

AGENDA



For a meeting of the
GOVERNANCE AND AUDIT COMMITTEE
to be held on
THURSDAY, 27 JUNE 2013
at
2.00 PM
in the
WITHAM ROOM, COUNCIL OFFICES, ST. PETER'S HILL, GRANTHAM. NG31 6PZ
Beverly Agass, Chief Executive

Committee Members:	Councillor Jean Bevan (Vice-Chairman), Councillor Trevor Scott, Councillor Rob Shorrocks, Councillor Ian Stokes (Chairman), Councillor Jeff Thompson, Councillor Martin Wilkins and Councillor Rosemary H Woolley
Committee Support Officer:	Jo Toomey 01476 406152 E-mail: j.toomey@southkesteven.gov.uk

Members of the Committee are invited to attend the above meeting to consider the items of business listed below.

1. MEMBERSHIP

The Committee to be notified of any substitute members.

2. APOLOGIES

3. DISCLOSURE OF INTERESTS

Members are asked to disclose any interests in matters for consideration at the meeting.

4. MINUTES OF THE MEETING HELD ON 14 MARCH 2013

(Enclosure)

5. UPDATES FROM PREVIOUS MEETING

6. INTERNAL AUDIT PROGRESS REPORT

Members will consider the Internal Audit Progress Report. (Enclosure)

7. INTERNAL AUDIT ANNUAL REPORT 2012/13

Members will consider the Internal Audit Annual Report 2012/13. (Enclosure)

8. INTERNAL AUDIT TRACKING REPORT

Members will consider the Internal Audit Tracking Report. (Enclosure)

9. DRAFT FINANCIAL OUTTURN 2012/13

Report number HOF236 by the Head of Finance. (Enclosure)

10. DRAFT ANNUAL GOVERNANCE STATEMENT 2012/13

Report number HOF239 by the Head of Finance. (Enclosure)

11. TREASURY MANAGEMENT ANNUAL REPORT 2012/13

Report number HOF238 by the Head of Finance. (Enclosure)

12. RISK MANAGEMENT ANNUAL REPORT 2012/13

Report number HOF241 by the Head of Finance. (Enclosure)

13. ANY OTHER BUSINESS, WHICH THE CHAIRMAN, BY REASONS OF SPECIAL CIRCUMSTANCES, DECIDES IS URGENT.

MINUTES

**GOVERNANCE AND AUDIT
COMMITTEE
THURSDAY, 14 MARCH 2013**



COMMITTEE MEMBERS PRESENT

Councillor Bob Adams
Councillor Jean Bevan (Vice-Chairman)
Councillor Reginald Howard
Councillor Trevor Scott

Councillor Rob Shorrocks
Councillor Ian Stokes (Chairman)
Councillor Rosemary H Woolley

OFFICERS

Strategic Director (Tracey Blackwell)
Head of Finance (Richard Wyles)
Waste and Recycling Service Manager
(Pat Swinton)
Finance Support Manager (David Scott)
Senior Accountant (Gillian Goddard)
Governance and Risk Officer (Tracey
Elliott)
Principal Democracy Officer (Jo Toomey)

Mike Norman – KPMG
Colin Roxburgh – RSM Tenon

47. MEMBERSHIP

The Committee was notified that Councillor Adams would be substituting for Councillor Wilkins and that Councillor Howard would be substituting for Councillor Thompson for this meeting only.

48. APOLOGIES

An apology for absence was received from Tony Crawley from KPMG.

49. DISCLOSURE OF INTERESTS

No interests were disclosed.

50. MINUTES OF THE MEETING HELD ON 6 DECEMBER 2012

The minutes of the meeting held on 6 December 2012 were approved as a correct record.

51. UPDATES FROM PREVIOUS MEETING

Councillors noted the press release (circulated with the agenda) produced at the Committee's request summarising key comments from the Annual Audit Letter.

52. AUDIT OF REFUSE COLLECTION (INCLUDING BULKY WASTE)

It was resolved that:

EXCLUSION OF THE PUBLIC

In accordance with Section 100A of the Local Government Act 1972, it was resolved that the public be excluded because of the likelihood in view of the nature of the business to be transacted that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 the Act.

There were no members of the press and public at the meeting.

The Committee was provided with a report on the high risk recommendations relating to the audit of refuse collection (including bulky waste), this was attached to the internal audit progress report as an exempt appendix. It outlined the recommendations and the agreed actions. Officers reassured members that the recommendations were being implemented. Colin Roxburgh from the Council's internal auditor explained that a follow-up report providing updates on the recommendations would be presented to the next meeting of the Committee (June 2013). Members briefly discussed the report and looked forward to receiving the update.

The meeting returned into public session.

53. ANNUAL AUDIT AND INSPECTION PLAN

Mike Norman from KPMG, the Council's external auditor, summarised the annual audit and inspection plan report, which included:

- Headline messages, which focused on key risks identified for the financial statements audit
- The methodology and timeline for the audit of financial statements
- The approach that would be taken to assess value for money
- Information on the audit team, including proposed deliverables, timescales and the fee for audit work.

- Appendix 1 to the report provided details of the objectivity requirements and appendix 2 provided information on quality assurance and technical capacity.

In his response to a question on any changes to audit fees, Mr Norman advised that the Committee would be made aware of any concerns or risks that could result in the council exceeding the allocation of time on which the fee was based. He further stated that the fee would only be finalised on completion of the work. A mid-term update would be provided to the Committee at its meeting in June 2013. Reference was also made to the use of off-shore audit resources. The Committee noted the report.

54. CERTIFICATION OF GRANTS AND RETURNS 2011/12

The Committee was given a summary of the KPMG report on the certification of grants and returns for 2011/12.

- For 2011/12, four grants and returns were certified to a total value of £82.7m.
- An unqualified certificate had been issued for all grants and returns. In 2010/11 the claim in respect of housing benefit was qualified; external audit noted this had not recurred in 2012/13.
- A number of minor adjustments were made to the housing benefit and council tax benefit subsidy claim which reduced subsidy by £434. This was recognised as a significant achievement for the Council, which demonstrated it maintained robust arrangements for preparing claims and returns.
- The Council was recognised as having good arrangements for preparing its grants and returns and supporting certification work, consequently no recommendations for improvement were made.
- The overall fee for the certification of grants and returns was contained within the original estimate.

The Committee agreed to accept the report.

55. PROPOSED STRATEGY FOR INTERNAL AUDIT 2013/14

Mr Roxburgh from RSM Tenon summarised the report on the proposed three-year rolling strategy for internal audit 2013/14 to 2015/16, which was circulated with the agenda. The draft strategy was set out in appendix A to the report, including a full list of proposed audits, with a more detailed annual plan for 2013/14 attached as appendix B.

He explained that internal audit work was carried out with a view to reviewing and evaluating the risk management, control and governance arrangements the council has in place and how these arrangements can help the Council achieve its objectives. In developing the strategy, RSM Tenon considered the Council's objectives and carried out follow-up work with a number of officers to

develop the more detailed operational plan. The proposed plan was also discussed with external audit. A total of 190 days had been budgeted which included additional allocations for contingencies, follow-up and audit management activity.

The Committee was asked to consider whether it felt the strategy for internal audit covered the organisation's key risks and whether it was satisfied that sufficient assurances were being received by the authority to effectively monitor the organisation's risk profile.

Committee members reminded officers they had asked for an audit of the Council's MOT testing station. Members also expressed an interest in getting involved in the scoping of audits, of particular interest to councillors were the audits relating to risk management and the code of conduct and register of interests. Estimated dates for each of the audits would be added and circulated as part of the first progress report for 2013/14.

Action Point

The Governance and Risk Officer to circulate the approved audit plan to Councillors when it is available.

56. INTERNAL AUDIT PROGRESS REPORT

The internal audit progress report was summarised. Eight reports relating to the 2012/13 audit plan (including payroll and expenses, land charges, programme management, green waste, general ledger/main accounting system and a follow-up report) had been finalised, which resulted in 29 recommendations. Three recommendations were classified as high risk, 10 as medium risk and 16 as low risk. No changes had been made to the Internal Audit Plan since the Committee's last meeting on 6 December 2012.

Councillors asked questions about the new payroll system. Staff had been trained, software was installed and a number of tests had been run.

There committee noted the report.

57. INTERNAL AUDIT FOLLOW-UP REPORT

The Committee considered the internal follow-up report. The internal auditors followed up recommendations classified as high and medium risk. Fourteen recommendations were followed up as part of the report, two were classified as high and 12 were classified as medium. 57% recommendations had been implemented, 7% were ongoing, 22% not implemented and 14% were not due for implementation. Councillors requested that this information should also be provided in numerical format.

One member requested an update on leases, which had been identified as a

red assurance. As the assurance was red, there would be regular follow-up work and a full audit in 2013/14 automatically carried out.

Councillors also discussed the follow-up work in respect of the audit on contract management – ground and tree maintenance. Councillors were concerned that the high risk recommendation had not been completed, which meant that there was no signed contract. Councillors requested an update at the next meeting of the Committee.

The Committee noted the report.

Action Point

Update on progress against high risk recommendation: Contract Management – ground and tree maintenance (June 2013).

58. RISK MANAGEMENT AND STRATEGY UPDATE

The Finance Support Manager presented report number HOF224 by the Head of Finance on the risk management and strategy update. The report provided a summary of the outcome of the advisory review of risk management undertaken by internal audit, an updated copy of the corporate risk register and an updated version of the risk management strategy.

Advisory review

It was a duty for internal audit to provide assurance around risk management arrangements and considering the effectiveness of controls. The conclusion of the advisory audit was that the council managed its risk effectively. Two recommendations were raised (noted in appendix A to the report) and put into place.

Corporate risk register

The corporate risk register was last reviewed in June 2012 and had been refreshed in conjunction with heads of service, service managers and the performance and programme board to make sure it captured the Council's significant projects. Some changes had been to actions and controls and civil parking enforcement had been removed from the corporate risk register.

Risk management strategy

The risk management strategy was last reviewed in 2011. The Committee was required to review the strategy every two to three years to ensure it was fit for purpose. No fundamental changes had been made but it had been ensured that the strategy aligned with the recommendations of the advisory review and was appropriate for the current working environment.

The Committee discussed the report. Particular concern was expressed over the removal of civil parking enforcement from the risk register as work was still being undertaken on local residents parking schemes. This had been moved onto the service risk register but councillors asked it be reassessed to see whether it would sit more appropriately on the corporate risk register.

Action point

Risk assess civil parking enforcement (noting reputational risks associated with residents parking schemes) to see whether it should be added back onto the corporate risk register.

Members questioned why the risks relating to town centre redevelopment related only to Grantham when work was underway across the district. Officers responded that the most significant work was taking place in Grantham and the work in Bourne, while significant was due for completion in April 2013. The Committee also noted the measures through which the Council aimed to ensure the vibrancy of town centres including the shop front scheme and the business hardship fund.

Some discussion occurred on the risk relating to reputation and community liaison. Councillors commended local drop-in sessions that had been introduced and reference was made to parish newsletters. It was noted that Grantham did not have a parish/town council, so the only form of local representation was through the district councillors.

The recommendations in the report were proposed, seconded and agreed.

Decision:

The Governance and Audit Committee:

- 1. Endorses the actions being taken in respect of the risk Management Advisory Review.***
- 2. Note the latest version of the Corporate Risk Register***
- 3. Approve the updated Risk Management Strategy***

59. ACCOUNTING POLICIES

The Head of Finance and a senior accountant from financial services presented report number HOF228 on the Statement of Accounting Policies 2012/13. They explained this was an annual report which had to be presented to the Committee before the beginning of the audit and closedown processes. There were no significant changes to the code under which accounts had to be prepared so officers amended the wording to bring it in-line with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13.

There was brief discussion on the categorisation of items as stock or

expenditure and whether councillors were considered as employees of the Council. An amendment was also made to a typographical error on page 5 of the report.

The recommendations in the report were proposed and agreed.

Decision:

The Governance and Audit Committee approves the Statement of Accounting Policies to be used in the production of the 2012/13 financial statements.

60. PENSION ASSUMPTIONS

The Head of Finance presented report number HOF227 on the underlying assumptions to be used to calculate IAS19 pension figures in the 2012/13 Statement of Accounts. He explained that it was an annual report that originated from the pension fund actuary setting out assumptions for the process of closing down the 2012/13 accounts. He highlighted to amendments to page 3 of the report:

- 3.8, paragraph 3 should be amended to read: *“The expected decrease in pensions increase rate would lead to an increase in the liability on the balance sheet.”*
- 3.8, paragraph 5 should be amended to read: *“An increase in the expected return on assets would cause the pension liability on the balance sheet to increase from £29.453 million.”*

The recommendations in the report were proposed and agreed.

Decision:

The Governance and Audit Committee approves the IAS19 (International Accounting Standard 19) assumptions to be used in the production of the 2012/13 Statement of Accounts.

61. CLOSE OF MEETING

The meeting was closed at 14:43.

SOUTH KESTEVEN DISTRICT COUNCIL

Internal Audit Progress Report

Governance and Audit Committee Meeting – 27th June 2013

Agenda Item 6

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The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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1. INTRODUCTION

- 1.1 The periodic internal audit plan for 2012/13 was approved by the Governance and Audit Committee on the 15th March 2012. This report summarises the outcome of work completed to date against that plan, and Appendix A provides cumulative data in support of internal audit performance.

2. FINAL REPORTS ISSUED

- 2.1 We have finalised the remaining four reports relating to the 2012/13 audit plan; these are in the areas of:

- **Leaseholder Recharges;**
- **Excess Charge Notices;**
- **Flexible Working Arrangements; and**
- **Data Security.**

3. WORK IN PROGRESS OR PLANNED

- 3.1 There is no further Work in Progress for 2012/13.

4. FINDINGS FROM INTERNAL AUDIT WORK

- 4.1 We have raised 15 recommendations across the four reviews that are being presented to this committee; one recommendation has been classified as 'High' Risk; eight recommendations have been classified as 'Medium' risk and the remaining six recommendations have been classified as 'Low' risk. Details of the key findings are shown in Appendix B.

5. LIAISON WITH MANAGEMENT

- 5.1 Meetings are held with the Head of Finance, Finance Support Manager (Finance & Risk) and the Governance & Risk Officer on a regular basis, as well as other senior management to discuss the progress of the internal audit work.

6. CHANGES TO OUR PLAN

- 6.1 At the request of the Strategic Director (Corporate Focus), we have undertaken two additional reviews; these are 'Leaseholder Recharges' and 'Excess Charge Notices' and these are being presented at this Committee meeting.

APPENDIX A: OPERATIONAL PLAN PERFORMANCE 2012/13 – CURRENT REPORTS

Detailed below is a summary of the work undertaken in 2012/13 to date, showing the levels of assurance given and the number of recommendations arising. Reports being considered at this Committee are shown in ***bold and italics***. Definitions with regard to the levels of assurance and the classification of recommendations are provided overleaf.

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Governance & Audit Committee	Audit approach	Audit Days	Assurance level given	Number of Recommendations Made					
										High	Medium	Low	In Total	Agreed	
Current Reports															
<i>Leaseholder Recharges</i>	<i>25/02/13</i>	<i>06/03/13</i>	<i>11/03/13</i>	<i>26/04/13</i>	<i>29/04/13</i>	<i>June 2013</i>	<i>Risk Based</i>	<i>5</i>	<i>GREEN</i>	<i>0</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>3</i>	
<i>Excess Charge Notices</i>	<i>01/04/13</i>	<i>04/04/13</i>	<i>14/04/13</i>	<i>25/04/13</i>	<i>26/04/13</i>	<i>June 2013</i>	<i>Risk Based</i>	<i>2</i>	<i>AMBER / GREEN</i>	<i>0</i>	<i>3</i>	<i>1</i>	<i>4</i>	<i>4</i>	
<i>Flexible Working Arrangements</i>	<i>07/03/13</i>	<i>18/03/13</i>	<i>21/03/13</i>	<i>10/06/13</i>	<i>10/06/13</i>	<i>June 2013</i>	<i>Risk Based</i>	<i>6</i>	<i>AMBER / RED</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>6</i>	<i>6</i>	
<i>Data Security</i>	<i>11/03/13</i>	<i>15/03/13</i>	<i>21/03/13</i>	<i>15/05/13</i>	<i>15/05/13</i>	<i>June 2013</i>	<i>Key Controls</i>	<i>7</i>	<i>GREEN</i>	<i>0</i>	<i>2</i>	<i>0</i>	<i>2</i>	<i>2</i>	
Payroll & Expenses	4/11/12	08/11/12	14/11/12	27/11/12	28/11/12	March 2013	Risk Based	6	GREEN	0	0	5	5	5	
Land Charges	05/11/12	12/11/12	19/11/12	23/01/13	24/01/13	March 2013	Risk Based	4	GREEN	0	2	2	4	4	
Refuse Collection (inc. Bulky Waste)	26/11/12	30/11/12	10/12/12	11/02/13	11/02/13	March 2013	Risk Based	7	AMBER / RED	1	2	3	6	6	
Programme Management	26/11/12	10/12/12	12/12/12	29/01/13	30/01/13	March 2013	Risk Based	7	GREEN	0	0	4	4	4	
Green Waste	03/12/12	07/12/12	14/12/12	07/01/13	07/01/13	March 2013	Risk Based	5	GREEN	0	0	2	2	2	
Follow Up (3)	07/01/13	10/01/13	21/1/13	14/02/13	14/02/13	March 2013	Risk Based	5	ADEQUATE	2	4	0	6	6	
General Ledger/ Main Accounting System	04/02/13	0/02/13	11/02/13	11/02/13	11/02/13	March 2013	Risk Based	7	GREEN	0	0	0	0	0	
Risk Management	16/01/13	20/01/13	14/02/13	26/02/13	26/02/13	March 2013	Risk Based	6	ADVISORY	0	2	0	2	2	

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Governance & Audit Committee	Audit approach	Audit Days	Assurance level given	Number of Recommendations Made				
										High	Medium	Low	In Total	Agreed
Debtors	13/08/12	16/08/12	29/08/12	29/10/12	30/10/12	Dec 2012	Risk Based	6	AMBER / GREEN	0	2	7	9	9
Rent Collection & Arrears	13/08/12	20/08/12	29/08/12	24/09/12	25/09/12	Dec 2012	Risk Based	7	GREEN	0	0	3	3	3
Council Tax	03/09/12	07/09/12	17/09/12	18/09/12	18/09/12	Dec 2012	Risk Based	5	GREEN	0	1	0	1	1
Housing Benefits	03/09/12	07/09/12	17/09/12	18/09/12	18/09/12	Dec 2012	Risk Based	7	GREEN	0	1	1	2	2
NNDR	03/09/12	17/09/12	19/09/12	15/10/12	16/10/12	Dec 2012	Risk Based	5	GREEN	0	2	2	4	4
Cash & Banking	08/10/12	12/10/12	24/10/12	07/11/12	09/11/12	Dec 2012	Risk Based	6	GREEN	0	1	3	4	4
Leases	11/06/12	14/06/12	27/06/12	14/08/12	23/08/12	Sept 2012	Risk Based	6	RED	3	3	0	6	6
Asset Management Plan	16/07/12	20/07/12	31/07/12	28/08/12	29/08/12	Sept 2012	Risk Based	6	GREEN	0	0	2	2	2
Corporate Governance	23/07/12	26/07/12	30/07/12	14/08/12	29/08/12	Sept 2012	Risk Based	6	GREEN	0	1	0	1	1
Creditors & Procurement	30/07/12	03/08/12	08/08/12	05/09/12	06/09/12	Sept 2012	Risk Based	7	AMBER / GREEN	0	2	3	5	5
Follow Up (2)	14/08/12	16/08/12	29/08/12	07/09/12	10/09/12	Sept 2012	Follow Up	3	GOOD PROGRESS	0	2	0	2	2
Repairs	23/07/12	01/08/12	09/08/12	06/09/12	11/09/12	Sept 2012	Risk Based	7	RED	3	6	2	11	11
Elections	28/05/12	31/05/12	11/06/12	25/06/12	26/06/12	July 2012	Risk Based	6	GREEN	0	0	4	4	4
Licensing	11/06/12	15/06/12	21/06/12	04/07/12	06/07/12	July 2012	Risk Based	6	GREEN	0	1	0	1	1
Contract Management Ground & Tree Maintenance	30/04/12	11/05/12	21/05/12	12/06/12	13/06/12	June 2012	Risk Based	7	RED	2	2	6	10	10

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Governance & Audit Committee	Audit approach	Audit Days	Assurance level given	Number of Recommendations Made				
										High	Medium	Low	In Total	Agreed
Follow Up (1)	08/05/12	N/A	15/05/12	30/05/12	30/05/12	June 2012	Follow Up	4	GOOD PROGRESS	0	3	0	3	3
Advisory Reviews	-	-	-	-	-	-	-	21	-					
Management	-	-	-	-	-	-	-	15	-	-	-	-	-	-
Total								197		12	45	55	112	112

Recommendation Categorisation

Our findings and recommendations are categorised as follows:

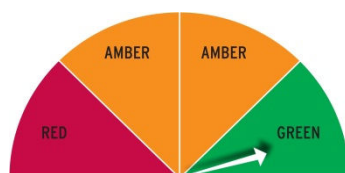
High (H): *action is imperative to ensure that the objectives for the area under review are met.*

Medium (M): *requires action to avoid exposure to significant risks in achieving the objectives for the area under review.*

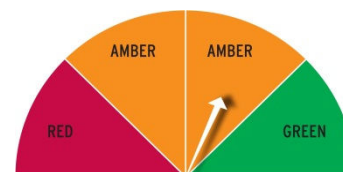
Low (L): *action advised to enhance control or improve operational efficiency.*

ASSURANCE OPINIONS

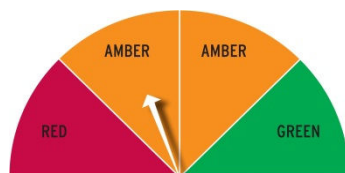
Our opinion will be graphically represented as a speedometer (see below). We have provided guidelines for each segment of the speedometer to provide the Governance & Audit Committee (or equivalent) with some context behind each of the ratings.



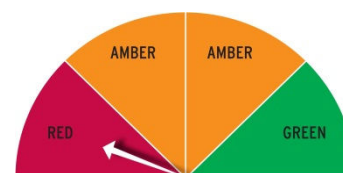
Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.



Taking account of the issues identified, the Authority can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective. However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.



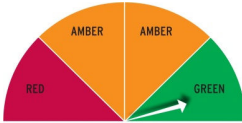
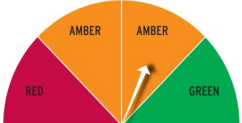
Taking account of the issues identified, whilst the Authority can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.

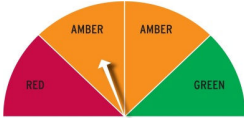


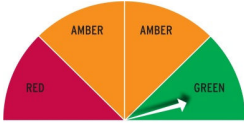
Taking account of the issues identified, the Authority cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.

The Amber assurance level is split into two so that we are able to give you a clear indication of whether we consider the assurance to be “above or below the line”. We hope this will help draw attention to those reports where we are highlighting that although not a negative opinion, the Authority does need to take action to ensure the risk is managed. Similarly the above the line amber opinion reflects that although a positive opinion, there is still room for improvement. During the year our progress reports to Governance & Audit Committee will reflect the opinions given and build up a picture of our findings so that there will be no surprises in our year end annual opinion.

