



Epping Forest District Council

AUDIT AND GOVERNANCE COMMITTEE **Monday, 5th February, 2018**

You are invited to attend the next meeting of **Audit and Governance Committee**, which will be held at:

Council Chamber, Civic Offices, High Street, Epping
on Monday, 5th February, 2018
at 7.00 pm .

Glen Chipp
Chief Executive

**Democratic Services
Officer**

Gary Woodhall
(Governance Directorate)
Tel: 01992 564470
Email: democraticservices@eppingforestdc.gov.uk

Members:

Councillors J Knapman (Chairman), L Hughes, R Jennings, A Patel, and J M Whitehouse

Independent A Jarvis (Vice-Chairman) and N Nanayakkara

WEBCASTING/FILMING NOTICE

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If you have any queries regarding this, please contact the Public Relations Manager on 01992 564039.

1. WEBCASTING INTRODUCTION

The Chairman will read the following announcement:

“I would like to remind everyone present that this meeting will be recorded for subsequent repeated viewing on the Internet and copies of the recording could be made available for those that request it.

By being present at this meeting it is likely that the recording cameras will capture your image and this will result in your image becoming part of the broadcast.

You should be aware that this might infringe your human and data protection rights. If you have any concerns please speak to the Webcasting Officer.

Please could I also remind members to put on their microphones before speaking by pressing the button on the microphone unit.”

2. APOLOGIES FOR ABSENCE

(Director of Governance) To be announced at the meeting.

3. DECLARATIONS OF INTEREST

(Director of Governance) To declare interests in any item on this agenda.

4. MINUTES

(Director of Governance) To confirm the minutes of the last meeting of the Committee held on 27 November 2017 (previously circulated).

[Click here for Audit & Governance Minutes 27 November 2017.](#)

5. MATTERS ARISING

(Director of Governance) To consider any matters arising from the previous meeting.

6. AUDIT & GOVERNANCE WORK PROGRAMME 2017/18 (Pages 5 - 6)

(Director of Governance) To consider the attached Work Programme for 2017/18.

7. PROGRESS REPORT - TOWN MEAD DEPOT, WALTHAM ABBEY (Pages 7 - 42)

(Director of Neighbourhoods) To consider the attached report (AGC-014-2017/18).

8. REPORTS OF THE EXTERNAL AUDITOR (Pages 43 - 72)

(External Auditor) To consider the attached report (AGC-015-2017/18).

9. INTERNAL AUDIT CHARTER (Pages 73 - 84)

(Chief Internal Auditor) To consider the attached report (AGC-016-2017/18).

10. INTERNAL AUDIT MONITORING REPORT - NOVEMBER 2017 TO FEBRUARY 2018 (Pages 85 - 106)

(Chief Internal Auditor) To consider the attached report (AGC-0176-2017/18).

11. TREASURY MANAGEMENT STRATEGY STATEMENT 2018/19 (Pages 107 - 142)

(Director of Resources) To consider the attached report (AGC -018-2017/18).

12. ANY OTHER BUSINESS

Section 100B(4)(b) of the Local Government Act 1972 requires that the permission of the Chairman be obtained, after prior notice to the Chief Executive, before urgent business not specified in the agenda (including a supplementary agenda of which the statutory period of notice has been given) may be transacted.

13. EXCLUSION OF PUBLIC AND PRESSExclusion:

To consider whether, under Section 100(A)(4) of the Local Government Act 1972, the public and press should be excluded from the meeting for the items of business set out below on grounds that they will involve the likely disclosure of exempt information as defined in the following paragraph(s) of Part 1 of Schedule 12A of the Act (as amended) or are confidential under Section 100(A)(2):

Agenda Item No	Subject	Exempt Information Paragraph Number
Nil	Nil	Nil

The Local Government (Access to Information) (Variation) Order 2006, which came into effect on 1 March 2006, requires the Council to consider whether maintaining the exemption listed above outweighs the potential public interest in disclosing the information. Any member who considers that this test should be applied to any currently exempted matter on this agenda should contact the proper officer at least 24 hours prior to the meeting.

Background Papers:

Article 17 of the Constitution (Access to Information) define background papers as being documents relating to the subject matter of the report which in the Proper Officer's opinion:

- (a) disclose any facts or matters on which the report or an important part of the report is based; and
- (b) have been relied on to a material extent in preparing the report and does not include published works or those which disclose exempt or confidential information and in respect of executive reports, the advice of any political advisor.

The Council will make available for public inspection one copy of each of the documents on the list of background papers for four years after the date of the meeting. Inspection of background papers can be arranged by contacting either the Responsible Officer or the Democratic Services Officer for the particular item.

Audit & Governance Committee Work Programme 2017/18

26 June 2017

- Annual Report of the Chief Internal Auditor 2016/17..
- Audit & Governance Committee Annual Report 2016/17.
- Annual Governance Statement 2016/17.
- Anti-Fraud & Corruption Strategy.
- Internal Audit Progress Report.

18 September 2017

- Treasury Management Annual Outturn Report.
- Statutory Statement of Accounts 2016/17.
- Internal Audit Progress Report.

- ❖ Annual Governance Report 2016/17.

27 November 2017

- Treasury Management Mid-Year Report.
- Internal Audit Progress Report.
- Review of the Audit and Governance Committee Terms of Reference.
- Review of the Audit and Governance Committee Effectiveness.

- ❖ Annual Audit Letter 2017/18.

5 February 2018

- Treasury Management Investment & Strategy Statements.
- Internal Audit Progress Report.
- Review of Code of Corporate Governance.
- Review of the Internal Audit Charter.

26 March 2018

- Effectiveness of Risk Management.
- Internal Audit Progress Report
- Internal Audit Strategy and Audit Plan 2018/19.
- Internal Audit Compliance with the Public Sector Internal Audit Standards
- Corporate Fraud Team Strategy 2018/19

- ❖ Planning Letter 2018/19.
- ❖ Audit Plan 2017/18.
- ❖ Grant Claims Audit Report 2016/17.

Unallocated Items

- Information Regarding the Whistle Blowing Policy.

Key

- EFDC Officer Report.
- ❖ External Auditor Report.

N.B...In addition, the Committee's annual private meetings with the External (7pm) and Internal (7.15pm) Auditors are scheduled to take place prior to the 26 March 2018 meeting in the Conference Room.

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: AGC-014-2017/18

Date of meeting: 5 February 2018

Portfolio: Environment

Subject: Progress Report - Town Mead Depot Waltham Abbey

Responsible Officer: Derek Macnab (01992 564051).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) To receive an update on the progress made in the implementation of the recommendations of the Fire Risk Assessment for the Council's shared operational depot at Town Mead in Waltham Abbey.

Executive Summary:

At the last Committee meeting Members expressed concern at the lack of progress in the implementation of recommendations of an external Fire Risk Assessment of the Town Mead Depot and asked for an update by a senior officer of the Council.

This report sets out the background context and progress made in the implementation of fire and general health and safety improvements.

Reasons for Proposed Decision:

The Committee, having received a limited assurance audit report at the last meeting regarding health and safety at Town Mead Depot Waltham Abbey, asked for a senior officer to give an update at the February meeting.

Other Options for Action:

None.

Report:

Background

1. Town Mead Depot, Waltham Abbey is a small operational depot which is in the ownership of the Council and is jointly occupied with Waltham Abbey Town Council (WATC). Some photographs attached to give Members a better idea of the site. The Council's Countryside management service, Countryside, operates out of the Depot and WATC has its grounds maintenance service based there.

2. In addition to the above, other services that use the Depot are:

(a) Council's Grounds Maintenance team for storage of the grass cutting

equipment for the west of the District;

- (b) Biffa static street sweeping operative for Waltham Abbey;
- (c) Temporary storage of small items of street furniture;
- (d) Waste and Recycling service use a small area of the Depot for storage;
- (e) Communities Transport for storage of surplus materials;
- (f) Voluntary Action Epping Forest for storage; and
- (g) Waltham Abbey Town Council Grounds Maintenance and market storage.

3. The Council inherited the Depot in 1974, prior to that the depot was in the ownership of Waltham Holy Cross Urban District Council. It is understood that at one stage the depot was the operational base of the waste collections in the Urban District Council.

4. Of the footprint of the Depot circa 60% is occupied by Waltham Abbey Town Council and the remainder by the Council services.

The Council's Aspirations for Redevelopment of the Depot

5. For a number of years the Council aspired to redevelop the site for affordable housing. A number of feasibilities were carried out. However the depot is located in a Flood Plain and it was not possible to change the use.

6. One consequence of the efforts to consider redevelopment options for the depot has been that only essential maintenance was carried out in recent years. The depot is built of modular construction materials and was not designed to last this long. It is in need of major repair rather reconstruction to make it fit for current purpose.

Fire Risk Assessment

7. The Council's Internal Audit Team carried out an Audit in September 2016. This identified a number of weaknesses, principally:

- Lack of formal written agreement between WATC and EFDC;
- Lack of Fire Risk Assessment for the Depot;
- Lack of knowledge of the materials stored at the Depot;
- Presence of asbestos in the buildings;
- Lack of corporate oversight for the depot;
- Lack of management of ingress and egress resulting in unauthorised access; and
- Inadequacy of the toilet facility.

8. The Audit made two recommendations, to enter into a formal agreement with WATC and an Action Plan be drawn to address the health and safety issues identified in the Audit report.

9. As recommended by the Audit Report in September 2016 a Fire Risk Assessment was carried out and their recommendations made in March 2017. The delay in implementing recommendations of the Risk Assessment arose because the Council does not have a dedicated resource for management of its depots and officers have to action the

recommendations alongside their day to day responsibilities. Having said that after the initial delay significant work has been carried out to comply with the recommendations of the fire safety risk assessment.

Progress against the Audit Report of September 2016

10. Following the Audit an officer working group, headed by the Assistant Director Technical, was formed which consisted of the Health and Safety Officer, Countryside Manager, Facilities Manager and other key officers. The Group set out to address the issues identified. Meetings were held with WATC, who have extended full support and cooperation, to address all issues.

11. The Council made available additional budget to facilitate essential health and safety works, these include: a new robust perimeter security fence, enhanced CCTV systems, emergency repair works and commissioning an external fire risk assessment.

12. The Council does not have a dedicated Depot Manager and given the skill sets required the Council's Fleet Operations Manager has been helping to address safety issues. Since early 2016 a number of actions have been carried out:

- Regular safety audit inspections, sample report attached;
- Action plan for ongoing monitoring attached;
- Hazardous materials identified and removed, location plan attached;
- Flytip and general litter clearance and routine sweeping ongoing;
- Access to all parts of the depot has been obtained and all areas have been inspected;
- Working closely with WATC to ensure safe operating practices;
- Estates and Valuations department working on a form or legal agreement with WATC;
- Facilities Management have installed new boundary perimeter fence improving site security;
- New enhanced CCTV systems have been installed;
- Out of hours emergency response arrangements have been put in place;
- The Council has recently appointed a new Health and Safety and Emergency Planning Officer who will be starting their employment in February. The new appointee has been responsible for carrying out fire risk assessments at their previous employment and has considerable skills and expertise in this area.

Fire Risk Assessment Action Plan

13. An Action Plan for implementing recommendations of the Fire Risk Assessment of March 2017 is attached. Warning signs have either been installed or are in the process of being done. Fire Log Book and associated information is being collated. Owing to the nature of the operations on site, it is not occupied all the time and operational staff require regular access, it is necessary to identify key personnel who will take the lead in implementing fire evacuation procedures.

Relocation of Nursery Service

14. The Council's plant nursery and landscaping service currently operates out of a site in Pyrles Lane in Loughton. That site has been identified as housing development land. Design feasibility work is currently being carried out to modify Town Mead Depot such as to enable the Nursery and Landscape Service to be relocated here. The Service will consist of three members of staff and associated equipment that will need to be accommodated on site.

15. The new site will provide secure storage for machinery used by the Grounds Maintenance Service that is unable to be kept at its main depot in Oakwood Hill, due to the limited space and the need to relocate the Council's Housing Repairs team from their current location at Epping Depot. It will also provide the outside space required to hold shrub & tree stock and associated materials.

Resource Implications:

£75,000 was made available to deal with the urgent health and safety issues. A further £100,000 has been allocated for the relocation of the Nursery service from Pyrles Lane in Loughton.

Once the Nursery Service is relocated to the Depot and given the more extensive use of the site it will be necessary to allocate additional resources to stay on top of the health and safety requirements.

Legal and Governance Implications:

The Council owns the depot however it shares it with WATC. Owing to the operational nature of the services it is necessary to agree formal arrangements with WATC and avoid any ambiguity in responsibility of health and safety matters.

Safer, Cleaner and Greener Implications:

Safe and efficient operations of the Depot are necessary to enable effective service delivery of some of the key front line services in Waltham Abbey and the surrounding area.

Consultation Undertaken:

Waltham Abbey Town Council.

Background Papers:

Previous Committee meeting and Internal Audit report of September 2016.

Risk Management:

This is a mixed use, multiuser site consisting of mostly operational teams. Frequent vehicular movements and a mix of plant machinery access is required. In recent months, owing to the redevelopment of Langston Road Depot, storage of small items of street furniture and waste and recycling materials has been necessary. The Council plans to operate the Nursery Service from this Depot. All these activities will require close coordination and management to ensure safe and effective operations.

Equality Analysis:

The Equality Act 2010 requires that the Public Sector Equality Duty is actively applied in decision-making. This means that the equality information provided to accompany this report is essential reading for all members involved in the consideration of this report. The equality information is provided at Appendix B to the report.

Equality analysis report

Use this report template to record your equality analysis. This report is a written record that demonstrates that you have shown *due regard* to the need to **eliminate unlawful discrimination, advance equality of opportunity and foster good relations** with respect to the personal characteristics protected by equality law. Due regard must be paid at formative stages of policy or service development, changes, or withdrawal.

To assist you in completing this report, please ensure you read the guidance notes in the Equality Analysis Toolkit and refer to the following Factsheets:

- Factsheet 1: Equality Profile of the Epping Forest District
- Factsheet 2: Sources of information about equality protected characteristics
- Factsheet 3: Glossary of equality related terms
- Factsheet 4: Common misunderstandings about the Equality Duty
- Factsheet 5: Frequently asked questions
- Factsheet 6: Reporting equality analysis to a committee or other decision making body

If you require further help, please contact the Performance Improvement Unit.

Step 1. About the policy, service change or withdrawal

Name of the policy, service or project: <i>be specific</i>	Update to the Audit and Governance Committee on the actions arising from the Fire Risk Assessment at the Town Mead Depot in Waltham Abbey
Revised / new / withdrawal:	New
Intended aims / outcomes/ changes:	To give an overview on the activities undertaken to improve health and safety at the depot especially in respect of Fire Risk Assessment
Relationship with other policies / projects:	Health and Safety policies and procedures across the Council
Name of senior manager for the policy / project:	Q Durrani
Name of policy / project manager:	Q Durrani

Step 2. Decide if the policy, service change or withdrawal is equality relevant

<p>Does the policy / project / service process involve, or have consequences for employees or other people? If yes, please state who will be affected. If yes, then the policy / project is equality relevant.</p> <p>If no, state your reasons for this decision. Go to step 7.</p> <p><i>The majority of Council policies and projects are equality relevant because they affect employees or our communities in some way.</i></p>	If yes, state which protected groups:
	<p>If no, state reasons for your decision:</p> <p>The consequence of decision of this report will be an improvement in health and safety arrangements at the site</p>

Epping Forest Local Highways Panel meets regularly and considers capital highway improvement schemes across the District. The Panel works under the Localism Agenda and linked to the Essex County Council's Corporate Plan, key objectives of the Panel are:

- ***Encourage Essex residents to influence decisions and shape their communities,***
- ***Help communities play a greater role in shaping, challenging and developing local services,***
- ***Making Essex roads safer,***
- ***Encourage residents to get more involved in their communities,***
- ***Promote closer working between local authorities***
- ***Ensure that the highway infrastructure supports businesses to trade and grow***
- ***Ensure that the road network is well maintained***

The types of schemes considered vary, for example: speed survey, installation of a traffic sign or a dropped kerb for access. Every scheme is in line with local and national policies and subject to equality impact assessments any equality and diversity issue identified is addressed before a scheme is recommendation for approval.

Step 7. Documentation and Authorisation

Summary of actions to be taken as a result of this analysis (add additional rows as required):	Name and job title of responsible officer	How and when progress against this action will be reported
The decisions in this report will enable more schemes to be implemented by the Epping Forest Local Highways Panel. The Panel is supported by officers of Essex Highways and governance arrangements of Essex County Council. It is understood that the Equality analysis of any scheme being implemented will be assessed under the decision making processes of the County Council.	Q Durrani Assistant Director Technical, Neighbourhoods	

Name and job title of officer completing this analysis:	Q Durrani Assistant Director Technical, Neighbourhoods
Date of completion:	22/01/2018
Name & job title of responsible officer: (If you have any doubts about the completeness or sufficiency of this equality analysis, advice and support are available from the Performance Improvement Unit)	Qasim (Kim) Durrani Assistant Director (Technical) Neighbourhoods
Date of authorisation:	
Date signed copy and electronic copy forwarded to	

Step 8. Report your equality analysis to decision makers:

Your findings from this analysis (and any previous analysis) must be made available to a decision making body when it is considering the relevant service or policy.

Therefore you must:

- reflect the findings from this analysis in a 'Due Regard Record' (template available), and attach it as an appendix to your report. The Record can be updated as your policy or service changes develop, and it exists as a log of evidence of due regard;
- Include this equality information in your verbal report to agenda planning groups or directly to portfolio holders and other decision making groups.

Your summary of equality analysis must include the following information:

- if this policy, service change or withdrawal is relevant to equality, and if not, why not;
- the evidence base (information / data / research / feedback / consultation) you used to help you understand the impact of what you are doing or are proposing to do on people with protected characteristics;
- what the evidence base (information / data / research / feedback / consultation) told you about people with protected characteristics;
- what you found when you used that evidence base to assess the impact on people with the protected characteristics;
- whether or not your policy or service changes could help to advance quality of opportunity for people with any of the protected characteristics;
- whether or not your policy or service changes could help to foster good relations between communities.

