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14 August 2020

## AUDIT SCRUTINY COMMITTEE

A meeting of the **Audit Scrutiny Committee** will be held on **Wednesday, 26th August, 2020 at 10.00 am**. This will be a virtual meeting and you can attend the meeting via the following link <https://m.youtube.com/user/TeignbridgeDC/videos>

PHIL SHEARS  
Managing Director

### **Membership:**

Councillors Morgan (Chairman), Rollason (Deputy Chairman), H Cox, Colclough, Mullone, J Petherick, Purser and Thorne

**Please Note:** The meeting will be live streamed with the exception where there are confidential or exempt items, which may need to be considered in the absence of the media and public.

### **A G E N D A**

1. **Apologies for Absence**
2. **Minutes of the previous meeting** (Pages 3 - 6)  
To approve and sign the minutes of the meeting held on 19 December 2019.
3. **Declarations of Interest.**
4. **Public Questions (If any)**
5. **Members Questions (if any)**  
Members of the Council may ask questions of the Chairman subject to procedural rules.

The deadline for questions is no later than three clear working days before the meeting.

## 6. Notice of Motion

Annual Council 28 July 2020 considered a Notice of Motion on equality of representation in the Teignbridge District presented by Councillor Jeffries.

The Notice of Motion was resolved and agreed that it would be referred to Audit Scrutiny Committee, Overview and Scrutiny Committee, Executive with a report to go back to Full Council.

Audit Scrutiny Committee are asked to consider the following points in the resolution:-

*Review of the Governance of the Council which will comprise:*

- I. A review of the Council's own HR and Equalities practices (including provision for member and officer training)*
- II. The Council setting up an advisory board to consider BAME within the context an EIA for Covid 19*
- III. A review of the Councillor Community Fund criteria to promote projects which address inequalities and raising educational attainment within underrepresented groups.*

7. <b>External Audit Report</b>	(Pages 7 - 22)
8. <b>Strategic &amp; Corporate Risk Report</b>	(Pages 23 - 40)
9. <b>2019/20 Draft Final Accounts and Treasury Management</b>	(Pages 41 - 52)
10. <b>Internal Audit Report</b>	(Pages 53 - 60)
11. <b>Annual Governance Statement 2019-2020</b>	(Pages 61 - 74)
12. <b>Financial Instructions and Contract Procedures Rules Wavier Report</b>	(Pages 75 - 80)

If you would like this information in another format, please telephone 01626 361101 or e-mail [info@teignbridge.gov.uk](mailto:info@teignbridge.gov.uk)

**AUDIT SCRUTINY COMMITTEE****19 DECEMBER 2019**Present:

Councillors Morgan (Chairman), Rollason (Deputy Chairman), H Cox, Colclough, Purser and Thorne

Members in Attendance:

Councillors

Apologies:

Councillors Mullone and J Petherick

Officers in Attendance:

Martin Flitcroft, The Chief Finance Officer & Head of Corporate Services

Sue Heath, Audit Manager

Christopher Morgan, Trainee Democratic Services Officer

Sarah Selway, Democratic Services Team Leader & Deputy Monitoring Officer

**31. MINUTES OF THE PREVIOUS MEETING**

The minutes of the Audit Scrutiny Committee meeting held on 12 September 2019 were confirmed as a correct record and signed by the Chairman.

**32. DECLARATIONS OF INTEREST.**

None.

**33. INTERNAL AUDIT PROGRESS REPORT**

The Audit Manager presented the report which advised Members of the recent progress against the Audit Plan, the outcomes of the completed audits and the additional duties undertaken by the audit team. The Audit Plan was approved annually by the Audit Scrutiny Committee and progress was reported back at each meeting. The audit schedule was where it should be, with 14 of the 19 audits for the year already completed.

In response to a question from a member about Council Tax Fraud, the Audit Manager explained that the use of third party data collection agencies for data matching presented risks as the quality of data could not be guaranteed, and that it is preferred for Teignbridge to participate in the National Fraud Initiative (NFI) which uses HMRC and electoral role data instead.

It was proposed by Councillor Purser, seconded by Councillor Thorne and

**Resolved**

That the report be noted and approve.

**34. TREASURY MANAGEMENT LENDING LIST UPDATE**

The Chief Finance Officer presented the report which provided Members with details of the authorised lending list, which had been presented to the Executive Committee on 28 November.

In response to questions from Members, the Chief Finance Officer explained that Charities, Churches, and Local Authorities (CCLA) had multiple funds, and that Teignbridge was interested in property funds due to the good returns.

It was proposed by Councillor Morgan, seconded by Councillor Rollason and

**Resolved**

That the report be noted.

**35. EXTERNAL AUDIT PROGRESS REPORT AND ANNUAL AUDIT LETTER**

Julie Masci, Engagement Lead from Grant Thornton, presented the Audit Progress Update report and the Annual Audit Letter for the year ending 31 March 2019.

Members were referred to the 2018/19 Annual Audit Letter, which summarised the key findings arising from work carried out for the Council year ending 31 March 2019.

The External Auditor stated that the work for 2019/20 would soon be underway and would be presented along with the Certification Report, to Members at the next meeting on 25 March 2020. Details of the audit deliverables, sector update work, the Chartered Institute of Public Finance and Accountancy (CIPFA) consultation, MCHLG probe, and Brexit Preparations were discussed.

Members were informed that Grant Thornton had begun to plan workshops in order to explain the changes in this year's Local Authority code, and also who the Brexit lead was.

It was proposed by Councillor Purser, seconded by Councillor Rollason and

**Resolved**

That the report be noted.

## **36. FINANCIAL INSTRUCTIONS AND CONTRACT RULES WAIVER**

The Audit Manager presented the report which provided Members with details of Financial Instructions and Contract Procedure Rules that had been waived since September 2019.

There had been seven waivers reported – The Football ground at Coach Road, the Simplification Project, Sorting and Baling Equipment, Sustainable transport improvements in Newton Abbot, Pumping Station at Horse Lane, Brunswick Street in Newton Abbot, and Estates Management Services.

It was proposed by Councillor Colclough, seconded by Councillor Rollason and

### **Resolved**

That the report be noted.

## **37. CORPORATE AND STRATEGIC RISK REPORT**

The Corporate Performance Officer presented the report. Most risks were medium to low, with some changes made to existing risks. It was noted that cybersecurity training for both Officers and Members was being prepared by Strata and would be held separately in 2020.

She explained to Members that there were 25 Strategic Risks and 12 corporate risks. Of the 37 risks, six had an unmitigated risk score of 9, which was very high, but risk officers had actions in place to reduce these. She commented that there were no risks with a high impact and high likelihood or medium impact and high likelihood score.

In response to comments from Members regarding security, it was decided that the Strata Compliance & Security Manager will be invited to the next meeting.

It was noted that the Strata Business Plan was being prepared and that the Climate Emergency Plan had been erroneously omitted but had been agreed at Full Council in September.

It was proposed by Councillor Colclough, seconded by Councillor Rollason and

### **Resolved**

That the report be noted.

The meeting commenced at 10.00 am and finished at 11.00 am.

Chairman



# Audit Progress Report and Sector Update

Teignbridge District Council  
Year ending 31 March 2020

26 August 2020



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# Introduction



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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Scrutiny Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications [www.grantthornton.co.uk](http://www.grantthornton.co.uk) ..

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

# Progress at July 2020

## Financial Statements Audit

We undertook our initial planning for the 2019/20 audit in February 2020, and interim audit in March 2020. We are due to begin our work on your draft financial statements on 10 August 2020. We have been working with officers whilst they were preparing the draft financial statements and have completed/started early work in a number of areas.

In March 2020 we issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by 21 October 2020.

## Covid-19

In addition to the audit risks communicated to those charged with governance in our Audit Plan in March 2020, the Covid-19 pandemic led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response. On 16 April 2020 we issued an addendum to our audit plan, setting out a new significant financial statement risk in relation to Covid-19.

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach can be seen in our Audit Plan.

We will report our work in the Audit Findings Report and aim to give our Value For Money Conclusion by 21 October 2020.

The NAO consultation on a new Code of Audit Practice (the "Code") has finished, and the new Code has completed its approval process in Parliament. It therefore came into force on 1 April 2020 for audit years 2020/21 and onwards. The new Code supersedes the Code of Audit Practice 2015, which was published by the National Audit Office (NAO) in April 2015.

The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations. The NAO public consultation is now underway and runs until 2 September 2020. It can be accessed through the NAO website:

<https://www.nao.org.uk/code-audit-practice/agn-03-vfm-consultation/>

# Progress at July 2020 (Cont.)

## Other areas

### Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DwP). The planning of the certification work for the 2019/20 claim is underway and we intend to complete our work by the original deadline of 30 November deadline. Although it should be noted that, in response to the impact of the Covid-19 pandemic, the DwP has moved the reporting deadline back to 31 January 2021. We will report our findings to the Audit Committee in our Certification Letter in January 2021.

- We are also pleased to report that the Council have appointed Grant Thornton as its reporting accountant through to 2022/23.

### Meetings

We are in regular dialogue with Finance Officers and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshop in February, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

## Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit Scrutiny Committee. We have since received confirmation of approval of these variations from PSAA.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

# COVID-19 Update

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## Impact on working arrangements:

- following the government's announcement on Monday 16 March 2020, we closed our Grant Thornton offices for the foreseeable future and your audit team are now working from home
- we will be working remotely during your accounts audit. Although there are some audit tasks which are best undertaken in person, we will be able to complete the majority of the audit remotely. This is however likely to make the audit process longer. We continue to work closely with your finance team to make this different way of working as efficient as possible.
- there may need to be further changes to planned audit timings due to potential illness within the audit team or the finance team and due to the further developments of COVID-19.

## Impact on accounts and audit opinions:

There are a number of key issues which your finance team will have had to consider as part of the year end closedown and accounts production:

- impact on reserves and financial health and whether the Council needs to provide additional disclosures that draw attention to a Material Uncertainty around Going Concern (this could also impact on the VfM conclusion) or asset valuations.
- valuation of Property, Plant & Equipment and assumptions made by valuers, particularly in respect of carrying value to current value assessment.
- impact on collectability of debt and assumptions made in bad debt provisions.
- impact on post-balance sheets events. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events but some form of disclosure may be needed.
- disclosure of impact in annual report.
- disclosure of critical judgements and material estimation uncertainties.
- impact on the content of the Annual Governance Statement, particularly with regards to risks, controls and mitigation.
- considerations in respect of service continuity and disaster planning arrangements (this could impact on the VfM conclusion).
- impact on reporting to those charged with governance and signing arrangements.

## Changes to reporting requirements:

The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, which amend the Accounts and Audit Regulations 2015, came into force on 30 April 2020.

These new regulations confirmed:

- the publication date for final, audited, accounts would move to 30 November 2020 for all local authority bodies;
- local authorities must commence the public inspection period on, or before, the first working day of September 2020; and
- draft accounts must be approved by 31 August 2020, or earlier where possible.

We continue to liaise with the Section 151 Officer and key finance officers in respect of the impact of Covid-19 on the Council's operations and the production of its financial statements and we have begun to make arrangements for a fully remote final accounts audit.

IFRS 16 implementation has been delayed by 1 year to 1 April 2021. IAS 8 disclosures in respect of new accounting standards which have been issued but are not yet effective are still required for IFRS 16 (Leases) even though implementation is deferred to 2021/22.

# Audit Deliverables (updated – Covid-19 impact)

2019/20 Deliverables	Planned Date	Status
<b>Fee Letter</b> Confirming audit fee for 2019/20. We have appended the updated fee letter seeking additional fees as a result of the increased regulatory focus facing all audit suppliers.	April 2019	Complete
<b>Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Audit Scrutiny Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements. This includes the findings of our value for money initial risk assessment.	March 2020	Complete
<b>Interim Audit Findings</b> We will report to you the findings from our interim audit in our Audit Progress Report.	March 2020	Complete
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the October Audit Scrutiny Committee.	October 2020	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statements, annual governance statement and value for money conclusion.	October 2020	Not yet due
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	October 2020	Not yet due

# Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# In-depth insight into the impact of Covid-19 on financial reporting in the local government sector – Grant Thornton

In June Grant Thornton published a report to help officers and elected members identify points they should consider when assessing and reporting the impact of Covid-19 on their authority. Each authority will be impacted in different ways and will need to make their own assessment of the impact on their financial statements. However, the report identified some of the key challenges for the sector, along with the potential financial reporting and regulatory impact, to support preparers of local authority accounts navigate through some of these key issues. The report also included a number of useful links to other resources.

The extraordinary events we are living through follow a decade of austerity, triggered by the financial crisis of 2008/09, which had already placed considerable strain on local authorities' finances. Increased demand for many local public services, directly related to the outbreak of the virus, has placed immediate pressure on authorities' cash flows and expenditure budgets. The longer-term consequences of recession and unemployment on demand for services have yet to be experienced.

At the same time, several important sources of local authority income including Council Tax, Non-domestic (business) rates, fees and charges, rents and investment returns have, to a greater or lesser extent, been subject to reduction or suspension. This perfect storm of conditions presents a real threat to the financial sustainability of the sector. Now, more than ever, strong political and executive leadership is needed to re-establish priorities, review strategies and medium-term financial plans and ensure that public funds are being used as efficiently and effectively as possible. A balance has to be struck between responding to the needs of residents and businesses in a timely manner, protecting the most vulnerable and ensuring appropriate measures and controls around financial management are in place to mitigate against future 'financial shock'. In doing so, iterative scenario planning will help officers and elected members to take informed decisions at key stages, revisiting and revising plans along the way.

The report considered:

- Operational challenges and the related financial reporting/regulatory impact
- Government support schemes – considering the accounting implications
- Significant financial reporting issues to consider
- Other sector issues and practicalities to consider
- Impact on audit work/external scrutiny process
- Engagement with experts

In terms of key financial reporting considerations for 2019/20, consideration should be given to:

## Information published with accounts

- Does the Narrative Report reflect the urgency of the situation, the changes to Council services as a result of lockdown, the partnership arrangements in place, the impact of the pandemic on income and expenditure and possible future scenarios, the impact on savings programmes, the capital programme, treasury management, medium term financial plans and the Council's communications strategy (noting this is not an exhaustive list)?
- Does the Annual Governance Statement reflect significant developments between 31 March 2020 and the finalisation of the accounts? Does the AGS describe emergency governance arrangements for decision making, the postponement of elections, the transition to virtual meetings and plans for the return to normal democratic processes?

## Non-current asset valuations

- There has been a significant increase in volatility and uncertainty in markets following the outbreak of Covid-19. RICS has issued a Valuation Practice Alert following the pandemic, and we are aware a significant number of valuers are including 'material valuation uncertainty' disclosures within their reports. Has the Council assessed the impact of such comments, reflected 'material valuation uncertainty' disclosures within the financial statements and taken account of the requirement of Code paragraph 3.4.2.90 to provide appropriate disclosure in their financial statements in relation to major sources of estimation uncertainty?

