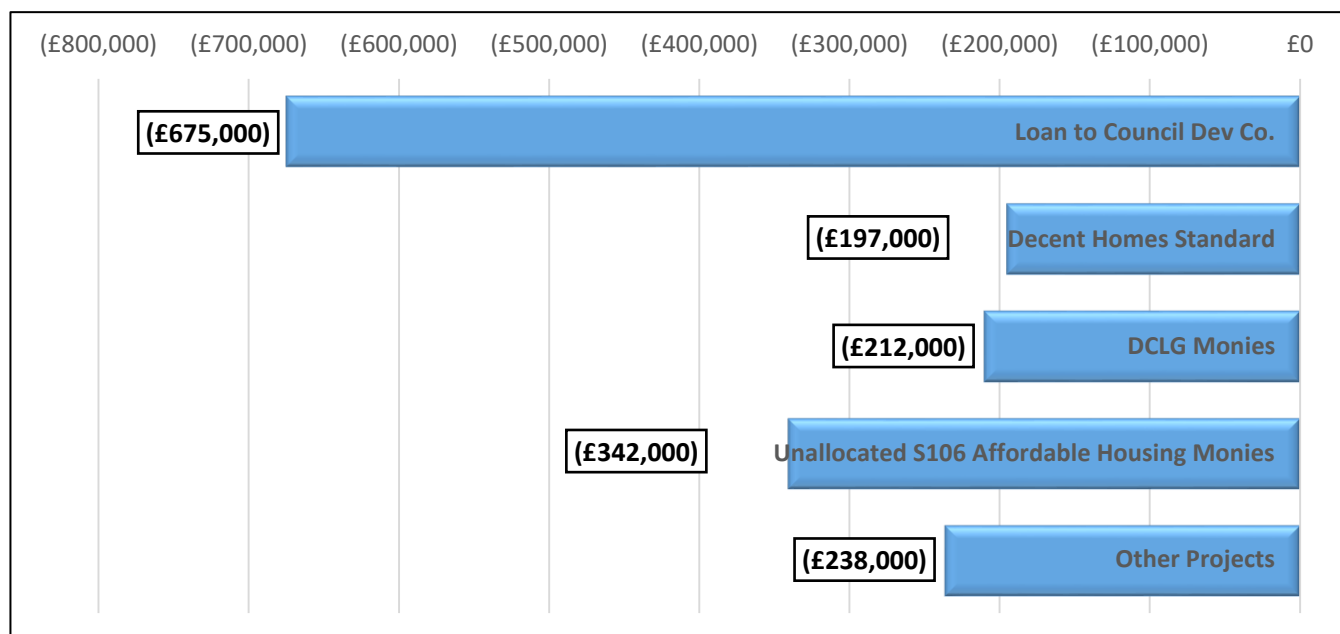
3.16. A summary of the Capital Programme performance from the Original Budget to the Projected Actual for 2019/20 is shown in detail at **APPENDIX A** and in the chart below:



3.17. The reasons for the budgetary increase of **£923,000** from the Original Budget of **£11,618,000** to the Approved Revised Budget of **£12,541,000** are shown below:



3.18. Capital expenditure is projected to be **£10,877,000** and this is **(£1,664,000)** less than the Approved Revised Budget of **£12,541,000** and the main project variances are shown below:

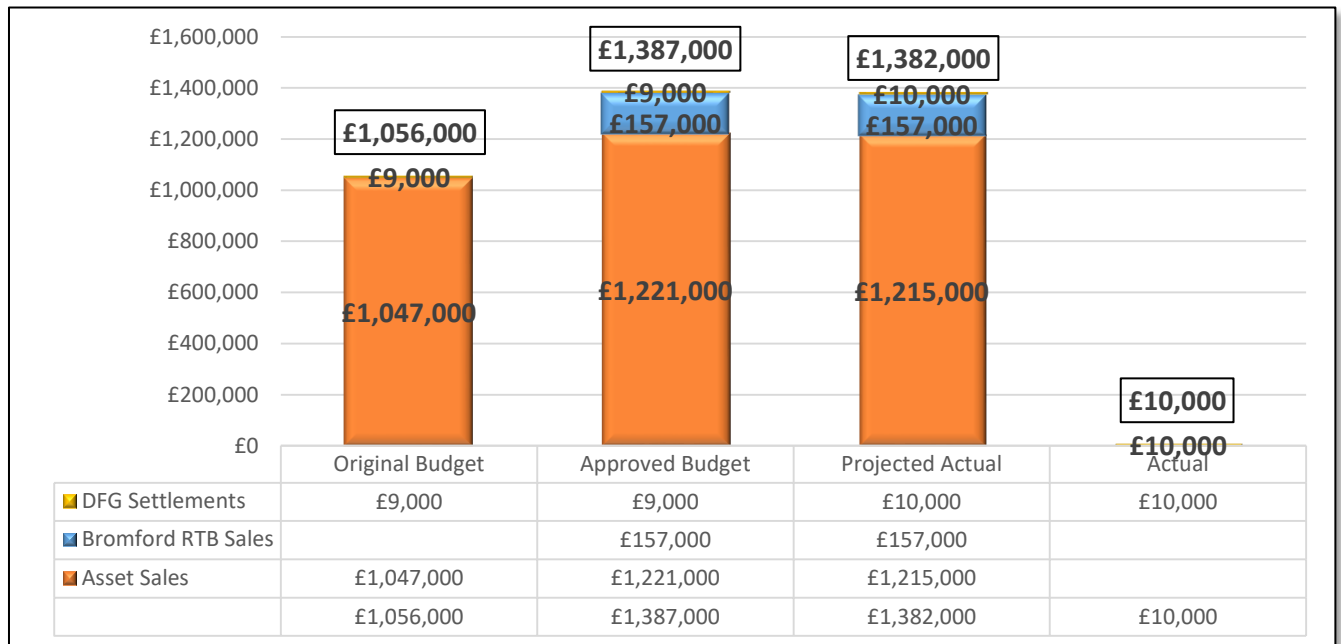


3.19. The reasons for the main project variances are explained below:

- **Loan to the Council Development Company** – the Company is unlikely to require the funding provided by the loan of **£675,000** in 2019/20. This is because any expenditure undertaken by the Company can be funded through the equity investment of **£225,000**.
- **Housing Grants and S106 Affordable Housing Monies** – our partners Spring, have identified the type of properties the Council will need to achieve its desired housing outcomes. We are currently trying to identify suitable properties that match our needs and purchase them. This process including due diligence will mean it is unlikely that any purchases will be completed by 31 March 2020.

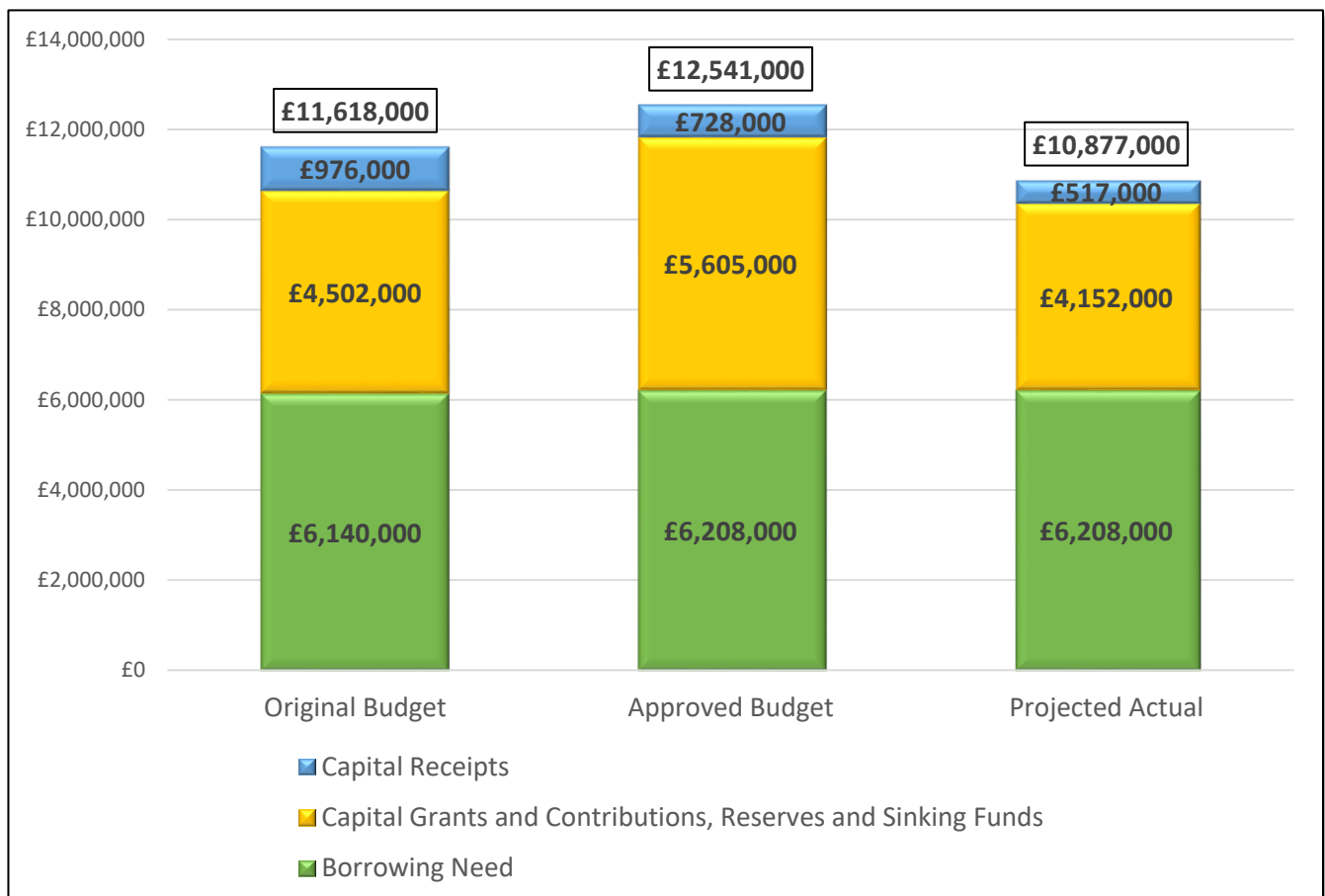
Capital Receipts

3.20. The Original Budget, Approved Budget (asset sales relate to Beacon Park Cottage, Land at Netherstowe and Leyfields, and Guardian House), projected capital receipts and actual capital receipts received in the first six months are shown below:



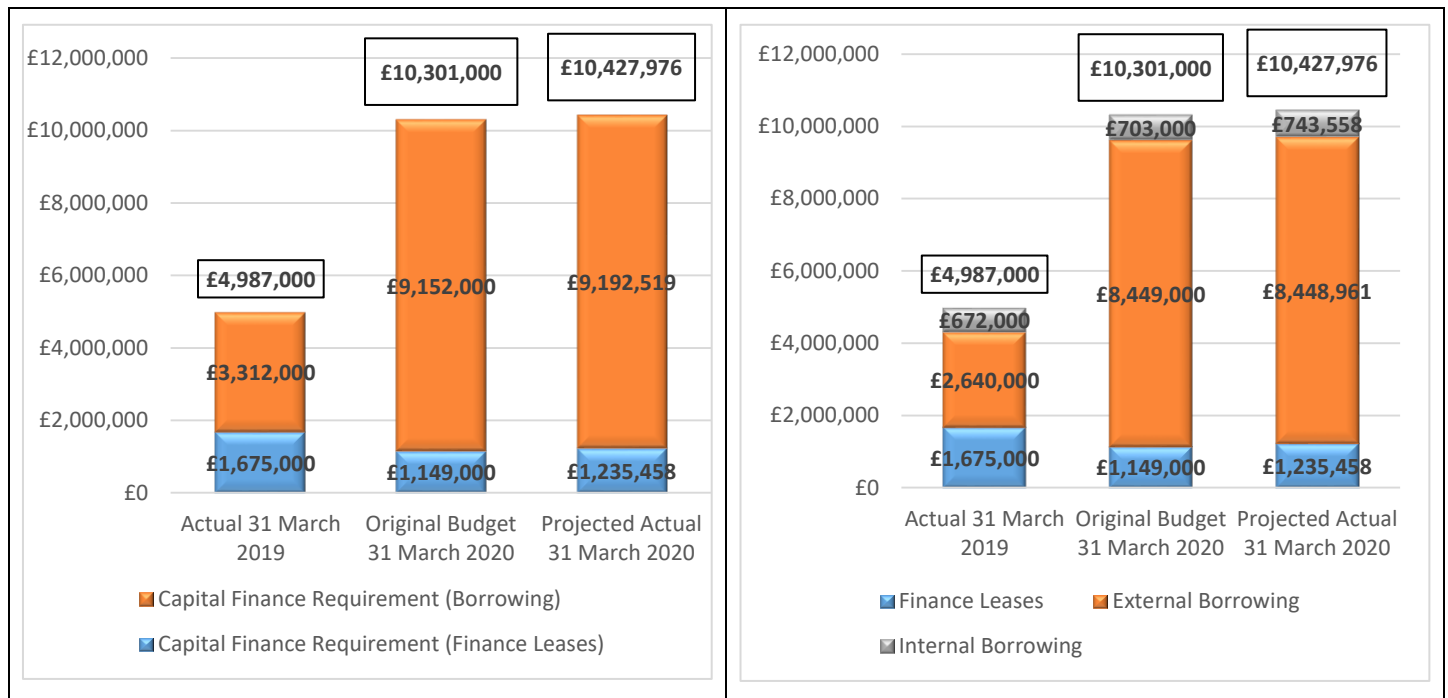
The Funding of the Capital Programme

3.14. The budgeted and actual sources of funding for the Capital Programme are shown in detail at **APPENDIX A** and below:



The Capital Financing Requirement (Borrowing Need) and its Financing

3.15. The actual for 2018/19, Original Budget and Projection for 2019/20 of the Borrowing Need together with its financing is shown below:

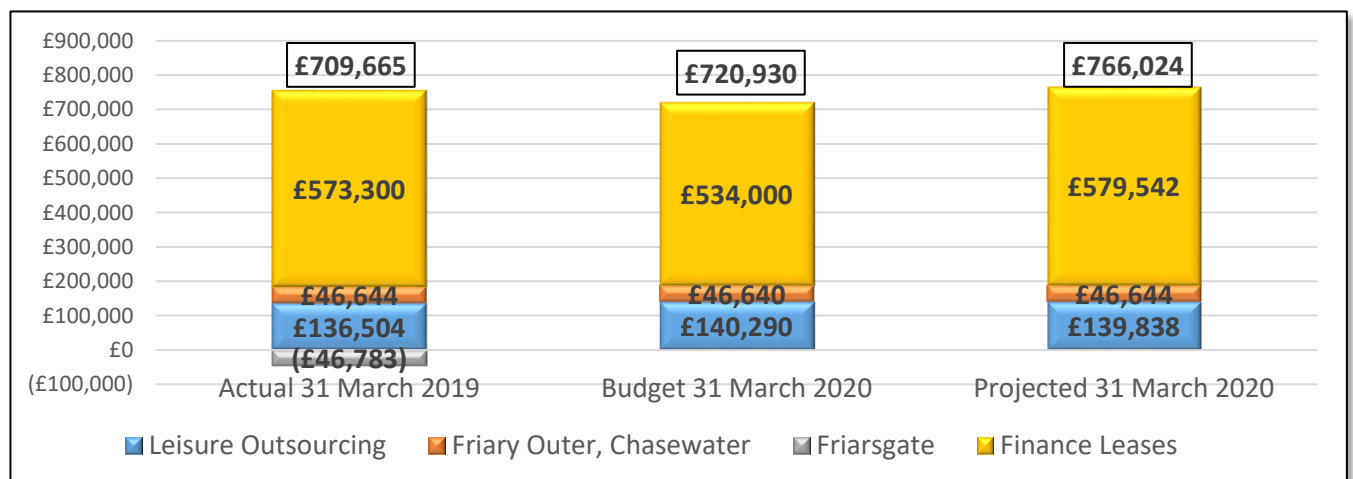


International Financial Reporting Standard 16 (Leases)

- 3.16. The new Standard is applicable from 1 April 2020 and will require more arrangements where there is a right to use an asset to be included on the Council's Balance Sheet. The level of non-current assets is likely to increase and these will be matched by a liability to reflect the lease payments to be made.
- 3.17. The identification and inclusion of these assets on the Council's Balance Sheet will also mean there will be an increase in the Capital Financing Requirement (Borrowing Need), financing and a number of Prudential Indicators related to debt.
- 3.18. The Council already has a comprehensive list of leases and lease type arrangements that is used to produce the Statement of Accounts. Members of the Finance Team have also attended specialist training events to enable the successful implementation of the new Standard.

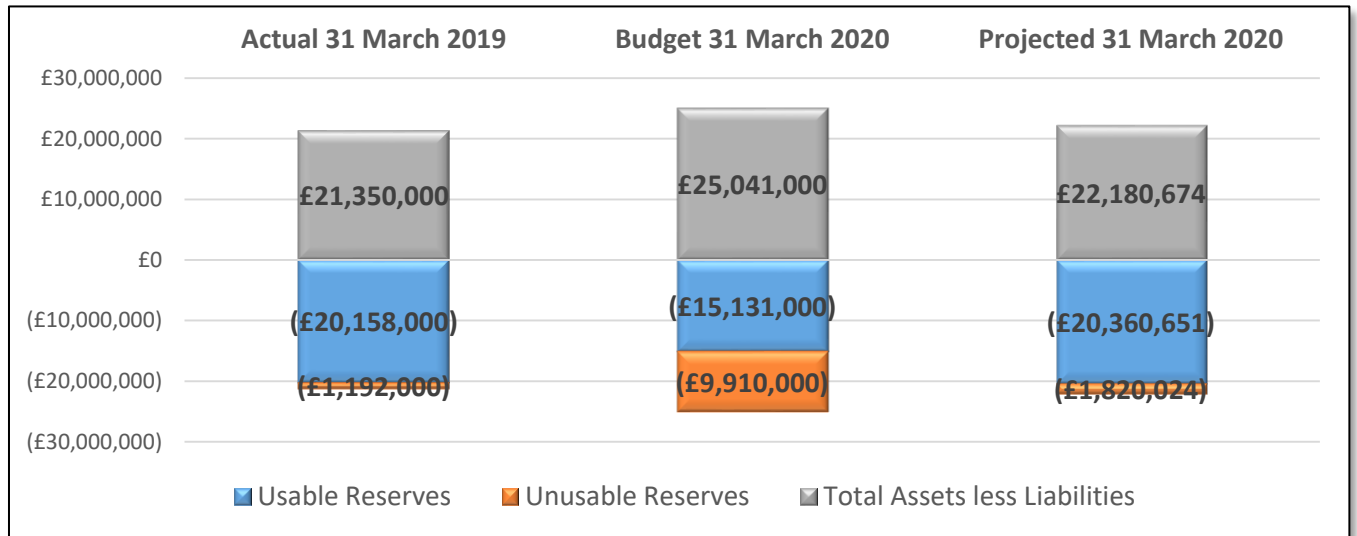
Minimum Revenue Provision in 2019/20

3.19. The minimum Revenue provision charged to revenue in 2018/19, the Original Budget for 2019/20 and the projected actual in 2019/20 is shown below:



The Balance Sheet

3.20. The Balance Sheet Projections for 2019/20 compared to the Original Budget are shown in detail at **APPENDIX B** and in summary below:



3.21. The main reasons for the variances between the budgeted and projected Balance Sheet for 2019/20 are:

Total Assets Less Liabilities – lower than the budget by (£2,861,000) (11%)

- Higher investments of **£3,146,000** due to higher usable reserves less lower working capital.
- The Actuary increased the Long Term Liability for Pensions at 31 March 2019 and the projected variance is **(£6,244,000)**.

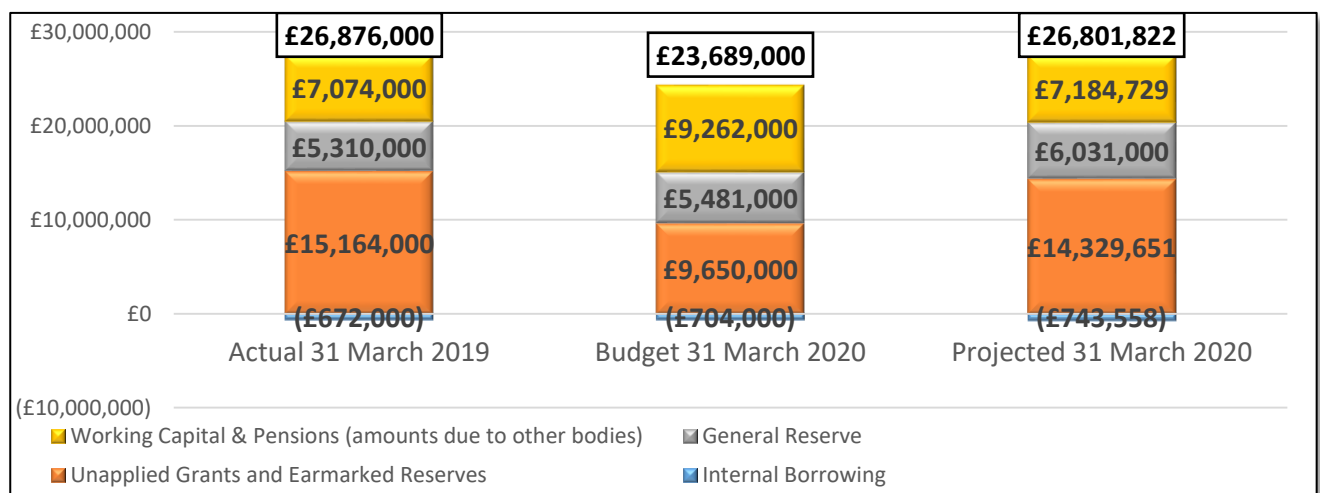
Usable Reserves – higher than budget by (£5,229,000) (34%)

- A higher level of unapplied Capital Grants of **(£1,388,000)** due to higher Community Infrastructure Levy and lower capital spend.
- A higher level of capital receipts of **(£1,251,000)** due to higher Right to Buy sales and lower spend.
- An increase in earmarked reserves of **(£2,035,000)** due to a higher contribution to the Business Rates volatility Reserve, an update to the profiling of the loan to the Company to 2020/21 and an update to the profiling of the vehicle replacement reserve.