APPENDIX B: REPORTS FINALISED – SUMMARY OF KEY FINDINGS

Summary of Audit Findings	Assurance Level	No. of Recs. Made and (Accepted)	No. of Recs. Categorised As High Risk	Impl Date for Recs.	Responsible Officer (s)
<p><u>Leaseholder Recharges – (29.12/13):</u></p> <p>An audit of Leaseholder Recharges was undertaken at the request of the Strategic Director (Corporate Focus) and resulted in 1 'Medium' and 2 'Low' risk recommendations being raised and accepted by management.</p> <p>The Medium risk recommendations made was in relation to:</p> <ul style="list-style-type: none"> ➤ A check should also be undertaken to ensure each price up-lift has been calculated and applied correctly at the start of each new billing year. 		3 (3)	0	May 2013	Income Team Coordinator
<p><u>Excess Charge Notices – (30.12/13):</u></p> <p>An audit of Excess Charge Notices was undertaken at the request of the Strategic Director (Corporate Focus) and resulted in 3 'Medium' and 3 'Low' risk recommendation being raised and accepted by management.</p> <p>The Medium risk recommendations/ conclusions made were in relation to:</p> <ul style="list-style-type: none"> ➤ Cancelled tickets were not always supported by evidence to justify the cancellation. ➤ Excess Charge Notices were cancelled multiple times for the same vehicle. ➤ It cannot be confirmed that ECNs were written off after formal approval had been granted as the date of approval was not noted. Staff administering the 360 system on a day to day basis were not allocated unique user names and instead were all using the user account of 'BS'. 		4 (4)	0	<p>April 2013</p> <p>May 2013</p>	<p>Revenues Manager</p> <p>Head of Finance</p>

Summary of Audit Findings	Assurance Level	No. of Recs. Made and (Accepted)	No. of Recs. Categorised As High Risk	Impl Date for Recs.	Responsible Officer (s)
<p><u>Flexible Working Arrangements – (31.12/13):</u></p> <p>An audit of Flexible Working Arrangements was undertaken as part of the approved internal audit plan and resulted in 1 ‘High’, 2 ‘Medium’ and 3 ‘Low’ risk recommendations being raised and accepted by management.</p> <p>The High risk recommendations made was in relation to:</p> <ul style="list-style-type: none"> ➤ Management should ensure that employee flexi time records are consistently checked and any errors or omissions identified and rectified accordingly. To evidence that these checks have been undertaken initials should be input into the ‘Managers Signature’ box on the spreadsheet and corresponding comments annotated on the spreadsheet if required. <p>Sample checks of employee flexi-time records should be conducted by an independent officer who fully understands the Flexible Working Policy (such as a member of the central HR team) to ensure that there is a consistent approach to applying the policy across all Council departments and to ensure that employees are completing their records in line with the policy.</p> <p>The Medium risk recommendations made were in relation to:</p> <ul style="list-style-type: none"> ➤ All cells on the flexitime spreadsheet that contain formulae should be locked and protected (using a password) to prevent amendments. <p>The flexitime spreadsheet should include the facility for manager’s to lock or protect completed spreadsheets once they have reviewed them, thereby allowing them to record their name on a sheet and prevent it from being edited in the future.</p> <p>Managers should be regularly reviewing flexitime spreadsheets and any error identified should be raised with employees and corrected.</p> <ul style="list-style-type: none"> ➤ The formula for calculating carry forward of ‘under’ hours should be amended to ensure that all hours under are carried forward. <p>The part-time spreadsheet should use a formula in the cell “Maximum flexi-hours carried forward:”, and this cell should be locked so it cannot be altered by the user.</p>		6 (6)	1	<p>Spot checks will take place throughout the year.</p> <p>Reminder by 30th June 2013</p> <p>Available anytime</p> <p>Already implemented and risk mitigated</p> <p>Already implemented</p>	<p>HR & OD Service Manager</p> <p>HR & OD Service Manager</p> <p>HR & OD Service Manager</p>

Summary of Audit Findings	Assurance Level	No. of Recs. Made and (Accepted)	No. of Recs. Categorised As High Risk	Impl Date for Recs.	Responsible Officer (s)
<p><u>Data Security – Policy and Training – (32.12/13):</u></p> <p>An audit of Data Security – Policy and Training was undertaken as part of the approved internal audit plan and resulted in 2 ‘Medium’ risk recommendations being made; both of which were accepted by management.</p> <p>The Medium risk recommendations made were in relation to:</p> <ul style="list-style-type: none"> ➤ Management should appraise their training and awareness requirements for Information / Data Security and ensure that all members of staff receive a relevant level of training for their use of IT and role in the organisation in relation to information handling. There should be a comprehensive approach for all members of staff commencing with a mandatory induction session and a periodic refresher training session which covers information and data security. (Planning Department) Management should also create a single repository containing training attendance records for all staff at the Council. (Corporate Level) ➤ Management should implement stronger logical security controls within the APAS system. These should reflect the settings of other systems in use at the Council. 		2 (2)	0	<p>31 October 2013</p> <p>31 December 2013</p>	<p>Development Service Manager</p> <p>Development Service Manager</p>



South Kesteven District Council

Internal Audit Annual Report
Year ended 31 March 2013

Presented at the Governance & Audit Committee meeting of: 27th June
2013

Chris Williams
Head of Internal Audit

1 INTERNAL AUDIT OPINION

1.1 Context

As the provider of the internal audit service to South Kesteven District Council we are required to provide the Section 151 Officer and the Governance & Audit Committee an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

As your internal audit provider, the audit opinions that RSM Tenon provides the organisation during the year are part of the framework of assurances that assist the Council prepare an informed annual governance statement.

1.2 Internal Audit Opinion 2012/2013

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of South Kesteven District Council's arrangements.

For the 12 months ended 31 March 2013, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of South Kesteven District Council's arrangements for governance, risk management and control is as follows:

	Red	Amber	Green	Direction of travel
Governance The Council has adequate and effective Governance arrangements.				
Risk Management The Council has adequate and effective Risk Management arrangements.				
Control The Council has adequate control arrangements; however we have identified areas where it is considered that the control environment could be improved and recommendations were raised within our reports to highlight these areas.				

Note: The direction of travel arrow indicates whether the change in our opinion related to the previous year is upward (improving), downward (adverse) or static.

1.3 The Basis of the Opinion

1.3.1 Governance

Our review of the Council's Governance arrangements this year resulted in a positive green opinion being awarded. The implementation and management agreement to the recommendations that are raised during the course of the year are an important contributing factor when assessing the assurance opinion on Governance. It is pleasing to note that management appear receptive to recommendations made and work towards implementing and addressing the issues identified within internal audit reports. Three follow up reviews were undertaken during the year which overall resulted in 'good' progress being made to implement audit recommendations. We reiterated two high level and nine medium level risk recommendations.

1.3.2 Risk Management

Risk Management continues to be embedded within the culture of the Council and we have seen marked improvements within the area. Our advisory review of Risk Management did not identify any major weaknesses.

In addition to our advisory review on Risk Management we were able to confirm the Risk Management culture within the Council through our other internal audit work and we are satisfied that management understand the importance of identifying and addressing risk. Therefore, we have been able to award a green traffic light rating within this area again this year.

1.3.3 Control

We undertook a total of 32 reviews during the year which included 3 follow up reviews as mentioned above and 5 advisory reviews including, risk management. The remainder of the work undertaken provided assurance on the control framework in place and the application of these controls. Overall, our work resulted in 16 'Substantial' assurance opinions (i.e. "Green"), 5 'Reasonable' assurance opinions (i.e. "Amber"), and 3 'Limited' assurance opinions (i.e. Red) being given over the control environment.

The Control Environment is a key aspect of Risk Management, and as can be seen from the number of recommendations raised there is some room for improvement in strengthening the Control Environment. Last year there were no red ratings awarded and 5 amber assurance ratings awarded. Whilst this year we have seen some improvements within areas we have also identified areas within the Council where the control environment is currently considered weak. Management are working towards improving these areas and it is anticipated that controls will have been strengthened and the next internal audit review will validate the strengthened control framework.

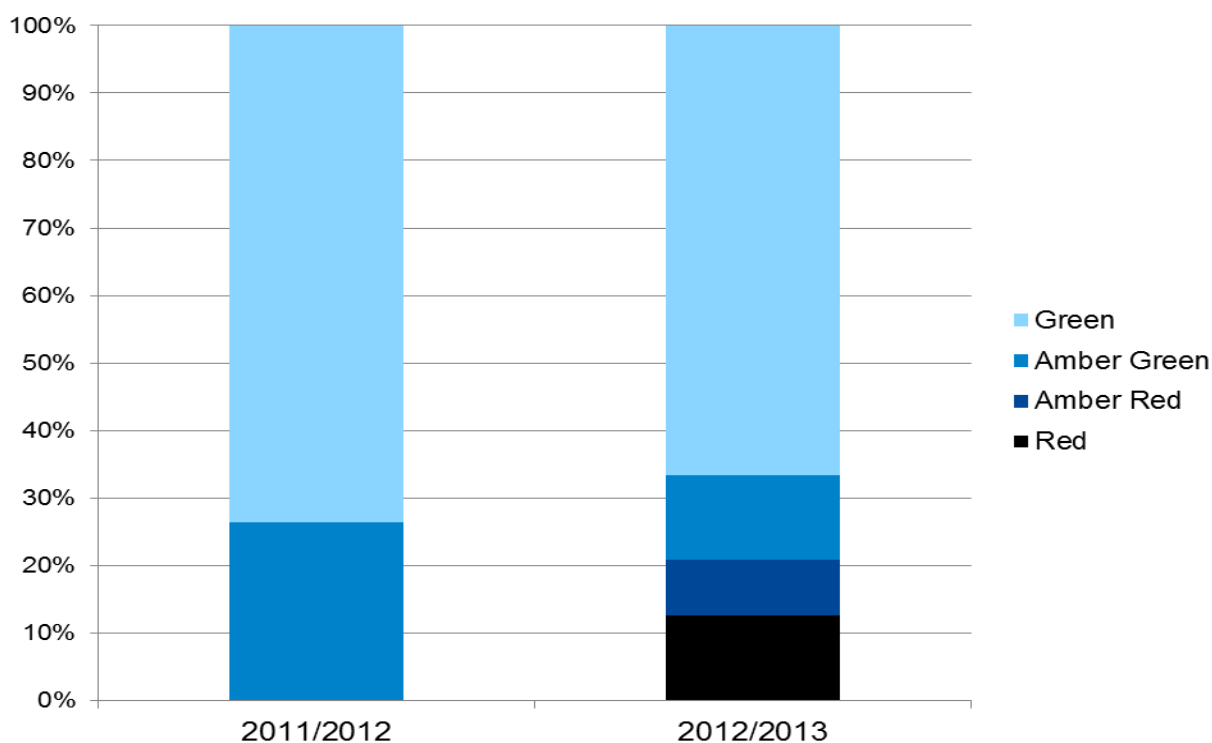
The advisory reviews undertaken during the year do not form part of the assurance opinion; however we are satisfied that, where recommendations have been made on advisory work, management are taking action to implement these recommendations.

Overall we have raised 12 high risk recommendations, 45 medium risk recommendations and 55 low risk recommendations.

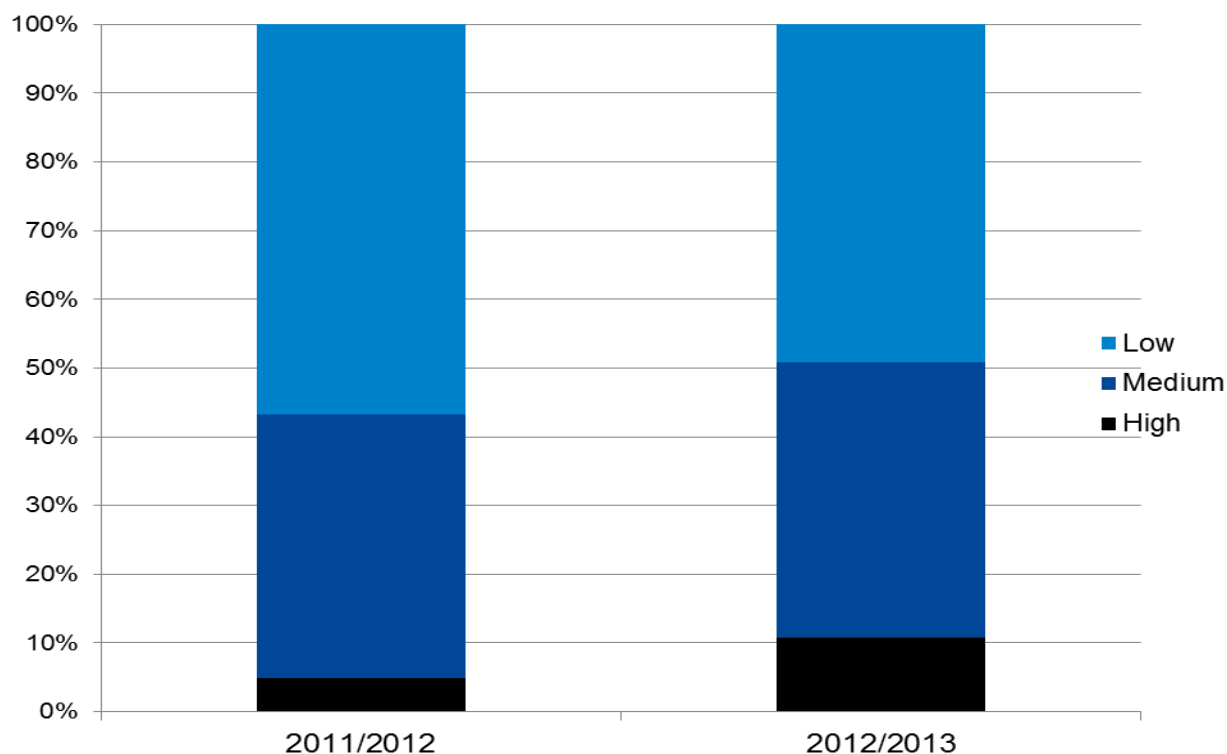
1.3.4 Acceptance of Recommendations

All of the recommendations made during the year were accepted by management.

1.3.5 Comparison of Internal Audit Opinions (Assurance assignments) in 2012/2013 compared with 2011/2012



1.3.6 Comparison of Internal Audit recommendations made 2012/2013 compared with 2011/2012



1.3.7 Progress made with previous internal audit recommendations

Our follow up of the recommendations made in 2011/2012 and recommendations from 2012/2013 due for implementation including those that were outstanding from previous years, showed that the organisation had made good progress in implementing the agreed recommendations, as summarised below:

Recommendation Priority	Number made in 2011/2012	Of which:	
		Addressed	Not implemented or still in progress
High	4	2	2
Medium	31	22	9
Low	46	46	0
Totals	81	70	11

1.3.8 Reliance Placed Upon Work of Other Assurance Providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

2 OUR PERFORMANCE

2.1 Wider value-adding delivery

As part of our client service commitment, during 2012 we issued 10 local government client updates and four general briefings.

2.2 Conformance with Internal Audit Standards

RSM Tenon affirms that our internal audit services to South Kesteven District Council are designed to comply with the CIPFA Code of Practice for Internal Audit and the International Standards published by the Global Institute of Internal Auditors (IIA).

Under the standards, internal audit services are required to have an external quality and review at least once every five years. During 2011 RSM Tenon commissioned an external independent review of our internal audit services to provide assurance whether our approach meets the requirements set out in the International Professional Practices Framework (IPPF) published by the IIA.

The external review concluded that *“the design and implementation of systems for the delivery of internal audit provides **substantial assurance** that the standards established by the IIA in the IPPF will be delivered in an adequate and effective manner”*.

In this year we have reviewed our processes to ensure we will be conformant with the Public Sector Internal Auditing Standards when they are introduced in 2013/2014.

2.3 Conflicts of Interest

We (RSM Tenon) have not undertaken any work or activity during 2012/2013 that would lead us to declare any conflict of interests.

APPENDIX A: INTERNAL AUDIT OPINIONS AND RECOMMENDATIONS 2012/2013

Audit	Link to risk or rationale for coverage	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Audits to address specific risks					
Follow-up of Previous Internal Audit Recommendations (01.12/13)	On-going Assurance	Follow Up	0	3	0
Contract Management - Ground & Tree Maintenance (02.12/13)	Identified through discussions with Internal Audit and Management	Red	2	2	6
Elections (03.12/13)	Identified through discussions with Internal Audit and Management	Green	0	0	4
Licensing (04.12/13)	Identified through discussions with Internal Audit and Management	Green	0	1	0
Leases (05.12/13)	Identified through discussions with Internal Audit and Management	Red	3	3	0
Corporate Governance (07.12/13)	Annual Assurance Provided	Green	0	1	0
Asset Management Plan (08.12/13)	Identified through discussions with Internal Audit and Management	Green	0	0	2
Creditors & Procurement (09.12/13)	Identified through discussions with Internal Audit and Management. External Audit Reliance	Amber / Green	0	2	3
Repairs (10.12/13)	Identified through discussions with Internal Audit and Management	Red	3	6	2
Follow-up of Previous Internal Audit Recommendations (11.12/13)	On-going Assurance	Follow Up	0	2	0
Rent Collection and Arrears (including Leaseholders) (12.12/13)	Identified through discussions with Internal Audit and Management	Green	0	0	3

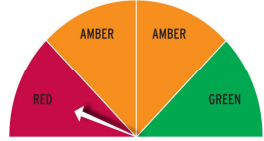
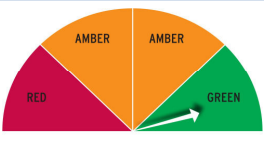
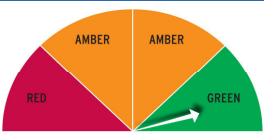
Audit	Link to risk or rationale for coverage	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Debtors (13.12/13)	Identified through discussions with Internal Audit and Management. External Audit Reliance	Amber / Green	0	2	7
Council Tax (14.12/13)	Identified through discussions with Internal Audit and Management. External Audit Reliance	Green	0	1	0
Housing Benefit (15.12/13)	Identified through discussions with Internal Audit and Management. External Audit Reliance	Green	0	1	1
NNDR (16.12/13)	Identified through discussions with Internal Audit and Management. External Audit Reliance	Green	0	2	2
Cash and Banking (17.12/13)	Identified through discussions with Internal Audit and Management. External Audit Reliance	Green	0	1	3
Payroll and Expenses (19.12/13)	Identified through discussions with Internal Audit and Management. External Audit Reliance	Green	0	0	5
Land Charges (20.12/13)	Identified through discussions with Internal Audit and Management	Green	0	2	2
Refuse Collection (incl. Bulky Waste) (21.12/13)	Identified through discussions with Internal Audit and Management	Amber / Red	1	2	3
Programme Management (22.12/13)	Identified through discussions with Internal Audit and Management	Green	0	0	4
Green Waste Charges (23.12/13)	Identified through discussions with Internal Audit and Management	Green	0	0	2
Follow Up of Previous Internal Audit Recommendations (25.12/13)	On-going Assurance	Follow Up	2	4	0

Audit	Link to risk or rationale for coverage	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
General Ledger / Main Accounting System (26.12/13)	Identified through discussions with Internal Audit and Management. External Audit Reliance	Green	0	0	0
Risk Management Advisory Review (28.12/13)	Annual Review Undertaken	Advisory	0	2	0
Leaseholder Recharges (29.12/13)	Management Request	Green	0	1	2
Excess Charge Notices (30.12/13)	Management Request	Amber / Green	0	3	1
Flexible Working Arrangements (31.12.13)	Identified through discussions with Internal Audit and Management.	Amber / Red	1	2	3
Data Security – Policy & Training (32.12/13)	Identified through discussions with Internal Audit and Management.	Green	0	2	0
		Total	12	45	55

We use the following levels of opinion classification within our internal audit reports:

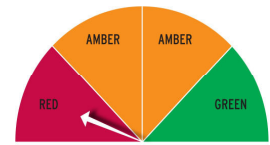
Red	Amber / Red	Amber / Green	Green
<p>Taking account of the issues identified, the Board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.</p> <p>Action needs to be taken to ensure this risk is managed.</p>	<p>Taking account of the issues identified, whilst the Board can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.</p>	<p>Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p> <p>However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.</p>	<p>Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p>

APPENDIX B: KEY FINDINGS FROM INTERNAL AUDIT REVIEWS 2012/2013

<p>Assignment: Contract Management – Ground & Tree Maintenance (02.12/13)</p>	<p>Opinion: Red</p>	
<p>Headline Findings: An audit of Contract Management – Ground & Tree Maintenance was undertaken as part of the approved internal audit plan and resulted in two ‘High’, two ‘Medium’ and six ‘Low’ risk recommendations being raised; all were accepted by management.</p> <p>The High recommendations were in relation to:</p> <ul style="list-style-type: none"> ➤ When a service is retendered, the Council should ensure that resulting contract(s) is/are signed by all parties involved. ➤ A program of scheduled inspections of work undertaken by the Contractor should be in place and followed, to ensure that there is an audit trail to evidence the monitoring that the work is being carried to an acceptable standard throughout the District. <p>The Medium recommendations were in relation to:</p> <ul style="list-style-type: none"> ➤ The Order Requests from Tenancy Services for Grounds Maintenance work required in excess of that covered by the contract should be formally signed by the requesting Officer and subject to approval at an appropriate level. The process for raising and payment of orders for work on graves should be reviewed to ensure that a control is put in place to ensure that Order Requests are checked with Dignity before being entered on the Cedar system. ➤ While it may not be possible to change procedures for the remainder of the current contract, procedures should be changed so that the Contractor has to undertake the invoice preparation on a monthly basis and Grounds Maintenance staff should be responsible for checking the value each month as part of the payment authorisation process. 		
<p>Assignment: Elections (03.12/13)</p>	<p>Opinion: Green</p>	
<p>Headline Findings: An audit of Elections was undertaken as part of the approved internal audit plan and resulted in four ‘Low’ risk recommendations. All of which were accepted by management.</p>		
<p>Assignment: Licensing (04.12/13)</p>	<p>Opinion: Green</p>	
<p>Headline Findings: An audit of Licensing was undertaken as part of the approved internal audit plan and resulted in one ‘Medium’ risk recommendation.</p> <p>This recommendation was in relation to:</p> <ul style="list-style-type: none"> ➤ Each year, when the new fees and charges have been approved, a member of the Licencing staff should independently check that the correct figures have been entered into the Customer Services system for calculating charges for the transfer of vehicle licenses. 		

Assignment: Leases (05.12/13)

Opinion: Red



Headline Findings:

An audit of Leases was undertaken as part of the approved internal audit plan and resulted in three 'High' and three 'Medium' risk recommendations.

This High risk recommendations were in relation to:

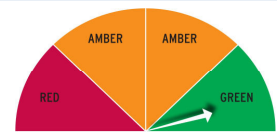
- Reviewing all systems within the Council to identify potential leases and licenses with the aim of compiling a list of all current leases and licenses. The Council may also wish to work with and outside agency, such as the Land Registry, in an attempt to confirm records and identify potential discrepancies in Council records; however this would incur additional costs to the Council.
- The tenancy schedule from the Council's appointed contractor should be reviewed at each management meeting to identify any discrepancies or errors between the records maintained by the contractor and those maintained by the Council.
- A record of all leases and licences issued by the Council should be established and maintained; allowing the expiry of leases and licences to be monitored.

The medium risk recommendations made were in relation to:

- Documenting procedures for the management of leases and licences.
- Updating the Scheme of Delegation ensuring consistency with the current structure and a decision is required as to whether the new process for determining market rent is acceptable.
- To undertake a monthly reconciliation of the properties for which lease income is received to the revenues system.

Assignment: Corporate Governance (07.12/13)

Opinion: Green



Headline Findings:

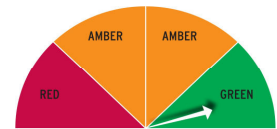
An audit of Corporate Governance was undertaken as part of the approved internal audit plan and resulted in one 'Medium' risk recommendation.

This recommendation was in relation to:

- Making attendance a key part of the scope when undertaking the next Governance & Audit Committee self-assessment review and improving the attendance of appointed members to ensure greater continuity.

Assignment: Asset Management Plan (08.12/13)

Opinion: Green

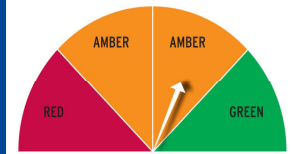


Headline Findings:

An audit of the Asset Management Plan was undertaken as part of the approved internal audit plan and resulted in two 'Low' risk recommendations. All of which were accepted by management.

Assignment: Creditors & Procurement (09.12/13)

Opinion: Green / Amber



Headline Findings:

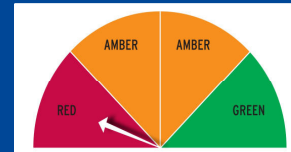
An audit of Creditors & Procurement was undertaken as part of the approved internal audit plan and resulted in two 'Medium' risk recommendations and three 'Low' risk recommendations.

The Medium risk recommendations made were in relation to:

- Ensuring that the authorisation limits within the system reflect the limits and per the Authorised Signatory List and suspending access in a timely manner for those staff leaving Council employment.
- Retaining the new Supplier Form used to support the evidence for all new suppliers set up on the system and obtaining confirmation of supplier bank details. Also to establish if an audit report can be produced to identify all changes made to supplier standing data.

Assignment: Repairs (10.12.13)

Opinion: Red



Headline Findings:

The audit of Repairs was designed to focus upon those areas of the Repairs process which could lead to an increased number of insurance claims being made, or where failure to act in an appropriate manner could lead to the Council being held liable for claims. Our work resulted in three 'High' risk recommendations and six 'Medium' risk recommendations.

The High risk recommendations were in relation to:

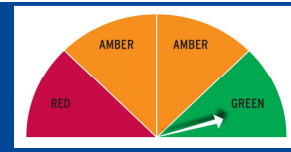
- Ensuring that repairs are prioritised/categorised with the evidence to support prioritisation being documented.
- Recording and monitoring completion of work identified as a result of risk assessments.
- Correctly coding repairs that fall within the 'Right to Repair scheme' on the system and ensuring there is documented evidence should a repair fall under this scheme but not be classed as urgent.

The Medium risk recommendations were in relation to:

- Ensuring there is adequate resource to complete the appointments within the assigned target completion date and producing a list of repairs which may have a high likelihood of resulting in an insurance claim to assist in scheduling jobs.
- Coding of identified follow on work and scheduling this work based on urgency of repair.
- Undertaking the target number of inspections and quality checks required to assess the quality of works.
- Undertaking an analysis comparing full time equivalent resource available within the repairs department.
- Monitoring of daily work schedules to identify possible opportunities to allocate further work.
- Effective communication and response to tenants, wardens or staff who report repairs as to the status off the repair.

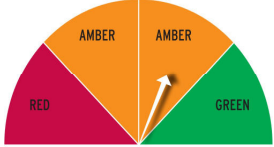
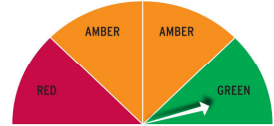
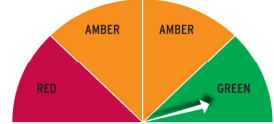
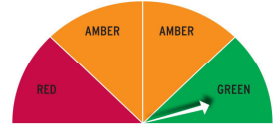
Assignment: Rent Collection & Arrears (12.12/13)

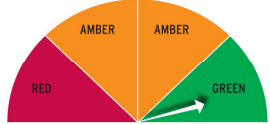
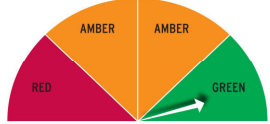
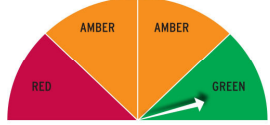
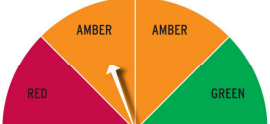
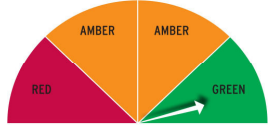
Opinion: Green

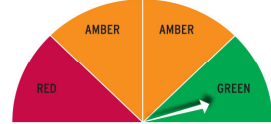
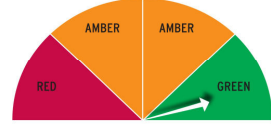
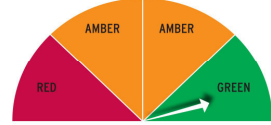
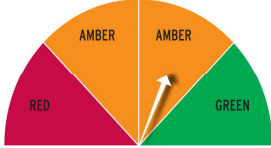


Headline Findings:

An audit of Rent Collection and Arrears was undertaken as part of the approved internal audit plan and resulted in three 'Low' risk recommendations being made; both of which were accepted by management.