## Non-current asset valuations

- The Council is required to make an assessment at the end of each reporting period as to whether there is any indication that assets may be impaired. There are several types of event or change in circumstance that could indicate an impairment may have occurred, including evidence of obsolescence or physical damage or a commitment to undertake a significant reorganisation. Has the Council assessed whether the impact of the pandemic may have triggered impairments?
- Has the Council considered these matters in relation to Investment Property held? Potentially more so for 2020/21, there may be significant declines in asset carrying values, especially for investments in retail or office premises.

## Impairment of receivables

- IFRS 9 *Financial Instruments* introduced an expected credit loss model for financial assets which drives earlier recognition of impairments. Has the Council assessed the impact of the pandemic on its expectation of credit losses?
- Impairment of statutory Council Tax and Non-domestic rate debtor balances is also possible. Has the Council observed a measurable decrease in estimated future cashflow, for example an increase in the number of delayed payments? Has the Council considered whether recent historical loss experience across aged debt may also need revision where current information indicates the historical experience doesn't reflect current conditions? Experience following the 2008/09 financial crisis may prove to be a useful reference point, given the ensuing recession conditions.

## Events after the reporting period

- By 31 March 2020 enough was known about the pandemic for accounts preparers and market participants to reflect and, if necessary, adjust assumptions and assessments. By the end of March 2020, it would be extremely difficult to say that the pandemic was not an event that existed and therefore any accounting impact that occurred after this date is not an adjusting event.
- Has the Council distinguished between subsequent events that are adjusting (i.e. those that provide further evidence of conditions that existed at the reporting date) and non-adjusting (i.e. those that are indicative of conditions that arose after the reporting date)? Has the Council got arrangements in place to assess events up to the date the final accounts are authorised for issue?

## Sources of estimation uncertainty

Has the Council identified the assumptions required about the future and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year? Have these been appropriately disclosed in accordance with the requirements of IAS 1 paras 125-133?

2019/20 financial statements are being prepared in an environment of heightened uncertainty as a result of the pandemic and the situation is evolving and fast moving. We have drawn out some of the key considerations for local authority financial reporting here, but further details can be found in our full report available on the Grant Thornton website:

<https://www.grantthornton.co.uk/globalassets/1-member-firms/united-kingdom/pdf/publication/2020/impact-of-covid19-on-financial-reporting-local-government-sector.pdf>



# Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19 – National Audit Office

In June the National Audit Office (NAO) published a guide that “aims to help audit and risk committee members discharge their responsibilities and to examine the impacts on their organisations of the COVID-19 outbreak. It is part of a programme of work undertaken by the NAO to support Parliament in its scrutiny of the UK government’s response to COVID-19.”

The NAO report notes “Audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk.”

Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for.”

The NAO comment “This guide aims to help audit and risk committee members discharge their responsibilities in several different areas, and to examine the impacts on their organisations of the COVID-19 outbreak, including on:

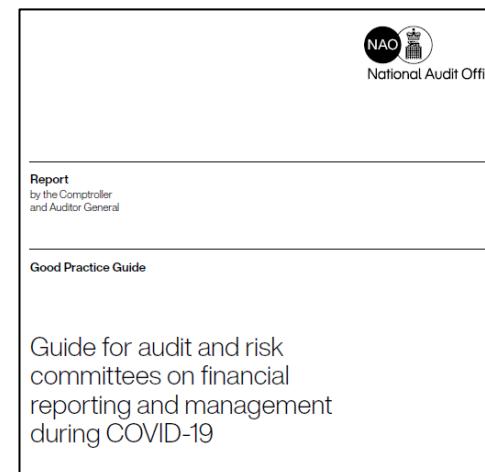
- annual reports;
- financial reporting;
- the control environment; and
- regularity of expenditure.

In each section of the guide we have set out some questions to help audit and risk committee members to understand and challenge activities. Each section can be used on its own, although we would recommend that audit and risk committee members consider the whole guide, as the questions in other sections may be interrelated. Each individual section has the questions at the end, but for ease of use all the questions are included in Appendix One.

The guide may also be used as organisations and audit and risk committees consider reporting in the 2020-21 period.”

The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>



# Kickstarting Housing – Grant Thornton and Localis

In July Grant Thornton Head of Local Government, Paul Dossett, wrote an essay, included as part of a collection in the Localis report – “Building for renewal: kickstarting the C19 housing recovery”.

Paul asked “So how do we address “the housing crisis” in the context of an existential threat to the British economy? Just as importantly, how do we ensure our key workers, our new heroes of the Thursday night applause, are front and centre of such a response. Paul suggested that the housing response needs to move away from the piecemeal towards a comprehensive and strategic response, with five key pillars with the key worker demographic at its heart:

- **Public housebuilding.** This will involve more borrowing, but we need a bold and ambitious target to build at least one million new public sector properties at social rents by 2025. This should involve a comprehensive and deep partnership between Homes England and local authorities and underpinned by a need to minimise the carbon footprint.

- **Private sector housing needs a rocket boost** with massive Government supported investment in modern methods of construction and consideration of required workforce needed to meet capacity. This needs to go hand in hand with a major recruitment drive into all facets of the housing industries. This should include national and local training initiatives to support workers from the service sectors who are very likely to lose their jobs because of the pandemic.

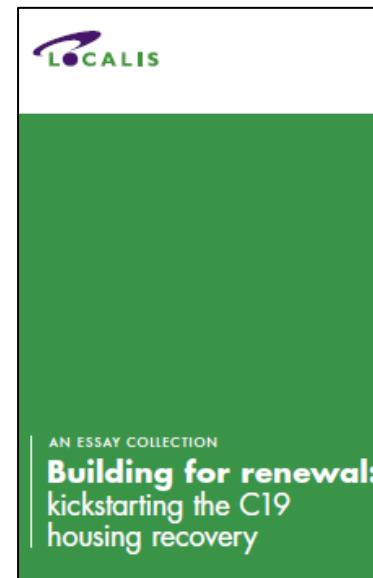
- **Strategic authorities based on existing local government footprints** across the country to remove the inconsistent patchwork quilt of current arrangements so that there is consistency between local, county and national strategic priorities. They should be legally tasked and funded for development of comprehensive infrastructure plans to support housing initiatives in their areas with a strong remit for improving public transport, supporting green energy initiatives and developing public realms which create a sense of community and belonging.

- **Building on existing initiatives to improve security of tenure and quality of accommodation,** a new partnership is needed between landlord and tenants that provides a consistent national/regional footing to ensure that housing is a shared community responsibility. This should, like the response to the pandemic, be part of a shared community narrative based on state, business and local people.

- Putting key workers at the heart of the Housing strategy. The country appears to have discovered the importance of key workers. The people that keep the country running and whose contribution is never usually recognised financially or in terms of social esteem. There are several existing key worker accommodation initiatives, but they are local and piecemeal. We need a comprehensive strategy which focuses on key worker needs, including quality of accommodation, affordable mortgages/ rents, proximity to workplaces and above all, a sense of priority on the housing ladder for those who keep the country running in good times and bad and are the best of us in every sense.

Paul concluded “Housing is a basic need and if key workers feel valued in their place in housing priorities, we will have made a giant step forward.

Key workers are not the only group in need of help of course. Utilising the momentum behind keyworkers that their role in COVID-19 has brought into focus, could help kickstart housing initiatives that help all those in need.”



The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/en/insights/homes-fit-for-heroes-affordable-housing-for-all/>

# Place-Based Growth - 'Unleashing counties' role in levelling up England' – Grant Thornton

In March Grant Thornton launched a new place-based growth report 'Unleashing counties' role in levelling up England. The report, produced in collaboration with the County Councils Network, provides evidence and insight into place-based growth through the lens of county authority areas. It unpacks the role of county authorities in delivering growth over the past decade through: desk-based research, data analysis and case study consultations with 10 county authorities (Cheshire East, Cornwall, Durham, Essex, Hertfordshire, North Yorkshire, Nottinghamshire, Oxfordshire, Staffordshire, Surrey).

The report reveals:

- Growth, as measured by Gross Added Value (GVA), in county areas has lagged behind the rest of the country by 2.6% over the last five years. GVA in the 36 county areas has grown by 14.1% between 2014 and 2018, compared to 16.7% for the rest of England.
- In total, 25 of these counties have grown at a rate slower than the rest of the country. The research finds no north-south divide, as the county areas experiencing some of the smallest economic growth are Herefordshire (5.3%), Oxfordshire (5.6%) and Cumbria (8.2%), Gloucestershire (9.2%), and Wiltshire (9.7%) – showing that one size fits all policies will not work.
- Some 30 of the 36 county authority areas have workplace productivity levels below the England average. At the same time, counties have witnessed sluggish business growth, with county authorities averaging 7.9% growth over the last five years – almost half of that of the rest of the country's figure of 15.1% over the period 2014 to 2019.

To address these regional disparities in growth and local powers, the report's key recommendations include:

- Rather than a focus on the 'north-south divide', government economic and investment assessments should identify those places where the economic 'gap' is greatest – Either to the national average or between different places – and focus investment decisions on closing that gap and levelling up local economies.

- The devolution white paper must consider how devolution of powers to county authorities could assist in levelling-up the country. This should include devolving significant budgets and powers down to councils, shaped around existing county authorities and local leadership but recognising the additional complexity in two-tier local authority areas and whether structural changes are required.
- Growth boards should be established in every county authority area. As part of this a statutory duty should be placed on county authorities to convene and coordinate key stakeholders (which could include neighbouring authorities). These growth boards should be governed by a national framework which would cover the agreed 'building blocks' for growth – powers, governance, funding and capacity.
- Planning responsibilities should be reviewed with responsibility for strategic planning given to county authorities. In line with the recently published final report of the Building Better, Building Beautiful Commission, the government should consider how county authorities, along with neighbouring unitary authorities within the county boundary, could take a more material role in the strategic and spatial planning process.

- The National Infrastructure Commission should ensure greater consideration of the infrastructure requirements in non-metropolitan areas. Their national infrastructure assessments could consider how better investment in infrastructure outside metropolitan areas could link to wider growth-related matters that would help to level up the economy across the country.

The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/en/insights/unleashing-counties-role-in-levelling-up-england/>



# CIPFA – Financial Scrutiny Practice Guide

Produced by the Centre for Public Scrutiny (CfPS) and CIPFA, this guide provides guidance to councils and councillors in England on how they might best integrate an awareness of council finances into the way that overview and scrutiny works.

The impact of the COVID-19 pandemic on council finances, uncertainty regarding the delayed fair funding review and future operations for social care – on top of a decade of progressively more significant financial constraints – has placed local government in a hugely challenging position.

For the foreseeable future, council budgeting will be even more about the language of priorities and difficult choices than ever before.

This guide suggests ways to move budget and finance scrutiny beyond set-piece scrutiny ‘events’ in December and quarterly financial performance scorecards being reported to committee. Effective financial scrutiny is one of the few ways that councils can assure themselves that their budget is robust and sustainable, and that it intelligently takes into account the needs of residents.

Scrutiny can provide an independent perspective, drawing directly on the insights of local people, and can challenge assumptions and preconceptions. It can also provide a mechanism to ensure an understanding tough choices that councils are now making.

This paper has been published as the local government sector is seeking to manage the unique set of financial circumstances arising from the COVID-19 pandemic. This has resulted, through the Coronavirus Act 2020 and other legislation, in changes to local authorities’ formal duties around financial systems and procedures.

The approaches set out in this guide reflect CfPS and CIPFA’s thinking on scrutiny’s role on financial matters as things stand, but the preparation for the 2021/22 budget might look different. CfPS has produced a separate guide to assist scrutineers in understanding financial matters during the pandemic



The full report can be obtained from CIPFA’s website:

<https://www.cipfa.org/policy-and-guidance/reports/financial-scrutiny-practice-guide>

# Future Procurement and Market Supply Options Review – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has commissioned an independent review of the sustainability of the local government audit market. The review was undertaken by an independent consultancy, Touchstone Renard.

PSAA note that the report "draws on the views of audit firms active in the local authority market as well as others that are not. In doing so it identifies a number of distinctive challenges in the current local audit market. In particular it highlights the unprecedented scrutiny and significant regulatory pressure on the auditing profession; the challenges of a demanding timetable which expects publication of audited accounts by 31 July each year; and the impact of austerity on local public bodies and its effect on both the complexity of the issues auditors face and the capacity of local finance teams".

Key findings in the report include:

- A lack of experienced local authority auditors as the main threat to the future sustainability of the market.
- It will be difficult to bring the non-approved firms into the market.
- Of the nine approved firms, only five have current contracts with PSAA.
- Almost all of the approved firms have reservations about remaining in the market.
- Firms perceive that their risks have increased since bids were submitted for the current contracts.
- The timing of local audits is problematic.

Key issues for the next procurement round include:

- Number of lots and lot sizes.
- Lot composition.
- Length of contracts.
- Price:quality ratio.

The report notes that "PSAA will need to balance the views of the firms with wider considerations including the needs of audited bodies and the requirement to appoint an auditor to every individual body opting in to its collective scheme".



The full report can be obtained from the PSAA website:

<https://www.psaa.co.uk/wp-content/uploads/2020/03/PSAA-Future-Procurement-and-Market-Supply-Options-Review.pdf>

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## TEIGNBRIDGE DISTRICT COUNCIL

## Audit Scrutiny Committee

26 AUGUST 2020

## PART I

<b>Report Title</b>	Strategic and Corporate Risk Report
<b>Purpose of Report</b>	To provide Members with an overview of the current status of the Strategic & Corporate risks.
<b>Recommendation(s)</b>	<b>The Committee RESOLVES to:</b> <b>Note this report and the actions being taken to reduce risks to the achievement of the council's objectives.</b>
<b>Financial Implications</b>	The financial implications are contained within risk ST02 Failure to control and manage finance and other risks including ST14 Fraud & corruption and ST24 Breach of finance and contract rules. Principal Technical Accountant & Deputy Chief Finance Officer Email: <a href="mailto:Claire.Moors@teignbridge.gov.uk">Claire.Moors@teignbridge.gov.uk</a>
<b>Legal Implications</b>	No direct implications beyond effective risk management is key to meeting Council's legal duties. Monitoring Officer Email: <a href="mailto:Karen.Trickey@teignbridge.gov.uk">Karen.Trickey@teignbridge.gov.uk</a>
<b>Risk Assessment</b>	Effective risk management will aid decision making, focus and make better use of resources, provide a duty of care, comply with legislation, reduce costs, provide a continuity of service and reduce the risk of not meeting the council's objectives. Head of Community Services and Improvement Email: <a href="mailto:Amanda.Pujol@teignbridge.gov.uk">Amanda.Pujol@teignbridge.gov.uk</a>
<b>Environmental/ Climate Change Implications</b>	Environmental and climate change implications have been identified alongside mitigating actions within the Report; the most relevant risks include: ST31 – the impact of not reducing our energy use and contribution to CO <sub>2</sub> . ST42 – Failure to deliver the council strategy. ST44 – Flood risk resilience. ST 45 – Flood risk management. Climate Change Officer Email: <a href="mailto:william.elliott@teignbridge.gov.uk">william.elliott@teignbridge.gov.uk</a>
<b>Report Author</b>	Project Manager <a href="mailto:Liz.Gingell@teignbridge.gov.uk">Liz.Gingell@teignbridge.gov.uk</a>
<b>Portfolio Holder</b>	Corporate Resources – Cllr Alan Connell
<b>Appendices / Background Papers</b>	Appendix A – Risk Management Strategy Appendix B – Risk report

## 1. PURPOSE

To provide Members with an overview of the current status of the Council's corporate and strategic risks.