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Purpose of Action Plan: To address the Limited Assurance audit over the adequacy of Health and Safety working practices at Townmead Depot, Waltham Abbey and lack of depot management processes which are deemed to present a risk to Employees and users.

Over all responsibility: Director of Neighbourhoods and Assistant Director (Technical Services)

Resources: Kim Durrani, David Marsh, Arvin Kane, Abigale Oldham, Phil Hawkins (Technical Services), Stuart Mitchell, Thomas Elwood (Facilities Manager), Wendy Gains (H&S Officer), Kathryn Richmond, Keith Costello (Waltham Abbey Town Council), Karim Pabani, Peter Steer (Estates and Valuation), Julie Chandler Caroline Wiggins, Adrian Petty (Communities Directorate), Peter Maddock, Edd Higgins (Resources Directorate), Alison Mitchell, Ruth Rose (Legal Services)

No	Audit finding	Activity	Action	Resources (Responsible person)	Current Status	Target Completion Date	Red, Amber Green status	Next step
1	Lack of fire risk assessment	Get fire risk assessment for the depot	Instruct consultants	Arvin Kane	No smoke alarms fitted to main office	refer to FRA Action Plan	Green	Fire Risk Assessment completed.
2	Lack of periodic health and safety inspections	Carry out monthly inspections and log using Inspection Check List, any issues to be reported to the relevant responsible officer	Arvin Kane to arrange monthly inspections and include Adigale Oldham and Keith Costello	Arvin Kane	last inspection held on 21/12/16	next inspection Feb 2018	Green	Arvin Kane to report if action on risks identified is not being taken by responsible officers
3	Lack of information to what extent dangerous or hazardous equipment and materials are stored on site	To prepare a log of all hazardeous and dengarous materials,including inspections, both internal and external, in guidance of Wendy Gains	Arvin Kane to prepare a log and take advice from Wendy Gains	Arvin Kane	Audit carried out on the 21st Dec, various risks identified, storage of gas bottles and fuel, 5 units require emptying of general rubbish, asbestos identified in unit 21. sub station has now been completed fenced in.	Feb-18	Green	location of all hazardeous materials known and plotted, storage areas to be cleared following approval from Estates Department, asbestos is being managed as per EFDC policies
4	Repairs/maintenance requirements for garages containing asbestos roofs has a cost implication to the Council	Facilities Management to revisit the Asbestos Register and advise if there is a financial risk to the Council	Stuart Mitchell to advise if there is a financial risk due to the asbestos in the roofs	Stuart Mitchell	All ACMs identified in Asbestos register are labelled and managed. Asbestos noted in unit 21	once detailed designs for Nursery Relocation and known	Green	Reinspection survey and planned maintenance upkeep works due 2017/18. Funded within existing approved budgets.
5	Lack of adequate policies and procedures for safe working practices	Corporate policies and procedrues relating to safe working to be provided to all users/occupiers and arrangements made to store upto date copies on site	AK to liaise with the new H&S Officer	WATC	All employees are made aware of Corporate Policies, to check with WATC their arrangements	Mar-18	Amber	Corporate Policies available on intranet as previously stated. how do Waltham Abbey Town Council deal with this?
6	Lack of review of operational risk assessment	to provide Arvin Kane current copies of operational risk assessments, make arrangements for updating these	Abigale Oldham, Keith Costello, Phil Hawkins, David Marsh	Arvin Kane	Only received from CountryCare, others to provide	Mar-18	Red	Chase occupiers to provide MS/Ras for their service areas
7	Lack of monitoring and reporting to ensure safe practices regarding depot and staff (including accident reporting, H&S workplace inspections and site security)	Arvin Kane to check with the new H&S Officer and prepare a monitoring and reporting system which can be circulated to all users	All users and occupiers	Arvin Kane/H&S Officer/Phil Hawkins/Abigail Oldham	Security and depot main gate signage installed	Mar-18	Green	Accident/incident form and reporting guidance available on intranet. May be used for injury accidents and any other incidents. Unsafe work practices, etc may be recorded on accident/incident form by any EFDC staff and sent to AK and WG for investigation.
8	Lack of safe storage of materials and equipment	Arvin Kane to pick up unsafe storage in the monthly inspections and report to relevant user for action with a clear time line for action, failing that to escalate to Assistant Director (Technical Services) for follow up.	All users and occupiers	Arvin Kane	David Marsh to arrange for a skip and 4/5 units to be emptied of general rubbish	completed	Green	
9	No formal agreement between EFDC and WATC	Sign agreement with Waltham Abbey Town Council to cover: Terms of use, Operational arrangements and roles and responsibilities of both parties	Produce draft of agreement and share with WATC	Karim Pabani/Derek Macnab	Karim liaising with WATC	Mar-18	Red	WATC can sign a long term agreement but some financial data is required
10	Lack of Corporate oversight of the depot	To ensure the £75,000 allocated is prioritised correctly	Kim Durrani	Arvin Kane	£75,000 approved by Cabinet for essential works,		Green	boundary fence secured
11		a) Gate (motorised or manual) for the main entrance		Stuart Mitchell	FM have been instructed not to install a new gate unless sufficient budget remains within the allocated sum of £75,000 once all other works are completed. The existing gate is adequate to secure the site if users close and lock it	Nov-18	Green	
12		b) Levelling and repairs to the site of the former house		Stuart Mitchell	this will get reviewed under the relocation of Nursery from Pyrles Lane	Refer to nursery relocation project	Green	Refer to nursery relocation project
13		c) Refurbishments to the toilet		Stuart Mitchell	Toilet will be recommissioned and controls put on usage to prevent abuse, routine cleaning will be carried out going forward	Refer to nursery relocation project	Green	issues with blocked drainage pipes to be resoved as part of the Nursery Relocation Project
14		d) Boundary fence security improvements across the site		Stuart Mitchell/Thomas Elwood		completed	Green	
15		e) signing and lining across the depot yard etc		Stuart Mitchell	signage installed, lining to be incorporated with the Nursery Project	this will be impacted by the project for relocaiton of nursery	Green	Refer to nursery relocation project

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LAWRENCE WEBSTER FORREST
TOWN MEAD DEPOT – FIRE RISK ASSESSMENT REPORT - CARRIED OUT 01.02.2017
ACTION PLAN – updated 23.01.2018

Green – completed

REF	ISSUE	ACTION	UPDATE	RESPONSIBLE PERSON	FURTHER ACTION
A1.1	Fire Safety Policy and Procedures	a) Fire emergency plan produced What should staff do if they discover a fire?	a) Signage – completed bar fire instruction notices – awaiting installation of alarm	SM	Alarms ordered
		b) How will people be warned there is a fire?	b) battery operated fire alarm call points on order	SM	Alarms ordered
		c) Operating the rotary bell or raising the alarm	c) Once agreed, training to be arranged	QD	Training to be arranged
		d) Location of Fire extinguishers/fire fighting equipment	d) map at print – hydrant location completed	AK	Awaiting map
		e) Action to be taken upon hearing fire alarm?	e) main board ready to be fixed once fire alarms installed	SM	Awaiting alarms to be installed
		f) How to evacuate premises?	f) information included in main board – awaiting to be fixed - Training required	SM QD	Awaiting alarms to be installed Training to be arranged
		g) Calling the Fire Brigade and who is responsible?	g) Alarm to be raised by person(s) as identified on signage - Training Required	AK QD	Identify person on signage Training to be

					arranged
		h) Assembly point away from the building?	h) at entrance – to be included in log book	AK	Log book awaited
		i) “Roll call” procedures and checking premises completely evacuated?	i) whoever is on site - Training required	QD	Training to be arranged
		j) Location of highly flammable materials and possible location of anyone known to be missing – emergency folder may be appropriate	j) Map at print/info to be included in log book – possible wipe board – inform WATC of EFDC procedure - Training required - Database to be prepared of staff including fire marshalls, etc	AK QD QD	Map completed Training to be arranged To be prepared
		k) Keeping fire fighting equipment unobstructed and available	k) Management weekly check - Training required	AK QD	Arrange weekly check Training to be arranged
		l) Knowledge of method of operation of fire escape door fastenings	N/A		N/A
		m) Emergency folder – recommended that an emergency folder should be prepared and given to the Officer in Charge for the first Fire and Rescue appliance to attend	m) Fire Safety Log Book, inside and outside, being prepared	AK	Awaiting information from SM
		n) Location of any flammable materials, cylinders or stores, the location of hazardous substances in storage or in	n) Map prepared Waste management storage area could be	AK	COMPLETED

		use, the location of nearest fire hydrants and any other information which will help to protect Firefighters in controlling an incident	for nursery — map will identify numbers as opposed to names		
		o) Contact telephone numbers for senior management who should be informed of a serious incident. Only essential information should be included and it should be as concise as possible	o) Speak to Darren Barlow for information and provide same to AQ Spare Key for Town Mead to be placed in EFDC box and Mears tel no's	AK AK	COMPLETED COMPLETED
		p) External box containing emergency folder, which only the Fire and Rescue Service can access (budget key lock) and be indicated "Fire Service Emergency Folder"	Fitted	SM	COMPLETED
		q) Health & Safety noticeboard	External — flip — up noticeboard installed But information to be included	SM AK	COMPLETED AK to include
A2.1	Staff Fire Training and Fire Drills	<ul style="list-style-type: none"> • Provide staff with basic fire safety awareness training • Fire Safety Log Book:- <ul style="list-style-type: none"> • Date of training • Who received the training • Details of the contents of the training package • Results of any checks on understanding 	Training required	QD	Training to be arranged

A2.2	Staff Fire Training and Fire Drills	All users are made familiar with the sound and use of the rotary hand bells with results of who is trained being recorded in the Fire Safety Log Book	Training required	AO	Training to be arranged
A5.1	Fire Risk Assessment	Review fire risk assessment on a regular basis (6 monthly at first and then annually once management procedures have been addressed)	To be revived by AO	Responsible person	AO to deal
A6.1	Fire Safety Log Book	Fire Safety Log Book to record:- <ul style="list-style-type: none"> • Main electrical testing • Most recent Fire Risk Assessment • Emergency plan • Portable Appliance Testing (PAT) • Any other relevant fire safety measures • 	All gathered and provided to AK - To be included in the folder	COMPLETED AK	COMPLETED AK to include information
A8.1	Testing of Fire Alarm	Bells subject to testing and maintenance by a competent contractor in a period not exceeding 6 months, ensuring they are in working order at all times	N/A – different system on order – now going with battery operation system	N/A	N/A
A10.1	Testing of Fire Fighting Equipment	System introduced that the portable fire fighting equipment is inspected monthly by the responsible person for the site and up-to-date records maintained in the Fire Safety Log Book within the main office	AK advised that possibly new H&S Officer will undertake this within their duties	AK	TBA
A14.1	Waste Disposal Arrangements	Storage locations for waste should be well away from buildings, wheeled bins and not kept in secured compounds, should be protected by a restraint system, ie the bin being secured by	Bins have been provided. Bins cycle hoop provided and concreted into the	AK	COMPLETED

		padlock/chain	ground		
A14.2	Waste Disposal Arrangements	It should be confirmed that risk assessments and COSHH data sheets for the storage of hazardous materials on the premises are in place and available to fire fighters	AO, WATC and PH to provide COSHH, if applicable. For materials stored by waste and recycling assume hazardous category	AO, WATC, PH	To be provided
A14.3	Waste Disposal Arrangements	Arrange for the waste to the rear of units 18-23 to be removed from site	Bins have been provided and emptied daily checking with Museum & Culteral	AK	COMPLETED
A15.1	Site Security Procedures	Provision of an external box containing the emergency folder, which only the Fire and Rescue Service can access (budget key lock) and be indicated as a Fire Service Emergency Folder	Installed but no contents, at present	SM	AK to provide contents
B9.1	Firefighters	Management to ensure that a Firefighter information box is erected on the external wall of the office, adjacent to the entrance with the relevant information for Firefighters attending the site	Installed but no contents, at present	SM	AK to provide contents
C1.1	Arson/Firesetting	Keeping the level of combustible materials to a minimum and securing all other areas at all times	All general rubbish and waste removed from site	COMPLETED	COMPLETED
D1.1	Fire Alarm & Detection	Provide a rotary hand bell to each of the entrance gates to the site	N/A – battery operated alarm system to be installed	N/A	N/A
D7.1	Fire Safety Signs & Notices	Provide additional fire safety signage to areas within the site that contain hazardous materials to comply with the Health & Safety (Safety Signs & Signals) Regulations 1996 and BS 5499	Signage ordered	COMPLETED	COMPLETED

D13.1	Housekeeping/Management/ Storage	It is recommended that the build up of oil being stored to the rear of unit 23 be stored in the appropriate container or be removed from site	Was to be removed on 07.12.17 — this will be confirmed	COMPLETED	COMPLETED

- Responsible person: QD (Qasim Durrani), SM (Stuart Mitchell), AK (Arvin Kane), AO (Abigail Oldham)

Town Mead Depot – infrastructure check.

Date of Inspection:

- updated: 11.12.17

Officers present; A Kane Abi

No	Area to be checked	Assess-ment		Details of damage/issue	Location of damage	Is the area safe for drivers, users or pedestrians		If no – have you made the area safe & what action did you take?	Who have you Reported the damage to?	Date reported
		A*	D**			Yes	No			
1	Check yard surface from entrance gate to Communities Store	✓		OK		✓		Repatching works and pedestrian walkway to be completed when the nursery has moved on site	n/a	
2	Check gates, fencing & walls surrounding depot	✓		New fencing required for depot, fencing to be replaced as part of the refurbishment		✓		1.8m fencing for perimeter fencing. New security signage and contact details fitted to gates/fencing	FM	Fencing completed October 17
3	Garage access	✓		Audit of depot buildings carried		✓		Grounds maint and WATC buildings checked		Spare keys cut issued x2 – Abi completed
4	Signage			For now OK but need to revisit				Revisit on completion of works	n/a	On going – on order
5	Check office block communal toilets & kitchen area		✓	1) Accessed area occupied by Community Development. 2) Toilets accessible but not clear if connected to mains 3) Voluntary Action area checked				1) Community Development gave access, 2) Facilities Management to check if toilets useable/connected, 3) VA in the process of clearing their unit, check to see if VA are giving up their tenancy	DM to advise Unit needs emptying	Under Mohammed brief
6	Condition of buildings – Damage, etc.	✓		Low level (9 no.) inspected 2 (Country Care), Grounds Maintenance inspected		✓		Facilities Management checked asbestos risk,	FM to provide reports	Signs on order – Arvin has other

								managing as per EFDC Policy		matters in hand
7	Town Council buildings and equipment secured (if unattended)	✓		Heavy roller, small roller, liquid stored, cables, rubbish		✓		Sweeper, roller, pallets need to be removed		WATC moved their items
8	Yard at the back	✓		1) Community Development trailer, 2) Concerns with back gate access to public, 3) Lighting columns, rubbish, asbestos and oil drum stored. 4) Is there legal agreement for the back gates?		✓		General clear up required and rubbish removed, DM to arrange for a skip/roll off unit	DM	gates – keep shut when not in use – do not lock until the end of the day
9	Electric Substation	✓		Brick debris, litter and debris inside the sub station		✓		Sub station completed fenced off	Jan 17	completed
10	Garage 2			Waltham Abbey Town Council				No access	Jan 17	Keys with Abi
11	Garage 3			Waltham Abbey Town Council				No access	Jan 17	Keys with Abi
12	Garage 5			Country care				Main hole cover missing	Jan 17	completed
13	Garage 9							Unit full of rubbish, repairs required to fuse board	To be removed	Keys obtained
14	Garage 10/18			Grounds maint and country care				Access obtained	Jan 17	Keys with Abi
15	Units 22/24			WATC tenants				Access obtained	Jan 17	Keys with Abi
16	Unit 21			VAEF tenant				Full of rubbish, tenant vacating unit, unit full of asbestos wall panels, heating system decommissioned	Jan 17, report to be completed by fm	remove items once confirmed by Estates Department

Further Actions:

1. FM: costs for essential health and safety works: motorised gate from Orchard Drive, tidy up old house site, recommissioning of toilets, fencing behind old Arb site, fencing improvements all over the site, asbestos monitoring, refurbishment of depot, speed humps, signage, ~~electric gates not agreed - removed~~ /barrier entry gate system – Mohammed dealing
2. WG: To investigate the fitting of smoke alarms to the main office – fire alarms Stuart dealing – will enquire at site alarm test on 12.12.17
3. Gas bottle storage cages require correct signage – on order
4. Identify container (not in a bunded tank)– possibly waste oil - removed
5. 3 pallettes of waste bags to be identified/removed – to be removed
6. 1 x sweeper 1 x tractor unit to be removed/scrapped - removed
7. Flameault who own sit – no keys – Phil – Arvin has sked him to leave spare key with Abi
8. Electric intake unit (rear of unit 28) – no access – Abi has key

Procedure for completing this form:

- 1 All inspections must be completed by walking and visually inspecting all areas listed.
- 2 All areas must be fit for purpose and in good repair order – **if you are not sure about any area** – report it to be sure.
- 3 Check for any potholes, sunken tarmac, and drain surround damage or similar road damage.
- 4 Ensure the fire escapes are clear of damage, obstructions and fire risks.
- 5 When the checks have been completed – it will be emailed to all relevant officers for their action

Notes:

- a. Is there a legal agreement regarding the back gate for Waltham Abbey Town Council?