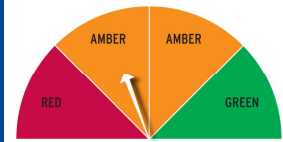
Assignment: Debtors (13.12/13)	Opinion: Green / Amber	
<p>Headline Findings: An audit of Debtors was undertaken as part of the approved internal audit plan and resulted in two 'Medium' risk and seven 'Low' risk recommendations being raised.</p> <p>The Medium risk recommendations were in relation to:</p> <ul style="list-style-type: none"> ➤ Putting a procedure in place for the authorisation of credit notes and ensuring that they have been authorised by an appropriate member of staff with sufficient supporting documentation, and ➤ Introducing an independent review of the write offs processed within the sundry debtors system. 		
Assignment: Council Tax (14.12/13)	Opinion: Green	
<p>Headline Findings: An audit of Council Tax was undertaken as part of the approved internal audit plan and resulted in one 'Medium' risk recommendation.</p> <p>This recommendation was in relation to:</p> <ul style="list-style-type: none"> ➤ Ensuring that all staff with access to the Northgate System have completed an annual declaration of interest form and that there is a robust process for ensuring that staff leaving the employment of the Council have their access rights disabled. 		
Assignment: Housing Benefits (15.12/13)	Opinion: Green	
<p>Headline Findings: An audit of the Housing Benefits system was undertaken as part of the approved internal audit plan and resulted in one 'Medium' risk recommendation and one 'Low' risk recommendations.</p> <p>The Medium risk recommendation made was in relation to:</p> <ul style="list-style-type: none"> ➤ Ensuring that the BACS payment report listings are appropriately signed and authorised. 		
Assignment: NNDR (16.12/13)	Opinion: Green	
<p>Headline Findings: An audit of NNDR was undertaken as part of the approved internal audit plan and resulted in two 'Medium' risk recommendations and two 'Low' risk recommendations.</p> <p>The Medium risk recommendations made were in relation to:</p> <ul style="list-style-type: none"> ➤ Reconciling the NNDR database to the information held by the Valuation Office Agency and documenting reasons if there is a known variance; and ➤ Ensuring that void inspections are undertaken on a four month rolling basis. 		

Assignment: Cash & Banking (17.12/13)	Opinion: Green	
<p>Headline Findings:</p> <p>An audit of Cash & banking was undertaken as part of the approved internal audit plan and resulted in one 'Medium' risk recommendation and three 'Low' risk recommendations.</p> <p>The Medium risk recommendation made was in relation to:</p> <ul style="list-style-type: none"> ➤ Improving the controls in place following the move to Bourne Community Access Point to ensure that the cash handling activities undertaken are in line with those expected by South Kesteven District Council. 		
Assignment: Payroll & Expenses (19.12/13)	Opinion: Green	
<p>Headline Findings:</p> <p>An audit of Payroll & Expenses was undertaken as part of the approved internal audit plan and resulted in 5 'Low' risk recommendations being raised and accepted by management.</p>		
Assignment: Land Charges (20.12/13)	Opinion: Green	
<p>Headline Findings:</p> <p>An audit of Land Charges was undertaken as part of the approved internal audit plan and resulted in 2 'Medium' risk and 2 'Low' risk recommendations being made; all of which were accepted by management.</p> <p>The Medium risk recommendations made were in relation to:</p> <ul style="list-style-type: none"> ➤ Ensuring that the Local Land Charges Register is updated in a timely manner, once the notification has been received. ➤ Approval should be obtained and retained on file to support the decision not to chase an outstanding fee, if this is of a low value. An analysis of the income lost should be undertaken and be reported to management. 		
Assignment: Refuse Collection & Bulky Waste (21.12/13)	Opinion: Amber / Red	
<p>Headline Findings:</p> <p>An audit of Refuse Collection & Bulky Waste was undertaken as part of the approved internal audit plan and resulted in one 'high' risk, two 'medium' risk and three 'low' risk recommendations being made. All of which were accepted by management.</p>		
Assignment: Programme Management (22.12/13)	Opinion: Green	
<p>Headline Findings:</p> <p>An audit of the Programme Management was undertaken as part of the approved internal audit plan and resulted in 4 'Low' risk recommendations, all of which were accepted by management.</p>		

Assignment: Green Waste (23.12/13)	Opinion: Green	
<p>Headline Findings:</p> <p>An audit of Green Waste was undertaken as part of the approved internal audit plan and resulted in 2 'Low' risk recommendations being raised and accepted by management.</p>		
Assignment: General Ledger (26.12/13)	Opinion: Green	
<p>Headline Findings:</p> <p>An audit of General Ledger was undertaken as part of the approved internal audit plan and resulted in no recommendations being raised.</p>		
Assignment: Leaseholder Recharges (29.12/13)	Opinion: Green	
<p>Headline Findings:</p> <p>An audit of Leaseholder Recharges was undertaken at the request of the Director (Corporate Focus) and resulted in 1 'Medium' and 2 'Low' risk recommendations being raised and accepted by management.</p> <p>The medium risk recommendation related to:</p> <ul style="list-style-type: none"> ➤ A check should also be undertaken to ensure each price up-lift has been calculated and applied correctly at the start of each new billing year. 		
Assignment: Excess Charge Notices (30.12/13)	Opinion: Green / Amber	
<p>Headline Findings:</p> <p>An audit of Excess Charge Notices was undertaken at the request of the Director (Corporate Focus) and resulted in three 'Medium' risk recommendations and one 'Low' risk recommendation.</p> <p>The Medium risk recommendations made were in relation to:</p> <ul style="list-style-type: none"> ➤ Cancelled tickets were not always supported by evidence to justify the cancellation. ➤ Excess Charge Notices were cancelled multiple times for the same vehicle. ➤ It cannot be confirmed that ECNs were written off after formal approval had been granted as the date of approval was not noted. <p>Staff administering the 360 system on a day to day basis were not allocated unique user names and instead were all using the user account of 'BS'.</p>		

Assignment: Flexible Working Arrangements (31.12/13)

Opinion: Amber / Red



Headline Findings:

An audit of Flexible Working Arrangements was undertaken as part of the approved internal audit plan and resulted in one 'high', two 'medium' and three 'low' recommendations being raised.

The high risk recommendation related to:

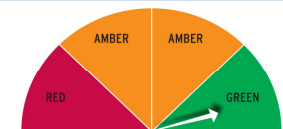
- Ensuring that management checks are completed to ensure that the flexi time data submitted by employees is accurate and spot checks being completed by a member of the central HR function.

The medium risk recommendations related to:

- Password protecting the flexi time recording spreadsheet to ensure no unauthorised changes are made; and
- Amending the formulae within the spreadsheet specifically for part time employees.

Assignment: Data Security – Policy & Training (32.12/13)

Opinion: Green



Headline Findings:

An audit of Data Security – Policy & Training was undertaken as part of the approved internal audit plan and resulted in two 'medium' risk recommendations being raised.

The medium risk recommendations related to:

- Providing information/data security training to all staff; and
- Implementing stronger logical security controls within the APAS system.

Follow-up of Previous Internal Audit Recommendations (01.12/13)

GOOD PROGRESS

Headline Findings:

To meet the IIA Standards and to provide management with ongoing assurance regarding implementation of internal audit recommendations.

We reviewed the Council's progress to implement previous internal audit recommendations made in eight reports. The 17 recommendations considered in this report comprised of two 'high' and 15 'medium'.

Three medium risk recommendations were reiterated, where these had not been fully implemented.

Follow-up of Previous Internal Audit Recommendations (11.12/13)

GOOD PROGRESS

Headline Findings:

To meet the IIA Standards and to provide management with ongoing assurance regarding implementation of internal audit recommendations.

We reviewed the Council's progress to implement previous internal audit recommendations made in three reports. The nine recommendations considered in this report comprised of two 'high' and seven 'medium'.

Two medium risk recommendations were reiterated, where these had not been fully implemented.

Follow-up of Previous Internal Audit Recommendations (25.12/13)

ADEQUATE PROGRESS

Headline Findings:

To meet the IIA Standards and to provide management with ongoing assurance regarding implementation of internal audit recommendations.

We reviewed the Council's progress to implement previous internal audit recommendations made in eight reports. The 14 recommendations considered in this report comprised of two 'high' and 12 'medium'.

Two high and four medium risk recommendations were reiterated, where these had not been fully implemented.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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South Kesteven District Council

Follow Up of Previous Internal Audit Recommendations

FINAL

Internal Audit Report (2.13/14)

13 June 2013

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Debrief meeting:	23 May 2013	Auditors:	Chris Williams, Partner
Officer Debriefed:	Tracey Elliott		Robert Barnett, Senior Manager
Draft report issued:	29 May 2013		Amjad Ali, Client Manager Alan Hetherington, Lead Internal Auditor
Responses received:	10 June 2013	Client sponsor:	Richard Wyles, Head of Finance
Final report issued:	13 June 2013	Distribution:	Richard Wyles, Head of Finance David Scott, Finance Support Manager Tracey Elliott, Governance and Risk Officer



This review has been performed using RSM Tenon's bespoke internal audit methodology, **i-RIS**.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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1 EXECUTIVE SUMMARY

1.1 INTRODUCTION

As part of the approved internal audit periodic plan for 2013/14 we have undertaken a review to follow up progress made by South Kesteven District Council to implement previous internal audit recommendations.

Recommendations with dates for implementation not yet due will be followed up later in the year.

At management's request, we have only followed up those recommendations classified as High and Medium risk. Recommendations categorised as Low risk are to be followed up separately by Council staff. It was also agreed that recommendations made in 'Advisory' reviews would not be followed up.

The audits considered as part of the follow up review were:

- 04.12/13 Licensing
- 05.12/13 Leases
- 10.12/13 Repairs
- 13.12/13 Debtors
- 17.12/13 Cash and Banking

The following reviews had no recommendations meeting the criteria for follow-up:

- 03.12/13 Elections
- 19.12/13 Payroll and Expenses

The following Advisory review was excluded from the follow-up:

- 18.12/13 Fire Risk Implications

The 19 recommendations considered in this review comprised six 'high', and 13 'medium' recommendations.

Staff members responsible for the implementation of recommendations were interviewed to determine the status of agreed actions. Where appropriate, audit testing has been completed to assess the level of compliance with this status and the controls in place.

1.2 Conclusion

Taking account of the issues identified in the remainder of the report and in line with our definitions set out in Appendix A, in our opinion South Kesteven District Council has demonstrated good progress in implementing actions agreed to address internal audit recommendations.

We have reiterated recommendations where these have not yet been implemented. In addition, we have made new recommendations where appropriate; these are detailed in the action plan.

1.3 Limitations to the Scope of the Audit

This review only covered audit recommendations previously made and did not review the whole control framework of the areas listed above. Therefore, we are not providing assurance on the entire risk and control framework of those areas.

The follow-up has covered only those recommendations rated High or Medium risk.

Recommendations made as part of advisory reviews have not been followed up.

Where testing has been undertaken, our samples have been selected over the period since actions were implemented or controls enhanced.

Our work does not provide any guarantee or absolute assurance against material errors, loss or fraud.

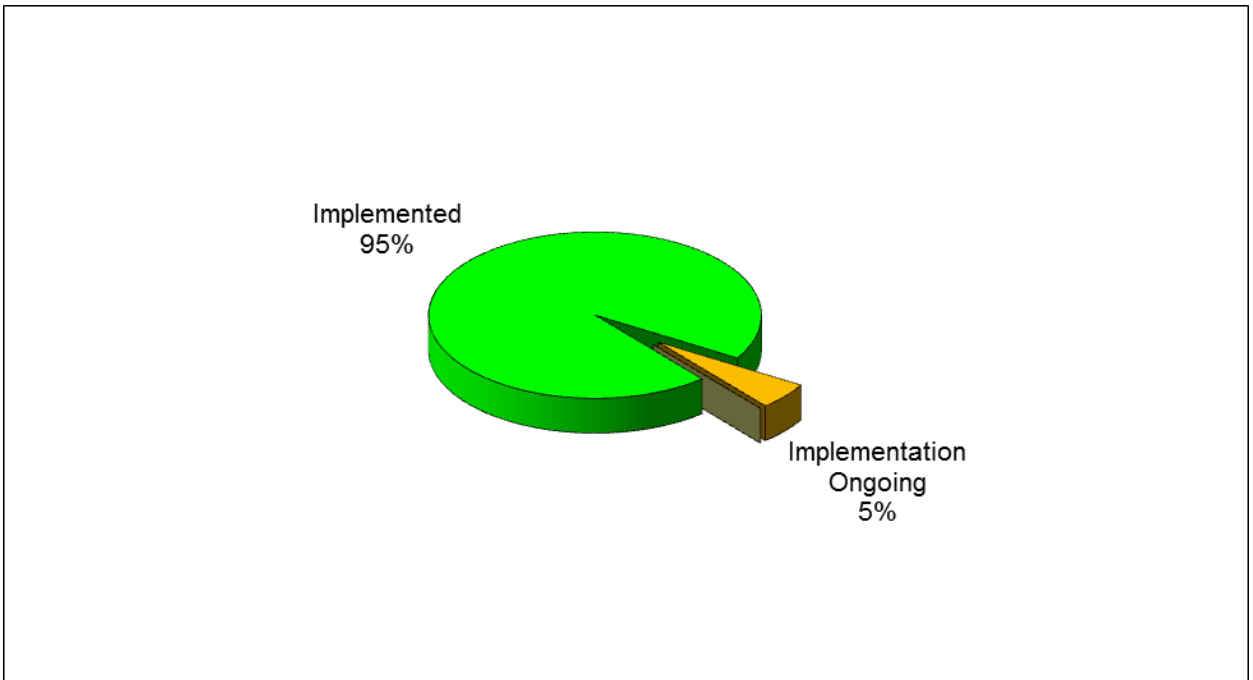
1.4 Recommendation Tracking

Recommendation tracking enhances an organisation's risk management and governance processes. It provides management with a method to record the implementation status of recommendations made by assurance providers, whilst allowing the Governance and Audit Committee to monitor actions taken by management.

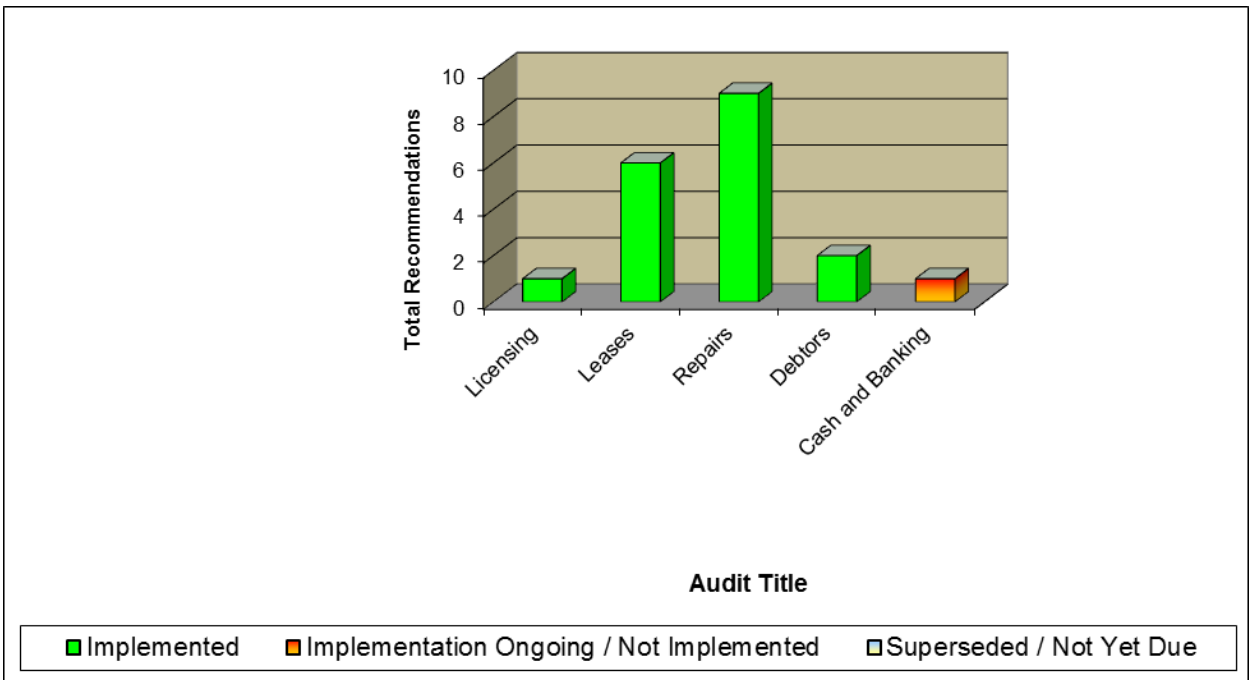
Recommendation tracking is undertaken by South Kesteven District Council's management on a regular basis, with an update provided to the Governance and Audit Committee at each meeting. As part of our Follow-up review, we have verified this information and completed audit testing to confirm the level of implementation stated and compliance with controls.

1.5 Status of Recommendations Followed UP

The pie chart below provides an overview of the status of recommendations that have been followed up as part of this review.



The bar chart below provides an overview of the status of recommendations that have been followed up as part of this review, grouped according to audit area:



2 ACTION PLAN

The priority of the recommendations made is as follows:

Priority:	High	Medium	Low	Suggestion
Description:	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.			These are not formal recommendations that impact our overall opinion, but used to highlight a suggestion or idea that management may want to consider.

Ref	Recommendation	Categorisation	Accepted Y/N	Management Comment	Implementation Date	Manager Responsible
	17.12/13 Cash and Banking					
3.5.1	<p>Following the move to the Bourne Community Access Point the controls below should be applied:</p> <ul style="list-style-type: none"> ▪ The cashing up process should be undertaken at the end of each day. ▪ The reconciliation of physical cash received to till / RFID records to the cash receipting system should be undertaken for one till / RFID at a time. ▪ The Library should declare any income under or over that expected to Lincolnshire County Council and bank the income currently held in the under and over tin. Where an under or over receipt is identified the value should be recorded and the cause should be investigated if this is over a set limit, e.g. £5. 	Medium	Y	<p>We are currently unable to implement this due to issues with Lincolnshire County Councils new library management system which is what they currently use manage their payments.</p> <p>As those issues are resolved we will look to bring their payments process in to our own.</p>	ASAP	Customer Services Manager

Ref	Recommendation	Categorisation	Accepted Y/N	Management Comment	Implementation Date	Manager Responsible
	<ul style="list-style-type: none"> <li data-bbox="241 293 750 807">▪ If the current Lincolnshire County Council systems are continued to be used following the move to the Bourne Community Access Point, each till user should be provided with an individual account to log on to the cash receipting system and the till; they should use only one till in their shift and at the end of each shift the till should be cashed up, making the operator accountable for transactions processed. Alternatively the SKDC systems could be used wherever possible; however this will need to be agreed with Lincolnshire County Council, along with any recharges and processes for transfer of Library income. 					

3 FINDINGS AND RECOMMENDATIONS

Each recommendation followed up has been categorised in line with the following:

Status	Detail
1	The entire recommendation has been fully implemented.
2	The recommendation has been partly though not yet fully implemented.
3	The recommendation has not been implemented.
4	The recommendation has been superseded and is no longer applicable.
5	The agreed date for implementing the recommendation has not yet been reached.

3.1		04.12/13 LICENSING			FINDINGS	
Ref	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.1.1	Each year, when the new fees and charges have been approved, a member of the Licencing staff should independently check that the correct figures have been entered into the Customer Services system for calculating charges for the transfer of vehicle licenses.	Medium	April 2013	Mark Jones	1	Flows and fees at the Customer Services Centre were reviewed by a Licensing Officer and confirmed to be correct; this was evidenced by screen prints showing the fees to be charged by Customer Services.

3.2		05.12/13 LEASES			FINDINGS	
Ref	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.2.1	<p>Procedures should be documented for the management of leases and licences, for properties not managed by Hodgson Elkington, once the process has been agreed.</p> <p>All documented procedures should include the date of review so that the latest version can be identified, when any revision to the procedure takes place.</p>	Medium	March 2013	Lee Goodale, Team Leader Assets	1	Separate procedure notes have been documented covering the processes operated by SKDC and by Hodgson Elkington.
3.2.2	<p>The Scheme of Delegation should be reviewed and updated with appropriate titles in line with the changes in structure since the Scheme of Delegation for the Head of Assets was established in September 2010.</p> <p>The Council need to come to a decision whether the new process for determining market rent of leased properties is acceptable and that this can be approved by the Property Development Manager; or whether continued oversight of rent rates is required by the Section 151 Officer. The Scheme of Delegation should then be updated following this review.</p>	Medium	September 2012.	Neil Cucksey, Property Development Manager	1	Decision: No changes required, all lease renewals and changes are signed by the Section 151 Officer.
3.2.3	<p>Monthly reconciliation of the properties with which lease income is received should be undertaken to the revenues system to identify any properties leased or licenced, for which income is not being received.</p>	Medium	September 2012	Lee Goodale, Team Leader Assets	1	<p>Following the review of properties, the income currently due from each lease has been recorded on the property database.</p> <p>On a weekly basis, a Service Manager report is received from Finance which shows any invoices overdue for payment; this allows Property & Facilities Management to identify and monitor which properties for which income is due, but not being received.</p>

3.1		04.12/13 LICENSING			FINDINGS	
Ref	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.2.4	<p>In order to identify all leases and licences held by the Council a review of each of the systems used should be undertaken to identify potential leases and licences (e.g. Asset Management, Legal, Finance, Revenues). These should then be investigated to determine whether they are current leases / licences with the aim of compiling a list of all current leases and licences. Following this review, any discrepancies found in other Council systems should also be resolved to ensure that they remain accurate and up to date.</p> <p>In addition, the Council may wish to work with an outside agency, such as the Land Registry, in an attempt to confirm the Council's current records and identify any discrepancies between the Land Registry and Council's records; however this will incur additional costs to the Council.</p>	High	March 2013	Lee Goodale, Team Leader Assets	1	<p>Reviews have been undertaken with Finance, Legal and Housing to identify all leased properties.</p> <p>In addition, checks of archive records in the filing room, and on other computer systems have also been undertaken.</p> <p>The result being the compilations of a single property database showing all identified leased properties. In total 216 properties have been identified.</p>
3.2.5	Hodgson Elkington's tenancy schedule should be reviewed at each management meeting to identify any discrepancies or errors between the records maintained by Hodgson Elkington and those maintained by the Council; these should then be investigated and rectified.	High	On going	Lee Goodale, Team Leader Assets	1	<p>Following the property database review, the properties managed by Hodgson Elkington were also reviewed and revised.</p> <p>Quarterly meetings now take place to review the management of these properties.</p>
3.2.6	A record of all leases and licences issued by the Council should be established and maintained; this should record the details of each lease / licence and the property to which it relates to; allowing the expiry of leases and licences to be monitored.	High	On going	Lee Goodale, Team Leader Assets	1	<p>Following the reviews of property records, a single property database showing all identified leased properties has been compiled.</p> <p>This shows the property details, including lease dates and cross references to documents held by Legal.</p> <p>Colour coding is used to identify leases due to expire in the next 12 months.</p>

3.3		10.12/13 REPAIRS			FINDINGS	
Ref	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.3.1	<p>The Maintenance Task List should be reviewed to ensure the assigned priorities remain relevant to each repair. The priorities should be reviewed with input from representatives throughout the Council with responsibility for managing factors such as; Health & Safety, Insurance and Fire Risk Assessments implications.</p> <p>All repairs should be scheduled according to their assigned priority.</p>	High	November 2012	Service Manager - Property Services (HRA)	1	<p>A referring system for categorisation of jobs has been set up.</p> <p>Following a script, call centre staff diagnose the repair required with the tenant, which leads to the scheduling of the work to be undertaken.</p>
3.3.2	<p>The Councils resource issues should be addressed to ensure that appointments are able to be booked within the assigned target completion dates.</p> <p>A list of repairs which have a high likelihood of an insurance claim being made should an accident occur should be produced in-line with information provided on common insurance claims by the Governance and Risk Officer.</p> <p>This should be used when re-scheduling jobs to ensure that these are not moved and delayed wherever possible.</p>	Medium	April 2013	Service Manager - Property Services (HRA)	1	<p>To address resource issues, a mobile working process has been introduced, thereby allowing operatives to complete more jobs each week.</p>

3.3		10.12/13 REPAIRS			FINDINGS	
Ref	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.3.3	<p>a) A priority should be allocated to follow on work based on the urgency of the repair required; ensuring these are scheduled appropriately.</p> <p>b) All follow on work identified which is not related to the original repair should be re-logged on the system as a new job.</p> <p>c) Inspections should be completed within the target deadline dates, particularly where action has been identified to make the area safe.</p>	Medium	<p>November 2012</p> <p>September 2012</p> <p>October 2012</p>	Service Manager - Property Services (HRA)	1	A clear instruction has been issued to repair schedulers that all follow on work which is not related to the original repair should be logged as a new job on the system.
3.3.4	<p>The Council should undertake a sample of inspections of completed repairs to regularly assess the quality of works.</p> <p>Quality checks should be undertaken on a more frequent basis.</p>	Medium	<p>September 2012</p> <p>February 2013</p>	Service Manager - Property Services (HRA)	1	Quality checks are now being made in line with targets each month.
3.3.5	<p>Deadlines for completion of repairs identified as a result of the Caretaker Assessments should be provided by the Housing Management Department to the Repairs Team when reporting repairs.</p> <p>All repairs relating to Caretaker Assessments should be prioritised to ensure these are completed in a timely manner.</p>	High	August 2012 - Dialogue complete with revised procedure in place	Service Manager - Property Services (HRA)	1	Following a meeting with Housing Management, a new procedure has been put in place to ensure that all repairs relating to Caretaker Assessments are carried out in a timely manner.
3.3.6	<p>All repairs that fall within the "Right to Repair Scheme" should be correctly classified as such on the system.</p> <p>Where repairs fall within the relevant Right to Repair Scheme, however are deemed not urgent to be classed as such, a full description of this should be included on the system.</p>	High	October 2012	Service Manager - Property Services (HRA)	1	Instructions have been issued to staff to ensure that they always use the 'Right to Repair Code' when raising a right to repair job.