## 2. BACKGROUND

There are 3 types of risk to manage and these are:

**Strategic Risks** – these are the big issues that impact heavily on our service delivery or are fundamental changes in the district or something that may cause a lot of bad publicity. These risks are managed by Business Leads and Business or Service Managers.

**Corporate Risks** – also called 'common risks' because they apply to many sections of the Council and we have corporate processes in place to deal with them e.g. Attacks on staff. These risks are also managed by Business or Service Managers.

**Service Risks** - These are risks and opportunities that apply primarily to a service and that generally won't have too many consequences on the rest of the Council. These are managed by Business or Service Managers and Team Leaders.

In addition, reports to decision makers (both Members and the Strategic Leadership Team) for major projects or service changes, should include an analysis of risks so these are considered when important decisions are made. These risks may be referred for inclusion in the Corporate or Strategic Risk Registers if they are likely to be significant issues

## 3. RISK MANAGEMENT STRATEGY

The Strategy in Appendix A sets out our approach to risk management and is reviewed every 2 years.

No changes to the strategy have been recommended for this review.

## 4. RISK OVERVIEW

Covid 19 has created significant uncertainties for all as we work through the potential impacts. The Council had already moved from being 'risk averse' to 'risk aware' pre Covid and the platform of being 'risk aware' will continue having been heightened by the complexities of Covid 19.

Our operations may be impacted by local lockdowns / economic changes / unemployment and business closures but we will help to manage and support this with the resources we have available and any ongoing/additional support from Government as part of our response and recovery plans.

Risks have been reviewed by Officers who have taken into consideration the impact of COVID-19 on their areas of risk management. This is reflected in the mitigated risk score and status of the mitigations. Where appropriate risk mitigations have been updated and additional work undertaken or ongoing has been noted.

There are 25 risks in the Strategic Risk register which are the risks we consider could impact heavily on our ability to deliver essential services and meet important objectives. In addition there are 12 corporate risks, 'common risks', that apply to many sections of the council and we have corporate processes in place to deal with them.

Of these 37 risks 6 have a very high unmitigated risk score 9 (3x3) i.e. the risk if we took no action to reduce the risk. The risk Responsible Officers have actions (mitigations) in place to reduce the risk scores.

The risk matrix below shows how many risks have very high (9), high (6), medium (3-4) or low (1-2) mitigated risk score, which takes into account the effectiveness of actions (mitigations) to reduce the risk.

- 2 risks have a high impact and high likelihood score of 9 (3x3)
- 8 risks have a high impact and medium likelihood score of 6 (3x2)

Risk Likelihood	3 - High	No Risks	3 Risks CP11, ST41, ST40,	2 Risks ST02, ST08,
	2 - Medium	No Risks	8 Risks ST14, CP01, CP07, CP12, CP08, ST19, CP14, ST46,	5 Risks ST11, ST20, ST06, ST42, ST45,
	1 - Low	No Risks	7 Risks CP05, ST25, ST21, ST24, ST31, ST28, ST32,	11 Risks CP13, CP09, ST29, ST17, ST26, CP16, ST37, CP03, ST44, ST43, CP15,
	1 - Low	2 - Medium		3 - High
		Risk Impact		

## 5. Risk reviews

These are carried out by the risk Responsible Officer monthly for very high (9) risks, quarterly for high (6) twice a year for medium risk (3-4) risks and once a year for low (2) risks. This includes a review of each risk, its mitigations and risk impact and likelihood scores.

In addition to the regular reviews, meetings with the Risk Responsible officer and those managing the risk are held to review the scope of the risk, causes and impact, and mitigations in more depth.

## 6. RISK REPORTS

A report listing the Corporate & Strategic risks is provided as Appendix B

Details of those risks with 'Action Needed' mitigations status' are provided below.

## ST02 Failure to control and manage finance

Mitigation Status	Mitigation	Info
Action needed	Budget review	The budget is subject to an ongoing review to identify areas of concern with a resulting monthly report to SLT/CMT and quarterly report to Executive and budget realignment in conjunction with additional support from Government
Action needed	Budget risk analysis	Part of the budget process is a sensitivity and risk analysis where key factors are identified and assessed with a summary and conclusion by the Chief Finance Officer.
Action needed	General reserves monitoring	General Reserves are set annually and monitored regularly to ensure a minimum requirement is maintained to cover major budget variations. Reserves are being maintained at approximately £2m for the next three years. This will allow us to take advantage of opportunities to increase income and deal with unexpected budget pressures. This continues to be monitored as part of the ongoing changes in predicted income levels.
Action needed	Service reviews	Business challenge exercise (now BEST 2020) completed annually. This identifies budget pressures and savings, which are closely monitored.

**ST02 Review Note:** COVID19 pandemic has put severe strain on economy and local authority income streams. Monitoring lost income and clarification of funding from Govt is crucial during this financial year plus monthly monitoring of all budgets and savings exercise in progress to mitigate.

Government funding is being provided to support income from fees and charges and sales but not property rents, council tax or business rates

Budget review – action needed – this is in progress – we have identified savings and have now received details of the latest announcement by government to cover 75% of fees and charges income. We will use this to realign the budget in September and in advance of next years budget round. The S151 Officer is sending monthly returns to government and monitoring almost weekly the changes to income streams/operations etc.

Budget risk analysis – action needed - we do this as part of the budget process but will include the ongoing impact of Covid 19 as best we can in terms of larger variations in income and government support moving forward.

General reserves monitoring – action needed – ongoing thoughts on this in line with government expectations and the level of earmarked reserves we have and how they could be utilised to smooth any losses incurred each year as a result of Covid 19.

Service reviews – action needed - we will revisit all BEST2020 suggestions and

any new ideas to bridge the funding gap – identify which are still viable in the current economic climate or have been delayed and refined budgets to reflect the new reality. This will still be part of the ongoing identification of savings and efficiencies. This will feed into either the revised budget for September or the new year budget setting process.

### **ST08 Economic uncertainty**

Mitigation Status	Mitigation	Info
Action needed	Financial Management	Regular monitoring of revenue & capital budgets checking for major variations which impact on the level of reserves. This includes new homes bonus, community infrastructure levy, council tax support, and business rates retention monitoring. These can indicate fluctuations in the economy & lead to the requirement to re-align resources.

**ST08 Review Note:** Financial Management - Current pandemic has detrimental impact on economy so additional monitoring and reporting of all income and expenditure, council tax and business rate collection, level of reserves and possible/available government financial support both for the council and local businesses/residents. Regular updates by S151 Officer to management team, members and government.

We have identified savings and are working through the detail of the latest announcement by government to cover 75% of fees and charges and sales income. We will use this to realign the budget in September and in advance of next year's budget round.

### **ST21 Failure to ensure data quality**

Mitigation Status	Mitigation	Info
Action needed	Data Quality Policy	Data Quality Policy in place a reviewed on a regular basis
Action needed	Raising staff awareness of data quality	Raising staff awareness of data quality through internal communications, including the Customer Access and Business Improvement Group, and MetaCompliance messaging as appropriate

**ST21 Review Note:** Following the departure of the Business & Improvement Team Leader the customer access and improvement group has transferred to communications and a new schedule of meetings needs to be arranged.

The newly created Business and performance analyst post is out to advert.

During the COVID emergency, internal audit assisted the Revenue and Benefits Team with the verification of business data provided to Councils to award business grants and minimise fraud

**ST37 Failure of ICT infrastructure and systems not meeting business needs or not being fit for purpose**

Mitigation Status	Mitigation	Info
Action needed	Strata Business plan approved annually	The Strata Business Plan sets out the intended projects and identifies funding

**ST37 Review Note:** During the COVID crisis the organisation moved to almost 100% home working. The architecture proven to no impact or degradation in delivery of services and the infrastructure enabled us to work remotely.

The global communications project has enabled us to continue to deliver telephony services to the public and the investment in the One Teignbridge project enabled us to develop online forms and processes to support communities and businesses.

Further investment in IT is being prioritised to enable further flexibility of staff to work from home in future and an exercise has undertaken to review Strata's business plan and priorities going forward. This will delay approval of the plan by full council until the Autumn.

**ST46 Failure of ICT security measures leading to a cyber attack**

Mitigation Status	Mitigation	Info
Action needed	Cyber security awareness training	All staff to complete e-learning/awareness training on cyber security
Action needed	Mobile device/agile working policy	Mobile device/agile working policy that includes guidance on working outside of our managed offices areas and the use of own devices/pc's/laptops

**ST46 Review Note:** The Dojo training on cyber security for staff/councillors has been refreshed and includes a 12 month refresher module for staff/Cllrs to complete annually. A date needs to be set to roll this out and annual reminders to complete refresher training needs to be put in place.

The mobile device/agile working policy will be reviewed in light of rollout of laptops throughout the organisation and reminders.

On behalf of the Council, Strata has maintained compliance with the Government PSN (Public Services Network) Code of Connection, which is a mandatory set of security standards Councils must meet in order to connect to the PSN but are now also used more widely as a security credential including the DWP. We also follow the National Cyber Security Centre's (NCSC) 10 Steps to Cyber Security, the Open Web Application Security Project (OWASP) website principles and use the NCSC WebCheck, MailCheck, Protective Domain Name System (DNS), DNS and the Early Warning vulnerability service. Strata are working towards Cyber Essentials Plus.

## 7. Major projects/service changes

The current major council projects are listed in the table overleaf, which provides assurance that project risks have been assessed and registers or strategic risks are in place and being managed.

The One Teignbridge Transformation Board meets monthly to review major systems and the digital platform projects. This includes a review of the project risk registers. The Capital Review Group meets every other month to review projects in the capital programme including key risks and issues.

T10	Title	Description	Responsible Officer(s)	Current Risk Register
GP	Energy Services Company	Formation of a public sector joint venture energy company to provide district heating networks	Fergus Pate	To be Developed
GP	GESP	Joint Local Plan with Exeter, East Devon & Mid Devon	Michelle Luscombe	See ST40, 41, 43
IIP	Newton Abbot Town Centre Development and Market Walk	Newton Abbot town centre masterplan focussing on the re-development of the Markets area, Bradley Lane and Cricketfield Road car park	Tom Butcher	Yes
IIP	Brunswick Street, Teignmouth re-development	Delivery plan in process, focusing on re-development of vacant Brunswick Street sites, George St & Northumberland Place	Tom Butcher	Yes
IIP	Sherbourne House	Delivery of NHS hub and 10 apartments	Tom Butcher	Yes
IIP	East Street and Drake Road	Development of two Council owned parcels of land to deliver 7 social rented homes. Approved by Full Council 19 <sup>th</sup> November 2019. Updated risk register contained as part of Full Council Report which was acknowledged and approved.	Graham Davey, Pete Briscoe	Yes – being reviewed

T10	Title	Description	Responsible Officer(s)	Current Risk Register
OAA	Leisure Centre Refurbishment	New Project - Delivery phase of Leisure centre refurbishment for Broadmeadow and Dawlish to be developed	James Teed / Leigh Florence	To be developed
VVC	Digital Platform	Digital platform to improve digital access to services and streamlining of processes. Mobile access for officers in the field	Amanda Pujol	Yes
VVC	Midland iTrent	HR/Payroll data management IT system	Martin Flitcroft, Tim Slater	Yes
VVC	Financial Management System	New Financial Management System	Martin Flitcroft	To be developed

## 8. ALTERNATIVE OPTIONS

None, risk management is a mandatory function of the Council.

## 9. CONCLUSION

Effective risk management will aid decision making, focus and make better use of resources, provide a duty of care, comply with legislation, reduce costs, provide a continuity of service and reduce the risk of not meeting the council's objectives.

# TEIGNBRIDGE DISTRICT COUNCIL

## Risk Management Strategy July 2020

### 1.0 Policy

- 1.1 Risk Management (RM) may be defined as “the culture, processes and structure that are directed towards the effective management of potential opportunities and adverse effects”
- 1.2 The Council recognises that its success in managing risk and uncertainty has a direct impact on the achievement of its goals. It believes that successful organisations are not afraid to take risks; unsuccessful organisations take risks without understanding them.
- 1.3 High impact risks which the Council face include:
  - anything that poses a threat to the achievement of effective service delivery;
  - missing opportunities to improve services due to risk aversion;
  - inability to respond to, or manage, change;
  - anything that could damage the Council’s reputation and undermine public confidence;
  - failure to guard against impropriety, malpractice, waste, or poor value for money;
  - failure to comply with legislation, such as that covering the environment, health and safety, employment practice, and human rights.
- 1.4 We believe that risk needs to be managed rather than avoided and consideration of risk should not stifle innovative decision making.
- 1.5 The Council recognises that it has to deliver services in an increasingly litigious and risk-averse society. However, we regard risk management as a tool for exploiting opportunities as well as a safeguard against potential threats. The Council will therefore use risk management to promote innovation as well as to help achieve existing objectives.
- 1.6 A rigorous approach to all aspects of risk management will be an integral part of service planning, decision making, and project management, rather than a separate initiative and will be developed with the minimum of bureaucracy.
- 1.7 The Council is committed to establishing a systematic and consistent approach to risk identification, analysis, control and monitoring which:
  - embeds risk management as an integral part of corporate and service planning; decision making; and project management;
  - enables the Council to deliver its priorities and services effectively;

- contributes towards the achievement of sustainable improvement in services;
- contributes to the Council discharging its duty of care to the public and its employees;
- contributes to developing and maintaining a safe and healthy environment for the public and its employees;
- reduces the number and cost of claims arising;
- minimises damage to the Council's reputation.