Unusable Reserves – lower than budget by £8,090,000 (82%)

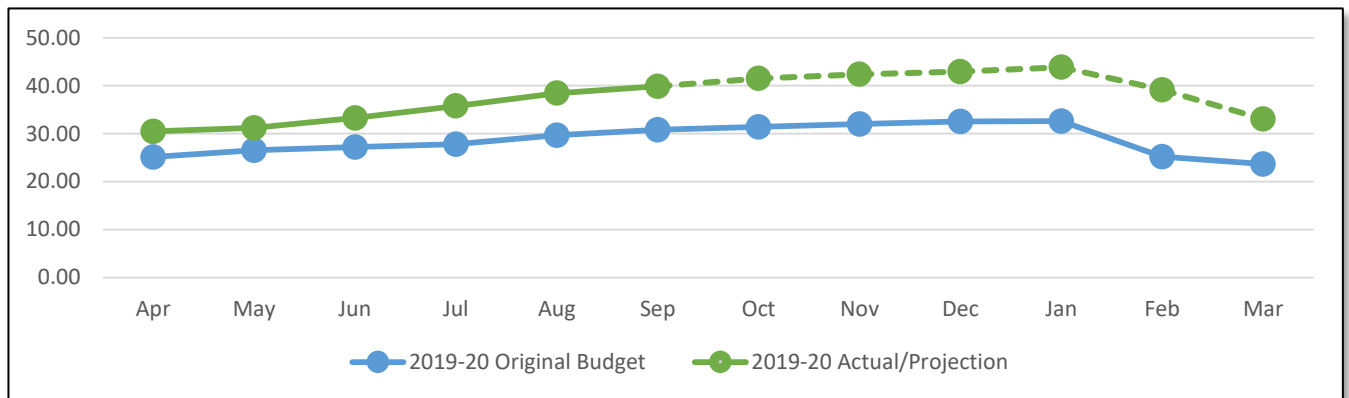
- An increase in the Pension Reserve of **£6,244,000** to offset the increase in the long term liability.

3.22. The level of investments and the sources of cash are shown in the chart below:



Cash Flow Forecasts

3.23. The graph below compares the Original Budget for average investment levels in 2019/20 with the actual/projected levels.



3.24. The Treasury Management Performance for 2019/20 for both investment income and borrowing are shown below:

Treasury Management	2018/19			
	Approved Budget		Projected	
	Investment Income	Borrowing	Investment Income	Borrowing
Average Balance	£33.69m	£2.52m	£38.39m	£2.52m
Average Rate	1.01%	2.15%	1.06%	2.15%
Gross Investment Income	(£341,000)		(£408,000)	
Property Fund Transfer to Reserves	£30,000		£30,000	
DIF Transfer to Reserves	£10,000		£10,000	
External Interest		£54,070		£54,070
Internal Interest		£4,000		£4,000
Minimum Revenue Provision (less Finance Leases)		£186,930		£186,482
Net Treasury Position	(£301,000)	£245,000	(£368,000)	£244,552
		(£56,000)		(£123,448)

Public Works Loans Board (PWLB) Interest Rate Rise

3.25. HM Treasury made an announcement on 9th October that with immediate effect the PWLB new loan rates would be increased by **100 basis points** or **1%**.

3.26. The PWLB will remain a funding source for the Council, however the Council will explore alternative funding sources which are likely to be cheaper than the now higher PWLB rates but will involve a longer lead time and more administration (lender's credit assessment, loan documentation, negotiation of terms etc.).

3.27. The Council plans to borrow **£45m** over the next four years to fund its Property Investment Strategy and a further **£5m** to fund a replacement for Friary Grange Leisure Centre. Any increase in interest rates either from the Bank of England or other another arm of Government will impact on the viability of planned projects.

3.28. The external borrowing rates used in the Medium Term Financial Strategy (MTFS) compared to current rates (excluding any potential discounts) are shown below:

- **Property Investment Strategy** – MTFS rate **2.83%**, current rate **3.13%** (additional cost of £2,396,250 or on average £68,460 per year over 35 years).
- **Replacement for Friary Grange Leisure Centre** – MTFS rate **1.87%**, current rate **2.79%** (additional cost of £586,500 or on average £23,460 per year over 25 years).

Investment Strategy

3.28. The Council undertakes investments for three broad purposes:

- It approves the support of public services by lending or buying shares in other organisations – **Service Investments.**
- To earn investment income – **Commercial Investments.**
- It has surplus cash, as a result of its day to day activities, when income is received in advance of expenditure or where it holds cash on behalf of another body ready for payment in the future – **Treasury Management Investments.**

3.29. The Government has recognised in recent Ministry of Housing, Community and Local Government (MHCLG) guidance, as a result of increased commercial activity, that the principles included in Statutory Guidance requiring that all investments should prioritise security and liquidity over yield must also be applied to service and commercial investments.

3.30. The MHCLG Guidance requires the approval by Council of an Investment Strategy Report to increase the transparency around service and commercial investment activity. The Council approved its Investment Strategy Report on **19 February 2019.**

Service Investments

3.31. There are three approved investments of a service nature (the loan to the LA Company is shown at the approved level where no income to the Council was assumed). The investment and net return included in the Approved Budget is detailed below:

	Approved Budget				
	2019/20	2020/21	2021/22	2022/23	2023/24
Loan to the Local Authority Company	£675,000	£675,000	£675,000	£675,000	£675,000
Net Income (net of loss of investment income)	£0	(£4,000)	(£18,000)	(£22,000)	(£22,000)
Net Return	0.00%	0.59%	2.67%	3.26%	3.26%
Equity in the Local Authority Company	£225,000	£225,000	£225,000	£225,000	£225,000
Net Income	£0	£0	£0	£0	£0
Net Return	0.00%	0.00%	0.00%	0.00%	0.00%
Investment in Burntwood Leisure Centre	£1,395,000	£1,395,000	£1,395,000	£1,395,000	£1,395,000
VAT Benefit	(£19,000)	(£20,000)	(£23,000)	(£25,000)	(£25,000)
Net Income (after loan repayments)	(£38,000)	(£38,000)	(£38,000)	(£38,000)	(£38,000)
Net Return (excluding VAT Benefit)	2.72%	2.72%	2.72%	2.72%	2.72%
ICT Cloud	£25,000	£125,000	£125,000	£125,000	£125,000
Net Income	(£30,000)	(£100,000)	(£150,000)	(£150,000)	(£150,000)
Net Return	120.00%	80.00%	120.00%	120.00%	120.00%
Total Investment	£2,320,000	£2,420,000	£2,420,000	£2,420,000	£2,420,000
Total Net Income	(£68,000)	(£142,000)	(£206,000)	(£210,000)	(£210,000)
Net Return	2.93%	5.87%	8.51%	8.68%	8.68%

3.32. To date, only the investment in Burntwood Leisure Centre has taken place and is generating net income.

Commercial Investments

3.33. The only commercial investment currently planned relates to the Property Investment Strategy and the investment and net return in the Approved Budget is detailed below:

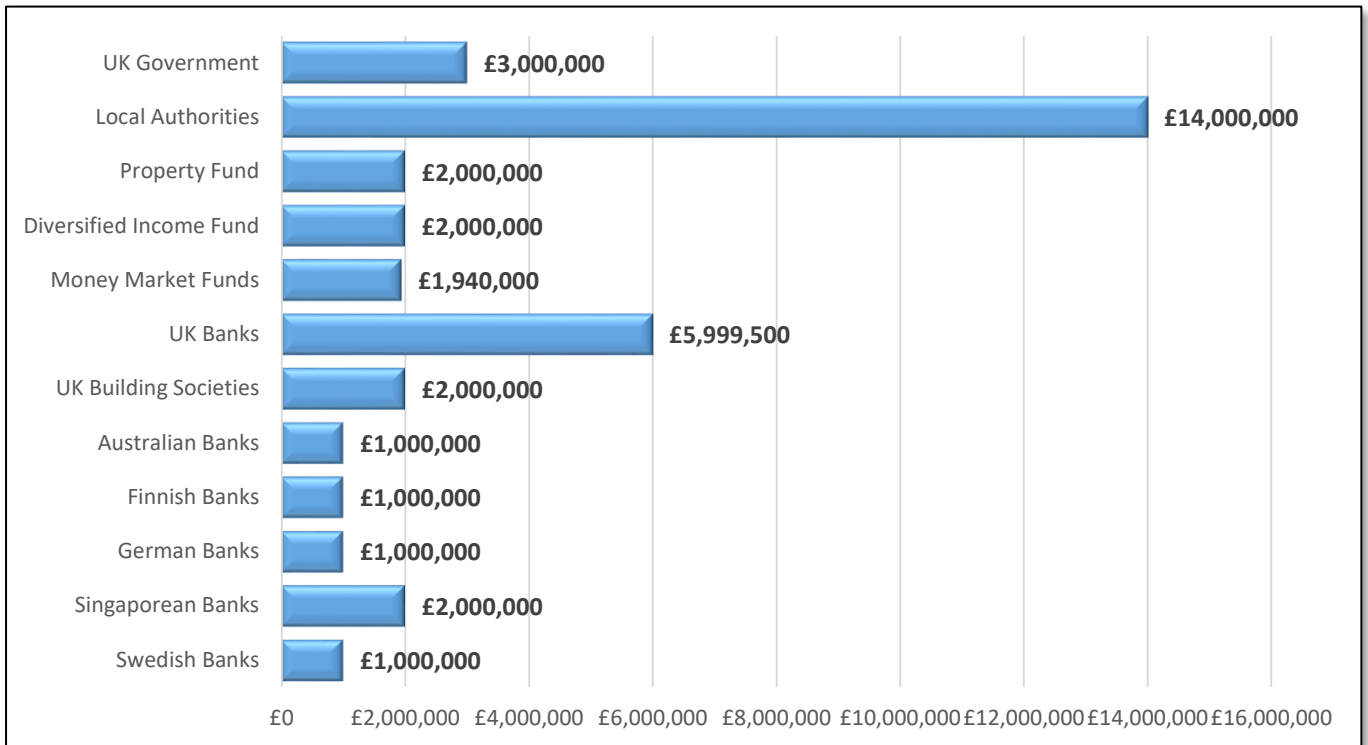
	Approved Budget				
	2019/20	2020/21	2021/22	2022/23	2023/24
Property Investment	£6,000,000	£19,000,000	£32,000,000	£45,000,000	£45,000,000
Net Income		(£56,000)	(£180,000)	(£303,000)	(£427,000)
Net Return (previous year end)		0.93%	0.95%	0.95%	0.95%

3.34. To date, no property investment has taken place and therefore the budgeted net income is not currently being generated.

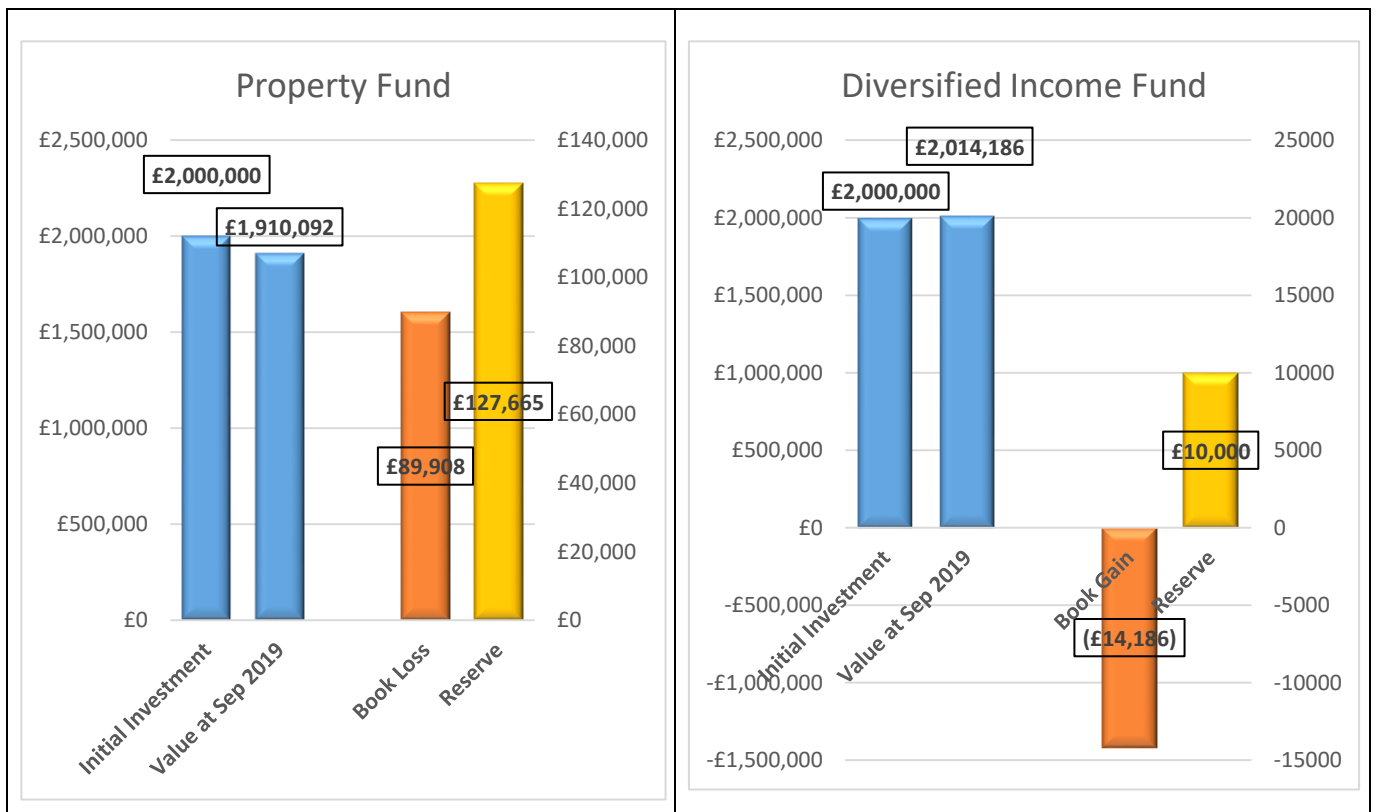
Treasury Management Investments

The Security of Our Investments

3.35. The investments the Council had at the 30 September 2019 of £36.94m (with the property and diversified income fund valued at original investment of £2.00m) by type and Country are summarised in the graph below and in more detail at **APPENDIX C**:



3.36. The current values of the Property Fund and the Diversified Income Fund together with the value of the projected earmarked reserve at the end of 2019/20 intended to offset reductions in value is shown below:



International Financial Reporting Standard (IFRS) 9 and its application to these Investments

3.37. It is important to note that:

- There is a 'book loss' on the Property Fund investment currently of **£89,908** and the balance on the Volatility Reserve to offset any reduction in value is projected to be **(£127,665)**.
- There is a 'book gain' on the Diversified Income Fund currently of **(£14,186)** and the balance on the Volatility Reserve to offset any reduction in value is projected to be **(£10,000)**.

3.38. The Council is required to apply the International Financial Reporting Standard (IFRS) 9 accounting treatment to these investments and because this is a relatively new standard, there are differences of opinion on its application to certain financial investments.

3.39. In the 2017/18 Statement of Accounts the Council elected to account for the Property Fund investment in equity instruments at fair value through other comprehensive income. This accounting treatment was applied because it is considered to be a long-term strategic holding and changes in their fair value are not considered to be part of the Council's annual revenue account performance.

3.40. This accounting treatment was also applied in 2018/19 with the 'book loss' accounted within the Financial Instruments Revaluation Reserve being **£68,000** and therefore the value is not considered material.

3.41. As part of the audit of the Statement of Accounts, the External Auditor commented they do not consider that this election is available for the type of investments that the Council holds. It is their opinion that movements in the fair value of these assets should be recognised in the Comprehensive Income and Expenditure Statement (CIES) as part of the annual revenue account performance.

3.42. The impact of this change would mean that in the absence of the earmarked reserve, any 'book loss' would be charged to the revenue account and therefore depending on financial performance, potentially reduce the level of General Reserves.

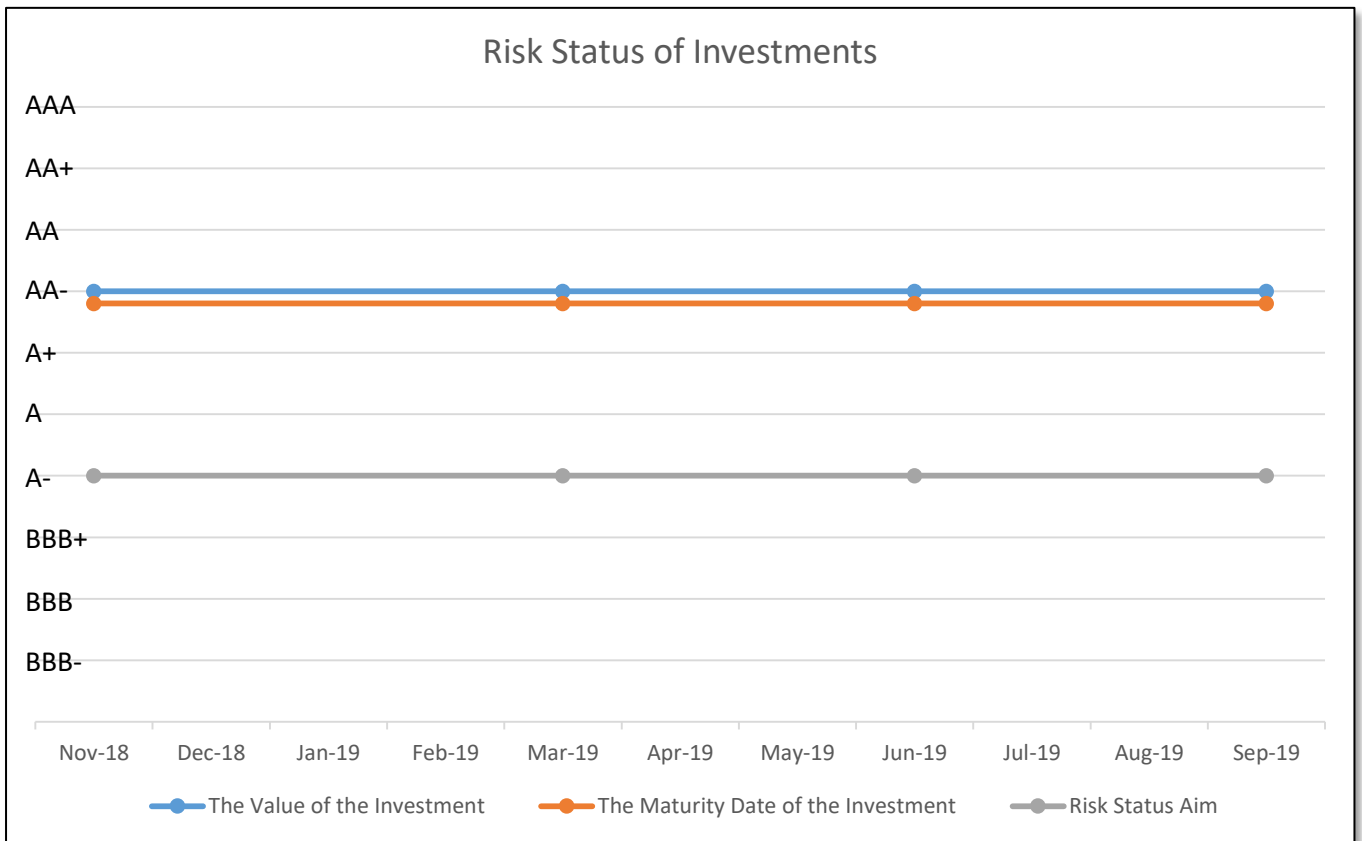
3.43. There is now a Statutory Override available for the five year period from 1 April 2018 to 31 March 2023 that would mitigate any gains or losses being accounted for within the revenue account.

3.44. Therefore to address the External Auditor's concerns, the Council will account for any gain or losses related to these type of investments within the revenue account and apply the Statutory Override. In the event that the Statutory Override is not extended beyond 31 March 2023, any gains and losses will need to be managed through the earmarked reserves established to manage volatility and credit risk.