3.3		10.12/13 REPAIRS			FINDINGS	
Ref	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.3.7	The Council should undertake an analysis which compares the Full Time Equivalent resource available within the repairs department (taking into account, sickness, restrictions, etc.) to the number of jobs received to identify whether there is adequate resource available to respond to repairs in a timely manner in order to reduce the risk of insurance claims and further Health & Safety implications.	Medium	October 2012	Service Manager - Property Services (HRA)	1	The analysis has been carried out, and the introduction of the mobile working process has allowed operatives to complete more jobs each week, addressing resource issues. This has been evidenced by increased performance.
3.3.8	Daily work schedules should be monitored to identify possible opportunities to allocate further work, where it appears as though the operative is available. Operatives should be reminded of the need to ensure that work schedules are maintained up to date with all activities they undertake. They should also be reminded to call in for extra work if finishing their last job early and that this will now be monitored. Monitoring should be undertaken on operatives who fail to ring in for extra work or explain what has been undertaken during the apparent downtime.	Medium	October 2012 March 2013	Service Manager - Property Services (HRA)	1	Operatives have been instructed to text in when they complete each job, allowing better monitoring of their time. Work schedules are also being monitored on a daily basis to reduce the amount of non-productive time.

3.3		10.12/13 REPAIRS			FINDINGS	
Ref	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.3.9	<p>The Council should aim to respond to tenants, wardens or staff reporting repairs when an inspection is undertaken to inform them of what work has been done and what action is due to be taken in the future.</p> <p>Regular communication should be maintained between the Repairs Team and other areas of the Council such as, Housing Management who often report repairs, on the status of outstanding repairs and action taken, to ensure that tenant's questions and expectations can be effectively managed.</p>	Medium	January 2013	Service Manager - Property Services (HRA)	1	<p>While the work on achieving accreditation of the Institute of Housing's Repairs Charter is still ongoing.</p> <p>New procedure have been put in place for communicating repairs with Housing Management, and the notification of works slips have been re-introduced.</p>

3.4		13.12/13 DEBTORS			FINDINGS	
Ref	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.4.1	A process for the approval of credit notes should be put in place to ensure that they are authorised by the Service Manager that initiated the invoice before processing. Documentation supporting the request and approval for the credit note to be raised should be retained.	Medium	November 2012	Revenues Manager	1	<p>Departments are responsible for raising their own credit notes, in the same way they raise their invoices.</p> <p>The Payment and Recovery section only process those requested in writing.</p>

3.4		13.12/13 DEBTORS			FINDINGS	
Ref	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.4.2	There should be a periodic independent reconciliation of the write-offs input in the system to those authorised prior to being input in the system.	Medium	March 2013	Revenues Manager	1	<p>Write offs are processed by the Collection Officer upon receipt of an approved write off request.</p> <p>On a daily basis, the Income Team Coordinator checks the value of write-offs, and for any identified reviews the write-off request to ensure it has been appropriately approved. The daily record is signed by the Income Team Coordinator to evidence the check.</p> <p>Testing of the latest two write-offs found the control to be operating in practice.</p>

3.5		17.12/13 CASH AND BANKING			FINDINGS	
Ref	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.5.1	<p>Following the move to the Bourne Community Access Point the controls below should be applied:</p> <ul style="list-style-type: none"> ▪ The cashing up process should be undertaken at the end of each day, in a location secure from public access to ensure that all cash is stored in the safe overnight. ▪ The access code for the safe should be changed periodically; i.e. when a member of staff leaves the Library. ▪ The reconciliation of physical cash received to till / RFID records to the cash receipting system should be undertaken for one till / RFID at a time. ▪ The Library should declare any income under or over that expected to Lincolnshire County Council and bank the income currently held in the under and over tin. Where an under or over receipt is identified the value should be recorded and the cause should be investigated if this is over a set limit, e.g. £5. <p>Cont...</p>	Medium	April 2013	Customer Services Manager	2	<p>Issues are still being experienced with the Lincolnshire County Council systems, consequently, the recommendation has only been partially implemented:</p> <ul style="list-style-type: none"> ▪ Cashing up is now undertake in a secure location. ▪ New safe procedures are in place to cover making changes when staff leave. ▪ The over / under pot has been removed. <p>However, the following issues still exit:</p> <ul style="list-style-type: none"> ▪ Library income is only being cashed up weekly. ▪ Reconciliations of cash to the RFID record cannot be undertaken, consequently the over / under amounts are not identified. <p>Amended recommendation made.</p>

3.5		17.12/13 CASH AND BANKING				FINDINGS
Ref	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
	<ul style="list-style-type: none"> ▪ If the current Lincolnshire County Council systems are continued to be used following the move to the Bourne Community Access Point, each till user should be provided with an individual account to log on to the cash receipting system and the till; they should use only one till in their shift and at the end of each shift the till should be cashed up, making the operator accountable for transactions processed. Alternatively the SKDC systems could be used wherever possible; however this will need to be agreed with Lincolnshire County Council, along with any recharges and processes for transfer of Library income. ▪ The banking process should be undertaken in a location which is not accessible to the public; the Council's current contract with King's should be utilised to bank Library income using a secure courier; if SKDC income and Library income is collected at the same time this should incur no additional charges. 					

APPENDIX A: DEFINITIONS FOR PROGRESS MADE

The following opinions are given on the progress made in implementing recommendations.

This opinion relates solely to the implementation of those recommendations followed up and not does not reflect an opinion on the entire control environment.

Progress in implementing recommendations	Overall number of recommendations fully implemented	Consideration of high recommendations	Consideration of medium recommendations	Consideration of low recommendations
Good	75% +	None outstanding.	None outstanding.	All low recommendations outstanding are in the process of being implemented.
Adequate	51 - 75%	None outstanding.	75% of medium recommendations made are in the process of being implemented.	75% of low recommendations made are in the process of being implemented.
Little	30 - 50%	All high recommendations outstanding are in the process of being implemented.	50% of medium recommendations made are in the process of being implemented.	50% of low recommendations made are in the process of being implemented.
Poor	< 30%	Unsatisfactory progress has been made to implement high recommendations.	Unsatisfactory progress has been made to implement medium recommendations.	Unsatisfactory progress has been made to implement low recommendations.

APPENDIX B: DATA TO SUPPORT OUR OPINION**IMPLEMENTATION STATUS BY REVIEW**

Review	Total No. of recs agreed.	Status of Recommendation					Audit work confirmed as completed or no longer necessary (1)+(4)	No of recs carried forward for follow up at next review (2)+(3)+(5)
		Not due for implementation (5)	Implemented (1)	Implementation Ongoing (2)	Not Implemented (3)	Superseded (4)		
04.12/13 Licensing	1	0	1	0	0	0	1	0
05.12/13 Leases	6	0	6	0	0	0	6	0
10.12/13 Repairs	9	0	9	0	0	0	9	0
13.12/13 Debtors	2	0	2	0	0	0	2	0
17.12/13 Cash and Banking	1	0	0	1	0	0	0	1
Total	19 100%	0 0%	18 95%	1 5%	0 0%	0 0%	18 95%	1 5%

IMPLEMENTATION STATUS OF RECOMMENDATIONS BY CATEGORY

Recommendation Category	Total No. of recs agreed.	Status of Recommendation					Audit work confirmed as completed or no longer necessary (1)+(4)	No of recs carried forward for follow up at next review (2)+(3)+(5)
		Not due for implementation (5)	Implemented (1)	Implementation Ongoing (2)	Not Implemented (3)	Superseded (4)		
High	6	0	6	0	0	0	6	0
Medium	13	0	12	1	0	0	12	1
Total	19	0	18	1	0	0	18	1
	100%	0%	95%	5%	0%	0%	95%	5%

APPENDIX C: REVIEW OF COMPLETENESS**2012/13 REPORTS FOLLOWED UP**

Review	Total Number of Agreed Recommendations	Number of Recommendations Followed Up	Follow-up Report Reference
01.12/13 Follow-up (NNDR)	1	1	16.12/13
01.12/13 Follow-up (Cash & Banking)	1	1	17.12/13
01.12/13 Follow-up (Pool Cars)	1	1	25.12/13
02.12/13 Contract Management - Ground & Tree Maintenance	10	4*	25.12/13
03.12/13 Elections	4	0*	This Review
04.12/13 Licensing	1	1	This Review
05.12/13 Leases	6	6	This Review
06.12/13 Bookings System - Arts Centre	5	0 (Advisory)	25.12/13
07.12/13 Corporate Governance	1	1	25.12/13
08.12/13 Asset Management Plan	2	0*	25.12/13
09.12/13 Creditors & Procurement	5	2*	25.12/13
10 12/13 Repairs	11	9*	This Review
11.12/13 Follow Up	2	2	25.12/13
12.12/13 Rent Collection and Arrears (including Leaseholders)	3	0*	25.12/13
13 12/13 Debtors	9	2*	This Review
14.12/13 Council Tax	1	1	25.12/13
15.12/13 Housing Benefit	2	1*	25.12/13
16.12/13 NNDR	4	2*	25.12/13
17 12/13 Cash and Banking	4	1*	This Review
18 12/13 Fire Risk Implications	3	0 (Advisory)	This Review
19 12/13 Payroll and Expenses	5	0*	This Review

* As per the agreement with management, only those recommendations categorised as High and Medium have been followed up. Low recommendations will be followed up as part of the Council's internal recommendation tracking process.

Recommendation(s) to be followed up as part of the review of the audit area included in the Internal Audit Strategic Plan for 2012/13.

2012/13 REPORTS YET TO BE FOLLOWED UP

Review	Total Number of Agreed Recommendations	Number of Recommendations To Be Followed Up	Follow-up Report Reference
20 12/13 Land Charges	4	2*	N/A
21 12/13 Refuse Collection (incl. Bulky Waste)	6	3*	N/A
22 12/13 Programme Management	4	0*	N/A
23 12/13 Green Waste Charges	2	0*	N/A
24 12/13 Welham Street Car Park	0	0 (Advisory)	N/A
25.12/13 Follow Up	6	6	N/A
26.12/13 General Ledger / Main Accounting System	0	0	N/A
27.12/13 Vehicle Servicing	11	0 (Advisory)	N/A
28.12/13 Risk Management	2	0 (Advisory)	N/A
29.12/13 Leaseholder Recharges	3	1*	N/A
30.12/13 Excess Charge Notices	4	3*	N/A
31.12/13 Flexible Working Arrangements	Only at Draft Stage	N/A	N/A
32.12/13 Data Security - Policy and Training	Only at Draft Stage	N/A	N/A

* As per the agreement with management, only those recommendations categorised as High and Medium have been followed up. Low recommendations will be followed up as part of the Council's internal recommendation tracking process.

Recommendation(s) to be followed up as part of the review of the audit area included in the Internal Audit Strategic Plan for 2012/13.

REPORT TO GOVERNANCE AND AUDIT COMMITTEE

REPORT OF: STRATEGIC DIRECTOR AND HEAD OF FINANCE

REPORT NO: HOF236

DATE: 27th June 2013

TITLE:	Outturn Position 2012/13	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	None	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Councillor Mike Taylor Well Run Council Portfolio Holder	
CONTACT OFFICER:	Daren Turner – Strategic Director Corporate Focus. 01476 406301 Email: d.turner@southkesteven.gov.uk Richard Wyles –Head of Finance 01476 406210 Email: r.wyles@southkesteven.gov.uk	
INITIAL IMPACT ANALYSIS:	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
Equality and Diversity	N/A	No
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS		

1. RECOMMENDATIONS

- 1.1 It is recommended that Members of the Governance and Audit Committee:
- 1.2 Review, appraise and approve the Revenue and Capital Outturn report and associated appendices for 2012/13, including the movement and use of reserves and the establishment of the set-a-sides as detailed in the report.
- 1.3 Note the commentary to the outturn report and identify any issues which the Committee may wish to make Cabinet and Council aware of in relation to the Council's medium term financial planning arrangements.

2. PURPOSE OF THE REPORT

2.1 The purpose of this report is to present the Council's Revenue and Capital Outturn 2012/13 for both General Fund and Housing Revenue Account. It covers:

- Revenue outturn 2012/13
- Capital outturn 2012/13
- Commentary on the revenue and capital outturn
- Commentary and review of reserves and a reserves statement

The original base budget for 2012/13 was approved by Council on 1st March 2012 for both the capital and revenue budgets including General Fund and the Housing Revenue Account.

2.2 A separate report which will be presented to the Committee at their next meeting which will provide details of the Statement of Accounts and will be produced in compliance with the Account and Audit Regulations 2011. The Statement of Accounts must be published by 30 September 2013 following the audit of the statements which is undertaken by the District Auditor.

2.3 A primary source of information for the production of the Statement of Accounts is the Revenue and Capital Outturn position. This report provides a summary of the outturn position together with a commentary of significant variances to the budgeted position.

3 Executive Summary

3.1 This report provides Governance and Audit Committee with the detail of the Council's outturn position for the financial year 2012/13. In order to comply with International Financial Reporting Standards a number of technical accounting entries are required to be made which can create significant variances. The report attempts to ensure that, through explanation and presentation, that the final account figures can be reconciled back to the original budget set by Council in March 2012.

3.2 The financial year 2012/13 saw the continuation of the Government's austerity plans with a further £981K reduction in Government grant. The Council has responded to this by continuing the implementation of a number of cost saving initiatives and by asking residents to make a financial contribution towards the green waste service. The Council will continue to face further financial challenges with the introduction of localised council tax support scheme and the localisation of business rates, both from April 2013.

- 3.3 **General Fund Revenue Account** has an outturn of £16.009M (see table 1 page 3) after adjusting for a contribution towards capital financing, set asides for service expenditure and retaining key reserves. In addition a further £241K of additional investment income has been received as a result of higher than expected levels of balances (due to profiling differences in the capital programme) and better than budgeted performance in treasury management. Detailed explanations of variances follow in section 4.
- 3.4 **Housing Revenue Account (HRA)** is in a financial position at the year end where it can make a contribution to the loan repayment reserve of £1.685M and contribute £500K for the formation of a HRA improvement reserve. This year end surplus is in accordance with the HRA financial plan which projects annual surpluses in order to increase its working balances to meet the construction costs of additional homes and to meet the repayment cost of the maturity loan of £25M. Detailed variances are provided at section 5.
- 3.5 **General Fund Capital Programme** has an outturn of £5.534M compared with an original budget of £6.477M. Commentary on individual scheme progress is contained in section 6 of the report. The programme was revised as part of the budget setting process and undergoes regular monitoring to improve programme budgeting to improve cash flow. Details of the full programme are contained at Appendix C.
- 3.6 The **Housing Investment Programme (HIP)** shows an outturn position of £4.835M compared to a budget of £4.411M. Commentary on individual scheme progress is contained in section 6 of the report. Detailed variances follow in section 6.4.

4 DETAILS OF REPORT

4.1 Detailed analysis of the 2012/13 Outturn

This following paragraphs give detailed analysis of the areas:

- General Fund Revenue Services (see also Appendix A)
- Housing Revenue Account (see also Appendix B)
- Capital Expenditure (both Housing and General Fund) (see also Appendix C)
- Reserves Statement (see also Appendix D)

4.2 General Fund (Revenue) Variance Analysis

4.2.1 The corporate service headings' showing budget and outturn is shown below:

Table 1

Service Area		2012/13	2012/13	2012/13	2012/13
		Original Base	Adjusted	Outturn	Variance (adjusted)
		£'000	£'000	£'000	£'000
1	Community Assets	3,060	3,036	2,622	(414)
2	Operational Management	815	815	650	(165)
3	Development & Growth	2,219	2,226	2,201	(25)
4	Environmental Services	5,716	5,683	5,723	40
5	Finance	1,494	1,552	1,293	(259)
6	Housing & Neighbourhoods	607	607	671	64
7	People, Projects and Performance	343	313	331	18
8	Legal & Democratic	1,144	1,143	1,055	(88)
9	Property Development	116	139	86	(53)
10	Special Expense Areas	594	594	557	(37)
11	Net Total	16,108	16,108	15,189	(919)
12	Removal of accounting adjustments*			687	
13	General Fund Total	16,108	16,108	15,876	
14	Set aside sums 2012/13**			232	
15	Creation of provisions (asset maintenance, ICT Reserve)			175	
16	Additional revenue contribution to Capital Expenditure			162	
17	Use of reserves to fund expenditure			(436)	
18	Restated General Fund Total	16,108	16,108	16,009	(99)

Notes:

*Line 12 – There are a number of accounting entries that are charged 'above the line' at service cost level (in accordance with accounting requirements) but which will be either financed from specific reserves or will be removed to eliminate any impact on the taxpayer.

**line 14 – services have rolled forward resources into 2013/14 in order to complete pieces of work and initiatives that have been planned and been unable to commence in the year. Set aside also enables the smoothing out the costs of reactive spend that are unable to be budgeted for accurately for example repairs and maintenance. (see paragraph 7.3.6 in reserves and balances review).

4.2.2 The total revenue contribution to the capital programme for 2012/13 is £821K which comprises of the original budgeted figure of £659K plus additional contributions with respect to the South Kesteven Community Point project of £105K, cemetery works £27K and £30K for the purchase of an additional street scene vehicle.

4.2.3 In accordance with Council’s policy with respect to the reserves the following expenditure has been financed from the specific provisions that have been established.

Table 2

Reserve Heading	Balance b/f (£K)	In –year use (£K)	Balance c/f (£K)
Destination SK	100	(39)	61
Events and Festivals	295	(98)	197
Waste Management	150	(8)	142
Corporate Reviews	75	(18)	57
Corporate Training	170	(149)	21
Waste and Recycling set-a-side	50	(50)	0
Property Development	63	(63)	0
Insurance	488	(12)	476
ICT	84	(84)	0
Total	1,475	(521)	954

4.3 Summary of Key Variances

The following is a summary of the key variances by service area that can be referenced at appendix A.

4.3.1 Community Assets

Arts and events – this area has a variance of £35K. Income has not reached the targets and this has been exacerbated by the impact of the severe winter weather affecting attendance at two high profile Meres events. Music in Quiet

places also fell short on income and appeared partially affected by high profile national events such as jubilee celebrations and the Olympics. However significant fringe benefits continue from live events with increased box office takings at both arts Centres.

A revaluation of the Grantham Meres Leisure Centre, Deepings Leisure Centre and Stamford Leisure Centre has been undertaken by the District Valuer as part of the annual re-valuation of the Council assets. This has the effect of lowering the annual depreciation capital charge and therefore a variance when compared with budgeted costs.

Guildhall Arts Centre – due to improvement works at the Centre, including the refurbishment of the clock tower, the annual capital charges have been increased by £100K resulting in a variance when compared with original budget.

Markets – both Stamford and Grantham markets have suffered during the year with particularly adverse winter weather with 7% of the markets affected. This has resulted in lower income being received (Stamford £11k and Grantham £12K).

Olympic torch – the costs associated with the delivery of the Olympic Torch project will be met from the events and festivals reserve.

Stamford Arts Centre – Redecoration and improvement works of £30K have been undertaken during the year which have been met from service underspends.

Corn Exchange – following the temporary closure of the facility and the associated disruption to the building whilst the Community Point was being constructed, overall income levels were reduced by £12K.

Overall participation in arts and cultural events increased during the year and 2012/13 saw 93,000 tickets sold for the varied programme on offer within the Arts Centres in addition to the massive participation in community events such as the Olympic Torch relay days, Gravity Fields, Meres Live and the BRM celebrations in Bourne.

4.3.2 Operational Management

Corporate costs – there was a saving of £41K in respect of external audit fees following the transfer of audit responsibility from Audit Commission to KPMG mid-year. There has been a saving of £27K on annual subscriptions following a review of the number of subscriptions the Authority makes during the year. The remainder of the overall variance of £165K relates to a reduction in support service allocations.

Strategic/operational management – there have been salary savings of £77K in response to the sharing of key senior staffing posts during the year and in-year vacancies in the support services.

4.3.3 Development and Growth

Development Management – due to an increase in the number of major applications received there has been an increase of £88K in income during the year.

Economic Development – there have been a number of events and festivals during the year including Gravity Fields and promoting South Kesteven which were planned to be financed from earmarked reserves. £45K is to be financed from the events and festivals and £39k from destination SK. In addition to this it was also agreed to fund £15K of expenditure on the Gravity Fields festival 2014 from this year in respect of initial preparatory work.

Planning Policy – the underspend within this area is mainly related to the examination of the Grantham Area Action Plan (GAAP) and the Site Allocation and Policies Plan (SAP) which were expected to be completed by the end of March 2013. In the event, the GAAP was withdrawn by the Council in January 2013 and the examination of the SAP was suspended in March 2013 to enable some additional work to be undertaken. It is expected to recommence the examination of the SAP in June 2013 (with anticipated adoption of the Plan by the end of 2013).

4.3.4 Environmental Services

CCTV – there is a variance of £48K which is in relation to an increase in income received from the monitoring service and a contribution to its costs from 2nd homes receipts.

Green waste charging – following the introduction of this initiative the income received was £648K. This was largely due to the budget being set at a take up rate of 50% with the actual take up being 90%. This income was used to off-set the operational costs of providing the service and to enhance litter picking and the clearing of fly tipping by the provision of extra staff and the purchase of a further vehicle.

Private Sector Landlords – there is a variance of £194K of which is in relation to capital expenditure that has been charged to a revenue cost centre in respect of disabled facilities grants.

Waste management – the service area has utilised a set-aside sum of £50K to fund vehicle hire charges during the course of the year following the write off of a waste vehicle and reliability issues with the fleet. There has been a reduction in recycling credit income of £38K following an increase in contamination rate from a budgeted 5% to an actual rate of 9%. This resulted in an unanticipated loss of 471 tonnes of recyclable material in conjunction with an overall reduction in collectable tonnage of 490 tonnes. The percentage of waste recycled during 2012/13 (49.5%) was marginally up on the previous year and almost met the target of 50%.

4.3.5 Finance

Benefits Administration – Additional expenditure has been incurred in respect of the necessary system enhancements in order to implement recent the welfare reform changes. However, the authority has received government grant funding of £84K which will be used to offset this expenditure.

4.3.6 Housing and Neighbourhoods

Helpline – there has been a small deficit of £47K incurred during the year in relation to the one-off costs associated with the transfer of the monitoring arrangements to the City of Lincoln Council. Going forward the transfer will generate an annual saving of £150K for the Authority.

Housing Solutions – the service receives specific grant relating to the provision of the homelessness service which will be used fund the additional expenditure incurred.

4.3.7 Legal and Democratic

Democratic Representation – overall there has been a variance of £80K including an underspend on expenditure of £23K relating to 2 members not wishing to receive their permitted allowances and 2nd homes funding has been allocated to finance a new post in the Democratic team.

4.3.8 Property Development

Building Control – income have suffered as a result of the economic climate and income is £53K below budgeted levels for 2012/13. A service improvement action plan is being developed in order to address this continuing issue and enable the chargeable element of the service to operate on a competitive basis.

Bus Stations – A revaluation has been undertaken by the District Valuer as part of the annual re-valuation of the Council assets. This has the effect of lowering the annual depreciation capital charge and therefore a variance when compared with budgeted costs.

Car Parks - The overall outturn of 2012/13 is broadly comparable with the outturn position of 2011/12.

- Grantham car parks - there are only small movements in usage overall, the main one being Guildhall Street has less income when compared to last year (£10k) which is due to a decrease in the short stay tariffs (2 hours and less) but this has been offset by small increases at other car parks. In respect of CPE there has been a slight increase in all day tickets being sold between December and March when compared with the same period from the previous year.
- Stamford Car Parks - income is down by £47k overall compared to 2011/2012. In summary the movements in usage across years; Cattlemarket is 16% down (£20k) and North Street is 12% down (£10k). St Leonard's Street, Wharf Road and Bath Row are down by £17k in total. Significant changes in ticket purchasing profile has occurred in respect of Cattlemarket: 19% reduced on up

to 3hr tickets, 15% and reduced sales on the up to 4hr tickets and North Street: 16% reduced on up to 30mins tickets, 18% reduced on up to 1hr tickets and 16% reduced on up to 2hr tickets).

- In respect of CPE there has been a similar impact on all day tickets being sold between December and March 2013 as the over 4hrs/ all day tickets have seen an increase of approximately £10k.