Legend: A* = Acceptable

D** = damage found

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Townmead Depot Photos 19/11/18

APPHD = D 81/11/18 10:50 AM NMOL



Epping Forest District Council

www.eppingforestdc.gov.uk

Resources Directorate
Civic Offices, High Street, Epping
CM16 4BZ
01992 564000

Notes:

Revisions:

Project:
Townmead Depot
Orchard Gardens
Waltham Abbey
EN9 1RS

Title:

Depot plan

Date: JAN 17
Scale @ A3: NTS
Drawn: TE
Checked: Rev

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Report to the Audit and Governance Committee

Report Reference: AGC-015-2017/18

Date of meeting: 5 February 2018



**Epping Forest
District Council**

Portfolio: Technology & Support Services.

Subject: Reports of the External Auditor.

Responsible Officer: Bob Palmer (01992 564279).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) To consider and note the reports of the external auditor.

Executive Summary:

This Committee has within its Terms of Reference the considering of reports made by the external auditor.

The first report is the Audit Plan for 2017/18, which summarises the significant risks that impact on the audit and the key outputs from the audit. There are detailed sections setting out the scope of the audit, providing a risk assessment and the audit timetable.

The second report is the Grant Claims and Returns Certification Report, which sets out the key findings from the external auditor's certification work.

Reasons for Proposed Decisions:

To comply with the Committee's Terms of Reference and ensure the proper consideration of these reports.

Other Options for Action:

There are no other options for action.

Report:

1. The reports will be presented to the Committee by Ms Zoe Thompson, Engagement Lead.

Resource Implications:

Sufficient allowance was made in the original estimates for 2018/19 to cover the fees for the 2017/18 audit year and so no additional resources are required.

Legal and Governance Implications:

There are no legal implications or Human Rights Act issues arising from the recommendations in this report.

Safer, Cleaner, Greener Implications:

There are no implications arising from the recommendations in this report for the Council's commitment to the Nottingham Declaration for climate change, the corporate Safer, Cleaner and Greener initiative or any Crime and Disorder issues within the district.

Consultation Undertaken:

None.

Background Papers:

None.

Risk Management:

The documents identify areas of risk that the external auditors will address as part of their work.

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

Date / Name	Summary of equality analysis
24/02/18 Director of Resources	The report relates to the work conducted by the external auditor and has no equality implications.

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EPHING FOREST DISTRICT COUNCIL

AUDIT PLAN TO THE AUDIT AND GOVERNANCE COMMITTEE

Audit for the year ending 31 March 2018

Date of issue: 19 January 2018

CONTENTS

INTRODUCTION.....	1
YOUR BDO TEAM.....	2
ENGAGEMENT TIMETABLE.....	3
AUDIT SCOPE AND OBJECTIVES	4
MATERIALITY	5
OVERALL AUDIT STRATEGY	6
KEY AUDIT RISKS AND OTHER MATTERS.....	7
INDEPENDENCE	11
FEES	12
APPENDIX I: MATERIALITY.....	13

INTRODUCTION

PURPOSE AND USE OF OUR REPORT

We present our Audit Plan to the Audit and Governance Committee. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two-way communication throughout the audit process.

This report has been prepared to highlight and explain the key components of our audit strategy we believe to be relevant to the audit of the financial statements and use of resources of Epping Forest District Council ('the Authority') for the year ending 31 March 2018. Audit planning is a collaborative and continuous process and our audit strategy, as reflected in this report, will be reviewed and updated as our audit progresses. In particular, we will review our approach following our interim audit site visit. We will communicate any significant changes to our audit strategy, should the need for such change arise.

As auditors we are responsible for performing our audit in accordance with International Standards on Auditing (UK) which provide us with a framework which enables us to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. As the purpose of the audit is for us to express an opinion on the Authority's financial statements for the year ending 31 March 2018, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we consider internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work is not for the purpose of expressing an opinion on the effectiveness of internal control.

This report has been prepared solely for the use of the Audit and Governance Committee. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

AUDIT QUALITY

BDO is totally committed to audit quality. It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. BDO welcome feedback from external bodies and is committed to implementing all necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department), the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US public companies) and CPAB (Canadian Public Accountability Board), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for audits of listed companies and public interest entities.

More details can be found in our latest Transparency Report at www.bdo.co.uk.

YOUR BDO TEAM

Core team	Name	Contact details	Key responsibilities
<div>Zoe Thompson Engagement Lead</div> <div>Nick Bernstein Engagement Manager</div> <div>Puyan Mani Senior Auditor</div>	Zoe Thompson Engagement Lead	Tel: 01473 320 734 zoe.thompson@bdo.co.uk	Oversee the audit and sign the audit report
	Nick Bernstein Engagement Manager	Tel: 0207 034 5810 nick.bernstein@bdo.co.uk	Management of the audit
	Puyan Mani Senior Auditor	Tel: 0207 893 3596 puyan.mani@bdo.co.uk	Day to day supervision of the on-site audit

Page 50

Zoe Thompson is the Engagement Lead and has the primary responsibility to ensure that the appropriate audit opinion is given on the financial statements.

In meeting this responsibility, she will ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that:

- the financial statements are free from material misstatement, whether due to fraud or error
- the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

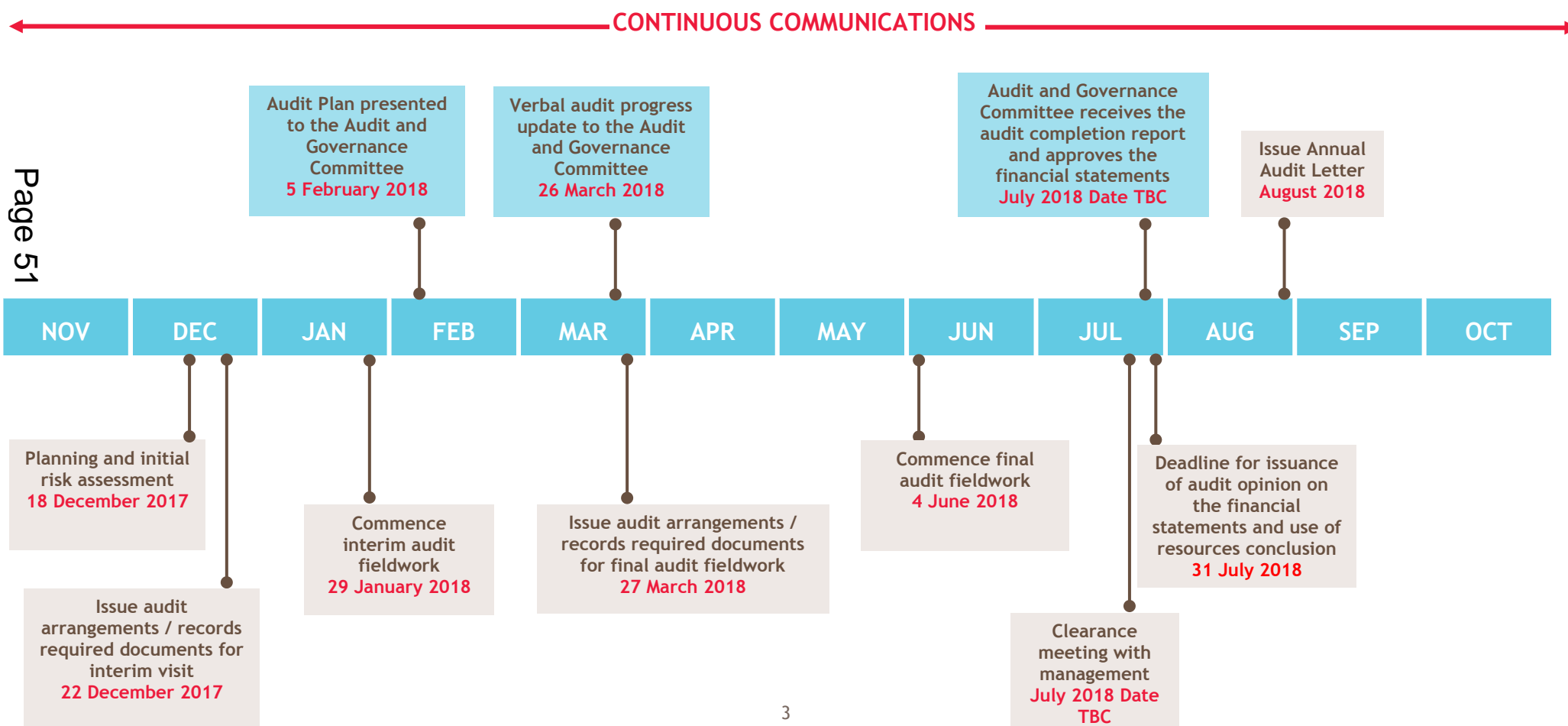
She is also responsible for the overall quality of the engagement.

ENGAGEMENT TIMETABLE

- Key dates involving the Audit and Governance Committee
- Other key dates

TIMETABLE

The timeline below identifies the key dates and anticipated meetings for the production and approval of the audited financial statements and completion of the use of resources audit.



AUDIT SCOPE AND OBJECTIVES

SCOPE AND OBJECTIVES

Our audit scope covers the audit in accordance with the National Audit Office (NAO) Code of Audit Practice (the Code), International Standards on Auditing (UK) and other guidance issued by the NAO.

Our audit objective is to form an opinion on whether:

FINANCIAL STATEMENTS		OTHER INFORMATION	WGA CONSOLIDATION	USE OF RESOURCES	
Page 52	1 The financial statements give a true and fair view of the financial position of the Authority and its expenditure and income for the period in question.	2 The financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.	3 Other information published together with the audited financial statements is consistent with the financial statements (including the governance statement).	4 The return required to facilitate the preparation of Whole of Government Accounts (WGA) consolidated accounts is consistent with the audited financial statements.	5 The Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

ADDITIONAL POWERS AND DUTIES

6 Where necessary:	7 Where necessary:
<ul style="list-style-type: none"> consider the issue of a report in the public interest make a written recommendation to the Authority. 	<ul style="list-style-type: none"> consider electors' questions about the accounts and consider objections apply to the court for a declaration that an item of account is contrary to law consider whether to issue an advisory notice or make an application for judicial review.

MATERIALITY

AUTHORITY MATERIALITY

	MATERIALITY	CLEARLY TRIVIAL THRESHOLD
Epping Forest District Council	£2,000,000	£40,000

Please see Appendix I for detailed definitions of materiality and triviality.

Planning materiality for the Authority has been based initially on 2% of 2017/18 budgeted gross expenditure. This will be revisited when the draft financial statements are received for audit. A lower level of materiality is applied to sensitive areas of the financial statements identified as senior management remuneration disclosures, auditors remuneration disclosure and related party disclosures.

The clearly trivial amount is based on 2% of the materiality level.

OVERALL AUDIT STRATEGY

We will perform a risk based audit on the Authority's financial statements and use of resources

This enables us to focus our work on key audit areas.

Our starting point is to document our understanding of the Authority's business and the specific risks it faces. We discussed the changes to the business and management's own view of potential audit risk to gain an understanding of the Authority's activities and to determine which risks impact on our audit. We will continue to update this assessment throughout the audit.

For the financial statements audit, we also confirm our understanding of the accounting systems in order to ensure their adequacy as a basis for the preparation of the financial statements and that proper accounting records have been maintained.

For the use of resources audit, we consider the significance of business and operational risks insofar as they relate to 'proper arrangements', including risks at both sector and authority-specific level, and draw on relevant cost and performance information as appropriate.

We then carry out our audit procedures in response to audit risks.

New Auditing Standards from 2017/18

This is the first year of application of a revised set of ISAs applicable to the UK. These include enhanced requirements in respect of the audit of disclosures, other information published with the accounts and of going concern, as well as changes to the structure and content of the audit opinion.

Audit risks and planned audit responses

For the financial statements audit, under ISA (UK) 315 "Identifying and assessing the risks of material misstatement through understanding the entity and its environment", we are required to consider significant risks that require special audit attention.

In assessing a risk as significant, we exclude the effects of identified controls related to the risk. The ISA requires us at least to consider:

- Whether the risk is a risk of fraud
- Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention
- The complexity of transactions

- Whether the risk involves significant transactions with related parties
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty
- Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

For the use of resources audit, the NAO has provided sub criteria which we will consider as part of our risk assessment process as follows:

- informed decision making
- sustainable resource deployment
- working with partners and other third parties.

Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We understand that internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will review relevant reports as part of our audit planning and consider whether to place any reliance on internal audit work as evidence of the soundness of the control environment.

Fraud risk assessment

We have discussed with management its assessment of the risk that the financial statements may be materially misstated due to fraud and the processes for identifying and responding to the risks of fraud.

Management believe that the risk of material misstatement due to fraud in the Council's financial statements is low and that controls in operation would prevent or detect material fraud. We are informed by management that there have not been any cases of significant or material fraud to their knowledge.

We are required to discuss with those charged with governance their oversight of management's processes for identifying and responding to risks of all fraud.

We expect Audit and Governance Committee Members, as those charged with governance, to let us know if there are any actual, suspected or alleged instances of fraud of which they are aware.

KEY AUDIT RISKS AND OTHER MATTERS

Key: ■ Significant risk [SR] ■ Normal risk [NR]

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Management override [SR] Page 55	<p>The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.</p> <p>Under ISA (UK) 240, there is a presumed significant risk of management override of the system of internal controls.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements • Review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud • Obtain an understanding of the business rationale for significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual. 	None.
Other income - Revenue recognition [SR]	<p>Under ISA (UK) 240 there is a presumption that income recognition presents a fraud risk.</p> <p>We consider that the presumed risk of fraudulent revenue recognition can be rebutted for income received in respect of taxation and non-specific government grants. These items are determined either at the beginning of the year as part of the Authority's budget setting process or by central government. This reduces the opportunity for manipulation.</p> <p>For the remaining revenue streams, specifically fees and charges, we consider that the risk of fraudulent revenue recognition remains in respect of accuracy, existence and completeness.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Carry out audit procedures to confirm our understanding of the authority's internal control environment for the significant income streams, including how this operates and ensure that income is recognised. • Carry out audit procedures to gain an understanding of the authority's internal control environment for new income streams, in particular the Shopping Park, including income recognition policies based upon the arrangements and agreements in place. • Substantively test an increased sample of income streams from source document to the general ledger, testing income to supporting documentation. 	None.

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Property, plant and equipment valuations Page 56	<p>Local authorities are required to ensure that the carrying value of property, plant and equipment (PPE) is not materially different to the fair value at the balance sheet date.</p> <p>The fair value for land and buildings, including Epping Forest Shopping Park, in PPE and Investment Properties is a management estimate based on market values or depreciated replacement cost (DRC). Management use external valuation data to assess whether there has been a material change in the value of classes of assets and periodically (minimum of every five years) employs an external expert (valuer) to undertake a full valuation. The council also use an external valuer for investment properties as well as using internal valuers.</p> <p>There is a risk over the accuracy of the valuation of land and buildings where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at year-end.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review the instructions provided to the valuer and review the valuer's skills and expertise in order to determine if we can rely on the management expert. Confirm that the basis of valuation for assets valued in year is appropriate based on their usage. Confirm that an instant build modern equivalent asset basis has been used for assets valued at DRC. Review valuation movements against indices of price movements for similar classes of assets and follow up valuation movements that appear unusual against indices. Gain reasonable assurance that the carrying values of Property, Plant and Equipment (PPE) and Investment Properties that were not revalued in the year are not materially different to the fair value at the balance sheet date. 	<p>We will review independent data that shows indices and price movements for classes of assets against the percentage movement applied by the Council.</p>
Pension liability Assumptions [SR]	<p>The net pension liability comprises the Council's share of the market value of assets held in the Essex County Council Pension Fund and the estimated future liability to pay pensions.</p> <p>An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions to value the liability.</p>	<p>We will:</p> <ul style="list-style-type: none"> Agree the disclosures to the information provided by the pension fund actuary. Contact the administering authority and request confirmation of the controls in place for providing accurate membership data to the actuary. Review the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data. 	<p>We will:</p> <ul style="list-style-type: none"> Agree the disclosures to the report received from the actuary. Use the consulting actuary report commissioned by the NAO to review the methodology of the actuary and reasonableness of the assumptions applied.

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Consideration of related party transactions [NR]	We need to consider if the disclosures in the financial statements concerning related party transactions are complete and adequate and in line with the requirements of the accounting standards.	<p>We will:</p> <ul style="list-style-type: none"> Document the related party transactions identification procedures in place and review relevant information concerning any such identified transactions. Discuss with management and review councillors and Senior Management declarations to ensure there are no potential related party transactions which have not been disclosed. This is something we will require you to include in your management representation letter to us. 	We will perform Companies House searches to identify undisclosed interests.

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - USE OF RESOURCES

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Financial sustainability [SR] Page 58	<p>With the continued reductions in central government funding for local government and increased pressure on services, the Council faces an increasing financial challenge in relation to General Fund balances.</p> <p>The Council has put in place its Transformation Programme to deliver required savings over the medium term, key pillars of which are the People, IT and Accommodation Strategies. The Council requires the successful implementation of these strategies in order maintain its level of reserves and continue to be financially sustainable in the longer term. Each strategy presents risks and opportunities for the Council which will require robust scrutiny and monitoring, especially given the changing circumstances, such as the potential listing of some of the Council's building that would impact on the accommodation review proposals.</p> <p>Given the financial landscape in which the Council is operating, we consider financial sustainability to be a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review the Council's Medium Term Financial Strategy to assess the reasonableness of assumptions used and how the Council is addressing financial pressures. Consider the progress made by the Council regarding the exploitation of the commercial opportunities it has identified. Review the progress it has made with its Transformation Programme. 	Not applicable.

INDEPENDENCE

INDEPENDENCE

Under Auditing and Ethical Standards, we are required as auditors to confirm our independence to ‘those charged with governance’. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Audit and Governance Committee as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to have a bearing on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. The procedures require that engagement leads are made aware of any matters which may reasonably be thought to bear on the firm’s independence and the objectivity of the engagement lead and the audit staff. This document considers such matters in the context of our audit for the period ending 31 March 2018.

The threats we have identified are described below together with the safeguards we have put in place to mitigate those threats.