1.8 The following sections explain how we will implement this policy.

## 2.0 Organisation

- 2.1 The Managing Director has strategic responsibility for risk management. The Strategic Leadership Team (SLT) will act as the Council's strategic risk management group.
- 2.2 The SLT will approve this risk management strategy on a periodic basis and endorse action plans and monitoring reports arising from it. It is also responsible for the development of advice and guidance on risk management matters.
- 2.3 The SLT will be supported by Business Managers, Business Improvement & Development Officers, and other specialist qualified advisors as appropriate e.g. Insurance officer; Health, Safety and Welfare Officer, Internal Audit etc. The SLT will also be aware of the work of the Health, Safety and Welfare forum when discussing risk management issues to ensure a co-ordinated approach to this topic.
- 2.4 Business Managers will lead the risk management process within their services and ensure that service business plans are informed by a rigorous assessment of risks.
- 2.5 Business Managers have responsibility for managing strategic, corporate and service risks and implementing mitigating actions to control risks. They should ensure that their teams carry out risk assessments where appropriate as a routine part of service planning and management activities.
- 2.6 Business Managers will ensure that risks and their mitigating actions are reviewed on a regular basis.

- 2.7 Business Managers will ensure that new or developing partnerships between the Council and external bodies and shared services are subject to a rigorous risk assessment.
- 2.8 The Council will maintain a corporate Risk Register in the form of the SPAR.net system, in which it will record all risk information, including details of risk, risk scores, mitigating actions, responsible officers, and risk reviews.
- 2.9 Business Managers should notify the SLT of any significant changes in service provision in order to enable it to ensure that appropriate and adequate corrective measures are in place.
- 2.10 The Section 151 Officer is responsible, in conjunction with the Council's Insurers, for:-
  - minimising the overall cost of inevitable claims which do arise
  - supporting the risk management programme by supplying any advice and data to the SLT
- 2.11 The Audit Manager is responsible for monitoring the implementation and effectiveness of this risk management strategy and for reviewing compliance with mitigating actions introduced by Business Managers to manage risks.
- 2.12 Strategic and Corporate risks, monitoring reports and action plans will be reviewed by the Strategic Leadership Team quarterly and by the Audit Scrutiny Committee twice a year

### **3 Arrangements**

- 3.1 Risks and their mitigating actions and risk scores will be recorded in the SPAR.net system and be assigned a Responsible Officer. They will be evaluated in terms of the likelihood that the risk will materialise and impact. They will then be reviewed in accordance with their unmitigated severity using a range of intervals from annually (lowest scoring risks) to monthly (highest scoring risks).
- 3.2 Service business plans will include details of risks to service delivery. Risks will be discussed at meetings between Portfolio Holders and Business Managers.
- 3.3 Members will receive regular monitoring reports on risk through reports to the Audit Scrutiny Committee who have responsibility for monitoring the effectiveness of the Council's Risk Management arrangements.
- 3.4 Risk Management training will be provided to all relevant Members, and Business Managers with the aim of ensuring that they have the skills necessary to identify, evaluate, control and monitor the risks associated with

the services they provide. Information will also be provided for all staff to ensure they understand the principles of good risk management.

- 3.5 As part of any project review process, project teams should assess strategic and operational risks associated with options considered. Mitigating actions should subsequently be included on project plans.
- 3.5 This strategy will be communicated to staff and the public and be subject to review on an ongoing basis by the SLT.
- 3.6 Appendix 1 sets out the measures that we will use to assess the effectiveness of our approach to Risk Management.
- 3.7 The strategy will be reviewed every two years by SLT and endorsed by the Audit Scrutiny Committee. The strategy will be made available on the website.

## **4. Key Documents**

- 1 Annual Governance Statement (published with year end accounts)
- 2 Financial Instructions, Section 4.1, Risk Management and Internal Control
- 3 Business Continuity Plan
- 4 SPAR.net Risk Register
- 5 Records of Portfolio Holders meetings with Business Leads / Managers
- 6 Service Business Plans
- 7 Council Strategy

## APPENDIX 1

### RISK MANAGEMENT PERFORMANCE MEASURES

Aim/Objective	Indicator	Comment
Integration of Risk Management (RM) into the culture of Council and raising awareness of RM.	<ul style="list-style-type: none"> <li>• Staff recognise their role &amp; responsibility for RM in their area</li> <li>• Number of reports for decisions that demonstrate risk assessment</li> <li>• Audit and Inspection reports</li> </ul>	<ul style="list-style-type: none"> <li>• By biannual survey of staff (use existing surveys if possible)</li> <li>• By audit of reports &amp; documentary evidence of decisions</li> </ul>
Enabling change	<ul style="list-style-type: none"> <li>• Post event assessment of how we managed individual major changes</li> </ul>	<ul style="list-style-type: none"> <li>• RM considerations must be central to reviews</li> </ul>
Minimisation of losses, accidents, injury, inconvenience and absenteeism.	<ul style="list-style-type: none"> <li>• Number and length of disruptions to services</li> <li>• Levels of fraud</li> <li>• Levels of complaints, claims etc.</li> <li>• Levels of write offs</li> </ul>	<ul style="list-style-type: none"> <li>• Measure response &amp; recovery performance as well as frequency</li> <li>• Informed by existing strategies and processes</li> </ul>
Minimising cost of risk	<ul style="list-style-type: none"> <li>• Annual insurance premiums</li> <li>• Level of reserves</li> <li>• Uninsured losses</li> <li>• Management and project costs</li> </ul>	<ul style="list-style-type: none"> <li>• Will incorporate budget &amp; capital project overspends, fraud, write offs, claims, premiums, insurance excesses, plus any loss in external resources.</li> </ul>

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## APPENDIX B - Corporate & Strategic Risks

Status	Code	Title	Risk Impact	Risk Likelihood	Risk Responsible Officer
37	Very High (9)	ST02 Failure to control and manage finance	3 - High	3 - High	Martin Flitcroft, Philip Shears
	Very High (9)	ST08 Economic Uncertainty	3 - High	3 - High	Neil Blaney, Martin Flitcroft, Philip Shears
	High (6)	CP11 Breach of Code of Conduct by Members	2 - Medium	3 - High	Karen Trickey, Paul Woodhead
	High (6)	ST11 Failure to Comply with Health & Safety Legislation	3 - High	2 - Medium	Paul Nicholls, Philip Shears
	High (6)	ST20 Poorly Managed Election	3 - High	2 - Medium	Philip Shears
	High (6)	ST06 Statutory Requirements Not Met	3 - High	2 - Medium	Philip Shears, Karen Trickey, Paul Woodhead
	High (6)	ST41 Local Plan - Planned Development Delayed or Not Happening	2 - Medium	3 - High	Fergus Pate, Philip Shears
	High (6)	ST40 Local Plan - Infrastructure Delivery Delay	2 - Medium	3 - High	Fergus Pate, Philip Shears
	High (6)	ST42 Failure to deliver the Council Strategy	3 - High	2 - Medium	Philip Shears
	High (6)	CP03 Partnership management	3 - High	2 - Medium	Amanda Pujol
	High (6)	ST45 Flood risk resilience	3 - High	2 - Medium	Neil Blaney, David Eaton

<b>Status</b>	<b>Code</b>	<b>Title</b>	<b>Risk Impact</b>	<b>Risk Likelihood</b>	<b>Risk Responsible Officer</b>
High (6)	CP03	Partnership management	3 - High	2 - Medium	Amanda Pujol
High (6)	ST45	Flood risk resilience	3 - High	2 - Medium	Neil Blaney, David Eaton
Medium (4)	ST14	Fraud and Corruption	2 - Medium	2 - Medium	Sue Heath, Philip Shears
Medium (4)	CP01	Attacks on Staff	2 - Medium	2 - Medium	John-Paul Bove, Paul Nicholls
Medium (4)	CP07	Failure to Collect or Loss of Income	2 - Medium	2 - Medium	Sue Heath
Medium (4)	CP12	Breach of Code of Conduct by Staff	2 - Medium	2 - Medium	Tim Slater
Medium (4)	CP08	Future proofing the workforce	2 - Medium	2 - Medium	Tim Slater
Medium (4)	ST19	Poor or Ineffective Business Continuity Management	2 - Medium	2 - Medium	Neil Blaney, David Eaton
Medium (4)	CP14	Non-compliance with the Data Protection Act and General Data Protection Regulations	2 - Medium	2 - Medium	Sue Heath
Medium (4)	ST46	Failure of ICT security measures leading to a cyber attack	2 - Medium	2 - Medium	Amanda Pujol
Medium (3)	CP13	Safeguarding	3 - High	1 - Low	Rebecca Hewitt
Medium (3)	CP09	Staff health and wellbeing	3 - High	1 - Low	Tim Slater
Medium (3)	ST29	Failure to maintain sufficient management capacity & capability	3 - High	1 - Low	Neil Blaney, Martin Flitcroft, Lorraine Montgomery, Amanda Pujol, Philip Shears

<b>Status</b>	<b>Code</b>	<b>Title</b>	<b>Risk Impact</b>	<b>Risk Likelihood</b>	<b>Risk Responsible Officer</b>
Medium (3)	ST17	Inability to Recruit and Retain Staff	3 - High	1 - Low	Philip Shears, Tim Slater
Medium (3)	ST26	Poor Public Relations Management	3 - High	1 - Low	Amanda Pujol, Louise Raymond
Medium (3)	CP16	Lack of Effective Risk Management	3 - High	1 - Low	Martin Flitcroft, Philip Shears
Medium (3)	ST37	Failure of ICT infrastructure and systems not meeting business needs or not being fit for	3 - High	1 - Low	Amanda Pujol
Medium (3)	ST44	Flood risk management	3 - High	1 - Low	Neil Blaney, Richard Rainbow
Medium (3)	ST43	Failure to adopt Local Plans: Greater Exeter Strategic Plan and Teignbridge Local Plan Review	3 - High	1 - Low	Michelle Luscombe, Philip Shears
Medium (3)	CP15	Project management	3 - High	1 - Low	Amanda Pujol
Low (2)	CP05	Contractor Poor Performance/Failure	2 - Medium	1 - Low	Rosie Wilson
Low (2)	ST25	High Levels of Customer Dissatisfaction	2 - Medium	1 - Low	Tracey Hooper, Amanda Pujol
Low (2)	ST21	Failure to ensure data quality	2 - Medium	1 - Low	Amanda Pujol
Low (2)	ST24	Finance - Breach of Financial Instructions & Contract Rules	2 - Medium	1 - Low	Neil Blaney, Martin Flitcroft, Lorraine Montgomery, Amanda Pujol, Philip Shears
Low (2)	ST31	Climate Change - the impact of not reducing our energy use and contribution to CO2 emissions	2 - Medium	1 - Low	David Eaton, Lorraine Montgomery
Low (2)	ST28	Major damage to our physical premises and/or working environment	2 - Medium	1 - Low	David Eaton, Philip Shears
Low (2)	ST32	Non Compliance with Section 106 Agreements and CIL notices	2 - Medium	1 - Low	Neil Blaney, Philip Shears

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**TEIGNBRIDGE DISTRICT COUNCIL**  
**AUDIT SCRUTINY COMMITTEE**

**26 AUGUST 2020**

<b>Report Title</b>	<b>2019/20 DRAFT FINAL ACCOUNTS &amp; TREASURY MANAGEMENT</b>
<b>Purpose of Report</b>	To introduce Members to the draft final accounts for 2019/20. Update on the latest treasury management lending list and draft results for 2019/20.
<b>Recommendation(s)</b>	<b>The Audit Scrutiny Committee note:</b>  <b>(1) That the draft statement of accounts for 2019/20 have been published</b> <b>(2) The current authorised lending list at appendix 1</b> <b>(3) The draft treasury management results for 2019/20 at appendix 2</b>

<b>Financial Implications</b>	The financial implications are contained throughout the report. The main implication is that the accounts have been closed and general reserves are slightly above the budgeted level anticipated at 31 March 2020 - £1.987 million. See section 3 Martin Flitcroft – Chief Finance Officer Tel: 01626 215246 Email: <a href="mailto:martin.flitcroft@teignbridge.gov.uk">martin.flitcroft@teignbridge.gov.uk</a>
<b>Legal Implications</b>	See section 7 – the Accounts and Audit Regulations 2015 set out the requirements for the production and publication and audit of the annual statement of accounts. Martin Flitcroft – Chief Finance Officer Tel: 01626 215246 Email: <a href="mailto:martin.flitcroft@teignbridge.gov.uk">martin.flitcroft@teignbridge.gov.uk</a>
<b>Risk Assessment</b>	Major risks are summarised in section 6. The most significant of these is the level of future funding from Central Government and the level of reserves held to meet future unexpected variations in income. Martin Flitcroft – Chief Finance Officer Tel: 01626 215246 Email: <a href="mailto:martin.flitcroft@teignbridge.gov.uk">martin.flitcroft@teignbridge.gov.uk</a>
<b>Environmental/ Climate Change Implications</b>	The revenue budget supports the funding of a Climate Change Officer and associated budget – see section 9. David Eaton – Environmental Protection Manager Tel: 01626 215064 Email: <a href="mailto:david.eaton@teignbridge.gov.uk">david.eaton@teignbridge.gov.uk</a>
<b>Report Author</b>	Martin Flitcroft – Chief Finance Officer Tel: 01626 215246 Email: <a href="mailto:martin.flitcroft@teignbridge.gov.uk">martin.flitcroft@teignbridge.gov.uk</a>
<b>Portfolio Holder</b>	Councillor Alan Connell – Portfolio holder for Corporate Resources
<b>Appendices</b>	Appendix 1 – Treasury management lending list Appendix 2 – Draft Treasury management results 2019/20
<b>Part I or II</b>	Part I
<b>Background Papers</b>	2019/20 year end files including Accounts and Audit Regulations 2015. Treasury management working files including CIPFA Treasury Management Code 2017

## 1. PURPOSE

To introduce Members to the draft statement of accounts for 2019/20.

- To report the latest treasury management lending list as shown in Appendix 1
- To report on the draft financial results of the treasury management function for the year ended 31 March 2020 as shown in Appendix 2

## **2 BACKGROUND**

**2.1** The accounts and audit regulations 2015 set out the requirements for the production and publication of the annual statement of accounts. The statement usually has to be produced and certified by the chief finance officer by 31 May however the outbreak of Covid 19 has triggered amendments to this deadline by extending this to the end of August. Ordinarily the accounts have to be brought for full council approval after external audit and by 31 July however again this has been amended to the end of November.

**2.2** The statement of accounts and financial records are being audited by our external auditors Grant Thornton during August. If any alterations are required the details will be reported to Audit Scrutiny Committee with the external audit accounts report in October. Any revenue or capital resource effects will be brought to Executive in the budget monitoring report planned for 3 November 2020. Grant Thornton is required to provide the opinion on the statement of accounts by the end of November.

**2.3** The availability of the accounts and records for inspection by interested persons has been advertised on the website [www.teignbridge.gov.uk/statementofaccounts](http://www.teignbridge.gov.uk/statementofaccounts) see Draft Statement of Accounts 2019-2020. This also advises that the external auditor will be accessible to receive in writing any objections to the accounts from 3 August to 14 September 2020.