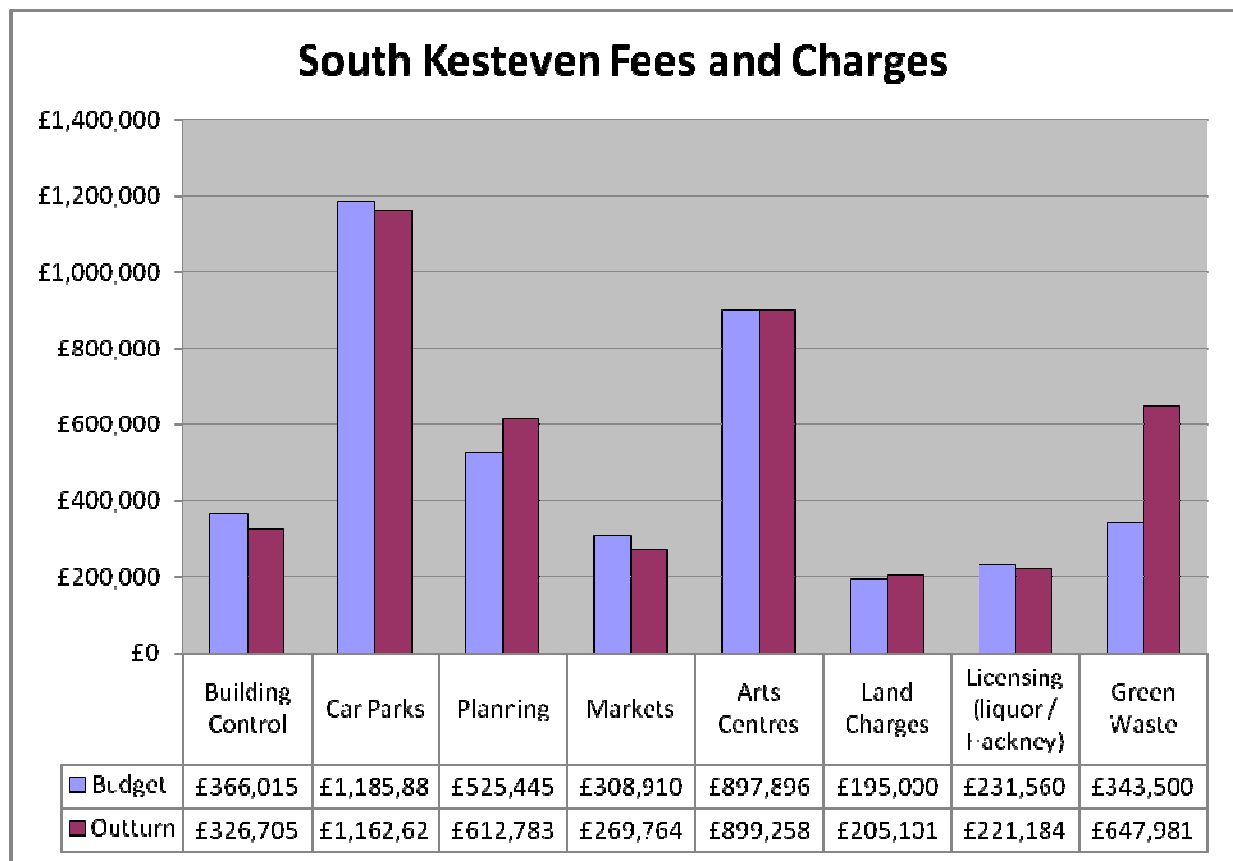
Miscellaneous Property – there has been additional income of £32K in respect of new leases for occupation of Council owned land and expenditure is reduced following savings of £41K in relation to non domestic rates.

4.3.9 Special Expense Area

Langtoft SEA – there has been a revaluation of the pavilion resulting in a reduction in capital charges. This variance will not have any impact on the Langtoft SEA reserve.

4.3.10 Income Summary

Table 3



5. HOUSING REVENUE ACCOUNT – Variance analysis

- 5.1 The housing revenue account (HRA) (Appendix B) is a 'ringfenced' account and relates to the Council's Landlord functions. Revenue raised by rents and service charges must be sufficient to match expenditure.

- 5.2 **Housing Revenue Account (HRA)** is in a financial position at the year end where it can make the planned contribution to the loan repayment reserve of £1.685M and the £500K for the formation of a HRA improvement reserve. This year end surplus is in accordance with the HRA financial plan which projects annual surpluses in order to increase its working balances to meet the construction costs of additional homes and to meet the repayment cost of the maturity loan of £25M.
- 5.3 **Dwelling rents and other income**– the performance for the collection of rents has improved during the financial year (98.7% collected compared with the target of 98.2%) and the remaining rents due will continue to be recovered during 2013/14. One significant factor in the increase in rent collection is the continued improvement in void turnaround times leading to a lower level of Council housing properties being throughout the year. The average cumulative void ratio for 2012/2013 was 1.022%. The bad debt provision has been credited to reflect the position.
- 5.4 **Repairs and maintenance** – this budget covers expenditure on a range of work areas including insulation, painting, digital upgrades, water testing and gas servicing. The overall underspend of £306K includes 2 specific schemes that will be undertaken during 2013/14 and a year end set-a-side will be created for this purpose. These are £184K for doors and electrical assessment works at communal dwellings and £105K for the continuation of the painting works. There was an underspend of £160K in respect of an asbestos works associated with the insulation of external walls. Detailed surveys revealed that this level of expenditure was not required. There was a £44K saving in respect of the insulation works due to an external grant being awarded to fund the programme. There has also been an increase in support charges (£84K) from the general fund to reflect the increased support to the HRA undertaken during the year.
- 5.5 **Supervision and Management** – there has been an underspend of £134K which represents a variance of 4% compared with original budget. An allocation of £60K relating to this underspend has been identified for a pilot project to assist tenants to manage the changes introduced by the introduction of the housing benefit size criteria (known as the bedroom tax).

6. CAPITAL EXPENDITURE

- 6.1 During 2012/13 the Council's total capital investment was £10.369M (details are provided at appendix C). A summary of the expenditure is set out below and is compared to the original estimated base programme.

Table 4

	Corporate Area	2012/13 Original Base	2012/13 Outturn	2012/13 Variance
		£k	£k	£k
1	Grow the Economy	4,080	1,107	(2,973)
2	Good Housing for all	900	1,710	810
3	Promote leisure and Arts	242	91	(151)
4	Keep SK green, clean	925	1,494	569
5	Well Run Council	330	988	658
6	Other (previous year scheme)	0	144	144
7	General Fund Sub Total	6,477	5,534	(943)
8	Housing Revenue Account	4,,411	4,835	424
9	Total Capital Programme	10,888	10,369	(519)

6.2 **Capital Programme** - The capital programme for 2012/13 was agreed by Council at its meeting on 1st March 2012 and included a number of capital projects that were continuing from the previous financial year. The outturn position of £5.534M represents a variance of £943K compared with the original base.

6.3 **Variance Analysis – General Fund (Appendix C)**

Grow the Economy

6.3.1 **Bourne Core Area** – during the course of the year significant progress has been made to enable the delivery of the Bourne core area project. The first phase of the project which includes the mill conversion is due to be complete in June 2013 with deposits being received in respect of all the apartments. It is anticipated the total scheme will be completed in August 2013 and the remaining budget will be fully spent to support the completion of the works.

6.3.2 **Grantham Growth** continues to be a priority for the Council and funding has been set aside for delivery of key components of the project, specifically these include Station approach, BIC, shop front schemes and the development of serviced land. These schemes will therefore continue to receive funding in 2013/14 and the underspend in 2012/13 will carry forward into 2013/14.

- 6.3.3 Budget slippages are identified for the shop front scheme project (£75K) and the serviced land (£600K) as both of these are expected to be completed during 2013/14.

Support Good Housing for All

- 6.3.4 Housing Improvement Grants – there are a number of specific schemes within this category that are utilised in accordance to customer demand and compliance with criteria. The underspends for the current year will be carried forward to use to finance future expenditure within these headings.
- 6.3.5 Local Authority Mortgage Scheme – In accordance with accounting treatment the £1M committed sum is treated as capital expenditure.

Promote Leisure, Arts and Culture

- 6.3.6 The majority of the expenditure items have been incurred in accordance with the allocated budgets. The expenditure for the new market store at Bourne will be financed by a service revenue contribution as part of the new South Kesteven Community Access Point project. No expenditure has been incurred in respect of the premises at Broad Street alterations or the replacement of the Stamford Arts Centre central heating system as both of these items are being separately considered as part of the asset management plan.

Keep SK clean, green and healthy

- 6.3.7 Four additional vehicles have been purchased in respect of the waste and recycling service. A number of these vehicles have been purchased earlier than anticipated and the budget provision had been included in the 2013/14 financial year rather than 2012/13. Therefore the budget allocation for 2013/14 can be reduced by £576K to reflect this change to the procurement profile.
- 6.3.8 The expenditure incurred in respect of the cycle path improvements, the Sudbrook sewer works and the air quality monitoring device are all classed as revenue expenditure and have therefore these have been transferred to the revenue outturn. No expenditure has been incurred in respect of joint Authority CCTV provision as the proposed project has been deferred.

Well Run Council

- 6.3.9 Area Office upgrades – the South Kesteven Community Access Point became operational in March 2013 and is providing a multi agency customer facility for the residents of Bourne and the surrounding area. During the delivery of the project the opportunity was taken to include modern agile office space on the first floor and upgrade the Corn Exchange offer. These items introduced additional costs to the project which have been partly financed from further contributions from partners which total £360k. The expenditure incurred in respect of Abbey Road alterations have been financed by service revenue contributions.

6.3.10 The expenditure incurred in respect of ICT systems and replacements is split between £80K for the Community Point upgrade and the balance of £151K for system upgrades, implementation of a new firewall and network improvements.

Summary of Capital Outturn

6.3.11 The following slippage amounts have been identified for inclusion into the 2013/14 General Fund capital programme:

- Shop front scheme – slippage of £75K
- Serviced Land – slippage of £600K
- Better Homes grant – reduce programme by £28K
- Empty Homes grant – slippage of £20K
- Street Scene Vehicle Procurement – reduce programme by £576K

6.3.12 **Housing Revenue Account Capital Programme** – the capital programme for 2012/13 was set at £4.411M. A forecast position was undertaken in January 2013 to £4.404M (and presented in the 2013/14 budget estimates to Council in March 2013). The outturn for 2012/13 is £4.835M. This represents a variance of £424K compared to original budget.

6.5 Variance Analysis HRA (Appendix C)

6.5.1 Repairs and Improvement – the schemes with respect to upgrading sheltered housing schemes, replacement of the passenger lift at Rectory Close Barrowby, refurbishment works at Rectory Close Barrowby and the new scooter store at Hilary close Stamford have all been completed with an overall underspend saving of £180K. This is partially due to a reduction in works carried out at Rectory Close, Barrowby, but also a reflection on the competitive tenders received.

6.5.2 Heating and ventilation – the scheduled programme of works for 2012/13 has been completed with an overspend of £67K which is a budget variance of 4.7%. This increase in expenditure reflects the cost of essential and unforeseen works on this area of the programme

- 6.5.3 Property refurbishments – Two long term voids at 25 Halfleet, Market Deeping and 2 Paddocks Estate, Horbling were refurbished following consultation with housing management. The costs of these refurbishments were £41K and £27K respectively; the decision to refurbish these properties and bring them back into the housing stock was taken due to the housing need in these areas. In addition 8 properties which became vacant during the year at Wood View, Bourne had new staircases installed at a cost of £75K. This work was necessary due to the original design of the staircases which were a health and safety risk. 88 properties were completed as major voids during 2012/13 using an external measured term contract which includes turn round timescales to further reduce void times – a report is being prepared with respect to a financial appraisal on the benefits of investing in the properties to ensure a faster turn rounds versus loss of rent. Earlier reference is made in paragraph 5.3 to the average cumulative void ratio being 1.022% for 2012/13. These properties are also

brought up to the decent homes standard whilst void, which will result in a comparable reduction in decent homes expenditure for specific elements of works in 2013/14. The approximate costs of these particular works were £90K. These works resulted in an overall overspend of £622K which will be met by the Major Repairs Reserve.

- 6.5.4 Re-roofing - Additional costs have been incurred on this contract during 2012/13 due to the licensed asbestos removal of AIB soffits on a number of properties. As these works incorporate improvement works in respect of chimney works and essential works the combined budgets of £150K will be used to offset the additional £385K that has been incurred. In total an additional 222 properties were improved during last year which will reflect in proportional reductions in the Decent Homes programme of work between now and March 2015.
- 6.5.5 Re-wiring – an underspend of £55K due to a reduction in the number of properties requiring re-wiring during 2012/13 as a result of the implementation of a pre inspection testing programme.
- 6.5.6 Upgrade tunstall system £82K – this proposal was not taken forward following the decision to transfer the monitoring of the helpline customers to City of Lincoln Council.
- 6.5.7 Vehicle Management system for repairs – the budget of £50K has been slipped in 2013/14 following the implementation of the mobile craftworking project. The need for this additional systems will be evaluated once the mobile system is fully operational.
- 6.5.8 Mobilisation of craft working software – £30K of this budget has been incurred during 2012/13 (charged to revenue as non-enhancing expenditure) and the balance of £74K will be incurred in 2013/14 when the system has been installed, tested, is fully operational and capable of delivering efficiency savings.

7. COMMENTARY ON BALANCES AND RESERVES

- 7.1 An integral part of the closedown of the accounts is to review the usage and balances of the Council's reserves and balances. The financial statements reflect the proposed use of these and specific details of each balance and reserve are set out below and detailed at Appendix D.

7.2 Capital Reserves

7.2.1 General Fund - Capital Reserve

The General Fund capital programme has delivered a number of key projects for the Authority and funding for the expenditure has been derived from a number of sources. The majority of the funding has been from the General Fund Capital Reserve and all of the remaining balance of £3.061M has been fully utilised. Going forward the capital programme will be primarily funded by the useable capital receipts reserve.

7.2.2 Useable Capital Receipts Reserve £6.391M

This reserve is one of the primary sources to fund the General Fund capital programme and has, during the course of the year, been credited with the sales with respect to surplus vehicles that have been sold. £383k has been used to contribute towards the financing of the capital programme. However, it is recognised that there have been no strategic asset sales during the year and this will become a key primary focus as part of the asset management plan in order to ensure the reserve is replenished to be able to contribute to the capital programme in the future.

7.2.3 Major Repairs Reserve (HRA) £3.396M

This reserve has received £5.549M as the notional Major Repairs Allowance to fund its capital expenditure has incurred a charge of £4.835M to fund capital items. It has also contributed to a proportion of the annuity payment of £1.631M leaving a balance of £3.396M. This will continue to be the primary financing for the HRA capital programme.

7.2.4 Capital Receipts Reserve (HRA) £591K

Following the introduction of the self financing arrangements, the Council has established a capital receipts reserve where the RTB sale receipts are allocated. This reserve will be utilised to contribute to the provision of affordable housing and the provision of additional Council housing stock.

7.3 **Specific Revenue Reserves**

7.3.1 Insurance Fund - £556K

The insurance fund provides cover to meet unforeseen costs relating to insurance claims over and above the provisions made in year as part of managing the 'in house risk' with an increased self-insured strategy. During the year 12k has been used to meet unforeseen planning appeal costs and a contribution (£80k) has been made to the reserve as part of the internal premium allocations due to costs of settled claims in year being lower than anticipated. The internal premiums will be reviewed during 2013/14 to ensure they are appropriate for the level of insurance risk being carried by the Council.

7.3.2 Pension Reserves £1.793M

Whilst the Council does not currently operate a pension policy with "added years" the former employees reserve provides for matching added years payments in respect of former employees when such a policy operated.

The current employees reserve provides for potential capital costs of any future early retirements and also helps to protect the Council from large changes in Council Tax resulting from unanticipated rises in the employer's contribution rate following future triennial valuations. The level and policy use of the reserve will be reviewed as part of the broader review of all Council reserves as a key part of the medium term financial planning.

7.3.3 Priority Themes and Service Improvement Reserve £3.615M

This reserve (together with New Homes Bonus allocation) is available to help finance delivery of the priority actions and one-off service improvement proposals. The Council is progressing a number of key priority projects and funds have been agreed and allocated to deliver these during 2013/14. These are listed and detailed at Appendix D.

7.3.4 Building Control Account Reserve (£52K)

The Building Control service is split between chargeable and non-chargeable activities. The reserve position as at 31 March 2013 shows an overall trading deficit of £52K. This is an accumulated deficit over the last 3 years. The service is currently undergoing a fundamental review in order to align its costs against an achievable income level. If approved it is expected that these actions will enable the service to achieve a sustainable financial position.

7.3.5 Special Expense Area (SEA) reserve £98K

This reserve is utilised to financially support transactions and future spending proposals in respect of the SEAs. During the course of the year £53K has been transferred from the Grantham SEA reserve to contribute towards the financing of the cemetery works. The individual closing balances is Deepings SEA £1K, Bourne SEA £6K, Grantham SEA £37K, Langtoft SEA £2K and Stamford SEA £52K.

7.3.6 Maintenance Reserve

As part of the closure of the accounts it is proposed to establish a maintenance reserve with an opening balance of £100K which will be utilised to meet the costs of reactive and emerging maintenance and improvement works for General Fund assets. This will be utilised during the year to meet unforeseen costs and will be replenished as part of the cyclical closedown process.

7.3.7 Service specific funds – set asides

In order to assist services continue to deliver specific projects which overrun the financial year a number of service funds have been created following the closure of the 2012/13 financial year. Specifically these are:

- ICT £73K
- Corporate Training £21K

- Private Sector Stock Condition Survey £69K
- Neighbourhood Community Planning £23K
- Street Scene £22K
- Health and Wellbeing employee programme £10K
- Back Scanning Development Control £15K
- Electoral Roll – single registration £20K

7.3.8 New Homes Bonus Reserve £1.955M

The government introduced the New Home Bonus (NHB) as a funding mechanism to incentivise growth in new houses. Under the scheme, the Government make a payment equal to the national average for the Council Tax on each additional property built, or empty property brought back into use. The payment is received for 6 years and is split between the District Council and County Council; 80% to 20%, respectively. New Homes Bonus payments are not ring-fenced, and can thus be spent by Local Authorities as they wish. The Medium Term Financial Strategy is reviewing the policy with respect to the use of NHB.

7.3.9 Invest to Save £500K

This reserve is available for opportunities to fund investment opportunities that will deliver long term financial savings to the Council for example the deployment of ICT to provide electronic solutions to delivering customer solutions.

7.4 Working Balances

7.4.1 **The General Fund working balance** - at the end of the financial year stands at £2.370M. This is equivalent to 14.7% of net original base budget for 2012/13 (net operating expenditure) and is in accordance with the Council's current policy. The purpose of this working balance is to ensure there is sufficient financial resource available in order to meet unforeseen events during the course of the financial year.

7.4.2 **The HRA working balance** as at 31 March 2013 is £8.946M. This balance serves the same purpose as the General Fund working balance. In accordance with the medium term financial plan it is anticipated that there will be revenue contributions towards the housing capital programme which will be finance from the revenue working balance.

8 APPENDICES:

Appendix A - General Fund Revenue Outturn 2012/13

Appendix B - Housing Revenue Account Outturn 2012/13

Appendix C - Capital Programme Outturn 2012/13

Appendix D – Reserves Statement as at 31st March 2013

SUMMARY OF GENERAL FUND ESTIMATES

Appendix A

2012/13 Outturn

	PROVISIONAL	2012/13 Original Base	2012/13 Adjusted Base	2012/13 Outturn	2012/13 Variance Original	2012/13 Variance Adjusted
		£'000	£'000	£'000	£'000	£'000
1	Community Assets	3,060	3,036	2,622	(438)	(414)
2	Operational Management	815	815	650	(165)	(165)
3	Development & Growth	2,219	2,226	2,201	(18)	(25)
4	Environmental Services	5,716	5,683	5,723	7	40
5	Finance	1,494	1,552	1,293	(201)	(259)
6	Housing & Neighbourhoods	607	607	671	64	64
7	People, Projects & Performance	343	313	331	(12)	18
8	Legal & Democratic	1,144	1,143	1,055	(89)	(88)
9	Property Development	116	139	86	(30)	(53)
10	Special Expense Areas	594	594	557	(37)	(37)
11	TOTAL SERVICE COSTS	16,108	16,108	15,189	(919)	(919)
12	Precepts of Local Precepting Authorities	1,399	1,399	1,399	0	0
13	Depreciation and Impairment charged to Revenue Accounts	(2,566)	(2,566)	(2,663)	(97)	(97)
14	Other operating income	0	0	(12)	(12)	(12)
15	Interest and Investment Income	(298)	(298)	(469)	(171)	(171)
16	Interest Payable	154	154	33	(121)	(121)
17	NET OPERATING EXPENDITURE	14,797	14,797	13,477	(1,320)	(1,320)
18	Net movement in General Fund Specific Reserves	(216)	(216)	1,216	1,432	1,432
19	Revaluation Gains/ (losses)	0	0	716	716	716
20	Amortisation of Intangible Assets	0	0	(59)	(59)	(59)
21	Financing of Capital Expenditure	659	659	821	162	162
22	Accounting adjustment for holiday and maternity pay	0	0	(51)	(51)	(51)
23	Revenue Expenditure Financed by Capital Through Statute	0	0	(766)	(766)	(766)
24	Minimum Revenue Provision	186	186	181	(5)	(5)
25	AMOUNT TO BE MET FROM GOVERNMENT GRANTS AND LOCAL TAXPAYERS	15,426	15,426	15,535	109	109
26	Council Tax Income	(7,741)	(7,741)	(7,426)	315	315
27	Formula Grant	(7,369)	(7,369)	(7,526)	(157)	(157)
28	Council Tax Freeze Grant	(316)	(316)	(316)	0	0
29	Other Grants	0	0	(232)	(232)	(232)
30	Capital Grants & Contributions	0	0	0	0	0
31	Collection Fund Surplus	0	0	(35)	(35)	(35)
32	(SURPLUS)/DEFICIT IN YEAR	0	0	0	0	0
	General Fund Revenue Balances					
33	(Increase)/Reduction in working balance	0	0	0	0	0
34	Transfer to Priority Planning and Service Improvement Reserve	0	0	0	0	0
35	Balance at Beginning of Year	2,370	2,370	2,370	0	0
36	BALANCE AT END OF YEAR	2,370	2,370	2,370	0	0

COMMUNITY ASSETS

2012/13 Outturn

	Detail	2012/13 Original Base £'000	2012/13 Adjusted Base £'000	2012/13 Outturn £'000	2012/13 Variance Adjusted £'000	2012/13 Variance Adjusted %
Ref	<u>Front Line Services</u>					
1	Arts And Events	29	29	64	35	121 %
2	Bourne Corn Exchange	155	155	166	11	7 %
3	Bourne Leisure Centre	203	203	221	18	9 %
4	Community Activities	121	120	116	(4)	(3)%
5	Deepings Leisure Centre	291	291	226	(65)	(22)%
6	Fairs	0	0	(3)	(3)	100%
7	Grantham Meres Leisure Centre	692	692	360	(332)	(48)%
8	Guildhall Arts Centre	514	505	611	106	21 %
9	Leisure Grants And Loans	0	0	0	0	100%
10	Markets	40	40	68	28	70 %
11	Olympics 2012	0	0	53	53	100%
12	Sports Stadium	177	177	169	(8)	(5)%
13	Stamford Arts Centre	553	544	585	41	8 %
14	Stamford Leisure Centre	285	285	(14)	(299)	(105)%
	Front Line Services	3,060	3,041	2,622	(419)	(14)%
	<u>Support Services</u>					
15	Leisure And Amenities Admin	130	126	130	4	3 %
	Recharged to Services	(130)	(126)	(130)	(4)	3 %
	Under/ (Over) Allocation of Support Services	0	(5)	0	5	(100)%
16	NET GENERAL FUND CHARGE	3,060	3,036	2,622	(414)	(14)%

CORPORATE
2012/13 Outturn

Appendix A

	Detail	2012/13 Original Base £'000	2012/13 Adjusted Base £'000	2012/13 Outturn £'000	2012/13 Variance Adjusted £'000	2012/13 Variance Adjusted %
Ref	<u>Front Line Services</u>					
1	Corporate Costs	815	815	650	(165)	(20)%
	<u>Support Services</u>					
2	Operational Management	659	659	622	(37)	(6)%
3	Strategic Management	732	727	688	(39)	(5)%
	Recharged to Services	(1,391)	(1,386)	(1,310)	76	(5)%
	Under/ (Over) Allocation of Support Services	0	(5)	0	5	(100)%
4	NET GENERAL FUND CHARGE	815	815	650	(165)	(20)%

DEVELOPMENT AND GROWTH
2012/13 Outturn

Appendix A

	Detail	2012/13 Original Base £'000	2012/13 Adjusted Base £'000	2012/13 Outturn £'000	2012/13 Variance Adjusted £'000	2012/13 Variance Adjusted %
Ref	<u>Front Line Services</u>					
1	Conservation	86	86	84	(2)	(2)%
2	Development Management	726	679	622	(57)	(8)%
3	Economic Development	746	835	956	121	14 %
4	Land Charges	0	0	0	0	100%
5	Planning Policy & P'Ships	607	572	494	(78)	(14)%
6	Street Naming & Numbering	54	54	45	(9)	(17)%
	Front Line Services	2,219	2,226	2,201	(25)	(1)%
	<u>Support Services</u>					
7	Development & Growth Admin	139	139	112	(27)	(19)%
	Recharged to Services	(139)	(139)	(112)	27	(19)%
	Under/ (Over) Allocation of Support Services	0	0	0	0	100%
8	NET GENERAL FUND CHARGE	2,219	2,226	2,201	(50)	(2)%

ENVIRONMENTAL SERVICES
2012/13 Outturn

Appendix A

	Detail	2012/13 Original Base £'000	2012/13 Adjusted Base £'000	2012/13 Outturn £'000	2012/13 Variance Adjusted £'000	2012/13 Variance Adjusted %
Ref	Front Line Services					
1	Air Pollution	63	63	74	11	17 %
2	Animal Health And Welfare	6	6	11	5	83 %
3	Climate Change	56	24	14	(10)	(42)%
4	Closed Circuit Television	271	271	223	(48)	(18)%
5	Community Safety	180	180	180	0	0 %
6	Control Of Dogs	65	65	64	(1)	(2)%
7	Emergency Planning	45	45	44	(1)	(2)%
8	Enforcement	75	75	71	(4)	(5)%
9	Food Safety	216	214	206	(8)	(4)%
10	Gambling Licensing	0	0	0	0	100%
11	Green Waste Collection	241	242	82	(160)	(66)%
12	Hackney Carriage Registration	0	0	0	0	100%
13	Health & Safety Enforcement	100	100	95	(5)	(5)%
14	Health & Well-Being	29	28	8	(20)	(71)%
15	Infectious Disease Control	38	38	36	(2)	(5)%
16	Liquor Licensing	0	0	0	0	100%
17	Local Licences	0	0	0	0	100%
18	Noise Control	75	75	85	10	13 %
19	Private Sector Landlords	366	369	563	194	53 %
20	Public Conveniences	142	142	126	(16)	(11)%
21	Public Health	163	163	132	(31)	(19)%
22	Street Scene	1,039	1,039	1,133	94	9 %
23	Waste Management	2,516	2,512	2,541	29	1 %
24	Water Quality	30	30	35	5	17 %
	Front Line Services	5,716	5,681	5,723	42	1 %
	Support Services					
25	Waste & Recycling Management	272	273	267	(6)	(2)%
	Recharged to Services	(272)	(273)	(267)	6	(2)%
	Under/ (Over) Allocation of Support Services	0	2	0	(2)	(100)%
26	NET GENERAL FUND CHARGE	5,716	5,683	5,723	40	1 %