DETAILS OF RELATIONSHIP (INCLUDE ANY OTHER INFORMATION NECESSARY)	THREATS TO INDEPENDENCE CREATED	SAFEGUARDS PUT IN PLACE (AND WHY THEY ADDRESS SUCH THREATS)
The threat to auditor independence from Audit Related Services	Self-interest threat	The threat to auditor independence from Audit Related Services is insignificant therefore no safeguards required.

Other than the items identified above, we have not identified any potential threats to our independence as auditors.

We confirm that the firm complies with the Financial Reporting Council’s Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement partner and audit staff is not impaired. These policies include partner and manager rotation after 5 and 10 years respectively. The table below sets out the length of involvement of key members of the audit team and the planned year of rotation.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

INDEPENDENCE - ENGAGEMENT TEAM ROTATION

SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED	ROTATION TO TAKE PLACE IN YEAR ENDED
Zoe Thompson - Engagement lead	2	2021/22
Nick Bernstein - Engagement manager	2	2027/28

FEES

FEES SUMMARY

Our proposed fees, excluding VAT, for the year ending 31 March 2018 are:

	2017/18 Proposed fee £	2016/17 Actual fee £
Code audit fee	64,672	64,672
Certification fee (Housing benefits subsidy)	18,533	18,533
Total code audit and certification fees:	83,205	83,205
Fees for non-audit services - audit related (see below)	TBC	TBC
Fees for non-audit services - other	-	-
TOTAL FEES	TBC	TBC

NON AUDIT SERVICES FEES ANALYSIS

£

Audit related services:

Pooled capital receipts certification fee	TBC
Total	TBC

The above fees do not differ from those included in the fee letter that we issued on 9 March 2017.

We have been raising invoices for the Code audit fee on a quarterly basis, at £16,168 per quarter, from June 2017.

Following our firm's standard terms of business, full payment will be due within 14 days of receipt of invoice. Fee invoices for any other services will be raised as the work is completed.

In 2016/17, we were engaged by management to provide reporting accountant assurance on the pooling of housing capital receipts return. This work is outside of the framework which governs the Code audit work and certification of the housing benefit subsidy return. Should we be appointed to undertake similar work in 2017/18, we will report the fee to the Audit and Governance Committee once agreed with management.

Our fee is based on the following assumptions

- The complete draft financial statements and supporting working papers will be prepared to a standard suitable for audit. All balances will be reconciled to underlying accounting records.
- Key dates will be met, including receipt of draft accounts, Governance Statement and working papers prior to commencement of the final audit fieldwork.
- We will receive only one draft of the financial statements prior to receiving the final versions for signing.
- Within reason, personnel we require to hold discussions with will be available during the period of our on-site work (we will set up meetings with key staff in advance).

APPENDIX I: MATERIALITY

CONCEPT AND DEFINITION

- Materiality is the amount by which misstatement in the financial statements could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The concept of materiality applies not only to monetary misstatements but also to other disclosures in the financial statements.
- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. At the planning stage we set an overall level of materiality for the financial statements as a whole based on our understanding of the elements of the financial statements that are likely to be of greatest significance to users. Lower materiality levels may be set for specific classes of transactions, balances or disclosures where appropriate. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

REASSESSMENT OF MATERIALITY

Page 61

We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.

Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope. If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.

- You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

UNADJUSTED ERRORS

- We will communicate to you all uncorrected misstatements, including omission, identified during our audit, other than those which we believe are 'clearly trivial'.
- We will request that adjustments be made to correct such errors. However, where you choose not to do so we will request written representations from the Board of Directors confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.
- Should any misstatements remain uncorrected we will consider the implications for our audit report.

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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LEPPING FOREST DISTRICT COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Audit for the year ended 31 March 2017
18 January 2018

Page 63

INTRODUCTION

PURPOSE AND USE OF THIS REPORT

This report summarises the main issues arising from our certification of grant claims and returns for the financial year ended 31 March 2017.

Public Sector Audit Appointments Ltd (PSAA) regime

PSAA has a statutory duty to make arrangements for certification by the appointed auditor of the annual housing benefit subsidy claim.

We undertake the grant claim certification as an agent of PSAA, in accordance with the Certification Instruction (CI) issued by them after consultation with the Department for Work and Pensions (DWP).

After completion of the tests contained within the CI the grant claim can be certified with or without amendment or, where the correct figure cannot be determined, may be qualified as a result of the testing completed.

Other certification work

A number of other grant claims and returns are not within the scope our appointment by PSAA, but Departments may still seek external assurance over the accuracy of the claim or return. These assurance reviews are covered by tripartite agreements between the Council, sponsoring Department and the auditor.

The Council has engaged us to carry out a 'reasonable assurance' review, based on the instructions and guidance provided by the Department for Communities and Local Government (DCLG), of the Pooling of housing capital receipts return for the year ended 31 March 2017. The finalisation of the unaudited pooling of capital receipts return has been delayed while discussions continue between DCLG regarding the final spend position and the Council and therefore we have not completed this work at the time of drafting this report. The deadline for submission of the audited return was 30 October 2017 and we expect to be able to certify the return in February 2018 once the Council has certified the draft claim and discussions with DCLG have been concluded.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during our certification work.

AUDIT QUALITY

BDO is totally committed to audit quality. It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. BDO welcome feedback from external bodies and is committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US firms), the firm undertake a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our latest Transparency Report at www.bdo.co.uk.

CONTENTS

INTRODUCTION1

CONTENTS.....2

KEY FINDINGS3

DETAILED FINDINGS4

APPENDICES6

APPENDIX I: STATUS OF 2015/16 RECOMMENDATIONS7

APPENDIX II: FEES SCHEDULE.....8

KEY FINDINGS

Below are details of the housing benefit grant claim subject to certification by us for the financial year ended 31 March 2017. Where our work identified issues which resulted in either an amendment or a qualification (or both), further information is provided on the following pages.

CLAIM OR RETURN	VALUE (£)	QUALIFIED?	AMENDED?	IMPACT OF AMENDMENTS(£)
Housing benefit subsidy	£35,332,121	YES	NO	N/A

DETAILED FINDINGS

Page 67

HOUSING BENEFIT SUBSIDY	FINDINGS AND CONCLUSION
<p>Local authorities responsible for managing housing benefit are able to claim subsidies towards the cost of these benefits from central government. The final value of subsidy to be claimed by the Council for the financial year is submitted to central government on form MPF720A, which is subject to certification.</p> <p>Our work on this claim includes verifying that the Council is using the correct version of its benefits software and that this software has been updated with the correct parameters. We also agree the entries in the claim to underlying records and test a sample of cases from each benefit type to confirm that benefit has been awarded in accordance with the relevant legislation and is shown in the correct cell on form MPF720A.</p> <p>The methodology and sample sizes are prescribed by PSAA and DWP. We have no discretion over how this methodology is applied.</p> <p>The draft subsidy return provided for audit recorded amounts claimed as subsidy of £35,332,121. No amendments were made to the draft claim.</p>	<p>Our audit of 60 individual claimant files highlighted two errors in administering benefit and calculating subsidy entitlement, both of which were reported as observations only, as opposed to “errors” as they resulted in understatement of cell values and did not affect the subsidy amounts. Consequently, extended testing was not required.</p> <p>Guidance requires auditors to undertake extended 40+ testing if initial testing identified errors in the benefit entitlement calculation or in the classification of expenditure. Such testing is also undertaken as part of our follow-up of prior year issues reported. This additional testing, combined with the original testing where there has been an overpayment of benefit, is extrapolated (or extended) across the population. Where the error can be isolated to a small population, the whole population can be tested and the claim form amended if appropriate. Where there is no impact on the subsidy claim, for example where the error always results in an underpayment of benefit, we are required to report this within our qualification letter.</p> <p>One area of 40+ testing was undertaken as a result of a prior year reported error. PSAA’s methodology requires auditors to reperform a sample of the additional work undertaken by the Council to ensure conclusions have been satisfactorily recorded. We were able to rely on the conclusions drawn by the Council and no errors were identified.</p> <p>Our work was completed and the claim was certified before the Government’s deadline of 30 November 2017. Our audit certification was qualified and the matters identified were reported in a letter to the Department of Work and Pensions.</p> <p>A summary of our audit findings can be found on the next page.</p>

BENEFIT TYPE	ERROR TYPE	IMPACT ON CLAIM
Benefit software: reconciliation of benefit granted to benefit paid	<p>The Council uses Capita benefit software. The software supplier provides a method for the Council to reconcile benefit granted per the benefit software to benefit paid per the benefit software. The reconciliation resulted in a difference of £650 against cell 055 which could not be explained by the Council and was, therefore, not investigated further.</p> <p>Completion of the internal validation element of the reconciliation identified an imbalance for private tenants of £39.42. This difference could not be explained by the Council and was, therefore, not investigated further.</p>	These matters had no impact on the subsidy return but were reported in our qualification letter.
Rent rebates	Testing of the initial sample of 20 cases identified one case where an overpayment posted to Cell 066 was subsequently netted off in error to nil. This resulted in the understatement of Cell 066 and Cell 055 by £84.92 and was not investigated further.	This matter had no impact on the subsidy return but was reported in our qualification letter.
Rent rebates	Testing of the initial sample of 20 cases identified one case where an overpayment posted to Cell 067 was subsequently netted off in error to nil. This resulted in the understatement of Cell 067 and Cell 055 by £77.90 and was not investigated further.	This matter had no impact on the subsidy return but was reported in our qualification letter.

APPENDICES

APPENDIX I: STATUS OF 2015/16 RECOMMENDATIONS

RECOMMENDATION	PRIORITY	RESPONSIBILITY	TIMING	PROGRESS	STATUS
Housing Benefits Provide refresher training to all benefits assessors to ensure they are aware of how earned income should be calculated in accordance with the regulations.	Medium	Benefits Manager	June 2017	Training is provided to the team on an ongoing basis. We did not identify any errors in the calculation of earned income in our 2016/17 certification work.	Closed

APPENDIX II: FEES SCHEDULE

	2016/17 FINAL	2016/17 PLANNED	2015/16 FINAL	
	£	£	£	EXPLANATION FOR VARIANCES
PSAA regime				
Certification fee (Housing benefit subsidy claim)	18,533	18,533	18,533	N/A
TOTAL PSAA REGIME FEES	18,533	18,533	18,533	
Other certification work				
Pooling of Housing Capital Receipts return	TBC	2,000	2,000	N/A
TOTAL CERTIFICATION FEES	TBC	20,533	20,533	

FOR MORE INFORMATION:

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: **AGC-016-2017/18**

Date of meeting: **5 February 2018**

Portfolio: Technology and Support Services

Subject: Internal Audit Charter

Responsible Officer: Sarah Marsh (01992 564446).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) The Committee is asked to approve the revised Internal Audit Charter (as attached at Appendix A).

Executive Summary:

The Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committee's practical guidance for Local Authorities and Police 2013 edition states that the Audit and Governance Committee (the Committee) should have a role in reviewing and approving the internal audit charter. In addition, the Committee has a role in overseeing the independence, objectivity, performance and professionalism of the Internal Audit service.

The Internal Audit Charter sets out the purpose, authority and responsibility of the internal audit function. This has been revised and minor amendments made to ensure it remains current, fit for purpose and aligned to the Public Sector Internal Audit Standards.

Reasons for Proposed Decision:

The Internal Audit Charter is required by the Public Sector Internal Audit Standards.

Other Options for Action:

No other options

Report:

1. The Internal Audit Charter (the charter) is a formal document that defines Internal Audit's purpose authority and responsibility. The Charter establishes Internal Audit's position in the Council, including the nature of the Chief Internal Auditor's reporting relationships, access to records, personnel and physical properties relevant to the performance of the engagement; and defines the scope of Internal Audit activities. Final approval of the Charter resides with the Audit and Governance Committee.

2. The Public Sector Internal Auditing Standards (PSIAS), which became effective from 1 April 2013, require that the purpose, authority and responsibility of Internal Audit must be formally defined in an internal audit charter, which the Chief Internal Auditor must periodically review and present to senior management and the Audit and Governance Committee for

approval.

3. Following consultations the PSIAS were updated in April 2017. The application of these standards is mandatory and therefore the Internal Audit charter has been updated. The most significant changes to the charter are that it is now more explicit on the mission and principles of the Internal Audit function, ensuring the role of Internal Audit includes risk management and governance, as well as internal controls. It also outlines the safeguards required in order to maintain impartiality and independence, should the Chief Internal Auditor take on additional responsibilities.

4. The charter was due for its annual review in November 2016 but was postponed until February 2017 after the outcomes from the independent External Quality Assessment (EQA) of the Internal Audit function were known. The EQA determined that the Internal Audit function was fully compliant with the Public Sector Internal Audit Standards. Part of the EQA process included a review of the Internal Audit charter and no deficiencies or enhancements were noted by the assessor. As a consequence no changes were made to the charter when reviewed in February 2017.

Resource Implications:

No specific implications.

Legal and Governance Implications:

The purpose, authority and responsibility of the Internal Audit function must be formally defined in an Internal Audit Charter, as required by the UK Public Sector Internal Audit Standards. The Public Sector Internal Audit Standards are mandatory for all UK Public Sector organisations.

Safer, Cleaner and Greener Implications:

No specific implications

Consultation Undertaken:

Corporate Governance Group

Background Papers:

Public Sector Internal Audit Standards

Risk Management:

No direct risk management implications arising from this report.

Equality Analysis:

The Equality Act 2010 requires that the Public Sector Equality Duty is actively applied in decision-making. This means that the equality information provided to accompany this report is essential reading for all members involved in the consideration of this report. The equality information is provided at Appendix B to the report.

Equality analysis report

Step 1. About the policy, service change or withdrawal

Name of the policy, service or project: <i>be specific</i>	Internal Audit
Revised / new / withdrawal:	Revised
Intended aims / outcomes/ changes:	Update to the Internal Audit Charter
Relationship with other policies / projects:	None
Name of senior manager for the policy / project:	Colleen O'Boyle
Name of policy / project manager:	Sarah Marsh

Step 2. Decide if the policy, service change or withdrawal is equality relevant

Does the policy / project / service process involve, or have consequences for employees or other people? If yes, please state who will be affected. If yes, then the policy / project is equality relevant. <i>No</i>	If yes, state which protected groups:
If no, state your reasons for this decision. Go to step 7. <i>The majority of Council policies and projects are equality relevant because they affect employees or our communities in some way.</i>	If no, state reasons for your decision: The recommendations affect the operational delivery of the Internal Audit Service and will help improve the effectiveness of the Audit and Governance Committee; individuals are not being targeted.

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INTERNAL AUDIT CHARTER

Author: S.Marsh

Title: Chief Internal Auditor

Date: February 2018



Epping Forest District Council

INTERNAL AUDIT CHARTER

1. INTRODUCTION AND PURPOSE

- 1.1 The purpose of this Charter is to set out the nature, role, responsibility, status and authority of Internal Audit within Epping Forest District Council (EFDC), and to outline the scope of internal audit work. The Charter will also be used to monitor the performance of the Internal Audit function.
- 1.2 The United Kingdom Internal Auditing Standards (UKPSIAS) define Internal Auditing as:

'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'.
- 1.3 Internal Audit work is conducted in accordance with the UKPSIAS which also encompasses the mandatory elements of the Institute of Internal Auditors International Professional Practice Framework.

2. REVIEW OF THE AUDIT CHARTER

- 2.1 This Charter will be subject to annual review by the Chief Internal Auditor, and any significant changes presented to the Audit and Governance Committee for approval.

3. ROLE OF INTERNAL AUDIT

- 3.1 Within local government there is a statutory requirement for an Internal Audit function. The Accounts and Audit (England) Regulations 2015 require that a local authority 'must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes'..
- 3.2 In addition, the Council's Chief Finance Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. The S151 Officer relies, amongst other sources, upon the work of Internal Audit in reviewing the operation of systems of internal control and financial management.
- 3.3 Internal Audit's activities and responsibilities are defined and approved by the Audit and Governance Committee, via this Charter, as part of their oversight role. The Chief Internal Auditor reports functionally to the Director of Governance. In recognising the unique and critical role of the Chief Internal Auditor, CIPFA's *Statement on the Role of the Head of Internal Audit (HIA)* sets out five key principles for delivering an effective internal audit function. Each of these five principles is underpinned by expected governance arrangements, core HIA responsibilities and personal and professional standards expected of the post holder. As part of the continuous assessment of the effectiveness of the Internal Audit function, these principles are benchmarked against current practices and reported accordingly.
- 3.4 Internal Audit's primary role is to assist the Council's management team, particularly the Chief Executive, the Chief Financial Officer/Section 151 Officer, the Monitoring Officer, and Directors in the effective discharge of their responsibilities. To this end, Internal Audit provides them with analyses, appraisals, recommendations, advice and information to enable effective control over the activities reviewed, including the Council's financial affairs.
- 3.5 Importantly, the Internal Audit Plan culminates in the Chief Auditor providing an annual audit opinion to Members and management on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control which, in turn, informs the Annual Governance Statement. Internal Audit has a significant role / input into the production of the Annual Governance Statement (AGS) as part of the publication of the Annual Accounts.

- 3.6 Internal Audit has a role in understanding the key risks of the Council and to examine and evaluate the adequacy and effectiveness of the systems of risk management and internal control operated by the Council.

4. MISSION AND AIMS OF INTERNAL AUDIT

- 4.1 The Internal Audit function has adopted the Global Institute of Internal Auditors mission and principles as follows:

Mission: To enhance and protect organisational value by providing risk based and objective assurance, advice and insight. The core principles being:

1. Demonstrates integrity
2. Demonstrates competence and due professional care
3. Is objective and free from undue influence (independent)
4. Align with the strategies, objectives and risks of the organisation
5. Is appropriately positioned and adequately resourced
6. Demonstrates quality and continuous improvement
7. Communicates effectively
8. provides risk based assurance
9. Is insightful, proactive and future focussed
10. Promotes organisational improvement.