**2.4** An updated treasury management statement and authorised lending list was approved at the 2020 February budget meeting. This was based on the latest edition of the treasury management code published by the Chartered Institute of Public Finance & Accountancy (CIPFA). Further changes were reported to Executive on 21 July 2020. The updated statement is detailed in section 4 below and is shown for information at Appendix 1

## **3 DRAFT STATEMENT OF ACCOUNTS 2019/20**

**3.1** The draft statement of accounts has been certified by Martin Flitcroft as the responsible finance officer and is available on the website. [www.teignbridge.gov.uk/statementofaccounts](http://www.teignbridge.gov.uk/statementofaccounts) see public inspection notice Audit of Accounts 31 March 2020 in the downloads section. The final version will be brought to the next meeting of Audit Scrutiny Members with further explanation for consideration and recommendation to 23 November 2020 Council.

**3.2** A brief explanation and overview of the figures is given in the narrative statement on pages 8 to 21. Capital expenditure and details of property, plant and equipment are given in the balance sheet on page 31 and relevant notes 14 to 16 and 23 from page 64. Reserves are shown on the balance sheet and analysed on page 30. The draft closing general reserves at 31 March 2020 of £1.987 million are an improvement on the original budget of £41,000.

**3.3** An analysis of this variation is contained within the narrative statement. It has arisen mainly because of additional income from fees and charges, leisure memberships, business rate grants and general non specific grants. Savings were made in expenditure including staffing, fuel/mileage, gas, electricity and other miscellaneous costs. There were increased costs for pension contributions, rent allowances net of recovery, purchase /maintenance of equipment, business rates, legal and other fees. There were also additional revenue contributions to capital but these were covered by earmarked reserves.

#### **4. TREASURY MANAGEMENT AUTHORISED LENDING LIST (Appendix 1)**

**4.1** The authorised treasury management lending list was approved at the 2020 February budget meeting. Following the appointment of treasury management advisors, additional highly-rated institutions were added to the Council's official lending list. These include Handelsbanken, Sumitomo Mitsui, Goldman Sachs and Standard Chartered Bank as well as two further money market funds. From 1 January 2019, the largest UK banks had to separate core retail banking from investment banking in order to support financial stability and make any potential failures easier to manage without the need for a government bailout. The banks addressed ring-fencing, each taking their own approach about which side of the bank is best suited for local authorities. In some cases, ring-fencing affected ratings. Officers continue to monitor all ratings to ensure they meet the Council's lending criteria.

**4.2** The lending list has been updated for the latest ratings and is included at appendix 1. There have been no new additions or removals, however Goldman Sachs has now moved up to tier 1. Close Brothers has moved down to tier 2 and Royal Bank of Scotland down to tier 3.

#### **5. TREASURY MANAGEMENT RESULTS 2019/2020 (Appendix 2)**

- The financial results of the treasury management function have to be reported to Council in accordance with the Chartered Institute of Public Finance and Accountancy 'Treasury Management Code 2017'. Teignbridge's lending has been carried out in accordance with its defined strategy and with adherence to its restricted list of approved investment institutions. There was no long term borrowing in 2019/20 but that is not expected to be the case during 2020/21. Long term borrowing is anticipated for a number of schemes anticipated to progress in 2020/21 and the significant loss of income which has occurred to date means we are likely to need to begin borrowing externally during the third quarter of the financial year. This is dependent on the degree to which capital schemes are able to re-start as the economy re-opens and also the level of central government support for local authorities in the wake of Covid-19. Any borrowing which is undertaken will be in line with the Council's prudential indicators and treasury management strategy which were approved at the February 2020 Council budget meeting.

The average funds available for investment have increased in 2019/20 by £1.3 million to £15.9 million, from £14.6 million in 2018/19. This is mainly due to grants and contributions which were received in advance of expenditure. Net interest earned has increased from £102,999 in 2018/19 to £120,632 in 2019/20. The average rate achieved has increased from 0.71% in 2018/19 to 0.75% in 2019/20, due to the Bank of England's base rate remaining at 0.75% for much of the financial year, only reducing to 0.25% and then 0.1% during March 2020 in response to the unfolding economic disruption caused by Covid-19. Call account rates continue to be low because of the current banking regulations requiring banks to keep greater capital buffers.

Interest rates earned have been consistently better than the standard benchmark 7 day London Interbank Offer Rate (LIBOR) which for the same lending would have averaged 0.69% for the year (0.63% in 2018/19). Base rate increased from 0.5% to 0.75% in August 2018, where it remained until being reduced to 0.25% and then a historic low of 0.1% in March 2020.

Full details of draft treasury management results and prudential indicators are shown in Appendix 2.

## **6. RISKS**

The major risks to be aware of are around future funding and the adequacy of reserves going forward as further action may be required to address the impacts of the Covid 19 pandemic. General reserves are maintained at a value higher than originally budgeted and earmarked reserves are held to help deal with future forecast funding changes and earmarked projects/schemes. Further clarity is required on the level of Government support for both this year and next. These risks may impact on the performance of treasury management and borrowing levels moving forward. Preparation and approval of the accounts are required by the Accounts and Audit Regulations 2015 and if these regulations are not adhered to the auditors could qualify the accounts.

## **7. MAIN IMPLICATIONS**

The implications members need to be aware of are as follows:

### **7.1 Legal**

The Financial Accounts for 2019/20 need to be produced and audited in accordance with the Accounts & Audit Regulations 2015.

Monitoring and reporting of the treasury management results is required by the CIPFA Treasury Management Code.

### **7.2 Resources**

The report notes that general reserves have been maintained at a level slightly higher than originally budgeted at 31 March 2020 and interest earned in 2019/20 from treasury management has increased from that obtained in 2018/19.

**8. GROUPS CONSULTED**

The draft accounts are advertised as available for inspection and are available on the website. The external auditors have been auditing the financial records and accounts during August.

**9. ENVIRONMENTAL/CLIMATE CHANGE IMPACT**

The revenue budget supports the appointment of a climate change officer and associated budget.

**10. DATE OF IMPLEMENTATION (CONFIRMATION OF DECISION SUBJECT TO CALL-IN)**

10.00 a.m. on 2 September 2020

**TEIGNBRIDGE DISTRICT COUNCIL TREASURY MANAGEMENT:**  
**AUTHORISED LENDING LIST FROM 21 JULY 2020**

**Lending list**

The current authorised lending list has been updated to take account of changes in ratings and banks and is shown below for approval.

**Specified Investments**

Type of Lender	Details	
1. Current Banker	Lloyds Bank	£3,000,000 limit
2. Local Authorities	All	No limit
3. UK Debt Management Office Deposit Facility (UK government AA/Aa2/AA rated)		no limit.
4. UK Treasury Bills (UK government AA/Aa2/AA rated)		no limit.
5. Money market funds, subject to maintenance of LNAV status and AAAmf rating.		
CCLA Public Sector Deposit Fund	AAAmmf	£3,000,000 limit
Aberdeen Liquidity Fund	AAAmmf	£3,000,000 limit
Blackrock Liquidity Fund	AAAmmf	£3,000,000 limit
LGIM Liquidity Fund	AAAmmf	£3,000,000 limit
7. Top UK-registered Banks and Building Societies, subject to satisfactory ratings. Updated below to reflect information provided by treasury advisors.		
8. <b>Non-specified:</b> CCLA Property and Diversified Income Funds - £2,000,000 limit		

Institution	Tier	90 day limit	180 day limit	364 day limit	Overall limit
		£	£	£	£
HSBC Bank plc	1	3,000,000	2,000,000	1,000,000	3,000,000
Santander UK plc	1	3,000,000	2,000,000	1,000,000	3,000,000
Nationwide Building Society	1	3,000,000	2,000,000	1,000,000	3,000,000
Lloyds Bank plc and Bank of Scotland plc	1	3,000,000	2,000,000	1,000,000	3,000,000
Handelsbanken plc	1	3,000,000	2,000,000	1,000,000	3,000,000
Sumitomo Mitsui Banking Corporation Europe Ltd	1	3,000,000	2,000,000	1,000,000	3,000,000
Goldman Sachs International Ban	1	3,000,000	2,000,000	1,000,000	3,000,000
Close Brothers Ltd	2	2,000,000	1,000,000		2,000,000
Standard Chartered Bank	2	2,000,000	1,000,000		2,000,000
NatWest Bank	2	2,000,000	1,000,000		2,000,000
Coventry Building Society	2	2,000,000	1,000,000		2,000,000
Clydesdale Bank	3	1,000,000			1,000,000
Nottingham Building Society	3	1,000,000			1,000,000
Skipton Building Society	3	1,000,000			1,000,000
Yorkshire Building Society	3	1,000,000			1,000,000
Leeds Building Society	3	1,000,000			1,000,000
Principality Building Society	3	1,000,000			1,000,000
Royal Bank of Scotland	3	1,000,000			1,000,000

**TEIGNBRIDGE DISTRICT COUNCIL TREASURY MANAGEMENT:**  
**AUTHORISED LENDING LIST FROM 21 JULY 2020**

Bank regulations force banks to maintain “capital buffers”, classifying their deposits according to duration. Instant access accounts and short deposits are not attractive to banks as they cannot be counted towards those buffers. For this reason, interest rates on most “call” accounts remain low.

**Other Non-specified investments**

These will be considered on a case-by case basis, using the decision-making framework laid out in the Commercial Strategy.

Investments which may be considered include

Renewable energy/social impact investments

On-lending to key partners/stakeholders in relation to jointly beneficial projects

Lending in instances where doing so would protect the local economy

**Teignbridge District Council**  
**Treasury Management Year End Review 2019-20**

Teignbridge District Council has adopted CIPFA's *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes 2017 Edition*. One of the requirements is the provision of a year-end report of treasury management activities.

Activities Undertaken: Daily lending and borrowing from 1 April 2019 to 31 March 2020:

Fixed-term lending

<b>Borrower</b>	<b>Terms %</b>	<b>Amount Lent £</b>	<b>Dates</b>	<b>Days Lent in year</b>	<b>Interest Earned in Year £</b>
Close Brothers**	1.15	1,000,000	15/03/19 – 23/12/19	266	8,412.33
Thurrock Council**	1.06	1,000,000	15/03/19 – 15/01/20	289	8,421.92
Debt Management Office	0.51	500,000	02/04/19 – 19/04/19	16	111.78
Debt Management Office	0.50	8,100,000	15/04/19 – 18/04/19	3	332.88
Debt Management Office	0.50	500,000	18/04/19 – 30/04/19	12	82.19
Debt Management Office	0.50	1,000,000	25/04/19 – 26/04/19	1	13.70
Debt Management Office	0.50	2,500,000	15/05/19 – 20/05/19	5	171.23
Debt Management Office	0.50	2,000,000	15/05/19 – 28/05/19	13	356.16
Debt Management Office	0.50	3,000,000	15/05/19 – 29/05/19	14	575.34
Nationwide Building Society	0.75	1,000,000	15/05/19 – 08/08/19	85	1,746.58
Coventry Building Society	0.89	1,000,000	17/06/19 – 13/12/19	179	4,364.66
Nottingham Building Society	0.85	1,000,000	17/06/19 – 13/09/19	88	2,049.32
Debt Management Office	0.50	2,400,000	17/06/19 – 19/06/19	2	65.75
Debt Management Office	0.50	2,000,000	17/06/19 – 24/06/19	7	191.78
Debt Management Office	0.50	1,000,000	17/06/19 – 04/07/19	17	232.88
Debt Management Office	0.50	500,000	26/06/19 – 04/07/19	8	54.79
Debt Management Office	0.50	3,000,000	01/07/19 – 04/07/19	3	123.29
Debt Management Office	0.50	4,000,000	15/07/19 – 22/07/19	7	383.56
Debt Management Office	0.50	1,000,000	15/07/19 – 23/07/19	8	109.59
Debt Management Office	0.50	1,000,000	24/07/19 – 08/08/19	15	205.48
Coventry Building Society	0.65	1,000,000	24/07/19 – 23/09/19	61	1,086.30
Debt Management Office	0.50	3,700,000	01/08/19 – 08/08/19	7	354.79
Debt Management Office	0.50	3,000,000	15/08/19 – 19/08/19	4	164.38
Debt Management Office	0.50	1,000,000	15/08/19 – 23/08/19	8	109.59
Debt Management Office	0.51	1,000,000	15/08/19 – 16/09/19	32	447.12
Principality Building Society	0.56	1,000,000	15/08/19 – 16/09/19	32	490.96
Debt Management Office	0.50	500,000	29/08/19 – 16/09/19	18	123.29
Debt Management Office	0.50	2,600,000	02/09/19 – 16/09/19	14	498.63
Debt Management Office	0.50	1,000,000	10/09/19 – 23/09/19	13	178.08
Debt Management Office	0.50	700,000	13/09/19 – 30/09/19	17	163.01
Debt Management Office	0.50	1,500,000	16/09/19 – 19/09/19	3	61.64
Santander UK plc	0.80	1,000,000	16/09/19 – 10/02/20	147	3,221.92
Principality Building Society	0.72	1,000,000	16/09/19 – 13/12/19	88	1,735.89
Debt Management Office	0.50	1,000,000	23/09/19 – 27/09/19	4	54.79
Debt Management Office	0.50	1,100,000	30/09/19 – 01/10/19	1	15.07

**Appendix 2**

<b>Borrower</b>	<b>Terms %</b>	<b>Amount Lent £</b>	<b>Dates</b>	<b>Days Lent in year</b>	<b>Interest Earned in Year £</b>
West Yorkshire Fire & Rescue Authority	0.65	4,000,000	01/10/19 – 15/10/19	14	997.26
Debt Management Office	0.5	1,000,000	01/10/19 – 14/10/19	13	178.08
Debt Management Office	0.5	11,000,000	15/10/19 – 21/10/19	6	904.11
Debt Management Office	0.5	1,000,000	21/10/19 – 23/10/19	2	27.40
Debt Management Office	0.5	1,000,000	30/10/19 – 11/11/19	12	164.38
Debt Management Office	0.51	2,000,000	1/11/19 – 19/11/19	18	503.01
Debt Management Office	0.51	1,000,000	01/11/19 – 22/11/19	21	293.42
Debt Management Office	0.515	500,000	01/11/19 – 25/11/19	24	169.32
Debt Management Office	0.5	8,000,000	15/11/19 – 26/11/19	11	1205.48
Santander UK plc	0.76	1,000,000	28/11/19 – 27/03/20	120	2498.63
Debt Management Office	0.5	2,000,000	02/12/19 – 09/12/19	7	191.78
Debt Management Office	0.505	1,650,000	02/12/19 – 19/12/19	17	388.09
Coventry Building Society	0.67	1,000,000	13/12/19 – 13/03/20	91	1670.41
Principality Building Society	0.7	1,000,000	13/12/19 – 13/03/20	91	1745.21
Debt Management Office	0.5	3,500,000	16/12/19 – 18/12/19	2	95.89
Debt Management Office	0.5	1,000,000	16/12/19 – 19/12/19	3	41.10
Debt Management Office	0.5	3,800,000	16/12/19 – 03/01/20	18	936.99
Debt Management Office	0.5	3,000,000	18/12/19 – 03/01/20	16	657.53
Nationwide Building Society	0.74	1,000,000	19/12/19 – 30/03/20	102	2067.95
Debt Management Office	0.5	1,000,000	23/12/19 – 02/01/20	10	136.99
Debt Management Office	0.505	1,000,000	02/01/20 – 20/01/20	18	249.04
Debt Management Office	0.5	1,500,000	02/01/20 – 06/01/20	4	82.19
Debt Management Office	0.5	2,000,000	02/01/20 – 03/01/20	1	27.40
Debt Management Office	0.5	500,000	03/01/20 – 15/01/20	12	82.19
Thurrock Council	0.72	1,000,000	15/01/20 – 17/03/20	62	1223.01
Debt Management Office	0.465	7,000,000	15/01/20 – 10/02/20	26	2318.63
Debt Management Office	0.5	1,000,000	15/01/20 – 20/01/20	5	68.49
Debt Management Office	0.5	800,000	15/01/20 – 23/01/20	8	87.67
Coventry Building Society	0.57	1,000,000	03/02/20 – 17/03/20	43	671.51
Debt Management Office	0.5	1,000,000	17/02/20 – 21/02/20	4	54.79
Debt Management Office	0.5	2,500,000	17/02/20 – 19/02/20	2	68.49
Debt Management Office	0.15	1,500,000	13/03/20 – 17/03/20	4	24.66
Debt Management Office	0.15	2,700,000	16/03/20 – 17/03/20	1	11.10

Deposits were also made into the following call accounts, dependent upon cash flow:

<b>Bank</b>	<b>Account terms</b>	<b>Interest Earned £</b>
Barclays Bank	0.12% instant access	0.11
Clydesdale Bank	0.15% 30 days' notice	0.96
Clydesdale Bank	0.15% instant access	0.44
Royal Bank of Scotland	0.15% instant access	1.87
Santander UK plc	0% to 0.40% instant access	311.64
Lloyds plc 175-day notice	1.13% 175-day notice	16,640.00
Lloyds plc 95-day notice	0.45% to 1.10% 95-day notice	4,001.81
Lloyds plc	0.0% to 0.65% current account	369.70
Lloyds plc Deposit account	0.0% to 0.65% instant access	3,374.52

## Appendix 2

Deposits were also made into the following money market funds, dependent on cash flow:

Public Sector Deposit Fund	0.47% to 0.79% instant access	21,244.39
Aberdeen Standard (formerly Standard Life)	0.42% to 0.73% instant access	18,134.06

Temporary Borrowing 1 April 2019 to 31 March 2020:

Lender	Terms %	Amount lent £	Dates	Days lent in year	Interest paid in year £
Lloyds Bank	Base + 1%	0	Overdraft agreement	5	6.96

### Teignbridge District Council Performance Report for the Period 1 April 2019 to 31 March 2020

	Apr-Mar 2018-19	Apr-Mar 2019-20
<b>(i) Short Term Funds Invested</b>		
Interest received and receivable for the period	£102,999	£120,632.37
Maximum period of investment on any one loan made in the period	346 days	179 days
“Fixed” investment rates in period.	0.25% – 1.15%	0.15% - 0.89%
<b>(ii) Short Term Funds Borrowed</b>		
Interest paid and payable for the period	£34.52	£6.96
Number of new loans borrowed in the period	1	0
Maximum period of borrowing on any one loan borrowed in the period.	3 days	n/a
“Fixed” borrowing rates.	0.42%	n/a
<b>(iii) Average Net Interest Rate Earned</b>	0.71%	0.75%
<b>(iv) Average Short Term Net Lending</b>	£14,566,511	£15,916,175

#### Regular Monitoring

Two monthly reports are prepared for the Chief Finance Officer: a forecast of interest receivable for the year, and an investment comparison, which shows the sum available for investment compared to the previous year. The Chief Finance Officer presents a monthly report to CMT and updates the Executive Committee on a quarterly basis. These reports include any policy updates, such as changes to the official lending list, based on the latest ratings information. Full council receives an annual review and strategy statement and a mid-year review.

## **Appendix 2**

Total net interest received in 2019-20 was £120,625.41. This compares to £102,964.70 in 2018-19. The increase is mainly due to having more funds available for lending out (average daily lending is slightly higher in 2019-20 at £15.9 million compared to £14.6 million in 2018-19) although the average interest rate earned is also slightly higher (an average of 0.75% in 2019-20, compared to 0.71% in 2018-19). Average benchmark 7-day LIBOR rate for 2019-20 was 0.69%.

### Treasury Management Indicators

These are part of the Prudential Indicators, as agreed at Full Council on 24 February 2020. They are available on request or on the Teignbridge website agenda for that meeting.

**TEIGNBRIDGE DISTRICT COUNCIL**  
**AUDIT SCRUTINY COMMITTEE**

**26<sup>TH</sup> AUGUST 2020**

<b>Report Title</b>	<b>Internal Audit Annual Report 2019-2020</b>
<b>Purpose of Report</b>	To summarise the work of internal audit and provide the Audit Manager's annual opinion on the systems of governance, risk management and control for the year ending 31 <sup>st</sup> March 2020.
<b>Recommendation(s)</b>	<b>The Committee RESOLVES to note the report.</b>
<b>Financial Implications</b>	None. The service was delivered within current budget.
<b>Legal Implications</b>	None. The Council is meeting its statutory duty to provide an internal audit.
<b>Risk Assessment</b>	Not applicable.
<b>Environmental Implications</b>	Not applicable.
<b>Report Author</b>	Sue Heath – Audit & Information Governance Manager Tel: 01626 21558 Email: <a href="mailto:sue.heath@teignbridge.gov.uk">sue.heath@teignbridge.gov.uk</a>
<b>Portfolio Holder</b>	Councillor Connett – Corporate Services

## 1. Introduction / Background

1.1 The Accounts and Audit Regulations (2015) require local authorities to

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

1.2 An annual report must be provided which gives an opinion on the adequacy of the control framework. It should be noted that the most any internal audit service can provide is a *reasonable*, not *absolute* assurance that there are no major weaknesses in the Council's processes.

## 2. INTERNAL AUDIT OPINION 2019-2020

2.1 The following issues are taken into account in providing the opinion:

- the results of all completed audits and follow up action in respect of previous audits
- management's acceptance of our findings and recommendations
- the effects of any significant changes to systems
- any limitations that may have been placed on the scope of internal audit
- the quality of internal audit work and performance
- the results from other sources of assurance where available
- insight from our involvement with various corporate working groups and projects, and attendance at meetings including management team.

### Audit Work

2.2 A plan of proposed audits was presented to the Audit Scrutiny Committee in July 2019 and work has been carried out broadly in line with this.

2.3 Areas audited have been given an "assurance rating". These are reported to auditees and management on completion of each audit, and collectively they help inform our annual opinion.

Excellent	★★★★	The areas reviewed were found to be well controlled, internal controls are in place and operating effectively. Risks against achieving objectives are well managed.
Good	★★★	Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some areas for improvement have been identified.
Fair	★★	There is a basic control framework in place, but most of the areas reviewed were not found to be adequately controlled. Generally risks are not well managed and require controls to be strengthened to ensure the achievement of system objectives.
Poor	★	Controls are seriously lacking or ineffective in their operation. No assurance can be given that the system's objectives will be achieved.

2.4 During the 2019-2020 year, **18** of the **20 planned audits** were completed and findings were mainly positive which equates to **90%** of planned work.

PROJECT	STATUS	OPINION
Governance Review and AGS	Complete	Good
Loans and Grants	Complete	Good
DFG Assurance	Complete	Good
LAHS Return	Complete	Good
LADR Return	Complete	Good
MHCLG Allocations Return	Complete	Good
Ecoflex Scheme	Complete	Good
Cemeteries	Complete	Good
Community Infrastructure Levy (CIL)	Complete	Good
Council Tax	Complete	Good
Benefits & Council Tax Support	Complete	Good
Drivers Licences	Complete	Good
NDR (Business Rates)	Complete	Good
Debtors	Complete	Good
Main Accounting & Budgetary Control	Complete	Good
Partnerships and Funding Agreements	Complete	Good
Housing Finance	Complete	Good / Fair
Partnerships and Funding Agreements	Draft Report Stage	(Good)
Risk Register	-	-
Payroll	-	-

2.5 The payroll audit was postponed pending implementation of the new iTrent system. This will be now be covered in the current year 2020-2021. The risk register mitigation testing has also been carried forward. Partnerships and Funding is substantially complete and provisional assurance opinion is Good for the areas examined to date. Completion of this was delayed due to Covid.

2.6 Follow up audits were undertaken to check progress with actions previously agreed, with no concerns arising from this work.

2.7 Audit staff were also involved in the One Teignbridge transformation project (board member); Procurement Champions Group (member); and Corporate Management Team (Audit Manager).

### **ICT Assurance**

2.8 The Council's ICT Company Strata Service Solutions is audited by the Devon Audit Partnership (DAP). With thanks to DAP we can place reliance on their work in this respect. Their report is attached at Appendix A. It covers:

- Strategy and Project Management (Good Standard)
- Cyber Security and Key Operational Functions (Good Standard)

Overall, it records "**Substantial Assurance**" on the adequacy of Strata's control framework.

### **Counter Fraud**

2.9 The Audit Manager acts as the Key Contact for the National Fraud Initiative. This is a Cabinet Office data matching exercise matching data from organisations across the public sector to help prevent and detect fraud.

2.10 A Fraud Risk Analysis has been maintained for all Council services. Highest fraud risk areas continue to be Housing Benefit and Council Tax Support. An emerging area in 2020 is grant assurance work for the various Covid funds Councils were required to distribute which we have been involved in from the outset to ensure counter fraud controls were embedded.

### **Internal Audit Performance and Quality Assurance**

2.11 "Proper practice" for internal audit in local government is defined by the Public Sector Internal Audit Standards.

2.12 Following self-assessment against the standards the service is shown to be **97% compliant**. External validation of this is needed to fully comply with the Standards. Arrangements will be made for this in the 2020-2021 audit year.

2.13 Performance outcomes for 2019-2020 are as follows:

Indicator	Target	Actual
<b>Audit Plan:</b> core system audits completed.	<b>100%</b>	<b>100%</b>
<b>Audit Plan:</b> all planned audits completed.	<b>100%</b>	<b>90%</b>

#### **Client Satisfaction Surveys**

**Feedback** received at the conclusion of audits showed good levels of satisfaction from auditees when asked for their views on:

- Pre-audit planning and Consultation
- Quality of the audit report
- Communication during the audit, and
- Usefulness to your service

#### **Audit Independence & Acceptance of Findings**

2.14 The Internal Audit Charter enables us to access all Council staff and systems for the purpose of audit work. There were no restrictions in this respect and no declared relationships that would have given rise to conflicts of interest in the work undertaken by the auditors this year.

2.15 The Strategic Leadership Team, Corporate Management Team, and service managers have all engaged positively in the audit process.

### **3. OPINION**

**I am satisfied that sufficient internal audit work has been undertaken to allow me to draw a reasonable conclusion on the adequacy and effectiveness of Teignbridge District Council's control environment.**

**I confirm that in my opinion, for the year ended 31 March 2020, the systems of governance, risk management and control were generally effective and operated consistently across the Council. Action plans have been put in place to address required improvements where needed.**

**Sue Heath**  
**Audit and Information Governance Manager**

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# Internal Audit Report

## Annual Report

### Strata Services Solutions

June 2020



The following statement of assurance is provided by the Head of Audit Partnership, the provider of Internal Audit Services to Strata Service Solutions for audits in relation to the 2019-20 internal audit plan.

The provision of ICT services is the responsibility of Strata Services Solutions under the arrangements specified within the original Partnership Agreement between Exeter City Council, East Devon District Council and Teignbridge District Council.

This statement has been compiled to meet the assurance needs of The Partners, as the interested bodies for the provision of ICT services.

This assurance statement consists of the following elements:

- Overall Assurance Statement;
- Strategy, project management;
- Cyber Security and related ICT service operations.

**Overall, based on work performed during the year and our experience and from the previous years coverage, the Head of Internal Audit's Opinion is of "Substantial Assurance" on the adequacy and effectiveness of the internal control framework in the Strata Service Solutions. (see key)**

**Good Standard** - The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit of the overall ICT service operations, the recommendations made serve to strengthen what are mainly reliable procedures.

The work completed in this year has been focused around project management and cyber security. This has naturally tied into areas of key IT operations providing a wider assurance coverage. This assurance must be read in consideration of the continually evolving nature of complex ICT provision involving the merged ICT services from the three partner organisations whose infrastructure, service provision and service needs are at different levels but with a common objective; to improve the value and quality of ICT provision.

The current pandemic situation has presented great challenges to all ICT delivery and our audit thereof. We understand in this period that Strata has also pro-actively engaged with Senior Officers within each authority to identify key areas of focus as a result of Covid-19. Strata state that priority themes have been captured and will become an addendum to the 2020/21 Business Plan. We have previously recommended that an IT Service Management solution (ITSM - vFire) be implemented. We are aware that this was deployed in Feb2020 to aid efficiencies and improve the customer experience. We will include this in our 2020-21 audit plan. We will also follow-up on our previous review of business continuity arrangements which previously were at improvements required; thus, they were being worked through with partners.

The scope of the audit for the year has included the following areas and are shown with the levels of assurance;

Assurance Area	Opinion	Direction of travel
<b>ICT Strategy</b> The new Strata Business Plan is pending ratification by the three Partners and provides sound and measurable detail as to how it will continually improve the services it offers. The strategic direction and approach remain appropriate and mirror current trends within local government. Work has now been undertaken to look at opportunities for a limited amount of commercialisation, but this remains on hold until the impacts of the coronavirus pandemic ease appreciably.	Good Standard	

Improvements to Project Management processes and capacity make Strata an effective enabler for IT-led transformation of councils' services to deliver service improvements to citizens and/or cost savings.		
<b>Cyber Security</b> (Cyber Essentials Scheme (CE)) <ul style="list-style-type: none"> <li>CE presents the requirements for mitigating the most common Internet based threats to cyber security.</li> <li>The rebalancing of ICT access management controls against operation of a multi-partner platform is ongoing.</li> <li>Using CE, no significant weaknesses identified with all other control areas achieving a good standard.</li> <li>A very limited number recommendations arose from audit work undertaken.</li> </ul>	Good Standard	
<b>Key IT Operational Functions</b> Key operational functions and processes provide stable services that help deliver business outcomes. <ul style="list-style-type: none"> <li>Not reviewed in detail but work conducted to fulfil the Strategy, Cyber and Project Management did not identify any areas of material concern.</li> <li>Operational metrics and reporting are of a high standard.</li> <li>New ITSM will aid efficiencies and provide a better customer experience (detailed review to be undertaken 2020/21).</li> </ul>	Good Standard	
<b>Service Design</b> Turning service strategy into plans for delivering business objectives – focus on project management 2019-20 <ul style="list-style-type: none"> <li>New project management process recognises the importance of design/specification and governs within a project gateway.</li> <li>All three Partners have adopted Strata's Project Management process.</li> <li>Client liaison and business analysis function are embedded and developing to meet partner needs.</li> </ul>	Good Standard	

Our audit remit and coverage does not extend to financial and operational procedures as a business (outside of ICT service delivery) which are provided / supported by the Partners in 'host arrangements'. Assurance on financial and operational procedures should be sought from the Partner organisations audit services.

Further, more in-depth, audit reviews will be completed in the coming cycle as the maturity of the organisations arrangements develop and harmonise.

**David Curnow**  
**Deputy Head of Partnership**

Full Assurance	Risk management arrangements are properly established, effective and fully embedded, aligned to the risk appetite of the organisation. The systems and control framework mitigate exposure to risks identified & are being consistently applied in the areas reviewed.	Limited Assurance	Inadequate risk management arrangements and weaknesses in design, and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in a number of areas reviewed.
Substantial Assurance	Risk management and the system of internal control are generally sound and designed to meet the organisation's objectives. However, some weaknesses in design and / or inconsistent application of controls do not mitigate all risks identified, putting the achievement of particular objectives at risk.	No Assurance	Risks are not mitigated and weaknesses in control, and / or consistent non-compliance with controls could result / has resulted in failure to achieve the organisation's objectives in the areas reviewed, to the extent that the resources of the Council may be at risk, and the ability to deliver the services may be adversely affected.

**TEIGNBRIDGE DISTRICT COUNCIL**  
**AUDIT SCRUTINY COMMITTEE**

**26<sup>TH</sup> AUGUST 2020**

<b>Report Title</b>	<b>Annual Governance Statement 2019-2020</b>
<b>Purpose of Report</b>	To consider the Annual Governance Statement and recommend it to full Council for approval.
<b>Recommendation(s)</b>	<b>The Committee RECOMMENDS to Council that the Annual Governance Statement is approved.</b>
<b>Financial Implications</b>	None.
<b>Legal Implications</b>	None. The publication of an Annual Governance Statement is a statutory duty.
<b>Risk Assessment</b>	Not applicable.
<b>Environmental Implications</b>	Not applicable.
<b>Report Author</b>	Sue Heath – Audit & Information Governance Manager Tel: 01626 215258 Email: <a href="mailto:sue.heath@teignbridge.gov.uk">sue.heath@teignbridge.gov.uk</a>
<b>Portfolio Holder</b>	Councillor Connett – Corporate Services

## 1. Background

- 1.1 The preparation and publication of an Annual Governance Statement (AGS) is a mandatory requirement for local government. It describes the processes and procedures in place to enable the Council to carry out its functions and must be included with the Council's Financial Statements.
- 1.2 "Delivering Good Governance in Local Government" published by the Chartered Institute of Public Finance Accountants (CIPFA) and Society of Local Authority Chief Executives (SOLACE) is cited by CIPFA as the proper practice for production of an AGS.
- 1.3 The Audit Scrutiny Committee should consider whether the AGS fairly reflects the arrangements within the Council.

## 2. Governance Review

2.1 Existing processes have been compared to the CIPFA / SOLACE framework to determine whether the Council has systems in place to meet the expected governance principles. A and B provide the overarching requirements for acting in the public interest, while the remainder relate to the more detailed processes and achieving outcomes.

A	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
B	Ensuring openness and comprehensive stakeholder engagement
C	Defining outcomes in terms of sustainable economic, social, and environmental benefits
D	Determining the interventions necessary to optimise the achievement of the intended outcomes
E	Developing the entity's capacity, including the capability of leadership and individuals within it
F	Managing risks and performance through robust internal control and strong public financial management
G	Implementing good practices in transparency, reporting, and audit to deliver effective accountability

2.2 The review is also informed by other assurance sources including:

- Internal and external audits, internal audit's annual assurance opinion
- Performance and risk management systems and reports
- Reports from other review functions such as the Ombudsman
- Review of contingent liabilities and legal cases to ascertain whether these were generated by governance weaknesses
- The key systems and processes that regulate, monitor and control the Council's activities
- Assurance Statements completed by the Council's senior managers certifying they have understood their managerial responsibilities and put procedures in place to ensure their service objectives were achieved; legal requirements were met; performance and risks were managed; and budgets were controlled.

- 2.3 The AGS must reflect the arrangements in place for the 2019-2020 year, but also remain current up until the date it is published. It therefore reflects the effects of Covid on our arrangements, most notably the significant impact on the Council's finances.
- 2.4 The draft AGS members are considering today, was reviewed and approved by the Council's Strategic Leadership Team on 8<sup>th</sup> July 2020.

### **3. Conclusion**

- 3.1 The draft AGS is attached at Appendix A. Members are asked to recommend the AGS to Council for approval.

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## Introduction

Teignbridge District Council must ensure its business is conducted in line with the law and proper standards, and use public money economically, efficiently and effectively. It is the Council's duty to put in place arrangements for the governance of its affairs, and effective delivery of services.

To achieve good governance, we have systems for managing and overseeing what we do. These arrangements are intended to make sure that we deliver intended outcomes while acting in the public interest at all times.

We have measured ourselves against the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework for Delivering Good Governance in Local Government. This statement explains how Teignbridge District Council has complied with the principles and also meets the requirements of the Accounts and Audit Regulations (England) 2015 in relation to the publication of an Annual Governance Statement. We have also outlined how our arrangements were affected by the Covid-19 Coronavirus pandemic which impacted us from March 2020.

## The Guiding Principles



## The governance framework

The governance framework comprises the systems, processes, culture and values which direct and control our daily business, and includes the methods we use to engage, lead and account to the community. It enables us to monitor how we are doing and to consider whether our plans have helped us deliver appropriate services that are value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can therefore only provide reasonable but not absolute protection. The management of risk is an ongoing process designed to identify, prioritise and manage risks to the achievement of the Council's aims and objectives, and maximise opportunities.

The governance framework has been in place at Teignbridge District Council for the year ended 31 March 2020 and up to the date we approved the statement of accounts.

## Impacts of the Covid-19 Coronavirus Pandemic on Governance

The Covid-19 Coronavirus pandemic caused us to make a number of changes to our normal governance arrangements, however, these were carefully considered to ensure that the modified arrangements have adequate controls in place and all urgent decisions were documented.

As the full impacts of the pandemic emerged, from March 2020, the Council put in place an Incident Management Team (IMT) which managed risk on a daily basis throughout, ensuring the delivery of essential services was maintained safely for customers and staff. We worked closely with central Government, neighbouring authorities and the voluntary sector in providing community support to address the needs of our most vulnerable customers, delivering urgent financial support such as business and welfare grants, and regularly communicating with our staff and residents on how to stay safe and limit the spread of the virus. We are currently developing our Recovery Plan in response to the pandemic across 5 work streams: Economy; Communities; Environment; Place; and Vital Viable Council.

A review of the Council's Ten Year Strategy has identified a number of projects that are now on hold or will not continue due to the extreme financial and economic uncertainty caused by the COVID-19 pandemic. The Strategy will be further reviewed during 2020 taking account of the recovery work being undertaken and particularly our understanding of the impact the pandemic has had on our communities.

A full report on the Council's response to the pandemic and its impacts can be found in the July 2020 report to the Overview and Scrutiny Committee [here](#).

The key things we do to comply with the good governance principles are as follows:

### Behaving with integrity, demonstrating strong commitment to ethical values, and being lawful

- The Council's Constitution, Councillor and Officer Codes of Conduct, and Vision and Values statement set out required standards of members and officers.
- Registers of Interests are maintained to avoid conflicts, prejudice or bias.
- The designated statutory Head of Paid Service, Financial Officer and Monitoring Officer help ensure business is conducted lawfully.

- Internal and external audit scrutinise Council activities and report independently on the extent to which laws, policies and procedures are complied with.
- Audit Scrutiny, Standards Committee and the Monitoring Officer provide oversight.
- Anti-Fraud and Corruption and Whistleblowing policies are in place.
- Council services are led by trained and professionally qualified staff.
- Comments and complaints processes are in place and are publicised, including how to complain to the Ombudsman.
- Our 'fair for all' ethos is incorporated in the work we do, and we publish our adherence to the Equality Act duties annually.

## Ensuring openness and comprehensive stakeholder engagement

- Our Consultation and Community Engagement Strategy and Toolkit encourages all members of the community to contribute to, and participate in the work of the Council.
- Members of the public have access to Council meetings, minutes and agendas. As a result of lockdown, some meetings had to be cancelled until legislation was enacted, and IT solutions put in place to enable us to hold these virtually. Meetings are now available to the public through the Council's YouTube channel which has improved the transparency of decision making.
- Our Residents Panel "Talking Teignbridge" is used as a sounding board and is representative as possible of the Teignbridge community.
- A Customer Reading Group ensures publications can be understood.
- We have developed a Digital Strategy to guide the way services will be delivered with a digital first approach.
- We survey customers annually for views on services to help shape future direction.
- A Statement of Community Involvement sets out engagement processes for planning policy and applications, and a revision of our Local Plan is in progress. This consultation was completed virtually due to the impact of the Covid-10 pandemic, which actually resulted in a higher level of engagement than previous consultations.
- Our website has been continually improved based on what customers need.

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

- A Ten Year Council Strategy guides our work. This was implemented following extensive research and consultation with residents, business and partners, and is underpinned by ten "Super Projects" each having a widespread impact on the economy, community wellbeing, and environment. However, a number of projects are now on hold or will not continue due to the extreme financial and economic uncertainty caused by the pandemic. The Strategy will be reviewed in light of the recovery work being undertaken and particularly our understanding of the impact the pandemic has had on our communities.
- A Climate Change Declaration was made in 2020 and we have signed up to the Devon Climate Emergency from which a Carbon Management Plan is being developed.
- Budgets, financial plan and capital programme direct financial resources to priorities.
- We have a Procurement Strategy in conjunction with other Devon Districts which defines our commitment to support local economies.
- An Economic Development Plan aids local businesses and the local economy.
- A number of small grants and funding schemes are provided, which benefit local communities, a crowdfunding initiative has been joined.
- We belong to the Greater Exeter Partnership which is developing a Greater Exeter Strategic Plan for joined-up decision making on planning and infrastructure, and we are members of the Heart of the South West Local Enterprise Partnership.

## Determining the interventions necessary to achieve intended outcomes

- Performance measures track progress with delivery of our Strategy.
- A medium term financial strategy outlines how we intend to raise and manage the resources needed to deliver our services and priorities over the medium term. This is currently under review to address the severe financial impacts of the pandemic.
- Executive Key decisions are publicised in advance so they can be scrutinised in line with decision making and Overview and Scrutiny arrangements.
- Overview and Scrutiny review groups are appointed to look at Council policy, services, and particular issues of local concern. Although the March, May and June 2020 meetings had to be cancelled due to lockdown, Scrutiny resumed in July following the implementation of virtual meetings.
- A digital transformation programme “One Teignbridge” drives service improvements.
- A Partnership toolkit aids collaborative working and strong partnership governance.

## Developing capacity including the capability of leadership and the individuals within it

- Recognised recruitment and selection procedures and induction programmes are followed for both staff and members.
- Training and development needs are tracked through annual personal development and performance interviews for staff, Member development needs are co-ordinated by the Democratic Services Team Leader and Deputy Monitoring Officer.
- HR policies aim to promote the health and wellbeing of the workforce and the Investors in People accreditation is maintained.

## Managing risks and performance through robust internal control and strong public financial management

- Our Risk Management Strategy is reviewed annually and risk management reports are reviewed by the Strategic Leadership Team (SLT) and the Audit Scrutiny Committee.
- The Strategy requires risks to be managed at all levels including service, strategic, and project levels, and in all decision making.
- Some risks have inevitably increased as a result of the pandemic and these have been kept under review to ensure appropriate mitigations are in place. A separate risk matrix supports our Covid-19 recovery plan.
- Robust performance monitoring using a basket of indicators is undertaken by the SLT and Overview and Scrutiny Committee. These are currently being reviewed as we revisit our priorities to accommodate the impacts of the pandemic.
- Internal Business Efficiency and Service Transformation reviews (BEST2020) help ensure value for money in services is scrutinised, for efficient service delivery.
- Our Head of Corporate Services is the designated officer responsible for the proper administration of the Council’s financial affairs.

## Being transparent, with good practices in reporting and audit, to deliver effective accountability

- Agendas, reports, and minutes of meetings are published, along with Key Decisions.
- An internal audit function reports to the SLT and Audit Scrutiny Committee who also receive and consider the external auditors’ findings.
- Key data is published, and timely responses are given to Information Requests.

## How do we know our arrangements are working?

At least annually, we review the effectiveness of the governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance systems; the Audit Manager's annual report; and by comments made by external auditors, and other review agencies and inspectorates. Further assurances is provided by:

- Comfort statements completed by the Council's management team, which cover their areas of control, acknowledge accountability for risk management and internal control, and certify their satisfaction with the arrangements in place throughout the year.
- Key officers' views on the standards of governance within the Council – specifically the Section 151 Officer (responsible for the Council's financial affairs), the Monitoring Officer, the Audit Manager, and the Health and Safety Manager.
- The Council's Monitoring Officer has a legal responsibility to look into matters of potential unlawfulness within the Council. The Monitoring Officer also reviews the operation of the Constitution, to ensure it is up to date, and reflects best practice and legal requirements.
- The Standards Committee is available to support the Monitoring Officer on standards of conduct and probity issues.
- The Overview and Scrutiny process has monitored the Council's policies and performance on an ongoing basis (with the exception of the meetings cancelled during lockdown period). Portfolio Holders have also kept issues under review during meetings with managers.
- The Audit Scrutiny Committee has reviewed arrangements for managing risk concluding that adequate risk management arrangements are in place.
- Counter fraud arrangements have been kept under review through a Fraud Risk Assessment and internal audits of high risk fraud areas. An auditor was assigned to the Business Rates team to ensure fraud and error checks were in place for the emergency Coronavirus grant schemes brought in at short notice. Other Covid related processes have also been reviewed.
- The Council's external auditor provided the Council with an unqualified opinion on the Council's accounts and positive Value for Money report within their Annual Audit and Inspection letter. They have attended all Audit Scrutiny Committee meetings where their reports have been considered.
- As a significant group relationship, our IT provider Strata Service Solutions Limited has been provided with positive assurance from the Devon Audit Partnership, as the provider of its internal audit services in 2019-2020. Strata's performance has been monitored closely by the Council's IT Requirements Board, and by the Joint Executive and Scrutiny Committees.
- Strata, has maintained compliance with the Government PSN (Public Services Network) Code of Connection, which is a mandatory set of security standards Councils must meet in order to connect to this secure network. With Strata, we also follow the National Cyber Security Centre's (NCSC) 10 Steps to Cyber Security, the Open Web Application Security Project (OWASP) website principles and use the NCSC WebCheck, MailCheck, Protective Domain Name System security, and the Early Warning Vulnerability Service. Strata are also working towards Cyber Essentials Plus accreditation.

- The Electoral Commission's real time monitoring of performance concluded that the Council met their standards.
- The Council was not found at fault for any cases investigated by the Local Government Ombudsman.
- A review of legal proceedings and contingent liabilities revealed no issues arising from weaknesses in control or governance.
- CIPFA guidance on the role of the Chief Financial Officer in public service organisations was used to benchmark the Council's arrangements, showing how these standards are met.
- Based on the assurance work undertaken by internal audit, the Audit Manager has provided an opinion on the control environment which concluded that this was adequate and effective. It should, however, be noted that all risks of failure cannot be eliminated, and the assurance given is therefore reasonable and not absolute.
- Information Governance is overseen by the Audit Manager. There have been no major reportable data breaches and average processing time for Freedom of Information and Environmental Information Regulation requests was 10 days.
- Corporate governance arrangements Council-wide have been assessed against the requirements of the governance framework outlined in the CIPFA / SOLACE Framework for Delivering Good Governance in Local Government.

## Conclusion

Our governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework. Set out below, are the challenges highlighted by this review which we aim to address during 2020-2021, and an update on issues reported in 2018-2019:

2019-2020 Challenges	Planned Action
<p><u>Financial Sustainability</u></p> <p>The Coronavirus pandemic has had a significant financial impact on the Council, and will continue to affect fees and charges and commercial income throughout 2020. The Government support package will assist but will not cover all losses incurred to balance the budget for 2020-2021. The Council also has a number of capital projects at different stages which could also be impacted.</p>	<p>The Chief Finance Officer and Strategic Leadership Team continuously monitor the financial situation to understand the level of budget, service and project reviews required. Budgets will be realigned taking into account Government funding, likely projections and potential impact on the medium term financial plan, and any necessary savings to be found.</p>

2018-2019 Identified Issues	Progress Update
<p><u>Financial Sustainability</u></p> <p>The Council has set a balanced budget despite the continuing pressures on costs and reductions in funding streams. Continue to monitor savings and efficiency plans and assumptions, to ensure they contribute towards future budget deficits</p>	<p>Ongoing – see above.</p>
<p><u>Constitution Review</u></p> <p>The Council's constitution presented inconsistencies and gaps in the decision making processes.</p>	<p>The decision making process and Scheme of Delegation have been reviewed and updated – publication of updated Constitution to follow AGM in July 2020.</p>
<p><u>Contract Procedure Rules</u></p> <p>These rules govern the Council's procurement activity and promote good procurement practice and accountability. A review is to ensure they continue to reflect good practice.</p>	<p>The review has not yet been completed due to the pandemic and other priorities. It has been carried forward to the Procurement work plan for 2020.</p>

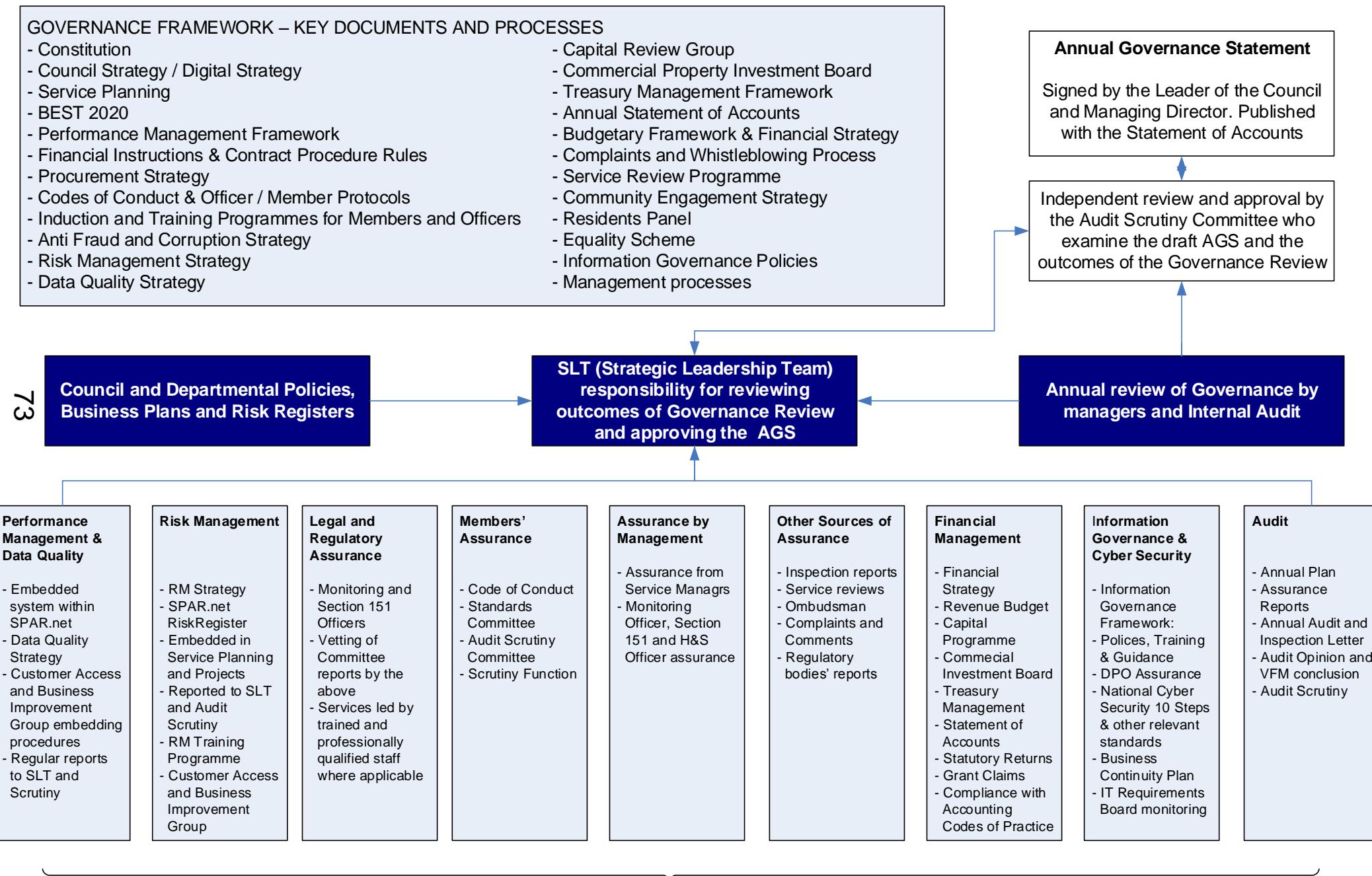
Signed:

Leader of the Council

Managing Director

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## ANNUAL GOVERNANCE STATEMENT - ASSURANCE FRAMEWORK



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**TEIGNBRIDGE DISTRICT COUNCIL**  
**AUDIT SCRUTINY COMMITTEE**

**26<sup>TH</sup> AUGUST 2020**

**PART I**

<b>Report Title</b>	<b>Financial Instructions and Contract Rules Waivers</b>
<b>Purpose of Report</b>	To inform Members of the number of times the Financial Instructions and Contract Procedure Rules have been waived and the reasons for this.
<b>Recommendation(s)</b>	<b>The Committee RESOLVES to note the report.</b>
<b>Financial Implications</b>	None – see section 3.1.
<b>Legal Implications</b>	None – see section 3.2.
<b>Risk Assessment</b>	Not applicable – see section 3.3.
<b>Environmental/ Climate Change Implications</b>	Not applicable – see section 3.4.
<b>Report Author</b>	Sue Heath, Audit & Information Governance Manager Email: sue.heath@teignbridge.gov.uk
<b>Portfolio Holder</b>	Councillor Connett, Corporate Resources
<b>Appendices / Background Papers</b>	None.

## 1. INTRODUCTION / BACKGROUND

The Financial Instructions and Contract Procedure Rules provide the framework for managing the Council's financial affairs. They apply to every member and officer of the Council and anyone acting on its behalf.

Sometimes there are instances where the rules cannot be followed and requests are made to waive them. One of the following criteria must be met:

<b>1</b>	<b>LIFE OR DEATH</b> There is significant chance that the life or health of officers, members, or the public will be put at real risk.
<b>2</b>	<b>INCREASED COST / LOSS OF INCOME</b> The Council will incur significant avoidable costs or lose significant income.
<b>3</b>	<b>LIMITED MARKETS</b> The Council would be wasting its time tendering as supply of the product or service is demonstrably restricted to one or few businesses.
<b>4</b>	<b>URGENT ACTION REQUIRED</b> The Council would be criticised for failing to act promptly.

## 2. WAIVERS

The following waivers have been processed since the December 2019 monitoring report:

Proposing Officer	Proposal / Reason	Approval
Ruth Adams  Programme Manager, South West Regional Coastal Monitoring Programme SWRCMP	<b>Purchase of spares for hydrodynamic buoys</b>  Purchase direct from supplier to save 10% of the cost of spares and repairs.  <b>Value:</b> £36,600 (fully funded by SWRCMP grant from Environment Agency)  <b>Reason:</b> Limited Markets	Tony Watson  Head of Commercial Services

Proposing Officer	Proposal / Reason	Approval
Tony Mansour Housing Needs Lead	<p><b>To prevent homelessness</b>            Young Devon provide bespoke support to young people housed at three properties, two of which are leased directly by Young Devon. Direct appointment of Young Devon required to prevent the risk of rendering the young people homeless and the Council's reputation.</p> <p><b>Value:</b> £15,000 per year            (£75,000 over a 5 year period)</p> <p><b>Reason:</b> Increased cost / Loss of income</p>	Amanda Pujol Head of Service Delivery & Improvement
Tonya Short Parking Services Manager	<p><b>Upgrade of pinpads for card payments on pay on foot machines</b>            Existing machines are Flowbird equipment and it was therefore not possible to go out to procurement</p> <p><b>Value:</b> £12,130  <b>Reason:</b> Limited Markets</p>	Neil Blaney Head of Place and Commercial Services
Tom Winters Economy Projects Officer	<p><b>Drafting of Strategic and Economic Case for Future High Street Fund</b>            Consultant required to undertake this work due to tight deadline for bid submission.</p> <p><b>Value:</b> £31,258  <b>Reason:</b> Urgent Action Required</p>	Neil Blaney Head of Place and Commercial Services
Daron Hand Group Building Surveyor	<p><b>Replacement LED light fittings Newton Abbot Leisure Centre</b>            Opportunity to carry out works while closed due to Covid.</p> <p><b>Value:</b> £10,378  <b>Reason:</b> Urgent Action Required</p>	Tony Watson Head of Commercial Services
Ruth Adams Programme Manager, South West Regional Coastal Monitoring Programme SWRCMP	<p><b>Cliff Line Mapping</b>            Coastal Monitoring Programme - additional analysis of data required due to unforeseen circumstances. Variation to original contract award. Existing contractor required for continuity of service.</p> <p><b>Value:</b> £13,800 (fully funded by Environment Agency)</p> <p><b>Reason:</b> Increased Cost / Limited Markets</p>	Neil Blaney Head of Place and Commercial Services

<p>Ruth Adams Programme Manager, South West Regional Coastal Monitoring Programme SWRCMP</p>	<p><b>Satellite Applications Catapult Group / UK Space Agency spend</b></p> <p>Coastal Monitoring Programme - contribution to pre-tender work including technical and market investigations to enable a tender for a pilot of satellite capability to enhance the Programme.</p> <p>Limited market - use of Satellite Applications Catapult enables access to £40k additional funding and no other provider can offer this opportunity.</p> <p>(fully funded by Environment Agency)</p>	<p>Neil Blaney Head of Place and Commercial Services</p>
<p>Ruth Adams Programme Manager, South West Regional Coastal Monitoring Programme SWRCMP</p>	<p><b>Habitat Mapping Data – Thomson Ecology</b></p> <p>Direct appointment to complete habitat mapping to required quality standard. Thomson had already completed 50% of the work required but to a higher spec than the remaining 50% . Their expertise was commissioned to ensure a consistent dataset for the programme.</p> <p><b>Value:</b> £8,700 (fully funded by Environment Agency)</p> <p><b>Reason:</b> Limited Markets</p>	<p>Tony Watson Head of Commercial Services</p>
<p>Ruth Adams Programme Manager, South West Regional Coastal Monitoring Programme SWRCMP</p>	<p><b>Strategic and Specialist Advice for Coastal Monitoring Programme</b></p> <p>To continue with Exe Act Services to provide specialist knowledge to support next phase funding bid.</p> <p><b>Value:</b> £48,000 (fully funded by Environment Agency)</p> <p><b>Reason:</b> Limited Markets</p>	<p>Tony Watson Head of Commercial Services</p>
<p>Ruth Adams Programme Manager, South West Regional Coastal Monitoring Programme SWRCMP</p>	<p><b>Trimble Survey Kit – KOREC</b></p> <p>Replacement kit needed to be matched to existing survey units / system and KOREC are the only known UK Trimble agent.</p> <p><b>Value:</b> £30,429 (fully funded by Environment Agency)</p> <p><b>Reason:</b> Limited Markets</p>	

Sian Avon Senior Ranger	<b>Handmade chestnut gates and map board sign mounts for Ridgetop Park SANG Exeter</b>  Direct appointment of same supplier used for Dawlish award winning SANG.  <b>Value:</b> £9,045  <b>Reason:</b> Limited Market	Lorraine Montgomery Head of Operational Services
Rebecca Hewitt  Community Safety and Safeguarding Manager	<b>Street Marshalls – Teignmouth</b>  Short term funding received from Police and Crime Commissioner to supply street marshalls. Bid submitted in partnership with Teignmouth Town Council. Funding allocated to the South Devon and Dartmoor Community Safety Partnership for which Teignbridge manage the finances. Due to short timescales the company used by neighbouring Exeter CC was direct appointed.  <b>Value:</b> £26,000  <b>Reason:</b> Urgent Action Required	Amanda Pujol  Head of Community Services and Improvement

### 3. IMPLICATIONS, RISK MANAGEMENT & CLIMATE CHANGE IMPACT

#### 3.1 Financial

There are no direct financial implications as this is an advisory report only. The financial impacts of the spending covered by the waivers were assessed at the time these procurements were carried out.

#### 3.2 Legal

The reporting of Waivers to the Audit Scrutiny Committee is a requirement of the Financial Instructions and Contract Procedure Rules within the Constitution.

#### 3.3 Risks

Not applicable. As above, risks were assessed as part of the waiver process.

#### 3.4 Environmental/Climate Change Impact

Not applicable.

#### **4. CONCLUSION**

That the report be noted. This is an advisory report only.