FINANCE
2012/13 Outturn

Appendix A

	Detail	2012/13 Original Base £'000	2012/13 Adjusted Base £'000	2012/13 Outturn £'000	2012/13 Variance Adjusted £'000	2012/13 Variance Adjusted %
Ref	<u>Front Line Services</u>					
1	Benefits Administration	107	118	185	67	57 %
2	Council Tax Admin & Enforcement	665	666	613	(53)	(8)%
3	Drainage Rates	614	614	614	0	0 %
4	Financial Services	0	0	(139)	(139)	100%
5	NDR Admin & Enforcement	(23)	(28)	13	41	(146)%
6	Pension Costs	80	80	(58)	(138)	(173)%
7	Treasury Management	51	51	65	14	27 %
	Front Line Services	1,494	1,501	1,293	(208)	(14)%
	<u>Support Services</u>					
8	Financial Services	913	926	896	(30)	(3)%
9	ICT Services	1,068	1,069	1,057	(12)	(1)%
10	Income Recovery Service	50	50	45	(5)	(10)%
11	Procurement	34	34	40	6	18 %
	<u>Recharged to Services</u>	(2,065)	(2,079)	(2,038)	41	(2)%
	Under/ (Over) Allocation of Support Services	0	51	0	(51)	(100)%
12	NET GENERAL FUND CHARGE	1,494	1,552	1,293	(259)	(17)%

HOUSING AND NEIGHBOURHOODS
2012/13 Outturn

	Detail	2012/13 Original Base £'000	2012/13 Adjusted Base £'000	2012/13 Outturn £'000	2012/13 Variance Adjusted £'000	2012/13 Variance Adjusted %
Ref	<u>Front Line Services</u>					
1	Citizens Advice Bureau	60	60	60	0	0 %
2	Helpline	71	71	119	48	68 %
3	Homelessness	324	324	301	(23)	(7)%
4	Housing Solutions	152	152	191	39	26 %
	NET GENERAL FUND CHARGE	607	607	671	64	11 %

PEOPLE, PROJECTS PERFORMANCE
2012/13 Outturn

Appendix A

	Detail	2012/13 Original Base £'000	2012/13 Adjusted Base £'000	2012/13 Outturn £'000	2012/13 Variance Adjusted £'000	2012/13 Variance Adjusted %
Ref	<u>Front Line Services</u>					
1	Reputation & Communications	343	336	331	(5)	(1)%
	<u>Support Services</u>					
2	Customer Services	874	875	905	30	3 %
3	Human Resources	291	290	305	15	5 %
	Recharged to Services	(1,165)	(1,165)	(1,210)	(45)	4 %
	Under/ (Over) Allocation of Support Services	0	(23)	0	23	(100)%
4	NET GENERAL FUND CHARGE	343	313	331	18	6 %

LEGAL AND DEMOCRATIC
2012/13 Outturn

Appendix A

	Detail	2012/13 Original Base £'000	2012/13 Adjusted Base £'000	2012/13 Outturn £'000	2012/13 Variance Adjusted £'000	2012/13 Variance Adjusted %
Ref	<u>Front Line Services</u>					
1	Democratic Representation	875	875	795	(80)	(9)%
2	District Elections	26	26	21	(5)	(19)%
3	Non-District Elections	3	3	0	(3)	(100)%
4	Register Of Electors	240	228	239	11	5 %
	Front Line Services	1,144	1,132	1,055	(77)	(7)%
	<u>Support Services</u>					
5	Democratic Services	105	105	133	28	27 %
6	Legal Services	239	251	249	(2)	(1)%
	Recharged to Services	(344)	(356)	(382)	(26)	7 %
	Under/ (Over) Allocation of Support Services	0	11	0	(11)	(100)%
7	NET GENERAL FUND CHARGE	1,144	1,143	1,055	(77)	(7)%

PROPERTY DEVELOPMENT

2012/13 Outturn

	Detail	2012/13 Original Base £'000	2012/13 Adjusted Base £'000	2012/13 Outturn £'000	2012/13 Variance Adjusted £'000	2012/13 Variance Adjusted %
Ref	<u>Front Line Services</u>					
1	Alma Park, Grantham	11	11	10	(1)	(9)%
2	Awarded Watercourses	33	33	36	3	9 %
3	Building Control	159	158	175	17	11 %
4	Bus Stations	86	86	62	(24)	(28)%
5	Car Parks	(549)	(549)	(497)	52	(9)%
6	Closed Burial Grounds	45	45	39	(6)	(13)%
7	Cycle Centre & Cycleways	15	15	4	(11)	(73)%
8	Flood Prevention	91	91	100	9	10 %
9	Footway Lighting	202	202	208	6	3 %
10	Graham Hill Way, Bourne	(20)	(20)	(31)	(11)	55 %
11	Grantham Canal	17	17	19	2	12 %
12	Hollis Road, Grantham	(7)	(7)	(10)	(3)	43 %
13	Leisure Premises	(8)	(8)	(10)	(2)	25 %
14	Miscellaneous Property	88	88	11	(77)	(88)%
15	Mowbeck Way, Grantham	(7)	(7)	(9)	(2)	29 %
16	Northfields, Market Deeping	(353)	(353)	(354)	(1)	0 %
17	Play Areas & Open Spaces	282	282	300	18	6 %
18	Street Furniture	31	31	30	(1)	(3)%
19	Street Grass Cutting	0	0	0	0	100%
20	Travellers Rest Caravan Site	0	0	3	3	100%
	Front Line Services	116	115	86	(29)	(25)%
	<u>Support Services</u>					
21	Asset & Facilities Management	512	537	607	70	14 %
	Recharged to Services	(512)	(537)	(607)	(70)	13 %
	Under/ (Over) Allocation of Support Services	0	24	0	(24)	(100)%
22	NET GENERAL FUND CHARGE	116	139	86	(53)	(38)%

SPECIAL EXPENSE AREAS
2012/13 Outturn

Appendix A

	Detail	2012/13 Original Base £'000	2012/13 Adjusted Base £'000	2012/13 Outturn £'000	2012/13 Variance Adjusted £'000	2012/13 Variance Adjusted %
Ref	<u>Front Line Services</u>					
1	Bourne Special Expense Area	25	25	21	(4)	(16)%
2	Deepings Special Expense Area	13	13	13	0	0 %
3	Grantham Special Expense Area	449	449	457	8	2 %
4	Langtoft Special Expense Area	17	17	(7)	(24)	(141)%
5	Stamford Special Expense Area	90	90	73	(17)	(19)%
6	NET GENERAL FUND CHARGE	594	594	557	(37)	(6)%

Housing Revenue Account Summary

Appendix B

2012/13 Outturn

	PROVISIONAL	2012/13 Estimate Base £'000	2012/13 Outturn £'000	Variance Against Estimate Base £'000
	INCOME			
1	Dwelling Rents	(22,780)	(22,734)	46
2	Non Dwelling Rents	(281)	(292)	(11)
3	Charges for Services and Facilities	(1,275)	(1,298)	(23)
4	Other Income	(60)	(58)	2
5	TOTAL INCOME	(24,396)	(24,382)	14
	EXPENDITURE			
6	Repair and Maintenance	7,489	7,179	(310)
7	Supervision and Management - General	2,637	2,592	(45)
8	Supervision and Management - Special	2,003	1,917	(86)
9	HRA share of Corporate and Democratic Costs	296	296	0
10	Depreciation and Impairment of Fixed Assets	5,200	7,420	2,220
11	Debt Management Expenses	23	20	(3)
12	Repayment of Principal	1,591	3,222	1,631
13	Provision for bad debts	50	30	(20)
14	Transfer to General Fund in respect of Rent Rebates	40	0	(40)
15	TOTAL EXPENDITURE	19,329	22,676	3,347
16	NET COST OF HRA SERVICES	(5,067)	(1,706)	3,361
17	Interest Payable and Similar Charges	3,592	3,617	25
18	Interest and Investment Income	(204)	(164)	40
19	Other Operating Income (Repaid RTB discounts)	0	0	0
20	Return on Pension Assests	0	252	252
21	Net Loss impact on sale of HRA Assets	0	(457)	(457)
22	DEFICIT (SURPLUS) FOR THE YEAR ON THE HRA	(1,679)	1,542	3,221
	MOVEMENT ON THE HRA BALANCE			
23	(Deficit)/Surplus for the Year	1,679	(1,542)	(3,221)
24	Net charges made on Retirement Benefits (FRS17)	0	815	815
25	Employer's contribution to Pension Fund	0	(595)	(595)
26	Net Loss impact on sale of HRA Assets	0	(457)	(457)
27	Transfer to Major Repairs Reserve (Depn less MRA)	0	(2,828)	(2,828)
28	MRR contribution to finance principle loan repayment (line 12)	0	1,631	1,631
29	Contribution loan repayment reserve	0	(1,685)	(1,685)
30	Contribution to HRA service improvement reserve	0	(500)	(500)
31	Revenue Contribution to Capital	0	0	0
32	Non-Enhancing Capital Expenditure Financed from MRR	0	4,768	0
33	Other Adjustments	0	(72)	(72)
34	Housing Revenue Account balance at start of Year	8,482	9,411	929
35	Housing Revenue Account Balance at end of year	10,161	8,946	(1,215)

**General Fund Capital Programme
2012/13 Outturn**

Appendix C

	Description	2012/13 Estimate Base £'000	2012/13 Forecast Outturn £'000	2012/13 Outturn £'000	2012/13 Variance £'000	2012/13 Updated Slippage £'000
	Grow The Economy					
1	Town Centre Projects - Bourne Core Area Purchases	2,150	1,050	1,052	(1,098)	0
2	Business Innovation Centre	100	0	0	(100)	0
3	Station Approach	700	0	0	(700)	0
4	Shop Front Scheme	130	90	55	(75)	75
5	Serviced Land	1,000	600	0	(1,000)	600
		4,080	1,740	1,107	(2,973)	675
	Support Good Housing For All					
6	Housing Improvement Grant : Better Homes Grants	300	200	228	(72)	(28)
7	Housing Improvement Grant : Empty Homes Grants	100	50	30	(70)	20
8	Disabled Facilities Grant	500	500	452	(48)	0
9	Local Authority Mortgage Scheme	0	0	1,000	1,000	0
		900	750	1,710	810	(8)
	Promote Leisure Arts & Culture					
	Provision for Existing Assets					
10	Bourne Leisure Centre Improvements	39	39	18	(21)	0
11	Stamford Leisure Centre Improvements	15	10	0	(15)	0
12	Deepings Leisure Centre Improvements	35	25	35	0	0
13	Market Store, Bourne	0	0	20	20	0
14	Air Handling Unit - Meres Leisure Centre Swimming Pool	18	18	18	0	0
15	Broad Street Stamford Alterations	100	0	0	(100)	0
16	Stamford Arts Centre Heating System	35	0	0	(35)	0
		242	92	91	(151)	0
	Keep SK Clean, Green & Healthy					
17	Street Scene Vehicle Procurement	690	870	1,424	734	(576)
18	Wheelie Bin Replacements	70	70	70	0	0
19	Cycle/Footpath Improvements	30	30	0	(30)	0
20	Sudbrook Sewer	20	20	0	(20)	0
21	Joint Authority CCTV Function	99	0	0	(99)	0
22	Air Quality Monitoring Provision Brook St/Manthorpe Rd	16	16	0	(16)	0
		925	1,006	1,494	569	(576)
	Well Run Council					
23	Area Offices Customer Service Centre Upgrades	170	190	682	512	0
24	Abbey Road Bourne Alterations	0	0	75	75	0
25	Asset Management Software Package	40	22	0	(40)	0
26	ICT Systems & Delivery	120	120	231	111	0
		330	332	988	658	0
	Schemes Completed In Previous Years					
27	Cemetery Surface Water SEA	0	4	53	53	0
28	IT Replacement Programme	0	0	0	0	0
29	Provision (Unspecified)	0	12	78	78	0
30	Other	0	0	13	13	0
		0	16	144	144	0
31	TOTAL - OTHER (GENERAL FUND)	6,477	3,936	5,534	(943)	91

HOUSING CAPITAL PROGRAMME
2012/13 Outturn

Appendix C

	Description	2012/13 Estimate Base £'000	2012/13 Forecast Outturn £'000	2012/13 Outturn £'000	2012/13 Variance £'000	2012/13 Updated Slippage £'000
	HOUSING REVENUE ACCOUNT					
	Repairs And Improvements					
1	Upgrading Sheltered Housing Schemes	100	90	104	4	0
2	Passenger Lift Rectory Close, Barrowby	60	15	16	(44)	0
3	Refurbishment works to Rectory Close, Barrowby	250	150	122	(128)	0
4	Scooter Store, Hilary Close, Stamford	25	25	13	(12)	0
		435	280	255	(180)	0
	Energy Efficiency Initiatives					
5	Heating & Ventilation	1,400	1,400	1,467	67	0
		1,400	1,400	1,467	67	0
	Refurbishment and Improvement					
6	Property Refurbishments	70	262	692	622	0
7	Re-Roofing	915	715	1,300	385	0
8	Re-wiring	175	175	120	(55)	0
9	Kitchen and Bathroom Refurbishments	750	750	802	52	0
10	Chimney Works	165	165	74	(91)	0
11	Essential Works	150	100	0	(150)	0
12	Refurbishment of Bin Stores, Earlesfield Estate	40	58	57	17	0
		2,265	2,225	3,045	780	0
	IT Software					
13	Upgrade Tunstall System	82	0	0	(82)	0
14	Vehicle Management System For Repairs	50	0	0	(50)	0
15	Mobilisation Of Craft Working	104	104	0	(104)	74
		236	104	0	(236)	74
16	Tenancy and Care Services - vehicle purchases	75	75	68	(7)	0
		75	75	68	(7)	0
17	Schemes Completed In Previous Years	0	320	0	0	0
		0	320	0	0	0
18	TOTAL - HOUSING INVESTMENT PROGRAMME	4,411	4,404	4,835	424	74

GENERAL FUND RESERVES STATEMENT AS AT 31st MARCH 2013

PROVISIONAL	Balance as at 31 March 2012 £'000	Transfer to Reserve in year £'000	Transfer from Reserve in year £'000	Balance as at 31 March 2013 £'000
General Fund				
Revenue Reserves				
Service Specific Funds				
ICT	84	73	(84)	73
Corporate Training	170	-	(149)	21
Waste and Recycling	50	-	(50)	0
Property Development	63	-	(63)	0
Private Stock Condition Survey	-	69	-	69
Neighbourhood Community Planning	-	23	-	23
Street Scene	-	22	-	22
Health and Wellbeing	-	10	-	10
Electoral Roll individual registration	-	20	-	20
Scanning Development Control	-	15	-	15
	367	232	(346)	253
Capacity Building, Priority Setting and Service Improvement Reserve				
Destination SK	100	-	(39)	61
Events and Festivals	295	-	(98)	197
Community Based Initiatives	-	-	-	0
Asset Rationalisation	500	-	-	500
Apprenticeships	100	-	-	100
Retro Fit	500	-	-	500
Broadband infrastructure	550	-	-	550
Civilian Parking Enforcement	50	-	-	50
Waste Management round reviews	150	-	(8)	142
Maintenance Reserve	0	100	-	100
Support for corporate reviews	75	-	(18)	57
ICT investment	200	75	-	275
Other priority and service improvements	1,082	-	-	1,082
	3,602	175	(163)	3,614
New Homes Bonus Reserve	666	1,289	-	1,955
Invest to Save	500	-	-	500
Insurance Reserve	488	80	(12)	556
Pensions Reserve - Former Employees	307	-	-	307
- Current Employees	1,486	-	-	1,486
Building Control	(34)	(18)	-	(52)
SEA Reserve	80	72	(54)	98
	7,462	1,830	(575)	8,717
Government Grants Received				
Habitats Directive	51	-	-	51
Atlas Funding	2	1	-	3
Second Homes	79	-	(35)	44
Local Housing Allowance	23	-	-	23
Housing Planning Delivery Grant	433	-	(199)	234
Area Based Grant	112	-	0	112
Land Charges	26	-	(1)	25
Private Sector Housing	40	-	(40)	0
Homelessness	72	-	(12)	60
Council Tax Leaflet Efficiency	9	14	-	23
Preventing Repossession	68	-	-	68
Small Business Rate Relief	3	-	-	3
Business Rates Deferred	11	-	(2)	9
Welfare Reform Funding	-	13	-	13
Temp Development Bus Rate	-	1	-	1
Housing Benefit Transitions	-	15	-	15
New Burdens Grant	-	13	-	13
	929	57	(289)	697
Working Balance	2,370	-	-	2,370
Total Revenue Reserves	10,761	1,887	(864)	11,784
Capital Reserve				
LAMS Reserve	0	28	0	28
Regional Housing Grant	476	-	(259)	217
General Fund Capital Reserve	3,061	-	(3,061)	0
Useable Capital Receipts Reserve	6,756	18	(383)	6,391
	10,293	46	(3,703)	6,636
Total Capital Reserves	10,293	46	(3,703)	6,636
Total General Fund Reserves	21,055	1,933	(4,567)	18,421
Net Movement in General Fund Specific Reserves			(2,634)	

HRA RESERVES STATEMENT AS AT 31st MARCH 2013**PROVISIONAL**

	Balance as at 31 March 2012 £'000	Transfer to Reserve in year £'000	Transfer from Reserve in year £'000	Balance as at 31 March 2013 £'000
Housing Revenue Account (HRA)				
Revenue Reserves				
Insurance Reserve	231	62	-	293
Service Specific Funds				
Bedroom Tax project	-	60	-	60
Fire Risk Assessments	-	184	-	184
External Painting	-	105	-	105
HRA Improvement Reserve	-	500	-	500
Working Balance	9,411	35	(500)	8,946
Total HRA Revenue Reserves	9,642	946	(500)	10,088
HRA Capital Reserve				
HRA Capital Receipts Reserve	-	591	-	591
Loan Repayment Reserve	-	1,685	-	1,685
Major Repairs Reserve	4,313	5,549	(6,466)	3,396
Total HRA Capital Reserves	4,313	7,825	(6,466)	5,672
Total HRA Reserves	13,955	8,771	(6,966)	15,760

REPORT TO GOVERNANCE AND AUDIT COMMITTEE

REPORT OF: HEAD OF FINANCE

REPORT NO.: HOF239

DATE: 27th June 2013

TITLE:	ANNUAL GOVERNANCE STATEMENT (DRAFT) 2012/13	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	N/A	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Cllr Paul Carpenter Governance and Communication Portfolio Holder	
CONTACT OFFICER:	Richard Wyles, Head of Finance r.wyles@southkesteven.gov.uk 01476406210	
INITIAL IMPACT ASSESSMENT:	Carried out and Referred to in paragraph (7) below: N/A	Full impact assessment Required: N/A
Equality and Diversity		
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	Agendas and Minutes of Governance & Audit Committee Meetings 2012/13 and other related documents - available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	

1. RECOMMENDATION

It is recommended that the Committee reviews the contents of the Draft Annual Governance Statement (AGS) and provide feedback on its contents to ensure it accurately reflects the last financial year.

2. PURPOSE OF THE REPORT

The Council is required to produce an AGS in accordance with the CIPFA/SOLACE¹ Framework “Delivering Good Governance in Local Government” to meet the statutory requirement set out in Regulation 4(3) of the Accounts and Audit Regulations 2011. The Statement is an open and transparent review of the effectiveness of the Council’s system of governance, risk management and internal control, including performance across all of its activities.

The Statement also takes account of the addendum on Delivering Good Governance in Local Government: a Framework published in December 2012 by CIPFA. This has been developed to advise on the application of the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government under the CIPFA/SOLACE framework. It illustrates how the governance requirements to support the principles in the CFO Statement need to be reflected in the Local Code of Governance and hence the AGS.

3. DETAILS OF REPORT

The draft Statement, attached in the Appendix A incorporates the findings contained in the Annual Internal Audit Report and key reports published by the Audit Commission, including the Annual Governance Report (AGR) and the Annual Audit Letter (ALL). Members will be aware that since October 2012 KMPG have been appointed as the Councils external auditors but the Audit Commission were still in being with the AGR and ALL were produced. The Statement is also forward looking because it makes reference to an action plan which looks at the key areas the Council will focus on during 2013/14. It can be further amended to reflect any feedback from the Governance and Audit Committee prior to its submission for approval alongside the Statement of Accounts 2012/13 at the meeting on 23rd July 2013.

Members of this Committee, being “those charged with governance” on behalf of the Council, are asked to review and scrutinise the contents of the AGS based on the work undertaken during the last financial year.

4. OTHER OPTIONS CONSIDERED

The production of an AGS is a statutory requirement so no other options are available.

5. RESOURCE IMPLICATIONS

The report has no direct impact on the Council’s resources, including finance/budget, people, land/property, etc.

6. RISK AND MITIGATION

If an AGS is not included within the Statement of Accounts the Council is at risk of having its accounts qualified for non compliance with its statutory responsibilities.

¹ CIPFA – Chartered Institute of Public Finance and Accountancy. SOLACE – Society of Local Authority Chief Executives.

7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT

N/A

8. CRIME AND DISORDER IMPLICATIONS

N/A

9. COMMENTS OF FINANCIAL SERVICES

Good corporate governance arrangements are vitally important to all tax payers and residents. The AGS is an open and transparent document which clearly demonstrates the work the Council is undertaking to ensure good governance arrangements remain in place. There are no specific financial comments to make with respect to this report.

10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

The draft Annual Governance Statement has been developed in accordance with guidance issued by CIPFA and SOLACE on the delivery of good governance in Local Government. Any feedback given by the Committee will be incorporated in the final draft statement where appropriate and, if approved by the Leader and Chief Executive, will be reported alongside the Statement of Accounts for 2012-13.

11. COMMENTS OF OTHER RELEVANT SERVICES

N/A

12. APPENDIX

Appendix A - Draft 2012/13 Annual Governance Statement

**SOUTH KESTIVEN DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2012/2013**

INTRODUCTION

The Council is committed to ensuring good governance principles and management practices are adopted throughout the Council. This Annual Governance Statement (AGS) conforms with the governance requirements of the CIPFA Statement on the Role of the Chief Financial officer in Local Government as set out in the Application Note to the “Delivering Good Governance in Local Government: Framework” and meets the statutory requirement set out in Regulation 4(3) of the Accounts and Audit (England) Regulations 2011.

The statement is an open and honest review of the effectiveness of the Council’s system of internal control, including performance across all of its activities. It is inevitable that during a rigorous and robust review of the Council’s operations issues will be identified to be addressed. Therefore, a key element of good governance is to ensure that there is a clear action plan for addressing these issues and this reflects the approach taken by this Council, i.e. the AGS sets out the actions being taken or required in the future to address areas of concern identified.

The AGS covers all significant corporate systems, processes and controls, spanning the whole range of the Council’s activities, including the following:

- The Council’s policies are implemented in practice
- High quality services are delivered efficiently and effectively
- The Council’s values and ethical standards are met
- Laws and regulations are complied with
- Required processes are adhered to
- Financial statements and other published performance information are accurate and reliable
- Human, financial, environmental and other resources are managed efficiently and effectively.

The self-assessment contained within this statement has been produced taking into account reports by Internal Audit together with a wide range of external sources, including the Audit Commission’s Annual Audit Letter and Annual Governance Report that feature the results of the annual audit of the accounts and the Council’s arrangements for securing value for money in its use of resources. The statement has also been prepared by taking into account assurances from both Heads of Service and Service Managers from across the organisation together with regular reviews of risk management. In addition to this in preparing this statement account has been taken of both the statutory codes and the delivery of good governance in Local Government framework addendum published by CIPFA in December 2012.

THE IMPORTANCE OF GOOD GOVERNANCE

Good governance leads to good management, good performance, good stewardship of public money, good public engagement and ultimately, good outcomes for residents and service users. Good governance enables the Council to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk.

Good governance means:

- Focusing on the purpose of the Council and outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting the values of the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability.

SCOPE OF RESPONSIBILITY

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs including the management of risk. Whilst the Cabinet and Senior Managers are responsible for delivering the Council's services and activities within these arrangements, the Governance and Audit Committee is responsible for reviewing the effectiveness of these arrangements on behalf of the Council. It is also responsible for making any recommendations necessary as a result of its review together with any issues identified as a result of reports from external review bodies such as the External Audit or the Local Government Ombudsman.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". A copy of the Code is available on our website at www.southkesteven.gov.uk of which the most recent version was reviewed, updated and approved by the Governance and Audit Committee at its meeting on 29th June 2012. The statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which required all relevant bodies to prepare an annual governance statement.

PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with, and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether this has led to the delivery of appropriate services and value for money.

The Council's 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 risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. It evaluates the likelihood of those risks coming to fruition and their impact should they do so, and identifies ways to manage them efficiently, effectively and economically.

The governance framework has been in place throughout the financial year which ended on 31 March 2013 and continues to be in place up to the date of the approval of the Statement of Accounts.

THE GOVERNANCE FRAMEWORK

Outlining the vision and monitoring performance

The Council has realigned its visions and priorities for the future by establishing a 2021 vision for South Kesteven which is a place that has vibrant communities where people want to live, work and invest (healthier, wealthier, happier, safer people). Underpinning the Council's vision is the corporate plan for 2011-15 which was approved by Council at its meeting on 1st March 2012 and provides the strategic direction over the coming years.

Putting customers at the heart of all we do is the focus of the Council's priorities which encompass 4 themes: Grow the Economy, Keep SK Clean, Green and Healthy, Promote Leisure, Arts and Culture and Support Good Housing for All. These themes allow us to focus on what really matters to local residents and businesses and to deliver on the things that make a difference to them. We will continue to consult and engage with the local community to make sure we focus on creating the right environment to deliver the Council's vision which is all underpinned by the ethos of a Well Run Council.