5. RESPONSIBILITIES OF INTERNAL AUDIT

- 5.1 Internal Audit is responsible for: -

- The examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management and internal control processes.
- Compliance with significant policies and procedures established by management and Members.
- Conducting its work in accordance with UKPSIAS and associated codes of ethics and other guidance for the Professional Practice for Internal Auditing.
- Ensuring that it is appropriately resourced to be able to deliver the agreed Audit Plan.

- 5.2 The delivery of the Internal Audit function is predominantly via in-house resources supplemented where necessary by engaging external resources to cover for periodic shortfalls or, for example, to provide a specific expertise.

6. INDEPENDENCE AND OBJECTIVITY

- 6.1 Internal Audit will remain free from interference by any element in the Council, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective approach to its work.

- 6.2 Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment. Internal Audit may, however, review systems under development and advise on appropriate controls without prejudicing its right to subsequently audit such systems.

- 6.3 Where the Chief Internal Auditor has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity. For example, the Chief Internal Auditor may be asked to take on responsibility for

compliance or risk management activities. These roles could impair, or appear to impair, the organisational independence of the Internal Audit function. Safeguards would include oversight by the Audit and Governance Committee, periodic evaluation of reporting lines and responsibilities and developing alternative processes to obtain assurance related to the areas of additional responsibility.

- 6.4 The Chief Internal Auditor will confirm to the Audit and Governance Committee, at least annually, the organisational independence of the Internal Audit activity.

7. CONFLICTS OF INTEREST

- 7.1 Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- 7.2 Each auditor is required to proactively declare any potential 'conflict of interest' prior to the commencement of each audit assignment. Where possible audits are rotated within the team to avoid over-familiarity and complacency.
- 7.3 In any circumstances where a potential conflict of interest were to arise this would be reported and, where applicable, appropriate arrangements approved by the Director of Governance to avoid any compromise of internal audit independence.

8. STATUS OF INTERNAL AUDIT IN THE COUNCIL

- 8.1 Internal Audit has direct access to senior management, the Audit and Governance Committee, the Chief Executive and the Chair of the Audit and Governance Committee. The Director of Resources as S151 Officer will advise the Audit and Governance Committee in relation to the required level of Internal Audit resource required in order for the Committee to make an informed decision in such matters. The Chief Internal Auditor will communicate and interact directly with senior management and the Audit and Governance Committee, including between meetings as appropriate. Outside of formal senior management meetings and meetings of the Audit and Governance Committee, the Chief Internal Auditor will have unrestricted access to the Chief Executive and to the Chair of the Audit and Governance Committee.
- 8.2 For the purposes of the Internal Audit activity, the following groups are defined:

Audit and Governance Committee

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

The Audit and Governance Committee is also responsible for oversight of the Internal Audit function, including:

- To agree the Council's Internal Audit Strategy Plan, Annual Audit Plan and monitor performance against all associated plans.
- To review summary Internal Audit reports and the main issues arising and seek assurance that action has been taken where necessary.
- To receive an Annual Report from the Chief Internal Auditor.

Corporate Governance Group

The Council's Corporate Governance Group helps provide leadership and direction for the Council. The Group is responsible for monitoring and reviewing the corporate governance framework including:

- The Council's constitution, including financial regulations, contract standing orders and officer delegation;
- the Code of Corporate Governance;
- the annual governance statement for inclusion in the council's statutory statement of accounts;
- risk management, including the corporate risk register;
- anti-fraud and anti-corruption policies and measures.

Senior Management

- 8.3 For line management purposes, the Chief Internal Auditor reports to the Director of Governance, who approves all decisions regarding the performance, evaluation, appointment, or removal of the Chief Internal Auditor, in consultation with the Audit and Governance Committee. The Director of Resources, as Section 151 Officer, should ensure an effective Internal Audit function is resourced and maintained.
- 8.4 The day to day operational management of the Internal Audit function lies with the Chief Internal Auditor who is accountable through the Director of Governance to the Audit and Governance Committee for standards of performance and the proper discharge of the audit function.
- 8.5 The Chief Internal Auditor is responsible for the preparation of the Annual Audit Plan, agreeing it with Members and the effective implementation of the Audit Plan. Prior to drawing up the Audit Plan, the Chief Internal Auditor will consult with Directors, Assistant Directors and Corporate Governance Group with regard to risks, concerns etc. and take account of any issues raised by them.

9. AUTHORITY AND ACCESS FOR INTERNAL AUDIT WORK

- 9.1. Internal Audit, with strict regard to confidentiality and safeguarding records and information, is authorised full, free and unrestricted access to any and all Council records (paper and computerised), physical properties, IT systems and personnel pertinent to carrying out any engagement. Such access will be granted on demand and need not be subject to prior notice. However, Internal Audit will endeavour to give adequate and reasonable notice, where possible, when working on routine audit reviews.
- 9.2 Internal Audit also has free and unrestricted access to the Audit and Governance Committee and Senior management. Internal Audit examines and evaluates, on a risk focussed basis, the whole system of controls established by management, not just the controls over financial accounting and reporting, but all operational and management controls.

10. SCOPE

- 10.1 The scope of Internal Audit work encompasses but is not restricted to the following: -
- the adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice in relation to the Council's defined goals and objectives;
 - the extent of compliance with, relevance of, and financial effect of, policies, strategies, standards, plans and procedures established by the Council and the extent of compliance with external laws and regulations;
 - the extent to which the assets and interests are acquired, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause;

- the suitability, reliability and integrity of financial and other management information and the means used to identify, measure, classify and report such information;
- the integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds; and that the process aligns with the Council's strategic aims;
- the suitability of the organisation of the areas audited for carrying out their function, to ensure that services are provided in a way which is economical, efficient and effective;
- the follow-up actions taken to implement recommendations made and remedy weaknesses identified by Internal Audit, ensuring that good practice is identified and widely communicated;
- the operation of the Council's corporate governance and risk management arrangements.

10.2 Internal Audit may undertake consultancy activity (normally additional activity requested by management) where it has the necessary skills and resources to do this, and this will be determined by the Chief Internal Auditor in consultation with Director of Governance on a case by case basis.

11. PLANNING AND REPORTING

11.1 A risk based approach is adopted in planning the work of the audit function. This involves a needs and risk assessment of all the activities carried out by the Council from which an Annual Plan is prepared. The type of audits covered include: -

- Key financial systems reviews
- Systems/Operational Reviews – either high level assurance or full scope detailed reviews.
- Proactive Anti-fraud work and fraud investigations are referred to the Corporate Fraud Team as appropriate.
- Specialist Audits (for example, contract/computer/major projects)
- Corporate governance support work
- Audit Advice
- Staff training and promotion of awareness

11.2 The Chief Internal Auditor submits to Members for approval an Annual Internal Audit Plan, setting out the recommended scope of audit work in the period based upon risk assessment criteria. The Annual Plan is developed with reference to a longer term strategic outlook for Internal Audit work for the three year period, prepared in conjunction with management. The Audit Plan is a dynamic document, which is flexible and reactive to situations arising during the course of the period covered and hence may be subject to review and revision during the year.

11.3 In determining the Annual Internal Audit Plan and coverage, the Chief Internal Auditor takes into account several factors including the Council's risk management arrangements and other assurance and monitoring arrangements for achieving the Council's objectives. The allocation of resources is based upon the relative knowledge, skills, experience and any specialisms that may be required. The Chief Internal Auditor can also draw upon other parties to deliver internal work for example to meet "in-house" shortfalls arising from sickness, vacancies or to provide a particular specialism providing the costs can be managed within the approved operational budget for the audit service. If the Chief Internal Auditor considers that the audit resources available in any way limit the scope of Internal Audit or prejudice the ability of Internal Audit to deliver a service consistent with the standards expected, then those charged with the governance of the Council would be advised accordingly.

11.4. Internal Audit carry out the work, as agreed, report upon the outcome and findings, and make appropriate recommendations on the action to be taken as a result. Directors' response will include a timetable for anticipated completion of action to be taken. The reporting arrangements will include

both individual and composite reports to Directors and the Corporate Governance Group and where appropriate to the Audit and Governance Committee, at the agreed intervals.

- 11.5 Internal Audit is responsible for appropriate follow up on engagement findings and recommendations and will report to the Audit and Governance Committee on the results.
- 11.6 Internal Audit will report to the Audit and Governance Committee, in accordance with the agreed arrangements, on the overall adequacy of the internal control system and major findings, recommendations and management actions. Any significant deviation from the approved Audit Plan will be communicated through the periodic activity reporting process.
- 11.7 Based upon its work, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Audit and Governance Committee and to the Corporate Governance Group, including fraud risks, governance issues, and other matters needed or requested by these bodies. This ensures that Internal Audit plays a key role in providing assurance to the Audit and Governance Committee and the Corporate Governance Group on the effectiveness of the entire control environment.

12. FRAUD

- 12.1 Internal Audit does not have responsibility for the prevention or detection of fraud and corruption. However, internal auditors should be alert in all their work to risks and exposures that could allow fraud and corruption to take place and to any indicators that fraud and corruption may have occurred. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.
- 12.2 It is individual service areas' responsibility to consider the risk and impact of fraud and to design and implement suitable safeguards to mitigate these risks. The role of Internal Audit in relation to countering fraud is to support services in minimising fraud-related risk. It does this in several ways including:
 - Liaison and provide assistance to the Corporate Fraud Team, as part of the Internal Audit Function.
 - Developing and reviewing the Council's Anti-Fraud Strategy.
 - Maintaining a Fraud Response Plan.
 - Financial Regulations requiring all incidents of suspected or detected fraud to be notified to the Chief Internal Auditor.
 - Developing and maintaining data and intelligence networks with appropriate bodies including the Cabinet Office (National Fraud Initiative), Police, other Local Authorities and Government agencies.
- 12.3 Suspected or detected fraud should be notified to Internal Audit and the Section 151 Officer, who will decide on the most appropriate course of action and a decision taken as to who should lead any subsequent investigation, whether it is Internal Audit, the Corporate Fraud Team or service management, and whether to report to the police.

13. PERIODIC ASSESSMENT

- 13.1 Internal Audit will, in conjunction with the Audit and Governance Committee, provide regular reports on its performance and effectiveness drawing upon both quantitative and qualitative measures including feedback adherence to professional standards. Furthermore, there will be mechanisms for quality control/continuous improvement in service delivery through such measures including internal self-assessments, peer reviews and independent external assessment, the latter to be conducted at least every five years.

14. RESPONSIBILITIES OF CORPORATE GOVERNANCE GROUP AND DIRECTORS

- 14.1 The Council's Corporate Governance Group and Directors have responsibility for determining the scope of Internal Audit work, in relation to relevant professional standards / guidelines, and for deciding the action to be taken on the outcome of, or findings from, their work.
- 14.2 They also have a responsibility to ensure that the Internal Audit function has: -
- the support of management,
 - adequate resources; and
 - direct access and freedom to report to senior management and Members, including the Section 151 Officer, Monitoring Officer, Chief Executive and Cabinet / the relevant Committee.
- 14.3 The Corporate Governance Group and Directors also have primary responsibility for establishing and maintaining a proper and effective control environment and for managing risk, including proper accounting records and other management information for running the Council. In addition there is also a primary responsibility for the prevention and detection of fraud, including the prompt reporting to all relevant parties of any evidence or reasonable suspicion of an irregularity.
- 14.4 During the course of an audit, Directors and their staff will be required to cooperate fully with the auditor's requirements, including the completion of action plans, signing off audit reports and the timely implementation of specific and agreed recommendations made by Internal Audit.

15. RELATIONSHIP WITH THE EXTERNAL AUDITORS / OTHER REGULATORY BODIES

- 15.1 Internal Audit will consult and where appropriate work closely with others, including the external auditors, to minimise areas of duplication and to maximise the value obtained from the total audit resource. However, the work of Internal Audit will not be driven by external audit's own priorities.

Sarah Marsh – Chief Internal Auditor

February 2018

Report to the Audit and Governance Committee

Report reference: AGC-017-2017/18
Date of meeting: 5 February 2018



Portfolio: Technology and Support Services

Subject: Internal Audit Monitoring Report - November 2017 to February 2018

Responsible Officer: Sarah Marsh (01992 564446).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) That the Committee notes the progress made against the 2017/18 Internal Audit Plan and the summary of the work of Internal Audit and the Corporate Fraud Team for the period November 2017 to February 2018;
- (2) That the Committee approves the proposal to defer two audits from the 2017/18 Audit Plan; and
- (3) That the Committee approves that no changes to the Code of Corporate Governance are required.

Executive Summary:

This report updates members on the work completed by the Internal Audit Shared Service and the Corporate Fraud Team since the November 2017 Audit and Governance Committee, and also provides the current position in relation to overdue recommendations.

The Code of Corporate Governance is presented for approval.

Reasons for Proposed Decision:

Monitoring report as required by the Audit and Governance Committee Terms of Reference.

Other Options for Action:

No other options.

Report:

2017/18 Internal Audit Plan

1. Good progress is being made against the 2017/18 Audit Plan as detailed in Appendix 1. The Audit and Governance Committee is requested to approve the deferral of the two audits detailed below:

- **Complaints**

Management have requested that this audit is deferred as the process for managing complaints is being reviewed during 2018/19 and there are likely to be significant changes to the system.

- **Equality Impact Assessments**

Deferral of this audit will allow time for recent changes to be fully implemented.

2. It is important that sufficient audit work is undertaken in order that the Chief Internal Auditor can give their annual opinion. It is expected that, despite the need to defer these audits, there will still be sufficient coverage through the remaining audits, and Internal Audit's proactive work, to enable the opinion to be provided for 2017/18. This will be kept under constant review in conjunction with the Corporate Governance Group.

Internal Audit Reports

3. The following reports have been issued since the Committee received its last update in November 2017:

- **Fleet Operations Income (Substantial assurance)**

A review of the cash handling and banking arrangements for the Council's Fleet Operations service, based at Oakwood Hill Depot, was undertaken to ensure there are robust controls in place to protect cash received. The audit identified that cash is accurately recorded, banked and reconciled with adequate audit trails in place to support income received. Any discrepancy in cash income is promptly identified and investigated.

A number of safes and various security cameras in the workshop provide adequate security and monitoring, thereby ensuring that cash is securely held at the Depot.

In an effort to reduce the inherent risks associated with cash handling, the Council offers its customers other methods of payment (cheque and credit/debit card) at the Depot.

- **Community Safety – Joint Working (Substantial assurance)**

An audit of joint working within Community Safety has been carried out to ensure the Council has appropriate arrangements in place for key partnerships.

The audit found there are good arrangements in place for joint working between Community Safety and external organisations. Proper governance and monitoring arrangements exist for the Community Safety Partnership at board level, and there is regular oversight at Officer/Member level across the Council. Spending outcomes for Community Safety budgets and external funding for the Community Safety Partnership are monitored by Accountancy. Data sharing agreements exist to ensure data is held and shared securely between organisations in the Community Safety Partnership.

Recommendation Tracker

4. The Audit and Governance Committee continues to receive details of all overdue recommendations, plus any high priority recommendations from final reports, regardless of

whether they are overdue or not.

5. The current tracker is shown at Appendix 2 and contains one high priority recommendation (which has passed its due date), in addition to one medium priority and two low priority recommendations which have passed their due dates (compared to one high priority not passed its due date, one medium and two low priority recommendations in November 2017).

6. The high priority recommendation relates to the implementation of an action plan to address the issues identified following the Fire Risk Assessment (FRA) at Townmead Depot. Progress is being made through the formation of a multi-disciplinary group, which Internal Audit sits on.

Table 1. Summary of tracker as at 24 January 2018.

Recommendation type	Number (January 2018)	Number (November 2017)	Number (September 2017)	Number (June 2017)
High Priority not passed its due date	0	1	0	0
High Priority passed its due date	1	0	0	0
Medium Priority passed its due date	1	1	2	1
Low Priority passed its due date	2	2	2	2
Total	4	4	4	3

Other Internal Audit Activities

7. A number of assignments in the Audit Plan are included to provide advice and guidance throughout the year on current and future issues relevant to the Council, and ultimately help to inform the Chief Internal Auditor's annual opinion; but these do not result in an audit report. This includes Internal Audit representation on business groups and project teams in addition to less formal meetings. Significant items are included below for Members' information:

- **General Data Protection Regulation (GDPR) Working Party**

Internal Audit is actively involved in assisting in the implementation of the GDPR, a key risk area for all Councils. Advice and assistance is being provided to the Working Party to progress the action plan, as well as sharing good practices seen across the three councils in the Internal Audit partnership (Epping Forest, Harlow and Broxbourne).

- **Programme and Project Management/Corporate and Business Planning**

This project group is drawing to an end as the system solution, Pentana, has now been rolled out across the Council. Internal Audit continues to be an active member of the group which is now reviewing the service and directorate business planning process for 2018/19 in line with the new Corporate Plan 2018-2022.

- **Personal Data (Payroll/HR)**

Internal Audit is a member of this project group which is reviewing the processes and forms associated with the new iTrent payroll/HR system. Advice is provided to ensure that appropriate controls are retained in the new processes which are being developed as the new system is being implemented.

- **Corporate Debt Working Party**

Internal Audit is providing advice to this group over processes and controls as the Council reviews its approach to debt management, including exploring options for a new corporate debt management system.

- **Risk Management Group**

Internal Audit continues to enhance risk management processes through the Risk Management Group. The new risk register template developed for directorates has been implemented in the Governance and Resource Directorates and is being rolled out to Communities and Neighbourhoods.

National Fraud Initiative

8. The National Fraud Initiative (NFI) matches electronic data within and between public and private sector bodies to prevent and detect fraud. These bodies include the Department for Works and Pensions (DWP), police, fire and rescue authorities as well as local councils and a number of private sector bodies.

9. The annual Council Tax/ Electoral Register data matching exercise was completed in December 2017 and a review of data matches by the Council Tax section is in progress, with Internal Audit providing training and guidance to Officers as necessary. Previous exercises have found many NFI matches are not fraudulent and there is usually a simple explanation for matches (for example inaccurate data).

10. Internal Audit is a key contact for the NFI, coordinating the submission of the Council's data and ensuring there is a process for reviewing data matches in accordance with the Council's available resources and the requirements of the Cabinet Office. No significant frauds have been identified to date.

Corporate Fraud Team

11. Since November 2017 the Corporate Fraud Team have continued their proactive approach in tackling Right To Buy fraud, working closely with the Communities directorate to prevent tenancy fraud, as well as undertaking internal investigations. The team is preparing for a Crown Court trial due end of January which involves a number of charges relating to social housing fraud, including the suspected fraudulent obtaining of a Home Ownership Grant.

Review of the Code of Corporate Governance

12. The Code of Corporate Governance forms part of the Council's governance arrangements, and was last updated in February 2017 to reflect the new framework for corporate governance published by CIPFA (Chartered Institute of Public Finance and Accountancy) and Solace (Society of Local Authority Chief Executives) in 2016.

13. The Audit and Governance Committee approved the Council's revised Code of Corporate Governance in February 2017 and agreed that it would review the Code annually. It is considered that no changes to the Code, attached at appendix 3, are required as it still reflects current practice.

Review of significant issues identified in the 2016/17 Annual Governance Statement

14. In June 2017, the Audit and Governance Committee approved the Annual Governance Statement (AGS) which accompanies the Council's Statement of Accounts. The AGS outlines the proposed actions to be taken to deal with significant governance issues identified. The Corporate Governance Group monitors the actions set out in the AGS on a regular basis. The progress made to date on addressing the issues identified for improvement during 2017/18 is shown in table 2.

Table 2. Areas for improvement or monitoring during 2017/18

No.	Issue	Management response	Progress as at February 2018
1	<p>General Data Protection Regulations (GDPR)</p> <p>It is imperative that businesses and public bodies are prepared for the GDPR which will apply in the UK from 25 May 2018. The government has confirmed that the UK's decision to leave the EU will not affect the commencement of the GDPR.</p>	Work is already in hand to ensure Epping Forest is compliant with the requirements of the GDPR ahead of May 2018 and beyond.	<p>A GDPR working group has been established, chaired by the Director of Governance. A Council-wide Information Asset register has been prepared and work is ongoing to establish the basis for all processing activities.</p> <p>The Data Protection Officer is undertaking a review of relevant policies.</p> <p>A awareness and training programme is being developed for Officers and Members.</p>
2	<p>Corporate Policies</p> <p>For the second year, Service Assurance Statements identified a need to raise awareness of, and communicate changes to, corporate policies in particular Officer Code of Conduct, data protection policies, anti-fraud and Whistleblowing.</p>	A staff awareness campaign will be devised and implemented to address this and will include use of metacompliance to ensure staff have read relevant policies, articles in the monthly staff newsletter District Lines, and reminders at staff briefings.	<p>The revised anti-fraud and corruption strategy was approved by Council on 27 July 2017.</p> <p>The revised whistleblowing policy was presented to Council on 21 December 2017.</p>

Resource Implications:

Within the report.

Legal and Governance Implications:

None.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

Corporate Governance Group.

Background Papers:

2017/18 Audit and Resource Plan.

Risk Management:

Failure to achieve the audit plan and poor follow up of audit recommendations may lead to a lack of assurance that internal controls are effective and risks properly managed, which ultimately feeds into the Annual Governance Statement.

Equality Analysis:

The Equality Act 2010 requires that the Public Sector Equality Duty is actively applied in decision-making. This means that the equality information provided to accompany this report is essential reading for all members involved in the consideration of this report. The equality information is provided at Appendix 4 to the report.

Equality analysis report

Step 1. About the policy, service change or withdrawal

Name of the policy, service or project: <i>be specific</i>	Internal Audit
Revised / new / withdrawal:	New
Intended aims / outcomes/ changes:	Update report to Audit and Governance Committee on the Internal Audit Service and Corporate Fraud Team
Relationship with other policies / projects:	None
Name of senior manager for the policy / project:	Colleen O'Boyle
Name of policy / project manager:	Sarah Marsh

Step 2. Decide if the policy, service change or withdrawal is equality relevant

<p>Does the policy / project / service process involve, or have consequences for employees or other people? If yes, please state who will be affected. If yes, then the policy / project is equality relevant. <i>No</i></p> <p>If no, state your reasons for this decision. Go to step 7.</p> <p><i>The majority of Council policies and projects are equality relevant because they affect employees or our communities in some way.</i></p>	If yes, state which protected groups:
	<p>If no, state reasons for your decision:</p> <p>The recommendations affect the operational delivery of the Internal Audit Service and will help improve the effectiveness of the Audit and Governance Committee; individuals are not being targeted.</p>

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Appendix 1 - Audit Plan Monitoring 2017-18
February 2018

	Directorate	Plan Days	Status	Fieldwork started	Report issued to Management	Finalised	Opinion: Level of Assurance	High Priority Recs	Medium Priority Recs	Low Priority Recs
Cyber security	Resources	16	Final report	n	n	n	Substantial	0	1	0
Health & Safety - Lone Working	Resources	10	Final report	n	n	n	Substantial	0	3	0
Health & Safety - Fire Risk Assessments	Communities	10	Final report	n	n	n	Moderate	0	2	0
House building	Communities	10	Final report	n	n	n	Substantial	0	4	0
Community Safety - joint working	Communities	10	Final report	n	n	n	Substantial	0	0	1
Planning Applications	Governance	5	Final report	n	n	n	Substantial	0	0	0
Local Plan - Staff Resources	Neighbourhoods	5	Final report	n	n	n	Substantial	0	0	0
Income - Fleet Operations	Neighbourhoods	12	Final report	n	n	n	Substantial	0	0	0
Planned maintenance and major works	Communities	12	In Progress	n						
Income - card payments	Resources	15	In Progress	n						
Capital projects programme	Resources	14	In Progress	n						
Accounting system/General Ledger	Key Financial Control	10	In Progress	n						
Debtors	Key Financial Control	12	In Progress	n						
Commercial property - service charges	Neighbourhoods	12	In Progress	n						
Payroll inc new HR/payroll system	Key Financial Control	14	Scoping							
Housing Benefits	Key Financial Control	10	Scoping							
Asset Management Strategy	Neighbourhoods	10	Scoping							
Governance: St John's Road	Neighbourhoods	10	Scoping							
Leisure management contract	Neighbourhoods	12	Scoping							
Agency staff	Resources	12	Scoping							
HR absence management	Resources	12	Scoping							
Business Continuity Planning	Neighbourhoods	10	Ongoing							
Contract register	Resources	15	Ongoing							
Safeguarding	Communities	10								
Anti Social Behaviour	Communities	12								
North Weald Airfield - establishment audit	Neighbourhoods	12								
Additional audits										

Health & Safety - Townmead Depot follow up	Neighbourhoods	5		Final Report	n	n	n	n/a	1	0	0
Defer subject to approval											
Complaints	Chief Executive	10									
Equality Impact Assessments	Chief Executive	12									
									1	10	1
ToR = Terms of Reference											

EFDC Internal Audit Recommendation Tracker (Overdue and In Progress)

Last updated: 24 January 2018

Audit Year (Date Report Issued)	Rec Ref	Original Recommendation	Priority	Managers Original Response	Responsible Officer / Assistant Director	Original Imp Date	Revised Imp Date	Status Update from Management	Status
Audit Recommendations 2015/16									
External Data Transfers 2015/16 Report No. 763 July 2016	3	A mechanism should be devised for monitoring compliance against agreed information sharing protocols. For example, a sample should be selected, say annually, to see if the relevant department or business is complying with the agreed sharing protocol.	Low	This will be considered as part of the Information Asset Register being created as part of recommendation 1.	Director of Governance	31/03/17	31/05/18	April-June 17: This process will be developed along with the review process in recommendation 1, once the Information Asset Register is complete. August 17: The processes around information sharing protocols will be addressed as part of the General Data Protection Regulations (GDPR) Working Group, which has started meeting monthly. October 17: The GDPR working group continues to meet monthly and is making progress with the GDPR project action plan which includes a review of the information sharing protocols. Jan 18: A process for monitoring compliance will be established as part of the GDPR working party action plan.	Overdue
External Data Transfers 2015/16 Report No. 763 July 2016	6	The Council should periodically request assurance from 3rd parties that the data shared is only retained for the period it was intended, that the process for disposal in place is appropriate and in line with current best practice and legislative requirements.	Low	This will be considered as part of the Information Asset Register being created as part of recommendation one.	Director of Governance	31/03/17	31/05/18	April-Jun 17: The mechanism for monitoring data shared with third parties will be developed once the Information Asset register is complete. August 17: The processes around third party data assurances will be addressed as part of the General Data Protection Regulations (GDPR) Working Group, which has started meeting monthly. October 17: The GDPR working group continues to meet monthly	Overdue

Last updated: 24 January 2018

[illegible]

EFDC Internal Audit Recommendation Tracker (Overdue and In Progress)

Last updated: 24 January 2018

Audit Year (Date Report Issued)	Rec Ref	Original Recommendation	Priority	Managers Original Response	Responsible Officer / Assistant Director	Original Imp Date	Revised Imp Date	Status Update from Management	Status
Townmead Depot Health and Safety follow up Report No. 11.17/18 November 2017	1	As outlined in the Fire Risk Assessment (FRA) report: It is recommended that the actions in this fire risk assessment are undertaken within the timescales suggested. Management to sign off and date when actions are completed. Review this fire risk assessment on a regular basis (six monthly) at first and then annually once management procedures have been addressed.	High	The nature of issues raised and the complexity of site requires a collective effort. It is proposed that the Assistant Director Technical Services will lead the effort with the support of: Health and Safety Officer, Facilities Manager, Chief Estates Officer, Fleet Operations Manager, and Countryside Manager	Assistant Director Technical Services will lead the effort with the support of: Health and Safety Officer, Facilities Manager, Chief Estates Officer, Fleet Operations Manager, and Countryside Manager	31/12/17	30/06/18	Jan18: Following an inter- disciplinary site visit at the end of November an action plan has been drawn up and is in the process of implementation to address the FRA recommendations. Internal Audit continues to monitor progress being made to implement the action plan through the working group meetings held.	Overdue

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Epping Forest District Council

Local Code of Governance

Introduction

1. Epping Forest District Council has agreed a Code of Corporate Governance which reflects the key components set out within a framework produced in April 2016 by the Chartered Institute of Public Finance and Accountancy (CIPFA) entitled “Delivering Good Governance in Local Government” (the framework).
2. Corporate governance is the system by which local authorities direct and control their functions and relate to their communities. It is essential that the Council meets the highest standards and that their governance arrangements are demonstrably sound.
3. The new Framework is intended to help the Council to review and demonstrate that its approach to governance ensures that resources are directed in accordance with agreed policy and priorities and there is effective decision making and clear accountability to the public.
4. Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 also require the Council to conduct an annual review of the effectiveness of its system of internal control which is published with its Statement of Accounts. This new code provides the framework for such annual reviews for the year 2016/17 onwards.

Requirements of the framework

5. The Council is required to test their Governance structures against the principles contained in the framework by:
 - Reviewing existing governance arrangements
 - Having an up to date Code of Governance including its arrangements for ensuring ongoing effectiveness; and
 - Reporting annually on compliance with the code and how they have monitored the effectiveness of their arrangements
6. This Code sets out in tabular form the Council’s approach to governance and the arrangements it has in place against which annual reporting will take place. The Code tables also set out how the Councils arrangements comply with the core and sub-principles set out within the framework.

The Core Principles

7. The framework defines the Core Principles. The Council will:
 - (1) behave with integrity, demonstrating a strong commitment to ethical values and respect the rule of law.
 - (2) ensure openness in its culture and engage comprehensively with stakeholders, citizens and service users.
 - (3) have a clear vision and defined desired outcome in terms of sustainable, social and environmental benefit.
 - (4) have in place interventions necessary to optimise the achievement of its intended outcomes.

- (5) develop its capacity and capability of its leadership and staff
 - (6) manage its risk and performance through robust internal control and strong public finance management.
 - (7) implement good practice in transparency, reporting and audit to deliver effective accountability.
8. Appendix 1 to this Code demonstrates the Council response to these Core Principles

Annual Reporting

9. In accordance with the Framework, the Council will report annually on the extent to which they comply with this Code. This is currently within the Terms of Reference of the Audit and Governance Committee. This may change from time to time but reporting will be on an annual basis.

Key Policies in Corporate Governance

10. The key policies and procedures that have been taken into account in the formulation of this Code are listed below:

The Council Constitution
Corporate Plan 2016-2020
Financial Regulations and Associated Guidance
Treasury Management Policy
Procurement Rules
Scheme of Delegation
Human Resource Policies
Members/Officers Code of Conduct
Confidential Reporting Policy (Whistle Blowing)
Anti-Fraud Policy
Risk Management Strategy
Communication Strategy
Consultation Strategy
Health and Safety Policy
Data Protection Policy

How the Council meets the Core Principles

1(a) Behaving with Integrity

The Council does this by:

- Having in place an agreed Code of Conduct for members and staff which includes provisions that require a further perception test on members when acting in the public interest.
- Having in place well-structured and transparent decision making processes and delegation arrangements
- Reviewing and adopted the revised Nolan Principles of Standards in Public Life and annual standards training given to all members together with interest declarations at meetings
- Corporate Governance Group meeting on a monthly basis to consider governance and integrity issues
- Regularly review its Policies to ensure that they remain effective
- Regular meetings of Management Board (MB) and Cabinet Councillors (Cab) to ensure coherent political direction.
- Established staff procedures through HR; annual Performance and Development Reviews (PDR) for all staff, methods of appeal and disclosure forms for staff interests

1(b) Demonstrating Strong Commitments to Ethical Values

The Council does this by:

- Appointing Experienced Section 151 / Monitoring Officers with appropriate qualifications and seniority within the Council to promote ethical values
- Council appointing a Standards Committee with Independent Persons
- Established processes for quickly investigating complaint / ethical standards issues.
- Providing advice on ethical standards to Parish and Town Councils.
- A supported and effective whistleblowing policy.
- Promoting ethical values through standard contract documentation.

1(c) Respecting the Rule of Law

The Council does this by:

- A modern, up to date, Constitution that is subject to regular review.
- Ensuring all decision making reports containing relevant legal constraints.

- Ensuring decisions are only taken after advice from appropriate officers.
- Section 151 / Monitoring Officers are part of report clearing process.
- Reporting breaches of legal / regulatory provisions through CGG and Audit and Governance Committee.

2(a) Openness

The Council does this by:

- Responding to FOI (Freedom of Information) and data access requests in accordance with legal provision.
- Using open data standards in on-line data sites including spend and contract information
- Publishing an FOI publication scheme
- Publishing on-line and properly documenting all decisions taken by the executive.
- Maintaining a list of decisions due to be taken by the Cabinet including transparency / notice of those decisions to be taken in private session.
- Webcasting of all Executive, Audit, Planning and Overview & Scrutiny Committee meetings
- Maintaining an effective website
- Making publicly available agenda of and clear minuting of all meetings in accordance with statutory regulations.

2(b) Engaging comprehensively with institutional stakeholders

The Council does this by:

- Developing formal partnerships / making arrangements where an effective business case can be demonstrated.
- Attending and participating in meetings with other local authorities under 'duty to cooperate'
- Engaging with local organisations by officer attendance / participation
- Appointing Members to other community organisations that request it.
- By monitoring and maintaining an effective record of the partnerships we participate in
- By providing effective 'critical friend' challenge through the Council's scrutiny processes.

2(c) Engaging with individual citizens and service users effectively

The Council does this by:

- Having a consultation policy and plans
- Ensuring meaningful consultation takes place during key service changes.
- Ensuring statutory consultation processes are followed and consistently applied
- Using a combination of communication methods to engage with citizens
- Having clear compliment and complaint procedures
- Ensuring the Council and its Members take account of consultation in the context of its decision making and the financial impact on tax payers.

3. Defining outcomes in terms of sustainable economic, social and environmental benefits

The Council does this by:

- A corporate plan that has a clear vision of the economic, social and environment of the district, with supporting business/service plans
- A draft local plan that supports the Councils vision
- That decision making takes account of these effects on its residents and paying due regard to the public sector equality duty
- By ensuring the Council provides fair access to the services it provides.
- Having an approved Green Charter and a supported multidisciplinary officer working party to discuss green issues.

4. Determining the interventions necessary to optimise the achievement of intended outcomes

The Council does this by:

- Decision making processes that receive objective and rigorous analysis including involvement of the Monitoring Officer and the Section 151 Officer
- Processes that take account of service users when making decisions
- Retain control over preparation of strategic and operational plans
- Monitoring regimes for task and finish management
- A demonstrable corporate approach to project management
- An active plan for key objectives that is measurable
- Key Performance Indicators that are measurable / SMART and take account of Councils objectives

- Regular reviews of the Councils Medium Term Financial Plan against Council priorities
- A robust budget preparation process that reflects the Councils objectives and the medium term financial plan.

5. Developing the Councils capacity

The Council does this by:

- That the Council operations, performance and use of its assets are reviewed regularly to ensure their effectiveness
- That appropriate benchmarking is used in assessing whether outcomes can be achieved
- Participate in partnerships where there is a sound business case that it will add value
- Having an effective workforce plan to enhance resource allocation
- Having clear systems of decision making and effective delegation schemes
- The Leader/ Chief Executive / Directors have clearly defined leadership roles
- Members and staff have appropriate induction processes, access to personal development appropriate to their roles, staff have annual PDR's and access to arrangements to maintain their health and wellbeing.

6 Managing Risk and Performance

The Council does this by:

- Ensuring risk management is an integral part of the Councils activities and decision making
- Having robust and integrated risk management arrangements with regular and dynamic consultation of risk by Management Board and Senior Management Teams
- Clear responsibilities for managing individual risks and a Risk plan that allocates responsibility against each risk
- Ensuring Services / projects are effectively monitored at planning, specification, execution and post implementation stages by having a Transformation programme that is responsible for tracking projects.
- an effective Overview and Scrutiny function to provide constructive challenge on policy and performance
- Councillors receiving regular reports on Service / Council delivery plans
- Having counter fraud and anticorruption arrangements in place and an established Corporate Fraud Team and whistleblowing policy
- An effective Internal audit function to provide assurance on governance / risk management and control

- An Audit and Governance Committee that is independent of the Cabinet providing additional assurance with the power to ensure its recommendations are listened to and acted upon
- Having effective arrangements in place for the safe management of data particularly data sharing with other bodies and a designated data protection officer.
- Effective financial management systems that include management of financial risks.

7 Transparency, reporting and auditing

The Council does this by:

- Having a defined process to ensure that reports for the public / stakeholders are fair, balanced and easy to access and understandable for the audience
- Reporting regularly on performance and on use of resources
- Requiring managers to produce annual assurance statements
- Ensuring that Management and Members have clear lines of responsibility for the performance results
- Preparing an annual governance statement on the robustness of this framework
- Having processes to ensure external / internal audit recommendations are acted upon / responded to by managers and the Council
- Having effective internal audit and annual audit programs that are accessible for member scrutiny and tracked subsequently.

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Report to the Audit & Governance Committee



**Epping Forest
District Council**

Report reference: **AGC-018-2017/18**

Date of meeting: **5 February 2018**

Portfolio: **Finance**

Subject: **Treasury Management Strategy Statement 2018/19**

Responsible Officer: **John Bell** (01992 564387).

Democratic Services Officer: **Gary Woodhall** (01992 564470).

Recommendations/Decisions Required:

(1) To consider how the risks associated with treasury management have been dealt with in the proposed Council's Treasury Management Strategy Statement 2018/19; and

(2) To make any comments or suggestions that Members feel necessary to Full Council.

Executive Summary:

The annual Treasury Management Strategy Statement report is a requirement of the CIPFA Code of Practice on Treasury Management. It covers the treasury activity for the financial year 2018/19.

The risks associated with treasury management are highlighted within the report along with how these risks are being managed. The most significant change from the previous strategy is an increase in the minimum credit rating for counterparties from BBB+ to A-.

Reasons for Proposed Decision:

To provide assurance to Full Council that the risks associated with treasury management are being appropriately managed.

Other Options for Action:

Members could ask for additional information about the CIPFA Codes or the Prudential Indicators.

Report:

Introduction

1. The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management), which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming year.

2. The report attached at Appendix 1 shows the Treasury Management Strategy Statement 2018/19 in accordance with the CIPFA Treasury Management Code and the Prudential Code.

Capital Activity in the Year

3. The Council undertakes capital expenditure on long-term assets. These activities may either be financed immediately through capital receipts, grants etc.; or through borrowing.

4. The Council will need to borrow in order to carry out its capital programme. This may be done by borrowing additional sums to pre or post-fund future year's requirements. The capital programme is shown below in the table:

Capital Expenditure	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Non-HRA capital expenditure	17.010	12.125	1.433	0.540
HRA capital expenditure	23.114	22.786	25.641	15.157
Total Capital expenditure	40.124	34.911	27.074	15.697
Financed by:				
Grants	0.666	0.080	0.085	0.090
Capital receipts	5.341	4.632	7.712	2.289
Revenue	15.499	16.684	14.496	13.168
Reserves	2.233	2.696	3.753	0
Borrowing	16.385	10.819	1.028	0.150
Total resources Applied	40.124	34.911	27.074	15.697
Closing balance on:				
Capital Receipts	0	0	4.030	0
Major Repairs Reserve	12.193	11.372	13.001	15.077

5. The closing balance on capital receipts is after taking into account new receipts being generated from the right to buy sales and, for the major repairs reserve, for anticipated major repairs allowance.

6. The financial risk involved with the capital programme is the impact of reducing the balance on usable capital receipts. This will reduce earnings from interest on balances and will mean additional borrowing is needed in the future. This prudential indicator assists the Council in controlling and monitoring the level of usable capital receipts that will be available at the end of a three-year period. Currently, the capital programme to the end of 2019/20 totals £102.1m and is funded but requires borrowing of £28m. It is predicted that at the end of 2020/21 there will be nothing available in usable Capital Receipts and £15.1m in the Major Repairs Reserve.

7. However, it should be remembered that the Council currently has no external borrowing for the General Fund and as at 31 March 2017 the balance sheet included more than £150m of General Fund fixed assets and investment properties. So the Council is not currently over borrowed and, as future borrowing will only be used on revenue generating schemes, completion of the capital programme will ultimately strengthen both the balance sheet and revenue position of the Council. Therefore it can be concluded that adequate resources, including borrowing, are available to fund the capital programme in the medium term.

The Impact on the Council's Indebtedness for Capital Purposes

8. The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a gauge for the Council's debt position. A positive CFR would normally mean a Council would have to borrow to fund a capital programme, but this situation has only arisen as a consequence of Housing Subsidy reform. The previous table illustrates that the capital programme will require some additional borrowing. This report sets an authorised limit for borrowing of £250 million rising to £270m. Given current borrowing of £185m and borrowing of £28m to fund the capital programme, the authorised limit allows a further £37m of headroom to exploit any investment or development opportunities that arise. Taking forward any such opportunities would require approval from both Cabinet and Council.

CFR	31-Mar-17 £m	31-Mar-18 £m	31-Mar-19 £m	31-Mar-20 £m
Non-HRA	38.9	52.3	66.2	67.1
HRA	155.1	155.1	155.1	155.1
Total Capital expenditure	194.0	207.4	221.3	222.2

9. Each year the Council has to approve at Full Council its statement on the Minimum Revenue Provision (MRP). In previous years the Council has been debt free and therefore, we did not have to provide MRP in our accounts. However, the Council has taken on debt of around £185.5m and this would normally require the local authority to charge MRP to the General Fund. CLG has produced regulations intended to mitigate this impact, whereby we can ignore the borrowing incurred in relation to the Housing Self-Financing when calculating MRP and therefore (for MRP purposes only) we are classed as debt free and do not have to make provision for MRP in 2017/18. The MRP statement is at Appendix D and sets out that no MRP charge is anticipated for 2018/19 but that an amount of £350,000 may be necessary from 2019/20 onwards.

10. The Council had to borrow to fund Housing Self-Financing and so £185.456m was borrowed from PWLB on 28 March 2012. This was split into 6 separate loans, one variable rate loan of £31.8m maturing in 10 years, 4 fixed rate loans of £30m maturing between 26 and 29 years and a further fixed rate loan of £33.656m maturing in 30 years. The table below only covers the fixed rate borrowing. The upper and lower limits for next year are set to allow maximum flexibility if a re-financing opportunity arises, although this is unlikely.

Maturity structure of fixed rate borrowing	Existing level at 31/03/17 %	Lower Limit for 2018/19 %	Upper Limit for 2018/19 %
under 12 months	0	0	100
12 months and within 24 months	0	0	100
24 months and within 5 years	0	0	100
5 years and within 10 years	0	0	100
10 years and within 20 years	0	0	100
20 years and within 30 years	100	0	100
30 years and within 40 years	0	0	100
40 years and within 50 years	0	0	100
50 years and above	0	0	100

11. The risk associated with this section relate to Refinancing – the risk that maturing borrowings, capital project or partnership refinancing cannot be refinanced on suitable terms. The borrowing portfolio is based on the Housing Revenue Account (HRA) financial plan and the borrowing maturities are linked to when the financial plan has the resources to repay the debt.

12. These prudential indicators assist the Council in controlling the level of debt the Council may need to finance over the coming years and ensures where debt is owed it is managed, so that the Council is not left in a situation where it finds itself having to refinance on unsuitable terms. Borrowing is readily available either through the PWLB or from other local authorities and interest rates are predicted to remain low over the medium term. Therefore, no difficulty is currently anticipated with either the availability or cost of finance for either refinancing or new borrowing.

The Council's Treasury Position

13. The Council's investments are all denominated in UK sterling and regular information is received from our treasury advisors on the latest position on the use of Counterparties. The latest information supplied is as follows:

(a) UK Banks and building societies:

- (i) Maturity limits of between 35 days and 6 months are now applicable;
- (ii) A maximum maturity limit of 6 months applies to Santander UK, Bank of Scotland, Lloyds TSB, HSBC Bank plc, Nationwide Building Society, Coventry Building Society and Close Brothers;
- (iii) A maximum maturity limit of 100 days applies to Barclays plc, Goldman Sachs, Standard Chartered and most building societies;
- (iv) A maturity limit of 35 days applies to RBS and NatWest.

(b) European Banks:

- (i) A maximum maturity limit of 100 days applies to Credit Suisse, Danske Bank and ING Bank;
- (ii) A maximum maturity limit of 6 months applies to Op Corporate Bank and Landesbank Hessen-Thuringen;
- (iii) A maturity limit of 13 months applies to no Nordea, Rabobank, and Handelsbanken.

(c) Non European Banks:

A maturity limit of 6 months applies to Australian and Canadian banks that are on our list.

(d) Money Market Funds:

A maximum exposure limit of £5m per MMF.

14. As at 31 December the Council had an investment portfolio of £29.9m, this will vary from day to day, depending on the cash flow of the authority. A breakdown of this portfolio by Country and length of time remaining on investments are shown in the two tables below.

Country of Counterparty	£m
United Kingdom	24.9
Sweden	5.0
Total	29.9

Current Maturity profile of investments	£m
Overnight (Call / Money Market Fund)	19.9
Up to 7 days	1.0
7 days to 1 month	3.0
1 month to 3 months	6.0
Total	29.9

15. It is important that the cash flow of the Council is carefully monitored and controlled to ensure enough funds are available each day to cover its outgoings. This will become more difficult as the Council uses up capital receipts and reduces investment balances.

16. The Council is proposing to set the following indicators:

(a) the Upper Limit for Fixed Rate Exposure (100%) and Upper Limit for Variable Rate Exposure (75%) for each of the years up to 2020/21; and

(b) the maximum amount of the portfolio being invested for longer than 364 days is £5m.

17. The risks and related prudential indicators associated with this section are as follows:

(a) Credit and Counterparty Risk – the risk of failure by a third party to meet its contractual obligations to the Council, i.e. goes into liquidation. The Council's counter-party lists and limits reflect a prudent attitude towards organisations with which funds may be deposited and these are regularly updated by our treasury advisors. This position has been strengthened for 2018/19 with the removal of counterparties with a BBB+ rating that had been included in the 2016/17 counterparty list, the minimum required rating is now A-.

(b) Liquidity Risk – the risk that cash will not be available when it is needed, incurring additional unbudgeted costs for short-term loans. The Director of Resources has monthly meetings with treasury staff, to go through the cash flow for the coming month. A number of Money Market Funds are used to ensure adequate cash remains available.

(c) Interest Rate Risk – the risk of fluctuations in interest rates. The Council is proposing a maximum of 75% of its investments can be invested in variable rates, and the remainder are in fixed rate deposits. This allows the Council to receive reasonable rates, whilst at the same time, gives the Council flexibility to take advantage of any changes in interest rates. The view of the Council's treasury advisors is that interest rates are unlikely to change significantly in the medium term.

Inter-Fund Balances

18. The Council has inter-fund borrowed for many years between the General Fund and Housing Revenue Account and the interest charge made between the funds has been based on the average interest earned on investment for the year. Under regulations issued by CIPFA, it is required that the interest rate applicable to any inter-fund borrowing should be approved by Full Council before the start of the financial year. As the Council has been undertaking inter-fund borrowing for many years, it is proposed to continue to use the average interest earned for the year on investments as the rate for any inter-fund borrowing.

Policy Statement

19. The Treasury Management Policy Statement is a high level statement setting out how the Council Treasury function will be undertaken. The Policy Statement was last updated as part of the 2017/18 Treasury Strategy. The Policy is attached at Appendix G for the Committee to consider, no changes are currently proposed.

Resource Implications:

Continued low interest rates, the use of limited counterparties and the short durations of investments have lowered the estimated interest income for 2017/18. Interest earnings for 2018/19 will reduce further as balances are invested in capital projects rather than short term deposits. No significant change in interest rates is anticipated over the medium term.

Legal and Governance Implications:

The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance:

- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2009/10);
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
- Under the Act the ODPM (now DCLG) has issued Investment Guidance to structure and regulate the Council's investment activities.
- Under section 21(1) AB of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8 November 2007.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

The Council's external treasury advisors provided the framework for this report and have confirmed that the content satisfies all regulatory requirements.

Background Papers:

None.

Risk Management:

As detailed in the report, a risk aware position is adopted to minimise the chance of any loss of the capital invested by the Council. The specific risks associated with the different aspects of the treasury management function have been outlined within the main report.

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Equality Impact Assessment

1. Under s.149 of the Equality Act 2010, when making decisions, Epping District Council must have regard to the Public Sector Equality Duty, i.e. have due regard to:
 - eliminating unlawful discrimination, harassment and victimisation, and other conduct prohibited by the Act,
 - advancing equality of opportunity between people who share a protected characteristic and those who do not,
 - fostering good relations between people who share a protected characteristic and those who do not, including tackling prejudice and promoting understanding.
2. The characteristics protected by the Equality Act are:
 - age
 - disability
 - gender
 - gender reassignment
 - marriage/civil partnership
 - pregnancy/maternity
 - race
 - religion/belief
 - sexual orientation.
3. In addition to the above protected characteristics you should consider the cross-cutting elements of the proposed policy, namely the social, economic and environmental impact (including rurality) as part of this assessment. These cross-cutting elements are not a characteristic protected by law but are regarded as good practice to include.
4. The Equality Impact Assessment (EqIA) document should be used as a tool to test and analyse the nature and impact of either what we do or are planning to do in the future. It can be used flexibly for reviewing existing arrangements but in particular should enable identification where further consultation, engagement and data is required.
5. Use the questions in this document to record your findings. This should include the nature and extent of the impact on those likely to be affected by the proposed policy or change.
6. Where this EqIA relates to a continuing project, it must be reviewed and updated at each stage of the decision.
7. **All Cabinet, Council, and Portfolio Holder reports must be accompanied by an EqIA.** An EqIA should also be completed/reviewed at key stages of projects.
8. To assist you in completing this report, please ensure you read the guidance notes in the Equality Analysis Toolkit and refer to the following Factsheets:
 - Factsheet 1: Equality Profile of the Epping Forest District
 - Factsheet 2: Sources of information about equality protected characteristics
 - Factsheet 3: Glossary of equality related terms
 - Factsheet 4: Common misunderstandings about the Equality Duty
 - Factsheet 5: Frequently asked questions
 - Factsheet 6: Reporting equality analysis to a committee or other decision making body

Section 1: Identifying details

Your function, service area and team: **Treasury Management, Finance, Resources**

If you are submitting this EqlA on behalf of another function, service area or team, specify the originating function, service area or team: **N/A**

Title of policy or decision: **Treasury Management Strategy Statement**

Officer completing the EqlA: **Tel: 01992 564387 Email: jbell@eppingforestdc.gov.uk**

Date of completing the assessment: **18 January 2018**

Section 2: Policy to be analysed

2.1	Is this a new policy (or decision) or a change to an existing policy, practice or project? Update to existing policy.
2.2	Describe the main aims, objectives and purpose of the policy (or decision): This report sets out the parameters for the prudent and efficient management of the Council's treasury management activities. What outcome(s) are you hoping to achieve (i.e. decommissioning or commissioning a service)? Provision of an effective and efficient treasury management service.
2.3	Does or will the policy or decision affect: <ul style="list-style-type: none"> • service users • employees • the wider community or groups of people, particularly where there are areas of known inequalities? No Will the policy or decision influence how organisations operate? No
2.4	Will the policy or decision involve substantial changes in resources? No
2.5	Is this policy or decision associated with any of the Council's other policies and how, if applicable, does the proposed policy support corporate outcomes? The annual Treasury Management Strategy Statement is required as part of the overall budget process.

Section 3: Evidence/data about the user population and consultation¹

As a minimum you must consider what is known about the population likely to be affected which will support your understanding of the impact of the policy, e.g. service uptake/usage, customer satisfaction surveys, staffing data, performance data, research information (national, regional and local data sources).

3.1	What does the information tell you about those groups identified? N/A – the recommendations do not lead to any changes in service provision to the public.
3.2	Have you consulted or involved those groups that are likely to be affected by the policy or decision you want to implement? If so, what were their views and how have their views influenced your decision? N/A – see above.
3.3	If you have not consulted or engaged with communities that are likely to be affected by the policy or decision, give details about when you intend to carry out consultation or provide reasons for why you feel this is not necessary: N/A – see above.

Section 4: Impact of policy or decision

Use this section to assess any potential impact on equality groups based on what you now know.

Description of impact	Nature of impact Positive, neutral, adverse (explain why)	Extent of impact Low, medium, high (use L, M or H)
Age	Neutral. This report sets out the parameters for treasury management. There will be no change in service delivery to the public and so no impact arises.	Low
Disability	Neutral for the reasons given above.	Low
Gender	Neutral for the reasons given above.	Low
Gender reassignment	Neutral for the reasons given above.	Low
Marriage/civil partnership	Neutral for the reasons given above.	Low
Pregnancy/maternity	Neutral for the reasons given above.	Low
Race	Neutral for the reasons given above.	Low
Religion/belief	Neutral for the reasons given above.	Low
Sexual orientation	Neutral for the reasons given above.	Low

Section 5: Conclusion

		Tick Yes/No as appropriate	
5.1	Does the EqIA in Section 4 indicate that the policy or decision would have a medium or high adverse impact on one or more equality groups?	No <input checked="" type="checkbox"/>	The Treasury Management Strategy Statement does not impact on the delivery of any services to the public.
		Yes <input type="checkbox"/>	If 'YES', use the action plan at Section 6 to describe the adverse impacts and what mitigating actions you could put in place.

Section 6: Action plan to address and monitor adverse impacts

What are the potential adverse impacts?	What are the mitigating actions?	Date they will be achieved.
N/A	N/A	N/A

Section 7: Sign off

I confirm that this initial analysis has been completed appropriately.

Signature of Head of Service: Bob Palmer	Date: 18/01/18
Signature of person completing the EqIA: John Bell	Date: 18/01/18

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Treasury Management Strategy Statement 2018/19

Introduction

In April 2002 the Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. CIPFA consulted on changes to the Code in 2017, but has yet to publish a revised Code.

In addition, the Department for Communities and Local Government (CLG) issued revised *Guidance on Local Council Investments* in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.

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

Revised strategy: In accordance with the CLG Guidance, the Council will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, in the Council's capital programme or in the level of its investment balance.

External Context

Economic background: The major external influence on the Council's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.

Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy Committee judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating inflationary pressure had fallen over recent years. With its inflation-control mandate in mind, the Bank of England's Monetary Policy Committee raised official interest rates to 0.5% in November 2017.

In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

Credit outlook: High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Council; returns from cash deposits however remain very low.

Interest rate forecast: The Council's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018/19, following the rise from the historic low of 0.25%. The Monetary Policy Committee re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

Future expectations for higher short term interest rates are subdued and on-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions. The risks to Arlingclose's forecast are broadly balanced on both sides. The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at **Appendix A**.

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.3%, and that new long-term loans will be borrowed at an average rate of 2.85%.

Local Context

On 31st December 2017, the Council held £185.5m of borrowing and £29.9m of investments. This is set out in further detail at **Appendix B**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.17 Actual £m	31.3.18 Estimate £m	31.3.19 Forecast £m	31.3.20 Forecast £m	31.3.21 Forecast £m
General Fund CFR	38.9	52.3	66.2	67.1	67.1
HRA CFR	155.1	155.1	155.1	155.1	155.1
Total CFR	194.0	207.4	221.3	222.2	222.2
Less: Other debt liabilities *	-2.3	-1.8	-1.2	-0.6	0
Borrowing CFR	191.7	205.6	220.1	221.6	222.2
Less: External borrowing **	-185.5	-185.5	-212.0	-212.0	-212.0
Internal borrowing	6.2	20.1	8.1	9.6	10.2
Less: Usable reserves	43.9	40.7	37.3	37.7	37.7
Less: Working capital	3.6	2.0	2.0	2.0	2.0
Investments	41.3	22.6	31.2	30.1	29.5

* finance leases, PFI liabilities and transferred debt that form part of the Council's total debt

** shows only loans to which the Council is committed and excludes optional refinancing

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Council has an increasing CFR due to the capital programme, but minimal investments and will therefore be required to borrow up to £40m over the forecast period.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2018/19.

Borrowing Strategy

The Council currently holds £185.5 million of loans, the same as the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Council expects to borrow up to £30m in 2018/19. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £250 million.

Objectives: The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored

regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2018/19 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Council may arrange forward starting loans during 2018/19, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except the Essex Pension Fund)
- capital market bond investors
- Other Local Authorities

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Council has previously raised all of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

Short-term and variable rate loans: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Investment Strategy

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £41.3 and £29.9 million, and reduced levels are expected to be seen in the forthcoming year.

Objectives: Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested

for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative interest rates: If the UK enters into a recession in 2018/19, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: Given the increasing risk and very low returns from short-term unsecured bank investments, the Council will aim to diversify its portfolio, but with falling investment balances in the medium-term to fund its capital programme the cash balances will have to remain as fluid as possible. The majority (87%) of the Council's surplus cash is currently invested in short-term unsecured bank deposits and money market funds. This diversification will represent a continuation of the strategy adopted in 2017/18.

Approved counterparties: The Council may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 2: Approved investment counterparties and limits

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£3m 5 years	£3m 20 years	£5m 50 years	£3m 20 years	£1m 20 years
AA+	£3m 5 years	£3m 10 years	£5m 25 years	£3m 10 years	£1m 10 years
AA	£3m 4 years	£3m 5 years	£5m 15 years	£3m 5 years	£1m 10 years
AA-	£3m 3 years	£3m 4 years	£5m 10 years	£3m 4 years	£1m 10 years
A+	£2m 2 years	£3m 3 years	£5m 5 years	£2m 3 years	£1m 5 years
A	£2m 13 months	£3m 2 years	£5m 5 years	£2m 2 years	£1m 5 years
A-	£2m 6 months	£3m 13 months	£2.5m 5 years	£2m 13 months	£1m 5 years
None	£2m 6 months	n/a	£5m 25 years	n/a	£1m 5 years
Pooled funds	£5m per fund				

This table must be read in conjunction with the notes below

Credit rating: Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Banks secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made following an external credit assessment or to a maximum of £3 million per company as part of a diversified pool in order to spread the risk widely.

Registered providers: Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing, formerly known as housing associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

Pooled funds: Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Operational bank accounts: The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £5 million per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified investments: The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government,
 - a UK local Council, parish council or community council, or
 - a body or investment scheme of “high credit quality”.

The Council defines “high credit quality” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

Non-specified investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-specified investment limits

	Cash limit
Total long-term investments	£5m
Total investments without credit ratings or rated below A- (except UK Government and local authorities)	£3m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£3m
Total non-specified investments	£11m

Investment limits: The Council's revenue reserves available to cover investment losses are forecast to be £15 million on 31st March 2018. In order that no more than 20% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £3 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£3m each
UK Central Government	unlimited
Local Authorities	£25m in total
Any group of organisations under the same ownership	£3m per group
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker's nominee account	£7m per broker
Foreign countries	£3m per country
Registered providers	£5m in total
Unsecured investments with building societies	£5m in total
Money Market Funds	£15m in total

Liquidity management: The Council uses its own cash flow forecasting techniques to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium term financial plan and cash flow forecast.

Non-Treasury Investments

Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the CLG Guidance, the Council may also purchase property for investment purposes and may also make loans and investments for service purposes, for example in a loan to the Waste Services Contractor for the purchase of vehicles.

Such loans and investments will be subject to the Council's normal approval processes for revenue and capital expenditure and will be formally approved by the treasury advisors and need not comply with this treasury management strategy.

The Council's existing non-treasury investments are listed in Appendix B.

Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	Target
Portfolio average credit rating	A-

Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	Target
Total cash available within 3 months	£10m

Interest rate exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2018/19	2019/20	2020/21
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	75%	75%	75%

Fixed rate investments and borrowings are those where the rate of interest will not change over the life of the transaction. All other instruments are classed as variable rate.

Maturity structure of borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal sums invested for periods longer than 364 days: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2018/19	2019/20	2020/21
Limit on principal invested beyond year end	£5m	£3m	£3m

Other Items

There are a number of additional items that the Council is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

Policy on the use of financial derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Policy on apportioning interest to the HRA: On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Council's average interest rate on investments, adjusted for credit risk.

Investment training: The needs of the Council's treasury management staff for training in investment management are assessed every three months as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

Investment advisers: The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled by Director of Resources.

Investment of money borrowed in advance of need: The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £250 million. The maximum period between borrowing and expenditure is expected to be two years, although the Council is not required to link particular loans with particular items of expenditure.

Financial Implications

The budget for investment income in 2018/19 is £45,000, based on an average investment portfolio of £15.5 million at an interest rate of 0.29%. The budget for debt interest paid in 2018/19 is £6.3 million, based on an average debt portfolio of £212 million at an average interest rate of 3%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Resources, having consulted the Portfolio Holder, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A - Arlingclose Economic & Interest Rate Forecast November 2017

Underlying assumptions:

- In a 7-2 vote, the MPC increased Bank Rate in line with market expectations to 0.5%. Dovish accompanying rhetoric prompted investors to lower the expected future path for interest rates. The minutes re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.
- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2.
- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.
- Some data has held up better than expected, with unemployment continuing to decline and house prices remaining relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis. Weaker long term growth may prompt deterioration in the UK's fiscal position.
- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.
- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.
- Geo-political risks remains elevated and helps to anchor safe-haven flows into the UK government bond (gilt) market.

Forecast:

- The MPC has increased Bank Rate, largely to meet expectations they themselves created. Future expectations for higher short term interest rates are subdued. On-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.
- Our central case for Bank Rate is 0.5% over the medium term. The risks to the forecast are broadly balanced on both sides.
- The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.19
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.15
3-month LIBID rate														
Upside risk	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.22
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	-0.10	-0.10	-0.15	-0.15	-0.15	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.20
1-yr LIBID rate														
Upside risk	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.27
Arlingclose Central Case	0.70	0.70	0.70	0.70	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.77
Downside risk	-0.15	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15	-0.26
5-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	0.75	0.75	0.80	0.80	0.80	0.85	0.90	0.90	0.95	0.95	1.00	1.05	1.10	0.89
Downside risk	-0.20	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
10-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.25	1.25	1.25	1.25	1.25	1.30	1.30	1.35	1.40	1.45	1.50	1.55	1.55	1.36
Downside risk	-0.20	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
20-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.85	1.85	1.85	1.85	1.85	1.90	1.90	1.95	1.95	2.00	2.05	2.05	2.05	1.93
Downside risk	-0.20	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.38
50-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.70	1.70	1.70	1.70	1.70	1.75	1.80	1.85	1.90	1.95	1.95	1.95	1.95	1.82
Downside risk	-0.30	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.39

Appendix B - Existing Investment & Debt Portfolio Position

	31.12.17 Actual Portfolio £m	31.12.17 Average Rate %
External borrowing:		
PWLB - Fixed Rate	153.656	3.00
PWLB - Variable Rate	31.800	0.45
Total external borrowing	185.456	
Other long-term liabilities:		
Finance Leases	2.327	
Total other long-term liabilities	2.327	
Total gross external debt	187.783	
Treasury investments:		
Banks & building societies (unsecured)	13.937	0.51
Government (incl. local authorities)	4.000	0.32
Money Market Funds	12.000	0.22
Total treasury investments	29.937	
Net debt	157.846	

Non-treasury investments:		
BIFFA Loan	1.861	5.00
Total investments	31.798	

Appendix C - Prudential Indicators 2018/19

The Local Government Act 2003 requires the Council to have regard to the CIPFA *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure: The Council's planned capital expenditure and financing may be summarised as follows. Further detail is provided in Cabinet Report C-035-2017/18 - Capital Review 2017/18 - 2021/22.

Capital Expenditure and Financing	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
General Fund	17.010	12.125	1.433	0.540
HRA	23.114	22.786	25.641	15.157
Total Expenditure	40.124	34.911	27.074	15.697
Capital Receipts	5.341	4.632	7.712	2.289
Grants	0.666	0.080	0.085	0.090
Reserves	2.233	2.696	3.753	0.000
Revenue	15.499	16.684	14.496	13.168
Borrowing	16.385	10.819	1.028	0.150
Total Financing	40.124	34.911	27.074	15.697

Estimates of Capital Financing Requirement: The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.18 Revised £m	31.03.19 Estimate £m	31.03.20 Estimate £m	31.03.21 Estimate £m
General Fund	52.3	66.2	67.1	67.1
HRA	155.1	155.1	155.1	155.1
Total CFR	207.4	221.3	222.2	222.2

The CFR is forecast to rise by £14.8m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.18 Revised £m	31.03.19 Estimate £m	31.03.20 Estimate £m	31.03.21 Estimate £m
Borrowing	185.5	212.0	212.9	212.9

Total debt is expected to remain below the CFR during the forecast period.

Operational Boundary for External Debt: The operational boundary is based on the Council's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance leases and other liabilities that are not borrowing but form part of the Council's debt.

Operational Boundary	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Borrowing	240.00	260.00	260.00	260.00

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2017/18 Limit £m	2018/19 Limit £m	2019/20 Limit £m	2020/21 Limit £m
Borrowing	250.00	270.00	270.00	270.00

Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2017/18 Revised %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %
General Fund	0.60	0.91	0.96	0.93
HRA	16.68	17.37	17.54	17.72

Appendix D - Annual Minimum Revenue Provision Statement 2018/19

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to the Department for Communities and Local Government's *Guidance on Minimum Revenue Provision* (the CLG Guidance) most recently issued in 2012.

The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The CLG Guidance requires the Council to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

1. For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined as being equal to the accounting charge for depreciation. (*Option 4 in England and Wales, Option 2 in Northern Ireland*)
2. No MRP will be charged in respect of assets held on a temporary basis where a capital receipt will arise to repay the debt.
3. No MRP will be charged in respect of assets held within the Housing Revenue Account.

During 2016/17 there was £9.3m of unfinanced capital expenditure on non-HRA assets. The first £5m was on land acquired as part of site assemblage, which is an asset held on a temporary basis as set out under 2 above. The remaining £4.3m was incurred on the shopping park and this asset became operational during 2017/18. Given the nature of this asset it will be maintained to a very high standard and accordingly no depreciation will be charged. As no depreciation is being charged it is not appropriate to charge MRP, as set out in 1 above. Additional comfort on the prudent nature of this treatment is provided by the substantial income stream being generated which could be used to repay debt.

During 2017/18 there is likely to be £15m of unfinanced capital expenditure on non-HRA assets. The first £9.5m will be on the shopping park and will be treated as set out in the previous paragraph. The remaining £5.5m will be incurred on the new leisure centre in Waltham Abbey. This asset will not come into operation until 2018/19 and so MRP will not be required until 2019/20. It is anticipated that the full cost of the leisure centre will be £14m and that it will be depreciated over 40 years, consequently £350,000 of CSB growth has been included for the MRP charge commencing in 2019/20.

Based on the Council's latest estimate of its Capital Financing Requirement and the policy set out above no budget for MRP is required for 2018/19 but the MTFS includes £350,000 from 2019/20 onwards.

Appendix E - Current Recommended Sovereign and Counterparty List as at 31/12/2017

Country/ Domicile	Counterparty	Maximum Counterparty Limit £m	Maximum Group Limit (if applicable) £m	Maximum Maturity Limit
UK	Santander UK Plc (Banco Santander Group)	3.0		6 months
UK	Bank of Scotland (Lloyds Banking Group)	3.0	3.0	6 months
UK	Lloyds TSB (Lloyds Banking Group)	3.0		6 months
UK	Barclays Bank Plc	3.0		100 days
UK	Close Brothers Ltd.	3.0		6 months
UK	Goldman Sachs	3.0		100 days
UK	HSBC Bank Plc	3.0		6 months
UK	Standard Chartered	3.0		100 days
UK	Nationwide Building Society	3.0		6 months
UK	Coventry Building Society	3.0		6 months
UK	Leeds Building Society	3.0		100 days
UK	NatWest (Council's current banker - see section above on operational bank accounts)	5.0	5.0	35 days
UK	Royal Bank of Scotland (RBS Group)	5.0		35 days
Australia	Australia and NZ Banking Group	3.0		6 months
Australia	Commonwealth Bank of Australia	3.0		6 months
Australia	National Australia Bank Ltd (National Australia Bank Group)	3.0		6 months
Australia	Westpac Banking Corp	3.0		6 months
Canada	Bank of Montreal	3.0		6 months
Canada	Bank of Nova Scotia	3.0		6 months
Canada	Canadian Imperial Bank of Commerce	3.0		6 months
Canada	Royal Bank of Canada	3.0		6 months
Canada	Toronto-Dominion Bank	3.0		6 months

Finland	Op Corporate Bank	3.0		6 months
Denmark	Danske Bank	3.0		100 days
Germany	Landesbank Hessen-Thuringen	3.0		6 months
Netherlands	ING Bank NV	3.0		100 days
Netherlands	Rabobank	3.0		13 months
Sweden	Nordea Bank AB	3.0		13 months
Sweden	Svenska Handelsbanken	3.0		13 months
Switzerland	Credit Suisse	3.0		100 days
UK	Building Societies	See below		See below

The following 11 building societies have limits of £1m and 100 days - Darlington, Furness, Hinckley & Rugby, Leek, Mansfield, Marsden, Melton Mowbray, National Counties, Newbury, Scottish, Tipton & Coseley.

***Please note this list could change if, for example, a counterparty/country is upgraded, and meets our other creditworthiness tools or a new suitable counterparty comes into the market. Alternatively, if a counterparty is downgraded, this list may be shortened.*

Group Limits - For institutions within a banking group, the authority executes a limit of that of an individual limit of a single bank within that group.

Appendix F - Non-Specified Investments

Instrument	Maximum maturity	Maximum £M	Capital expenditure?	Example
Call accounts, term deposits & CDs with banks, building societies & local authorities which do not meet the specified investment criteria (on advice from TM Adviser)	5 years	3	No	
Deposits with registered providers	5 years	3	No	
Gilts	5 years	3	No	
Bonds issued by multilateral development banks	5 years	2	No	<i>EIB Bonds, Council of Europe Bonds etc.</i>
Sterling denominated bonds by non-UK sovereign governments	5 years	2	No	
Money Market Funds and Collective Investment Schemes	5 years	15	No	<i>Investec Target Return Fund; Elite Charteris Premium Income Fund; LAMIT; M&G Global Dividend Growth Fund</i>
Corporate loans and debt instruments issued by corporate bodies	5 years	3	No	
Collective Investment Schemes (pooled funds) which do not meet the definition of collective investment schemes in SI 2004 No 534 or SI 2007 No 573	These funds do not have a defined maturity date	3	Yes	<i>Way Charteris Gold Portfolio Fund; Lime Fund</i>

TREASURY MANAGEMENT POLICY STATEMENT

1. INTRODUCTION AND BACKGROUND

1.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.

1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
- Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

1.3 The Council will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

1.4 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Finance & Performance Cabinet Committee and for the execution and administration of treasury management decisions to the Director of Resources who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

1.5 The Council nominates the Audit & Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2. POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

2.1 The Council defines its treasury management activities as:

"The management of the Council'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."

2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the

principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.”

2.4 The Council’s borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

2.5 The Council’s primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Council’s investments followed by the yield earned on investments remain important but are secondary considerations.