3.45. A comparison of the Council's portfolio size of **£36.8m** (with the Property and Diversified Income funds valued at their current value of **£3.9m**), average credit score, level of diversification and level of exposure to 'Bail in' risk compared to all Arlingclose Clients is shown in the charts below:

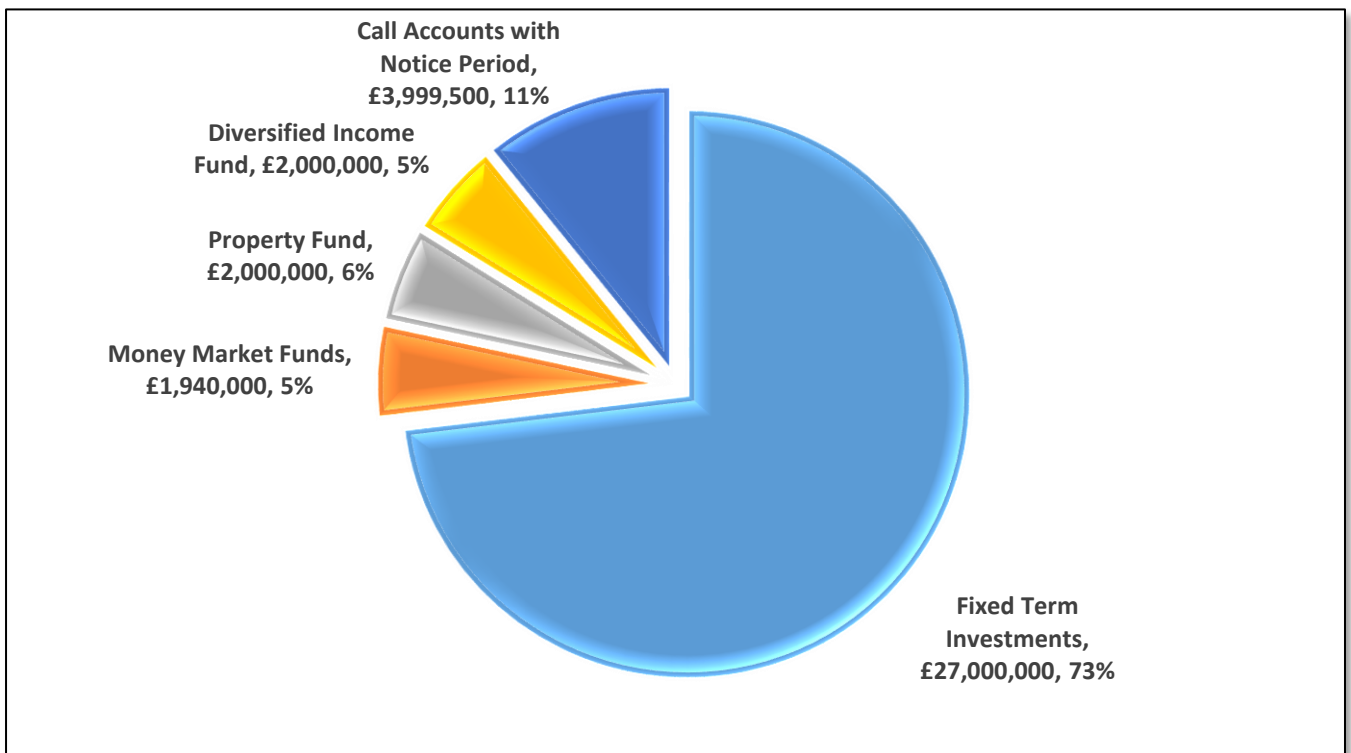


3.46. Our aim for the risk status of our investments was **A-**. The risk status based on the length of the investment and the value for a 12 month period is summarised below:

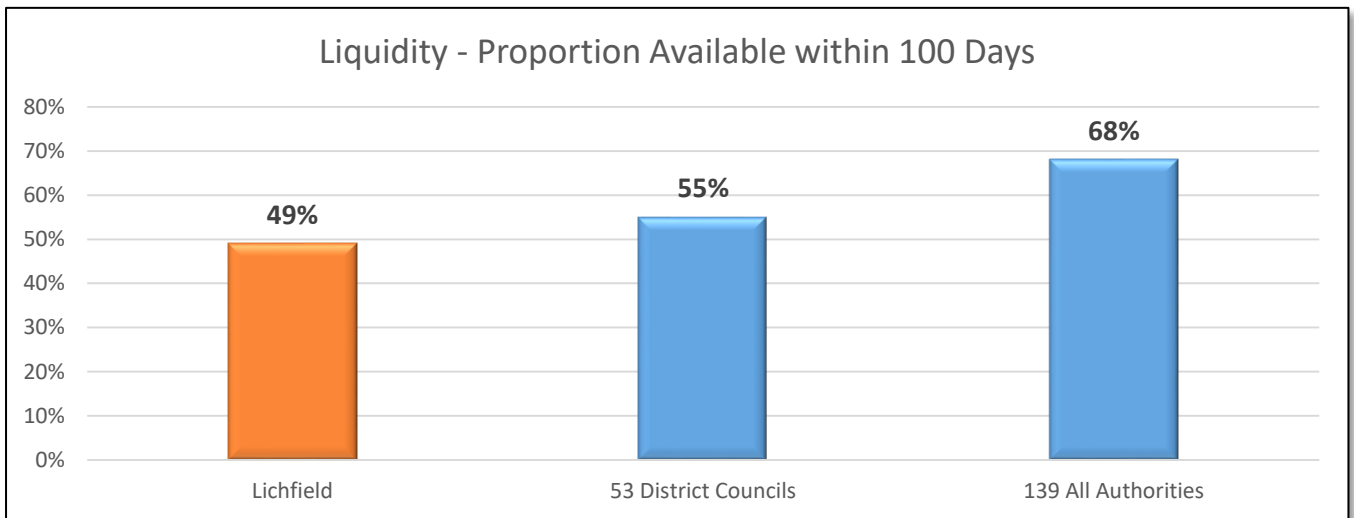


The Liquidity of our Investments

3.47. The Council has not had to temporarily borrow during 2019/20 and retains a proportion of its investments in instant access Money Market Fund investments to ensure there is sufficient cash available to pay for goods and services. The investments by type (with the property and diversified income fund at their original value of **£2m**) are shown below:

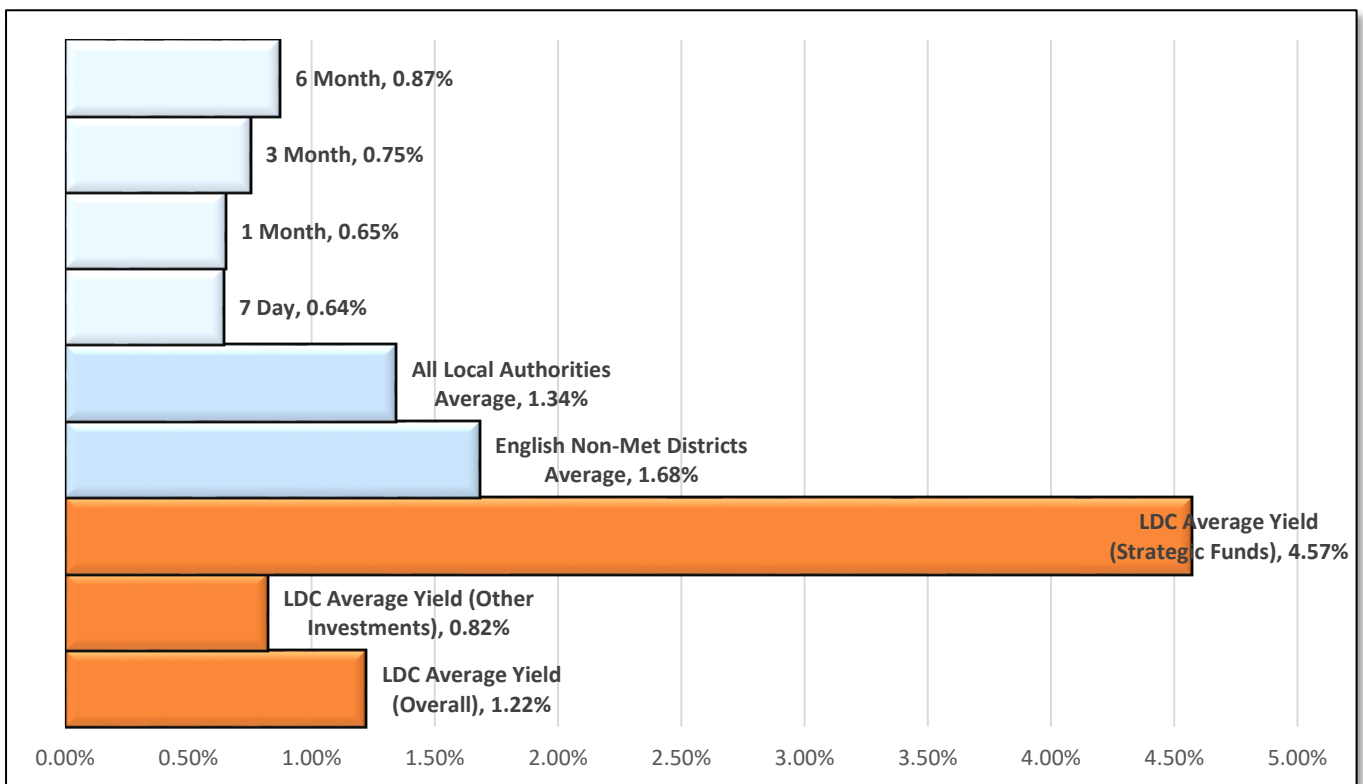


3.48. The proportion of the investment portfolio available within 100 days compared to all Arlingclose clients is shown below:



The Return or Yield of our Investments

3.49. The yield the Council was achieving as at 30 September compared to a number of industry standard benchmarks (including our preferred benchmark of the seven day LIBID rate) and all Arlingclose clients is shown below:



External Borrowing

3.50. The Council currently has two external loans with the Public Works Loans Board with **£2,513,984** outstanding and these are shown in detail at **APPENDIX C**.

Alternative Options	There are no alternative options.
Consultation	Consultation is undertaken as part of the Strategic Plan 2016-20 and with Leadership Team.

Financial Implications

Projected Prudential indicators (PI) 2019/20:

- We can confirm that the Council is compliant with its Prudential Indicators for 2019/20; these were originally approved by Council at its meeting on 19 February 2019 and will be fully revised and approved by Council on 11 February 2020.
- In compliance with the requirements of the CIPFA Code of Practice this report provides members with a Summary Report of the Treasury Management Activity during 2019/20.
- None of the other Prudential Indicators have been breached. The Prudential Indicators are summarised in the table below :

Capital Strategy Indicators				
Prudential Indicators				
Indicators	2018/19 Actual	2019/20 Original	2019/20 Current	2019/20 Projected
Capital Investment				
Capital Expenditure (£m)	£4.910	£11.618	£12.541	£10.877
Capital Financing Requirement (£m)	£4.987	£10.301	£10.303	£10.428
Gross Debt and the Capital Financing Requirement				
Gross Debt	(£4.315)	(£9.598)	(£9.599)	(£9.684)
Borrowing in Advance - Gross Debt in excess of the Capital Financing Requirement	No	No	No	No
Total Debt				
Authorised Limit (£m)	£4,751	£21.598	£21.598	£9.684
Operational Boundary (£m)	£4,751	£13.006	£13.006	£9.684
Proportion of Financing Costs to Net Revenue Stream (%)	5%	6%	4%	4%

Local Indicators				
Indicators	2018/19 Actual	2019/20 Original	2019/20 Current	2019/20 Projected
Replacement of Debt Finance or MRP (£m)	(£0.710)	(£0.721)	(£0.766)	(£0.766)
Capital Receipts (£m)	(£0.760)	(£1.056)	(£1.387)	(£1.382)
Liability Benchmark (£m) ¹	£14.168	£4.823	N/A	£8.285
Treasury Management Investments (£m)	£26.150	£23.689	N/A	£26.802

Treasury Management Indicators				
Prudential Indicators				
	2018/19 Actual	Lower Limit	Upper Limit	2019/20 Projected
Refinancing Rate Risk Indicator				
Under 12 months	7%	0%	100%	8%
12 months and within 24 months	7%	0%	100%	8%
24 months and within 5 years	22%	0%	100%	25%
5 years and within 10 years	36%	0%	100%	33%
10 years and within 20 years	23%	0%	100%	25%
20 years and within 30 years	3%	0%	100%	1%
30 years and within 40 years	0%	0%	100%	0%
40 years and within 50 years	0%	0%	100%	0%
50 years and above	0%	0%	100%	0%

Indicators	2018/19 Actual	2019/20 Original	2019/20 Current	2019/20 Projected
Principal Sums invested for periods longer than a year (£m)	£2.000	£6.000	£6.000	£4.000

¹ See note in Appendix B.

Local Indicators

Indicators	2018/19 Actual	2019/20 Original	2019/20 Current	2019/20 Projected
<u>Balance Sheet Summary and Forecast</u>				
Borrowing Capital Financing Requirement (£m)	£3.312	£9.153	£9.194	£9.193
Internal (over) Borrowing (£m)	£0.672	£0.704	£0.744	£0.744
Investments (or New Borrowing) (£m)	(£26.150)	(£23.689)	N/A	(£26.802)
Liability Benchmark (£m)	(£14.168)	(£4.823)	N/A	(£8.285)

	2018/19 Actual	Target	2019/20 Actual
<u>Security</u>			
Portfolio average credit rating	AA-	A-	AA-
<u>Liquidity</u>			
Temporary Borrowing undertaken	£0.000	£0.000	£0.000
Total Cash Available within 100 days (maximum)	70%	90%	49%

Contribution to the Delivery of the Strategic Plan

The MTFS underpins the delivery of the Strategic Plan 2016-20.

Equality, Diversity and Human Rights Implications

There are no additional Equality, Diversity or Human Rights implications.

Crime & Safety Issues

There are no additional Crime and Safety Issues.

GDPR/Privacy Impact Assessment

There are no GDPR/Privacy Impact Assessment Issues.

	Risk Description	How We Manage It	Severity of Risk
A	Achievement of The Council's key Council priorities.	Close monitoring of performance and expenditure; maximising the potential of efficiency gains; early identification of any unexpected impact on costs including Central Government Policy changes, movement in the markets, and changes in the economic climate.	Green - Tolerable
B	Implementation of the Check, Challenge and Appeal Business Rates Appeals and more frequent revaluations.	To closely monitor the level of appeals. An allowance of 4.7% (in line with the MHCLG Allowance) for appeals has been included in the Business Rate Estimates.	Red - Severe
C	The review of the New Homes Bonus regime in 2020/21.	Not all of the projected New Homes Bonus is included as core funding in the Base Budget. In 2020/21 £600,000 is included and this is then being reduced by £100,000 per annum.	Red - Severe
D	The increased Localisation of Business Rates and the Fair Funding Review in 2020/2021.	To assess the implications of proposed changes and respond to consultations to attempt to influence the policy direction in the Council's favour.	Red - Severe
E	The affordability and risk associated with the Capital Strategy.		Yellow - Material
E1	Planned Capital Receipts are not received.	The budget for capital receipts will be monitored as part of the Council's normal budget monitoring procedures.	Yellow - Material

	Risk Description	How We Manage It	Severity of Risk
E2	Slippage Occurs in the Capital Spend	Spend will be monitored through normal budget monitoring procedures with budgets updated to reflect latest plans and projections.	Yellow - Material
E3	Actual cash flows differ planned cash flows	Cash flow is monitored on a daily basis through normal Treasury Management processes.	Green Tolerable
F	The affordability and risk associated with the Property Investment Strategy.		Yellow - Material
F1	Slippage occurs in the Capital Spend	Spend will be monitored through normal budget monitoring procedures with budgets updated to reflect latest plans and projections.	Yellow - Material
F2	Change in Government Policy including Regulatory Change	To monitor proposed changes to policy and regulation and seek to influence in the Council's favour.	Yellow - Material
F3	The form of exit from the EU adversely impacts on the UK economy including the Property Market and Borrowing Costs	To monitor the situation and where possible identify alternative options.	Red - Severe
F4	There is a cyclical 'downturn' in the wider markets	To monitor the wider markets and where possible adapt plans to minimise the Council's risk exposure.	Yellow - Material
F5	There is insufficient expertise to implement the Property Investment Strategy	Recruit an estates management team to provide professional expertise and advice in relation to the Property Investment Strategy.	Yellow - Material
F6	Inability to acquire or dispose of assets due to good opportunities not being identified	To utilise Property Agents to identify opportunities for potential acquisitions and disposals.	Red - Severe

Background documents

- CIPFA Code of Practice for Treasury Management in the Public Services
- The Prudential Code for Capital Finance in Local Authorities
- Money Matters: Medium Term Financial Strategy (Revenue and Capital) 2018-23 – Cabinet 12 February 2019.
- Money Matters: 2018/19 Review of Financial Performance against the Financial Strategy – Cabinet 13 June 2019.
- Money Matters:2019/20 Review of Financial Performance against the Financial Strategy – Cabinet 10 September 2019.

Relevant web links

Capital Programme 2019/20 (£000)

Project	Original Budget	Approved Budget	Actual to Date	Projected Actual	Projected Variance
Leisure Review: Capital Investment	0	30	25	30	0
Replacement of Play Equipment at Hill Ridware Village Hall	71	30	30	30	0
New Build Parish Office/Community Hub	92	92	0	0	(92)
Fradley Village Heating & CCTV	0	5	0	5	0
Fradley Youth & Community Centre Cladding & Porch	0	15	10	15	0
Armitage with Handsacre Village Hall heating upgrade	0	5	5	5	0
Armitage with Handsacre Village Hall storage container	0	6	0	0	(6)
Re-siting/improvement of Armitage War Memorial	40	120	0	120	0
Canopy and installation of artificial grass at Armitage	0	13	10	13	0
Burntwood LC CHP Unit	235	235	9	235	0
Westgate Practice Refurbishment	0	120	0	120	0
King Edwards VI School	0	101	0	101	0
Friary Grange - Short Term Refurbishment	0	174	0	174	0
Replacement Leisure Centre	0	38	0	38	0
St. Stephen's School, Fradley	0	22	0	22	0
Accessible Homes (Disabled Facilities Grants)	1,104	1,500	660	1,500	0
Home Repair Assistance Grants	15	28	0	28	0
Decent Homes Standard	197	197	0	0	(197)
Energy Insulation Programme	10	38	0	38	0
DCLG Monies	212	212	0	0	(212)
Unallocated S106 Affordable Housing Monies	400	342	0	0	(342)
Healthy & Safe Communities Total	2,376	3,323	749	2,474	(849)
Darnford Park	13	0	0	0	0
Canal Towpath Improvements (Brereton & Ravenhill)	211	211	0	211	0
Loan to Council Dev Co.	900	675	0	0	(675)
Lichfield St Johns Community Link	0	10	0	10	0
Staffordshire Countryside Explorer	0	0	0	0	0
Equity in Council Dev Co.	0	225	0	225	0
Vehicle Replacement Programme	441	426	18	426	0
Shortbutts Park, Lichfield	23	23	0	23	0
Env. Improvements - Upper St John St & Birmingham Road	7	7	0	7	0
Stowe Pool Improvements	550	50	0	50	0
The Leomansley Area Improvement Project	0	3	0	3	0
Cannock Chase SAC	13	40	39	40	0
Clean, Green and Welcoming Places to Live Total	2,158	1,670	57	995	(675)
Multi Storey Car Park Refurbishment Project	0	300	0	300	0
Birmingham Road Site - Coach Park	238	236	0	236	0
Birmingham Road Site - Short Term Redevelopment	353	473	0	473	0
Car Parks Variable Message Signing	32	32	0	32	0
Old Mining College - Refurbish access and signs	0	13	0	13	0
Erasmus Darwin Lunar Legacy (Lichfield City Art Fund)	0	3	3	3	0
St. Chads Sculpture (Lichfield City Art Fund)	50	50	45	50	0
A Vibrant and Prosperous Economy Total	673	1,107	48	1,107	0
Property Investment Strategy	6,000	6,000	0	6,000	0
Depot Sinking Fund	11	0	0	0	0
IT Infrastructure	105	105	0	105	0
IT Cloud	25	25	0	25	0
IT Innovation	167	200	7	60	(140)
District Council House Repair Programme	103	111	0	111	0
A Council that is Fit for the Future Total	6,411	6,441	7	6,301	(140)
Approved Budget	11,618	12,541	861	10,877	(1,664)

Funding Source	Original Budget	Approved Budget	Projected Actual	Projected Variance
Capital Receipts	976	728	517	(211)
Borrowing Need - Borrowing and Finance Leases	6,140	6,208	6,208	0
Capital Grants and Contributions	2,769	3,210	2,361	(849)
Reserves and Sinking Funds	1,733	2,395	1,791	(604)
Capital Programme Total	11,618	12,541	10,877	(1,664)

Balance Sheet Projections

	Type	2018/19 Actual £000s	2019/20 Original £000s	2019/20 Projected £000s	2019/20 Variance £000s
Property, Plant and Equipment	ASSET	42,786	42,836	43,145	309
Heritage Assets	ASSET	450	515	450	(65)
Investment Property	ASSET	4,867	11,200	10,867	(333)
Intangible Assets	ASSET	73	76	73	(3)
Assets Held for Sale	ASSET	200	0	0	0
Equity Investment in Local Authority Company	ASSET	0	0	225	225
Long Term Debtors	CRED	288	93	288	195
Long Term Debtors (Company Loan)	LOAN	0	900	0	(900)
Investments	INV	26,808	23,588	26,734	3,146
Borrowing	BOLE	(2,640)	(8,449)	(8,449)	(0)
Finance Leases	BOLE	(1,675)	(1,149)	(1,235)	(86)
Working Capital	CRED	(8,409)	(8,540)	(7,644)	895
Pensions	CRED	(41,398)	(36,028)	(42,272)	(6,244)
TOTAL ASSETS LESS LIABILITIES		21,350	25,041	22,182	(2,861)
<u>Unusable Reserves</u>					
Revaluation Reserve	REV	(9,419)	(9,016)	(9,419)	(403)
Capital Adjustment Account	CAP	(33,970)	(36,208)	(34,913)	1,295
Deferred Credits	CRED	(47)	(947)	(47)	900
Pension Scheme	CRED	42,272	36,028	42,272	6,244
Benefits Payable During Employment Adjustment Account	CRED	219	132	219	87
Collection Fund	CRED	(315)	0	0	0
Financial Instruments Reserve	CRED	68	101	68	(33)
<u>Usable Reserves</u>					
Unapplied Grants and Contributions	UGER	(2,194)	(582)	(1,970)	(1,388)
Usable Capital Receipts	UGER	(2,004)	(1,618)	(2,869)	(1,251)
Sinking Funds	UGER	(261)	(18)	(25)	(6)
<u>Earmarked Reserves - Unrestricted</u>					
Leisure VAT Claim	UGER	(897)	(791)	(703)	88
Business Rates Volatility Reserve	UGER	(831)	(843)	(1,531)	(688)
Birmingham Road Site	UGER	(1,161)	(486)	(281)	205
Business Rates Pilot	UGER	0	(568)	(568)	0
Other	UGER	(3,702)	(910)	(2,880)	(1,970)
<u>Earmarked Reserves - Restricted</u>					
Three Spires Multi Storey	UGER	(2,228)	(2,357)	(1,928)	429
Other Earmarked Reserves - Restricted	UGER	(1,570)	(1,477)	(1,576)	(99)
General Fund Balance	GEN	(5,310)	(5,481)	(6,031)	(550)
TOTAL EQUITY		(21,350)	(25,041)	(22,182)	2,861
Capital Funding	CAP	(33,970)	(36,208)	(34,913)	1,295
Revaluation Reserve	REV	(9,419)	(9,016)	(9,419)	(403)
Borrowing and Leasing	BOLE	(4,315)	(9,598)	(9,684)	(86)
Non-Current Assets	ASSET	48,376	54,627	54,760	133
Investments	INV	26,808	23,588	26,734	3,146
Unapplied Grants & Earmarked Reserves	UGER	(14,848)	(9,651)	(14,331)	(4,679)
General Reserve	GEN	(5,310)	(5,481)	(6,031)	(550)
Long Term Debtors (Company Loan)	LOAN	0	900	0	(900)
Working Capital & Pensions	CRED	(7,322)	(9,160)	(7,116)	2,044
Summary Balance Sheet Total		(0)	0	(0)	(0)
Internal Borrowing		672	703	744	39
Capital Financing Requirement (Borrowing)		3,312	9,153	9,193	39
Working Capital & Pensions		(7,322)	(9,160)	(7,116)	2,044
Usable Reserves		(20,158)	(15,132)	(20,362)	(5,229)
Minimum Level of Investments		10,000	10,316	10,000	(316)
Liability Benchmark		(14,168)²	(4,823)	(8,285)	(3,462)

² The Annual Treasury Management Report reported a figure of £14.209m in the Prudential Indicators and a figure of £14.525m in the Balance Sheet. This was due to inconsistent treatment of Long Term Debtors, Collection Fund and the Financial Instruments Reserve in the two calculations. The classification of these items has now been updated to use a consistent basis in the calculation moving forwards.

Investments in the 2019/20 Financial Year

The table below shows a breakdown of our investments at the end of September 2019:

Counterparty	Principal	Matures	Days to Maturity	Rate	Credit Rating	Foreign Parent
Money Market Funds						
CCLA MMF	£1,940,000	01-Oct-19	Instant Access	0.74%	0	N/A
Strategic Funds						
CCLA Property Fund	£2,000,000	N/A	N/A	3.92%	N/A	No
CCLA Diversified Income Fund	£2,000,000	N/A	N/A	3.02%	N/A	No
Fixed Term Investments						
Lloyds	£1,000,000	15-Nov-19	46	1.00%	A+	
Coventry Building Society	£1,000,000	04-Oct-19	4	0.93%	A-	
Landesbank Hessen-Thüringen (Helaba)	£1,000,000	09-Oct-19	9	0.89%	A	
Fife Council	£2,000,000	07-Feb-20	130	1.00%	LOCAL	
United Overseas Bank	£1,000,000	18-Nov-19	49	0.86%	AA-	
Surrey Heath Borough Council	£2,000,000	13-Dec-19	74	0.80%	LOCAL	
Australia and New Zealand Banking Group	£1,000,000	12-Dec-19	73	0.92%	AA-	
Brentwood Borough Council	£2,000,000	29-Jul-20	303	0.93%	LOCAL	
Barclays Bank	£1,000,000	25-Oct-19	25	0.63%	A	
Nationwide	£1,000,000	20-Jan-20	112	0.79%	A	
Highland Council	£2,000,000	29-Jan-20	121	0.75%	LOCAL	
Monmouthshire Council	£2,000,000	27-Mar-20	179	0.78%	LOCAL	
Rugby Borough Council	£2,000,000	27-Mar-20	179	0.77%	LOCAL	
Aberdeen City Council	£2,000,000	24-Feb-20	147	0.75%	LOCAL	
DBS Bank	£1,000,000	19-Mar-20	171	0.82%	AA-	
Treasury Bills	£3,000,000	21-Oct-19	21	0.70%	UK Government	
Call Accounts with Notice Period						
Santander	£1,000,000	28-Mar-20	180	0.95%	A	
Goldman Sachs International Bank	£1,000,000	03-Jan-20	95	0.89%	A	
Svenska Handelsbanken AB	£1,000,000	04-Nov-19	35	0.65%	AA-	
HSBC	£999,500	31-Oct-19	31	0.85%	AA-	
Certificates of Deposit						
Standard Chartered	£1,000,000	04-Oct-19	4	0.98%	A	
Nordea Bank AB	£1,000,000	17-Oct-19	17	0.85%	AA-	
Total Investments	£36,939,500					

External Borrowing

The Council currently has two external loans:

	Principal	Average Rate	Years to Final Maturity	(Premium) /Discount
PWLB Fixed Maturity	£0	-	-	£0
PWLB Fixed Equal Instalment of Principal (EIP)	£1,248,040	2.59%	20.5	(£284,836)
PWLB Fixed Annuity	£1,265,944	1.71%	8.7	(£89,523)
PWLB Variable Maturity	£0	-	-	£0
PWLB Variable EIP	£0	-	-	£0
TOTAL PWLB	£2,513,984	2.15%	14.5	(£374,359)
Lender Option Borrower Option (LOBO) Loans	£0	-	-	£0
Other Loans	£0	-	-	£0
TOTAL BORROWING	£2,513,984	2.15%	14.5	(£374,359)

INTERNAL AUDIT PROGRESS REPORT 1 APRIL TO 30 SEPTEMBER 2019

Cabinet Member for Finance & Democratic Services

Date: 14 November 2019
 Agenda Item: 5
 Contact Officer: Rebecca Neill
 Tel Number: 01543 308033
 Email: Rebecca.neill@lichfielddc.gov.uk
 Key Decision? NO
 Local Ward Members N/A



AUDIT & MEMBER STANDARDS COMMITTEE

1. Executive Summary

- 1.1 To provide Audit & Member Standards Committee with Internal Audit's progress report for the period 1 April 2019 to 30 September 2019 (**Appendix 1**).

2. Recommendations

- 2.1 That the Committee notes the report.

3. Background

- 3.1 The Accounts and Audit Regulations 2015 require each local authority to publish an Annual Governance Statement (AGS) with its Annual Statement of Accounts. The AGS is required to reflect the various arrangements within the Authority for providing assurance on the internal control, risk management and governance framework within the organisation, and their outcomes.
- 3.2 One of the sources of assurance featured in the AGS is the professional opinion of the Head of Internal Audit on the outcome of internal audit reviews. Professional good practice recommends that the opinion be given throughout the year to inform the Annual Governance Statement. This opinion is given as part of the reporting process to the Audit & Members Standards Committee.
- 3.3 Based on the ongoing work carried out by and on behalf of Internal Audit and other sources of information and assurance, I am satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the organisation's Risk Management, Control & Governance processes.
- 3.4 Overall in my opinion, based upon the reviews performed during the period April 2019 to September 2019, the Authority has:
 - adequate risk management arrangements;
 - adequate governance; and
 - adequate control processes in place.

3.5 No specific issues have been highlighted through the work undertaken by Internal Audit during the period 1 April 2019 – 30 September 2019.

Alternative Options	1. None.
Consultation	1. This progress report has been discussed and agreed with the Council's S151 Officer.
Financial Implications	1. None arising from this report.
Contribution to the Delivery of the Strategic Plan	1. Internal Audit aims to support the Strategic Plan by providing an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations
Equality, Diversity and Human Rights Implications	1. None arising from this report.
Crime & Safety Issues	1. None arising from this report
GDPR/Privacy Impact Assessment	1. N/A

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Audit Plan becomes unachievable	Continuous review to ensure target is achieved	Green
B	Audit Plan becomes irrelevant	Continuous review to ensure any issues that become high risk during the year are included in the Plan	Green

Background documents

Relevant web links

Appendix 1

INTERNAL AUDIT PROGRESS REPORT 1 APRIL 2019 TO 30 SEPTEMBER 2019

1. INTRODUCTION

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes (Public Sector Internal Audit Standards, PSIAS).

Accounts and Audit [England] Regulations 2015 require every Local Authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance process taking into account the PSIAS.

This report aims to ensure that Committee members are aware of the arrangements operated by the Internal Audit service to monitor the control environment within the services and functions of the authority, and the outcome of the monitoring. This is to contribute to corporate governance and assurance arrangements and ensure compliance with statutory and professional duties, as Internal Audit is required to provide periodic reports to "those charged with governance".

2. PERFORMANCE AND PROGRESS AGAINST THE AUDIT PLAN













The Internal Audit service currently aims to complete at least 90% of the applicable planned audits by the end of the financial year. Four audits (Property Investment Strategy, LA Trading Company, Contracts Procurement and Mobile Phones) have been postponed at management's request due to imminent system changes. Progress to the end of September 2019 is detailed in **Annex 1**, which shows that at the half year point, Internal Audit have started/completed 47% of the planned audits for 2019/20. The service remains on target despite experiencing staffing issues – the former Audit Manager left the service in June 2019 and while cover was provided by the Principal Auditor (Tamworth) during this time, the new Head of Audit did not commence in post until mid-August 2019. In addition, some of the early part of the year has traditionally been spent finalising audits from the previous year. A new planning regime has now been introduced and the service is expected to achieve the plan and avoid the carry-over of audits into the new financial year.

	Original Plan	Current Plan		
		Ytd Target	Ytd Actual	Projected
Number of Planned Audits	36			
Performance against the Audit Plan (%)	90%	45%	47%	90% ✓
Performance against the Audit Plan (Audits)	32	16	17	32 ✓

Another of Internal Audit's KPI's is managements' views which are sought at the conclusion of each audit by the issue of a Customer Satisfaction Questionnaire. This requires management to give a satisfaction rating of between 0 and 5. Our target score is 4.00. Of the 12 audits finalised during the period, responses were received in 7 cases. The average score for these was 4.57, exceeding the target of 4.00 by 0.57.






3 AUDIT REVIEWS COMPLETED APRIL 2019 TO SEPTEMBER 2019








Twelve audits were finalised during the period April 2019 to September 2019 with a total of 104 recommendations made. All 104 (100%) of recommendations were accepted by management. The table below details the finalised reviews and their assurance levels:

Audit	Overall Opinion		High	Medium	
Data Protection/Data Quality (GDPR) *	Limited assurance		7	7	System based review
Application Controls *	Limited assurance		0	14	Risk based review
Members/ Officers Allowances *	Substantial assurance		0	1	System based review
Strategic Housing *	Adequate assurance		0	9	System based review
Homelessness *	Adequate assurance		0	14	System based review
Transparency Code *	Limited assurance		5	10	Additional system based review
IT Service Desk *	Substantial assurance		0	4	Risk based review
Joint Working / SLA's	Adequate assurance		0	5	System based review
VAT	Substantial assurance		0	3	System based review
RIPA	Adequate assurance		0	10	System based review
Ethics	Adequate assurance		1	12	System based review
Street Cleansing	Substantial assurance		0	2	System based review

* relate to 2018/19 planned audits finalised during early 2019/20

Internal Audit revisits areas it has audited around 6 months after agreeing a final report on the audit, to test and report to management on the extent to which agreed actions have been taken. Details of the implementation reviews and the status of the agreed management actions are summarised below and are detailed in **Annex 2** and **Annex 3**.

First Implementation Review Area	Revised Opinion	High			Medium		
		Fully	Partially	Not	Fully	Partially	Not
Treasury Management	 Substantial					1	
H&S Enforcement – Environment Health	 Adequate	1	1		4	3	
Project Management	 Adequate					4	2
Capital Accounting	 Substantial					2	
Lichfield Connects	 Substantial				4		1
Total		1	1	0	8	10	3

Second Implementation Review Area	Revised Opinion	High			Medium		
		Fully	Partially	Not	Fully	Partially	Not
Car Parking	 Substantial				2		
S106/CIL	 Adequate		1		1	1	
Economic Development	 Substantial					1	
Building Control	 Substantial				7	1	
Civil Contingencies/ Business Continuity	 Substantial				4		2
Development Management	 Substantial				2	1	
Payroll	 Substantial	1					
Total		1	1	0	16	4	2

Internal Audit is satisfied with the progress made by management to reduce the level of risk and its commitment to progress the outstanding issues. At second implementation review, there remained 1 high priority partially met recommendation which related to ensuring that Section 106 monies received are allocated. The service is aware of this and is working towards resolution.

The Internal Audit Protocol currently only requires two follow up reviews to be undertaken. Should any recommendations be outstanding at the time of the second follow up review, then no further action will be undertaken by internal audit, but instead management accept the risk for non-implementation of any outstanding recommendations. The

recommendations remain active on the Pentana system until they are confirmed as implemented. Any outstanding recommendation would be picked up again at the next audit (should the scope remain the same).

4 INDEPENDENCE OF THE INTERNAL AUDIT ACTIVITY

Attribute Standards 1110 to 1130 of the Public Sector Internal Audit Standards require that Internal Audit have organisational and individual independence and specifically states that the Head of Audit must confirm this to the Audit & Member Standards Committee at least annually. This confirmation is provided as part of the Internal Audit performance reporting.

“The Head of Audit confirms that Internal Audit is operating independently of management and is objective in the performance of internal audit work.”

5 OVERALL CURRENT INTERNAL AUDIT OPINION

Based on the ongoing work carried out by and on behalf of Internal Audit and other sources of information and assurance, I am satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the organisation’s Risk Management, Control & Governance processes.

Overall in my opinion, based upon the reviews performed for the period 1 April 2019 to 30 September 2019, the Authority has:

- Adequate and effective risk management arrangement;
- Adequate and effective governance; and
- Adequate and effective control processes in place.

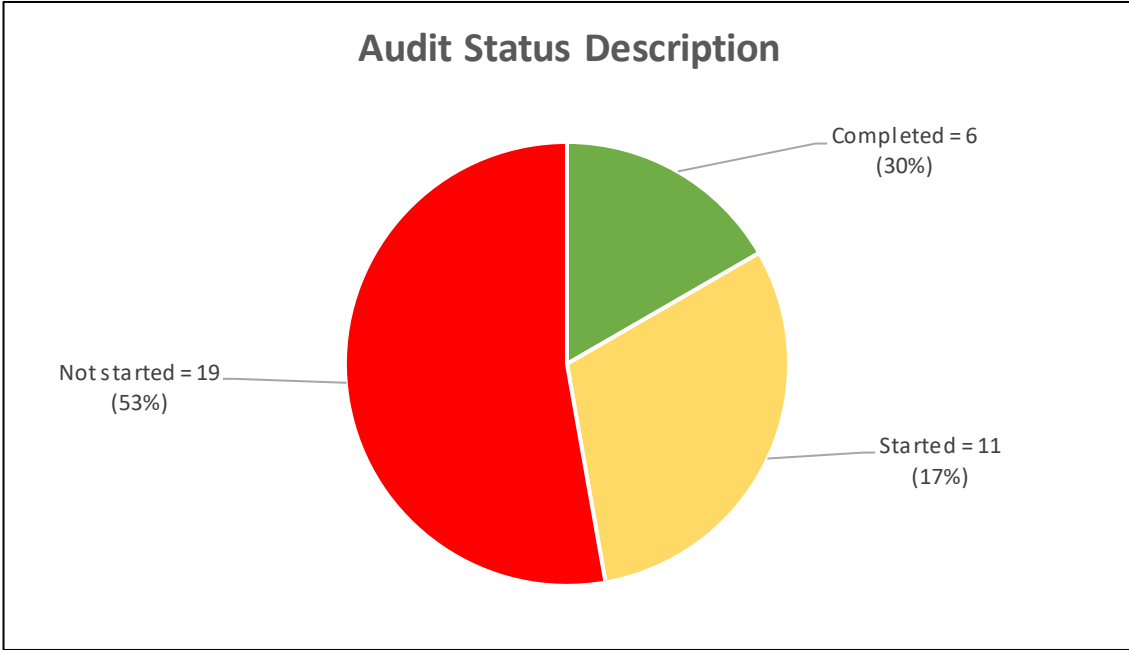
Specific issues:

There were no specific issues highlighted through the work to date in the 2019/20 financial year.





















Rebecca Neill
Head of Audit
October 2019











Audit Plan Status 1 April to 30 September 2019

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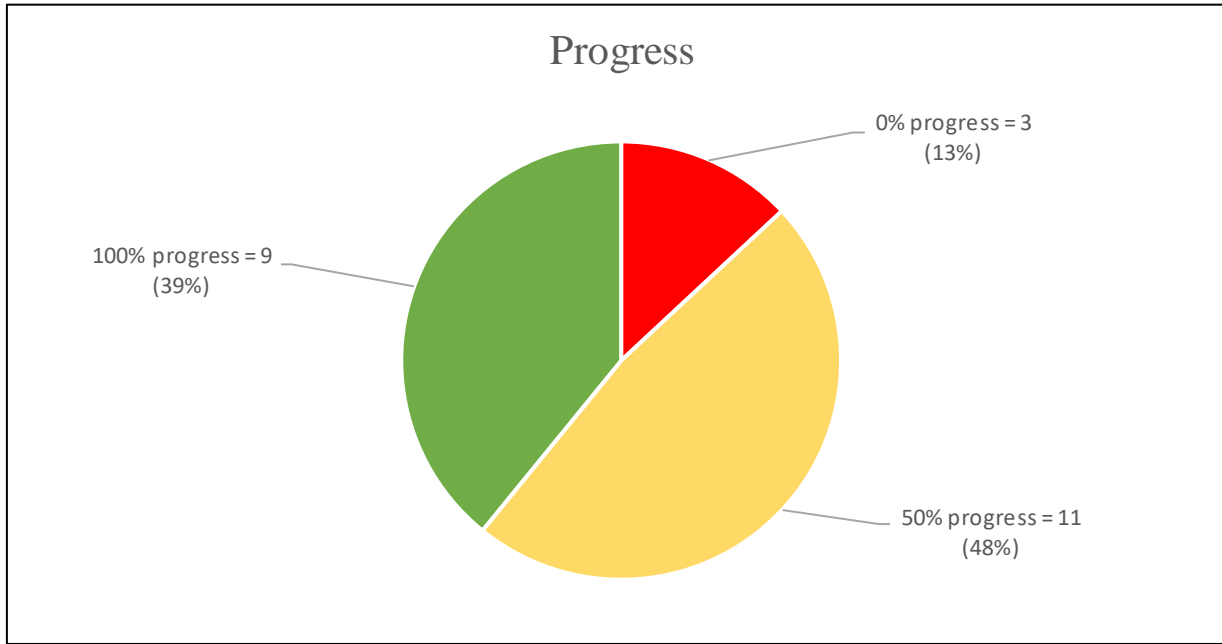
Title	Audit Status Icon	Audit Status	Audit Assurance Type
Mobile phones	🔴	Not started	System based review
Taxi Licences	✅	Started	System based review
CCTV	🔴	Not started	System based review

Title	Audit Status Icon	Audit Status	Audit Assurance Type
Property Leases & Charges		Not started	System based review
Sundry debtors		Started	System based review
Council Tax		Started	System based review
HB Memo of Understanding		Started	Assurance to external provider
DFG's		Started	Assurance to external provider
Joint Working / SLA's		Completed	System based review
Property Investment Strategy		Not started	System based review
LA Trading Company		Not started	System based review
VAT		Completed	System based review
Contracts – Procurement		Not started	System based review
RIPA		Completed	System based review
Ethics		Completed	System based review
Equalities		Not started	System based review
Legal Compliance		Not started	Risk based review
Committee Reporting		Not started	System based review
Performance Management		Not started	System based review
Cyber Security		Not started	Information technology
Workforce Development		Not started	Risk based review
IT Governance		Started	Information technology
CRM Application		Not started	System based review
Safeguarding – inc Modern Slavery		Not started	System based review
Affordable Housing		Not started	Risk based review
Civil Contingencies		Not started	Risk based review


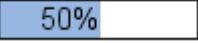

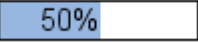

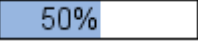

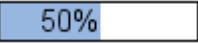



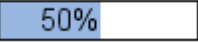

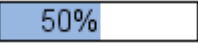



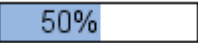

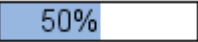



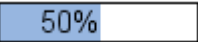
Title	Audit Status Icon	Audit Status	Audit Assurance Type
Community Safety		Started	System based review
Countryside Management & Bio Diversity		Started	Risk based review
Parks Management		Started	System based review
Leisure Contract		Not started	Risk based review
Street Cleansing		Completed	System based review
Tourism		Not started	System based review
Spatial Planning Policy		Not started	Risk based review
Pensions Assurance Work		Started	Assurance to external provider
National Fraud Initiative		Completed	Assurance to external provider
Health and Safety		Started	System based review

1st Implementation Reviews status 1 April to 30 September 2019

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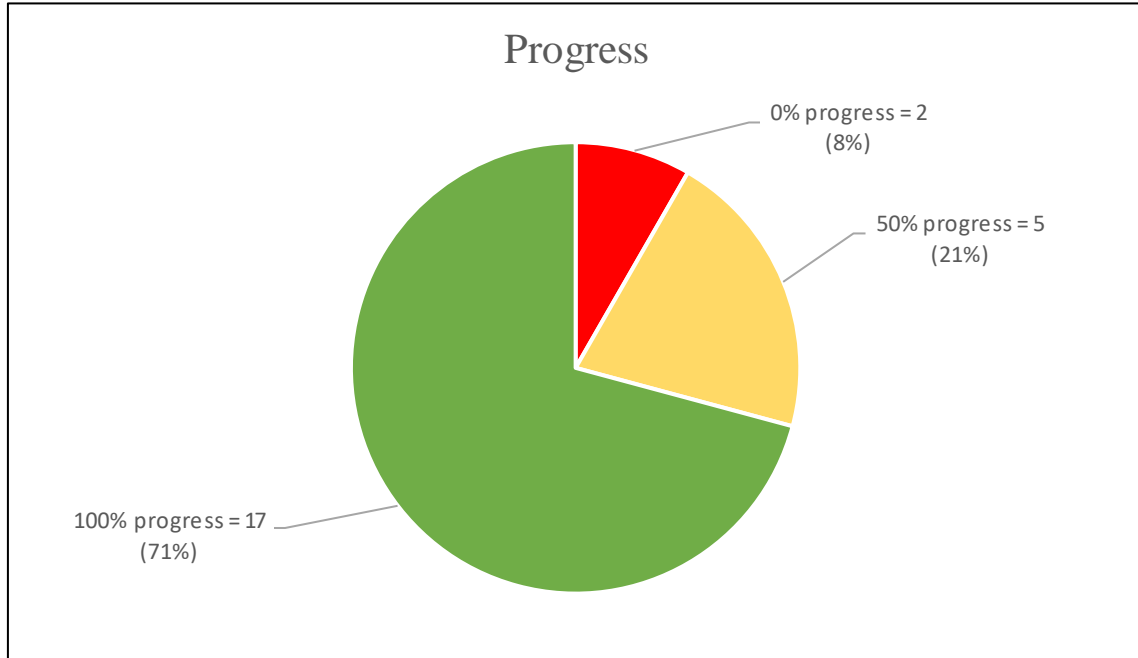


Audit Recommendation Code & Title	Audit Recommendation Status Icon	Audit Recommendation Priority	Audit Recommendation Progress Bar	Audit Recommendation Implementation Status Description
1718 H&S 07 Monitoring		High	<div style="width: 50%; background-color: #4F81BD; border: 1px solid black;"></div> 50%	1st implementation review completed
1718 Cap 02 Asset Management Plan		Medium	<div style="width: 50%; background-color: #4F81BD; border: 1px solid black;"></div> 50%	1st implementation review completed







Audit Recommendation Code & Title	Audit Recommendation Status Icon	Audit Recommendation Priority	Audit Recommendation Progress Bar	Audit Recommendation Implementation Status Description
1718 Cap 03 Governance Arrangements		Medium		1st implementation review completed
1718 H&S 03 Proactive Inspection Programme – sept		Medium		1st implementation review completed
1718 H&S 06 Inspections – September		Medium		1st implementation review completed
1718 H&S 10 Incidents Testing		Medium		1st implementation review completed
1718 PM 01 log of projects		Medium		1st implementation review completed
1718 PM 02 standard approach		Medium		1st implementation review completed
1718 PM 03 documentation		Medium		1st implementation review completed
1718 PM 04 Training		Medium		1st implementation review completed
1718 PM 05 standard documentation		Medium		1st implementation review completed
1718 PM 06 Monitoring		Medium		1st implementation review completed
1819 LC 06 Risks		Medium		1st implementation review completed
1819 TM 01 TMP update		Medium		1st implementation review completed

2nd Implementation Reviews status 1 April to 30 September 2019

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Audit Recommendation Code & Title	Audit Recommendation Status Icon	Audit Recommendation Priority	Audit Recommendation Progress Bar	Audit Recommendation Implementation Status Description
1718 CIL/S106 10 Allocation and spend of historic S106 funds		High	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #4f81bd; color: white; display: flex; align-items: center; justify-content: center;">50%</div>	2nd implementation review completed

Audit Recommendation Code & Title	Audit Recommendation Status Icon	Audit Recommendation Priority	Audit Recommendation Progress Bar	Audit Recommendation Implementation Status Description
1617 CCBC 09 Testing Business Continuity Plans		Medium	<div style="border: 1px solid black; width: 100px; height: 20px; display: flex; align-items: center; justify-content: center;">0%</div>	2nd implementation review completed
1617 CCBC 15 Back ups		Medium	<div style="border: 1px solid black; width: 100px; height: 20px; display: flex; align-items: center; justify-content: center;">0%</div>	2nd implementation review completed
1718 BC 12 location of documents		Medium	<div style="border: 1px solid black; width: 100px; height: 20px; display: flex; align-items: center; justify-content: center;"><div style="background-color: #4a7ebb; width: 50%;"></div>50%</div>	2nd implementation review completed
1718 CIL/S106 02 Delays with S106 agreements		Medium	<div style="border: 1px solid black; width: 100px; height: 20px; display: flex; align-items: center; justify-content: center;"><div style="background-color: #4a7ebb; width: 50%;"></div>50%</div>	2nd implementation review completed
1718 DME 08 Pre-apps written response		Medium	<div style="border: 1px solid black; width: 100px; height: 20px; display: flex; align-items: center; justify-content: center;"><div style="background-color: #4a7ebb; width: 50%;"></div>50%</div>	2nd implementation review completed
1718 Econ Dev 04 Social media		Medium	<div style="border: 1px solid black; width: 100px; height: 20px; display: flex; align-items: center; justify-content: center;"><div style="background-color: #4a7ebb; width: 50%;"></div>50%</div>	2nd implementation review completed

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RISK MANAGEMENT UPDATE

Cabinet Member for Finance & Procurement

Date: 14th November 2019
 Agenda Item: 6
 Contact Officer: Rebecca Neill
 Tel Number: 01543 308030
 Email: Rebecca.Neill@lichfielddc.gov.uk
 Key Decision? NO



**AUDIT &
MEMBER
STANDARDS
COMMITTEE**

Local Ward
Members

1. Executive Summary

- 1.1 To update the Committee on the management of the corporate risk register and refreshed risk management policy.

2. Recommendations

- 2.1 That Members:
 - Note the actions taking place to manage the Council’s most significant risks (**Appendix 1**).
 - Approve the refreshed risk management policy (**Appendix 2**).

3. Background

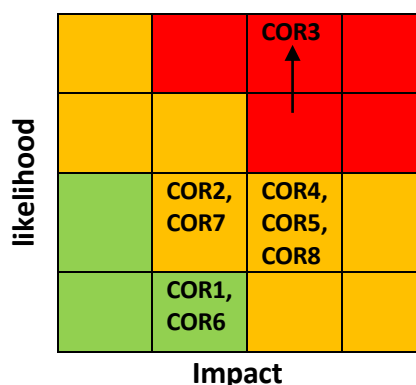
- 3.1 The Council must manage risks through applying strong controls at all levels of the organisation and the Terms of Reference for the Audit & Member Standards Committee make it clear that this is this Committee’s responsibility – **“To monitor the effectiveness of the Council’s risk management arrangements, including the actions taken to manage risks and to receive regular reports on risk management”**.
- 3.2 The purpose of risk management is to effectively manage potential opportunities and threats to the organisation achieving its objectives. Risk management assesses risks to the operation of the Council’s business at Service, Project and Corporate levels, to make sure we know what the issues are that we need to pay attention to and that we are taking the right actions to minimise the risks.
- 3.3 The Corporate Risk Register is produced by assessing the risk factors that could potentially impact on the Council’s ability to deliver its Strategic Plan. This assessment ensures that we have measures in place to control the potential risks to our business objectives. Risks are judged based on their likelihood of occurrence and their potential impact. Each of these are rated on a scale of 1(Low), 2 (Medium), 3 (Significant) and 4 (High). By multiplying the two scores together, each risk receives a score.
- 3.4 Following a comprehensive review by Leadership Team of corporate risks, a corporate risk register of risks that could have a potential impact on the Council’s ability to deliver the Strategic Plan have been identified, reviewed and assessed as follows:
 - COR1** - A failure to respond to changing demographics.
 - COR2** - Economic growth/Performance of the local economy/Integrity of the Local Plan.

- COR3** - The financial resources available are not sufficient to support all of the planned priorities for the Council and areas that rely on significant income generation may not achieve their targets.
- COR4** - Capacity to deliver all of the outcomes required in the Councils Strategic Plan with the particular workforce and organisational development challenges we currently face.
- COR5** - Governance & statutory obligations.
- COR6** - How ICT supports business outcomes and our reliance on IT to achieve our strategic ambitions.
- COR7** - Impact of Stakeholder strategies on our Strategic Plan.
- COR8** - Failure to manage a major incident.

3.5 The detail of these risks including the potential causes, consequences and the risk treatments measures in place are detailed on the updated corporate risk register at Appendix 1. Only the current score on COR3 has changed at this review, its likelihood increasing from 3 to 4. This is due to:

- The Technical Consultation on the Local Government Finance Settlement 2020/21 confirmed a review of New Homes Bonus and a gradual withdrawal of funding based on a one year payment for 2020/21 and then only legacy payments until 2022/23.
- An immediate increase in the PWLB borrowing rate of 1% from 9 October 2019.
- The decision of Cabinet on 7 October 2019 to refurbish Friary Grange Leisure Centre and provide funding for a replacement facility.

3.6 The current position of all corporate risks is per the matrix below. COR3 is the only risk currently outside of appetite (within the red zone) and is therefore being actively managed to bring back within tolerance.



3.7 Some projects carry significant risks as they could have a major impact if they are not delivered. Assurance on the management of these risks is also reported via this Committee. The Committee has been monitoring the following project risk:

‘Planned or unplanned closure of the Friary Grange Leisure Centre due to lack of investment in the asset by Staffordshire County Council and/or associated Contractual/Legal issues relating to ownership and asset responsibility’.

3.8 Following the certainty arising from the Special Cabinet decision on 7 October 2019 for Friary Grange Leisure Centre to remain open, this risk no longer exists. Risks associated with the actions arising from the decision, notably, the refurbishment of the Centre (capital works budget approved) and the operational management of keeping the Centre open for up to 5 years, are now separate projects and project risk registers are in place and being monitored at operational level for both. This situation will be continued to be monitored and escalated if necessary.

3.9 In line with good practice, the risk management policy is regularly reviewed. The refreshed risk management policy is attached as Appendix 2. The document is largely fit for purpose, however, the following suggested enhancements are proposed:

- The policy has been updated for current staffing changes and ownership amended to the 'Chief Finance officer' (currently Head of Finance and Procurement (Section 151)) to be in line with Financial Procedure Rules.
- The review frequency of the policy has been changed from annually to three yearly.
- Clarity has been provided on the Council's risk appetite - i.e. marked by the red zone of the 4 x 4 matrix and as good practice, the introduction of target scores for each risk, to be able to track where relevant, those risks outside of the defined appetite, to bring them back within tolerance.
- Maximising opportunities has been strengthened within the document.
- The need to ensure responsible Cabinet member as well as risk 'assigned to' has been included.
- Intrinsic to the Heads of Service role is 'championing' risk management throughout their service area and in the delivery of key projects. This has been reinforced in the policy to further assist in promoting and embedding risk management throughout the organisation.

Alternative Options	1. None.
Consultation	1. Leadership Team have been consulted on the Corporate Risk Register and revisions to the Risk Management Policy.
Financial Implications	1. Risk management processes consider value for money at all times of the process. Failure to manage risks could lead to the Council being faced with costs that could impact on its ability to achieve its objectives
Contribution to the Delivery of the Strategic Plan	1. The Risk Management Policy supports the delivery of priorities in the Strategic Plan.
Equality, Diversity and Human Rights Implications	1. None.
Crime & Safety Issues	1. The Policy will aid the Council in assessing risks related to Crime and Community Safety and support improvement in this area.
GDPR/Privacy Impact Assessment	1. N/A

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Non-compliance with policy	Risk champions and Managers to monitor effectiveness and implementation	Green (tolerable)
B	Failure to manage known risks proactively	Severe risks are closely monitored by the Audit & Member Standard Committee and Leadership Team. Reports to Audit & Member Standard Committee provide assurance that active steps are being taken to control risks.	Green (tolerable)

Background documents

Relevant web links

Corporate Risk Register 2019/20

Report Type: Risks Report

Report Author: Rebecca Neill

Generated on: 29 October 2019


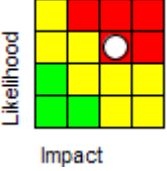
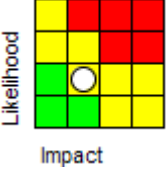
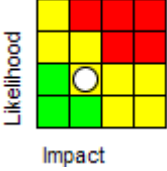


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Risk Code	COR1	Risk Title	A Failure to Respond to Changing Demographics		Current Risk Status	
Description	A failure to respond to changing demographics					
Gross Risk Matrix		Current Risk Matrix		Target Risk Matrix		
Last Review Date	29-Oct-2019					
Responsible Cabinet Member	Cabinet Member for Customer Services & Innovation					
Assigned To	Pat Leybourne; Neil Turner					
Risk Factors/Causes	<p>It is recognised that the population of Lichfield district is ageing more quickly than other areas for a number of reasons: the young families that moved into the district during the periods of high growth in the 1970s and 1980s are now older. The district tends to see its young people leave for higher education, to begin their careers and to start families whilst the district is popular with those retiring and those developing professional careers during their middle age.</p> <p>In consequence we need to be mindful of the demographics of the district as it will place different demands on the services required from the council and, conversely, will also provide opportunities.</p> <p>This risk analysis attempts to capture what emerging pressures may look like and also the potential opportunities that that may materialise that need to be recognised.</p>					


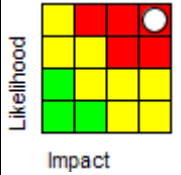
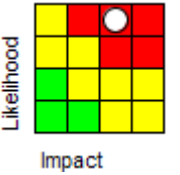
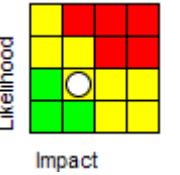
<p>Potential effects/consequences</p>	<p>Risks</p> <p>Growing demands from residents for support services that are provided directly by the council including:</p> <ul style="list-style-type: none"> • Benefits – council tax support; housing benefit; extra-care. • Reduced council tax receipts; extra administration costs; if benefits capped then extra financial pressure on council. • Assisted bin collections. • Additional costs of collection. • Disabled car parking provision. • Lower return from car parking. • Impact of parking on street. • More applications for disability facilities grant. • Risk of developing a waiting list for DFG's which increases the potential risk of increased delays/worsening health and wellbeing of applicants/complaints and increases the risk to meet statutory responsibilities. <p>Growing demands from residents for facilities and infrastructure that are provided by others, but are influenced by the council including:</p> <ul style="list-style-type: none"> • Supported or extra care housing. • Specific types of housing including bungalows, retirement apartments, etc. • Provision of health facilities. • Extra demand for taxis – pressure on licensing. <p>Growing demands from residents for facilities and infrastructure that are provided by others:</p> <ul style="list-style-type: none"> • Health and social care – costs falling onto other parts of the public sector; risk of cost shunting or reduction of others' budgets. • Public transport pressure particularly for buses. <p>Growing pressures on businesses:</p> <ul style="list-style-type: none"> • An ageing workforce with dated skills that might mean businesses struggle to recruit. <p>Opportunities</p> <p>Growing demands for services provided or facilitated by the council:</p> <ul style="list-style-type: none"> • A healthier older population may be looking for greater sports and physical activity opportunities in our parks and leisure centres. • A healthier older population may be willing to volunteer for conservation, sport, cultural or tourism related activities. • A more IT literate older population will be more willing to embrace channel shift. • A wealthier older population may be prepared to spend more for leisure, cultural and tourism type activities. • A wealthier, healthier older population will continue to use car parks. • A more mobile older population may utilise the shop-mobility scheme.
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	<p>Growing opportunities for the community and the economy:</p> <ul style="list-style-type: none"> • A healthier experienced skilled older population will bring different skills to the workplace and to voluntary and community groups • A wealthier older population will bring disposable income to support the retail, care and leisure economy. • An older population, with time capacity may offer more affordable childcare to their grandchildren thereby allowing their children to be more economically active, or to offer more time as a volunteer. • A healthier older population may wish to set up their own businesses using their own capital.
Risk Treatment Measures	Consider changing demographics – but not just from a risk point of view – when preparing equality impact assessments, plans and policies.
Latest Note	As the council's services increasingly move to digital delivery, resources are allocated to support those vulnerable customers who may not be digitally enabled, including older customers who may not be able to access the internet.
Linked Actions Code & Title	None at this time. Current risk score is within appetite and at target.
Linked Actions Assigned To	N/A.


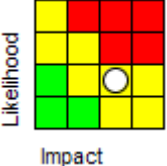
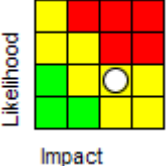
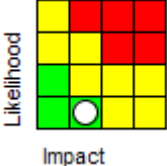
Risk Code	COR2	Risk Title	Economic Growth/Performance of the Local Economy/Integrity of the Local Plan	Current Risk Status	
Description	Economic Growth/Performance of the Local Economy/Integrity of the Local Plan				
Gross Risk Matrix		Current Risk Matrix		Target Risk Matrix	
Last Review Date	29-Oct-2019				
Responsible Cabinet Member	Deputy Leader of Cabinet & Cabinet Member for Investment, Economic Growth & Tourism				
Assigned To	Craig Jordan; Richard King				
Risk Factors/Causes	<p>The state of the local economy is a key factor for the Council, residents and businesses in the District. A poorly performing economy is not only contrary to expectations of the Council's Strategic Plan to 2020 but can cause a variety of problems. It is imperative that the Authority understands local economic conditions, identifies where and how private sector investment can be attracted and furthermore determines where policy and others forms of intervention would make economic, social and environmental sense. Specific risks are that the Council does not suitably monitor and be aware of economic trends taking place or impacting upon the District, does not work appropriately cross-sector including with other public sector bodies, fails to deliver growth or key infrastructure where it has direct or significant control and does not acknowledge or engage with key businesses or consumers to ensure good succession planning and business continuity. Whilst, the Authority to some degree can influence and intervene in the local economy it needs to be recognised that external factors such as the state of the global and national economy as well as policy decisions taken at the national level can have significant impacts. The decision in 2016 to leave the European Union is an example, the repercussions of which are unknown at this time but will in due course effect the UK economy.</p>				
Potential effects/consequences	<p>The effects of a poorly performing local economy can be seen in many ways including:</p> <ol style="list-style-type: none"> 1. Increased unemployment, decreasing activity rates – people losing jobs, companies closing or reducing the scale of their operations can have serious social and economic consequences for an area including placing increased demands on the Council and other public agencies to provide support and address financial and welfare issues. 2. Failing town and local centres – Lichfield City and Burntwood are the Districts two key urban centres serving substantial populations. Outside of these and recognising the large rural areas in Lichfield District, there a number of key centres and more localised centres meeting needs of 				

	<p>immediate residents and further afield. These centres and their economic health and well-being are crucial to the sustainability of residents and local business. Significantly changeable retail/commercial vacancy rate, decline in business rate receipts, business support relief.</p> <p>3. Empty properties highlight problems with local property and commercial markets and can indicate a lack of confidence in an area, lack of market interest, poor wider economic and social conditions etc. Whilst it might be expected to see the occasional empty property in a thriving, affluent area and which has little negative impact, in other areas an agglomeration of empty properties can have serious implications. Decline in business rate receipts, decline in Council tax receipts, unused or underused resource, potential costs to Authority of liaising with property owners to maintain health and safety obligations and preventing environmental despoliation.</p> <p>4. Key to maintaining and strengthening centres is to encourage and realise improved footfall, boosting visitors and providing the right kinds of services and facilities to meet the needs of residents and those travelling further afield. If measures of footfall show a decrease over normal levels then that can be sign of market problems and lack of retailer/consumer and investor confidence. Requests for Business rate relief increase.</p> <p>5. Lower footfall and lack of investment in centres can be a sign of a troubled locality. This can impact the Council and local community through reduction in income e.g. retail and commercial outlets owned or leased by the Authority.</p> <p>6. In times when the economy is not performing well or there are market and other barriers at work, development sites and related infrastructure may not come forward and lay dormant. Lack of business rate income, Council Tax and New Homes Bonus to the Authority.</p>
Risk Treatment Measures	<p>Having a vibrant and prosperous local economy by 2020 is a key strategic ambition in the Council's Strategic Plan. The Plan is supported by Annual Action Plans setting out specific actions and performance measures for relevant services. Alongside the Strategic Plan is an Economic Development Strategy and associated Action Plan setting in more detail how the stated strategic ambitions are going to be realised.</p> <p>The Council's approved Local Plan sets out a spatial strategy for delivering employment land and jobs linked to the above, this is under constant review (see below for latest update). The Council's shared economic development service led by Tamworth Borough Council activities are informed by the Strategic Plan and ED Strategy but also a regularly reviewed and agreed Service Level Agreement and annual business plan. Performance against the business plan is overseen by the Economic Growth, Development and Environment Cabinet Member and scrutinised by the EGED (O&S) Committee. At the Strategic level, the Council is involved with both the Greater Birmingham and Solihull LEP and the Stoke and Staffordshire LEP, both identifying high level priorities and from this setting out clear long term ambitions and detailed work programmes. Through this engagement the Council benefits from cross-LEP funding, access to European Funding regimes, information sharing and skills & knowledge. Programmes and initiatives, for example the Business Growth Programme and Rural Enterprise Programme, support local businesses by providing information & technical advice, access to funding and networking opportunities to share experiences and inform policy and plans. A variety of partners work with and oversee the outputs and outcomes of the District Council in terms of local economic development including Lichfield District Board, Staffs CC, Birmingham Chambers, Lichfield City BID, Lichfield Townsafe Partnership, Burntwood Business Community.</p>
Latest Note	<p>The local economy continues to perform relatively well however we are seeing slightly increased levels of unemployment which may or may not be related to uncertainty in markets caused by Brexit. Retail vacancy rates remain very good in our key centres compared with the rest of the west midlands and UK, though again as a Council we need to be aware of the pressures on high streets. New housing is coming forward on a variety of</p>


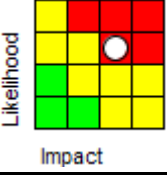
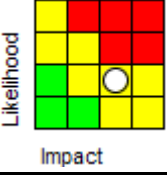
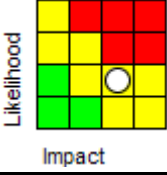
	sites across the district and interest from the development industry remains high. In terms of commercial/retail space development schemes on Eastern Avenue in Lichfield (outside the city centre) are being implemented and potential occupier interest in this area of the city should be noted. After a period of inaction there now seems to be some movement in bringing forward employment uses at Liberty Park in Lichfield and interest being shown in the area undeveloped but with planning permission at Lichfield South near Wall Island.
Linked Actions Code & Title	None at this time. Current risk score is within appetite and at target.
Linked Actions Assigned To	N/A.

Risk Code	COR3	Risk Title	Financial Sustainability of the Council	Current Risk Status	
Description	The financial resources available are not sufficient to support all of the planned priorities for the Council and areas that rely on significant income generation may not achieve their targets.				
Gross Risk Matrix		Current Risk Matrix		Target Risk Matrix	
Last Review Date	29-Oct-2019				
Responsible Cabinet Member	Cabinet Member for Finance & Procurement				
Assigned To	Anthony Thomas				
Risk Factors/Causes	<p>The financial risks facing the Council continue to be severe. The following are key risks:</p> <ul style="list-style-type: none"> Planned capital receipts are not received and this impacts on the financing of the Capital Programme. Planned income from the Property Investment Strategy is not delivered due to a lack of investment opportunities or stifled yields. The Council is unable to achieve its key priorities. The implementation of the Check, Challenge and Appeal new Business Rates Appeal system from 1 April 2017. The implementation of more frequent Business Rate revaluations. The financial impact of changes to the New Homes Bonus regime in 2020/21. The move to 75% retention of Business Rates and the Fair Funding review in 2020/21. The affordability and risk associated with the Capital Strategy. Any potential impact of BREXIT on the local economy. Although at this stage it is difficult to quantify the risk to the Council and the local economy, trade negotiations and subsequent agreements are likely to be a key element for some local businesses. 				
Potential effects/consequences	The financial resources available are not sufficient to support all of the planned priorities for the Council and areas that rely on significant income generation may not achieve their targets.				
Risk Treatment Measures	<p>The Council intends closing this funding gap via an efficiency plan with four strands:</p> <ol style="list-style-type: none"> In year efficiency savings / income generation – this is in recognition of the Council's favourable financial performance over the last three financial years, in comparison with the Approved Budget. 				

	<p>2. Fit for the Future (F4F) efficiency savings / income generation – this is part of the Council's ongoing F4F programme. This programme is designed to manage the change that will be across LDC and its services in order to meet all of the changes following the fundamental review of Local Government Finances. This includes three strands; income, innovation and investment (the latter of which includes the property investment strategy). The anticipated outcomes are identified at the scoping stage of each project and benefit realisation assessed post implementation. The investment in property is regularly reviewed and re-profiled as necessary to mitigate risk.</p> <p>3. F4F transformational change – this is the element of the F4F programme designed to reshape and redesign LDC and its services into one that is fit for the future.</p> <p>4. Growing the Business Rates and Council Tax base – the Council will seek to maximise the growth of both of these in order to increase the income from these funding sources. This will enable the Council to become financially self-sufficient over the medium term. The Council closely monitors it's in year position and this is reported on a regular basis to Cabinet in the Money Matters Reports and Strategic (Overview and Scrutiny) Committee in briefing notes.</p>
Latest Note	<p>The current risk has been increased to a likelihood of 4 with impact remaining at 3 due to the following:</p> <ul style="list-style-type: none"> • The Technical Consultation on the Local Government Finance Settlement 2020/21 confirmed a review of New Homes Bonus and a gradual withdrawal of funding based on a one year payment for 2020/21 and then only legacy payments until 2022/23. • An immediate increase in the PWLB borrowing rate of 1% from 9 October 2019. • The decision of Cabinet on 7 October 2019 to refurbish Friary Grange Leisure Centre and provide funding for a replacement facility. <p>This means that the current risk score is outside of the risk appetite (red zone), as well as not being within target.</p>
Linked Actions Code & Title	Risk treatment measures (1-4).
Linked Actions Assigned To	Cabinet & the Leadership Team. Timescale: March 2020.


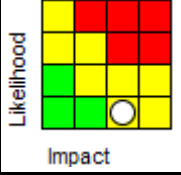
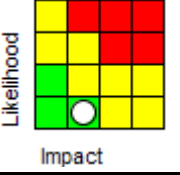
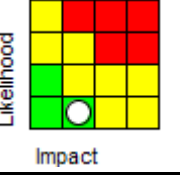
Risk Code	COR4	Risk Title	Capacity to Deliver	Current Risk Status	
Description	Capacity to deliver all of the outcomes required in the Council's Strategic Plan with the particular workforce and organisational development challenges we currently face.				
Gross Risk Matrix		Current Risk Matrix		Target Risk Matrix	
Last Review Date	29-Oct-2019				
Responsible Cabinet Member	Leader of the Council				
Assigned To	Christie Tims				
Risk Factors/Causes	The council is facing significant pressure to deliver its ambitious strategic outcomes in tight financial constraints. Ensuring the workforce of the council has the correct skills and capacity to deliver and that all of the expected outcomes from the Strategic Plan are being effectively progressed is a significant challenge. If we are not able to recruit and retain critical skills sets and sustain sufficient resources to deliver our plans effectively, this is a key corporate risk. If we are also not able to inspire a more commercial culture and clear business focus, then we will not be able to build a sustainable council.				
Potential effects/consequences	The effects of a lack of workforce capacity can be seen in a number of ways including: <ol style="list-style-type: none"> 1. Impacts on service delivery. 2. Failure to deliver key objectives and performance metrics. 3. Workforce disturbances including industrial action; vacancy rates; and inability to recruit. 4. Reputational damage. 5. Loss of morale. 				
Risk Treatment Measures	These issues will be addressed in the full as part of the Fit for the Future programme to establish a clear vision, empower and incentivise staff to new ways of working and increase flexibility. This will be supported by a People Strategy and underpinning Workforce Development Plan. Leadership development has been undertaken to ensure effective change and will be further supported by a commercial training programme this year. Service Plans and strategic plans are being aligned with the budget setting process and the Corporate Annual Action Plan is being replaced by a				

	<p>Delivery plan for the remainder of the Strategic Plan period to ensure the key outcomes are prioritised, deliverable and support is available. As part of our golden tread for Performance Management, the Delivery Plan translates into Service Delivery plans then individual Performance Development Reviews (PDRs) and targets for all employees. Any vacancies and skill shortages are flagged as service ricks for each relevant service area.</p> <p>Key projects will be controlled with clear business case and document risks and resource planning under the Fit for the Future Programme. All activity is co-ordinated through Leadership Team. Other treatment measures are:</p> <ul style="list-style-type: none"> • Regular communications/engagement – e.g. staff briefings and use of key messages to ensure all employees are aware of the strategic projects and how they contribute to achieving them. • Revisions to the PDR process (updated template to allow e-mailing, support for 1-2-1 PDRs in all areas) and monitoring and reporting of completion in all areas. • HR policies and procedures reviewed and available via the intranet, training and support delivered as required. • Absence management tracking and reporting with management of long term absence and return to work process in place. • Talent and succession planning built into service plan templates. • Review of recruitment processes to reduce waste/delay. • Trade union relationships are good with the role of the union clearly defined. Union are supported to ensure meaningful engagement. • Business continuity plans and service risk management build in resilience for teams. • Training and development completed for all levels of staff. Corporate training needs are identified to build skills and capacity. • Robust Project management that ensures business outcomes and performance of key projects. • Employee well-being is developed and key interventions in place to support management of change. People Strategy – which articulates all of these aspirations and how managers will be supported to deliver them.
Latest Note	No change at this review.
Linked Actions Code & Title	None further at this time. Current risk score is within appetite.
Linked Actions Assigned To	N/A.

Risk Code	COR5	Risk Title	Governance & Statutory Obligations	Current Risk Status	
Description	Governance & Statutory Obligations				
Gross Risk Matrix		Current Risk Matrix		Target Risk Matrix	
Last Review Date	29-Oct-2019				
Responsible Cabinet Member	Cabinet Member for Legal & Regulatory				
Assigned To	Neil Turner				
Risk Factors/Causes	<p>Every organisation needs effective governance to ensure that it complies with its statutory obligations and its own constitution. Lichfield District Council is no exception. Indeed as a public body, the council needs to be an exemplar of good governance to ensure that its decisions are sound and transparent in their making, in order to maintain the confidence of its residents, partners and customers.</p> <p>Sound decision making and probity is informed by the council's Constitution and the associated financial and procurement rules, which are unique to this council. But the council is also governed by legislation including Health and Safety at Work Act; the Equalities Act, the Local Government acts (which demands the appointment of a Head of Paid Service, a S151 Officer and a Monitoring Officer) and, from May 2018, will need to be compliant with the General Data Protection Regulations.</p> <p>There are 4 key areas of governance where the council considers the risks are greatest, either because of external factors, or because there is always a material risk to be managed. Its constitution has not been comprehensively reviewed since its adoption in 2001 despite a number of legislative changes and restructures; financial probity to ensure that we can protect the public purse; ensuring compliance with the General Data Protection Regulations (although we are aware of our obligations of the Data Protection Act); and meeting our Health and Safety obligations.</p> <p>Of course there are other risks associated with governance – for instance of managing change; of employing staff; of ensuring that our services are not fair. But these risks are considered to be satisfactorily managed through existing policies and procedures, although they are reviewed on a regular basis.</p>				
Potential	Decision making is poor and subject to challenge leading to reputational, financial and operational risk.				

effects/consequences	<p>There are increased opportunities for fraud or loss to the public purse.</p> <p>People are injured or killed because of a failure to comply with health and safety.</p> <p>Recruitment and retention of staff is difficult because of a lack of clear policies and procedures.</p> <p>Costs rise because of failure to follow policies and procedures.</p> <p>Information is lost, inaccurate or inaccessible because of a breach of data protection principles.</p>
Risk Treatment Measures	<p>The following actions are being implemented to ensure risks are mitigated:</p> <p>Decision making</p> <p>The constitution is reviewed to ensure that it is fit for purpose. The revised constitution was adopted in May 2018.</p> <p>The approach to overview and scrutiny is changing so as to be able to support Cabinet and Cabinet Members to make better, more informed, decision in order to help deliver the ambitions of the Strategic Plan.</p> <p>Appropriately skilled and authorised officers attend all constituted meetings to ensure that decisions are not taken ultra vires.</p> <p>All members and officers are expected to observe the relevant Codes of Conduct, including declaring conflicts of interest, and operate by the Nolan 7 principles of public service.</p> <p>Financial Probity</p> <p>The council retains a team of Internal Audit and is required to maintain the appointment of External Auditors. The s151 Officer is expected to ensure that the council remains compliant with all fiscal obligations including ensuring that the council has a balanced budget, a medium term financial strategy, and an annual governance statement</p> <p>The financial and contract procedure rules were revised as part of constitution review and training will be rolled out to all Officers.</p> <p>General Data Protection Regulations</p> <p>Rules on data protection came into force on 25th May 2018. A project has being implemented to ensure that we can evidence compliance.</p> <p>Actions include training of all staff members, the appointment of a Data Protection Officer and a Senior Information Risk Owner, an audit of data and of information systems, and the design and implementation of procedures to ensure compliance.</p> <p>Health and Safety</p>

	The council maintains the appointment of a competent person. The council has a Health and Safety Policy which is reviewed and revised annually. Health and Safety performance is reported to the Employee Liaison Group, Leadership Team and Employment Committee. The Joint Waste Service supports a service specific Health and Safety Committee in recognition of the greater risks associated with the collection of household and trade waste. Managers are supported in developing risk assessments and training is provided where risks are greatest.
Latest Note	No change at this review.
Linked Actions Code & Title	None further at this time. Current risk score is within appetite and target.
Linked Actions Assigned To	N/A.

Risk Code	COR6	Risk Title	Information Technology	Current Risk Status	
Description	How ICT supports business outcomes and our reliance on IT to achieve our strategic ambitions.				
Gross Risk Matrix		Current Risk Matrix		Target Risk Matrix	
Last Review Date	29-Oct-2019				
Responsible Cabinet Member	Cabinet Member for Customer Services & Innovation				
Assigned To	Christie Tims				
Risk Factors/Causes	We live in an increasingly digital world, heavily dependent on information technology to deliver all our key services in some way. Our ability to be able to respond to new digital threats, adapt our ITC infrastructure and develop all the technologies we use is key to the delivery of our strategic plan. Any failure of our infrastructure, data assets and development capacity is a key business risk for the authority.				
Potential effects/consequences	<p>Losing sight of customers.</p> <p>Cost/return on investment.</p> <p>Loss of IT systems & inability to deliver services.</p> <p>Reputational damage.</p> <p>Fine and prosecution.</p> <p>Potential imprisonment.</p> <p>Loss of key management information.</p> <p>Cost of change prohibitive to consider alternatives and develop new approaches.</p>				
Risk Treatment Measures	<p>Primarily these have been addressed in the development of the Digital Strategy and underpinning ICT Review for the termination of the support contract. An effective Cloud Readiness assessment has been undertaken to consider all of our future options for ICT.</p> <p>ICT has clear business continuity plans; uses strong information governance; has developed mechanisms to anticipate & identify business needs and develop and implement new technology effectively.</p> <p>Other measures include:</p> <ul style="list-style-type: none"> • Effective Project management and deployment of new systems 				

- Use of Firewalls and virus protection to manage cyber security
- Strong user ID's and passwords and policies on their application and refreshment
- Policies and procedures relating to good, safe practice and a programme of awareness.
- Secure remote access controls.
- Physical security of the building and key assets and the use of clear desk/locked screens.
- PSN compliance and staff vetting for relevant positions
- Established protocols and audit controls.
- Business continuity plan and disaster recovery planning.
- Use of penetration testing to identify and remove potential weaknesses.
- Data Protection Policy and Data protection training for all staff.
- IT governance and CPD to ensure skill sets are maintained.

Latest Note


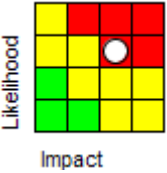
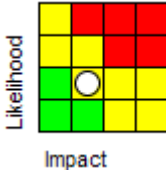
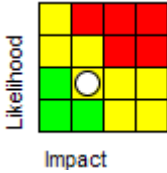
No change at this review.

Linked Actions Code & Title


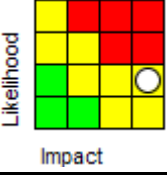
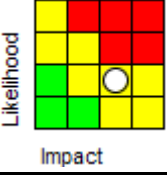
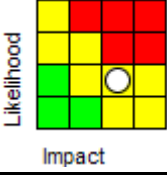
None further at this time. Current risk score is within appetite and target.

Linked Actions Assigned To

N/A.

Risk Code	COR7	Risk Title	Impact of Stakeholder Strategies on our Strategic Plan	Current Risk Status	
Description	Impact of Stakeholder Strategies on our Strategic Plan				
Gross Risk Matrix		Current Risk Matrix		Target Risk Matrix	
Last Review Date	29-Oct-2019				
Responsible Cabinet Member	Leader of the Council				
Assigned To	Diane Tilley				
Risk Factors/Causes	<p>Whilst focussed on delivering the strategic plan at a local level the work of the council is inevitably affected by partner organisations locally and government and policy decisions taken nationally. The council does not operate in a vacuum. The changes to the strategy and policy of other organisation may prevent the achievement of our goals by changes in statute, requirement to divert resources to new policy initiatives, reduction in available resources, changes to grant income from other partners, changes to service provision from partners that have a knock on effect on those services we deliver. Some of these are linked to other risks in this corporate risk register, such as the impact of national economic measures on our own economy and on our financial resilience. Each risk as it emerges will appear in relevant service plans and in itself will not be a corporate risk but collectively these issues require corporate response and monitoring.</p>				
Potential effects/consequences	<p>These are wide and varied but as examples of current pressures:</p> <ol style="list-style-type: none"> 1. Reduction in funding for Partner agencies results in pressure on our own budgets by increasing homelessness, input on safeguarding and Prevent. Includes Police, SCC, VCS and Health. 2. New initiatives from partners agencies puts pressure on our own resources e.g. Knife crime response, SOC, reduction in safeguarding activity by County, Place Based approach from County. 3. Brexit impacts, pressure from CCU and government. 4. Changes to health provision which affects our community and their needs. 5. Changes to the national economic position which could result in reduced business rate receipts. 6. Increased unemployment and lower wages leading to increased demand for affordable housing. 7. New legislation on Homelessness prevention is increasing pressures. 				

Risk Treatment Measures	<p>Each different event which comes under this collective heading will have a range of treatment and mitigation measures that can be taken by the relevant service area as and when necessary. However corporately there are number of mitigating actions which need to be taken. These include:</p> <ol style="list-style-type: none"> 1. New burdens funding – ensure that costs of new government initiatives are covered by New Burdens funding and that we are fully aware of the whole cost of a change and evidence need for increased resources. 2. A need to monitor and assess emerging pressures. Through fora such as LGA, and DCN national issues can be tracked and anticipated. Through liaison with neighbouring Councils and the strategic partnerships across Staffordshire, e.g. partnership, Health and Wellbeing Board, Safer Communities’ Board emerging issues can be tracked monitored and challenged by senior staff and members. 3. At a local level the District Board should consider how it encourages local partners to share knowledge and information of emerging strategies to future proof decision making. 4. When developing business cases full consideration of all possible changes by other partners or stakeholders should be factored into the decision so that individual risks are fully appreciated. 5. Working as One Council will reduce risk of cross directorate impacts and also increase knowledge and information available on stakeholder activities. 6. Being clear on exit strategies for initiatives where funding and delivery is dependent on more than one organisation so that the district council does not retain the expectations of the community for continued delivery when others withdraw. 7. There needs to be a corporate recognition of these issues and acceptance of a level of risk that we have no control over. 8. Analysing and responding to policy consultations to influence the direction of policy in the Council’s favour. 9. Ensuring that the additional risks identified above are considered when setting the minimum level of reserves in order to further protect the council from exposure financially as a result of these risk materialising.
Latest Note	No change in this review however one of the latest risks in this area is the impact of the government guidance on the geography or LEP which may impact on our relationships with GBSLEP and SSLEP.
Linked Actions Code & Title	None further at this time. Current risk score is within appetite and target.
Linked Actions Assigned To	N/A.

Risk Code	COR8	Risk Title	Failure to manage a major incident	Current Risk Status	
Description	Failure to manage a major incident				
Gross Risk Matrix		Current Risk Matrix		Target Risk Matrix	
Last Review Date	29-Oct-2019				
Responsible Cabinet Member	Cabinet Member for Communities & Housing				
Assigned To	Gareth Davies				
Risk Factors/Causes	<ul style="list-style-type: none"> • Lack of integrated emergency arrangements making it difficult to react quickly to a disaster and provide the required support and essential service in line with the requirements of the Civil Contingencies Act. • Failure to test plans. • Failure to undertake training. • Plans not activated. • Plans not kept up to date. • Plans do not accurately identify the staffing/resources required. • Implications of industrial action from other service providers e.g. Fire Service. • Lack of understanding both staff and members of their roles. • Failure to understand and monitor the needs of the community. • Not understanding our communities needs. • Lack of integrated emergency plans for significant incidents that may impact on our district in neighbouring authorities areas. 				
Potential effects/consequences	<ul style="list-style-type: none"> • Services not delivered. • Damage to reputation. • Civil Contingency Act requirements not met. • Death. • Destruction of property. • Damage to the environment. 				

	<ul style="list-style-type: none"> • Adverse effect on vulnerable groups. • Public expectations of service delivery not met. • Increased costs for alternative service delivery. • Loss of homes – temporary or permanent.
Risk Treatment Measures	<ul style="list-style-type: none"> • Emergency plans in place and tested on a regular basis. • Emergency planning training. • Engage in multi-agency exercises (such as MERCURY, RAVEN, FORTITUDE) to embed the learning from the training undertaken and the knowledge contained within the plans. • Business Continuity Plans at service level. • Insurance cover. • Advice and guidance on Risk Management. • Business continuity strategy and management handbook. • Emergency advice available on the website including Evacuation Plan for Lichfield City Centre leaflet and poster, Flooding, How we Plan for Emergencies, Your Guide to Dealing with the Unexpected and links to the Staffordshire Prepared website. • Fire prevention controls in place and tested on a regular basis. • PAT testing. • Physical access controls in place. • Communications plan. • Membership of Staffordshire CCU & Resilience Forum. • Plans uploaded to Resilience Direct. • Learning from actual events e.g. IT system restores, flooding. • Prevent training. • Chair local Safety Advisory Groups for local events. • Building Control enforcement – dangerous structures etc. • Monitor for the emergence of high risk sites on our borders and ensure adequate multi-agency response plans are in place.
Latest Note	No change at this review.
Linked Actions Code & Title	None further at this time. Current risk score is within appetite and target.
Linked Actions Assigned To	N/A.



Risk Management Policy

September
~~October 2019~~

Document Status: ~~Final~~ To be Approved

Originator: A Struthers

Updated: ~~A Struthers~~ R Neill

Owner: ~~Leadership Team~~ Chief Finance Officer

Version: 01.01.04

Date: ~~3008/0910/19~~

Document Location

This document is held by Lichfield District Council, and the document owner is ~~Angela Struthers~~
~~Anthony Thomas~~.

Printed documents may be obsolete. An electronic copy will be available on Lichfield District Council's Intranet. Please check for current version before using.

Revision History

Revision Date	Version Control	Summary of changes
10/08/15	1.01.01	1 st draft
01/09/16	1.01.02	Scheduled review
21/08/17	1.01.03	Scheduled review
08/10/18	1.01.04	Scheduled review
30/09/19	1.01.05	Scheduled review

Approvals

Name	Approved	Date
Audit Committee		November 2018
Leadership Team	Yes	October 2018
Audit Manager	Yes	October 2018

Document Review Plans

This document is subject to a scheduled annual review. Updates shall be made in accordance with business requirements and changes and will be with agreement with the document owner.

Distribution

The document will be available on the Intranet and the website.

RISK MANAGEMENT POLICY STATEMENT

Lichfield District Council Risk Management Policy Statement

Our ~~rRisk mManagement pPolicy~~ is drawn up within the context of the Lichfield District Council's strategic objectives, ambitions and overall focus. It supports our themes and ambitions.

~~Themes and ambitions~~Our strategic objectives are set out in our the District Council's Strategic Plan and are underpinned by targets and milestones which are monitored through our Performance Management processes that covers the key areas of the Council's activity.

Risk taking is part of innovation and change and as such is to be encouraged, not avoided; it must however be carefully assessed, regularly monitored, and effectively managed.

There is a risk in all that we do. Some of that risk can be controlled and reduced, or mitigated, by effective management and clear ownership.

A ~~rRisk mManagement pPolicy~~ is an essential component of sound governance. It will help us to identify, analyse and control those risks which might prevent the Council achieving its objectives in a clear, visible, coherent and consistent way. It is an essential tool for all managers and Councillors.

The overall ~~pPolicy~~ is supported by separate guidance notes on the methodology to be used. It is also supported by our corporate business continuity processes. Transparency and accountability is key to the process.

This policy is fully supported by Members, the Chief Executive and the Leadership Team.

1 Introduction

1.1 Risk management is an integral part of good corporate governance, ~~and the Council formally adopted a framework for corporate governance at Council in October 2002.~~ Good cCorporate governance requires maintaining a sound system of internal control. Financial Procedure Rules place responsibility with Chief Officers for risk management and maintaining sound systems of internal control within their area of service delivery.

Commented [NR1]: Out of date, so removed reference

1.2 Implementation of the policy will ensure that two types of risk are addressed:

- Direct threats – (damaging events) which could lead to a failure to achieve ambitions and deliver on priorities
- Opportunities – (constructive events) if exploited can offer an improved way of achieving objectives but which are surrounded by threats. Examples include areas such as partnership arrangements.

2 What is Risk Management?

2.1 Risk can be defined as the chance or possibility of loss, damage, injury or failure to achieve objectives being caused by an unwanted or uncertain action, event, or chain of events. Risk therefore includes a level of uncertainty of outcome (whether positive outcome or negative threat). Risk is ever present and some amount of risk taking is inevitable if the Council is to achieve its objectives.

2.2 Risk management involves having processes in place to identify and monitor risks, be able to access up to date and reliable information about risks, ensure the right balance of control in place to deal with risks; and a decision making process that is supported by a framework of risk analyses and evaluation. Risks should be managed in an integrated way at different key levels to manage interdependencies – corporate risk, operational risk and project risks.

2.3 The purpose of this Risk Management Policy is to effectively manage potential opportunities and threats to the organisation achieving its objectives. The main objectives of the rRisk mManagement pPolicy are to:

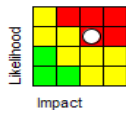
- Develop-Embed a culture that integrates risk management into the day-to-day management processes.;
- Raise awareness of the need-importance of risk management by all those connected with the delivery of service, including partners.;
- Anticipate and respond to changing social, environmental, economic, technological and legislative conditions.;
- Minimise the impact and/or likelihood of risks occurring.;
- Maximise the exploitation of opportunity events;
- put-Put in place a robust framework in place to identify, assess and manage the major risks facing the organisation.;
- Minimise the total cost of risk.

More dDetailed guidance can be found in the Risk Management Guidance.

3 Risk Appetite

3.1 The risk appetite is “the amount of risk that an organisation is prepared to accept, tolerate or be

exposed to at any point in time.” (CIPFA). The Council will manage ~~its~~the risks by, reducing, preventing, transferring, eliminating or accepting the risks. The Council’s risk appetite is defined by the ‘red’ section of the 4 x 4 matrix. Guidelines on scoring of impact and likelihood are contained within the risk management guidelines.



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- 3.2 Whilst the Council acknowledges that it will have “Severe” (red) risks from time to time, it will endeavour to reduce these to an acceptable level either through controls, actions to reduce the risk or ceasing the activity (if applicable). Where a current risk score is within the ‘red’ zone, an action plan will usually be required to bring the risk within appetite. The target score of a risk must be within appetite (the yellow / green zone). Sometimes risks are identified and even though managed, may still remain “severe” (red risk). Severe risks at an operational and project level are reported to the Leadership Team to manage and monitor.

Risk registers must be maintained and managed in the following areas:

- Corporate Risks,
- Operational Risks,
- Project Risks,
- Partnership Risks,
- Opportunity Risks.

“Severe” risks can appear in any of the above risk registers.

Corporate risks are owned and managed by leadership team. These risks are those risks that are identified as those that could have a high level impact at a corporate level.

The ~~c~~Corporate ~~r~~Risk ~~r~~Register and “red” project risks are routinely reported the Audit & Member Standards Committee.

4 The Benefits of Having a Risk Management Policy

- Risk Management will alert the Leadership Team to the main service and financial issues. This will allow early and proportionate management handling i.e. mitigation, diversion of resources.
- It contributes to better decision making, and the process of achieving objectives. When embedded within existing planning, decision taking and option appraisal processes, risk management provides a basis for ensuring implications are thought through, the impact of other decisions, initiatives and projects are considered, and conflicts are balanced. This will influence success and improve service delivery.
- It provides assurance to members, management and auditors on the adequacy of arrangements for the conduct of business and the use of resources. It demonstrates openness and accountability to various inspectorate bodies and stakeholders more widely.
- It leads to greater risk awareness and an improved control environment, which should mean

fewer incidents and other control failures. In some cases this can result in lower insurance premiums.

4.1 These are not intangible benefits. By identifying risks earlier, by making sure processes are fit for purpose and not over engineered, and achieving a behavioural shift, risk management will be a process that is justified many times over.

4.2 Our approach to risk management which underpins the policy and provides a vision of what we are aiming for, is summarised below:

“Risk management in Lichfield District Council is all about managing our business threats and opportunities and creating an environment of “no surprises””.

“Risk management is the identification, analysis and control of those risks which might prevent an organisation achieving its objectives”.

“Risk management is not about insurance – not least because ~~most over 80% of~~ risks faced by organisations ~~are~~ not insurable. Certainly risk transfer is part of risk management, but so is risk retention and control”.

Commented [NR2]: Removing this as cannot identify source

4.3 Risk profiling is carried out at all levels of the organisations with each level feeding up to the next level to ensure that operational risks that could pose greater / corporate risks ~~are escalated than~~ ~~corporate issues~~ and are not missed.

5 Roles, Responsibilities and Reporting Lines

5.1 The importance of establishing roles and responsibilities within the risk management framework is pivotal to successful delivery. The consideration of risk must be embedded into corporate policy approval and operational service delivery.

5.2 The agreed roles and responsibilities within the risk management framework at Lichfield District Council are outlined in the table below:

Group / Individual	Role
Leadership Team	<ul style="list-style-type: none"> Provide leadership for the process to manage risks effectively. Review and revise the rRisk mManagement pPolicy in accordance with the review period. Monitor and review the cCorporate rRisk rRegister on a quarterly basis including the identification of trends, upcoming events and potential new corporate risks.
Chief Finance Officer	<ul style="list-style-type: none"> To own the risk management policy and ensure effective risk management arrangements in place in accordance with requirements set out in Financial Procedure Rules.
Audit & Member Standards Committee	<ul style="list-style-type: none"> Monitor the effectiveness of the Council’s risk management arrangements, including the actions taken to manage risks and to receive regular reports on risk management. To monitor action being taken by the Council to mitigate the impact of

	potentially serious risks.
Cabinet	<ul style="list-style-type: none"> To provide strategic direction with regards to Risk Management and be collectively responsible for the Risk Management process. To consider risk management operation within directorates/services as per their Cabinet responsibility.
Directors/Heads of Service	<ul style="list-style-type: none"> To provide leadership and 'champion' for the process of managing risks within their directorates <u>areas of responsibility</u>. To ensure that risk management methodology is applied to all service plans, projects, partnerships and proposals within their directorates <u>areas of responsibility</u>. To identify and manage business/operational risks. To ensure that the management of risk is monitored as part of the performance management process. Provide assurance to Leadership Team and the Chief Executive that this e-P policy is being complied with. To ensure that employees attend appropriate risk management training to assist in the implementation of this policy. To ensure that risk management is a standard agenda item at team meetings. To review and update their <u>operational</u> -risk registers on at least a quarterly basis. To determine the method of controlling the risk. To delegate responsibility if appropriate for the control of the risk. To notify Leadership Team of new risks identified, for consideration for inclusion on the Corporate Risk Register.
All Staff	<ul style="list-style-type: none"> To ensure that risk is effectively managed in their areas. To ensure that they notify their managers of new and emerging risks
Audit Manager <u>Head of Audit</u>	<ul style="list-style-type: none"> To ensure that the risk management policy is regularly reviewed and updated. Promote and support the risk management process throughout the Council. Advise and assist managers in the identification of risks.

Risk Management Process

6 Risk Identification

- 6.1 The identification of risks is completed at various levels and primarily, risks (and opportunities) relate to the achievement of the Council's objectives. The risks can therefore be at Corporate, Operational, Project, Partnership or Opportunity level. This stage ~~will~~ can be repeated regularly to ensure that new and emerging -risks arising are identified and recorded on the risk register as appropriate. In addition, risks that are no longer relevant ~~can be removed~~ deleted.
- 6.2 The Council acknowledges that no one person is responsible for identifying key risks and that they are identified at various levels and various ways.

6.3 As a basis, the following risks must be identified:

- Those that affect the delivery of the sStrategic pPlan;
- Those that affect operational issues i.e. the delivery of a service;
- Those that affect the delivery of a project;
- Those that affect the delivery within a partnership.

7 Recording Risks

7.1 ~~The Council's A-r~~Risk ~~r~~Register is the primary tool to ~~administer~~~~record~~ the risks identified. ~~Currently, the system for recording risks is the The~~ Pentana system. ~~must be used to record a~~All corporate, ~~operational~~~~directorate~~, ~~service~~, project and partnership risks ~~are recorded~~. ~~registers~~.

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7.2 All risks recorded on the risk register should identify:

- risk description
- risk owner (responsible Cabinet member and risk 'assigned to')
- gross (unmitigated) ~~risk~~, current (mitigated) and target risk scores using the 4x4 matrix of likelihood x impact;
- risk factor vulnerabilities/causes of the risk;
- potential effects/consequences of the risk as well as opportunities; ~~happening~~;
- risk treatment measures controls in place to the reduce the risk and any actions, timescales and responsibilities required. ~~;~~
- ~~net(mitigated) risk~~;
- ~~risk review period~~.

Commented [NR3]: Target risk scores have not previously been captured on Pentana but the functionality exists. Target scores must be within the risk appetite (green or yellow). Where a risk is above the risk appetite (red) then an action plan is usually be required to bring the risk score back within appetite.

Commented [NR4]: Actions, responsibilities and timescales have previously been missing on Pentana. See note above.

8 Reporting Risks

8.1 The cCorporate rRisk rRegister ~~will be~~ reviewed and updated by the Leadership Team ~~on a~~ quarterly ~~basis and then before being~~ reported to the Audit and Member Standards Committee. Red (severe) project risks are will be also reported at the same time.

8.2 All reports to the Council require that any~~the~~ risks inherent within the decision recommended, are identified. The Committee report template is set up so that this is completed. It is the duty of the report writer that the relevant risk register on Pentana is updated to take account of these risks.

9 Reviewing Risks

9.1 Risks should be reviewed on a regular basis. The review period will depend on the type of risk. For example, operational risks (those that affect the delivery of a service) will more than likely not need to be reviewed as often as project risks. The Pentana system allows you to set appropriate review periods for each risk. Risks can be added or deleted at any time.

10 Performance Management

10.1 The following key performance indicators for the risk management process will be completed:

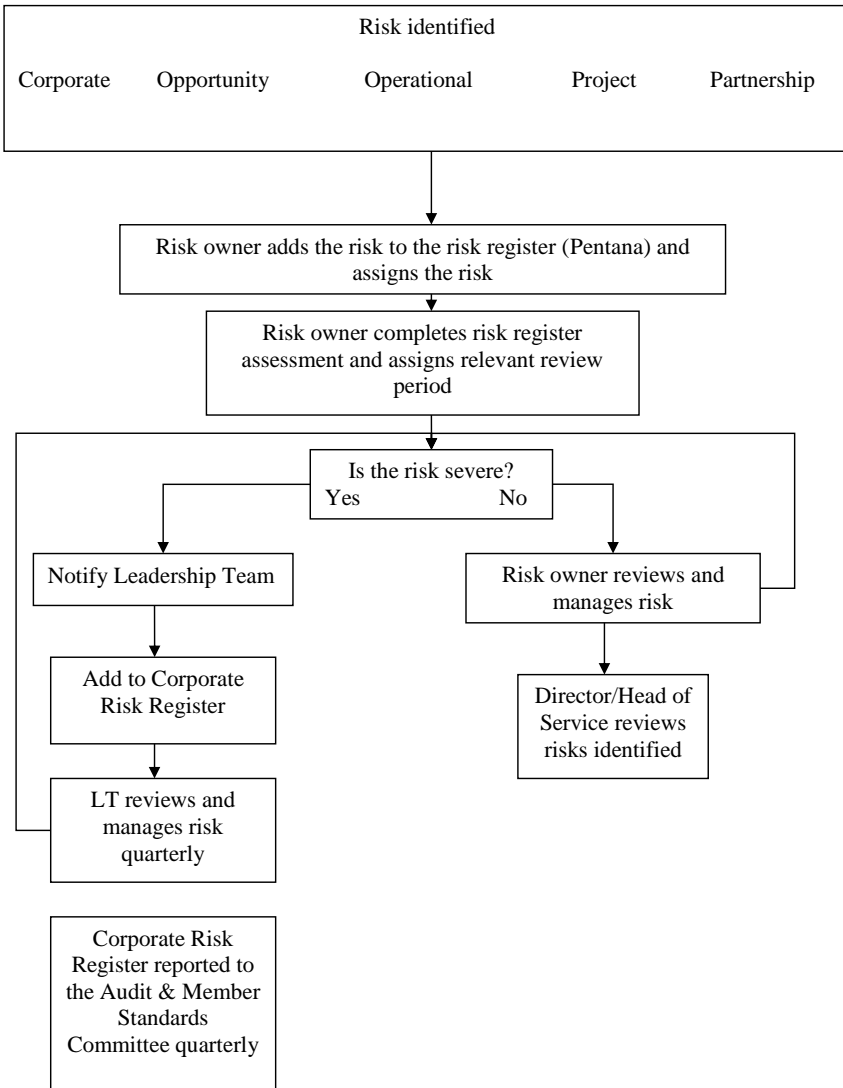
- The Risk~~risk m~~Management pPolicy will be reviewed and updated on an annual-3 yearly basis.

- Leadership Team ~~will to~~ review and update the corporate risk register taking into account emerging and changing risks, on a quarterly basis.
- Risks are reviewed appropriately to the severity/changing nature of the risk.
- Staff are appropriately trained in ~~r~~Risk ~~m~~Management and the use of the Pentana system.

Commented [NR5]: Suggest that we roll out training following this refresh of the policy.

Risk Management Process

Commented [NR6]: Recommend deletion of this section – detail is included within the guidance notes.



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GDPR/Data Protection Policy

Report of Monitoring Officer

Date: 14 November 2019

Agenda item: 7

Officer Title: Christie Tims – Head of Corporate Services and
Monitoring Officer

Local Ward Members: N/A



**Audit and Member
Standards Committee**

1. Executive Summary

- 1.1 The General Data Protection Regulation (GDPR) was introduced with effect from 25 May 2018. This is the second update members have had on the work undertaken to ensure the Council was compliant with the requirements of the act. This report seeks to update Members on actions taken since implementation and proposals to ensure the Council remains compliant going forward.

2. Recommendations

- 2.1 To receive the report and note the ongoing work to improve assurance of compliance with General Data Protection Regulations (GDPR).

3. Background

- 3.1 The General Data Protection Regulation (GDPR) was introduced with effect from 25 May 2018. This is the second update members have had on the work undertaken to ensure the Council was compliant with the requirements of the act. This report seeks to update Members on actions taken since implementation and proposals to ensure the Council remains compliant going forward and improves the level of assurance going forward.
- 3.2 At the time of the implementation of the GDPR, the principal piece of data protection legislation, the Data Protection Act, was amended and updated and is now the Data Protection Act 2018. When we refer to compliance with GDPR, this also encompasses compliance with the relevant provisions in the 2018 Act.
- 3.3 Both the Council and its individual Members are required to comply with the requirements, as data controllers. Member training was held in March 2018 and is part of new member induction in May 2019 and members have been provided with a copy of the privacy notice they should be using.

GDPR Implementation Guidance

The Council followed the guidance issued by the Information Commissioner when preparing for GDPR implementation which set out 12 steps:

4.1 **Awareness**

Senior Officers and Members should be made aware of the changes under GDPR so that impact and key areas can be identified and managed.

Senior officers have been kept informed throughout implementation and in subsequent months and this report will update Members in respect of steps taken.

GDPR has been discussed at Corporate Leadership Team and Extended Leadership Team to ensure senior officers are aware of the issues and that on-going compliance work is given a high profile.

Refresher training has recently been undertaken by all members of staff via an on-line module. Regular training will continue to be provided in the future. Initial training was given limited assurance as not all staff attended, this has since been resolved by the roll out of the on-line module and will be maintained via the system.

4.2 **Information you hold**

There is a need to undertake an information audit across the Council and have records of processing activities.

As mentioned above, the work to identify information held and to subsequently produce accurate and effective retention and disposal schedules is on-going. Whilst these had been attempted for the implementation of GDPR, these were not robust or sufficiently detailed for each service area. This was highlighted in the report and we are now using an audit tool to capture and maintain this information going forward. This approach will be more systematic and will ensure that data processors are maintaining their data sets effectively.

4.3 **Communicating privacy information**

Current privacy notes should be reviewed and a plan put in place for making any necessary changes.

All privacy notices were reviewed and refreshed as part of implementation of GDPR to ensure they met the new requirements. The council is currently digitising key processes and these all feature updated privacy notices.

4.4 **Individuals' rights**

Procedures should be checked and updated to ensure all the rights individuals have are included.

The Council's procedures were updated to include the new rights granted under GDPR alongside the pre-existing rights. These appear to be operating effectively without issues.

4.5 **Subject access requests**

Procedures should be updated to allow for the new rules:

- *generally information should be provided free of charge (there was a standard £10 charge)*

Information should be provided within one month (rather than 40 days)

If refusing a request for access, we must tell the person why and set out their rights to complain and to judicial remedy; again there is a time limit of one month to do this.

The Council's procedures were updated to take account of the changes and a central log is maintained of subject access requests. As previously, the Council does not receive a significant number of such requests. In the last 12 months 4 have been requested. 3 were responded to, however a fourth request was not released as it was requested on behalf of the subject and the subject did not give authority to release this information to the third party.

4.6 **Lawful basis for processing data**

The lawful basis for processing data must be identified, documented and set out on a privacy notice.

This information is included in each privacy notice. The new audit tool will enable this to be reviewed more systematically.

4.7 **Consent**

How we seek, record and manage consent should be reviewed and refreshed as necessary.

Where the Council relies on consent to process data (which is generally not the case), the consents have been reviewed and revised as necessary.

4.8 **Children**

GDPR brings in special protection for children's personal data and its use particularly for online services. The need for consent from either the child (if 16 or over) or the parent/guardian is explicit.

Whilst the Council does not generally process large amounts of children's data (unlike unitary or county councils) clearly some service areas, such as leisure, do process this data and work was undertaken to ensure the enhanced provisions under GDPR are complied with. The new audit tool will enable this to be reviewed more systematically.

4.9 **Data breaches**

Procedures should be in place to detect, report and investigate a personal data breach.

Only certain breaches have to be notified to the ICO; where it is likely to result in a risk to the rights and freedoms of individuals e.g. discrimination, damage to reputation, financial loss etc. These breaches have also been notified to the individual concerned.

The Council's procedure to deal with data breaches was revised to ensure compliance with GDPR requirements. Since GDPR implementation, the council has had one reportable breach. Although reported to the ICO, the ICO was content that the action taken by the Council was appropriate and no further action was deemed necessary by the ICO.

4.10 **Data Protection by Design and Data Protection Impact Assessments**

It will be a statutory requirement to adopt a privacy by design approach and to use Privacy Impact Assessments (or Data Protection Impact Assessments as they will be known) in certain circumstances.

The Council has adopted a privacy by design approach and this has been expanded under GDPR. Guidance on when and how a Data Protection Impact Assessment is needed is available. The audit tool mentioned above also contains useful guidance on when and how to undertake an assessment.

4.11 **Data Protection Officers**

It will be a statutory requirement to designate someone to take responsibility for data protection compliance, known as the Data Protection Officer (DPO).

The Assistant Director Democratic & Regulatory Services of South Staffordshire Council is currently designated as the DPO for the Council and works closely with the Head of Corporate Services to ensure Data Protection is managed effectively. This arrangement will be reviewed before the end of the financial year in line with the potential shared legal service.

4.12 International

There are provisions for those organisations operating in more than one EU state but these are not applicable to the Council.

GDPR Audits and other activity

- 5.1 An audit was undertaken by an External Auditor in April 2019 which highlighted a number of areas for improvement. Given the breadth and complexity of GDPR it was not unexpected that some issues would be raised by the audit. The audit highlighted some key areas of ongoing work that will need to be embedded to ensure ongoing compliance. The recommendations were agreed by senior management and the MetaCompliance audit tool mentioned above will assist in addressing a number of the issues raised which included ongoing training, awareness and recording of information assets and processing activity.
- 5.2 The Council's DPO has also undertaken a number of informal audits to ensure that, some 18 months on from implementation, all necessary procedures are in place and being used across the Council. This will be an on-going programme with different service teams being checked on a rolling programme. This not only gives assurance as to compliance but also serves to maintain awareness across the Council.
- 5.3 In order to ensure the Council is GDPR compliant, the following actions were also taken:
- Contracts it has with 'data processors' i.e. external organisations who process personal data on behalf of the Council were reviewed and revised. Some residual contracts were highlighted in the GDPR audit and these have now been resolved.
 - Existing 'organisational' and 'technical' measures to ensure that personal data is kept 'safe' were reviewed and revised as necessary.
 - The incident management plan and procedures setting out when and how to notify the Commissioner and affected individuals if there was a breach of security i.e. unauthorised or unlawful processing, loss, damage or destruction of personal data were reviewed and revised as necessary.

Alternative Options	None the council must comply with these regulations, however the committee can choose not to receive ongoing reports.
Consultation	We have ongoing support from South Staffordshire District Council legal team regarding current advice and guidance.
Financial Implications	None; there are no further implications.
Contribution to the Delivery of the Strategic Plan	Data protection contributes to the sound running of the council.
Equality, Diversity and Human Rights Implications	None

Crime & Safety Issues	None
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GDPR/Privacy Impact Assessment	Not required for this report.
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Risk Description	How We Manage It	Severity of Risk (RYG)
		State if risk is Red (severe), Yellow (material) or Green (tolerable) as determined by the Likelihood and Impact Assessment.
Legal challenge if no process is in place	Ensure process is in place and regularly reviewed	Green
Assurance of processes in place	Issues highlighted in the audits have been addressed	Green

Background documents

Relevant web links

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The Rules on Confidentiality

Councillor Angela Lax – Cabinet Member for Legal and Regulatory

Date: 14 November 2019

Agenda Item: 8

Contact Officer: Neil Turner / Christie Tims

Tel Number: 01543 308761 / 308100

Email: Neil.turner@lichfielddc.gov.uk
Christie.tims@lichfielddc.gov.uk

Key Decision? NO

Local Ward Members N/A



**Audit and
Member
Standards
Committee**

1. Executive Summary

- 1.1 In recent months there has been extensive discussion and challenge about when reports are published so that they are available for all to see, or whether they are restricted and considered in private.
- 1.2 Furthermore, the Leader has emphasised that the council must be seen to be as open and transparent as possible in its decision making and operation.
- 1.3 The council has an obligation to ensure that its business is conducted in as transparent a way as possible and that it observes access to information rules. Wherever possible, matters should not be restricted from publication or debate.
- 1.4 However, the council needs to ensure that it tries to get the balance right between transparency and maintaining appropriate levels of confidentiality.
- 1.5 Members, at times, need to be provided with highly confidential information. In these situations the council needs to restrict publication of the papers and to restrict access to a meeting where such material is to be discussed.
- 1.6 The Local Government Act 1972 describes the seven circumstances when councils must, or can choose, to restrict publication of reports and supporting material. This report details those circumstances.
- 1.7 This paper outlines the council's legal obligations in ensuring that what must, or ought to, remain private is kept private, and what must be disclosed. The paper also outlines our approach in determining whether information should be kept private.

2. Recommendations

- 2.1 It is recommended that the committee notes the report.

3. Background

- 3.1 The council's approach to confidentiality is governed by a series of Acts and other documents including the Local Government Act 1972, the Data Protection Act 2018 (which incorporated the General Data Protection Regulations), the Transparency Code and our own Constitution.
- 3.2 Information may also be released, or restricted, by the Freedom of Information Act 2000 and the Environmental Information Regulations 2004.

The Council's Constitution

- 3.3 Part 4 Section 2 of the Constitution describes the Council's Access to Information Procedure Rules.
- 3.4 The Rules refer to the legal obligations placed upon the council by the various Acts and Regulations. The Constitution describes the transparency surrounding our decision making process – for instance, it outlines the forward plan describing the key decisions to be taken by Cabinet and Cabinet Members; rights of the public to attend and record meetings; access to agendas, reports, papers and minutes; access to background papers; and legal definitions of confidential and exempt information.
- 3.5 The Constitution is always our starting point when considering whether reports are published or restricted.

The Local Government Act 1972

- 3.6 The main piece of legislation relating to the council's approach to confidentiality in decision making is the 1972 Act. Sections 100A to 110L requires councils to publish agendas and papers in a format/location accessible to the public at least 5 clear days before a meeting. The meeting must also be open to the public to attend.
- 3.7 These provisions have been further strengthened in recent years by the Openness of Local Government Bodies Regulations 2014 which allows people to film, record and broadcast meetings.
- 3.8 The 1972 Act recognises that there are certain situations where it is not in the public interest for the papers to be made public nor for the public to be entitled to attend or film/record the meetings. The tests are:
- a) whether it falls within the categories of exempt information under Schedule 12A (listed below), and
 - b) whether "in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information".

- 3.9 The reasons for an exemption are set out in Schedule 12A and are:

1. Information relating to any individual

We do not publish reports that name an individual unless it is in the public interest to do so, or where the individual's name is already in the public domain. In any event we will need to ensure that we protect individuals' personal data in compliance with the Data Protection Act 2018.

For example, we restrict papers relating to applications for licensing, or for employment matters which identify names of individuals, but will reveal the names of planning applicants, or contractors providing goods or services to the council.

2. Information which is likely to reveal the identity of an individual.

Similar to 1 above, we must not reveal information that would be sufficient for a third party to be able to identify an individual.

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The council will use this exemption to ensure that it maintains its strongest possible commercial negotiating position. For instance, some reports relating to Friary Grange Leisure Centre were initially restricted because negotiations were ongoing with Staffordshire County Council and Freedom Leisure. Furthermore, the report to Strategic (O&S) Committee in September regarding the Property Investment Strategy was restricted because it discussed the council's negotiating strategy for property acquisition.

This exemption is also sometimes used when members are being asked to confirm a preferred bidder for a contract for goods or services but there remains further negotiations to be completed with them.

We also use this exemption if the report discloses business information relating to another organisation which is considered to be commercially sensitive and /or confidential. Such information might include intellectual property (as with the advice from KPMG on establishing a development company) or impact on the other party's negotiating position (many Friarsgate reports were restricted because they described progress made by U&I with their lease negotiations).

4. Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority.

This exemption is used if the report discusses the council's intended position regarding labour relations where there may be an impact on staffing levels or negotiations regarding terms and conditions.

For instance, reports may be restricted where decisions may lead to the formal consultation on restructuring of teams which impact on staff, or on changes to terms and conditions.

5. Information in respect of which legal professional privilege will apply.

Occasionally, the council may have obtained legal advice in order to be able to consider its position on a specific matter. Such advice will ordinarily be subject to legal professional privilege and not disclosable to any other party. When appropriate the council will consider waiving their legal privilege if it is the interests of the council to do so.

6. Information which reveals that the authority proposes—

- (a) to give under any enactment, a notice under or by virtue of which requirements are imposed on a person; or**
- (b) to make an order or direction under any enactment**

Specific examples where reports are restricted is on planning enforcement or on action taken by the regulatory services team, say on taxi licensing, food safety or health and safety.

7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

The council will not publish information relating to the council's work in preventing, investigating or prosecuting crime, for instance, in the cases of fly-tipping, food safety breaches, health and safety offences, or benefit fraud whilst those investigations are ongoing, but will seek to publicise the results once taken. It will also restrict access to papers that contain details of relevant activity being pursued by other enforcement agents including the police, HMRC, Food Standards Agency, Trading Standards, or the Health and Safety Executive.

Determining Confidentiality

- 3.10 The decision on whether the papers should be confidential rests with the council's Monitoring Officer. If papers are restricted then the agenda and the report will indicate the paragraph(s) that are being relied upon to restrict publication.
- 3.11 Furthermore, in recent months the Council has provided a further explanation on the agenda as to why reports have been restricted. We will look to continue this practice.
- 3.12 It has been suggested that we make increased use of redaction to allow a paper to be published but to hide the sensitive information. But there are challenges in using such a method. For instance, redacting reports is not easy and relies on the skill and judgement of the 'censor' to decide what is redacted. Too much redacted and meaning is lost; too little, and the information is not protected.
- 3.13 Furthermore, redacted reports means that Committee Services are required to manage and publish two separate documents; one for the public and one for Members. There are also then challenges for Members to realise that any discussion in public must not lead to them revealing what has been redacted. In consequence, given the risks of redaction, it is sensible either to write the whole report for publication, or to restrict all or part of it.
- 3.14 The decision as to whether the public and press should be excluded rests with the relevant committee/council. This is why the Motion to exclude the press and public is read out ahead of the confidential items being considered.
- 3.15 Of course, the meeting could decide not to exclude the press and public but extreme care would then need to be taken to ensure that confidential information is not made public. This is possible, as we saw at the September Strategic (O&S) Committee, where members discussed associated non-confidential material before moving the motion to exclude the press and public.

The consequences of releasing confidential/exempt information

- 3.16 Extreme care must be taken not to reveal protected information, as in certain situations this might be considered a criminal act, particularly when dealing with sensitive personal data or information relating to the prevention, investigation or prosecution of crime.
- 3.17 In other circumstances revealing protected information may undermine the council's own negotiating position with potential suppliers, purchasers or employees / unions, to the detriment of the council and its residents. Whilst such disclosure may not be criminal, it is not in the public interest and may be contrary to the Members' Code of Conduct.

Our Approach

- 3.18 When necessary, this council, withholds publication of reports that are exempt in accordance with the above descriptions.
- 3.19 We will never release reports that identify information about an individual or which could identify an individual that would breach the DPA. For instance, we routinely withhold reports that relate to licence applications by individuals, council tax write-offs, employment reports, or reports relating to community safety.
- 3.20 We will also generally restrict reports that seek approval to take enforcement action, or which reveal legal advice which we may rely on litigation, or which undermines our negotiating position with suppliers / customers / purchasers. We also restrict reports which reveal our proposals for negotiations with the unions and workforce.
- 3.21 We restrict reports which describe specific cases of the investigation and detection of crime.
- 3.22 The council must keep the exemption under review and if the report subsequently loses its exempt status it should be made public. Members might recall that this happened with the initial papers prepared for Full Council in July 2019 relating to Friary Grange Leisure Centre. These were restricted because any decision was going to affect the business of a third person – Freedom Leisure and its staff – but by the time Council convened, both the company and employees had been briefed on the decision by Cabinet.
- 3.23 However, any decision to exempt information must also be tested against the public interest. If there is overwhelming public interest then the exemption may be over-ridden. But public interest does not mean public curiosity.
- 3.24 It is also possible that a report is divided into two sections – that to be considered in public and that in private. For instance, an appendix containing exempt background information may accompany a public report. But care must be taken by members in discussing such material in public.
- 3.25 In all our report templates, there is also a brief description of ‘background’ papers. These papers are not routinely published with the reports unless as appendices. However, they should be made available but they can be considered for exemption in the same manner as the reports.

Freedom of Information Act

- 3.27 There is no general provision requiring information to be made public prior to a decision. However, the council is governed by the Freedom of Information Act 2000.
- 3.28 The FOIA 2000 gives any person access to any information held by public authorities. It enables the public to participate in the discussion of policy issues, and so improve the quality of government decision making, and hold government and other bodies to account.
- 3.29 The FOIA works on the premise that information held by public authorities should generally be available to the public, however at the same time it recognises that there are certain circumstances where information needs to be kept private and sets up “qualified” and “absolute” exemptions. The FOIA regime is overseen by the Office of the Information Commissioner, (“ICO”).
- 3.30 Under section 2 of FOIA, even where information has been properly found to be exempt under one of the qualified exemptions in FOIA (such as the qualified exemption for trade secrets and commercially sensitive information (section 43)), the duty to disclose continues unless, in all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. FOIA does not entail a presumption in favour of disclosure.

3.31 As a council we have a rigorous approach to observing the Freedom of Information Act. In 2018, we reviewed our approach to FOI and re-launched our webpages in a way that allowed for easier access to information, especially to information that is frequently sought. We have also made it easier for people to submit requests.

Alternative Options	This report is for information.
Consultation	Our legal advisors from South Staffordshire Council have been consulted as to the accuracy of this paper.
Financial Implications	There are no financial implications because of this report.
Contribution to the Delivery of the Strategic Plan	This report is for information only.
Equality, Diversity and Human Rights Implications	There are no implications related to this report.
Crime & Safety Issues	There are no such issues relating to this report.
DPA /Privacy Impact Assessment	Whilst there are no DPA implications in preparing this report, there are DPA considerations when deciding whether papers should be published or restricted.

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Getting our approach wrong and publishing information that is exempt. This might lead to a breach of DPA or the undermining of our negotiating / enforcement positions.	Draft reports are reviewed by Leadership Team and are considered before the Monitoring Officer / Committee Services team before publication	y
B	Getting our approach wrong and restricting information which is not exempt. This can lead to criticism that we are not being transparent in our decision making.	Draft reports are reviewed by Leadership Team and are considered before the Monitoring Officer / Committee Services team before publication. We will consider separating material in reports into public / private sections.	y
C	Not explaining why we are restricting publication leading to criticism that we are not being transparent in our decision making.	We will add an explanation to agendas to provide further reasoning as to why reports are restricted.	G

Background documents

Constitution

Local Government Act 1972

Transparency Code

Data Protection Act 2018

Relevant web links

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Member Code of Conduct Complaints

Report of Monitoring Officer

Date: 14 November 2019

Agenda item no: 9

Officer Title: Christie Tims – Head of Corporate Services and
Monitoring Officer

Local Ward Members N/A



**Audit and Member
Standards Committee**

1. Executive Summary

- 1.1 Each year the Council's Monitoring Officer is required to advise the committee of their monitoring activity in respect of Member Code of Conduct complaints.
- 1.2 This year has been particularly busy, with a high number of complaints compared to previous reports with 13 complaints this year to date.
- 1.3 Of particular note is also the focus on declarations of interest and the use of dispensations for members to ensure the efficient running of the Council.

2. Recommendations

- 2.1 To receive the report and note the ongoing work to improve standards and members understanding of the code.

3. Background

- 3.1 On 21 May Full Council appointed nine elected members to Audit and Member Standards Committee. In addition to the statutory officers, the committee also includes an independent person as required by our Code of Conduct who is available to consult with the Monitoring Officer or the committee as required on conduct matters.
- 3.2 Training was provided to District Councillors on the members Code of Conduct and constitutional matters during the induction day on 14th May.
- 3.3 The current Code of Conduct regime was established through the Localism Act 2011 which requires that under section 27, a relevant authority must:
 - Promote and maintain high standards of conduct by its members and co-opted members.
 - When discharging its duty, adopt a voluntary code dealing with the conduct that is expected of members and co-opted members of the authority when they are acting in their capacity as members (that is in an official capacity).
- 3.4 Section 28 provides that the Code of Conduct must include certain provisions and when viewed as a whole be consistent with the following principles:
 - (a) selflessness;
 - (b) integrity;
 - (c) objectivity;
 - (d) accountability;
 - (e) openness;

- (f) honesty;
- (g) leadership.

3.5 It also provides that “A relevant authority other than a parish council” (in this case this council as District Council) must have in place—

- (a) arrangements under which allegations can be investigated, and*
- (b) arrangements under which decisions on allegations can be made.*

It goes on to be clear that those arrangements put in place must include provision for the appointment by the authority of at least one independent person and seek that person’s views at certain stages.

- 3.6 This Council has adopted arrangements under which allegations are investigated and under which decisions on allegations can be made. These are kept regularly under review (and indeed were amended by the Council as part of the new constitution adopted in May 2018) and clearly meets the requirements of the Act.
- 3.7 Further work is also planned to incorporate updated guidance from the Committee on Standards in Public Life following a review on Local Government Ethical Standards. This will also look at underpinning procedures for investigations and assessment committees to ensure best practice and lessons learned from recent investigations. An updated code of practice is set to be launched in July 2020 at the LGA conference.
- 3.8 The general approach we have taken on investigations has been that those involving parish councillors will generally be done by an officer of the District Council and those involving district councillors will be done using an external investigator. Where possible we use Monitoring Officers from other authorities as external investigators to keep the costs down.
- 3.9 The Monitoring Officer maintains a Code of Conduct Complaints register which details 13 complaints for 2019 to date, three of which relate to district matters.
- 3.10 Sessions to advise Parish Councillors of their responsibilities under the code of conduct will also be held in the New Year following the review as announced at Parish Forum.
- 3.11 Following advice from South Staffordshire District Council Legal team dispensations have been put in place for members with pecuniary conflicts of interests due to spouses who are County Council members. These are currently specific to matters relating to Friary Grange Leisure Centre and may need to be considered in future relative to the relationship in decision making to the County Council interests.
- 3.12 Members have also had extensive advice regarding pre-determination, in relation to petitions and also in respect of planning. A specific session was held for the District Planning Committee, where the issues were extensively discussed and all issues relating to pre-determination and dual-hatted members (who also sit on Planning Committee at Parish level) were clarified.

Alternative Options	The provisions under the Localism Act 2011 are duties not powers and the Council is required to consider Code of Conduct complaints for both District and Parish members.
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Consultation	Where possible, complainants and subject members have been contacted regarding their experience of the code of conduct complaint process to identify possible issues and improvements, these will be fed into the planned review. We have ongoing support from South Staffordshire District Council legal team regarding current advice and guidance.
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Financial Implications	None; there are no further implications.
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Contribution to the Delivery of the Strategic Plan	Sound governance is a key aspect of our strategic plan.
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Equality, Diversity and Human Rights Implications	None
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Crime & Safety Issues	None
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GDPR/Privacy Impact Assessment	Yes – all data collected and collated in the preparation of member code of conduct complaints has been impact assessed with the appropriate controls in place.
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Risk Description	How We Manage It	Severity of Risk (RYG)
		State if risk is Red (severe), Yellow (material) or Green (tolerable) as determined by the Likelihood and Impact Assessment.
Legal challenge if no process is in place	Ensure process is in place and regularly reviewed	Green
Referral to Local Government Ombudsman if complaints are not dealt with effectively	Review the experience of complainants and subject members to ensure process is fit for purpose	Green

Background documents Current Member Code of Conduct
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Relevant web links https://www.lichfielddc.gov.uk/councillors-1/complaints-councillors/1

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August 2019



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Section

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2. Audit of the Financial Statements
3. Value for Money conclusion

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Appendices

- A Reports issued and fees continued

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Lichfield District Council (the Council) for the year ended 31 March 2019.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit Committee as those charged with governance in our Audit Findings Report on 24 July 2019.

Our work

Materiality

We determined materiality for the audit of the Council's financial statements to be £880,000, which is 2% of the Council's gross revenue expenditure.

Financial Statements opinion

We gave an unqualified opinion on the Council's financial statements on 25 July 2019.

Whole of Government Accounts (WGA)

We completed work on the Council's consolidation return following guidance issued by the NAO.

Use of statutory powers

We did not identify any matters which required us to exercise our additional statutory powers.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Executive Summary

Value for Money arrangements We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 25 July 2019.

Certification of Grants We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by November 2019. We will report the results of this work to the Audit Committee separately.

Certificate We certified that we have completed the audit of the financial statements of Lichfield District Council in accordance with the requirements of the Code of Audit Practice on 25 July 2019.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
August 2019

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Council's financial statements to be £880,000, which is 2% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We also set a lower level of specific materiality for Senior Officer Remuneration and Exit Packages.

We set a lower threshold of £44,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts and the Narrative Report, Annual Governance Statement and Annual Report published alongside the Statement of Accounts to check it is consistent with our understanding of the Council and with the financial statements included in the Annual Report on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals; analysed the journals listing and determine the criteria for selecting high risk unusual journals; tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. 	<p>Our audit work did not identify any issues in respect of management override of controls.</p>
<p>Valuation of land and buildings (both PPE and Investment Assets)</p> <p>The Authority revalue PPE land and buildings on a rolling five-yearly basis, and investment properties every year.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>This represents a significant estimate by management in the financial statements.</p> <p>We identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk.</p>	<p>As part of our audit work we;</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; evaluated the competence, capabilities and objectivity of the valuation expert; communicated with the valuer to confirm the basis on which the valuation was carried out; challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; tested revaluations made during the year to see if they had been input correctly into the Authority's asset register; and evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. 	<p>Our audit work did not identify any issues in respect of valuations of the Council's property.</p>

Audit of the Financial Statements

Significant Audit Risks - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability</p> <p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and Have undertaken procedures to confirm the reasonableness of the actuarial assumptions made - by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. 	<p>Our work on the assumptions used by the actuary identified that the actual rate of return on the pension fund's assets for the year differed from the estimated rate provided by the Pension Fund to the actuary. The Council requested that their actuary reperform the actuarial valuation as a result of this, leading to a reduction in gross pension assets of £833k.</p> <p>The Council also requested that the actuary give consideration to the liability arising as a result of changes relating to guaranteed minimum pensions (GMP) and a legal ruling around age discrimination (McCloud), which due to the prevailing legal uncertainty at the time of preparing the draft financial statements, and the need to produce these by 31 May 2019, were not taken into account in the first actuarial valuation. This resulted in increases in gross pension liabilities of £158k and £350k respectively.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 25 July 2019.

Preparation of the financial statements

The Council presented us with draft financial statements in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit Committee on 24 July 2019.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website in the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work on the Council's Data Collection Tool in line with instructions provided by the NAO. We issued an assurance statement which confirmed the Council was below the audit threshold on 25 July 2019.

Other statutory powers

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We did not identify any matters which required us to exercise our additional statutory powers.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of Lichfield District Council in accordance with the requirements of the Code of Audit Practice on 25 July 2019.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Termination of the Friarsgate development</p> <p>The Friarsgate Development project was terminated early in the 2018/19 year following the withdrawal of a key funding partner in 2017.</p> <p>This was a key decision for the future of the district.</p>	<p>As part of our work we:</p> <ul style="list-style-type: none"> • Reviewed the actions taken by management between the beginning of the financial year and the decision taken to abandon the Friarsgate project, including any expert advice that was taken and the information that was shared with key decision makers. • Considered the actions taken by the Council since the decision was made. 	<p>The Council maintained a project-specific risk schedule which detailed the key risks to the project and the mitigations in place. This was available to all relevant officers, and formed the basis of regular reports to the Senior Leadership Team.</p> <p>Reports setting out the options available to the Council were taken to Overview and Scrutiny, Cabinet and Council respectively. The resulting decision was to stop the Friarsgate development. Following this decision, the Council commissioned an independent review of the process, in order to incorporate learning into future projects.</p> <p>It is important that the Council applies this learning as it develops its new plans for the site. Work is ongoing to develop these plans.</p> <p>No weaknesses noted in the Council's arrangements.</p>
<p>Financial sustainability</p> <p>The Council has made significant changes to aspects of its service delivery in recent years, including the outsourcing of the provision of leisure services to Freedom Leisure, the joint provision of waste collection with Tamworth Borough Council. The Council are also in the process of setting up a subsidiary company for the delivery of housing.</p> <p>In addition to this, future funding arrangements for local authorities are not known, and the UK's exit from the European Union will potentially have a significant impact.</p>	<p>As part of our work we:</p> <ul style="list-style-type: none"> • Considered the appraisal and decision making process followed by the Council when making significant delivery decisions. • We have maintained a watching brief on the Council's progress in setting its budget for the 2019/20 year, and the updated medium term financial strategy, and consider the appropriateness of the process followed, including any actions taken to mitigate the Council's risk. 	<p>We consider that the Council's decision making process is clear and transparent. Officers are responsible for constructing proposals and supporting business cases etc. These are then reviewed and approved by the relevant Scrutiny Committee, Cabinet and Council.</p> <p>Proposals clearly set out the risks and financial implications, and any alternative arrangements that have been considered.</p> <p>It is important that the Council carries out appropriate diligence as plans relating to the property company progress, to ensure that financial risk is minimised and advantages to the local community (specifically the provision of housing) are maximised.</p> <p>No weaknesses noted in the Council's arrangements.</p>

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit. We can confirm there were no fees for the provision of non audit services

Reports issued

Report	Date issued
Audit Plan	February 2019
Audit Findings Report	July 2019
Annual Audit Letter	August 2019

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Fees

	Planned £	Actual £	2017/18 £
Statutory audit	35,412	39,912	45,990
Housing Benefit Grant Certification	14,000	TBC	6,123
Total fees	49,412	TBC	53,113

Our fees for the certification of the Council's Housing Benefit grant will be confirmed following the completion of our work.

Audit fee variation

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £35,412 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table.

Area	Reason	Fee proposed
Assessing the impact of the McCloud ruling	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we have reviewed the revised actuarial assessment of the impact on the financial statements along with any audit reporting requirements.	1,500
Pensions – IAS 19	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	1,500
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	1,500
Total proposed fee variation		4,500

Fee variations are subject to PSAA approval.



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AUDIT & MEMBER STANDARDS COMMITTEE WORK PROGRAMME FOR 2019/20

Item	24 July 2019	14 November 2019	5 February 2020	19 March 2020	28 April 2020	Deferred Reason
FINANCE						
Annual Governance Statement					√	
Annual Treasury Management Report	√					
Mid-Year Treasury Management Report		√				
Review of Accounting Policies				√		
Statement of Accounts	√					
Treasury Management Statement and Prudential Indicators			√			
Audit & Member Standards Committee Practical Guidance			√			Only relevant if there is updates to guidance so may not be needed
INTERNAL AUDIT						
Annual Report for Internal Audit					√	
Internal Audit Charter and Protocol					√	
Internal Audit Plan					√	
Internal Audit Progress Report	√	√	√			
Quality Assurance and Improvement Programme			√			
Review of Internal Control including Public Sector Internal Audit Standards Self-Assessment Summary			√			
Risk Management Update	√		√		√	
Risk Management Update to include Risk Management Policy and Corporate Risk Register		√				
Counter Fraud Update Report including Counter Fraud & Corruption and Whistleblowing Policies	√					

AUDIT & MEMBER STANDARDS COMMITTEE WORK PROGRAMME FOR 2019/20

Item	24 July 2019	14 November 2019	5 February 2020	19 March 2020	28 April 2020	Deferred Reason
LEGAL AND DEMOCRATIC						
Annual report on Exceptions and Exemptions to Procedure Rules			√			
Overview of the Council's Constitution in respect of Contract Procedure Rules	√					
GDPR/Data Protection Policy		√				
Annual Report of the Monitoring Officer - Complaints		√				
RIPA reports policy and monitoring			√			
Review of the Effectiveness of the Audit & Member Standards Committee			√			
The Rules on Confidentiality		√				
Terms of Reference						
EXTERNAL AUDITOR						
Audit Findings Report for Lichfield District Council 2018/19	√					
The Annual Audit Letter for Lichfield District Council		√				
Certification Work for Lichfield District Council for Year Ended 31 March 2019		√				TBC depending on when we agree the work will be performed – may have to be Feb
Planned Audit Fee 2019/20	√					
Informing the Audit Risk Assessment - Lichfield District Council			√			
Audit Plan for Lichfield District Council 2019/20			√			

AUDIT & MEMBER STANDARDS COMMITTEE WORK PROGRAMME FOR 2019/20

Item	24 July 2019	14 November 2019	5 February 2020	19 March 2020	28 April 2020	Deferred Reason
Audit Committee LDC Progress Report and Update – Year Ended 31 March 2020			√			
Audit & Member Standards Committee Training Session by Grant Thornton				√		

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