The Council recognizes that it can only achieve its ambitions through the hard work of its staff and in order to support them through these tough but exciting times it has developed a Business Plan. This brings together all the information about our agenda for the forthcoming year so staff can share in the vision and how we plan to meet it with teams in order for everyone to understand and be engaged in the exciting journey on which South Kesteven has embarked.

Progress against these priorities is monitored by both the Cabinet and the Management Team, through a process of regular monitoring and reviewing key performance measures and data. The Council has in place a Programme and Performance board (PPMB) which has strengthened the performance management arrangements for all Council activities. The board provides leadership, direction and management of the Council's overall performance, ensuring momentum on key projects and review strategic performance measures. Governance

arrangements have been developed to ensure that the necessary controls and assurance processes are in place to support successful delivery of the Programme. The Programme and Performance Management Office (PPMO) provides monitoring, control and reporting across the programmes of activity and have also supported managers and leading officers with training on Project Management tools and techniques.

The Council will be looking to publish an Annual Report for 2012/13 which provides an overall view of performance. Feedback on the report is encouraged and the form and content is changed taking into account the needs of local residents. In addition, a summary of accounts is produced annually that is simple for residents to understand.

Measuring the quality of services for users

During 2012/13 the Council has been working on developing an over arching Customer Access Strategy which is derived from the values and behaviours identified in the Councils Unlocking Potential programme that will be used to really drive improvements and efficiencies for our customers. At South Kesteven putting customers at the heart of everything we do is the way we want to do business. We want to provide high quality, accessible services to our customers in a manner that is appropriate to their needs. The strategy will apply to people who live, visit or work in South Kesteven of which we want to deliver exceptional services to all our customers and allow them to easily interact with us. The customer access strategy will set out our approach and details a number of challenging targets that will see the way we interact with our customers change and is underpinned by a detailed action plan which shows the steps we will take to achieve our vision. We will be looking at developing an action plan to support delivery of the strategy over the coming year, however we still have made a number of key achievements this year which include:

- We have made substantial changes to the way we operate, streamlining management and back office costs, as well as delivering services differently to improve things for our customers. This has included joining up with other councils to share management expertise.
- We have enhanced our service provision in the south of the district and unveiled plans to make further improvements over the coming year. This includes introducing a community access point that will see both County Council and District Council services provided under one roof.
- We have changed the way that we consult with residents by getting out and about in the district. Traditional questionnaires have also helped us to gather views on development ideas, community safety issues and travel patterns.
- 85% of our customers tell us that we get it right first time and 93% are happy with the advice and information we provide
- We have reduced the time it takes us to process new housing/council tax benefit claims and changes. These have further reduced from 9.5 days to 7.14 days.
- Satisfaction figures for our website show that the improvements we are making are taking us in the right direction, with satisfaction levels rising to 75%. We now have 1,000 visits daily.
- Our customer service team answered more than 162,000 calls and dealt with over 63,000 enquiries at our offices.

APPENDIX A

We have also established a citizens panel of 1000 people to get residents involved in their local community and who are passionate about the place they live and want to share their views to help improve local services. Members of the panel will be contacted up to four times a year and asked to comment on a whole host of services provided by the council, whether they think South Kesteven is doing a good job, and what they would like the authority to focus on in the future. The majority of people will be contacted by telephone, but some people have been recruited on-street to make sure that the panel is representative of the local population by age, gender, ethnic group and geography. From the initial work undertaken with the panel 79% said they were very or fairly satisfied with the way the council run things.

The Council also has in place a customer feedback process which monitors the level of both positive and negative comments from residents in the delivery of council services. This is tracked through the corporate performance management system in order to provide meaningful data to the PPMB. The added benefit of using this system is to identify common themes, specific areas of improvement but to also celebrate success in the positive way we do things.

Following consultation with users the Council specifies service standards for those aspects of service delivery which are reflected in new Corporate Service Plans. In the preparation of the corporate service plans, Head of Service and Service Managers have established a key number of value for money indicators to monitor the efficiency of service delivery.

The budget process for 2013/14 was supplemented by community drop in sessions during the early part of 2013 which engaged with the community around those areas which the Council is focusing its service delivery to ensure this meet the needs of the local community. The drop in sessions also consulted with the public over the level of council tax to be charged alongside an online survey of which supported the budget proposals to Council.

Since 2010, South Kesteven has suffered a reduction in grant of £2.4m in government grant following the Comprehensive Spending Review together with a reduction in income from fees and charges such as planning income and growth in costs in some areas. In March 2013 the Government announced a further 1% real cash reduction for most Government departments on top of the previous savings targets already announced. Whilst indicative grant allocations have been given for 2014/15 the additional requirement for further savings announced in the March 2013 Budget have yet to feed through with a new funding formula due for 2015/16 onwards. The financial crisis continues to bite in Europe and the Austerity measures in the UK continue to be enforced and with the increasing demand for its services, the financial position of the Council remains challenging. Despite this, the Council is doing everything it can to continue to provide high quality services to local residents whilst maintaining a sound financial base. For 2012/13, a balanced budget was achieved with no reduction in the level or quality of services.

Despite the large cut in the Councils grant from central government the Council has been working hard to minimise the impact on local people through a carefully managed programme of spending reduction. There have been substantial changes to the way we operate, streamlining management and 'back office' costs, as well as delivering services differently, including joining up with the other councils to share management expertise, all of which has saved £1.5m so far. Rather than just passing on government cuts, we are putting money behind our priorities and pushing ahead with existing projects to drive economic regeneration making South Kesteven a great place to live, work and invest. Growing the economy continues to be an important focus with just under £2m spent during 2012/13 on redevelopment projects within Grantham and

APPENDIX A

Bourne and a further £7m allocated in future years. Some of our key achievements for 2012/13 are:

- Number of days that our housing properties has been void for letting or repairs has reduced by 4 days to only 26 days
- We have seen an increase in the number of visitors to our leisure centres, up by over 30,000 to 786,144 for 2012/13
- 98% of Council homes are now classed as meeting decent standard which exceeded the target for the year
- Sickness absence has reduced by 11% from the previous year
- 90% of our residents have continued to participate in the green waste scheme following the introduction of charges
- The council has achieved green flag status at one of its parks
- Over 92% of all local suppliers are paid within 10 working days which again is an improvement when compared to 2011/12

The Council has established an ambitious Corporate Plan which sets out our Strategic direction over the coming years and reflects the four focus priorities areas. A copy of the corporate plan is available on our website at www.southkesteven.gov.uk. We will also continuously monitor our progress against delivery to ensure ongoing service quality and value for money in the delivery of local services. In order to support the successful achievement of our ambitions the Councils has strengthened its performance management framework through the establishment of a Performance Programme Board.

Value for Money

The Audit Commission in its 2011/12 Annual Audit Letter published in December 2012, confirmed that “the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources”. As part of the Annual Governance Report prepared by the Audit Commission it assessed the Council’s corporate arrangements regarding Value for Money which focused on 2 main areas; Financial Resilience and Securing economy, efficiency and effectiveness.

- **Financial resilience** – the Audit Commission reviewed whether the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables the Council to operate for the foreseeable future. The Commission concluded there were proper arrangements in place to secure resilience and identified no significant risks. The monitoring of financial performance during the year maintained a stable position with the council successfully managing the HRA self-financing transition.
- **Securing economy, efficiency and effectiveness** – the focus was on prioritising resources within tighter budgets, for example achieving cost reductions and by improving efficiency and productivity. The council was found to have proper arrangements in place for challenging value for money with specific modelling undertaken around the self financing, localising of support for council tax and business rate retention.

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The Council has plans in place to secure continuous improvement in all these areas. It is tackling the issues that local people recognise as priorities and has plans in place for improving services and performance that are actively monitored. As part of the corporate service plans developed by Heads of Service these contain VFM indicators to measure the efficiency of service areas. Performance and progress is also monitored in monthly meetings between each Head of Service and a Strategic Director.

Alongside the performance measures outlined in the corporate service plans a suite of performance measures have been collated as part of the SK Business Plan which has been developed to align with each of the priorities and is used to monitor our performance to ensure our direction of travel is moving positively towards improving our district. The Council's Corporate Performance Management system is being effectively used as a tool to manage performance data; risk; and the project management of key projects.

The roles and responsibilities of members and officers

The Council's Constitution defines the responsibilities of the members and officers involved in building and maintaining high standards of governance. Also, the Constitution defines the role of the various Member forums, including the role of the Cabinet, Policy Development Groups, Scrutiny Committee and the Governance and Audit Committee. These will continue to be developed to reflect the changing needs and requirements of the Council. There is a specific area on the Council's website on 'becoming a councillor' which contains information on what they do and the role of councillors in general.

Standards of behaviour for members and staff

The Council has adopted codes of conduct for both members and staff and these are detailed within the Council's Constitution. Compliance with the member's Code of Conduct is currently monitored by the Monitoring Officer. The Council has put in place arrangements at a local level to maintain high levels of conduct and ethical behaviour amongst its members. The new code of conduct is consistent with the 7 principles of standards in public life and the introduction of 'Disclosable Pecuniary Interests' was reviewed and adopted in July 2012 in accordance with the Localism Act 2011.

The Council has also approved and adopted a Local Code of Corporate Governance. The most recent version was reviewed, updated and approved by the Governance and Audit Committee at its meeting in June 2012.

The Constitution, Financial Regulations, Scheme of Delegation and Contract Procurement Procedure Rules

The Council's Constitution is updated to ensure it remains fit for purpose and reflects legislative change, etc and is currently being reviewed. There have been amendments during the year which have been considered and approved by the Council based on the recommendations from the Constitution Committee.

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The Council's Financial Regulations are regularly reviewed and updated by the Head of Finance to ensure they remain fit for purpose. These were updated during the course of 2011 with the proposed amendments being endorsed by the Governance and Audit Committee prior to formal approval by Council at its meeting on the 20th October 2011.

During 2012/13 the Council took the opportunity to update its Contract and Procurement Procedure Rules which introduced support for Local Suppliers with the proposed amendments being endorsed by the Governance and Audit Committee prior to formal approval by Council at its March 2013 meeting. This also gave the Council opportunity to undertake some refresher training with officers around the Contract and Procurement Procedure Rules which also complemented the roll out of a new electronic contract's register database.

Ensuring the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

The Council's financial management arrangements complied in all respects with the governance requirements of the above Statement. In particular:

- the role of the Chief Financial Officer (CFO) is undertaken by the Strategic Director – a professionally qualified accountant with direct access to the Chief Executive, Leader of the Council and other Cabinet Members. They also have direct access to the Governance and Audit Committee and external audit
- through the Head of Finance, who is also a professionally qualified accountant, the CFO has a line of professional accountability for all finance staff and the finance function is fit for purpose
- the Council has established robust arrangements to manage its finances, including, a Medium Term Financial Plan, annual budget process and compliance with CIPFA's Codes and Guidance on a Prudential Framework for Capital Finance; Treasury Management; and the management of reserves, etc.
- the Council maintains an effective internal audit service and an effective risk management system is in place

Undertaking the core functions of an Audit Committee.

The Governance and Audit Committee has been well established for a number of years now with its terms of reference prepared to ensure that it complies fully with the guidance provided by CIPFA¹. The key areas covered by the committee's terms of reference are Audit Activity; risk management, governance, counter fraud and bribery, regulatory framework; accounts and financial reporting; and ombudsman. In addition to this it also receives annual reports for health & safety, business continuity and partnerships.

Members of the Committee are required to undertake some mandatory training including training on the role of an effective Audit Committee and its terms of reference. As part of the Committee's ongoing development, external Treasury training was undertaken by the Council's external treasury advisors.

¹ Audit Committees – Practical Guidance for Local Authorities published 2005

The Committee undertook a self assessment to determine their effectiveness and ensure their ability to fulfill their terms of reference. This assessment was facilitated by internal audit and has resulted in an action plan that will be implemented during 2013/14.

At the meeting of Council in April 2013, members considered the Chairman of the Committee's Annual Report on the key outcomes arising from the work of the Governance and Audit Committee for 2012/13. Members acknowledged that these outcomes had helped to improve and strengthen the Council's overarching control environment and governance arrangements. In line with best practice and to ensure that Members become better informed and therefore engaged with the work of the Committee, an indicative annual work plan and timetable for 2013/14 was also presented to Council at the same meeting. In order to strengthen the role of the committee additional meeting dates have been agreed to ensure sufficient opportunity is available throughout the year to report and discuss Governance issues.

Compliance with laws, regulations and internal policies and procedures

Matters arising in respect of Governance are regularly received and discussed with senior officers of the council at its management team meetings. Reports to Council, Cabinet, Policy and Development Groups, Governance and Audit Committee, Scrutiny Committee and Portfolio holders for non key decisions contain comments from Legal & Democratic Services and from Financial Services. Reports are also reviewed for compliance with internal policies. The Member Report Template for key and non-key decisions is regularly reviewed and updated to ensure it remains fit for purpose. During 2012/13 the reporting template has been updated to place more emphasis on raising member awareness of key risks to further strengthen the decision making process.

The Council has procedures in place to identify and implement new and changing legislation. More specifically, changes to policies and procedures as a result of the Localism Act (2011) are being closely monitored at service and corporate level which actions being taken to implement the requirements. The Council has adopted procedures during the year to manage applications from the public on the community right to challenge and community right to bid processes. We have also prepared an annual pay statement which articulates the policies on the pay of its workforce which was approved by full Council at its meeting on the 1st March 2013.

Service managers and Heads of Service have continued to complete Quarterly Assurance Statements in relation to the effectiveness or otherwise of the systems and controls in operation on a day to day basis. The outcomes of these are discussed in the monthly meetings with heads of service and strategic directors and where required these will be escalated to PPMB.

Whistle-blowing and Investigating complaints from the public.

The Council's Counter Fraud, Corruption & Bribery Framework was reviewed, updated and approved by the Governance & Audit Committee in March 2011 with specific reference to the new requirements relating to the Bribery Act 2010 and the addition of a fraud response plan. This incorporated the following 5 key elements:

- Seven principles of public life
- Whistle-blowing Policy
- Housing Benefit & Council Tax – Counter Fraud Policy
- Fraud Response Plan
- Anti-Money Laundering Policy

The Council's whistle-blowing policies and any complaints from the public regarding governance matters are considered, where appropriate, by the Management Team. Training is provided as part of the Induction programme for new employees on Counter Fraud and Whistle blowing. The latest version of the framework was rolled out to all staff via the council's policy management software to ensure they have been read and understood.

The Council also takes part in the Audit Commission's National Fraud Initiative and has set procedures in place for dealing with any highlighted data matches identified by this process.

A range of customer information is produced, including the level of customer feedback received in connection with various services in order that issues of concern can be addressed and lessons learnt. The number of enquiries and complaints received by the Ombudsman has fallen to a relatively low level in recent years of which the last report stated there were no findings of maladministration. There has also been a continued improvement in response times with the Council recognising that it needs to do all that it can to ensure enquiries are dealt with efficiently and effectively and complaints resolved as quickly as possible.

Training for members and senior officers

During 2012/13 relevant members of Council Committees have attended training courses that deal with corporate governance as well as other corporate issues. The Council has recognised that it is important to ensure that all Members are actively engaged in helping to improve and strengthen the Council's governance arrangements in all areas of their work for the local community. During 2013/14 a review and update of the member training programme will be undertaken to ensure those members elected in May 2011 are continued to be supported in performing their roles.

The training needs of all employees are formally assessed through their Performance Development Reviews with specific training has been provided for officers in respect of risk management and understanding the governance framework.

During 2012/13 the Council rolled out its Unlocking our Potential programme which is centred around providing opportunities for staff to grow and develop through a learning and development plan. This is built around three main themes which are work force planning, leadership and management development and all staff training. Some of the initiatives delivered to staff during the year included developing a coaching culture, team leader programme, hearts and minds workshops building on the art of brilliance and customer service focused skills sessions. This will be further strengthened with the development of a People Strategy during the coming year.

Communication and consultation

Under the Localism Act (2011), there is a greater requirement for consultation and engagement with local communities. One of the main provisions resulting from the act is the ability for the public to require a local referendum to be held on any issue that they thought important, specifically around Council Tax increases.

The Council is already committed to consulting and engaging with the local community and has a Consultation Strategy and toolkit in place to facilitate this. There is a clear framework for consulting with its communities through resident drop in sessions held during the year which have also been supplemented by specific consultation events. In addition to this the Council has established a citizens panel to strengthen its processes for consulting with our community.

This year's consultation events have been on key strategic issues including major growth plans for the town of Grantham and on more local issues including how a paddling pool in a local park should be redeveloped. There are also various community events which the Council attend to provide an opportunity to engage with residents which are all outlined in the councils Consultation Calendar.

Following the call on local authorities to provide greater openness and transparency, all elements of the transparency agenda, including the publishing of payments to suppliers over £250, member's allowances and headcount of staff are now published on the website each month so that the public can access the information.

The Council's newspaper "SKtoday" is the principal method for communicating with the Council's 131,200 residents on the roles and responsibilities of the Council. According to the Audit Commission, the Council communicates well with residents, as it uses consultation with stakeholders to prioritise resources in line with the South Kesteven vision.

The Council has also responded to the growth in social media and use of website. From a standing start we now have 213 Facebook followers and 1,800 people who regularly message us on Twitter. Our website now carries all our news and information items and we are making our own films to promote and record events which last year included major festivals and the Olympic Torch Relay.

Telephone answering has improved with more calls being answered within 28 seconds by staff thanks to targeted training which has meant the customer services team answered over 162,000 calls. A joint customer access point is has been set up with partners in Bourne which will provide customers with a range of council services alongside the County Council and Town Council.

The Council's improved communications with tenants has been maintained and the resident involvement strategy has been updated. Involvement of all individuals is monitored and checked against base line tenant data to ensure they are representative and any under-represented groups are identified and targeted to ensure that there is a fair access for all customers. No barriers to involvement were identified in a recent equality impact assessment. Work is ongoing to comply with the localism act and tenant scrutiny obligations and increase on-line remote accessibility.

The Council will continue to develop external accountability through continuing to seek stakeholder views and incorporate information in relation to the Council's environmental footprint. It will also continue to improve the way information is made more accessible to customers by developing its website publication scheme and consulting on the form and content of the information provided.

Governance arrangements for partnerships

The Council has participated in a number of partnerships aimed at improving the services it provides to the community such as the South Lincolnshire Community Safety Partnership and Grantham Growth Point.

When drawing together different partners with varying organisational cultures and methodologies for handling governance issues, it is important that clear protocols are established at an early stage to minimise and manage risk. Accordingly, a Protocol on Partnerships has been approved by the Governance and Audit Committee.

The Council routinely reviews the performance of significant partnerships to ensure that they are achieving their aims and objectives but further work is required to ensure they are providing good value for money and remain fit for purpose. The Lincolnshire Bridge partnership toolkit is used for assessing partnerships and the Council produces an annual report on the performance of partnerships, including an action plan.

The Council has in place procedures for assessing the risks of partnerships, including the compilation of joint plans and joint risk registers. Following a recommendation by Internal Audit the Council also strengthened its reporting arrangement on partnerships with the production of a Partnerships Annual Report. This was reviewed by Governance and Audit Committee at its meeting on the 25th September 2012.

With the gradual introduction of Local Enterprise Partnerships, some of the Council's partnership arrangements may be subject to change. Governance, performance reporting, data quality and information sharing for significant partnerships will continue to be reviewed in light of future requirements.

Internal and External Audit

Internal audit files and reports for key financial systems are reviewed annually by the External Audit (previously Audit Commission now KPMG) in order for them to place reliance on this work. As in previous years, it is expected that they will be able to place full reliance on the work of internal audit and any recommendations made by KPMG will be consistent with those made by internal audit.

The Council has in place recommendation tracking software to record, track and follow-up internal audit recommendations which has facilitated more accurate monitoring and reporting of the progress made by service managers in implementing audit recommendations. It is also used by our Internal Auditors to support a more efficient follow up review process with service areas.

In August 2010, the government announced its intention to bring forward legislation to abolish the Audit Commission and put in place a new framework for local public audit. In March 2011

the government published a consultation paper and, in January 2012, announced its response to that. Subsequently a procurement exercise was undertaken which meant all of the Commission's in-house work will be outsourced in time for the audit of 2012/13 accounts

Members of the Governance and Audit Committee have been kept informed of developments throughout the year and at their meeting in June 2012 were notified that KMPG has been awarded the contract from 2012/13 to 2016/17 for the provision of external audit services with effect from 1st November 2012.

Risk Management

The Council has in place a process for identifying, assessing, managing and reviewing the key areas of risk and uncertainty that could impact on the achievement of its objectives and priorities. In particular, risk management is an integral part of the corporate, service and budget planning process. The current risk management strategy was revised and updated and approved by the Governance & Audit Committee in June 2012.

There are risk registers in place for corporate, service, project and partnership risk and these are updated on a regular basis. The Governance & Audit Committee receives a regular briefing on corporate risks and the latest Annual Report will be presented in June 2013 together with an updated version of the Corporate Risk Register. This report details the activity undertaken and provides a summary of the direction risk management will take for the financial year 2013/14. The committee also receives updates on risk management during the course of the year

During 2012/13 the risk management group met on a number of occasions with discussions focusing on all aspects of managing Risk including peer challenge within the group of key service risk. The group also looked at other governance and risk areas such as internal audit, insurance and counter fraud.

The Civil Contingencies Act 2004 places a statutory duty on local authorities to maintain plans that ensure they can continue to perform their functions in the event of an emergency, so far as is reasonably practicable. As defined by the Act, South Kesteven is a Category 1 responder and is subject to the full set of civil protection duties. In order to support the achievement of these duties the Council has a service level agreement (SLA) with the Lincolnshire County Council Emergency Planning Unit for the provision of an emergency planning service; this provides the council with a dedicated officer who carries out Emergency Planning and Business Continuity work. The SLA also makes provisions for the support of the County Emergency Planning Team during emergencies and exercises, including gold standard training for strategic level officers.

No significant Business Continuity or Declared Emergency incidents arose during the year 2012/13 however the Olympic Torch relay travelling through the district in the year did draw upon resources on an unprecedented level. This provided a good indication as to the flexibility we can expect from our staff should it ever be necessary to deliver critical services in response to a significant business continuity incident. During 2012/13 the councils Emergency Plan has been reviewed and updated and a mutual aid agreement is now in place between all districts within Lincolnshire. A desktop business continuity event was held in November 2012 with service managers to test elements of the Corporate Business Continuity Plan which was also updated during the year and a major multi-agency live exercise has taken place during 2013/14. During the course of the year a Business Continuity Annual Report was presented to the Governance and Audit Committee at its meeting on the 6th December 2012.

REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is determined by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment. The review is also informed by the Internal Audit Annual Report, comments by the External Auditors and other review agencies and inspectorates.

The process applied in maintaining and reviewing the effectiveness of the governance framework

The key players in the process may be summarised as:

Key Players	Role and Activity during the year
Council	<ul style="list-style-type: none"> ○ Approve Constitution including Codes of Conduct; ○ Approve the budget and policy framework
Cabinet	<ul style="list-style-type: none"> ○ Priority setting in line with the council's vision and recommending the budget proposals to council that underpin their delivery. ○ Financial, performance and risk management of service delivery within the Budget and Policy Framework set by Council ○ At least monthly public meetings ○ Monthly briefings and development days
Governance and Audit Committee	<ul style="list-style-type: none"> ○ Six scheduled meetings per annum to: <ul style="list-style-type: none"> ○ review Financial Regulations and Contract Procedure Rules ○ review and scrutinise the Council's governance arrangements, including the outcome of Internal and External audit reports and those of other external agencies such as the Ombudsman ○ review the arrangements for managing risk throughout the Council including Health and Safety and business continuity ○ scrutinise and approve the Financial Statements on behalf of the Council
Scrutiny Committee	<ul style="list-style-type: none"> ○ To provide a "critical friend" challenge to the Executive as well as external authorities and agencies ○ To reflect the voice and concerns of the public and its communities
Strategic Director (s151 Officer) and Head of Finance (Deputy s151 Officer)	<ul style="list-style-type: none"> ○ Overseeing financial strategy and operations and contributing to the effective corporate management and governance of the Council
Internal Audit	<ul style="list-style-type: none"> ○ Set overall internal audit strategy to meet the Council's overall strategic direction ○ Undertake an annual programme of audits ○ Present progress reports against the plan ○ Make recommendations for improvement in systems and controls and value for money

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Performance and Programme Board (includes senior officers of the council from Management Team)	<ul style="list-style-type: none"> ○ Monthly review of projects including: <ul style="list-style-type: none"> ○ Progress against milestones ○ Resource allocation ○ Risks ○ Performance measures ○ Evaluation of new and emerging projects ○ Monthly review of budget, performance and risk management ○ Consider issues arising out of: <ul style="list-style-type: none"> ○ the assurance statements ○ review of risk registers
Risk Management Group	<ul style="list-style-type: none"> ○ Officer meetings (membership drawn from service areas) to review operational risks, business continuity, insurance and any other governance and risk areas
Service Managers & Heads of Service	<ul style="list-style-type: none"> ○ Complete Quarterly Assurance statements covering: Risk Management; Staff - PDRs, risk and fraud awareness, and awareness and access to core governance documents and guidance; Health Safety; Business Continuity; External reviews; and performance monitoring arrangements

Internal Audit:

In accordance with the Accounts and Audit Regulations and CIPFA Code of Practice on Internal Audit, the Council's Head of Internal Audit (HIA) is required to provide an opinion on the overall adequacy and effectiveness of the Council's risk management, control and governance processes. In particular, we have been advised by the HIA of the issues highlighted in his Annual Report to the Governance & Audit Committee in June 2012 and this is set out below.

Internal Audit has completed the program of internal audit work for the year ended 31 March 2013 comprising 24 reviews (plus 5 advisory reviews and 3 follow-up reviews. Overall, this resulted in 16 'Substantial' assurance opinions (green), 5 'Reasonable' assurance opinions (amber) and 3 'Limited' assurance opinions (red). From the 24 reports a total of 112 recommendations were put forward of which all were accepted by management.

Accordingly, based on the work undertaken, the HIA opinion regarding the adequacy and effectiveness of the Council's arrangements for governance, risk management and internal control is as follows:

- **Governance** – the Council received effective assurance in relation to its governance arrangements with a positive green opinion being awarded. The implementation and management agreement to the recommendations raised during the course of the year was an important contributing factor when assessing the assurance opinion on Governance. The HIA noted it was pleasing management appear receptive to recommendations made and work towards implementing and addressing the issues identified and raised within internal audit reports. Three follow up reviews were undertaken during the year which overall resulted in 'good' progress being made to implement audit recommendations.

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- **Risk Management** – the Council received effective assurance. Internal Audit found that Risk Management continues to be embedded within the culture of the Council and there were marked improvements within the area. The advisory review of Risk Management did not identify any major weaknesses. In addition to the advisory review on Risk Management audit were able to confirm the Risk Management culture within the Council through other internal audit work and were satisfied that management understand the importance of identifying and addressing risk. Therefore they were able to grant a green traffic light rating within this area again this year.
- **Control** – The Council has adequate control arrangements; however it was identified some areas where it is considered that the control environment could be improved and recommendations were raised within reports to highlight these areas. Based on the reviews undertaken this resulted in 16 substantial, 5 reasonable and 3 limited assurance opinions. Last year there were no red ratings awarded and five amber assurance ratings awarded. Whilst this year has seen some improvements within areas it has also identified areas within the Council where the control environment is currently considered weak. Management are working towards improving these areas and it is anticipated these controls will have been strengthened and the next internal audit review will identify the strengthened control framework. Overall audit have raised 12 high risk recommendations, 45 medium risk recommendations and 55 low risk recommendations

SIGNIFICANT GOVERNANCE ISSUES

Action Plan

In addition, to the effectiveness review underpinning this Governance Statement it has also identified the following key areas for improvement and these will be addressed during 2013/14. Accordingly, there is a need to:

- Keep under review the relationship between performance and costs with further potential cuts in Government grant funding with an update and refresh of the Medium Term Financial Plan.
- Further improve the learning and development of members and staff - linked to corporate priorities and staff roles in the 'unlocking their potential' programme and People Strategy.
- Strengthen the links between the overarching corporate plan and service delivery plans with the continuation of an annual South Kesteven Business Plan and production of an annual report.
- Continue to improve and strengthen the engagement and service delivery models to meet customer demand and expectation through the development of a Customer Access Strategy.
- Improve the arrangements for tackling fraud by engaging with the Fighting Fraud Locally initiative and production with an Annual report on Counter Fraud.
- Further develop the governance and risk framework by undertaking a review of assurance mapping, risk register formats and reporting to management.

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- Implement any required improvements arising from the Governance and Audit committed effectiveness review action plan
- Keep under review the issues flowing from the Localism Act and consider the impact on the Council's policies and procedures
- Undertake an independent peer review assessment on how well the Council is doing in its overall achievement of its vision and priorities.

Our commitment to continuous improvement

The challenges and changes faced by the Council over the next few years will require the maintenance of sound and effective governance arrangements. The overarching assurance framework, including the Governance & Audit Committee is working well but improvements can still be made to further enhance and mitigate the risks of further significant change and uncertainty.

Against this background, we propose over the coming year to take steps to address all of the above areas where improvement is required to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

We give our assurance that the Council as a whole is committed to continuous improvement and believe that we have established the excellent foundations on which to build further capacity to enable us to continue to further develop and strengthen our governance arrangements.

Signed: **Cllr Mrs L. Neal, Leader of the Council**

Signed: **B. Agass, Chief Executive**

REPORT TO GOVERNANCE AND AUDIT COMMITTEE

REPORT OF: HEAD OF FINANCE

REPORT NO: HOF 238

DATE: 27th June 2013

TITLE:	Annual Report on Treasury Management Activity 2012/13	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	None	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Councillor Mike Taylor Well Run Council Portfolio Holder	
CONTACT OFFICER:	David Scott, Finance Support Manager 01476 406218 Email: d.scott@southkesteven.gov.uk	
INITIAL IMPACT ASSESSMENT:	Carried out and Referred to in paragraph (7) below: N/A	Full impact assessment Required: No
Equality and Diversity		
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	HOF189 – Budget Council 2012/13, HOF212 – Treasury Management Mid-year Review 2012/13 and HOF214 – Treasury Management Strategy Update 2012/13. The above reports can be located by putting their reference number in the search section of the committee website via the link below: http://moderngov.southkesteven.gov.uk/ieDocSearch.aspx?bcr=1	

1. RECOMMENDATION

Members are asked to note and approve the contents of the annual report on Treasury Management Activity for 2012/13.

2. PURPOSE OF THE REPORT

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2012/13. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2012/13 the Council adhered to the suggested minimum reporting requirements as members received the following reports:

- an annual treasury strategy in advance of the year (Council 1st March 2012)
- a mid-year (minimum) treasury update report (Governance and Audit Committee 6th December 2012)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

Governance and Audit Committee has delegated powers from Council to deal with matters relating to the Councils Treasury Management activities. Specifically it has the responsibility to monitor, review and amend as appropriate the Council approved Treasury Management Strategy during the course of the financial year. During the course of 2012/13 the committee has exercised its delegated powers by reviewing and approving an updated Treasury Management Strategy at its meeting on 6 December 2012 (HOF214).

Recent changes in the regulatory environment place a much greater onus on members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

3. DETAILS OF REPORT

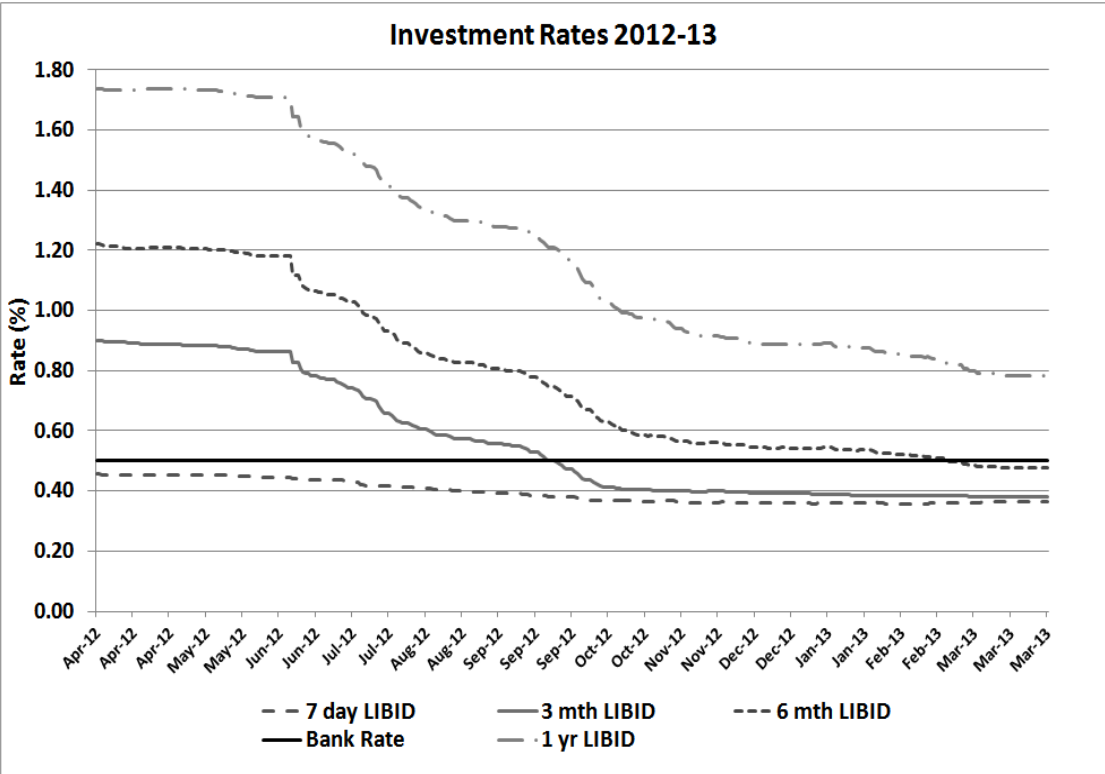
The Economy

The financial year 2012/13 continued the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk. The original expectation for 2012/13 was that Bank Rate would start gently rising from quarter 4 2012. However, economic growth in the UK was disappointing during the year under the weight of the UK austerity programme, weak consumer confidence and spending, a lack of rebalancing of the UK economy to exporting and weak growth in our biggest export market – the European Union (EU). The UK coalition Government maintained its tight fiscal policy stance against a background of warnings from two credit rating agencies that the UK could lose its AAA credit rating. This came to fruition in February 2013 when Moody's downgraded the UK's AAA credit rating one notch to AA+. There was little reaction in the financial markets, as this had been widely anticipated. Fitch put its AAA rating on negative watch in March. Key to retaining this rating will be a return to strong economic growth in order to reduce the national debt burden to a sustainable level, within the austerity

plan timeframe. Weak UK growth resulted in the Monetary Policy Committee increasing quantitative easing of £50bn in July to a total of £375bn. Bank Rate therefore ended the year unchanged at 0.5% while CPI inflation fell from 3% at the start of the year to end at 2.8% in March, with a fall back to below 2% pushed back to quarter 1 2016. The EU sovereign debt crisis was an ongoing saga during the year with first Greece and then Cyprus experience crisis which were met with bailouts after difficult and fraught negotiations.

Interest Rates

The Bank Rate remained at its historic low of 0.5% throughout the year, it has now remained unchanged for four years. Market expectations of the start of monetary tightening were pushed back during the year to early 2015 at the earliest. The Funding for Lending Scheme resulted in a sharp fall in deposit rates in the second half of the year.



During the year the Council experienced short term fixed term investment rates ranging from 1.10% to 3.25%.

Treasury Position at 31 March 2013

A summary of the Councils position as at the 31st March 2013 was as follows:

Actual borrowing position	31 March 2012		31 March 2013	
	Principal	Average Rate	Principal	Average Rate
Fixed Interest Rate Debt	£124.152m	2.960%	£120.930m	2.970%
Capital Financing Requirement	£128.707m		£128.293m	
Over/(Under) borrowing	(£4.555m)		(£7.363m)	
Investment position	31 March 2012		31 March 2013	
	Principal	Average Rate	Principal	Average Rate
Fixed Interest Investments	£26.400 m	1.33%	£26.000 m	1.72%
Variable Interest Investments	£6.605m	0.76%	£7.375 m	0.71%
Total Investments	£33.005m	1.24%	£33.375m	1.17%
Net borrowing position	£91.147m		£87.555m	

The Strategy Agreed for 2012/13

The strategy for 2012/13 was approved by Council on 1st March 2012. A key element of the Treasury Management Strategy report focuses on the Annual Investment Strategy which was updated in conjunction with advice from the Councils Treasury Management advisors on the approach to managing the Councils investments. This section was updated to take into account more information sources to greater assist in selecting counterparties to invest with based on a creditworthiness methodology.

The aim of the updated strategy was to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk whilst providing security of investment and minimisation of risk

These changes were incorporated into an amended Treasury Management Strategy which was approved by Governance and Audit Committee on 6th December 2012.

Borrowing Requirement and Debt

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR) and is summarised below. The Council has ensured borrowing levels to fund capital expenditure have remained with the set levels.

	31 March 2012 Actual	31 March 2013 Estimated	31 March 2013 Actual
CFR General Fund (£m)	£4.534m	£4.476m	£4.482m
CFR HRA (£m)	£124.173m	£124.480m	£123.811m
Total CFR	£128.707m	£128.956m	£128.293m

Actual debt management activity during 2012/13

Long Term Borrowing – There was no additional long term borrowing in 2012/13. The long term debt outstanding as at 31 March 2013 was £119.930m of which £118.430 is in relation to the HRA self financing payment and £1.5m PWLB (Public Works Loan Boards) loans.

Short-Term/Temporary Borrowing – The short term borrowing that was outstanding as at 31 March 2013 was £1.0m.

Debt rescheduling - No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Investment Outturn for 2012/13

Investment Policy – The Council's investment policy is governed by Communities for Local Government (CLG) Guidance, which has been implemented in the annual investment strategy approved on 1st March 2012 and subsequently revised on 6th December 2012. The investment activity during the year complied with the approved strategy.

As at 31 March 2013 the Council held only short term investments of £33.375 million which is compliant with the Council's policy to hold not more than 25% of investments as long term.

Short Term Fixed Deposits – In the year short term fixed deposits were made on 9 separate occasions for amounts ranging from £1 million to £4 million. £26 million of deposits were being lent out as at 31 March 2013. There was also £7.375m being invested in instant access deposit accounts including Money Market Funds.

Long Term Fixed Deposits – In the year there were no long term fixed deposits made.

The average rate of our portfolio is 1.17%, compared with a budget assumption of average investment balances of £29.706m at 1.5% investment return. Whilst overall the performance rates were lower due to the depressed markets the actual amount of investment income generated was £649k compared to the budget figure of £502k. This is due to the average investment balance being higher than anticipated and it was only in the 4th quarter that the average interest rate dropped due to the maturity of some investments with higher interest rates ranging from 1.35% to 3.10%.

Performance Indicators set for 2012/13

This service has set the following performance indicators:

- Debt – Average rate movement year on year
 - 2011/12 of 2.960% compared with 2012/13 average rate of 2.970%
- Investments – Internal returns above the 7 day LIBID rate
 - The Council exceeded the target 7 day LIBID rate of 0.39% through achieving average returns on short term deposits of 1.17%.

Appendix 1 provides more details of the prudential and treasury indicators for 2012/13

As part of role performed by our treasury advisors we are also provided with benchmarking comparative information across all their clients which helps the council understand how its investment portfolio is performing in relation to others. The table below shows for each quarter analysis our average weight of return was higher when compared to other district councils along with managing the risk. This reflects the positive work undertaken within the team to maximise our investment returns whilst balancing the exposure to risk.

Quarter ending	SK WARoR*	District WARoR*	SK WARR**	District WARR**
Q1 – June 2012	1.59%	1.33%	2.7%	3.4%
Q2 – Sept 2012	1.79%	1.34%	2.6%	3.4%
Q3 – Dec 2012	1.81%	1.22%	2.7%	3.1%
Q4 – Mar 2013	1.65%	1.34%	3.1%	3.3%

*WARoR – average rate of return

**WARR – average rate of risk

Expected Future Activity

The treasury advisors view is for the bank rate to remain at 0.5% until March 2015 when it is anticipated that it will increase to 0.75%. Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely during 2013/14 as investor fears and confidence, ebb and flow, between favouring more risky assets i.e., equities, and safer bonds. Equity prices have staged an ongoing rise since mid 2012. Correspondingly, there had been a trend of a fall in bond prices and a rise in bond yields, until the Cyprus crisis reversed this trend in late February.

The overall balance of risks to economic recovery in the UK remains weighted to the downside. Our advisors believe that the longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. However, near-term, the prospect of further QE (Quantitative Easing) is likely to keep gilt yields lower than they are likely to view the beneficial effects of further QE as being exhausted, could lead to the reversal of this effect.

Given the week outlook of economic growth, the prospects for any increase in Bank rate before 2015 are very limited indeed, and the first increase could be even further delayed if growth disappoints.

Locally an updated Treasury Management Strategy for 2013/14 was presented to Council on the 1st March 2013 taking into consideration the current and future economic climate, whilst maintain the balance between Risk and Returns.

It its prudent to bring to members attention that some of the rates the Council has been achieving are based on deals placed in excess of 12 months ago which have attracted preferential rates at the time of placing these investments. As these mature we are seeing current investments rates being offered at much lower rate of return coupled with base rate remaining low will mean the income levels for 2013/14 will be lower. This is reflected in the budgeted level of investment income of £565k compared to the £649k achieved in 2012/13.

Summary

Despite a very challenging year given the continued nature of the economic climate the Council's Treasury Management functions have operated effectively during 2012/13 and have successfully achieved the following;

- Repayment of principals have been secured in all deposits;
- Council's cash liquidity requirement has been met throughout the financial year;
- Investment income levels have been higher than predicted;
- Complied with all prudential indicators set for 2012/13;
- Robust management of the Council's debt position;
- Performance Indicators set for 2012/13 have been achieved.
- Benchmarking information shows we are achieving a higher average weight of return compared to the group average.

4. OTHER OPTIONS CONSIDERED

None

5. RESOURCE IMPLICATIONS

These are stated in the report.

6. RISK AND MITIGATION (INCLUDING HEALTH & SAFETY AND DATA QUALITY)

Risk has been considered as part of this report and no exceptional / high risks have been identified

7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT

None

8. CRIME AND DISORDER IMPLICATIONS

None

9. COMMENTS OF FINANCIAL SERVICES

These are included in the report.

10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

This report provides details of the Councils performance in respect of Treasury Management against policy set out as part of the Budget and Policy Framework. Members should note the performance and scrutinise any elements to assist the role of the Governance and Audit Committee in its review of the Treasury Management Strategy.

11. COMMENTS OF OTHER RELEVANT SERVICE MANAGER

None

12. APPENDICES:

Appendix 1 – Prudential and Treasury Indicators 2012/13

APPENDIX 1 – PRUDENTIAL AND TREASURY INDICATORS 2012/13

During 2012/13, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	2011/12 Actual £000	2012/13 Estimated £000	2012/13 Actual £000
Capital expenditure			
• General Fund	£2.639m	£6.477m	£5.534m
• HRA	£4.717m	£4.411m	£4.835m
• Total	£7.356m	£10.888m	£10.369m
Capital Financing Requirement:			
• General Fund	£4.534m	£4.476m	£4.482m
• HRA	£2.159m	£124.480m	£123.811m
• HRA due to housing finance reform (<i>if applicable</i>)	£122.014m	£0.000m	£0.000m
• Total	£128.707m	£128.956m	£128.293m
Net borrowing	£91.147m	£95.148m	£87.555m
External debt	£124.152m	£122.484m	£120.930m
Investments			
• Longer than 1 year	£3.000m	n/a	£0.000m
• Under 1 year	£30.005m	n/a	£33.375m
• Total	£33.005m	n/a	£33.375m

Net borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2012/13 plus the expected changes to the CFR over 2012/13 and 2013/14 from financing the capital programme. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2012/13.

The authorised limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The table below demonstrates that during 2012/13 the Council has maintained gross borrowing within its authorised limit.

The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2011/12 post housing finance reform	2012/13
Authorised limit	£148.0m	£148.0m
Maximum gross borrowing position	£145.5m	£145.5m
Operational boundary	£133.0m	£133.0m
Average gross borrowing position	n/a	n/a

Ratio of financing costs to net revenue stream	31 March.2012 actual	2012/13 original limits	31 March.2013 Actual
General Fund	(0.51%)	(1.04%)	(2.87%)
HRA	(0.60%)	20.95%	15.23%

TABLE 1	31 March 2012 Principal	Rate/ Return	31 March 2013 Principal	Rate/ Return
Total debt	£124.152m	2.960%	£120.930m	2.970%
CFR	£128.707m		£128.293m	
Over/ (under) borrowing	(£4.555m)		(£7.363m)	
Total investments	£33.005m	1.24%	£33.375m	1.17%
Net debt	£91.147m		£87.555m	

The maturity structure of the debt portfolio was as follows:

	31 March.2012 Actual	31 March.2013 Actual
Under 12 months	£0.000m	£1.000m
12 months and within 24 months	£1.000m	£0.500m
24 months and within 5 years	£0.500m	£1.000m
5 years and within 10 years	£26.000m	£25.000m
10 years and above	£96.652m	£93.430m

The exposure to fixed and variable rates was as follows:

	31 March 2012 Actual	31 March 2013 Actual
Fixed rate (principal or interest)	£26.400m	£26.000m
Variable rate (principal or interest)	£6.605m	£7.375m

REPORT TO GOVERNANCE AND AUDIT COMMITTEE

REPORT OF: HEAD OF FINANCE

REPORT NO: HOF241

DATE: 27 June 2013

TITLE:	Risk Management Annual Report 2012/13 and Risk Register Update	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	None	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Councillor Mike Taylor Well Run Council Portfolio Holder	
CONTACT OFFICER:	David Scott Finance Support Manager (Finance and Risk) d.scott@southkesteven.gov.uk Tel: (01476) 406218	
INITIAL IMPACT ASSESSMENT:	Carried out and Referred to in paragraph (7) below: N/A	Full impact assessment Required: No
Equality and Diversity		
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	HOF224 – Risk Management Update including Corporate Risk Register 14 March 2013 The above reports can be located by putting their reference number in the search section of the committee website via the link below: http://moderngov.southkesteven.gov.uk/ieDocSearch.aspx?bcr=1	

1. RECOMMENDATION

The Governance & Audit Committee is requested to:

- i) note the contents of this report

2. PURPOSE OF THE REPORT

In accordance with the terms of reference of the Committee it is a requirement to produce an annual report on the risk management arrangement in place and activities undertaken. The report being presented covers the 2012/13 period and details the various aspects of work delivered during the course of the year.

3. DETAILS OF REPORT

Risk Management Strategy

Risk management, including the implementation of the strategy, is a key element of the Council's overall governance arrangements. In March 2013 the Strategy was reviewed, updated and the methodology aligned with current best practice. This brought together all key processes involving risk at corporate and service level, including partnerships, project management, health and safety and business continuity etc. It also sought to clarify the various roles, responsibilities and governance structures. The Strategy was approved by Committee at the March meeting and the next update of this strategy is likely to be undertaken in 2015 to ensure it remains fit for purpose and in line with the Councils risk management requirements.

Risk Management Advisory Review

During the course of the year, and as part of the internal audit work plan for 2012/13, an advisory review was undertaken on the effectiveness of the risk management arrangements in place across the Council. The review took into account all aspects of how the Council manages risk. As part of the review internal audit identified that the Council has continued to monitor its Corporate and Service risks as part of a formalised process and that changes in the Service risk profile have been reported where appropriate for consideration on the Corporate Risk Register, showing that the Council has a level of understanding between the relationship between its risks.

In summary, a positive conclusion was given overall on how the Council is managing risk effectively and reflects the resource and focus allocated to this area over the past year. The report itself was presented to the committee at its meeting in March 2013.

Risk Management Group

There is an internal officer group which has been established which alongside risk management, issues relating to Internal Audit, Insurance, Counter Fraud and Governance are also considered at Risk Management Group as they are all integral elements for service areas in managing their risk profile.

During the year the group has looked a number of areas such as considering the updated Internal Audit Protocol where audit attend the group to take them through the updates to ensure officers are fully aware of the expectations and requirements for engaging with Internal Audit. An overview of insurance claims management was also provided which focused on some workshops around managing claims to ensure efficient and effective claims handling within the current economic climate.

Guidance and Support

During 2012/13 the Council continued to support and provide guidance to officers on the approach to risk management. Risk awareness training continues to feature in the corporate training programme for all new staff to ensure that they have an awareness of the Authority's attitude to risk management and an understanding of the methodology used.

Service Risk Register

A refresh exercise on service risks was undertaken with Service Managers in July 2012. The exercise assessed if:

- a) All the previous risks identified were still relevant
- b) How well those risks were being managed and what controls were in place
- c) There were any emerging risks that needed to be included

The review covered both the '*business as usual*' and '*exceptional risks*'. The exceptional risks are those risks which are scored as high or they may be a new risk to the service which is causing sufficient concern to warrant inclusion on the Exceptional Service Risk Register which is further discussed at Risk Management Group. The risks are also being managed through the Council's corporate risk management system.

A further refresh exercise is currently being undertaken with the Exceptional Service Risk Register due to be presented to the Risk Management Group in July 2013 for peer challenge to ensure the scoring and weighting is in line with other areas. Another further review is planned for November 2013 in preparation for incorporation into the service planning process for 2013/14.

Corporate Risk Register

During the course of the year the Council has established a process for the management of corporate risks to also include project risks. The Committee had sight of the Register at the March meeting and it will continue to be presented to Committee twice a year in March and September.

The Corporate Risk Register is reviewed quarterly by the Performance and Programme Management Board with consideration of any project risks which may warrant inclusion within the Corporate Risk Register and is incorporated into a wider governance and risk report. As part of the continual improvement process the Corporate Risk Register will be expanded to include more detail around the implementation of actions.

Conclusion

Members have been kept informed during the course of the year on the risk management activities being undertaken which this annual report has brought together to provide an overview of the achievements. These include:

- Having in place a 'fit for purpose' Risk Management Strategy
- Internal engagement and guidance for officers through the Risk Management Group
- Continued training and support during the course of the year
- Having in place effective risk management arrangements as independently reviewed by Internal Audit.
- Review and enhancement of both the service and corporate risk register reviews to ensure they are up to date and relevant. This has also involved incorporating project risks within the Corporate Risk Register

In summary, the Council has continued to make good progress in embedding risk management across the Council. 2012/13 has seen the strengthening of arrangements in place with closer working with the Performance & Programme Management Board to ensure continuous improvement. With internal audit supporting the view that the Council has in place effective risk management the focus for the coming year will be to maintain the building blocks put in place.

4. OTHER OPTIONS CONSIDERED

None

5. RESOURCE IMPLICATIONS

This report has no direct impact on the Council's resources, including finance/ budget, people, land/property etc.

6. RISK AND MITIGATION (INCLUDING HEALTH AND SAFETY AND DATA QUALITY)

None

7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT

None

8. CRIME AND DISORDER IMPLICATIONS

None

9. COMMENT OF FINANCIAL SERVICES

These are contained within the report.

10. COMMENT OF LEGAL AND DEMOCRATIC SERVICES

Members of the Committee are responsible on behalf of the Council for monitoring actions taken by Cabinet and the Performance and Programme Monitoring Board to identify corporate business risks and assess whether they are being effectively managed. It is essential they are kept up to date with details of the risks and how they have been mitigated.

11. COMMENTS OF OTHER RELEVANT SERVICE MANAGER

None

12. APPENDICES: