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03 March 2021

To: All Councillors,

As a Member or Substitute of the **Governance & Resources Committee**, please treat this as your summons to attend a meeting on **Thursday, 11 March 2021 at 6.00pm** via the Zoom application. (Joining details will be provided separately).

**Under Regulations made under the Coronavirus Act 2020, the meeting will be held virtually. As a member of the public you can view the virtual meeting via the District Council's website at [www.derbyshiredales.gov.uk](http://www.derbyshiredales.gov.uk) or via our YouTube channel.**

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'James McLaughlin'.

James McLaughlin  
Director of Corporate and Customer Services

## AGENDA

### 1. APOLOGIES/SUBSTITUTES

Please advise the Committee Team on 01629 761133 or e-mail [committee@derbyshiredales.gov.uk](mailto:committee@derbyshiredales.gov.uk) of any apologies for absence and substitute arrangements.

### 2. APPROVAL OF MINUTES OF PREVIOUS MEETING

14 January 2021

### 3. PUBLIC PARTICIPATION

As the Council cannot hold meetings at the Town Hall, Public Participation can only take place using the Zoom application or by written representations. Members of the public are able to comment or ask questions on the items listed in the agenda and must give notice before 12 noon on the day preceding the meeting by:

**Web-form:** [Make your submission here](#)

**Email:** [committee@derbyshiredales.gov.uk](mailto:committee@derbyshiredales.gov.uk)

**Post:** Democratic Services, Derbyshire Dales District Council, Town Hall, Matlock DE4 3NN

The Committee Team will assist any member of the public without access to electronic means by capturing their concerns over the telephone.

**Phone:** 01629 761133 (working days only 9am – 5pm)

Written representations, received by the deadline will be read out at the meeting, verbal contributors will be given instructions on how to join the meeting after giving notice.

All meeting proceedings open to the public will be streamed live on our YouTube channel when all non-exempt items are being considered. Recordings of the meeting will also be available after the event on the District Council's website.

#### **4. INTERESTS**

Members are required to declare the existence and nature of any interests they may have in subsequent agenda items in accordance with the District Council's Code of Conduct. Those interests are matters that relate to money or that which can be valued in money, affecting the Member her/his partner, extended family and close friends.

Interests that become apparent at a later stage in the proceedings may be declared at that time.

#### **5. QUESTIONS PURSUANT TO RULE OF PROCEDURE NUMBER 15.**

To answer questions from Members who have given the appropriate notice.

**Page No.**

#### **6. PROGRESS UPDATE ON THE 2020/21 INTERNAL AUDIT PLAN**

**5 - 24**

To note an update report on the progress in respect of the 2020/21 Internal Audit Plan, the likelihood of a partially Limited Scope annual audit opinion being given due to lack of progress on the 2020/21 plan and the CIPFA guidance "Head of Internal Audit Opinions: Addressing the Risk of a Limitation of Scope."

#### **7. INTERNAL AUDIT RESOURCE CONSIDERATIONS AND THE 2021/22 OPERATIONAL PLAN**

**25 - 34**

To note a report on the requirement for additional audit resources and (subject to the approval of the draft revenue budget for 2021/22) to consider approval that authority be delegated to the Director of Resources to increase audit resources sufficient to meet the Council's Internal Audit Operational Plan for 2021/22 and beyond. Also, to consider agreement that the Internal Audit Plan is based on an increased level of resource for 2021/22.

#### **8. EXTERNAL AUDIT REPORT**

**35 - 52**

To note a report providing an update on the conclusion of audit issues relating to the 2019/20 Statement of Accounts, an update on progress in the external auditors delivering their responsibilities for the audit of the 2020/21 Statement of Accounts and a summary of key national publications that may be of interest to Members.

- |            |   |                  |
|------------|---|------------------|
| <b>9.</b>  | <b>EXTERNAL AUDIT STRATEGY MEMORANDUM FOR THE 2020/21 ACCOUNTS</b>  | <b>53 - 87</b>   |
|            | To note a report on the External Audit Plan for the 2020/21 accounts.   |                  |
| <b>10.</b> | <b>ARREARS FOR WRITE OFF</b>  | <b>88 - 93</b>   |
|            | To note a report on debtor write offs authorised by the Director of Resources, under delegated authority, in accordance with Regulation B7(a) of the Council's Financial Regulations.   |                  |
| <b>11.</b> | <b>RISK MANAGEMENT – CHIEF EXECUTIVE'S ANNUAL REPORT &amp; UPDATED RISK MANAGEMENT POLICY AND STRATEGY</b>  | <b>94 - 121</b>  |
|            | To consider a report seeking approval of the District Council's risk management arrangements and the Risk Management Strategy and Policy 2021-2023.   |                  |
| <b>12.</b> | <b>COVID-19 ORGANISATIONAL AND EMPLOYEE IMPACTS</b>   | <b>122 - 126</b> |
|            | To consider a report acknowledging the organisational impacts arising from the corporate response to the COVID-19 pandemic. The report also seeks to delegate authority to the Chief Executive, to make extra hours payments and make payments in lieu of annual leave to employees who have been directly involved in essential work required to deliver the corporate response. |                  |
| <b>13.</b> | <b>FINANCIAL MANAGEMENT CODE</b>  | <b>127 - 151</b> |
|            | To note a report providing an overview of the Financial Management Code and the progress towards complying with its standards.  |                  |
| <b>14.</b> | <b>ASSET MANAGEMENT PLAN –LAND HOLDINGS REVIEW PHASE 1</b>  | <b>152 - 170</b> |
|            | To receive a report detailing Phase 1 of an ongoing review of the Council's land and property assets in accordance with the Asset Management Plan. Also to consider approval for the District Council's legal and surveyors' costs, in respect of sites 1, 2 and 3, be met either directly or by way of a buyers' premium.  |                  |
| <b>15.</b> | <b>EXCLUSION OF PUBLIC AND PRESS</b>  |                  |
|            | At this point the Committee will consider excluding the public and press from the meeting for the remaining item of business for the reasons shown in italics.  |                  |
|            | <i>(The following report is exempt because it contains information relating to any particular person including the Council and the business affairs of the Council.)</i>  |                  |

**16. EXEMPT REPORT - LAND AT BAKEWELL ROAD, MATLOCK: 171 - 175  
PROPOSED CONVERSION OF MATLOCK MARKET HALL – VACANT  
POSSESSION ARRANGEMENTS**

To consider approval that a commercial settlement, on the terms outlined in paragraph 2.4 of the report, be agreed such, that an existing operator can vacate the Market Hall by agreement on or before 30th April 2021.

Members of the Committee - Councillors Jacqueline Allison, Robert Archer, Sue Bull (Chair), Neil Buttle, David Chapman (Vice Chair), Paul Cruise, Tom Donnelly, Steve Flitter, Alyson Hill, Susan Hobson, Michele Morley, Garry Purdy, Mike Ratcliffe, Peter Slack, Alasdair Sutton and Colin Swindell

Substitutes – Councillors Jason Atkin, Mathew Buckler, Richard FitzHerbert, Helen Froggatt, Chris Furness, David Hughes, Peter O'Brien, and Steve Wain.

GOVERNANCE & RESOURCES COMMITTEE  
11 MARCH 2021

Report of the Director of Resources

## **PROGRESS UPDATE ON THE 2020/21 INTERNAL AUDIT PLAN**

### **PURPOSE OF REPORT**

To present for members' information a progress update in respect of the 2020/21 Internal Audit Plan.

### **RECOMMENDATIONS**

1. That the report be noted
2. That the likelihood of a partially Limited Scope annual audit opinion being given due to lack of progress on the 2020/21 plan be noted.
3. That the CIPFA guidance "Head of Internal Audit Opinions: Addressing the Risk of a Limitation of Scope" be noted.

### **WARDS AFFECTED**

None

### **STRATEGIC LINK**

Internal Audit's service aims and objectives are the provision of an independent service, which objectively examines, evaluates and reports to the Council and its management on the adequacy of the control environment. This contributes to the Council's core values of being open and transparent when making decisions and using public resources ethically and responsibly.

## **1 BACKGROUND**

- 1.1 The 2020/21 Operational Audit Plan was approved by the Governance and Resources Committee on the 12<sup>th</sup> March 2020. The plans provide a framework by which service functions are reviewed to test and report on the adequacy and effectiveness of risk management systems and the internal control environment within the Council.
- 1.2 This report details progress made on the 2020/21 internal audit plan and presents the results of the internal audit review undertaken since the last meeting.

## **2 REPORT**

- 2.1 Attached, as Appendix 1, is a summary of reports issued from the middle of October 2020 to the middle of February 2021.
- 2.2 Reports are issued as Drafts with five working days being allowed for the submission of any factual changes, after which time the report is designated as a Final Report. Fifteen working days are allowed for the return of the Implementation Plan.

- 2.3 The Appendix shows for each report a summary of the level of assurance that can be given in respect of the audit area examined and the number of recommendations made / agreed where a full response has been received.
- 2.4 The assurance provided column in Appendix 1 gives an overall assessment of the assurance that can be given in terms of the controls in place and the system's ability to meet its objectives and manage risk in accordance with the following classifications.

<b>Assurance Level</b>	<b>Definition</b>
<b>Substantial Assurance</b>	There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.
<b>Reasonable Assurance</b>	The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed.
<b>Limited Assurance</b>	Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.
<b>Inadequate Assurance</b>	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives.

- 2.5 Three reports have been issued all with a conclusion of "Substantial" Assurance. Four recommendations have been made and agreed by management. One of these reports was in relation to climate change which is attached at Appendix 2 as members have previously requested sight of this report.
- 2.6 In respect of the audits being reported, no fraud was identified.
- 2.7 Due to COVID-19, DDDC's senior internal auditor has largely been redeployed to aid management implement the process and procedures for the payment of small business grants and discretionary business grants. This has involved completing fraud risk assessments and investigation of any potential frauds.
- 2.8 At the time of last reporting to this committee in November 2020 it was expected that the Senior Auditor would be returning to internal audit work full time and it was highlighted that if this did not happen then it would impact on the level of assurance that could be given. However, since then management decided that the skills and expertise of the senior auditor were critical to being able to implement the various business grant schemes in a timely and accurate manner. This has severely impacted on the level of internal audit work undertaken November 2020 to date. However, a temporary officer has now been appointed to process business grants etc. allowing the senior auditor to largely return to audit work for the remainder of the year.
- 2.9 Appendix 3 details the audits undertaken to date, audits in progress, audits it is hoped to complete by the end of March 2021 and audits unlikely to be completed. It can be seen that many areas within the plan will not be completed this year. Areas that have not been completed will be considered for inclusion in the 2021/22 internal audit plan on a risk basis. The circumstances this year mean that the future frequency of review of audit areas will be reduced unless action is taken. The Corporate Leadership team has been

consulted in respect of the resource level of internal audit and this is discussed further in a separate report relating to the 2021/22 internal audit plan.

- 2.10 At the end of November 2020 CIPFA issued a guidance note – Head of Internal Audit Annual Opinion: Addressing the Risk of a Limitation of Scope (Appendix 4). A limited scope opinion should be given if sufficient work has not been completed to be able to provide the relevant assurances. This should not be confused with an adverse opinion which is given if procedures and processes are inadequate.
- 2.11 There is no formula to determine what constitutes sufficient work to give an unlimited opinion, this is left up to professional judgement.
- 2.12 Given the internal audit work completed to date this year and the work it is expected that will be completed by the end of March 2021 it is highly likely that a partially limited internal audit annual opinion will be necessary.
- 2.13 This will need to be reflected in the Annual Governance Statement and may also impact on compliance with the Public Sector Internal Audit Standards and external audits opinion on value for money arrangements.
- 2.14 It is important moving forward that there is sufficient internal audit resource available in order that independent assurance can be given to managers and Members in relation to Governance, risk management and control. This issue is addressed in a separate report in respect of the 2021/22 internal audit plan.

### **3 RISK ASSESSMENT**

#### **3.1 Legal**

There are no legal considerations arising from the report.

#### **3.2 Financial**

There are no financial considerations arising from the report.

#### **3.3 Corporate Risk**

There is a risk that a lack of independent assurance mean that weaknesses in governance, risk and control go undetected. This in turn will need to be reflected in the Annual Governance Statement and may impact on external audits conclusions. Internal audit may also struggle to confirm compliance with the Public Section Internal Audit Standards.

### **4 OTHER CONSIDERATIONS**

- 4.1 In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property.

### **5 CONTACT INFORMATION**

- 5.1 Karen Henriksen - Director of Resources  
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Email: [karen.henriksen@derbyshiredales.gov.uk](mailto:karen.henriksen@derbyshiredales.gov.uk)

5.2 Jenny Williams - Internal Audit Consortium Manager  
Telephone: 01246 959770  
Email: [jenny.williams@chesterfield.gov.uk](mailto:jenny.williams@chesterfield.gov.uk)

## **6 BACKGROUND PAPERS**

6.1 None

## **7 ATTACHMENTS**

7.1 Appendix 1 – Summary of Internal Audit Reports Issued 17<sup>th</sup> October – 12<sup>th</sup> February 2021.

7.2 Appendix 2 – Climate Change Report

7.3 Appendix 3 – Progress on the 2020/21 Internal Audit Plan

7.4 Appendix 4 – CIPFA discussion document – Head of Internal Audit Annual Opinions: Addressing the Risk of Limitation of Scope



## **DERBYSHIRE DALES DISTRICT COUNCIL**

### **Internal Audit Consortium - Report to Governance and Resources Committee**

#### **Summary of Internal Audit Reports Issued 17<sup>th</sup> October 2020 – 12<sup>th</sup> February 2021**

Report Ref	Report Title	Scope and Objectives	Overall Opinion	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
D003	Climate Change	To ensure that a strategy and action plan have been adopted that meet the Council's aims and objectives.	Substantial	13/11/2020	4/12/2020	1M	1
D004	Council Tax	To ensure that bills are raised promptly and accurately and that there are debt collection procedures in place where appropriate (COVID affected)	Substantial	17/11/2020	8/12/2020	2M	2
D005	National Non Domestic Rates	To ensure that bills are raised promptly and accurately. To review collection procedures in the light of COVID-19	Substantial	11/2/2021	4/3/2021	1M	1



<b>Subject:</b>	<b>Climate Change</b>
<b>Date of Issue:</b>	<b>13<sup>th</sup> November 2020</b>
<b>Assurance Level Provided:</b>	<b>Substantial Assurance</b>

<b>Report Distribution:</b>	<b>Chief Executive Director of Regulatory Services Director of Resources</b>
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## **1.0 Introduction**

- 1.1 In accordance with the 2020/21 Internal Audit Operational Plan a review of the Council's approached to climate change action has been undertaken.

## **2.0 Scope and Objectives**

- 2.1 The scope of the audit was to review

- Compliance with legislation / government guidance
- The adoption of a strategy / other key documents
- The experience of the working group / staff responsible
- The setting and monitoring of KPI's
- Reporting to Members / relevant parties
- Communications with stakeholders
- Incorporation into procurement decisions / documentations

- Budgets / ensuring that sufficient funds have been identified to implement the action plan
- Partnership working

### **3.0 Conclusion**

- 3.1 The overall conclusion of the audit was that the reliability of the internal controls operating in the system reviewed was assessed as **substantial assurance** (There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed). – See appendix 1 for classifications.
- 3.2 From the evidence reviewed as part of this audit the Council have shown a strong commitment to dealing with climate change. It is apparent that this commitment is supported by Members and is prominently detailed within the corporate plan and relevant service plans.

### **4.0 Findings and Recommendations**

#### **4.1 Compliance with legislation / government guidance**

- 4.2 In June 2019, parliament passed legislation requiring the government to reduce the UK's net emissions of greenhouse gases by 100% relative to 1990 levels by 2050. Doing so would make the UK a 'net zero' emitter. Prior to this, the UK was committed to reducing net greenhouse gas emissions by at least 80% of their 1990 levels, also by 2050
- 4.3 There is no statutory duty for the Council to reduce emissions however morally and reputationally doing nothing would have an extremely detrimental effect on the Council.
- 4.4 On the 30<sup>th</sup> May 2019 the Council unanimously declared a climate change emergency. The Council pledged to: -
- Declare a climate change emergency
  - Make Derbyshire Dales District Council carbon neutral by 2030
  - Call on the UK Government to provide the powers and resources to make the 2030 target possible
  - Work with partners across the county and region to deliver this new goal through all relevant strategies
  - Report back to Council within six months the actions the Council will take to address this emergency

#### **5.0 Adoption of a strategy / other key documents**

- 5.1 The Council formally adopted a Climate Change Strategy (2020 – 2030) and action plan on 8<sup>th</sup> October 2020.

- 5.2 The action plan states that the Council's goal is to become net neutral by 2030 and to achieve this greenhouse gases are required to be reduced. The action plan states that this can be achieved by; emission reduction, low-carbon generation, carbon sequestration and carbon offsetting.
- 5.3 A number of recommendations were made as part of the action plan to assist with Council reaching its target. These were: -
- Energy efficiency projects (which are the most immediate, cost effective options) are addressed within the first two years i.e. by 2021-22, leading to a 15% reduction in electricity and a 5% reduction in gas.
  - Matlock Town Hall boilers are replaced with biomass equivalent in Summer 2021
  - Heating at Bakewell Pavilion and Northwood Depot is electrified by 2021/22, and Bakewell ABC in 2022/23.
  - Roof mounted solar PV is installed on Northwood Depot and Bakewell ABC in 2022/23.
  - Additional renewable electricity generation equivalents to 2MW solar PV array is installed in 2024-25.
  - The fleet (up to LGV size) is electrified by 2025.
- 5.4 The Council along with 7 other District Council's and DCC have pledged to work together to tackle climate change and a Derbyshire wide Environment and Climate Change Framework has been produced.
- 5.5 It was agreed at the Risk Continuity Group meeting held on the 12<sup>th</sup> October 2020 that Climate Change would be added to the strategic risk register.

## **6.0 The experience of the working group / staff responsible**

- 6.1 A climate change working group has been established and is made up of 6 members (covering all political parties) and senior management. The group has the ability to call upon external expertise and may co-opt members to assist with the progression of the climate change strategy.
- 6.2 On 8<sup>th</sup> October Members gave approval for the recruitment of a Climate Change Officer to be recruited on a 5 year fixed term contract. At the time of the audit a job description and person specification had been written and were due to be job evaluated prior to the position being advertised.

## **7.0 The setting and monitoring of KPIS's**

- 7.1 The corporate plan for the period 2020-24 contains 3 distinct headlines; People, Place and Prosperity. Contained within the place section of the corporate plan it states that the Council will:
- Achieve net zero carbon emissions from District Council operations by 2030.

- Work with partners across the county and region to deliver this new goal through all relevant strategies.

This will be achieved by:

- Preparing and Implementing a Climate Change Strategy.
- Preparing and adopting a Supplementary Planning Document on Climate Change.
- Implementing a programme of Electric Vehicle charging points in our car parks

7.2 Specific actions to assist in the completion of the climate change action plan have been made for 2020/21. Six actions relating to climate change have been documented. At the end of quarter 2, 3 actions were complete, 3 actions had been partially completed.

7.3 Updates on the progress on the corporate plan are reported to CLT on a quarterly basis and members every six months.

## **8.0 Reporting to Members / relevant parties**

8.1 All reporting is via the Climate Change Working Group that includes Members. Climate change is considered for all committee reports that are presented to Members. It is envisaged that when a Climate Change Officer is appointed further advice will be given to officers writing reports on how to fully consider climate change within their reports.

## **9.0 Communications with Stakeholders**

9.1 The Council's website was reviewed. It was confirmed relevant and timely articles had been published in relation to the Council's response to climate change including the publication of the strategy and action plan.

9.2 The Dales Matters publication which is circulated to all households also informed residents that the Council have declared a climate change emergency.

9.3 Employees are kept up to date with core briefing sessions and the publication of organisational updates which have included climate change,

## **10.0 Incorporation into procurement decisions / documentation**

10.1 The current procurement strategy was written prior to the Council declaring a climate change emergency and the adoption of the climate change action plan.

10.2 The strategy does state that environment benefits will be taken into consideration during the procurement process and that sustainability issues / scope to improve the environment will also be considered.

- 10.3 Although the procurement strategy does highlight environmental considerations improvements could be made to give a stronger emphasis to the Council's commitment to become net neutral by 2030.

	<b><u>Recommendation</u></b>
<b>R1</b>	The Procurement strategy should be reviewed and updated to ensure a strong emphasis is placed on the Council's commitment to reduce carbon emissions and become net neutral by 2030. Tender scoping documents and the evaluation process must ensure that climate change is considered in each procurement process <b>(Priority: Medium)</b>

## **11.0 Budgets / ensuring that sufficient funds have been identified to implement the action plan**

- 11.1 There is currently a costs centre for climate change, but has a small budget which has been utilised to procure the consultancy service used to produce the strategy and action plan.
- 11.2 The recently approved climate change strategy has highlight significant financial investment is required by the Council to achieve its net carbon goal by 2030. An estimated cost of £2.5 million has been identified by the specialist consultants that compiled the strategy and action plan.
- 11.3 From a review of the updated draft capital programme which is to be reported to Council in November 2020 it was noted that projected spend associated with the implementation of the climate change action plan have been included. A total of £2.7m of investment has been identified. Funding of these projects is yet to be determined but is anticipated that bids for funding from central government schemes will be undertaken and internal borrowing could also be an option considered to finance the projects.

## **12.0 Partnership working**

- 12.1 The Director of Regulatory Services is a member of the Climate Change Officer Working Group which is headed by a representative from DCC. The group discuss updates from any other local authorities on climate change, themes emerging and receive updates from the Midlands Energy Hub. Members of the group have pledged to work together to tackle climate change and provide leadership across Derbyshire.
- 12.2 The Council also consult and engage with local climate change action groups; Derbyshire Climate Coalition and Derbyshire Dales Climate Hub.

## **13.0 Acknowledgement**

- 13.1 Internal audit would like to thank the Director of Regulatory Services for his helpful assistance during the completion of this audit.

### Internal Audit Report – Implementation Schedule

<b>Report Title</b>	<b>Climate Change</b>	<b>Report Date</b>	<b>13<sup>th</sup> November 2020</b>
		<b>Response Date</b>	<b>4<sup>th</sup> December 2020</b>

<b>Recommendations</b>		<b>Priority High; Medium ; Low</b>	<b>Agreed Yes or No</b>	<b>Responsibility for Implementation</b>	<b>Target date for Implementation</b>	<b>Comments</b>
<b>R1</b>	The Procurement strategy should be reviewed and updated to ensure a strong emphasis is placed on the Council's commitment to reduce carbon emissions and become net neutral by 2030. Tender scoping documents and the evaluation process must ensure that climate change is considered in each procurement process	<b>Medium</b>	<b>Yes</b>	<b>New Climate Change Project Officer, working with Director of Regulatory Services and Business Support Manager</b>	<b>Requires recruitment to new post, which has not yet been advertised. Suggest July 2021</b>	

Please tick the appropriate response (✓) and provide comments for all recommendations not agreed.

<b>Responsible Officer:</b>	Tim Braund	<b>Date:</b>	14 November 2020
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**Note: In respect of any High priority recommendations please forward evidence of their implementation to the Internal Audit team as soon as possible.**

## **Derbyshire Dales District Council 2020/21 Internal Audit Plan - Progress mid- February 21**

Completed
In Progress
Ongoing
To complete by end March 2021
To carry forward

	Priority	2020/21 Days
<b>Main Financial Systems</b>		
CIPFA Code of Financial Management	M	10
Treasury Management	M	10
Cash and Banking/Petty Cash/Post Opening	M	8
Council Tax	M	15
National Non-Domestic Rates (NNDR)	H	10
Housing and Council Tax Benefits	H	20
<b>Total Main Financial Systems</b>		<b>73</b>
<b>Other Operational Audits</b>		<b>2020/21</b>
Expenses and Allowances	L	8
Refuse Collection Contract	H	8
Illuminations	L	2
Bakewell Agricultural Centre – rents/livestock	L	6
Markets	L	6
Car Parks	H	4
Planning Fees/Building Control	L	10
Improvement Grants	L	8
<b>Total Other Operational Audits</b>		<b>52</b>



<b>Corporate/Cross Cutting</b>		<b>2020/21</b>
Corporate Targets	M	3
CRM / Garden Waste	H	4
Data Protection	M	8
Ethics and Culture	M	10
Freedom of Information	L	6
Climate Change	H	5
Follow up Implementation of Recommendations	H	4
<b>Total Corporate/Cross Cutting</b>		<b>40</b>
<b>IT Systems</b>		<b>2020/21</b>
Cyber security / Network Security	H	3
<b>Total IT Systems</b>		<b>3</b>
<b>Fraud and Corruption</b>		<b>2020/21</b>
National Fraud Initiative	M	4
Recruitment and Selection	L	8
<b>Total Fraud and Corruption</b>		<b>12</b>
<b>Other</b>		<b>2020/21</b>
Election Duties	L	1
Contingency	N/A	15
Financial Advice	N/A	10
<b>Total Other</b>		<b>26</b>
<b>Management Time (IA Consortium Manager)</b>		<b>30</b>
IT Audits by Consortium	H	5
<b>Grand Total</b>		<b>241</b>

## **CIPFA Guidance to Internal Auditors and the Leadership Team and Audit Committee of Local Government Bodies**

### **Head of Internal Audit Annual Opinions: Addressing the Risk of a Limitation of Scope**

#### **Introduction and rationale for the guidance**

The impact of COVID-19 on all the public services has been considerable and for internal auditors it has raised the question of whether they will be able to undertake sufficient internal audit work to gain assurance during 2020/21. This is a key consideration to fulfil the requirement of the Public Sector Internal Audit Standards (PSIAS) for the head of internal audit (HIA) to issue an annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This opinion is in turn one of the sources of assurance that the public body relies on for its annual governance statement.

CIPFA recognises that local government bodies are struggling with considerable challenges and are having to make difficult decisions on how best to use their available staff and financial resources to meet critical needs. However, the professional and regulatory expectations on local government bodies to ensure that their internal audit arrangements conform with PSIAS have not changed. In this difficult situation, heads of internal audit will need to consider whether they can still issue the annual opinion or whether there will need to be a limitation of scope. A limitation of scope arises where the HIA is unable to draw on sufficient assurance to issue a complete annual opinion in accordance with the professional standards. This is an issue not only for the HIA but also for the leadership team and the audit committee who normally rely on that opinion. It may also have wider consequences for stakeholder assessments of the organisation.

While the limitation of scope will only be formally published in 2021 as part of the HIA's annual report, this guidance addresses the importance of early identification of the risk. It suggests mitigating actions to be taken now to avoid a limited scope where possible. If a limited scope does become necessary the guidance suggests possible wording to use in the report.

#### **Status of the CIPFA guidance**

This guidance is prepared by CIPFA for internal auditors working in or for local government in the UK. CIPFA is the Relevant Internal Audit Standard Setter (RIASS) for local government and works with the other UK RIASS<sup>1</sup> to mandate the PSIAS across the public sector. This guidance has been shared with the other RIASS and other members of the Internal Audit

Standards Advisory Board including the Chartered Institute of Internal Auditors. Other sectors should look to the appropriate RIASS for guidance.

1 The Relevant Internal Audit Standard Setters are: HM Treasury in respect of central government; the Scottish Government, the Department of Finance Northern Ireland and the Welsh Government in respect of central government and the health sector in their administrations; the Department of Health and Social Care in respect of the health sector in England (excluding foundation trusts); and the Chartered Institute of Public Finance and Accountancy in respect of local government across the UK.

This guidance is a sector specific requirement for local government in the UK.

## **Key requirements for local government bodies**

The key requirements that heads of internal audit, leadership teams and audit committees should follow are set out below and are supported by additional explanation.

1. The HIA should plan to obtain sufficient assurance to support the annual opinion, taking into account both internal audit work and other sources of assurance. The reliance the HIA is placing on other sources of assurance should be disclosed in the overall opinion.
2. The HIA, leadership team and audit committee should review and discuss internal audit capacity where there are concerns and develop an action plan to mitigate the risk.
3. The HIA should make best use of their audit resources to maximise assurance.
4. Where the HIA considers that a limitation of scope is likely, the leadership team and audit committee should be advised promptly. The HIA should set out the likely consequences assessed and advise on remedial action to avoid a limitation of scope.
5. The HIA annual report should contain a clear explanation of any limitation of scope along with its causes and plans to address the situation going forward.
6. Where the HIA annual report and opinion contains a limitation of scope the authority should state this in the annual governance statement.

## **Detailed guidance to support implementation**

### **Planning adequate assurance to support the annual opinion**

Just as in more normal times the HIA should plan audit work to ensure that sufficient assurance will be available to support the annual opinion. This guidance will not go into details about risk-based audit planning but it emphasises that the professional requirements of PSIAS have not changed. It is likely that internal audit plans will be more fluid than normal as a result of the impact of the pandemic on the organisation. Head of internal audit should already have agreed new audit priorities to cover the new risks and changes from the impact of COVID-19 and that work will provide support for the annual opinion.

CIPFA recognises that the impact of COVID-19 and the capacity of the organisation to respond will vary as a result of a number of factors. Alongside direct internal audit work the HIA can also place reliance on other assurance providers, as set out in PSIAS 250. However

it is important to recognise that the quality and availability of that other assurance may also be impacted adversely by the pandemic in some organisations. These factors are likely to be beyond the control of the HIA.

The factors impacting on the availability of assurance from internal audit and other sources of assurance include:

- the changing risks and impacts on the organisation itself
- whether key governance, risk management and internal control arrangements have deteriorated or been maintained
- changes to the resource base of internal audit, whether staff or budget related
- demands on internal audit for any advisory or non-audit support that will not directly support the HIA opinion
- operational disruptions that impact on the access of internal auditors to key staff, information or systems resulting in greater inefficiency and reduced outputs.

Where an organisation has adopted a comprehensive assurance framework then this may be used by the HIA to support the opinion, if those other sources of assurance are demonstrated to be robust. CIPFA's Financial Management Code (FM Code), which is applicable to all UK local government bodies, has assurance as one of its key principles. Principle C of the FM Code clearly sets out the responsibility of the leadership team to establish and support appropriate arrangements:

**The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.**

The CIPFA *Statement on the Role of the Head of Internal Audit* also emphasises the responsibility of the leadership team for establishing wider frameworks of assurance and accountability.

### **Engagement between the leadership team, audit committee and HIA**

The PSIAS require regular communication and engagement with the leadership team and audit committee on the development of the internal audit plan (PSIAS 2010 and 2020), its execution (PSIAS 2060) and the results of the audit engagements (PSIAS 2400). Each organisation will have its own agreed arrangements in place that will also take into account the terms of reference of the audit committee. The CIPFA *Position Statement on Audit Committees in Local Authorities and Police* (2018) sets out the responsibility for the audit committee to provide oversight of the independence, performance and professionalism of internal audit.

PSIAS 2030 requires the HIA to ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan. If the HIA believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, the consequences must be brought to the attention of the leadership team and audit

committee promptly. The CIPFA *Statement on the Role of the Head of Internal Audit* is clear that to perform their role effectively the HIA must lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively (Principle 4).

It is the responsibility of the organisation's leadership team to provide the HIA with the resources, expertise and systems necessary to perform their role effectively. Therefore it is essential for there to be meaningful engagement between the HIA, leadership team and audit committee. If the HIA has concerns about the quantity or calibre of internal audit resources available or there are other operational barriers to the delivery of the audit plan, they should assess the impact and likely consequences for the annual opinion and work with the leadership team and audit committee to find solutions to bridge the gap.

### **Making effective use of internal audit resources**

When delivering the risk-based audit plan the HIA, supported by the leadership team, should make every effort to make best use of available internal audit resources over the remainder of the year. Possible actions could include:

- Streamlining audit processes to increase capacity.
- Narrowing the focus of audit scopes to examine only key risks
- Filling vacant audit posts, whether permanently, on a temporary basis or buying in audit expertise from an external provider.
- Exploring opportunities for internal secondments or other support for the audit team from non-internal audit staff who can nevertheless undertake some internal audit work. Evaluating any requests for advisory work and prioritising assurance work and advisory work that supports the annual opinion. Avoiding diversion of internal audit staff on to counter fraud work, or other non-core audit work, beyond that which is already accommodated within the plan. Increasing communication with client services to help ensure good co-operation from client services and avoid unnecessary delays in undertaking engagements. Where the internal audit service provides services to partner bodies or on a commercial basis then agreements in place may provide little scope to amend resourcing in the short term.

### **Early identification of a limitation of scope**

A limitation of scope arises where the HIA is unable to draw on sufficient assurance to issue a complete annual opinion. This should not be confused with an adverse opinion, which arises when sufficient work has been completed to enable the HIA to conclude that arrangements are not adequate and effective.

There are three possible scenarios for a limitation of scope:

1. The HIA has obtained insufficient assurance across each of the three aspects of the opinion: governance, risk management and internal control, and is therefore unable to issue an opinion.

2. The HIA has obtained insufficient assurance across one of the three aspects of the opinion. The limitation of scope will be restricted to that aspect only.

3. The HIA has obtained insufficient assurance across a significant subset of risk or area of operation that is material. An example might be where there were significant engagements set out in the plan that the audit service could not complete.

Where one of these situations is a risk then the HIA should take steps to inform the leadership team and audit committee of it as soon as possible and identify the underlying reasons. As part of the discussions with the leadership team and audit committee the HIA should identify the following:

- the extent of limitation of scope that is likely
- the reasons for limitation being necessary
- remedial steps planned or sought to minimise the extent of the limitation
- consequences of not addressing the risk that a limitation of scope will impact on the opinion.

### **Understanding the consequences of a limitation of scope**

The primary consequence is that the leadership team and those charged with governance do not receive independent assurance that the framework of governance, risk management and control is adequate and effective. Without this assurance the organisation should consider the risk of significant control weaknesses, inefficiencies or poor performance remaining unidentified. In addition, opportunities for improvement may be lost. While internal audit can only offer reasonable assurance, not a 100% guarantee, the presence of that reasonable assurance is rightly valued.

Other consequences to consider:

- The organisation will need to highlight the limitation in its annual governance statement when referring to the HIA opinion
- Where the reason for the limitation also results in significant non-conformance with PSIAS during the year, then the HIA must report that as part of the quality assurance and improvement programme (QAIP) (PSIAS 1320). The results of the QAIP must be included in the annual report (PSIAS 2450). CIPFA's view is that if the limitation of scope is so significant that the HIA cannot provide an annual opinion that fulfils the PSIAS requirement then it is likely that there are other areas of non-conformance. Taken as a whole the internal audit service may no longer conform with PSIAS. The internal audit team is only able to state that they conform with the PSIAS if the results of the QAIP can demonstrate that. So if the last EQA concluded that the service conformed, but this year's QAIP demonstrates that the internal audit service does not, then it cannot claim to conform with PSIAS. Non-conformance should be considered for inclusion in the annual governance statement. Non-conformance with the PSIAS should also be taken into account when assessing the strength of assurance and the organisation's compliance with the CIPFA FM Code.

- If the internal audit service bids for or supplies its services to other organisations or partner bodies then losing conformance with the standards may have commercial consequences.
- The organisation's external auditor may take the limitation on the audit opinion or non-conformance with PSIAS into account when reviewing overall governance arrangements under the value for money or best value scope of the external audit. Different external audit arrangements apply across the UK and audit committees may wish to discuss this matter with their local auditors to understand the consequences.
- Internal audit will have a smaller than anticipated knowledge base to support future audit planning. The HIA will need to consider the implications for planning and resources as a consequence.
- Outside bodies who may have looked to the internal audit opinion as evidence for the organisation's sound governance may draw adverse inferences from the reported opinion.

### **Suggested wording of the limitation**

In the annual report the HIA should detail the impact of COVID-19 on internal audit and the underlying causes of the limitation of scope. It should set out steps taken to mitigate or compensate, for example where additional reliance has been placed on other assurance providers.

The PSIAS do not specify the wording to use for the opinion section within the annual report but it should be clearly linked to the PSIAS requirement of *the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control*. The suggested wordings below apply when there is a need to accommodate a limitation of scope

#### **Type of limitation**

The HIA has obtained insufficient assurance across each of the three aspects of the opinion: governance, risk management and internal control, and is therefore unable to issue an opinion.

#### **Suggested wording**

The results of the work carried out by internal audit, taken together with other sources of assurance, are not sufficient to support an HIA annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This opinion is a requirement of PSIAS.

The results of internal audit work concluded during the year and a summary of where it is possible to place reliance on the work of other assurance providers is presented in the annual report but this does not result in a comprehensive opinion.

This limitation of scope has arisen because of... [reasons]

To avoid similar limitations in future the HIA plans to... [actions].

The HIA has obtained insufficient assurance across one of the three aspects of the opinion: governance, risk management and internal control. The limitation of scope will be restricted to that aspect only.

The results of the work carried out by internal audit, taken together with other sources of assurance, are not sufficient to support an HIA annual opinion on the overall adequacy and effectiveness of the organisation's framework of [*specify one of governance, or risk management or control*].

The results of internal audit work concluded during the year and a summary of where it is possible to place reliance on the work of other assurance providers in respect of [*governance or risk management or control*] is presented in the annual report but this does not result in an opinion on this aspect.

[The HIA can then present their opinion on the remaining two aspects required.]

This limitation of scope has arisen because of... [reasons]

To avoid similar limitations in future the HIA plans to... [actions].

The HIA has obtained insufficient assurance across a significant subset of risk or area of operation that is material.

The HIA opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control is [*set out opinion*].

The HIA opinion however must exclude [*specify area excluded*] as there is insufficient assurance available for the HIA to offer reasonable assurance.

This limitation of scope has arisen because of... [reasons]

To avoid similar limitations in future the HIA plans to... [actions].



**GOVERNANCE & RESOURCES COMMITTEE  
11 MARCH 2021**

Report of the Director of Resources

## **INTERNAL AUDIT RESOURCE CONSIDERATIONS AND THE 2021/22 OPERATIONAL PLAN**

### **PURPOSE OF REPORT**

This report informs members that the current resource level of internal audit is not sufficient to be able to continue to provide adequate independent assurance on governance, risk and control processes and seeks authority to increase resources to meet our obligations. The report also seeks approval for the proposed Internal Audit Operational plan for 2021/22 based upon an increased level of resources being approved.

### **RECOMMENDATIONS**

1. That the requirement for additional audit resources be noted.
2. That subject to the approval of the draft revenue budget for 2021/22, authority be delegated to the Director of Resources to increase audit resources sufficient to meet the Council's Internal Audit Operational Plan for 2021/22 and beyond.
3. That the internal audit plan based on an increased level of resource for 2021/22 be agreed.

### **WARDS AFFECTED**

None

### **STRATEGIC LINK**

The Audit Plan supports the Council's Corporate Plan values by reviewing service functions and testing and reporting on service quality, internal control, risk management and governance provisions, ensuring that the Council uses public resources responsibly.

### **1 BACKGROUND**

- 1.1 A key requirement of the Public Sector Internal Audit Standards is that a periodic risk based plan should be prepared that should be sufficiently flexible to reflect the changing risks and priorities of the organisation. The risk based plan should be fixed for a period of no longer than one year, should outline the assignments to be carried out, their respective priorities and the estimated resources needed.
- 1.2 The Public Sector Internal Audit Standards states that the Head of Internal Audit must lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively to be able to provide an opinion on the adequacy and effectiveness of the organisations framework of governance, risk management and control. Members and the leadership team need regular assurance that the organisation has good governance and is effectively managing its risks.

## 2 REPORT

### Internal Audit Resource

- 2.1 During the preparation of the 2021/22 internal audit plan it became clear that the current resource level of internal audit is not sufficient to be able to continue to provide adequate independent assurance on governance, risk and control processes.
- 2.2 Over the last few years it has become increasingly difficult to ensure that all areas of the audit plan are covered within a reasonable time span. The impact of COVID-19 in 2020/21 has greatly exacerbated this situation as many planned audits have not been undertaken due to the Senior Auditor being redeployed to work on business grants. At the current level of resource there is no scope for catching up on areas not completed within a reasonable timeframe and there is no resilience.
- 2.3 Although the Council no longer has a significant housing stock and leisure has been outsourced, the volume of audit work has actually increased. This is due to the fact that internal audit is required to look at all risk areas and not just financial areas and we are continually identifying new risk areas that we need to provide assurance on that didn't previously feature in the plans. For example: -
- Climate Change
  - Safeguarding
  - Health and Safety
  - Social Media
  - Ethics
  - CIPFA Code of Financial Management
  - Committee processes
  - Data protection
  - Business Continuity
  - Transformation programme
  - Cyber crime
  - Sickness absence
  - HR – career development, training, apprenticeships, working from home.
- 2.4 Historically, we have aimed to review high risk areas every year, medium risk areas every 2 – 3 years and low risk areas have decreased from every 3 years to every 5 years. In addition to this, if an area receives an opinion of Limited or Inadequate Assurance then ideally we would review this area again within 2 years.
- 2.5 In terms of the main financial systems we used to complete a full audit of each of these on an annual basis, then we moved to a three year cycle of 1 full audit followed by 2 key control only audits. Current resource levels mean the frequency of coverage would need to reduce to every other year.
- 2.6 The table below demonstrates that there are some low risk areas that we have not reviewed since 2015/16 and currently don't have the capacity to review in 2021/22.

Although classed as low risk there could be control weaknesses within these areas that won't be identified in a timely manner.

Area	Last reviewed	Next review	Ideal
Expenses & Allowances	2015/16	2022/23	2020/21
Cemeteries	2018/19	2024/25	2023/24
Parks	2015/16	2024/25	2020/21
Recycling income credits	2016/17	2024/25	2021/22
Commercial Waste	2015/16	2023/24	2020/21
Bakewell Agricultural Centre	2015/16	2022/23	2020/21
Markets	2015/16	2022/23	2020/21
Land Charges	2016/17	2023/24	2021/22
Election expenses	2015/16	2024/25	2020/21
Improvement Grants	2015/16	2022/23	2020/21
Partnership working	2016/17	2024/25	2021/22
Freedom of Information	2015/16	2023/24	2020/21
Recruitment & Selection	2015/16	2022/23	2020/21

- 2.7 In addition to the table above there are other areas that are **medium** risk where we will not be able to achieve a 2 or 3 year cycle at the current resource level.

Area	Last reviewed	Next Review	Ideal
VAT	2019/20	2024/25	2021/22
Insurance	2018/19	2023/24	2021/22
Leisure Contract Management	2019/20	2022/23	2021/22
Taxi Licenses	2017/18	2022/23	2020/21
Section 106 / CIL	2018/19	2022/23	2021/22
Asset Management	2019/20	2022/23	2021/22
Disaster Recovery	2018/19	2022/23	2021/22
Corporate targets	2019/20	2022/23	2021/22
Procurement	2018/19	2022/23	2020/21
Health & Safety	2019/20	2022/23	2021/22
Data Protection	2020/21	2023/24	2022/23
Safeguarding	2019/20	2023/24	2022/23

- 2.8 The resource levels of internal audit have been discussed with the Corporate Leadership Team. The conclusion reached was that in order to be able to provide adequate independent assurance on governance, risk and control issues the ideal scenario would be to appoint another full time Senior Internal Auditor at scale 9. Over a number of years this would enable a catch up on the backlog of areas and the incorporation of new emerging risk areas.
- 2.9 The cost of another Officer at the same level as the current Officer would be at a salary range of £39,028 - £42,156 including on costs. Pending approval, the cost of this post has been built into the draft revenue budget for 2021/22, which is due to be considered at the Council meeting on 4 March 2021.
- 2.10 This year (2020/21) the Head of Audit's annual opinion (which will be shown in the Annual Governance Statement) is highly likely to be limited to some extent and action is required to prevent this happening in 2021/22.

## Internal Audit Plan

2.11 Appendix 1 details the audits completed in 2019/20 – 2020/21. There are also 2 columns for 2021/22. The first column details the audits that would be possible given the current resource level and the second column details the ideal audit plan. One full time member of staff equates to 206 productive days. To achieve the “ideal” column (green) we would need 392 days (virtually double the current resource level).

2.12 The plan has been prepared taking into account the following factors:-

- The organisational objectives and priorities
- Local and national issues and risks
- The requirement to produce an annual internal audit opinion
- The organisation’s assurance framework
- The internal audit risk assessment exercise covering the financial control and other procedures subject to audit
- The Council's Strategic Risk Register
- The views of the Director of Resources and Corporate Leadership Team.

2.13 A summary is detailed below: -

### Internal Audit Plan 2021/22

Summary	Audit Days Current Resource	Audit Days Ideal Resource
Main Financial Systems	89	119
Other Operational Audits	31	119
Computer / IT Related	16	16
Corporate / Cross Cutting	42	72
Special Investigations & Contingency	15	15
Provision of financial advice	10	10
Fraud and Corruption	2	10
Non audit related	1	1
Management Service	30	30
<b>Grand Total</b>	<b>236</b>	<b>392</b>

## 3 RISK ASSESSMENT

### 3.1 Legal

The core work of internal audit is derived from the statutory responsibility under the Accounts and Audit Regulations 2015 which requires the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing

standards or guidance". Lack of resources to undertake an effective audit puts the Council at risk therefore the legal risk is considered medium.

### 3.2 Financial

The cost of an additional full time post would be £39,028 - £42,156 including on costs. Assuming that an appointment would be made at the bottom of the grade (in line with the Council's policy), the estimated cost of £39,038 has been built into the draft revenue budget for 2021/22, which is due to be considered at the Council meeting on 4 March 2021. Given the Council's current overall financial position, the financial risk of this additional post is assessed as medium. However, it should be noted that if internal audit resources are inadequate, then other financial risks could arise if internal controls cease to be applied and there is no mechanism to review and bring ineffective controls to the attention of management.

### 3.3 Corporate Risk

The lack of an adequate internal audit service could lead to a failure to identify weaknesses in governance, control and risk management processes. If sufficient internal audit work is not completed to be able to provide the relevant assurances then a limited internal audit opinion must be given at the year end. This in turn will have to feed into the Annual Governance Statement, may effect external audits opinion on value for money and could lead to non-compliance with the Public Sector Internal Audit Standards. Members and the Corporate Leadership team would not have independent assurance on governance and risk.

## 4 OTHER CONSIDERATIONS

- 4.1 In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property.

## 5 CONTACT INFORMATION

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## 6 BACKGROUND PAPERS

- 6.1 None

## 7 ATTACHMENTS

- 7.1 Appendix 1 Internal Audit Plans 2019/20 – 2021/22

## Derbyshire Dales District Council Internal Audit Plan

Items shaded red are not expected to be completed in 2020/21

	2019/20 Days	2020/21 Days	2021/22 Current Resource Days	2021/22 Ideal Resource Days	Risk Factor
<b>Main Financial Systems (Priority)</b>					
Main Accounting System (Medium)	9		9	9	Unable to produce an accurate set of accounts / reputational risks
Budgetary Control (Medium)	5		5	5	Lack of control over budgets, overspending(Strategic Risk 1)
CIPFA Code of Financial Management (Medium)		10			Lack of financial resilience (Strategic risk 1)
Payroll (High)	18		18	18	Inaccurate or fraudulent payments, ghost employees
Creditor Payments (High)	10		15	15	Incorrect/fraudulent payments (Strategic Risk R6)
Debtors (Medium)	10		10	10	Loss of income
Treasury Management (High)		10		10	Misappropriation of funds/ poor investment decisions
Cash and Banking/petty cash/post opening/bank rec (Medium)		8		0	Loss of income theft
Council Tax (High)	10	15		10	Loss of income / Fraud(Strategic Risk 6)
Non Domestic Rates (High)	10	10		10	Loss of income / Fraud(Strategic Risk 6)
Housing / Council Tax Benefit (High)	20	20	20	20	Reputational damage / fraudulent claims(Strategic Risk 6)
Business Grants			12	12	Fraudulent claims
<b>Total Main Financial Systems</b>	<b>92</b>	<b>73</b>	<b>89</b>	<b>119</b>	

			2021/22 Current Resource Days	2021/22 Ideal Resource Days	Risk Factor
Other Operational Audits (Priority)	2019/20 Days	2020/21 Days			
Asset Management (Medium)	8			8	Poor value for money from assets, assets not fit for purpose (Strategic risk 1)
Bakewell Agricultural Centre (Low)		6		6	Loss of income
Car Parks Income (High)	4	4	4	4	Loss of income, poor contract management (SR6)
Choice Based Lettings (Low)	9				Reputational Damage / fraud
Commercial Waste (Low)				8	Loss of income
Energy Grants (required sign off)			5	5	Money not spent in accordance with grant terms
Expenses and Allowances (Low)		8		8	Fraud, error
Illuminations (High)	2	2	2	2	Loss of income / fraud
Improvement Grants (Low)		8		8	Fraud, poor VFM
Insurance (Medium)				8	Inappropriate cover / fraud
Leisure Contract Management (Medium)	8			8	Poor contract management arrangements (Strategic Risk 6)
Markets (Low)		6		6	Loss of income
Parks (Low)				4	Loss of income
Planning Fees (Low)		10			Fraud, loss of income
Members Expenses/civic account (Low)	6				Incorrect payments / fraudulent claims
Refuse Collection Contract (High)	4	8	8	8	Reputational damage, poor performance
Section 106/CIL (Medium)				10	Loss of income/reputational damage/ fraud

Taxi Licenses/Other Licenses (Medium)				8	Loss of income / Safeguarding issues (SR8)
	<b>2019/20 Days</b>	<b>2020/21 Days</b>	<b>2021/22 Current Resource Days</b>	<b>2021/22 Ideal Resource Days</b>	<b>Risk Factor</b>
Transport/Plant/Vehicles/Fuel (High)	10		12	12	Poor fleet management, theft
VAT (Medium)	6			6	Financial errors. penalties
<b>Total Other Operational Audits</b>	<b>57</b>	<b>52</b>	<b>31</b>	<b>119</b>	
<b>Corporate/Cross Cutting</b>					
Corporate Targets (Medium)	4	3		4	Poor Governance, decisions could be made on incorrect data
Climate Change (Medium)		5			Failure to act (Strategic risk 15)
CRM / Garden Waste (High)		4	10	10	Failure to make budget savings (Strategic risk 12)
Data Protection (Medium)		8			Loss of data, fines. Reputational damage (SR3)
Business Continuity (High)			10	10	Disruption to business, reputational damage (SR5)
Ethics (Medium)		10	10	10	Reputational damage (Strategic risk 10)
Follow up Previous Recommendations	4	4	4	4	Weaknesses continue
Freedom of Information (Low)		6		6	Lack of transparency
Health and Safety (Medium)	10			10	Reputational Issues/ injury or death, financial cost (SR7)
Procurement (Medium)				10	Poor value for money, Fraud (SR4)
Risk Management (Medium)			8	8	No identification or mitigation of risks (Strategic risk 10)



Safeguarding (Medium)	8				Failure to protect the vulnerable (Strategic risk 8)
<b>Total Corporate/Cross Cutting</b>	<b>26</b>	<b>40</b>	<b>42</b>	<b>72</b>	
<b>IT Systems</b>	<b>2019/20 Days</b>	<b>2020/21 Days</b>	<b>2021/22 Current Resource Days</b>	<b>2021/22 Ideal Resource Days</b>	<b>Risk Factor</b>
Use of Social Media (Medium)			8	8	Failure of key systems/ reputational damage (Strategic risk 3)
Cyber Security / Network Security etc. (High)		3			Network attack (Strategic risk 13)
Laptops / Removable Media (Medium)	3		8	8	Security of data (Strategic risk 3)
<b>Total IT Systems</b>	<b>3</b>	<b>3</b>	<b>16</b>	<b>16</b>	
<b>Fraud and Corruption</b>					
Gifts and Hospitality (Low)	3				Bribery and corruption
National Fraud Initiative (Medium)		4	2	2	Fraud
Recruitment and Selection (Low)		8		8	Fraud
<b>Total Fraud and Corruption</b>	<b>3</b>	<b>12</b>	<b>2</b>	<b>10</b>	
<b>Non Audit Duties</b>					
Elections – Postal Votes	0	1	1	1	-
<b>Total Non-Audit Duties</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	
<b>Other</b>					
Contingency	15	15	15	15	
Financial Advice/Working Groups	10	10	10	10	

<b>Total Other</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	
Management Time (IA Consortium Manager)	30	30	30	30	Non Compliance with PSIAS
IT Audits by Consortium	5	5			
<b>Grand Total</b>	<b>241</b>	<b>241</b>	<b>236</b>	<b>392</b>	

GOVERNANCE & RESOURCES COMMITTEE  
11 MARCH 2021

Report of the Director of Resources

## **EXTERNAL AUDIT PROGRESS REPORT**

### **PURPOSE OF REPORT**

This report provides:

- an update on the conclusion of audit issues relating to the 2019/20 Statement of Accounts;
- an update on progress in the external auditors delivering their responsibilities for the audit of the 2020/21 Statement of Accounts;
- a summary of key national publications that may be of interest to Members.

### **RECOMMENDATION**

That the “Audit Progress Report (February 2021)” from the External Auditor be noted.

### **WARDS AFFECTED**

None

### **STRATEGIC LINK**

None

## **1 REPORT**

- 1.1 The Audit Progress Report, shown at Appendix 1 to this report, provides Members with updates on the conclusion of audit issues relating to the 2019/20 Statement of Accounts and on progress by the external auditors in delivering their responsibilities for the audit of the 2020/21 Statement of Accounts.
- 1.2 The external audit of the Council's 2019/20 financial statements and value for money conclusion was completed in December 2020, with the audit report being signed by the external auditor on 2 December 2020. The external auditor presented the Annual Audit Letter to this committee on 14 January 2021, representing the final conclusion of the 2019/20 audit.
- 1.3 For the 2020/21 accounts, the external auditor has commenced initial planning, but due to slippage in the 2019/20 audit, the detailed planning work is taking place later than is normally the case. The external auditors hold regular discussions with the Council's officers to keep up to date with emerging issues that may impact on the external audit.
- 1.4 The deadline for the completion of the audit relating to the 2020/21 accounts is 30 September 2021.
- 1.5 During 2019/20 the National Audit Office updated their Code of Audit Practice and this

new Code applies from the 2020/21 audit. The new Code changes the work that auditors will be required to do, and the related reporting, on the Council's arrangements to deliver value for money in their use of resources. The impact of these changes is set out in the Audit Progress Report in Appendix 1.

- 1.6 The Audit Progress report also provides details of key national publications that may be of interest to Members.

## **2 RISK ASSESSMENT**

### **2.1 Legal**

There are no legal risks arising from this report.

### **2.2 Financial**

The fees for external audit can be contained within the proposed revenue budget for 2021/22, which at the time of writing this report was due to be considered at the Council meeting on 4 March 2021. The financial risk is therefore low.

## **3 OTHER CONSIDERATIONS**

- 3.1 In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property

## **4 CONTACT INFORMATION**

- 4.1 Karen Henriksen - Director of Resources  
Telephone 01629 761284  
Email: [karen.henriksen@derbyshiredales.gov.uk](mailto:karen.henriksen@derbyshiredales.gov.uk)

## **5 BACKGROUND PAPERS**

- 5.1 None

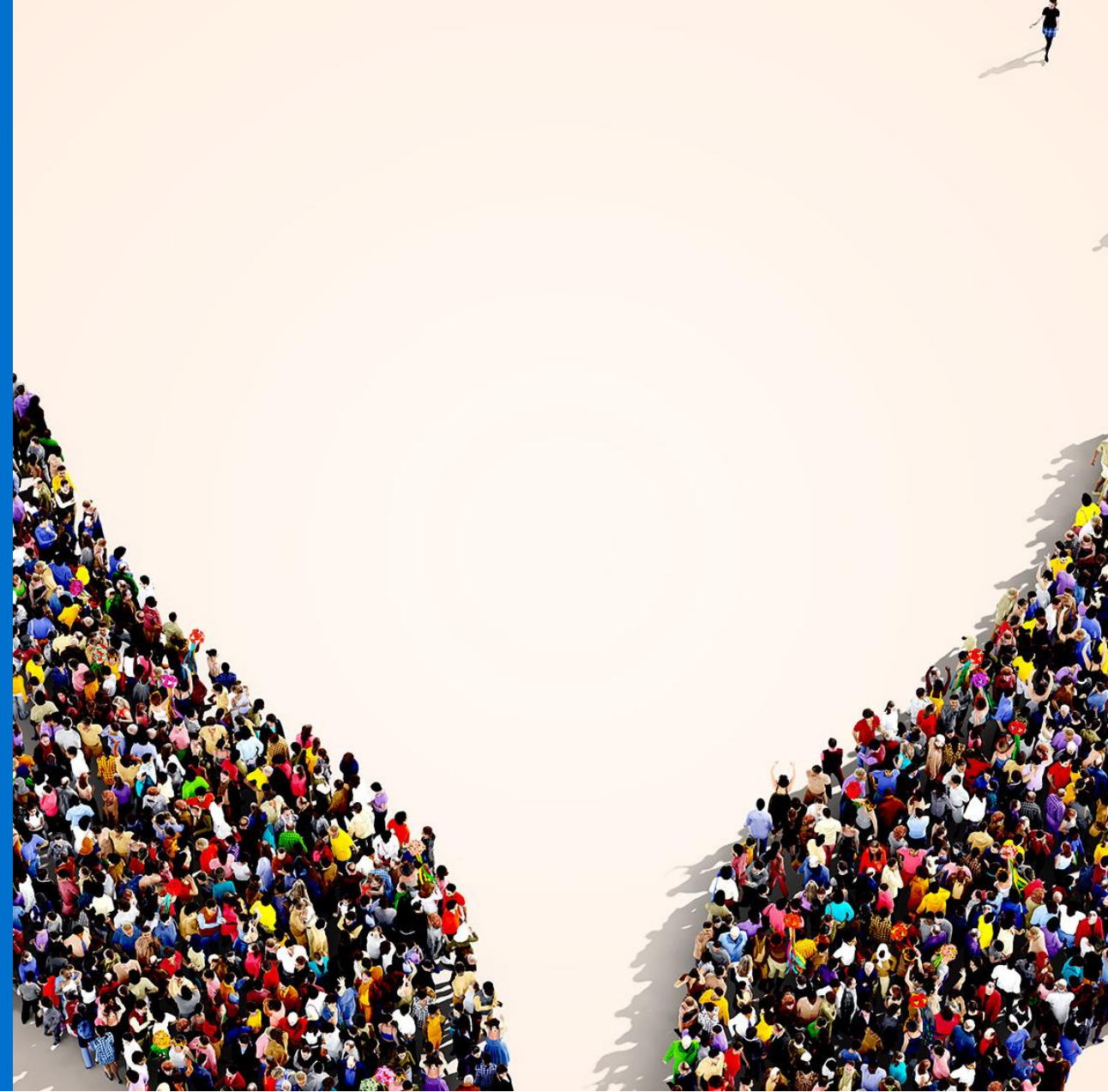
## **6 ATTACHMENTS**

Appendix 1 – Audit Progress Report February 2021 from Mazars

# Audit Progress Report

Derbyshire Dales District Council

February 2021



1. Audit Progress
2. National Publications

# 01

## Section 01: **Audit Progress**

# Audit Progress

## **Purpose of this report**

This report provides the Governance and Resources Committee (GRC) with an update on progress in delivering our responsibilities as your external auditors. It will be presented to the GRC on 11 March 2021.

## **2019/20 Audit**

We completed our external audit of the Council's 2019/20 financial statements and value for money conclusion in December 2020, signing the audit report on 2 December 2020. We presented the Annual Audit Letter as an agenda item to the GRC on 14 January 2021 representing the final conclusion of the 2019/20 audit.

## **2020/21 Audit**

We have commenced our initial planning for the 2020/21 audit, but due to slippage in the 2019/20 audit our detailed planning work is taking place later than is normally the case. We plan to present our Audit Strategy Memorandum to the GRC meeting on 11 March 2021. We hold regular discussions with the Council's officers and these help us to keep up to date with emerging issues that may impact on our external audit.

We reported during 2019/20 that the National Audit Office had updated their Code of Audit Practice and that this new Code applies from the 2020/21 audit. The new Code changes the work that auditors will be required to do, and the related reporting, on the Council's arrangements to deliver value for money in their use of resources. We summarise the impact of these changes on the next page.



# Audit Progress

## External audit work on the Council's arrangements to deliver value for money in its use of resources

The changes to the reporting requirements means that from 2020/21 we will no longer include a value for money conclusion in our Financial Statements Audit Report. We will report our commentary on the Council's arrangements to deliver value for money in a new Auditor's Annual Report (which replaces the Annual Audit Letter). The NAO Code requires that where auditors identify weaknesses in the Council's arrangements they should report recommendations to the Council promptly through the year.

In carrying out our work we will comply with the NAO's guidance on value for money work, which identifies that the work must have regard to the following specific criteria:

- **Financial sustainability:** how the body plans and manages its resources to ensure it can continue to deliver its services;
- **Governance:** how the body ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness:** how the body uses information about its costs and performance to improve the way it manages and delivers its services.

We will keep the GRC up to date on our progress as we complete our audit work.

# 02

## Section 02: **National Publications**

# National Publications

	Publication/update	Key points	Page
<b>CIPFA</b>			
1	Code of Practice on Local Authority Accounting in the United Kingdom: Disclosure Checklist for 2020/21 Accounts	2020/21 Disclosure checklist	9
2	Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for 2020/21 Accounts	2020/21 Code Guidance Notes	9
3	Service Reporting Code of Practice for Local Authorities 2021/22	2020/21 SeRCOP Guidance	9
4	Guidance for Head of Internal Audit Annual Opinions 2020/21	Guidance	10
5	A Guide to Local Authority and Public Sector Asset Management	Step-by-step guide	10
6	Planning to Deliver Good Value in Demand-led Services	Good practice framework	10
<b>National Audit Office</b>			
7	Local auditor reporting application	Data on local auditor reporting presented through an interactive map	11

# National Publications

	Publication/update	Key points	Page
<b>MHCLG</b>			
8	Local authority financial reporting and external audit: government response to the Redmond review	MHCLG's response to Sir Tony Redmond's independent review	12
9	Local Authority Financial Reporting and external audit: independent review	The Redmond report	12
<b>Financial Reporting Council</b>			
10	Local Audit Inspections	FRC Audit Quality report	13-14
<b>PSAA</b>			
11	Quarterly Quality Monitoring Report for the financial year 2021-22: Q2	PSAA Audit Quality report	15
<b>Home Office</b>			
12	Public Service Pension Schemes Guidance	Consultation on the Remedy to McCloud / Sergeant litigation	16

# NATIONAL PUBLICATIONS

## CIPFA

### **1. Code of Practice on Local Authority Accounting in the United Kingdom: Disclosure Checklist for 2020/21 Accounts, January 2021**

The 2020/21 version of the disclosure checklist has been updated to reflect the reporting requirements introduced by the 2020/21 Code of Practice. This annual publication is for finance practitioners in local authorities and external audit agencies and firms in England, Scotland and Wales.

The checklist is in the form of a series of questions. If the answer to any question is no, then a justification for departing from the Code should be given and potentially disclosed in the accounts, where the impact of departures is material.

<https://www.cipfa.org/policy-and-guidance/publications/d/disclosure-checklist-202021-print>

### **2. Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for 2020/21 Accounts, January 2021**

This edition of the Guidance Notes provides detailed guidance on the key accounting changes introduced by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2020/21, and includes amendments to implement amendments to accounting standards, reference to arrangements for the application of accounting standards arising as a consequence of the UK's withdrawal from the EU and legislative amendments. The example financial statements have also been updated to reflect these changes.

<https://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-guidance-notes-202021-print>

### **3. Service Reporting Code of Practice for Local Authorities 2021/22, January 2021**

Modern local government is constantly developing and adapting to its current economic climate. Transparency initiatives, performance and best value regimes are evolving in expectation of the government becoming more sophisticated.

SeRCOP is reviewed annually to ensure that it develops in line with the needs of local government, transparency, best value and public services reform.

In England, SeRCOP is given legislative backing under the Local Government Act 2003. In Scotland SeRCOP's Service Expenditure Analysis (SEA) and guidance is used by the Scottish Government as the basis for specifying the requirements of the Local Financial Returns (LFRs).

<https://www.cipfa.org/policy-and-guidance/publications/s/service-reporting-code-of-practice-for-local-authorities-202122>

# NATIONAL PUBLICATIONS

## CIPFA

### **4. Guidance for Head of Internal Audit Annual Opinions 2020/21, November 2020**

The annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control is a requirement of the Public Sector Internal Audit Standards (PSIAS). It is an important source of assurance that supports a local government body's annual governance statement.

If sufficient assurance is not available from internal audit work completed and other sources of assurance that the head of internal audit may seek to place reliance on then they should publish a limitation of scope to explain the position and impact on the annual opinion. The guidance sets out the steps heads of internal audit, together with the leadership team and audit committee (Governance Committee), should take.

To further support the guidance CIPFA held a free webinar on 15 December.

<https://www.cipfa.org/policy-and-guidance/standards/guidance-for-head-of-internal-audit-annual-opinions-202021>

### **5. A Guide to Local Authority and Public Sector Asset Management, November 2020**

This step by step guide to asset management in the public sector has been produced by CIPFA Property. It takes the reader on the asset management journey, from the development of strategic asset management policies and strategies designed to deliver corporate objectives through to the development, implementation, challenge and review of asset management practices and portfolios.

<https://www.cipfa.org/policy-and-guidance/publications/a/asset-management-in-the-public-sector-a-practitioners-guide>

### **6. Planning to Deliver Good Value in Demand-led Services, November 2020**

Several local authorities successfully deliver good value in these areas, and this publication draws on their experience and best practice. It sets out a three step framework, based on a number of essential elements that recognise the challenges involved. This framework emphasises the importance of business partnering and ensuring plans reflect reality to enable improved operational and financial resilience.

<https://www.cipfa.org/policy-and-guidance/publications/p/planning-to-deliver-good-value-in-demand-led-services-social-care>

### **7. Local auditor reporting application, December 2020**

The local auditor reporting application presents the opinions of local auditors on local public bodies' financial statements and conclusions on whether they have proper arrangements in place to secure value for money. The data is presented through an interactive map which allows users to explore auditor reporting for nine different types of local body and two different audit years. The interactive map also contains pop-ups to enable users to access further information about the body, such as the local auditor's report or annual audit letter.

<https://www.nao.org.uk/other/local-auditor-reporting-application/>

# NATIONAL PUBLICATIONS

## MHCLG

### 8. MHCLG's response to Sir Tony Redmond's independent review, December 2020

The response of the Ministry of Housing, Communities and Local Government to Sir Tony Redmond's Independent review into the oversight of local audit and the transparency of local authority financial reporting. The Redmond Review made 23 recommendations relating to the quality, timeliness and sustainability of local audit, and the transparency of local authority accounts. The department has grouped its response into 5 themes, which are summarised in Annex A to the response.

Amongst the responses MHCLG confirmed that they intend to amend existing regulations to extend the deadline for publishing audited local authority accounts from 31 July to 30 September, for a period of two years (i.e. covering the audit of the 2020/21 and 2021/22 accounting years). At the end of this period they will review whether there is a continued need to have an extended deadline.

They also confirmed that they did not intend to create an Office of Local Audit and Regulation (OLAR) stating in their response that they “do not wish to re-create the costly, bureaucratic and over-centralised Audit Commission”. They added that they “will commit to explore the full range of options as to how best to deliver Sir Tony's finding that a ‘system leader’ is required. This will include close consideration of whether existing bodies could take on this function.”

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-government-response-to-the-redmond-review/local-authority-financial-reporting-and-external-audit-government-response-to-the-independent-review>

### 9. Local Authority Financial Reporting and external audit: independent review, September 2020

This independent review, led by Sir Tony Redmond at the invitation of the Ministry of Housing, Communities and Local Government, considered the effectiveness of external audit and transparency of financial reporting in local authorities. The Redmond Report concluded that audit fees were at least 25% lower than is required to fulfil current local audit requirements effectively. Audit fees in the local authority sector have fallen significantly over the last five years, whereas audit fees in other sectors have significantly risen although audit suppliers have sought to bridge the gap with increasing fee variations, which averaged eight per cent in 2018/19. The report also suggests local authority accounts are currently too complex to make audit completion by 31 July feasible.

Redmond makes a number of recommendations in relation to:

- external audit regulation
- smaller authorities audit regulation
- financial resilience of local authorities
- transparency of financial reporting

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

# NATIONAL PUBLICATIONS

## Financial Reporting Council

### 10. Major Local Audits – Audit Quality Inspection, October 2020

#### The framework for the inspection of local audit work

Responsibility for the inspection of local audit work is now with the Financial Reporting Council (FRC) for ‘major local audits’ (those with annual expenditure which exceeds £500m) and the ICAEW for those bodies which do not meet the major local audit definition. As part of their inspection of major local audits for the 2018/19 financial year, the Audit Quality Review (AQR) team of the FRC reviewed two of our major local audits and found these to require significant improvements in respect of our audit of the financial statements. The same reviews indicated that our work on value for money arrangements for those audits was of a good standard. Our non-major local audits for 2018/19 were not subject to inspection by the ICAEW.

#### Our response to the FRC’s findings

We are committed to delivering high-quality audits to all of our clients and have responded robustly to the AQR’s findings. Our Local Audit Quality Plan incorporates the risks to audit quality identified from a range of sources and identifies that actions we have put in place, or are taking, to mitigate these risks. Our Audit Quality Team is responsible for the maintenance of the plan which is also subject to oversight and scrutiny from the firm’s Audit Board.

In addition, we have undertaken a detailed root cause analysis project to identify and understand the drivers of poor audit quality in some of our local audit work. This has focused on all local audits where the need for improvement or significant improvements have been identified either through external inspections or our programme of internal quality monitoring reviews.

We have taken steps to respond to the AQR’s specific findings in relation to our work in the following areas of the audit:

- Testing the valuation of property assets;
- Exercising appropriate oversight of group audits, including the direction, supervision and review of the work of component auditors; and
- Document judgements made as part of the audit process, specifically those in relation to our testing of income and expenditure.

We have also strengthened our standard procedures in relation to the audit of net defined benefit pension liabilities arising from our clients’ membership of local government pension schemes.

The FRC’s report on its inspection findings in relation to the quality of major local audits for the year ended 31 March 2019, can be found [here](#). This also includes our detailed response to their findings on our financial statement audits.



# NATIONAL PUBLICATIONS

## Financial Reporting Council

### 10. Major Local Audits – Audit Quality Inspection, October 2020 (continued)

#### What this means for the Council

As outlined above, we take the weaknesses identified by the FRC extremely seriously, and our response to the improvement areas has been robust. It is clear that on areas of the audit such as the valuation of property assets (including investment properties) and the audit of defined benefit pension liabilities, we must do more to meet the regulator's expectations. This means the time we spend on these areas of the audit will increase and the level of challenge we apply in auditing these areas will also increase. Your finance team and your experts will have seen the increase in the scope and scale of work we have undertaken in 2019/20 in terms of the granularity and depth of testing and changes to our sample sizes in a number of key areas.

Going forward, our response and the increase in the challenge we make, is likely to include the engagement of our own experts (for example, property valuation experts) to fully consider the methodologies and judgements applied by the Council's own experts. There will be consequential effects on the fee that we are likely to request from the Council to undertake the audit.

# NATIONAL PUBLICATIONS

## Public Sector Audit Appointments Limited

### 11. Quarterly Quality Monitoring Report for the financial year 2021-22: Q2, September 2020

Under the transitional arrangements, which followed the abolition of the Audit Commission, PSAA were responsible for monitoring the quality of the work undertaken by the audit suppliers at principal bodies. PSAA published the last report under these transitional arrangements in Autumn 2019 and Mazars received an overall amber rating, which matched the '*combined regime*' score across the 5 suppliers. This was slightly disappointing as in 2018 Mazars had been the only supplier awarded a green rating and the downgrading reflected weaknesses in the approach to auditing Property, Plant and Equipment and Pensions, which were common across suppliers.

PSAA explain in their latest quality monitoring report that they have appointed the Financial Reporting Council (FRC) and Institute of Chartered Accountants in England and Wales (ICAEW) to review audit quality from 2018/19 onwards and the results will be published in their 2020 Annual Monitoring Report, during 2021. However, they have continued to monitor delivery of local authority engagements and report any non-compliance with the terms of appointment.

The report indicates that in 2018/19 43% of local authority audits were not delivered by the 31 July 2019 deadline and eight per cent remained outstanding at 30 September 2020. Mazars were the top performer in terms of audit delivery with 20% of opinions late and two per cent still outstanding. Mazars were found to be fully compliant with the terms of appointment.

The report also notes that whilst only 18% of 2019/20 audits were reported as being at risk of being late this number was expected to increase and this forecast transpired to be accurate. The actual percentage of 2019/20 local authority audits outstanding at 30 November 2020 was 55%, an increase on 2018/19 (PSAA press release 4 December 2020).

<https://www.psaa.co.uk/managing-audit-quality/audit-quality-monitoring-reports-from-2018-19/quarterly-reports/>

The PSAA Press release regarding late 2019/20 opinions can be found at:

<https://www.psaa.co.uk/2020/12/news-release-2019-20-audited-accounts/>

# NATIONAL PUBLICATIONS

## Home Office

### 12. Public Service Pension Schemes Guidance, September 2020

This consultation, which ended in October 2020 sets out options for how the Government will remove the discrimination against some younger pension scheme members identified in the McCloud / Sergeant judgements. These options involve providing members with a choice of which set of pension scheme benefits, those under their old scheme or the new scheme, they would like to receive for the remedy period and whether to make that choice immediately or defer it until retirement. The Government is expected to publish its response and final policy decision shortly.

<https://www.gov.uk/government/publications/public-service-pension-schemes-guidance>

# Contact

## Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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GOVERNANCE & RESOURCES COMMITTEE  
11 MARCH 2021

Report of the Director of Resources

**EXTERNAL AUDIT STRATEGY MEMORANDUM FOR THE 2020/21 ACCOUNTS**

**PURPOSE OF REPORT**

This report provides information about the external audit plan for the 2020/21 accounts.

**RECOMMENDATION**

That the report be noted.

**WARDS AFFECTED**

None

**STRATEGIC LINK**

None

**1 REPORT**

- 1.1 The Council's external auditor, Mazars LLP, has provided an Audit Strategy Memorandum for the 2020/21 accounts. A copy of the Memorandum is shown at Appendix 1 to this report. The external auditor has requested that the Memorandum be brought to Members' attention. Gavin Barker and John Pressley from Mazars will attend the committee meeting to present the Memorandum and answer any queries relating to it.
- 1.2 The deadline for the completion of the audit relating to the 2020/21 accounts is 30 September 2021. The audit scope, approach and timeline is set out in Section 3 of the report at Appendix 1.
- 1.3 Significant risks and other key judgement areas are described in Section 4 of the report at Appendix 1. These include:
  - Management override of controls
  - Net defined benefit (pension) liability valuation
  - Valuation of property, plant and equipment.

**2 RISK ASSESSMENT**

**2.1 Legal**

There are no legal risks arising from this report.

## 2.2 Financial

The fees for external audit can be contained within the proposed revenue budget for 2021/22, which at the time of writing this report was due to be considered at the Council meeting on 4 March 2021. The financial risk is therefore low.

## 3 OTHER CONSIDERATIONS

- 3.1 In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property

## 4 CONTACT INFORMATION

- 4.1 Karen Henriksen - Director of Resources  
Telephone 01629 761284  
Email: [karen.henriksen@derbyshiredales.gov.uk](mailto:karen.henriksen@derbyshiredales.gov.uk)

## 5 BACKGROUND PAPERS

- 5.1 None

## 6 ATTACHMENTS

Appendix 1 – Audit Strategy Memorandum 2020/21 from Mazars

# Audit Strategy Memorandum

Derbyshire Dales District Council

Year ending 31 March 2021



# Contents

- 01 Engagement and responsibilities summary
- 02 Your audit engagement team
- 03 Audit scope, approach and timeline
- 04 Significant risks and other key judgement areas
- 05 Value for Money
- 06 Fees for audit and other services
- 07 Our commitment to independence
- 08 Materiality and misstatements

Appendix – Key communication points

This document is to be regarded as confidential to Derbyshire Dales District Council. It has been prepared for the sole use of the Council and the Governance and Resources Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.



Governance and Resources Committee Members  
Derbyshire Dales District Council  
Town Hall  
Bank Road  
Matlock  
Derbyshire  
DE4 3NN

18 February 2021

Dear Sirs / Madams

Mazars LLP  
Salvus House  
Aykley Heads  
Durham  
DH1 5TS

## Audit Strategy Memorandum – Year ending 31 March 2021

We are pleased to present our Audit Strategy Memorandum for Derbyshire Dales District Council for the year ending 31 March 2021. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Derbyshire District Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0191 383 6300.

Yours faithfully



Gavin Barker  
Mazars LLP

Mazars LLP – Salvus House, Aykley Heads, Durham. DH1 5TS

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861. VAT number: 839 8356 73

# 01

Section 01:

## **Engagement and responsibilities summary**

# 1. Engagement and responsibilities summary

## Overview of engagement

We are appointed to perform the external audit of Derbyshire District Council for the year to 31 March 2021. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.



### Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or those charged with governance, of their responsibilities.



### Going concern

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. The Director of Resources is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence, and conclude on the appropriateness of the Director of Resources use of the going concern basis of accounting in the preparation of the financial statements and the adequacy of disclosures made.



### Value for money

We are also responsible for reaching a conclusion on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.



### Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom



### Fraud

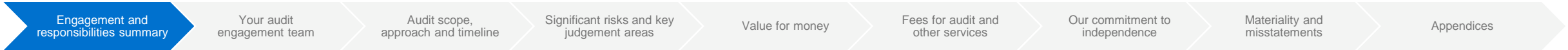
The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.



### Reporting to the NAO

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission. We do this by issuing an assurance certificate which confirms that the Council is below the threshold set by the NAO.



# 02

Section 02:

**Your audit engagement team**

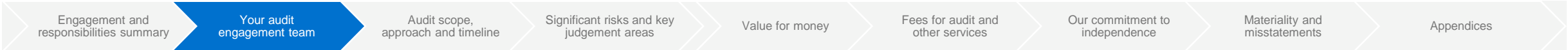
## 2. Your audit engagement team



**Gavin Barker, CPFA**  
**Director and Engagement Lead**  
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**John Pressley, FCPFA, FCMA**  
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07909 980880



# 03

Section 03:

**Audit scope, approach and timeline**

# 3. Audit scope, approach and timeline

## Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

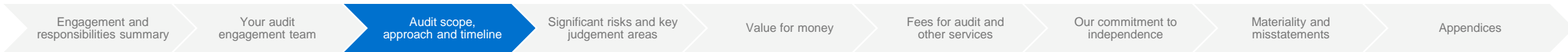
## Audit approach

Our audit approach is a risk based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



# 3. Audit scope, approach and timeline

## Planning February 2021

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review
- Documenting systems and controls
- Performing walkthroughs

## Completion September 2021

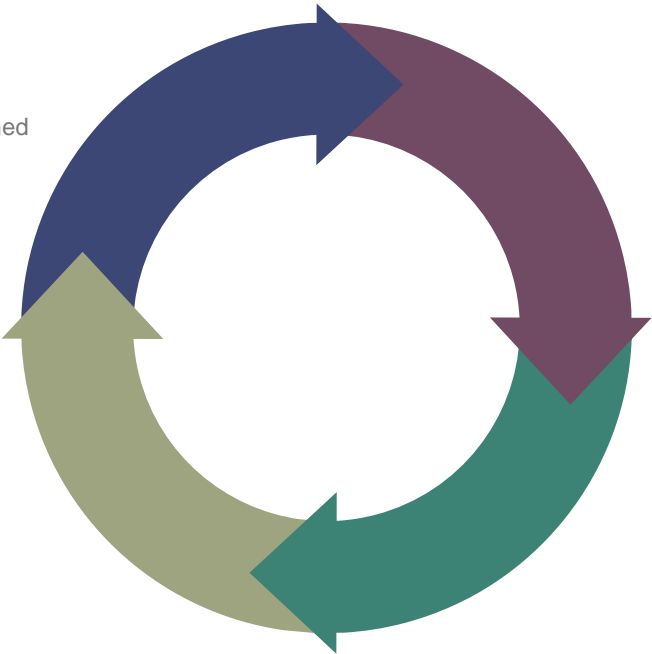
- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to the Governance and Resources Committee
- Reviewing subsequent events
- Signing the auditor's report

## Interim April 2021

- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

## Fieldwork July to September 2021

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting





# 3. Audit scope, approach and timeline

## Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will liaise with internal audit to consider the progress and findings of their work prior to the commencement of any controls testing.

If we decide to place reliance on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

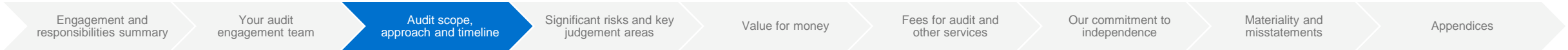
## Management’s and our experts

Management makes use of experts in specific areas when preparing the Council’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Defined benefit liability	Hymans Robertson Actuary for Derbyshire Pension Fund	NAO’s Consulting Actuary (PwC)
Property, plant and equipment valuation	The Council’s internal valuers	
Financial instruments	Arlingclose Treasury management advisors	

## Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. We have not identified any service organisations in relation to the Council.



# 04

Section 04:

**Significant risks and other key judgement areas**

# 4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

## Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

## Enhanced risk

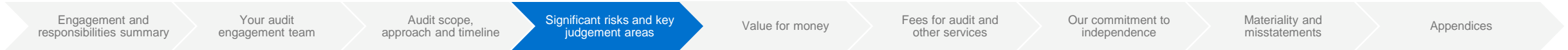
An enhanced risk is an area of higher assessed risk of material misstatement ('RMM') at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

These should include all areas of judgement and significant estimation uncertainty reported by the Accounting Officer in the financial statements, which would be expected to give rise to enhanced audit risks as relevant.

## Standard risk

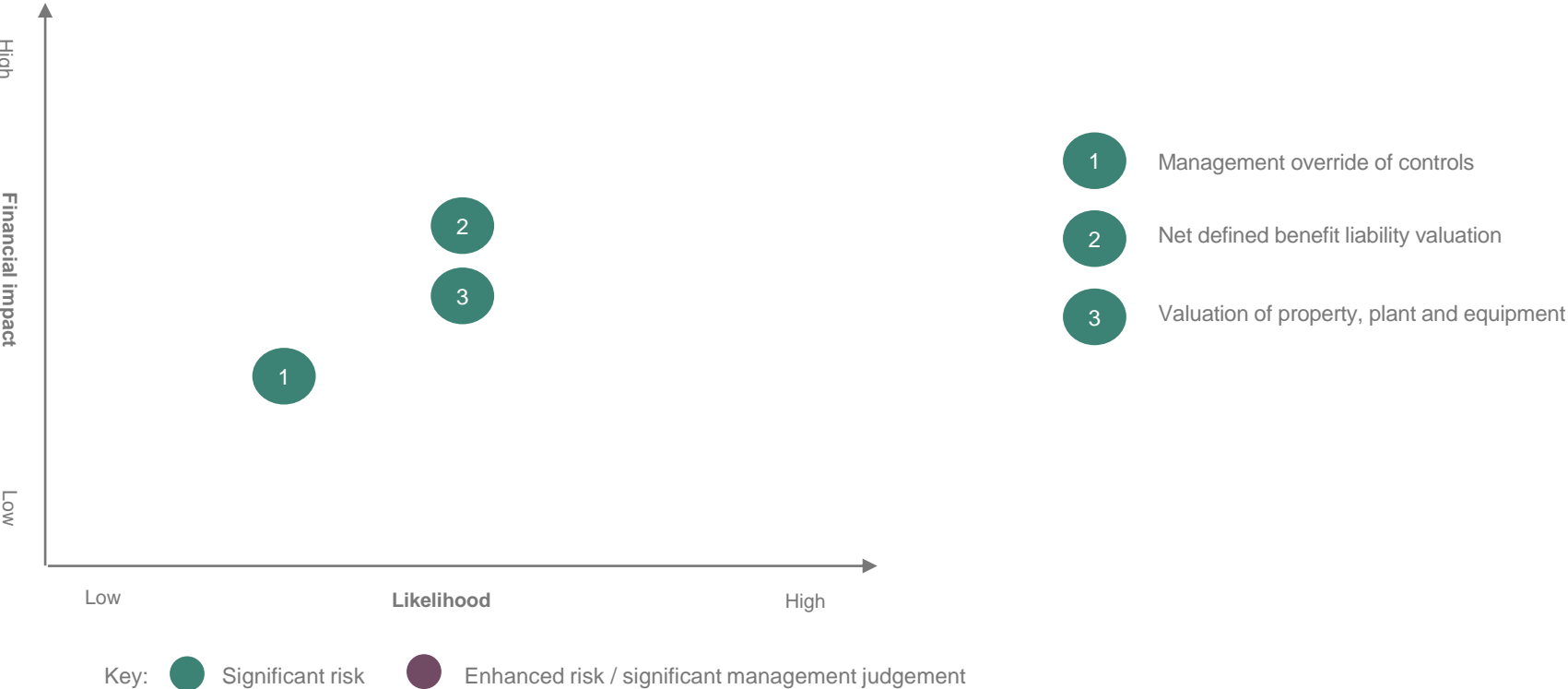
This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.



# 4. Significant risks and other key judgement areas

## Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page.

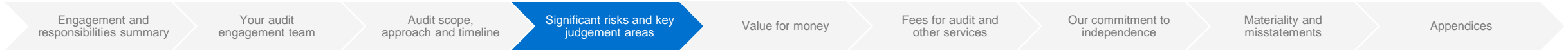


# 4. Significant risks and other key judgement areas

## Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Governance and Resources Committee.

	Description	Fraud	Error	Judgement	Planned response
1	<p><b>Management override of controls</b> This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	<p>We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.</p> <p>We will use a computer audit analytical technique (CAAT) to efficiently identify journals with risk characteristics and test 100% of such adjustments to the financial ledger.</p>



# 4. Significant risks and other key judgement areas

## Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<b>Net defined benefit liability valuation</b>  The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. Moreover, in 2019/20 the local government pension scheme property assets were subject to material valuation uncertainty and due to the ongoing COVID-19 pandemic there is a risk that this might recur in 2020/21. This results in an increased risk of material misstatement.	○	●	●	<p>We will discuss with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we will evaluate the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and consider the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally.</p> <p>We will review the appropriateness of the key assumptions included within the valuations, compare them to expected ranges and review the methodology applied in the valuation. We will consider the adequacy of disclosures in the financial statements.</p> <p>We will also seek assurance from the auditor of the Derbyshire Pension Fund.</p>
3	<b>Valuation of property, plant and equipment</b>  The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of PPE. Although the Council uses a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the valuation of PPE to be an area of significant risk.	○	●	●	<p>We plan to address this risk by considering the Council's arrangements for ensuring that PPE values are reasonable and will engage our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the external valuer. We will also assess the competence, skills and experience of the valuer.</p> <p>We plan to discuss methods used with the valuer and examine test valuations. We will use indices provided by our own expert to confirm the assets not revalued are unlikely to have materially changed in value. We will test a sample of revaluations in year to valuation reports and supporting calculation sheets and ensure the calculations are correct and source data agrees with floor plans.</p>

# 05

## Section 05: **Value for Money**

# 5. Value for Money

## The framework for Value for Money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

The new Code of Audit Practice (the Code) has changed the way in which we report our findings in relation to Value for Money (VFM) arrangements from 2020/21. Whilst we are still required to be satisfied that the Council has proper arrangements in place, we will now report by exception in our auditor's report where we have identified significant weakness in those arrangements. This is a significant change to the requirements under the previous Code which required us to give a conclusion on the Council's arrangements as part of our auditor's report.

Under the new Code, the key output of our work on VFM arrangements will be a commentary on those arrangements which will form part of the Auditor's Annual Report.

## Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

- 1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
- 2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks
- 3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

## Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

### Planning and risk assessment

Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and members

### Additional risk based procedures and evaluation

Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.

### Reporting

We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report.

Our commentary will also highlight:

- Significant weaknesses identified and our recommendations for improvement
- Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.





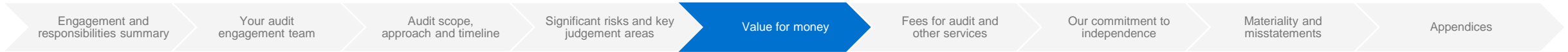
# 5. Value for Money

## Identified risks of significant weaknesses in arrangements

The NAO’s guidance requires us to carry out work at the planning stage to understand the Council’s arrangements and to identify risks that significant weaknesses in arrangements may exist.

Due to the late release of the NAO’s Auditor Guidance Note and supporting information to auditors, we have not yet fully completed our planning and risk assessment work. We will report the results of our planning and risk assessment work to the Governance and Resources Committee in May 2021.

Although we have not fully completed our planning and risk assessment work, we have held discussions with management and reviewed the Council’s financial plans. We have not identified any significant weaknesses in arrangements from this initial planning and risk assessment.



# 06

Section 06:

**Fees for audit and other services**

# 6. Fees for audit and other services

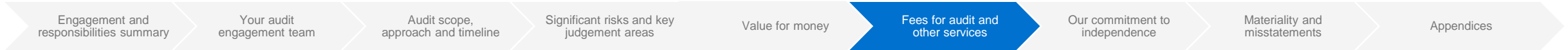
## Fees for work as the Council's appointed auditor

In the Annual Audit Letter that we presented to the Governance and Resources Committee in January 2021 we explained that due to increased regulatory pressures there would be additional recurring fees of £5,910 as well as some one-off fees in respect of extra work arising from the COVID-19 pandemic. We are still awaiting approval from Public Sector Audit Appointments Limited for these fees, but we have included them in the table below for transparency.

In Section 5 we explained that we are still completing our planning and risk assessment in respect of the VFM Conclusion. We will communicate any fee implications to you when this work is complete.

Area of work	2020/21 Proposed Fee	2019/20 Actual Fee
Delivery of audit work under the NAO Code of Audit Practice	29,487	29,487
Recurring increases in the base audit fee arising from regulatory pressures	5,910	5,910
One-off fee increases for 2019/20 specific issues		4,192
<b>Total audit fees *</b>	<b>35,397 *</b>	<b>39,589</b>

- The revised Code of Audit Practice is likely to lead to additional audit work to support the new value for money conclusion and the changes in reporting requirements. It is currently unclear exactly what impact this will have on the work required and fees. We have consequently not reflected any impact in the proposed fee. We will update management, the Governance and Resources Committee as the position is clarified.

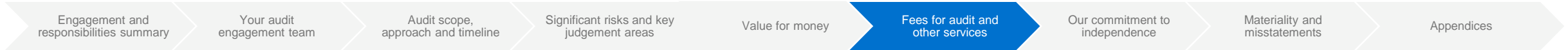


# 6. Fees for audit and other services

## Fees for non-PSAA work

In addition to the fees outlined on the previous page in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Area of work	2020/21 Proposed Fee	2019/20 Actual Fee
Assurance services – Housing Benefits Return	£7,622	£5,500



# 07

Section 07:

**Our commitment to independence**

# 7. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

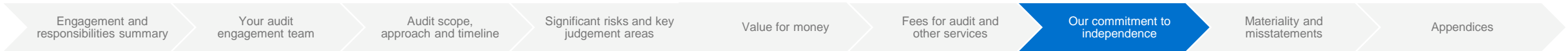
- All partners and staff are required to complete an annual independence declaration;
- All new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- Rotation policies covering audit engagement partners and other key members of the audit team; and
- Use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Gavin Barker in the first instance.

Prior to the provision of any non-audit services Gavin Barker will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.



# 08

Section 08:

**Materiality and other misstatements**

# 8. Materiality and misstatements

## Summary of initial materiality thresholds

Threshold	Initial threshold £'000s
Overall materiality	675
Performance materiality	506
Trivial threshold for errors to be reported to the Governance and Resources Committee	20

## Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- Will make reasonable economic decisions on the basis of the information in the financial statements.

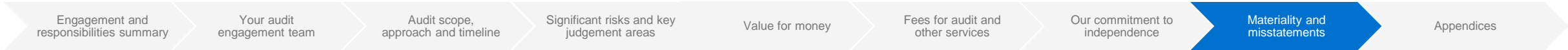
We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of 2% of gross expenditure. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to the Governance and Resources Committee. We consider that gross expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.





# 8. Materiality and misstatements

## Materiality (continued)

We expect to set a materiality threshold at 2% of Gross Revenue Expenditure at Surplus/deficit on Provision of Services level. Based on the 2019/20 financial statements we anticipate the overall materiality for the year ending 31 March 2021 to be in the region of £675k (£705k in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

## Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on relatively low inherent risk, meaning that we have applied 75% of overall materiality as performance materiality.

## Misstatements

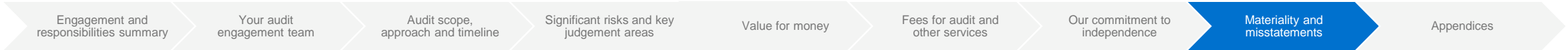
We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Governance and Resources Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial

statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £20,000, based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Gavin Barker.

## Reporting to the Governance and Resources Committee

The following three types of audit differences will be presented to the Governance and Resources Committee.

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).





## Appendix: Key communication points

# Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) ‘Communication with Those Charged with Governance’ and ISA 265 (UK) ‘Communicating Deficiencies In Internal Control To Those Charged With Governance And Management’ specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

## Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Auditor’s Annual Report.

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

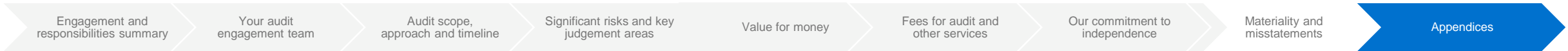
## Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;

- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

## Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.



# Appendix: Key communication points

ISA (UK) 260 ‘Communication with Those Charged with Governance’, ISA (UK) 265 ‘Communicating Deficiencies In Internal Control To Those Charged With Governance And Management’ and other ISAs (UK) specifically require us to communicate the following:

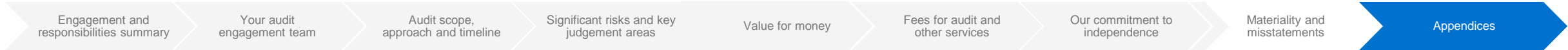
Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"><li>• Uncorrected misstatements and their effect on our audit opinion;</li><li>• The effect of uncorrected misstatements related to prior periods;</li><li>• A request that any uncorrected misstatement is corrected; and</li><li>• In writing, corrected misstatements that are significant.</li></ul>	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"><li>• Enquiries of the Governance and Resources Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;</li><li>• Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and</li><li>• A discussion of any other matters related to fraud.</li></ul>	Audit Completion Report and discussion at the Governance and Resources Committee, Audit Planning and Clearance meetings

# Appendix: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management;</li> <li>• Inappropriate authorisation and approval of transactions;</li> <li>• Disagreement over disclosures;</li> <li>• Non-compliance with laws and regulations; and</li> <li>• Difficulty in identifying the party that ultimately controls the entity.</li> </ul>	Audit Completion Report
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;</li> <li>• Significant difficulties, if any, encountered during the audit;</li> <li>• Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management;</li> <li>• Written representations that we are seeking;</li> <li>• Expected modifications to the audit report; and</li> <li>• Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Governance and Resources Committee in the context of fulfilling their responsibilities.</li> </ul>	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report

# Appendix: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Governance and Resources Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Governance and Resources Committee may be aware of.	Audit Completion Report and Governance and Resources Committee meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> <li>Whether the events or conditions constitute a material uncertainty;</li> <li>Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and</li> <li>The adequacy of related disclosures in the financial statements.</li> </ul>	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report



# Gavin Barker, Director – Public Services

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## **Mazars**

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Durham  
DH1 5TS

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.

GOVERNANCE & RESOURCES COMMITTEE  
11 MARCH 2021

Report of the Director of Resources

## **ARREARS FOR WRITE OFF**

### **PURPOSE OF REPORT**

This report provides information about debtor write offs authorised by the Director of Resources under delegated authority in accordance with the Council's Financial Regulations.

### **RECOMMENDATION**

That the report be noted.

### **WARDS AFFECTED**

None

### **STRATEGIC LINK**

Writing off irrecoverable debts in a timely fashion contributes towards good financial management.

## **1 BACKGROUND**

- 1.1 Under regulation B7(a) of the Council's Financial Regulations, authority is delegated to the Director of Resources to write-off individual arrears up to £10,000. Under the scheme of officer delegation the Director of Resources also has authority to write off any arrears that have been caused by an officer error. This report details those debts exceeding £10,000 for which authorisation to write-off is required from this Committee under regulation B7(b) of the Financial Regulations.
- 1.2 The Governance and Resources committee agreed in July 2018 that a report on arrears for write off would be presented to this committee twice a year. A report on write offs for backdated council tax arrears was presented to this committee in January 2021. This is the second report for 2020/21 and covers other arrears relating to council tax, non-domestic rates, housing benefit overpayments and sundry debts, as well as including council tax backdating cases (for completeness).
- 1.3 The debts detailed in this report have been pursued through all appropriate methods of recovery open to the Council. The [Revenues Debt Recovery Policy](#) shows the approach taken to recovery for each type of debt. It is considered that any further action attempted at recovering the debts proposed for write off would be likely to incur additional expenses to the Council without the prospect of payment. As such, where these individual debts exceed £10,000 they are referred to this Committee for authorisation to write them off.
- 1.4 It should be noted that any debt will be reinstated where further information subsequently



comes to light that allows further recovery action to be pursued.

1.5 Accounts submitted for write-off fall into one of the following categories:

- Amounts remitted by the Magistrates Court (or where the Court has refused to grant a Liability Order)
- Amounts for which the debtor has served a prison sentence
- Amounts where the debtor is bankrupt or insolvent
- Amounts where the debtor has died and there are insufficient funds in their estate
- Amounts where the debtor has absconded or gone abroad and cannot be traced
- Amounts where it has become uneconomic to pursue the debt
- (Very rarely) Amounts where there has been an officer error.

1.6 The Chartered Institute of Public Finance & Accountancy (CIPFA) recommends that it is good practice to identify debts that are unlikely to be paid and to account for them in the accounts as soon as possible.

## 2 REPORT

2.1 The amounts recommended for write-off are given in Appendix 1 and are summarised below:

**Table 1: Write offs summary 2020/21**

	Council Tax Arrears	NNDR Arrears	Housing Benefit Overpayment Arrears	Sundry Debtors Arrears	Total
	£	£	£	£	£
Amounts approved by Governance & Resources Committee 14 January 2021 (backdating cases)	64,002.68	0.00	0.00	0.00	64,002.68
Amounts over £10,000 to be approved by Governance & Resources Committee March 2021	0.00	0.00	0.00	0.00	0.00
Amounts of £10,000 and under written-off under delegated authority to 31 December 2020	52,444.06	16,741.19	14,775.35	1,038.21	84,998.81
Amounts of £10,000 and under written-off under delegated authority to 1 January 2021 to 11 February 2021	1,614.59	9,512.47	9,499.97	861.91	21,488.94

Amounts over £1,500 relating to officer error and under written-off under delegated authority	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>118,061.33</b>	<b>26,253.66</b>	<b>24,275.32</b>	<b>1,900.12</b>	<b>170,490.43</b>
Provision for Doubtful Debts 01/04/20	426,448.04	258,000.00	77,103.33	40,243.51	801,794.88
Total written-off in 2017/18	50,762.53	154,758.00	76,244.30	20,821.75	302,586.58
Total written-off in 2018/19	67,368.90	70,867.00	28,506.67	79,227.41	245,969.98
Total written-off in 2019/20	67,881.04	158,714.00	44,363.24	10,799.92	281,758.20

## 2.2 Officer comment

Most write offs in 2020/21 relate to cases involving bankruptcy, insolvency, debt relief orders, where payers are deceased or have left with no trace or where debts are uneconomic to pursue. Due to the light touch approach taken to recovery in 2020/21 (as a result of the coronavirus pandemic), no cases have been referred to enforcement agents, no final notices have been issued and there have been no court cases. When the full range of debt recovery actions recommences, there is likely to be an increase in requests for write off. The impact of this will be seen in 2021/22.

### Council Tax

- 2.3 The 2020/21 Council Tax net collectable debit is currently in the order of £57m. The amount of £118,061 shown in table 1 above for write offs represents 0.2% of this amount. The write offs in this report cover several financial years.
- 2.4 Irrecoverable council tax is shared between the district council and major preceptors. For 2020/21 Derbyshire Dales District Council meets 14.2% of the amounts written off.
- 2.5 When the Council Tax is set each year it is assumed that 99.2% of the debit will eventually be collected. The overall collection rates for the current and last 5 years' Council Tax and Non-Domestic Rates charges are set out in the table below. Council tax collections for 2020/21 are under target as payments have been impacted by the coronavirus pandemic and the decision to take a "light touch approach" to debt recovery.

**Table 2: Percentage of council tax and non-domestic rates debt collected to 31 January 2021 (Target for full year is 99.2% for council tax and 98.2% for non-domestic rates)**

Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21 To 31 <sup>st</sup> January	
						Target	Actual
Council Tax	99.68%	99.69%	99.65%	99.49%	99.00%	96.77%	95.04%
Non-Domestic Rates	98.87%	99.18%	98.56%	98.33%	97.95%	92.68%	85.31%

## Non-domestic rates

- 2.6 The 2020/21 Non-Domestic Rates net collectable debit is currently in the order of £10m (net of the extra reliefs for coronavirus that total around £9m). The amount of £26,254 shown in table 1 for write offs represents 1.3% of this amount. The write offs in this report cover several financial years.
- 2.7 Non-domestic rates collections for 2020/21 are under target as payments have been significantly impacted by the coronavirus pandemic and the decision to take a “light touch approach” to debt recovery.
- 2.8 Irrecoverable Non-Domestic Rates are shared between central government and local government under the Business Rates Retention Scheme. For 2020/21 Derbyshire Dales District Council meets 40% of the amounts written off.

## Housing benefit overpayments

- 2.9 For housing benefit overpayments, no write offs are proposed in this report for debts over £10,000. Total write offs for 2020/21 are £24,275.32, which is lower than in any of the three previous years and well within the provision of £77,103.
- 2.10 The arrears outstanding at 1 April 2020 was £880,287.46. The sum of £24,275.32 for write offs in 2020/21 relates to debts spanning several financial years and represents 2.8% of arrears outstanding at the start of the year (write offs in 2019/20 represented 4.2% of arrears outstanding at the start of that year). Members should be aware that recovering housing benefit overpayments from people on low incomes is very difficult; payment arrangements need to be reasonable and affordable and it can several years to fully recover a debt in some cases as repayments have to be reasonable and affordable. During 2020/21 the impact of the coronavirus pandemic and furlough schemes have hit hard on ability to pay. This means that, like other Councils, we have to consider write offs in some cases.
- 2.11 As at 31st January 2021 16.5% of all debt had been recovered with a balance of £805,685 carried forward (£903,267 was carried forward at 31 January 2020). This current balance is the lowest level of arrears since the Benefits Overpayments Officer was appointed and demonstrates that recovery action continues to be effective. Arrears outstanding at 31 March 2017 (when the appointment was approved) amounted to £1,132,755.
- 2.12 Table 3 below provides details of write offs that involve insolvency or debt relief orders in 2020/21 and the two previous years. It can be seen that while the write offs that involve an insolvency or debt relief order (DRO) represent around 21% of the number of invoices written off over the three years, they take up an average of 64% of the value of write offs, In 2020/21 the average value of a write off relating to an insolvency/DRO case is £979, whereas the average value of invoices written off for other reasons is £156 (the figures for 2019/20 are £937 and £112 respectively). This level of insolvencies and debt relief orders perhaps reflects low income households that have multiple debts taking the opportunity to file for bankruptcy or an equivalent. The local Citizens Advice Bureau (CAB) has been assisting local residents with this. The Council provides some funding to the CAB for the debt advice service, this includes the funding of fees for obtaining a DRO.

Table 3: HB Overpayment write offs involving insolvency or debt relief orders

Year	All HB OP write offs		HB OP write offs involving insolvency or debt relief orders		Insolvency / DRO proportion	
	Value	No. of invoices	Value	No. of invoices	Value	No. of invoices
2020/21	£24,275.32	71	£15,671.62	16	65%	22.5%
2019/20	£44,363.24	154	£30,912.55	33	70%	21%
2018/19	£28,506.67	105	£16,527.62	21	58%	20%

#### Sundry debts

- 2.13 No write offs are proposed in this report for sundry debts over £10,000. The amount of sundry debts under £10,000 written off in 2020/21 is £1,900.12, which is significantly lower than in than in previous years, which partly reflects the fact that the Council no longer collects leisure centre income.
- 2.14 The current net collectable debt for sundry debts is around £3m. The 2020/21 write offs of £1,900.12 represents 0.06% of net collectable debt (0.2% in 2019/20). The value of write offs for 2020/21 is well within the amount in the provision £40,243.

### 3 RISK ASSESSMENT

#### 3.1 Legal

The Director of Resources is acting in accordance with powers delegated to her under Section 101 of the Local Government Act 1972. The Council has a duty to pursue all monies owed to it and the write offs are to enable the District Council to finalise its accounts for the year. It will use all legal powers available to it to recover the sums due. The legal risk is therefore low.

#### 3.2 Financial

The Council has established provisions for doubtful debts, as set out in table 1 in paragraph 2.1. The amounts written off in 2020/21 total £170,490 and are well within the overall budgetary provision of £801,794.88. The financial risk is assessed as “medium”.

### 4 OTHER CONSIDERATIONS

- 4.1 In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property

### 5 CONTACT INFORMATION

- 5.1 Karen Henriksen, Director of Resources, Telephone 01629 761284  
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### 6 BACKGROUND PAPERS

- 6.1 None

## **7 ATTACHMENTS**

None

GOVERNANCE & RESOURCES COMMITTEE  
11 MARCH 2021

Report of the Chief Executive

## **RISK MANAGEMENT – CHIEF EXECUTIVE’S ANNUAL REPORT & UPDATED RISK MANAGEMENT POLICY AND STRATEGY**

### **PURPOSE OF REPORT**

The Council’s Risk Management Policy and Strategy requires the Chief Executive to report to Members, by way of an annual report, on the Council’s risk management arrangements and how key strategic risks are being managed.

This report describes the Council’s risk management processes and working practices, which ensure that risk management arrangements continue to be effective, timely and fit for purpose, providing the Council with the correct levels of insight and support in relation to its risk exposure.

This report also asks Members to approve an updated Risk Management Policy and Strategy.

### **RECOMMENDATION**

1. That the report and risk management arrangements be approved.
2. That the Risk Management Strategy and Policy 2021 - 2023 be approved.

### **WARDS AFFECTED**

Not applicable

### **STRATEGIC LINK**

Effective Risk Management provisions enable significant risks to be identified, controlled and monitored so contributing to the provision of all services and priorities.

## **1 REPORT**

### Introduction

- 1.1 The Council’s [Risk Management Policy and Strategy](#), approved by this Committee in September 2018, requires the Chief Executive to report to Members, by way of an

annual report on the Council's Risk Management arrangements and how key strategic risks are being managed.

- 1.2 This report describes the current risk management processes and working practices, which have been developed to ensure they continue to provide the Council with the correct levels of insight and support in relation to its risk exposure. The report illustrates the strategic risks and scores them as high (red), medium (yellow) or low (green). The report also shows the actions that are planned to mitigate or reduce the risks.
- 1.3 The Risk Management Policy and Strategy was last reviewed in 2018. The second part of this report recommends an updated Policy and Strategy for Members' approval. Revisions to the document reflect the current organisation structure, processes and procedures.

### Background

- 1.4 The Council operates a risk management programme whereby risks associated with the Corporate Plan, its key strategic objectives and individual Service Plan Key Actions are formally assessed.

The Council identifies risks at two levels:

- **Strategic Risks:** These are the risks that will significantly impact the Council in the delivery of its Strategic Objectives and Corporate Plan; and
  - **Operational (Service) Risks:** These are the risks which will impact on the delivery of each service at an operational level. Managing these risks will assist each Head of Service in the delivery of their Service Plan objectives and key actions.
- 1.5 Relevant individuals (the Risk Management & Continuity Group or RCG) meet on a quarterly basis to discuss the risks facing the Council and the delivery of its objectives. Those risks highlighted during these sessions are analysed and prioritised and further actions identified. These are captured within the Operational and Strategic Risk Registers.
  - 1.6 An essential part of the process involves ensuring all risks have clear ownership. Service Managers are required to identify the key internal controls for each risk they are responsible for and to identify mitigating controls. The risk management methodology provides guidance for risks to be scored, enabling officers to report risks which may prevent them from achieving their required aims.
  - 1.7 Risks are regularly reported to the Risk Continuity Group, which in turn reports quarterly to the Corporate Leadership Team, ensuring that risks, risk management etc. are challenged and reported effectively.
  - 1.8 Further guidance on the Council's risk management processes and procedures can be found in the [Risk Management Policy and Strategy](#) dated September 2018. An updated version is proposed at Appendix 1.

## Recent developments and achievements

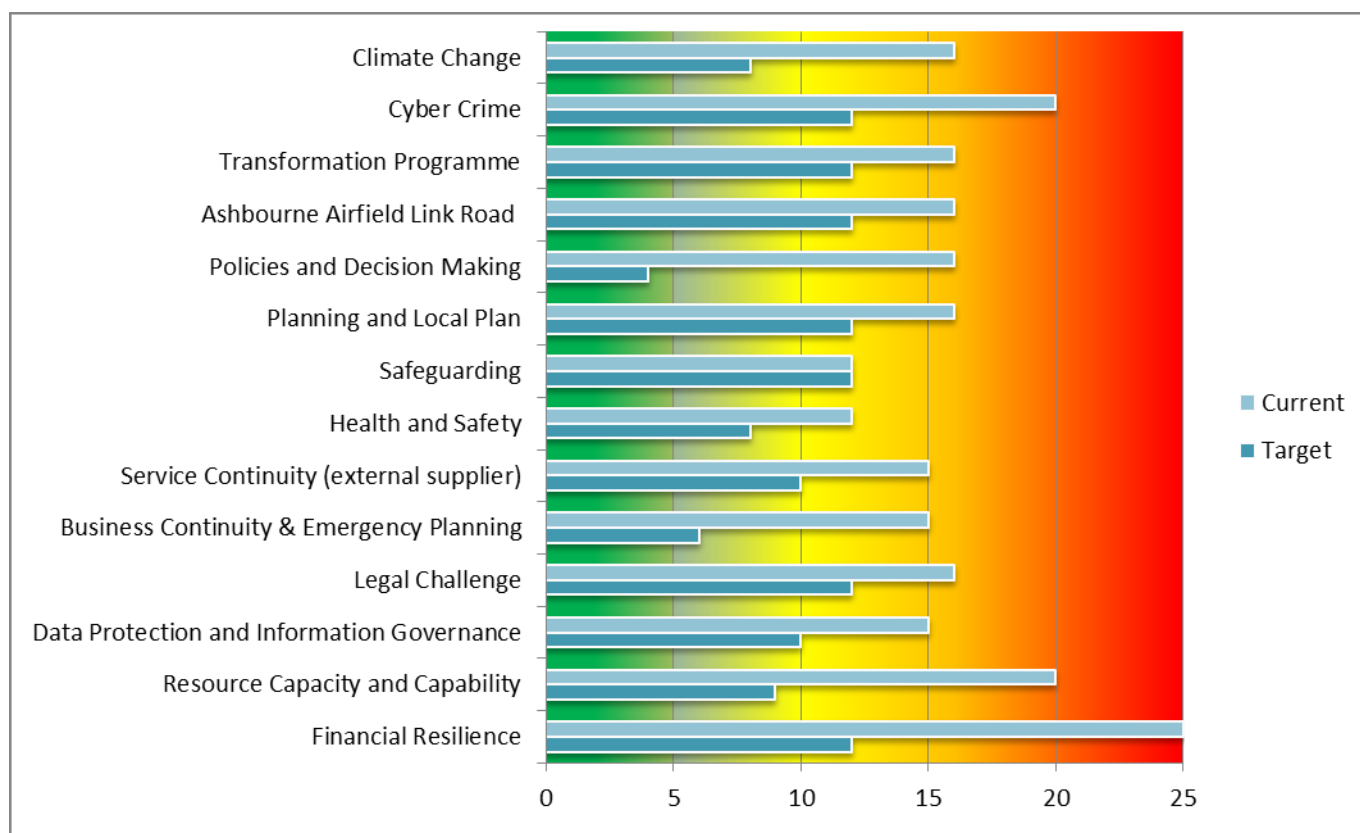
1.9 The Council remains committed to ongoing risk management activities. Risk management practices and procedures are well embedded. The Risk Continuity Group continues to be well attended; key actions arising in the last twelve months include:

- Regular reviews of the strategic risk register
- Regular discussions relating to events being held in the District
- Preparation of the draft annual report
- Discussions leading to cyber insurance being put in place.

## Current strategic risks

1.10 Strategic Risks are considered by relevant officers and documented within the Strategic Risk Register. Those risks identified and reported to the Corporate Leadership team in February 2021 are as follows:

Chart 1: Strategic Risk Scores (February 2021)



1.11 A comparison of current risks with the chart shown in last year's report shows a worsening overall situation (reflecting the impact of the coronavirus pandemic), as illustrated in the table below:



Level of Risk	Rating	Number of risks January 2020	Number of risks February 2021	Direction of travel
Low	1 - 4	0	0	-
Medium	5 - 16	13	11	↓
High	17 - 25	1	3	↑

The strategic risk for “Resource Capacity and Capability” has been increased from “medium” to “high”. This reflects the additional workload and pressures resulting from the coronavirus pandemic, which has affected short term capacity to deal with key projects, explore new ventures and deliver all corporate plan priorities.

The strategic risk for “Cyber-Crime” has been increased from “medium” to “high”. This reflects a general increase in cyber-crime, with evidence of local authorities being targeted. While the Authority does have controls and mitigating actions in place, the likelihood of a cyber-attack has increased, taking the overall risk score from “medium” to “high”.

A new risk “Climate Change” has been added to the strategic risk register in 2020/21. The Council has recognised climate change as an existential risk and pledged to reduce the emissions from its own operations to net zero by 2030. Therefore it is appropriate for the Council to recognise the risks posed by climate change itself and the risks of failing to meet the target in relation to its own emissions.

The risk “EU Exit” has been deleted from the strategic risk register in 2020/21, as it is no longer relevant due to the UK concluding its formal exit from the EU.

Business continuity and emergency planning.

- 1.12 The Council’s Emergency Planning and Business Continuity Plans are currently under review.
- 1.13 Business continuity has been tested since the start of the coronavirus pandemic when arrangements had to be put in place quickly for the majority of employees to work from home. An exercise is planned for 2021/22.

Strategic Risk Action Plan

- 1.14 Service managers and the Risk Continuity Group have identified that the following further mitigating actions are required in order to further mitigate strategic risks and reduce the Council’s risk profile.

Strategic Risk	Mitigating Actions Identified
<p><b>Financial Resilience</b></p> <div data-bbox="248 344 480 456">Current Score 25</div> <div data-bbox="248 490 480 602">Target Score 12</div>	<ul style="list-style-type: none"> <li>• The Council's Medium Term Financial Strategy that sets out the approach to achieving the savings that will be required from 2022/23 onwards will be reported to Council for approval in March 2021.</li> <li>• Final Local Government Finance Settlement received February 2021 and the impact on Budget for 2021/22 has been assessed. The settlement for 2021/22 was an improvement on the assumptions made in the MTFP but funding position for 2022/23 onwards is still unclear.</li> <li>• Clearer picture on outlook expected when government announces details of 75% rate retention and the results of the Fair Funding Review, hopefully in autumn 2021.</li> <li>• The impact of Covid-19 on the Council's financial position continues to be monitored; revised estimates for 2020/21 were presented to Council for approval in August 2020 and are due to be updated and presented again for approval in March 2021. The forecast impact on future years will be reflected in an updated MTFP. The pandemic is likely to have a significant detrimental impact on the Council's reserves and balances if not fully offset by government support.</li> </ul>
<p><b>Resource: Capacity and Capability</b></p> <div data-bbox="240 1227 472 1339">Current Score 20</div> <div data-bbox="240 1384 472 1496">Target Score 9</div>	<ul style="list-style-type: none"> <li>• If required, neighbouring authorities could be approached for resource support.</li> <li>• More focus on PDRs</li> <li>• Delivery of Learning &amp; Development Programme</li> <li>• Fully utilise E-Learning Platform, with annual review of mandatory courses</li> <li>• Plan being developed to address age profile of depot employees and provide future resilience, as part of a wider review of the Clean and Green Service</li> <li>• Need to manage the new council agenda (e.g. climate change) as there is a risk that too much focus on new projects will leave little capacity for ongoing service issues</li> <li>• Review the organisation's strategic officer capacity.</li> <li>• Dales INSIGHT Programme to recognise and develop talent to be refreshed and delivered</li> <li>• Review issues relating to Resilience, Resources and Priorities</li> </ul>
<p><b>Data Protection &amp; Information Governance</b></p> <div data-bbox="240 1832 472 1944">Current Score 15</div> <div data-bbox="240 1955 472 2067">Target Score 10</div>	<ul style="list-style-type: none"> <li>• Review contracts to ensure DPA and GDPR is addressed;</li> <li>• IGO to deliver training for non-office based employees</li> <li>• There is a need for a change in culture to meet the requirements under the Accountability Principle</li> <li>• All recommendations from Internal Audit Review 2020 to be implemented by agreed deadlines, including redaction training</li> <li>• Provide awareness training for breach management</li> </ul>

	<ul style="list-style-type: none"> <li>• Provide DPIA guidance and training</li> <li>• Consider impact of new guidance from ICO on data sharing agreements</li> <li>• Review CCTV against Surveillance Code of Practice</li> </ul>
<b>Legal challenge in respect of contracts etc.</b>  <div>Current Score 16</div> <div>Target Score 12</div>	<ul style="list-style-type: none"> <li>• Consideration of contract management and procurement operations to ensure that risks are assessed and performed at the relevant levels/timelines etc.</li> <li>• Provide guidance on consultation issues for relevant officers.</li> <li>• Roll out PSS Live to ensure that there is a record of inspections, reducing the risk of successful compensation / insurance claims</li> <li>• Review limit of indemnity for official indemnity insurance</li> <li>• Due diligence over insurance limits of liability &amp; contractual terms of contractors</li> <li>• Consideration of land holder liabilities relating to Blenheim, Road Ashbourne including whether insurance cover can be obtained</li> </ul>
<b>Business Continuity &amp; Emergency Planning</b>  <div>Current Score 15</div> <div>Target Score 6</div>	<ul style="list-style-type: none"> <li>• Mutual aid possibilities with other organisations being explored</li> <li>• Consider impacts on strategic partners e.g. CAB</li> <li>• Unified communications as part of telephone system replacement programme.</li> <li>• Training on emergency planning to be delivered to Members in 2021</li> <li>• Build resilience within CLT and SMT</li> <li>• Interim review of business continuity arrangements to include consideration of splitting and rostering staff e.g. flooding events lasting several days</li> <li>• Current pressures on human and financial resources to be monitored by CLT</li> <li>• BC and multi-agency exercises to be planned for 2021</li> <li>• PREVENT training on online learning platform is underway (Feb 2021)</li> </ul>
<b>Continuity of Service (where there is an External Supplier)</b>  <div>Current Score 15</div> <div>Target Score 10</div>	<ul style="list-style-type: none"> <li>• Review contracts to ensure exit strategies are included and documented. Where these are not in place discuss with suppliers how these could be implemented.</li> <li>• Identify alternative/temporary solutions for key contracts and minimum delivery requirements.</li> <li>• Working with existing contractors to ensure continuity of service;</li> <li>• Develop suite of contracts to include provisions to mitigate this risk.</li> <li>• Ensure new contracts have a sensible share of risks and liabilities;</li> <li>• Updating building control contract.</li> </ul>

<p><b>Health &amp; Safety</b></p> <p>Current Score 12</p> <p>Target Score 8</p>	<ul style="list-style-type: none"> <li>• Continue to grow and develop the Safety Committee.</li> <li>• Ensure that the RCG is informed of risks on a regular basis to reflect risks in the department and strategic risk registers.</li> <li>• Engage with providers to identify any proactive measures that the Council could take, if not already being performed.</li> <li>• Refine play equipment etc. inspection reporting regime to ensure regular inspections take place and are recorded</li> <li>• Review the asbestos register to ensure that this is up to date.</li> <li>• Continue to update fire risk assessments.</li> <li>• Review Lovers Walk risk assessments in relation to rock falls and monitor in accordance with survey &amp; develop maintenance programme for rock faces;</li> <li>• Health &amp; safety training to be considered for SMT in 2021</li> <li>• Implement outstanding recommendations from Internal Audit Review (IOSH training; reporting)</li> <li>• Working with event organisers to assist with risk assessments for holding events safely where possible, resulting in a number of cancellations.</li> <li>• Continue to monitor accident reports and trends including RIDDOR</li> <li>• Conditions Surveys being renewed</li> <li>• In-house health and safety trainer to be trained</li> <li>• Gold command training scheduled</li> </ul>
<p><b>Safeguarding</b></p> <p>Current Score 12</p> <p>Target Score 12</p>	<ul style="list-style-type: none"> <li>• Introduction of a safeguarding group, who will hold quarterly meetings to review policy and reflect on incidents</li> <li>• Specific training for safeguarding officers</li> </ul>
<p><b>Planning &amp; Local Plan</b></p> <p>Current Score 16</p> <p>Target Score 12</p>	<ul style="list-style-type: none"> <li>• Ongoing Local Plan monitoring</li> <li>• Statutory Review Local Plan by 2022 to determine if longer term changes to residential patterns required</li> <li>• Capacity to undertake delivery of sites is currently under review</li> <li>• Climate Change SPD to be consulted on.</li> </ul>

<p><b>Policies &amp; Decision Making</b></p> <p>Current Score 16</p> <p>Target Score 4</p>	<ul style="list-style-type: none"> <li>• Further training as necessary</li> <li>• Member workshops on keys areas for policy development, member engagement &amp; decision making</li> <li>• In depth risk assessments for commercial projects</li> <li>• Urgent business can be delegated to policy committees, subject to Council approval; monitoring will take place to ensure that this is effective.</li> </ul>
<p><b>Regeneration sites</b></p> <p>Current Score 16</p> <p>Target Score 16</p>	<ul style="list-style-type: none"> <li>• Finalise legal agreements &amp; ensure start on site at Ashbourne Airfield Link Road</li> <li>• Assess risks from Bakewell Road redevelopment</li> </ul>
<p><b>Transformation Programme</b></p> <p>Current Score 16</p> <p>Target Score 12</p>	<ul style="list-style-type: none"> <li>• Consider lessons learned from other programmes and implement learning where appropriate.</li> <li>• Business process Re-engineering yet to be fully implemented in Development Management</li> <li>• Rollout of EDMS to be determined and resourced</li> <li>• Customer Access Strategy to be prepared &amp; Online Payment Facilities to be taken forward by Innovation Hub focusing on environmental services (charging for bins and garden waste) with business process re-engineering where helpful</li> <li>• CLT need to keep under review the organisational structure as the CRM is rolled out.</li> <li>• Resolve integration of payments with CRM and other systems.</li> </ul>
<p><b>Cyber Crime</b></p> <p>Current Score 20</p> <p>Target Score 12</p>	<ul style="list-style-type: none"> <li>• Roll out exercise that will raise employee awareness of “phishing”</li> <li>• Provide refresher training every 2 years for ICT security awareness</li> <li>• Carry out full assessment of cyber risks</li> <li>• LRF to set up a sub-group on cyber resilience</li> <li>• Joint ICT service working with National Security Centre to reduce risks.</li> </ul>

<p><b>Climate Change</b></p> <p>Current Score 16</p> <p>Target Score 8</p>	<ul style="list-style-type: none"> <li>• Seek further funding for planned capital works</li> <li>• Take advantage of funding opportunities as they arise</li> <li>• Recalculate carbon footprint on annual basis</li> <li>• Climate Change Officer to take on role at officer groups and maximise opportunity</li> <li>• Develop project plan to deliver capital works</li> <li>• Develop Climate Change role outside the Council and within the community</li> <li>• Consider potential for renewable energy generation across the District</li> <li>• Adopt and implement Climate Change SPD</li> <li>• Form internal Climate Change officer working group</li> <li>• Harness staff and elected Member ideas</li> <li>• Develop role of the CCWG</li> </ul>
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## Risk Management Policy and Strategy

- 1.15 The Risk Continuity Group and Corporate Leadership Team have reviewed the Risk Management Policy and Strategy, which was last updated in 2018. This report recommends an updated Policy and Strategy for Members' approval, which is shown in Appendix 1 with revisions being shown in red text. Revisions to the document reflect the current organisation structure, processes and procedures.

## 2 RISK ASSESSMENT

### 2.1 Legal

The report documents an effective system of risk management, which aims to identify, control and mitigate risk. Whilst not all risk can be mitigated, the measures currently in place provide for low legal risk.

### 2.2 Financial

There are no financial risks arising from this report.

## 3 OTHER CONSIDERATIONS

- 3.1 In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property.

## **4 CONTACT INFORMATION**

- 4.1 Karen Henriksen - Director of Resources  
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## **5 BACKGROUND PAPERS**

- 5.1 None

## **6 ATTACHMENTS**

- 6.1 Appendix 1 Risk Management Policy and Strategy 2021-2023

## Derbyshire Dales District Council

# Risk Management Policy & Strategy 2021 - 2023

Version:	V3 – Third draft for committee approval
Name of Executive Lead	Paul Wilson – Chief Executive
Agreed by Risk Continuity Group:	10 February 2021
Approved by Corporate Leadership Team	02 March 2021
Approved by Governance & Resources Committee	11 March 2021
Date This Version Issued	02 March 2021
Review date:	February 2023



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## Risk Management Strategy Statement

It is the Council's policy to proactively identify, understand and manage the risks inherent in our services and associated within our plans and strategies, so as to encourage responsible, informed risk taking.

Risk management is all about understanding, assessing and managing the Council's threats and opportunities. The Council accepts the need to take proportionate risk to achieve its strategic obligations, but expects these to be appropriately identified, assessed and managed. Through managing risks and opportunities in a structured manner, the Council will be in a stronger position to ensure that we are able to deliver our objectives. As a result, through risk management, the Council aims to:

- a) Implement effective risk management as a key element of good governance and rigorous performance management. All Members and Officers will ensure that they identify, manage and act on opportunities as well as risks to enable the Council to achieve its objectives and integrate risk management into the culture and day to day working of the Council.
- b) Utilise risk as an integral part of corporate and business planning, policymaking, performance management and ensuring effective service delivery.
- c) Embed a systematic and consistent approach to risk management throughout the Council.
- d) Ensure that strategic partnerships, outsourced or externally provided arrangements are adequately risk assessed and managed.
- e) Maintain risk management policies, procedures etc. ensuring these comply with best practice and statutory requirements. On an annual basis, the Risk Continuity Group will review the risk management process and will recommend further enhancements to further embed risk management within the Council. The Risk Management Strategy will be endorsed by the Corporate Leadership Team and I will be the Accountable Officer to ensure that this is performed.
- f) Identify clear roles and accountability for risk management within the Risk Management Strategy. These will recognise process enhancements, day to day risk management requirements, oversight and scrutiny, along with the Council's need to support Officers in training and awareness programmes.

We recognise that it is not always possible, nor desirable, to eliminate risk entirely. However, visibility of these areas is essential, so that the Council can explore external options, such as insurance.



**Paul Wilson**

# Risk Management Strategy

## 1 Introduction

### 1.1 Purpose and objectives of the Strategy

The purpose of this Risk Management Strategy is to establish a framework for the effective and systematic management of risk, which will ensure that risk management is embedded throughout the Council and makes a real contribution to the achievement of the Council's vision and objectives. As a result, the objectives of this strategy are to:

- Define what risk management is about and what drives risk management within the Council;
- Set out the benefits of risk management and the strategic approach to risk management;
- Outline how the strategy will be implemented; and
- Identify the relevant roles and responsibilities for risk management within the Council.

Effective risk management will require an iterative process of identification, analysis, and prioritisation, action, monitoring and reporting of material risk. The processes required to deliver these objectives will need to ensure:

- Clear identification of corporate aims and priorities, service objectives and key actions.
- Specification of roles and responsibilities in respect of risk management activities.
- Consideration of risk as an integral part of corporate and business processes.
- Requirements to analyse, prioritise, respond to, monitor and report on material and significant risks.
- Specification of guidance and support arrangements to assist officers in their consideration of risk.
- Facilitation of shared organisational intelligence and learning.

Risks will be managed through a series of provisions applying at different levels. These include:

- Expression of the strategic risk tolerance in corporate aims and service plans through application of our risk scoring methodology.
- At operational level by budget allocation and monitoring through effective performance management arrangements.

- At project level through application of established risk assessment techniques in compliance with business continuity planning.
- Good corporate governance provisions as provided by the Governance & Resources Committee's Terms of Reference.
- Annual review of arrangements to assess against good practice (Chief Executive's Annual Report).
- Examination of corporate and insurable risks to identify risk reduction measures (Risk Continuity Group).
- Provide for risk assessment evidence in all decision making processes of the Council by inclusion in all Committee reports.
- Maintain documented procedures, toolkits and guidance for use across the Council by application of the risk register process and usage advice.
- Provide officers with suitable information and training to enable them to perform their duty (Risk Continuity Group and Performance and Development Reviews).
- Make all partners, providers and delivery agents aware of the Council's expectations on risk, both generally as set out in the Risk Management Policy, and where necessary, in particular areas of service delivery

## 1.2 Risk Management Definitions

There are a number of ways in which organisations express risks and as a result, the risk management definitions can vary. Therefore, we have included a risk management glossary of the Council's risk management definitions.

A full glossary of definitions can be found in **Appendix B**.

## 1.3 What is risk management?

Risk can be defined as ***"a threat that an event or action will adversely affect the Council's ability to achieve its objectives, perform its duties or meet expectations of its stakeholders"***

***Risk Management*** - Risk is unavoidable; organisations must manage risk in a way that can be justified to a level which is tolerable and as a result, risk is the chance that an event will occur that will impact upon the organisation's objectives. It is measured in terms of consequence and likelihood.

The holistic approach is vital to ensure that all elements of the organisation are challenged including decision making processes, working with partners, consultation, existing policies and procedures and also the effective use of assets – both staff and physical assets.

The risks facing the Council will change over time, some changing continually, so this is not a one off process. Instead the approach to risk management should be continual and the risks and the approach to managing them should be reviewed regularly.

It is important to note that risks can also have an upside; their impact can in some cases be positive as well as negative. Risk is also often said to be the flipside of opportunity so the whole risk management process can also help the Council identify positive opportunities that will take it forward. Risk management needs to be seen as a strategic tool and will become an essential part of effective and efficient management and planning.

#### **1.4 Why do we want (and need) to do risk management?**

Risk management will, by adding to the business planning and performance management processes, strengthen the ability of the Council to achieve its objectives and enhance the value of the services provided.

**We are required to do it** - Risk management is something that the Council is required to do, for example:

- The CIPFA/SOLACE framework on Strategic Governance requires the Council to make a public assurance statement annually, on amongst other areas, the Council's Risk Management Strategy, process and framework. The framework requires the Council to establish and maintain a systematic strategy, framework and processes for managing risk.

**Benefits of risk management** - Successful implementation of risk management will produce many benefits for the Council if it becomes a living tool.

- Achievement of the Councils objectives and vision;
- A consistent approach to the way risks are managed throughout the Council;
- Improved informed decision making – risks reported and considered within Council decision making;
- Becoming less risk averse in innovation (because you understand) and hence are more innovative;
- Improved business planning through a risk based decision making process;
- A focus on outcomes not processes;

- Improved performance (accountability and prioritisation) - feeds into performance management framework;
- Better governance - and demonstration of it to stakeholders; and
- Helping to protect the organisation.

### 1.5 Where does risk management fit?

In short the answer is “**everywhere**”. Effective risk management should be applied within all decision making processes at an *appropriate scale*. So the risk management approach should encompass all types of risks and the table below may aid in the identification of risks to the Council.

Sources of risk	Risk examples
<b>STRATEGIC</b>	
<b>Infrastructure</b>	Functioning of transport, communications and infrastructure. Impact of storms, floods, pollution.
<b>Legislative and Regulatory</b>	Effects of the change in Central Government policies, UK or EU legislation, local and National changes in manifestos. Exposure to regulators (auditors/inspectors).
<b>Social Factors</b>	Effects of changes in demographic profiles (age, race, social makeup etc.) affecting delivery of objectives. Crime statistics and trends. Numbers of children/vulnerable adults ‘at risk’.
<b>Technological</b>	Capacity to deal with (ICT) changes and innovation, product reliability, developments, systems integration, cyber-crime etc. Current or proposed technology partners.
<b>Competition and Markets</b>	Cost and quality affecting delivery of service or ability to deliver value for money. Competition for service users (leisure, car parks etc.). Success or failure in securing funding.
<b>Stakeholder related factors</b>	Satisfaction of the Council’s taxpayers, Central Government and other stakeholders.
<b>Environmental</b>	Environmental impact from Council, stakeholder activities (e.g. pollution, energy efficiency, recycling, emissions, contaminated land etc.). Traffic problems and congestion.
<b>OPERATIONAL (Internal influences)</b>	
<b>Finance</b>	Associated with accounting and reporting, internal financial delegation and control, e.g. managing revenue and capital resources, taxation and pensions.
<b>Human Resources</b>	Recruiting and retaining appropriate staff and applying and developing skills in accordance with corporate objectives, employment policies, health and safety.
<b>Contracts and Partnership</b>	Failure of contractors to deliver services or products to the agreed cost and specification. Procurement, contract and life cycle management, legacy. Partnership arrangements, roles and responsibilities.
<b>Tangible Assets</b>	Safety and maintenance of buildings and physical assets e.g. plant and equipment, ICT equipment and control

Sources of risk	Risk examples
<b>Environmental</b>	Climate change, pollution, noise, licensing, energy efficiency of day-to-day activities.
<b>Processes</b>	Compliance, assurance, project management, performance management, revenue and benefits systems, parking systems etc.
<b>Professional Judgement and Activities</b>	Risks inherent in professional work, designing buildings, safeguarding vulnerable children and adults.
<b>CORPORATE GOVERNANCE</b>	
<b>Integrity</b>	Fraud and corruption, accountability, transparency, legality of transactions and transactions and limit of authority.
<b>Leadership</b>	Reputation, authority, democratic changes, trust and branding.
<b>Policy and Strategy</b>	Clarity of policies, communication. Policy Planning and monitoring and managing performance.
<b>Data and information for decision making</b>	Data protection, data reliability and data processing. Control of data and information. E-government and service delivery.
<b>Risk Management</b>	Incident reporting and investigation, risk analysis or measurement, evaluation and monitoring. Taking advantage of opportunities.

There is therefore a consistent approach from the top to the bottom of the Council. So a mechanism will exist for risks to be escalated up (bottom up) within the Council whilst the top risks are also explicitly identified and managed (top down).

In practice this means that the Council will carry out risk assessments and develop the following risk registers:

- **Strategic Risk Register** – the strategic, high level council risks related specifically to the Corporate Plan; and
- **Operational Risk Registers** – the risks facing the service and the achievement of its service objectives, as outlined in the Service Delivery Plan. Depending on the structure and complexity of the service there may also be a need/desire to have sub-unit risk registers which feed into the service risk register.

Given the changing landscape of local government the importance of projects and partnerships are ever increasing, so a more specific and tailored risk management approach is required.

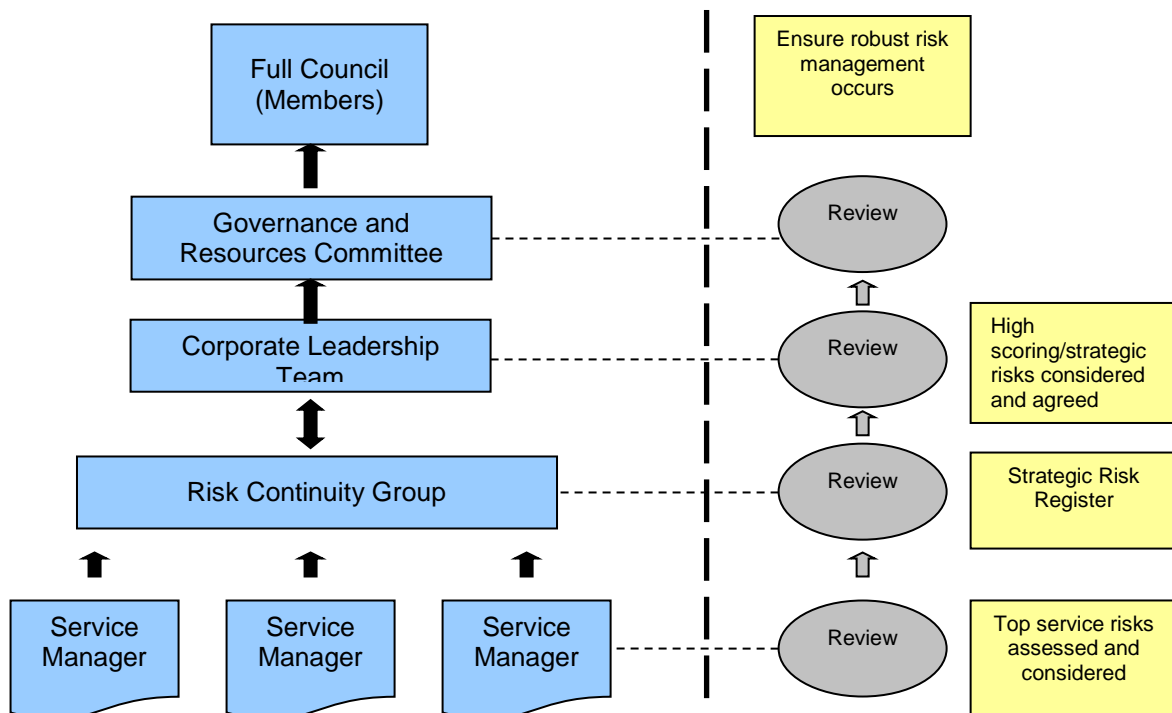
## 2 Risk Management Organisational Structure

### 2.1 Reporting structure

The risk management process is a continuous one and risks can therefore be reported at any time. However risks will be formally reported as follows:

- Service Managers are required to review and update the risks that sit within their service on a quarterly basis via departmental meetings. These updates are fed into the operational risk registers, as well as the strategic risk register where appropriate.
- On a quarterly basis the Risk Continuity Group (RCG) receives a copy of the Council's Strategic Risk Register as well as a summary report for challenge and consideration. The Corporate Leadership Team considers the Risk Continuity Group minutes following each quarterly meeting of the RCG.
- A risk management annual report is produced by the Risk Continuity Group to be reported to the Corporate Leadership Team and escalated to the Governance and Resources Committee. **A copy of the Annual Report is given to all councilors.**

The reporting structure is represented below:





### 3. Roles and Responsibilities

In cases of operational risk, risk management will follow existing service management arrangements. Strategic risk will be managed at **Director** Level. The Risk Continuity Group will be accountable to the Corporate Leadership Team and will be the “driving force” behind developing and implementing the Council’s Risk Management Strategy. The constitution of the Group is shown at **Appendix C**. Service **Directors** nominate an officer to serve on the Risk Continuity Group to enhance the linkage between Service Managers and the Corporate Leadership Team.

Risk needs to be addressed at the point at which decisions are being taken. Where Members and Officers are asked to make decisions, they should be advised of the risks associated with recommendations being made as necessary. The Council needs to be able to demonstrate that it took reasonable steps to consider the risks involved in a decision. Risks must be addressed within Committee reports, as part of the corporate check.

There needs to be a balance between the efficiency of the decision making process and the need to address risk. All reports to Council or Committees include a section that assesses risks.

The following describes the roles and responsibilities that Members and officers will play in introducing, embedding and owning the risk management process:

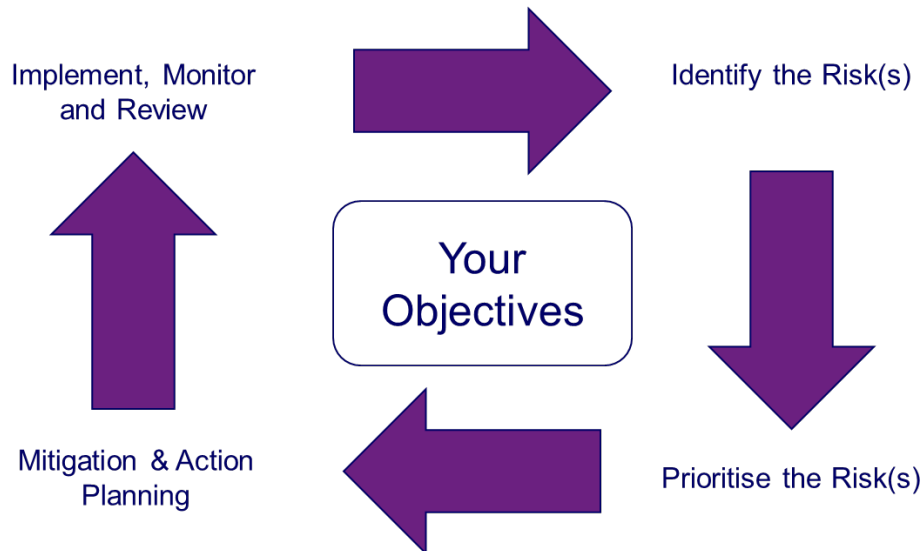
Group/ individual	Roles & Responsibilities
<b>Members</b>	<ul style="list-style-type: none"> <li>▪ Are responsible for governing the delivery of services to the local community and have a responsibility to understand the risks that their Council faces and be aware of how these risks are being managed. One way of gaining assurance that identified risks are being effectively managed is by robust, constructive challenge and scrutiny. Endorse the Risk Management Policy and Strategy;</li> <li>▪ Agree the priorities determined by officers;</li> <li>▪ Review the effectiveness of the risk management process;</li> <li>▪ Governance &amp; Resources Committee’s Terms of Reference include corporate governance provision;</li> <li>▪ Receive reports from the Chief Executive (Officer with responsibility for risk management) stating whether effective risk management arrangements operate;</li> <li>▪ Approve risk tolerance levels or the “risk appetite” of the Council i.e. the definition of high (red) risk, medium (amber) risk and low (green) risk as recommended by the Corporate Leadership Team;</li> <li>▪ Consider the risks involved in making any decisions;</li> <li>▪ Hold the Corporate Leadership Team accountable for the effective management of risk; and</li> <li>▪ The Leader and Chief Executive approve the Annual Governance Statement, which is the public disclosure of the annual outcome of this assessment (the assurance statement) and published in the annual Statement of Accounts.</li> </ul>

Group/ individual	Roles & Responsibilities
<b>Corporate Leadership Team</b>	<ul style="list-style-type: none"> <li>▪ Scrutinise significant risks in more detail as part of their annual work programme, as appropriate;</li> <li>▪ Take corporate responsibility for risk;</li> <li>▪ Address issues that cannot be addressed within service budgets or risk management fund of an extreme or high assessment;</li> <li>▪ Receive report of all extreme or high assessments;</li> <li>▪ Receive minutes of Risk Continuity Group meetings.</li> </ul>
<b>Risk Continuity Group</b>	<ul style="list-style-type: none"> <li>▪ Oversee the Strategic Risk Register;</li> <li>▪ Report to CLT at the defined frequency all highly scored risks;</li> <li>▪ Prepare and recommend changes to the risk management strategy;</li> <li>▪ Identify and assess risks;</li> <li>▪ Prepare, monitor and review the strategic risk register;</li> <li>▪ Recommend actions to address risks; and</li> <li>▪ Arrange and provide risk management training as appropriate.</li> </ul>
<b>Chief Executive</b>	<ul style="list-style-type: none"> <li>▪ Overall responsibility for ensuring that strategic risks are effectively managed within the Council; and</li> <li>▪ Provide an annual statement of assurance on strategic risks.</li> </ul>
<b>Service Directors</b>	<ul style="list-style-type: none"> <li>▪ Review risk treatment schedules as identified by the line managers and team leaders;</li> <li>▪ Champion and take overall responsibility for implementing the Risk Management Framework and embedding risk management throughout the Council.</li> <li>▪ Review risk action plans and ensure they are implemented;</li> <li>▪ Contribute towards the identification and management of operational risks for their service;</li> <li>▪ Maintain awareness of and help promote the approved risk management strategy to all staff;</li> <li>▪ Ensure that risks which have been identified are addressed and mitigated and that any high risks are addressed urgently; and</li> <li>▪ Ensure that risk management is incorporated into service plans and project plans.</li> </ul>
<b>Line Managers &amp; Team Leaders</b>	<ul style="list-style-type: none"> <li>▪ Identify and analyse risks;</li> <li>▪ Undertake assessments at service level;</li> <li>▪ Evaluate risk/perform risk assessment</li> <li>▪ Prepare risk register entries;</li> <li>▪ Prepare the risk treatment schedule; and</li> <li>▪ Prepare risk action plan.</li> </ul>
<b>All Employees</b>	<p>All employees have a responsibility to:</p> <ul style="list-style-type: none"> <li>▪ Manage risk effectively in their job and report opportunities and risks to their service managers;</li> <li>▪ Participate in risk assessment and action planning where appropriate;</li> <li>▪ Adhere to Council policies and procedures; and</li> <li>▪ Attend training and development sessions as appropriate</li> </ul>

Group/ individual	Roles & Responsibilities
<b>Project Leaders</b>	<ul style="list-style-type: none"><li>▪ Project leaders have a responsibility to ensure that the risks associated with their projects are identified, recorded and regularly reviewed as part of the project management process.</li></ul>
<b>Internal Audit</b>	<p>Internal Audit's role is to maintain independence and objectivity. Internal Audit is not responsible or accountable for risk management or for managing risks on management's behalf. Internal Audit will:</p> <ul style="list-style-type: none"><li>▪ Audit the risk management process;</li><li>▪ Assess the adequacy of the mechanisms for identifying, analysing and mitigating key risks;</li><li>▪ Provide assurance to officers and Members on the effectiveness of controls; and</li><li>▪ The Risk Register will drive the Internal Audit Plan to ensure resources are used on the areas of highest risk and where the need for assurance is greatest.</li></ul>

## 4. Risk Management Process

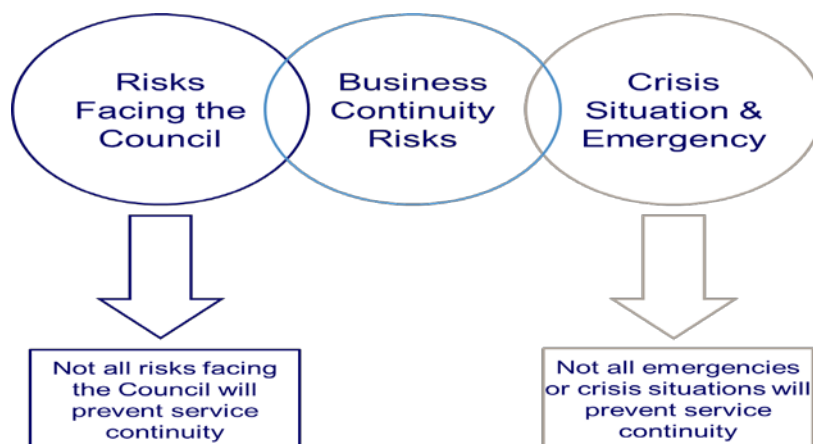
The risk management process follows a four step approach; these are indicated in the diagram below and should be driven by the Council's objectives.



## 5 Links to other Business Processes

### Risk management, emergency planning and business continuity

There is a link between these areas however it is vital for the success of risk management that the roles of each, and the linkages, are clearly understood. The diagram below sets out to demonstrate the differences.



**Risk management** is about trying to identify and manage those risks which are more than likely to occur and where the impact on the Council's objectives can be critical or even catastrophic.

**Business continuity management** is about trying to identify and put in place measures to protect the priority functions against catastrophic risks that can stop the organisation in its tracks. There are some areas of overlap e.g. where the I.T infrastructure is not robust then this will feature as part of the organisation risk assessment and also be factored into the business continuity plans.

**Emergency planning** is about managing those incidents that can impact on the community (in some cases they could also be a business continuity issue) e.g. a plane crash is an emergency, it becomes a continuity event if it crashes on the office.

## 6. Communication

The Risk Management Strategy and Policy will be published on the Council's website so that all members of staff, partners, stakeholders and interested members of the public can have access and easily refer to it. The document will be reviewed every two years and following any key changes e.g. Central Government policy, inspection regimes and following any internal reorganisation.

## 7 Training

Training will be facilitated via workshops, the Council's online learning portal, etc., with a view to enabling all officers to confidently undertake the process of risk identification and mitigation within their service areas.

## 8 Monitoring of Risk

The Council will monitor risk in the following ways:

- Risk Assessments will be undertaken annually to reflect Service Plan Objectives and Key Actions.
- The Council risk registers, both strategic and operational, will be the prime record which contains risk assessments, mitigation controls and review frequency information in accordance with the Councils Risk Management Methodology.
- The Risk Continuity Group will comply with their Terms of Reference as defined in **Appendix C**.
- Internal Audit will review the Council's risk management arrangements as part of its strategic audit plan.

## 9 Conclusion

This strategy sets the **framework** for **embedding** risk management into the Council's culture. It also formalises a process that is applied across the Council to ensure consistency and clarity in understanding the role and benefits of strategic risk management.

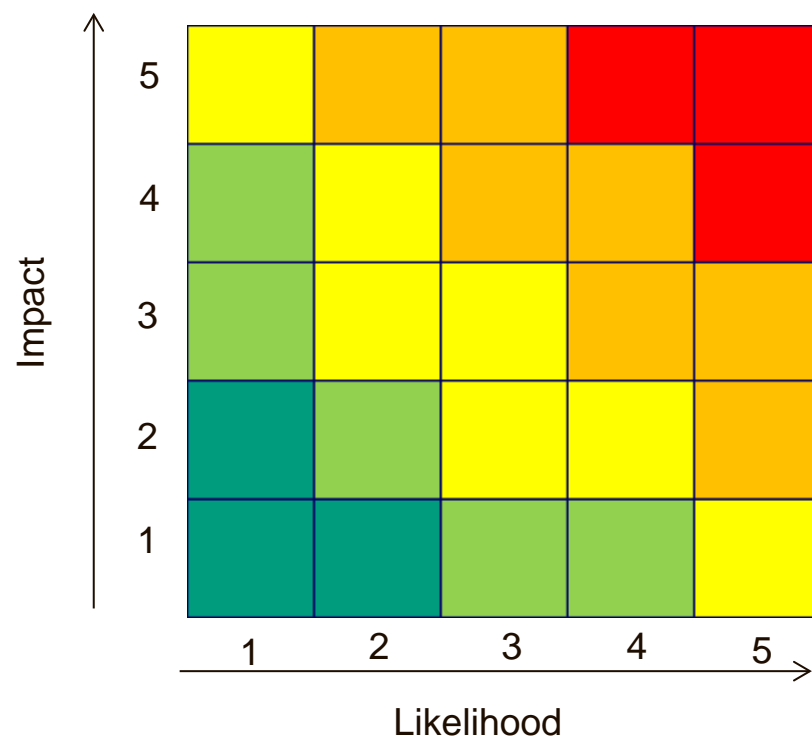
The quarterly reporting and escalation of risks interlocks with the existing arrangements for performance reporting. The intention being that the management of risks is incorporated into business plans so that, by reporting on performance, reports naturally consider the mitigation of risks.

The adoption of the strategy **builds on** the risk management work undertaken to date **and ensures that the Council continues to meet** the requirements of recognised best practice and inspection.

## RISK MANAGEMENT STRATEGY

### Appendix A – Risk Scoring

1 Very Low	2 Low	3 Medium	4 Probable	5 High
Unable to recall previous event	Once in last 20 years	Occurred elsewhere in last 10 years	Happened in last 4 – 10 years	Happened once or more in past 4 years



Severity	Definition
<b>5 Critical</b>	<p><b>Personal safety</b> – Death</p> <p><b>Financial loss</b> – Over £250,000 for legal obligation claim/fine/custodial sentence, Business loss claim/fine/custodial sentence.</p> <p><b>Personal Privacy infringement</b> – All personal details compromised</p> <p><b>Reputation</b> – Officer/Members forced to resign</p>
<b>4 Major</b>	<p><b>Personal safety</b> – Major injury</p> <p><b>Financial loss</b> - Up to £100,000 - £250,000 for legal obligation claim/fine, Business loss claim/fine.</p> <p><b>Personal Privacy infringement</b> – Severe personal details compromised</p> <p><b>Reputation</b> – Local or public interest/National press aware</p>
<b>3 Possible</b>	<p><b>Personal safety</b> – Injury outpatients</p> <p><b>Financial loss</b> - Up to £50,000 - £100,000 for legal obligation claim/fine, Business loss claim/fine.</p> <p><b>Personal Privacy infringement</b> – Isolated, personal detail compromised</p> <p><b>Reputation</b> – Subject to formal report to Council</p>
<b>2 Unlikely</b>	<p><b>Personal safety</b> – Minor injury, not serious</p> <p><b>Financial loss</b> - Up to £1,000 - £50,000 for legal obligation claim/fine, Business loss claim/fine.</p> <p><b>Personal Privacy infringement</b> – Embarrassment, none lasting effect</p> <p><b>Reputation</b> – Contained within section/department</p>
<b>1 Rare</b>	<p><b>Personal safety</b> – Minor First aid</p> <p><b>Financial loss</b> - Up to £1,000 for legal obligation claim, Business loss claim</p> <p><b>Personal Privacy infringement</b> – Minor, none consequential</p> <p><b>Reputation</b> – Minor, none lasting</p>

## Appendix B – Risk Management Glossary

<b>Risk</b>	Risk can be defined as a threat that an event or action will adversely affect the Council's ability to achieve its objectives, perform its duties or meet expectations of its stakeholders.
<b>Hazard</b>	Anything that has the potential to cause harm.
<b>Risk Management</b>	Risk is unavoidable, organisations' must manage risk in a way that can be justified to a level which is tolerable and as a result, risk is the chance that an event will occur that will impact upon the Organisation's objectives. It is measured in terms of consequence and likelihood.
<b>Assessing risks</b>	The approach and process used to prioritise and determine the likelihood of risks occurring and their potential impact on the achievement of the Councils objectives.
<b>Contingency</b>	An action or arrangement that can be put in place to minimise the impact of a risk if it should occur.
<b>Control (control measures)</b>	Any action, procedure or operation undertaken to either contain a risk to an acceptable level, or to reduce the likelihood.
<b>Corporate Governance</b>	Set of internal controls, processes, policies, affecting the way the Council is directed, administered or controlled.
<b>Service risk</b>	Significant operational risks which affect the day-to-day activities of the council.
<b>Identifying risks</b>	The process by which events that could affect the achievement of the Council's objectives, are drawn out and listed.
<b>Risk Prioritisation</b>	Risk prioritisation is the process used to evaluate the hazard/ risk and to determine whether precautions are adequate or more should be done. The risk is compared against predetermined acceptable levels of risk.
<b>Impact</b>	The effect that a risk would have if it occurs.
<b>Issue</b>	An event or concern that has occurred or is taking place and needs to be addressed (as opposed to a risk which has not yet, or might not, occur).
<b>Consequence</b>	A measure of the impact that the predicted harm, loss or damage would have on the people, property or objectives affected.
<b>Likelihood</b>	A measure of the probability that the predicted harm, loss or damage will occur
<b>Risk Treatment</b>	The action(s) taken to remove or reduce risks
<b>Managing and controlling risks</b>	Developing and putting in place actions and control measures to treat or manage a risk.
<b>Control</b>	The control of risk involves taking steps to reduce the risk from occurring such as application of policies or procedures.
<b>Mitigation (Plan)</b>	A strategy that reduces risk by lowering the likelihood of a risk event occurring or reducing the impact of the risk should it occur.
<b>Objective</b>	Something to work towards – goal.
<b>Operational risk</b>	Risks arising from the day to day issues that the Council might face as it delivers its services.
<b>Overall risk score</b>	The score used to prioritise risks – impact multiplied by likelihood.
<b>Risk Assessment</b>	Analysis undertaken by management when planning a new process or changing an existing procedure to identify risks that may occur, their potential impact and likelihood of occurrence. It will also identify the controls needed to control the risk and who is responsible for this.
<b>Risk Register</b>	A risk register is a log of risks of all kinds that threaten an organisations success in achieving its objectives. It is a dynamic living document which is populated through the organisations risk assessment and evaluation process. The risk register enables risks to be quantified and ranked. It provides a structure for collating information about risks.



## **Appendix C – Risk Continuity Group Terms of Reference**

- a) To implement effective risk management as a key element of good governance and rigorous performance management;
- b) To discuss, agree and recommend as appropriate, all matters relating to risk policy and risk strategy in respect of the Council;
- c) To oversee all issues of risk, including implementation of the Council's Risk Management /strategy and to promote a holistic approach to the management of risk throughout the Council;
- d) To promote good risk management practices throughout the Council with the aim of reducing insurance claims and premiums while ensuring that there is adequate insurance cover;
- e) To reduce the risks within the council's services to the benefit of staff and the public;
- f) To review the Corporate Risk Register and report issues arising to the Corporate Leadership Team;
- g) To provide a forum to discuss risk management issues and responsibilities throughout the Council;
- h) To annually review the role and function of the Risk Continuity Group.

**GOVERNANCE & RESOURCES COMMITTEE**

11 MARCH 2021

Report of the Chief Executive

**COVID-19 ORGANISATIONAL AND EMPLOYEE IMPACTS**

**PURPOSE OF REPORT**

The report summarises the organisational impacts arising from the Covid-19 pandemic. It seeks delegated authority to make payments to those employees who have been directly involved in the delivery of the corporate Covid-19 response due to significant additional hours worked or because they have been unable to take all of their contractual annual leave entitlement in 2020/21.

**RECOMMENDATION**

1. That the Committee acknowledges the significant organisational impacts arising from the corporate response to the Covid-19 pandemic.
2. That authority be delegated to the Chief Executive to make extra hours payments to employees at Grade 8 and above, who have been directly involved in essential work to deliver the corporate response to Covid-19.
3. That authority be delegated to the Chief Executive to make exceptional payments, in full and final settlement by agreement, to employees who have been directly involved in essential work to deliver the corporate response to Covid-19 in lieu of their outstanding (full or part) 2020/21 contractual entitlement to annual leave.

**WARDS AFFECTED**

None

**STRATEGIC LINK**

Every plan, strategy policy, and action of the District Councils flows from the Corporate Plan. The Corporate Plan is put into effect by service plans, policies and strategies. Through the Performance and Development Review scheme (PDR), employees' activities and appraisals are linked to the Corporate Plan which has regard to the need to deliver high quality customer experience whilst balancing employee welfare, terms and conditions of service.

**1 BACKGROUND**

- 1.1 The last 12 months has posed a series of challenges for the District Council of a scale and nature, never previously experienced. These challenges started with the catastrophic floods in November 2019, further flooding incidents in January 2020, the ongoing Covid-19 pandemic from March 2020 and then further flooding incidents in

January 2021.

- 1.2 On 23<sup>rd</sup> March 2020, the Prime Minister announced the first Covid-19 lockdown. At that time, nobody expected that almost 12 months later, the country would still be in a lockdown situation where our ability to undertake our normal home and work life would still be severely disrupted.
- 1.3 As an organisation, the last 12 months have been extraordinarily challenging as we have had to quickly, and successfully, adjust to new ways of working whilst maintaining the delivery of all of our frontline services. This has necessitated a '*ONE Team, ONE Council*' response with colleagues from across the whole of the organisation, adapting and undertaking roles and responsibilities that they would not normally be required to undertake.
- 1.4 Despite the challenges, we have continued to progress a number of corporate projects and initiatives including our climate change agenda, procurement of a new telephony system, implementation of our Customer Relationship Management (CRM) system, CRM implementation of the Garden Waste subscription service which has generated circa £544,000 of essential income to the District Council (exceeding budget expectations by 19%), economic development projects (Ashbourne Airfield and Bakewell Road redevelopment) and various capital programme projects.
- 1.5 A number of additional burdens arising from the Covid-19 have also had to be dealt with, including:
  - Rapid development and implementation of new CRM forms to administer £1.7m in Discretionary Grants Fund payments, plus £31.4m in Government Small Business Grants and Retail, Hospitality and Leisure Grants to nearly 3000 small businesses.
  - CRM implementation of new systems to administer a further 9 grant schemes arising from lockdown 2 (November 2020 onwards) worth £21.4m.
  - Administration of Covid-19 licensing and premises inspection arrangements.
  - Supported the delivery of the government's 'Everyone in' request to bring homeless people off the streets and provide safe and supported accommodation.
  - Implementation of Covid safe working environment in the Town Hall.
  - Implementation of Covid safe Markets and public conveniences.
  - Implementation of Covid safe working practices for Clean and Green Teams.
  - Implementation of Covid safe working practices with full IT access for staff able to work from home.
  - Implementation of Covid-19 advice and contact tracing for staff.
  - Implementation of 'test and trace' payments support scheme.
  - Negotiation of financial support packages to Freedom Leisure and SERCO.
  - Additional income monitoring and submission of monthly monitoring returns to MHCLG.
- 1.6 All of the above has been delivered by the Council's employees, many working significantly in excess of their contracted hours of work (37 hours per week), with prolonged periods of evening and weekend work in order to meet tight implementation deadlines. A notable example of this are the two members of the Council's Digital Transformation Team, who have worked a combined total of almost 370 hours, in excess of their contractual hours during the period 30<sup>th</sup> March 2020 – 31<sup>st</sup> January 2021. Without their input, the District Council would have been unable to implement

our CRM system which has enabled us to deliver in excess of £50m in grant payments support across more than 10 different grant schemes.

- 1.7 In accordance with the NJC Conditions of Service, only employees up to and including Grade 7 (scp. 22 - £27,041) on the Councils pay structure, who undertake work outside of normal working hours, qualify to receive overtime payments. Any employees Grade 8 and above are not entitled to extra hours payments but are allowed to take approved flexi time or time off in lieu (TOIL). The majority of employees who have been undertaking the above work (para. 1.5), do not qualify to receive payments for additional hours worked.
- 1.8 Relatively speaking, the District Council is a small organisation in comparison to many other local authorities in Derbyshire. However, we consistently deliver high quality outcomes due to the commitment and dedication of our staff who often go 'above and beyond' during times of crisis. The Covid-19 response that has been delivered by the District Council has necessitated many employees going 'above and beyond' on a regular and consistent basis as each phase of the pandemic unfolded. It is therefore important that as a responsible and caring employer, the District Council acknowledges the contributions made by its employees and ensures that this is appropriately recognised.

## **2 ORGANISATIONAL AND EMPLOYEE IMPACTS**

- 2.1 In addition to the significant amount of unpaid evening and weekend work that continues to accumulate and is difficult to relinquish through TOIL, the organisational response to Covid-19 has prevented many employees from taking their contractual entitlement to annual leave.
- 2.2 A full time employee with at least 5 years Local Government Service qualifies for 29 days annual leave plus Bank Holidays. In June 2020, the Corporate Leadership Team (CLT) acknowledged that 2020/21 was going to be a challenging year and instructed all employees to utilise their annual leave, despite them being unable to go away on holiday, in order to avoid problems in the delivery of services towards the end of the year. Many employees have adhered to this instruction, however due to the prolonged duration and impact of the pandemic, and the ongoing need to deliver the additional burdens arising from it, there are a significant number of employees who still have been unable to take the majority of their annual leave.
- 2.3 In a normal year, employees are permitted (with the approval of their Director), to carry forward a maximum of 5 days annual leave into the following leave year. However, this carry forward must be utilised by June. This creates an annual entitlement for a full time employee in the following leave year of 34 days plus Bank Holidays.
- 2.4 Due to the impact of Covid-19, at the time of writing, there are 125 employees who currently have in excess of 5 days annual leave outstanding and 49 employees who have in excess of 10 days annual leave outstanding. These employees have been requested to take as much leave before 31 March where operational requirements permit. However, it is not possible for all outstanding leave to be utilised whilst maintaining the delivery of some critical services.
- 2.5 The Corporate Leadership Team have therefore determined that by exception, a very limited number of employees will be required to carry forward a minimum of 5 days and a maximum of up to 10 days annual leave into 2021/22 where the employee has been

directly involved in the delivery of Covid-19 work for a sustained period of time and has therefore, been unable to take their full annual leave allocation in 2020/21. However, no employee will be permitted to carry forward more than 10 days annual leave into 2021/22 due to the impact that this would have upon individual teams and our ability to sustain service delivery in 2021/22. Ensuring as many staff as possible carry forward less than 10 days forward means that we will meet our obligation to provide 28 days (including the 8 bank holidays) statutory leave wherever possible.

- 2.6 Notwithstanding the agreed carry forward by exception, there are some employees who have been engaged in Covid-19 and other priority work for prolonged periods of time and despite encouragement to take some leave for rest and recuperation, they have taken very little annual leave during the year. Due to these ongoing requirements, these employees still cannot be released at the present time and there is no prospect of them utilising their annual leave entitlement before 31st March 2021. In the small number of cases (circa 15 employees), it is considered neither fair nor reasonable that these employees lose their contractual entitlement to annual leave. It would also be difficult to agree a large carry forward in excess of 10 days, as this will impact on their ability to meet work requirements in 2021/22. There is also a significant amount of TOIL which has been accrued which would be too costly to settle financially. The organisation has therefore benefitted from a significant amount of time, which extends to hundreds of hours, for which employees have not been financially rewarded. As such, and subject to their agreement in full and final settlement, it is recommended that a limited number of employees be offered payment at their plain time hourly rate, in exchange for relinquishing their outstanding annual leave entitlement (above the minimum 5 days c/fwd). This will ensure that their considerable efforts are recognised and rewarded and that they do not lose their contractual entitlement to annual leave which they have hereto foregone in order to meet the extraordinary requirements of the corporate Covid-19 effort. No financial settlement is proposed for TOIL which has been accumulated and separate arrangements will be agreed by the Corporate Leadership Team to deal with this issue.
- 2.7 The cost of meeting overtime and outstanding annual leave payments would be met from additional burdens grants which the District Council has received in order to deal with the effects of the Covid-19 pandemic. No costs would therefore fall upon the District Council's revenue budget or the Council Tax payer.

### **3 RISK ASSESSMENT**

#### **3.1 Legal**

A full time employee is entitled to 28 days statutory leave (which include Public Holiday) under the Working Time Regulations 1998 (WTR 1998). This leave cannot be paid in lieu under the regulations unless the employee agrees in writing to waive their rights. In addition to the statutory entitlement is the contractual leave contained in the contract of employment. Thus payment of leave in lieu will require signed agreement from the employee confirming they accept payment in lieu of statutory and contractual leave and that they waive their rights to this under the WTR 1998.

#### **3.2 Financial**

The estimated cost of the payments to employees is upto £35,000, which can be financed from the New Burdens Grants received from government for extra costs associated with Covid-19. The financial risk is, therefore, assessed as low.

## **4 OTHER CONSIDERATIONS**

- 4.1 In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property.

## **5 CONTACT INFORMATION**

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## **6 BACKGROUND PAPERS**

None

## **7 ATTACHMENTS**

None

GOVERNANCE & RESOURCES COMMITTEE  
11 MARCH 2021

Report of the Director of Resources

## **FINANCIAL MANAGEMENT CODE**

### **PURPOSE OF REPORT**

This report provides an overview of the Financial Management Code and describes progress towards complying with its standards.

### **RECOMMENDATION**

That the report be noted.

### **WARDS AFFECTED**

None

### **STRATEGIC LINK**

Good financial management contributes towards the achievement of all Council priorities.

## **1 BACKGROUND**

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) published The Financial Management Code (FM Code) in October 2019. The FM Code provides guidance for good and sustainable financial management in local authorities, giving assurance that authorities are managing resources effectively.
- 1.2 The FM Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management, which is an essential part of ensuring that public sector finances are sustainable.
- 1.3 The FM Code identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management. Complying with the standards set out in the FM Code is the collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team. Complying with the FM Code will help strengthen the framework that surrounds financial decision making.
- 1.4 The FM Code builds on elements of other CIPFA codes, such as The Prudential Code for Capital Finance, the Treasury Management in the Public Sector Code of Practice and the Code of Practice on Local Authority Accounting in the United Kingdom. By following the essential aspects of the FM Code, local authorities are providing evidence to show they are meeting important legislative requirements.
- 1.5 The first full year of compliance was intended to be 2021/22, with the financial year 2020/21 to be used to work towards full compliance. However, CIPFA has recently issued a clarification on the FM Code to reflect Covid pressures. CIPFA has concluded that while

the first full year of compliance can remain as 2021/2022, it can do so within a more flexible framework where a proportionate approach is encouraged. In practice, this is likely to mean that adherence to some parts of the Code will demonstrate a direction of travel. This recognises that authorities will require further time in the coming months to working towards full compliance with the standards during 2021/22.

## **2 REPORT**

2.1 The FM Code applies a principle-based approach. It doesn't prescribe the management processes that local authorities should adopt but requires a local authority to demonstrate that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances. Good financial management is proportionate to the risks the authority's financial sustainability posed by the twin pressures of scarce resources and rising demands on services.

2.2 The FM Code establishes an approach based on six principles of good financial management:

- 1) **Organisational Leadership**  
Demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- 2) **Accountability**  
Based on medium term financial planning, driving the annual budget process, supported by effective risk management, quality supporting data and whole life costs.
- 3) **Transparency**  
At the core of financial management, using consistent, meaningful and understandable data, reported frequently, with evidence of periodic officer action and elected member decision making.
- 4) **Professional Standards**  
Promoted by the leadership team, with adherence evidenced.
- 5) **Assurance**  
Recognised as an effective tool, mainstreamed into financial management, including political scrutiny and the results of both external audit, internal audit and inspection.
- 6) **Long-Term Sustainability**  
At the heart of all local services' financial management processes, evidenced by the prudent use of public resources.

2.3 Explicit standards of financial management are also set out by the FM Code. These are the minimum standards which have to be complied with in order for the Council to demonstrate its compliance with the FM Code. The standards articulate the practical application of the principles of financial management based on the requirements of primary legislation, associated CIPFA codes and guidance on professional codes of practice and ethics. Whilst compliance with the standards is mandatory, the FM Code does not prescribe how they should be achieved. The standards are summarised in Appendix 1.

2.4 Each local Authority must demonstrate that the requirements of the FM Code are being



satisfied. To demonstrate conformity with the FM Code's standards, Appendix 2 evidences the current level of compliance and uses a RAG rating to indicate whether compliance is not achieved (red), partially achieved (amber) or achieved (green). The supporting evidence is identified in the document and for standards assessed as amber or red, actions to achieve compliance have been identified.

2.5 From work on this document to date it is evident that the Council already has a strong level of compliance with many aspects of the FM Code. The following are areas where the authority's arrangements are particularly strong:

- A: The leadership team is able to demonstrate that the services provided by the authority provide value for money
- B: The authority complies with the CIPFA statement on the role of the chief finance officer in local government
- J: The authority complies with its statutory obligations in respect of the budget setting process
- P: The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the CIPFA Code Of Practice on Local Authority accounting.

2.6 However, the exercise has also identified some areas where improvements are required before full compliance will be achieved. Areas which have been identified as less strong, with a need for improvement and action, include:

- E: The financial management style of the authority supports financial sustainability
- F: The authority has carried out a credible and transparent financial resilience assessment
- G: The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members
- L: The authority has engaged where appropriate with key stakeholders in developing its long term financial strategy, medium term financial plan and annual budget
- M: The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.
- N: The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.

2.7 A financial resilience assessment is also required. The financial resilience assessment can be undertaken by members of the authority's finance and leadership teams, though it may be more objective if it is undertaken by peers from different authorities or by some other external partner. The assessment should consider principally whether the authority has in place a credible plan and planning process that gives confidence that it can deliver

a sustainable budget over the medium term. The scope of this assessment might include, for example:

- the authority's current financial position
- the authority's own assessment of its future financial prospects
- the extent to which the authority has embraced the financial resilience factors discussed above
- the key financial risks facing the authority, for example by drawing on potential future scenarios including 'best' and 'worst' case scenarios – for the environment in which the authority operates and for the services that it provides
- the use of independent, objective measures to assess the risks to the authority's financial resilience and sustainability
- the authority's understanding of the risks associated with all resources used for service delivery, including its workforce, its physical assets, its strategic business partners (including 'group' entities such as leisure trusts), its information technology infrastructure, etc.

- 2.8 While a financial resilience assessment was undertaken recently and the results included in the budget report for 2021/22, it is unlikely that this will meet the standards set out in the FM Code. In producing the assessment, the sensitivity of financial sustainability to alternative plausible scenarios for the key drivers of costs, service demands and resources will need to be considered. This will require an analysis of future demand for key services and consideration of alternative options for matching demand to resources. The scope of this exercise is to be agreed during 2021/22, so that an assessment can be undertaken during 2021/22. It may be the case that external support is required for this review; in that case a report will be presented to a future meeting of this committee.
- 2.9 An annual report detailing issues of compliance with the FM Code will be brought to this committee alongside the Statement of Accounts in late autumn (each year, commencing in 2022, following the first full financial year of the FM Code's application).

### **3 RISK ASSESSMENT**

#### **3.1 Legal**

The report details the steps the Council is taken towards meeting FM Code compliance with requirement has been relaxed due to Covid. As this report is for noting and no decisions are being taken, the legal risk is low.

#### **3.2 Financial**

There are no financial risks arising directly from this report. Compliance with the Code will reduce overall financial risks and help the authority to improve financial sustainability.

### **4 OTHER CONSIDERATIONS**

- 4.1 In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health,

human rights, personnel and property

## **5 CONTACT INFORMATION**

- 5.1 Karen Henriksen - Director of Resources  
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## **6 BACKGROUND PAPERS**

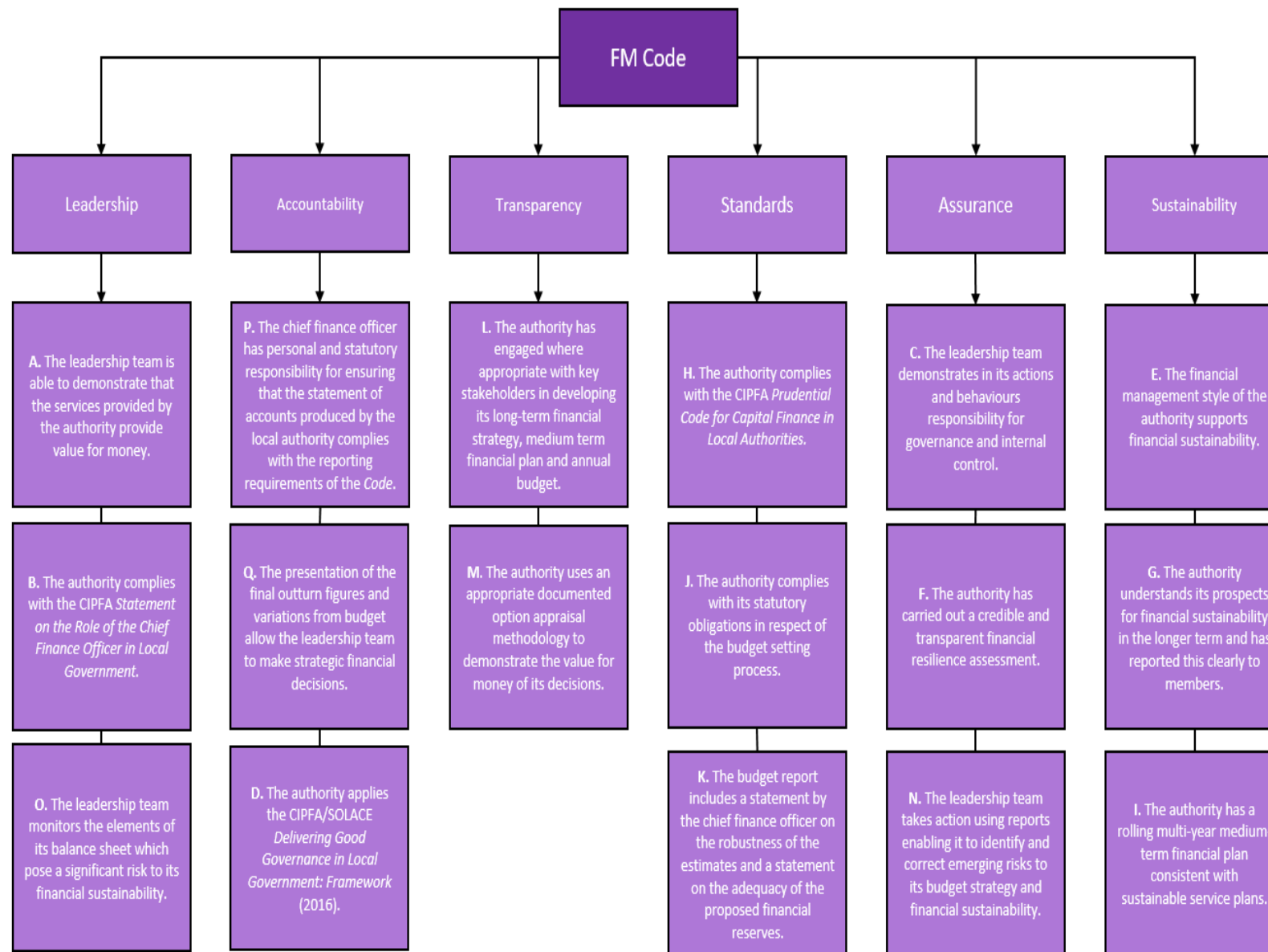
- 6.1 None

## **7 ATTACHMENTS**

Appendix 1: CIPFA Financial Management Code - Standards

Appendix 2: CIPFA Financial Management Code Compliance and Action Plan  
March 2021

## Appendix 1: CIPFA Financial Management Code - Standards



## Appendix 2: CIPFA Financial Management Code Compliance and Action Plan March 2021

Key	Green	Standard achieved
	Amber	Partially achieved
	Red	Not achieved

### Leadership

A: The leadership team is able to demonstrate that the services provided by the authority provide value for money			
<u>Supporting Narrative</u> <ul style="list-style-type: none"> <li>• The Council's constitution (in particular, part 3 – scheme of delegation) outlines how the Council operates and makes decisions.</li> <li>• The Council procured its current external auditors, Mazars LLP, through a national exercise.</li> <li>• The Council's Internal Audit function have developed an Audit Strategy which sets out the role of the function which is to protect the Council's value by providing risk based and objective assurance, advice and insight.</li> <li>• The external auditor has concluded that the Council has in place suitable arrangements to secure value for money;</li> <li>• Delivery of Council services is guided by The Corporate Plan, which sets out the Council's priorities. The Corporate Plan is based on an assessment of local need and has been approved by the Corporate Leadership Team and Full Council.</li> <li>• Departmental service plans set out how the priorities set out in the corporate plan will be delivered. Service plans and annual revenue budgets are prepared as an integrated process to ensure that plans are resourced;</li> <li>• The Council's Financial Regulations describe how the Council manages its finances and implements</li> </ul>	<u>Evidence</u> <a href="#">Constitution</a>  <a href="#">External Audit Protocol</a>  <a href="#">Internal Audit Charter</a>  <a href="#">Corporate Plan</a>  <a href="#">Service plans</a>  <a href="#">Financial Regulations</a>	<u>Action Required</u>	<u>RAG Rating</u> Green

<p>suitable mechanisms and controls to ensure compliance with these regulations. Officers are expected to adhere strictly to Financial Regulations (see Code of Conduct). The Regulations provide clarity about the role of individuals including Members and officers.</p> <ul style="list-style-type: none"> <li>• Contract Standing Orders provide a framework for the procurement of goods and services across the Council. Arrangements are proportionate to contract value and the significance of the contract.</li> <li>• The Council has a systematic and embedded approach to identifying, assessing and managing risks to the achievement of its core functions and priorities. This approach is set out in its Risk Management Policy and Strategy.</li> <li>• Corporate targets are regularly reviewed and reported to Members, with prompt action being taken to address areas of poor performance.</li> <li>• The Council undertakes a series of efficiency reviews, designed to assess whether key services are operating efficiently and whether improvements can be recommended. For key service reviews, external consultancy has been brought in to provide independence and objectivity.</li> <li>• The LGA Corporate Peer Challenge in 2020 concluded that “There is evidence of strong finances and good financial management...”</li> <li>• Equality Impact assessments are required to ensure that the Council does not discriminate against certain groups or individuals, especially those who are disadvantaged or vulnerable.</li> <li>• The Council engages with voluntary organisations, such as the Citizens Advice Bureau and Derbyshire Dales CVS, to identify how its services could be improved for vulnerable groups and individuals.</li> </ul>	<p>Contract Standing Orders</p> <p><a href="#">Risk Management Policy and Strategy</a></p>		
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<ul style="list-style-type: none"> <li>• The Council has a Residents' Panel that is used to provide feedback on satisfaction with services or potential areas for improvement.</li> <li>• The Council has outsourced services or established shared service arrangements where that has delivered value for money.</li> </ul>			
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<b>B: The authority complies with the CIPFA statement on the role of the chief finance officer in local government</b>			
<u>Supporting Narrative</u>	<u>Evidence</u>	<u>Action Required</u>	<u>RAG Rating</u>
<ul style="list-style-type: none"> <li>•The Council's S151 Officer is a member of the Council's Corporate Leadership Team The team meets weekly.</li> <li>•The S151 Officer is actively involved in and able to bring influence to bear on all material business decisions to ensure that short and long term financial implications are considered and that decisions are sustainable financially and in the public interest.</li> <li>•All reports to committees and Council include a financial risk assessment undertaken by the Chief Finance Officer.</li> <li>•Robust procedures are in place to support the budget framework in which the Council operates.</li> <li>•The Council has achieved a positive value for money opinion from the external auditors demonstrating that the CFO has embedded a culture of economy, efficiency and effectiveness.</li> <li>•There is a framework of financial controls and procedures for managing financial risks, accounting processes and financial management. These are embedded in various policy documents including Financial Regulations, Standing Orders, internal control processes.</li> <li>• The S151 Officer is professionally qualified and has been a CIPFA Member for a number of years</li> </ul>	<p>All reports to committees and Council</p> <p>External Audit Opinion</p> <p>Annual Governance Statement</p>		Green

<ul style="list-style-type: none"> <li>•The S151 officer reports directly to the Chief Executive.</li> <li>•The S151 officer is responsible for the development and implementation of the medium term financial strategy, investment strategies, capital strategy and treasury management strategy;</li> <li>• The S151 Officer works closely with CLT colleagues to ensure a sustainable financial position.</li> <li>•The S151 Officer provides advice, holds workshops and provides briefings on key issues so that officers and elected members can be better informed when making decisions.</li> <li>• The S151 Officer ensures that the finance team is adequately resourced, with appropriate training and development.</li> </ul>			
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<b>O: The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability</b>			
<u>Supporting Narrative</u>	<u>Evidence</u>	<u>Action Required</u>	<u>RAG Rating</u>
<ul style="list-style-type: none"> <li>• The Council reviews the key elements of the balance sheet in setting its Revenue budget, Capital Programme and Medium Term Financial Plan:</li> <li>• Non-current assets – the Council’s planned maintenance programme is reviewed regularly.</li> <li>• The revenue implications of the capital programme feed into the budget setting process</li> <li>• Long term and short-term investments – the Council’s Investment Strategy is implicit in its approach to managing risk. The Council utilises a range of investment to provide additional income from its investments</li> </ul>	<p>Report to Council March 2021</p> <p>Asset Management Plan</p> <p>Capital Programme &amp; Revenue Budget Reports, MRP Policy, Medium Term Financial Strategy</p> <p>Corporate &amp; Commercial Investment Strategies, Treasury Management Strategy, Capital Strategy &amp; Medium Term Financial Strategy</p>		Green



<ul style="list-style-type: none"> <li>• Debtors – the Council monitors collection rates as key performance indicators. Historically, the Council has in place robust processes for income collection and collection rates are high.</li> <li>• Cash – robust Treasury Management processes are embedded to ensure that the Council monitors its cash flow</li> <li>• Current liabilities – as above</li> <li>• Provisions – procedures are embedded to ensure that provisions are identified as appropriate. These are reviewed when setting the budget and at the end of each financial year.</li> <li>• Pensions liabilities – these are reviewed and revised as appropriate and built into potential future pressures in the Medium Term Financial Plan</li> <li>• Long-term borrowing – the Treasury Management Strategy is explicit in the Council’s borrowing requirements and ranks security and liquidity ahead of yield. Cash Flow is managed in accordance with CIPFA’s Code of Practice.</li> <li>• Usable reserves – the Council’s Reserves Policy (within the MTFS) sets out a framework for monitoring the Council’s reserves balances. Reserves are continually monitored but especially when the budget is set, the capital programme is reviewed, when the MTFP or MTFS is updated, when new projects require the use of reserves and at year-end.</li> <li>• The Corporate Leadership Team receives regular financial monitoring reports which identify any balance sheet risks as appropriate.</li> <li>• The Council maintains adequate accounting records of its assets and liabilities</li> </ul>	<p>Treasury Management Strategy</p> <p>Reports to CLT and Council</p>		
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<ul style="list-style-type: none"> <li>• The CFO certifies that the statement of accounts provides a “true and fair view” of the financial position at 31 March.</li> <li>• Contingencies and commitments are monitored to identify any items where a balance sheet provision may be required e.g. decisions to dispose of assets, legal claims.</li> </ul>	Statement of Accounts		
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## Accountability

<b>P: The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the CIPFA Code Of Practice on Local Authority accounting.</b>			
<u>Supporting Narrative</u>	<u>Evidence</u>	<u>Action Required</u>	<u>RAG Rating</u>
<ul style="list-style-type: none"> <li>•The content of the statutory financial statements meets the requirements of key stakeholders. The format is as prescribed in the CIPFA Code of Practice.</li> <li>•The narrative within the financial statements details the Council's main objectives, provides performance information and explains how the Council has used its resources.</li> <li>•The Council has a performance indicator to monitor whether the financial statements are published within the statutory deadline.</li> <li>•The Council's financial statements have hitherto been prepared on time and in accordance with The Code of Practice</li> <li>• The Director Resources is aware of her responsibilities for the preparation of the annual financial statements and is required to sign the statement of responsibilities within the statement of accounts. These responsibilities are in their role description.</li> </ul>	<p>Statement of Accounts</p> <p>Statement of Accounts</p> <p>Resources Service Plan</p> <p>Reports to Council / Committee</p> <p>Director of Resources' Job Description</p>		Green

<b>Q: The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions.</b>			
<u>Supporting Narrative</u> <ul style="list-style-type: none"> <li>•The CLT is provided with details of significant variations from budget at the end of the financial year. This enables CLT to determine whether variations are one off or on-going (and require inclusion in the MTFP) and whether transfers are required to or from reserves. Reserve forecasts are updated accordingly.</li> <li>• The annual out-turn report to Council provides elected members with details of variances from budget. The report focuses on the significant items that are of interest and relevance to elected members. The report also includes an updated MTFP.</li> </ul>	<u>Evidence</u> Briefing paper to CLT          Outturn Report to Council	<u>Action Required</u>	<u>RAG Rating</u> Green

<b>D: The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016)</b>			
<u>Supporting Narrative</u> <ul style="list-style-type: none"> <li>• Derbyshire Dales District Council is committed to applying the seven core principles of good governance set out in the CIPFA/SOACE framework. These are reflected in its Code of Corporate Governance.</li> <li>•Each year the Council publishes an Annual Governance Statement which explains and assesses how the Council has complied with the Code of Corporate Governance and provides details of how continual improvement in the system of internal control has been achieved or where improvements are required.</li> </ul>	<u>Evidence</u> Code of Corporate Governance          Annual Governance Statement	<u>Action Required</u>	<u>RAG Rating</u> Green

<ul style="list-style-type: none"> <li>• The Corporate Leadership Team reviews the Annual Governance Statement each year using a robust assurance process with supporting evidence set out in the AGS.</li> </ul>			
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## Transparency

<b>L: The authority has engaged where appropriate with key stakeholders in developing its long term financial strategy, medium term financial plan and annual budget.</b>			
<u>Supporting Narrative</u>	<u>Evidence</u>	<u>Action Required</u>	<u>RAG Rating</u>
<ul style="list-style-type: none"> <li>• The Council seeks views of its key stakeholders through its Consultation and Improvement Strategy. The strategy has four main objectives:-             <ol style="list-style-type: none"> <li>1) To improve the performance of the District Council.</li> <li>2) To develop and evaluate the District Council's policies, services and projects.</li> <li>3) To inform the prioritisation of resources available to the District Council.</li> <li>4) To increase dialogue with local communities to enable local delivery of services where appropriate.</li> </ol> </li> <li>• The Council has a Residents' Panel that is used to provide feedback on satisfaction with services or potential areas for improvement.</li> <li>• The results of engagement with key stakeholders are reported to Corporate Leadership Team and Council.</li> <li>• Budget Consultations are undertaken. Budget consultation has traditionally been carried out in January / February, just prior to setting the budget in March. At this stage, budget proposals and draft service plans are at an advanced stage. It would make more sense to carry out budget consultation (with residents and rate payers) at the start of the</li> </ul>	<p>Consultation and Engagement Strategy</p> <p>Corporate Plan</p> <p>Budget Consultation 2021</p>	<p>Bring forward consultation with residents and business rate payers to August /September and to be more in depth, covering the medium term (not just one year) to inform the MTFP &amp; MTFS as well as the annual budget.</p> <p>Review the effectiveness of this stakeholder engagement.</p>	Amber

budget process so that their views can be considered while budget proposals and service plans are being developed. A longer term view from residents would also be helpful to inform longer term service planning.			
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**M: The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.**

<u>Supporting Narrative</u>	<u>Evidence</u>	<u>Action Required</u>	<u>RAG Rating</u>
<p>• The Corporate Leadership Team has approved a Business case template which includes details of the project manager, project objectives, scope, outputs, benefits, timescale, resources required (financial &amp; personnel), governance arrangements, prioritisation score (against corporate plan priorities), assessment of data protection &amp; ICT issues, risk assessment &amp; CLT decision. Once approved by CLT this business case forms the basis of a report to Committee or Council.</p> <p>However, this business case template has not been assessed against the IFAC/PAIB Project and Investment Appraisal for Sustainable Value Creation, which professional accountants can be expected to comply with. This is especially important for capital projects, so it is recommended that a review should be undertaken in order to develop a robust option appraisal methodology. Clear guidance should be given to officers to set out when the option appraisal should be undertaken.</p> <p>A more simplistic approach might be proportionate for decisions of low value and / or low risk.</p>	Business case template	<p>Review the business case template against the IFAC/PAIB Project and Investment Appraisal for Sustainable Value Creation and make the necessary changes to develop a robust option appraisal methodology.</p> <p>A more simplistic approach might be proportionate for decisions of low value and / or low risk.</p> <p>Prepare clear guidance for officers to set out when the option appraisal</p>	Amber

		should be undertaken. Option appraisal results should be reported clearly, with risks identified.	
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## Standards

<b>H: The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities</b>			
<u>Supporting Narrative</u>	<u>Evidence</u>	<u>Action Required</u>	<u>RAG Rating</u>
<ul style="list-style-type: none"> <li>Financial regulations set out a clear governance process for the approval and monitoring of capital expenditure</li> <li>The Council has an asset management plan</li> <li>The Council has a capital strategy, which is reviewed annually.</li> <li>The capital programme report sets out a five-year view of capital expenditure plans, capital financing resources and any restrictions that the Council may face in respect of borrowing, funding or capital finance.</li> <li>Where borrowing is planned, the consequences for the revenue account are identified.</li> <li>Treasury Management reports to Council or Committee show: <ul style="list-style-type: none"> <li>A projection of external debt and use of internal borrowing</li> <li>Provision for the repayment of debt</li> <li>Authorised limit and operational boundary</li> <li>The Council's approach to Treasury Management</li> </ul> </li> </ul>	Financial Regulations Capital Programme Reports  Asset Management Plan Capital Strategy  Capital Programme Reports Capital Strategy MRP Policy Investment Strategies  Capital Programme Report March 2021  Treasury Management Strategy and Monitoring Reports  Council report March 2021		Green

<ul style="list-style-type: none"> <li>•The Council sets prudential indicators in line with the Prudential Code for the forthcoming and following years as part of the Treasury Management Strategy which is approved annually by full Council</li> <li>•The Council monitors performance against the Prudential Indicators and reports the outcome to Council</li> <li>•The Council has a commercial investment strategy that sets out its criteria for commercial investments, the risks involved, statutory guidance and the requirements of the Prudential Code on borrowing for commercial investments.</li> </ul>	<p>Council report</p> <p>Commercial Investment Strategy</p>		
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<b>J: The authority complies with its statutory obligations in respect of the budget setting process</b>			
<u>Supporting Narrative</u>	<u>Evidence</u>	<u>Action Required</u>	<u>RAG Rating</u>
<ul style="list-style-type: none"> <li>• In setting its budget, the Council meets the requirements of the Local Government Act 2000 in that the budget is approved by full Council, and the Local Government Act 2003, Section 25 in that the Section 151 Officer reports on the robustness of estimates.</li> <li>•The Section 151 Officer ensures that robust budget monitoring procedures and processes are in place to ensure that the Council's financial position is regularly reported to the Corporate Leadership Team and Council.</li> <li>• The Council is due to set a balanced budget for 2021/22 on 4 March 2021.</li> <li>•The Section 151 Officer is aware of the requirements of the Local Government Finance Act 1988 in the event that the Council is likely to exceed the resources available to meet that expenditure (issuing a section 114 notice)</li> </ul>	<p>Revenue Budget Report 2020/21</p> <p>Financial Regulations Reports to CLT and Council</p> <p>Budget Report March 2021</p>		Green





## Assurance

<b>C: The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.</b>			
<u>Supporting Narrative</u>	<u>Evidence</u>	<u>Action Required</u>	<u>RAG Rating</u>
<ul style="list-style-type: none"> <li>•The Council's Constitution provides a clear framework for governance; it shows how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.</li> <li>• The leadership team nurtures a culture of effective governance and robust internal control and ensures that the Internal Audit function is adequately resourced to monitor and evaluate the effectiveness of controls and arrangements.</li> <li>•The internal audit plan and Annual Governance Statement provide assurance on the effectiveness of governance of internal controls.</li> <li>•The Corporate Leadership Team reviews the Annual Governance Statement (and the supporting evidence) and takes ownership of the action plan.</li> <li>•An external review of Internal Audit is undertaken every 5 years to confirm compliance with Public Sector Internal Audit Standards.</li> <li>•Anti-Fraud, Anti-Corruption, Confidential Reporting Code (Whistleblowing) policies in place and available to all employees.</li> <li>•Employee and Members' Codes of Conduct set out clearly what is expected of employees and members.</li> </ul>	<p>Constitution</p> <p>Report to Council March 2021</p> <p>Internal Audit Plan Annual Governance Statement</p> <p>Committee report</p> <p>Relevant policies</p> <p>Employee / Member codes of conduct</p>		Green

<b>F: The authority has carried out a credible and transparent financial resilience assessment.</b>			
<u>Supporting Narrative</u> <ul style="list-style-type: none"> <li>The Director of Resources includes a statement on the adequacy of reserves and financial resilience in the annual budget report and Medium Term Financial Strategy, reflecting the CIPFA Financial Resilience Index as well as bespoke benchmarking reports from a consultant to compare reserve levels with other councils. However, these arrangements do not meet the full requirements of the Code for a credible and transparent financial resilience assessment, which requires an analysis of future demand for key services and should ideally be undertaken by a person that is independent of the Council. The assessment should also test the resilience of the Council's financial plans against a broad range of alternative scenarios.</li> </ul>	<u>Evidence</u> Budget Report and MTFS  CIPFA financial resilience index  Bespoke benchmarking reports from consultant	<u>Action Required</u> Make arrangements for a credible and transparent financial resilience assessment to be undertaken during 2021/22. The assessment should also test the resilience of the Council's financial plans against a broad range of alternative scenarios.	<u>RAG Rating</u> Amber

<b>N: The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.</b>			
<u>Supporting Narrative</u> <ul style="list-style-type: none"> <li>The Council uses Agresso as its financial management system. The system is used for processing and recording income and expenditure in a timely manner.</li> <li>The annual budget process breaks down income and expenditure targets to the level of individual services and budget holders.</li> <li>Regular budget monitoring reports are produced.</li> <li>Updates on the budget and outturn are reported by the Director of Resources to the Corporate Leadership Team and subsequently to Council or the governance &amp; Resources Committee.</li> </ul>	<u>Evidence</u> Agresso reports  Agresso reports  Budget monitoring reports Briefing papers to CLT & reports to Council Budget & Outturn reports to Council	<u>Action Required</u> See below	<u>RAG Rating</u> Amber

<ul style="list-style-type: none"> <li>• The finance team monitor levels of reserves and balances;</li> <li>• The Council maintains a Medium Term Financial Plan (which identifies significant changes in income and expenditure in the medium term) and identifies the budget gap for the coming years;</li> <li>• The Council has a Medium Term Financial Strategy to illustrate how the Council expects to close any budget gap to become sustainable financially. The MTFS contains a section on key financial risks and associated mitigating actions and controls.</li> <li>• Financial sustainability has been identified as a strategic risk (currently scored high) on the Council's strategic risk register. The strategic risk register is reviewed quarterly by the Risk Continuity Group (chaired by the CFO) to identify emerging risks and mitigating actions. The government's reviews of funding and business rates retention have been identified as key risks with potentially significant impacts.</li> <li>• The Council does not have a history of significant overspends.</li> <li>• Financial regulations explain how over-spends should be addressed (for revenue and capital expenditure).</li> <li>• There is a history of significant underspends on the capital programme, with "slippage" being carried forward into the next financial year. This indicates that policy decisions are not being translated into actions within expected timescales. It is recommended that the capital programme should be monitored more closely to ensure that projects are delivered within expected timescales or that estimates of timescales become more realistic.</li> <li>• The Corporate Leadership Team considers monthly reports to monitor significant income items against</li> </ul>	<p>MTFP</p> <p>Medium Term Financial Strategy</p> <p>Strategic Risk register</p> <p>Financial Regulations</p> <p>Capital Programme Report to Council March 2021</p> <p>Budget monitoring &amp; outturn reports to CLT</p>	<p>The capital programme should be monitored more closely to ensure that projects are delivered within expected timescales or that timescales are set on a more realistic basis.</p>	
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<p>the revenue budget. There has been less emphasis on monitoring revenue expenditure each month to identify emerging overspends. It is recommended that monthly reports be prepared to inform CLT of significant revenue account overspends (this will require an improvement in budget profiling).</p> <ul style="list-style-type: none"> <li>• Updates on the budget and outturn are reported by the Director of Resources to the Corporate Leadership Team and subsequently to Council or the Governance &amp; Resources Committee, with reasons provided for significant variances and an assessment as to whether they are ongoing (to be built into the MTFP) or one-off.</li> <li>• The Council has mechanisms in place to report the performance of services that are outsourced or delivered under partnering arrangements.</li> </ul>	<p>Reports to Council / Committee</p> <p>Contracts / Service Level Agreements and notes from meetings</p>	<p>Develop monthly reports to inform CLT of emerging risks such as significant revenue account overspends (this will require an improvement in budget profiling).</p>	
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## Sustainability

<b>E: The financial management style of the authority supports financial sustainability</b>			
<p><u>Supporting Narrative</u></p> <ul style="list-style-type: none"> <li>• Financial accountability is embedded in the Council's Constitution, Financial Regulations, Contract Standing Orders and Scheme of Delegation. Officers understand the requirements of their role. However, some elements of the scheme of delegation could be made clearer and more can be done to support budget holders in setting and monitoring budgets.</li> <li>• The financial performance of the Council is reported to Corporate Leadership Team and Members at least quarterly.</li> <li>• The Council is committed to continuous improvement in terms of the economy, efficiency</li> </ul>	<p><u>Evidence</u></p> <p>Constitution Scheme of Delegation Financial Regulations Contract Standing Orders</p> <p>Briefing papers to CLT Reports to Council / Committee</p> <p>Leisure Review Clean and Green Review</p>	<p><u>Action Required</u></p> <p>Review the constitution and scheme of delegation</p> <p>Provide more support and guidance to budget holders to help them to set and monitor revenue budgets for expenditure and income i.e. update</p>	<p><u>RAG Rating</u></p> <p>Amber</p>

<p>effectiveness and equity of its services. It undertakes a series of efficiency reviews, designed to assess whether key services are operating efficiently and whether improvements can be recommended. For key service reviews, external consultancy has been brought in to provide independence and objectivity. All key service reviews have included a member of the finance team.</p> <ul style="list-style-type: none"> <li>•The Council's finance officers are appropriately qualified. In the main, the senior members of the Finance Team hold the full CCAB accountancy qualification or are in the final stages of qualifying.</li> <li>•The Council has appropriate expertise in the key functions. However at present there are several single person dependencies in the finance team which are to be addressed when the new structure is fully implemented.</li> <li>•The VAT expertise within the Council is limited, however, suitable third-party expertise has been procured through a subscription to provide ad-hoc support and advice.</li> <li>•All Council and Committee reports are subject to financial review before consideration by Members with senior finance officers actively involved in the preparation of all reports.</li> <li>• The LGA Corporate Peer Challenge in 2020 concluded that "There is evidence of strong finances and good financial management..." and "Financial reporting to elected members is of a high standard and it is clear the Council understands its financial position and recognises its risks."</li> </ul>	<p>Reports to Council and committees.</p> <p>Peer Challenge Report 2020</p>	<p>the Budget Holder's Manual and offer workshops.</p> <p>Capital programme working group established to assess new bids and monitor progress against the programme.</p> <p>Address single person dependencies in the Finance Team.</p> <p>Training requirement and process improvements identified in respect of VAT.</p>	
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**G: The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members**

<u>Supporting Narrative</u>	<u>Evidence</u>	<u>Action Required</u>	<u>RAG Rating</u>
<ul style="list-style-type: none"> <li>Budget setting is an integrated process with service planning, where the underlying key cost drivers and changes in demand for services are reviewed.</li> <li>Reports on the financial position are reported to Council at least three times a year (March, June and November).</li> <li>The Council maintains a Medium Term Financial Plan covering five years. However, consideration should be given to taking a longer term view, particularly for the costs of replacing assets and whole life costs.</li> <li>The Medium Term Financial Strategy is reviewed annually and reported clearly to members. The risks to financial sustainability are set out in the MTFS.</li> <li>Member workshops / briefings are given by the S151 when required.</li> <li>The External Auditor has given a positive conclusion on the financial sustainability as part of the use of resources.</li> <li>The LGA Peer Review in 2020 stated "Financial reporting to elected members is of a high standard and it is clear the Council understands its financial position and recognises its risks". However, it also said "There appears a need to develop savings plans to address budget shortfalls over the next three years." The current MTFS advocates putting savings plans "on hold" until the outcome of the government's funding reviews are known. The external auditor has supported this approach.</li> </ul>	<p>Budget reports &amp; service plans</p> <p>Council reports</p> <p>Council reports</p> <p>Council report on MTFS</p> <p>Slides from workshops</p> <p>External auditor's report</p> <p>Peer Review Report</p> <p>Budget Report March 2021</p>	<p>The Corporate Leadership Team should identify the costs of replacing assets and whole life costs and this should be built into the assessment of financial sustainability.</p> <p>When the outcome of the Fair Funding and Business Rates Reviews are known, the Authority should review its MTFP and MTFS and develop a robust plan to achieve savings over the medium</p>	Amber



**GOVERNANCE & RESOURCES COMMITTEE**

11 MARCH 2021

Report of the Director of Regulatory Services

**ASSET MANAGEMENT PLAN –LAND HOLDINGS REVIEW  
PHASE 1**

**PURPOSE OF REPORT**

This report represents the first phase of an ongoing review of the Council's land and property assets in accordance with the Asset Management Plan. Phase 1 of the Land Holdings Review covers 6 sites across the District in which queries or expressions of interest have been received or land is to be declared surplus to requirement or allocated for a particular purpose.

**RECOMMENDATION**

1. That the lease of Site 1 to the Environment Agency be renewed on the terms outlined in Appendix 1 of this report.
2. That Site nos. 2 and 3 be declared surplus to requirements and offered for sale by public auction on the terms outlined in Appendix 1 of this report.
3. That site numbers 4, 5 and 6 be allocated for Housing purposes.
4. That the District Council's legal and surveyors' costs in respect of sites 1, 2 and 3 will be met either directly or by way of a buyers' premium.

**WARDS AFFECTED**

Ashbourne South; Wirksworth; Dovedale and Parwich; Matlock St Giles; Hlland.

**STRATEGIC LINK**

Every plan, strategy policy, and action of the District Councils flows from the Corporate Plan. The Corporate Plan is put into effect by service plans, policies and strategies including the Asset Management Plan which ensures that the District Council's land and property assets are managed in support of corporate priorities.

**1 BACKGROUND**

- 1.1 The Asset Management Plan (AMP) 2019 -2023 is intended to set out the Council's strategic approach to the management of its land and property and to provide a framework within which property asset decisions can be made in support of the Council's corporate aims and objectives.
- 1.2 The Asset Management Plan recommends that unused or surplus buildings and land (of area 0.1ha and above excluding parks and pleasure grounds and public open space) be



reviewed to establish whether they should be sold or whether they could contribute to the councils objectives key objectives of economic development and affordable housing

- 1.3 This the first of a number of phases of reports consider the future arrangements for surplus land and buildings across the District.

## **2 REPORT**

- 2.1 Phase 1 of the Land Holdings Review covers 6 sites in which queries or expressions of interest have been received or land is to be declared surplus to requirement or allocated for a particular purpose. Following consideration of planning, legal and estate management factors, together with operational requirements, recommendations are made regarding whether the sites should be retained, allocated for a particular use or sold and the terms which would apply.
- 2.2 An appraisal of each site has taken place comprising advice on any planning constraints, legal restrictions and maintenance liabilities/costs.
- 2.3 Site no. 1 contains an important Environment Agency asset alongside Henmore Brook in Ashbourne, the lease of which has expired and it is recommended that it be renewed on its existing terms.
- 2.4 Site nos. 2 and 3 comprise an area of woodland adjoining Kind Edward Street in Wirksworth which was previously retained from the Housing Stock Transfer in 2002 and the former public conveniences in Thorpe ,which was closed permanently as part of the Public Conveniences Review in 2018 and the adjacent area of car parking land .As both sites have no operational use to the District Council, it is recommended that they be declared surplus to requirements and offered for sale in 2 lots (for each site) by public auction with a buyers' premium applied to cover the Council's costs.
- 2.5 Sites nos. 4, 5 and 6 comprise a house and site in Matlock which have come back to the Council by expiry of previous tenancy/lease arrangements and a site in Kirk Ireton which was previously retained from the Housing Stock Transfer in 2002. The team working with the Director of Housing on the new Council Housing programme have looked at these sites and wish to explore their potential as part of this programme so it is recommended that they be allocated for Housing purposes.
- 2.6 The results and recommendations for all 6 sites are summarised in Appendix 1 together with plans of each site.
- 2.7 In respect of site nos. 1,2 and 3 Ward Members and the relevant Town/Parish Council have been consulted on the proposed disposals and any comments received will be reported to the meeting.

## **3 RISK ASSESSMENT**

### **3.1 Legal**

Each title to the property will need to be checked to ensure that there are no matters preventing the disposal. On each disposal the following matters will need to be checked prior to the disposition:-

- a) if the property is open space land
- b) the value of the disposal will need to be checked to ensure that it is the best that can be reasonably obtained;
- c) is the property an asset of community value?;
- d) what is the property used (appropriated) for? Is the land common or allotment land?

Following review, the appropriate steps will be completed to ensure that the correct disposal procedures are followed.

### 3.2 Financial

The District Council's legal and surveyors' costs in respect of sites 1, 2 and 3 will be met either directly or by way of a buyer's premium.

The income arising from the disposals recommended in this report in respect of sites 2 and 3 will be treated as capital receipts if the individual auction proceeds amount to £10,000 or more. Capital Receipts may be used to fund future capital projects. If the auction proceeds are less than £10,000 each they will be credited to the Revenue Account.

As well as bringing in some income, these disposals remove a liability for future maintenance.

The financial risk is assessed as low.

## 4 OTHER CONSIDERATIONS

4.1 In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property.

## 5 CONTACT INFORMATION

5.1 Mike Galsworthy - Estates and Facilities Manager  
 Telephone: 01629 761207  
 Email: [mike.galsworthy@derbyshiredales.gov.uk](mailto:mike.galsworthy@derbyshiredales.gov.uk)

## 6 BACKGROUND PAPERS

6.1 None

## 7 ATTACHMENTS

7.1 None

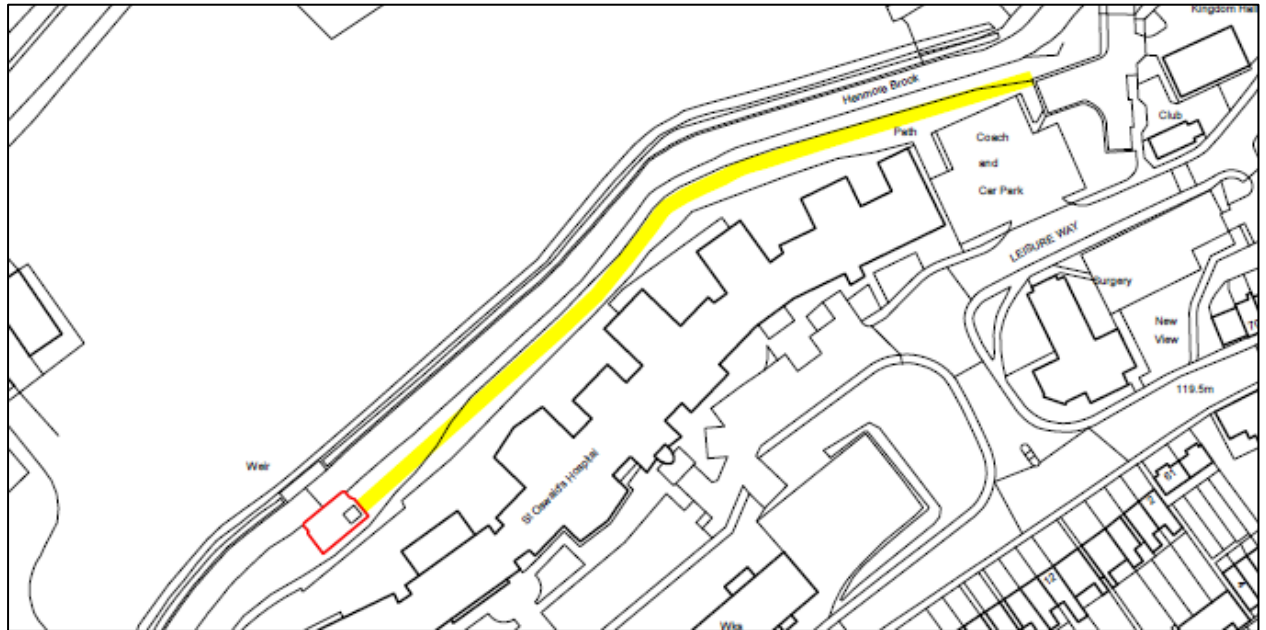
## 8

## AMP- LAND HOLDINGS REVIEW Phase 1 -Appendix 1

### SITE INDEX

1.	Land at Henmore Brook, off School Lane, Ashbourne	Lease
2.	Woodland at Wash Green, Wirksworth	Disposal
3.	Thorpe Public Convenience and adjoining land, Ilam Land, Thorpe	Disposal
4.	Station House, Matlock	Allocation to Housing
5.	Land at Edgefold Road, Matlock	Allocation to Housing
6.	Land at Peats Close, Kirk Ireton	Allocation to Housing

## Site 1 - Land at Henmore Brook, Off School Lane, Ashbourne



Land offered for lease is outlined in red, right of way marked in yellow.

## LAND HOLDINGS REVIEW

### SITE NO. 1

ADDRESS	Land at Henmore Brook, off School Lane Ashbourne  Reference A/00256 DY395200
REQUEST RECEIVED	The existing lease of 21 years to the Environment Agency (EA) has expired and this lease renewal will grant occupation rights for a further 21 years.
DESCRIPTION/LOCATION	Approx 150 m <sup>2</sup> area of land on Henmore Brook, off School Lane Ashbourne.  The land is currently occupied by the EA and used to provide a gauging and monitoring station.
OWNERSHIP	Freehold owned by Derbyshire Dales District Council.
LEGAL COVENANTS RESTRICTIONS	The site is part of DY395200  The site is currently occupied by the EA under a lease dated 12 February 1999 of term 21 years 3 days and a Deed of Variation dated 26 November 2006.  Public Open Space consultation will be required prior to granting the right of way.
PLANNING	N/A
MAINTENANCE	Regular maintenance of the 150m <sup>2</sup> of land is not undertaken. The land on which the right of way will be granted includes a public footpath and is occasionally mowed. This will continue to be carried out.
HEALTH & SAFETY/RISKS	Vehicular access to the gauging station is being granted along a public footpath. There is no other access that DDDC can provide.
OFFICER COMMENT	The renewal of this lease is good estate practice and allows for the modernising and correction of the existing lease.  The right of way to the site requires amendment from the existing rights and

	appropriate clauses have been added to protect users of the path.
RECOMMENDATION	To grant a new lease of 21 years to the Environment Agency for the use of the land as a gauging and monitoring station at a rent of £1pa payable on demand. EA to pay DDDC's reasonable legal and surveying fees of £367 and £255 respectively.

## Site 2 – Wash Green Woodland, Wash Green, Wirksworth



Land offered for sale



## LAND HOLDINGS REVIEW

### SITE NO. 2

ADDRESS	Land at Wash Green Woodland, Wirksworth Near DE4 4FE  Reference A/00839
REQUEST RECEIVED	Estates request that this property be put to auction.  The property is surplus to operational requirements.
DESCRIPTION/LOCATION	The property is located on B5035 at the east end of Wirksworth. The site is approx. 1.8 acres and is heavily wooded with a stream. It has limited vehicular access.  There are a number of residential properties in the vicinity and agricultural land to the rear.
OWNERSHIP	Freehold owned by Derbyshire Dales District Council under title DY414946.
LEGAL COVENANTS RESTRICTIONS	TBC
PLANNING	TBC
MAINTENANCE	The site has no regular outgoings associated with it but it is likely to require considerable future maintenance in the short term with the felling of trees and costs associated with ash dieback.
HEALTH & SAFETY/RISKS	TBC
OFFICER COMMENT	This site is currently not used and does not have an obvious operational use but will require considerable ongoing maintenance. There is relatively good demand for small areas of land such as this with the increased interest in nature and conservation.  A small section of this land may be retained for a housing project and this is currently being investigated. If any of the site is retained it will be allocated to Housing and the remainder offered for sale by public auction

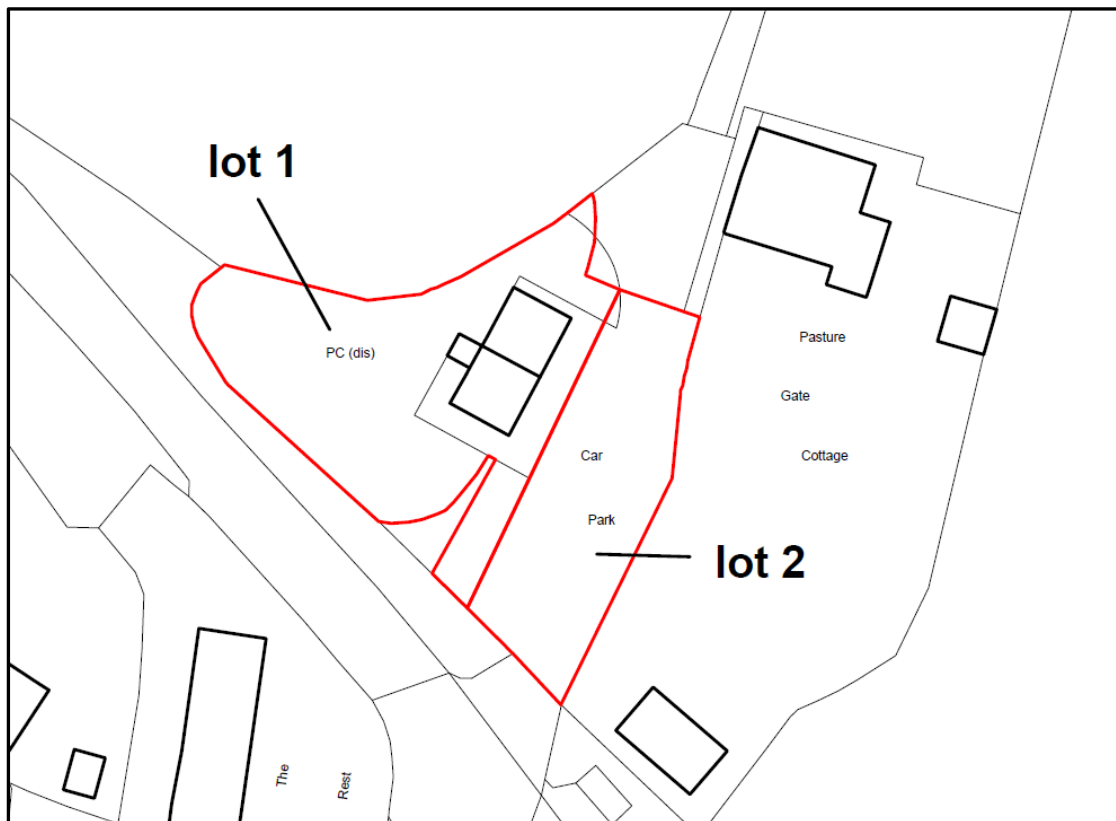


RECOMMENDATION	<p>The site to be sold by public auction as one lot with a reserve to be set by the Estates Manager in consultation with the auctioneer depending on interest generated with a buyer's premium of 3% to apply.</p> <p>Other terms to be determined by the Estates Manager.</p>
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### Site 3 - Ex Public Conveniences at Thorpe, Thorpe, Ashbourne



Title boundary



Suggested Auction Lots

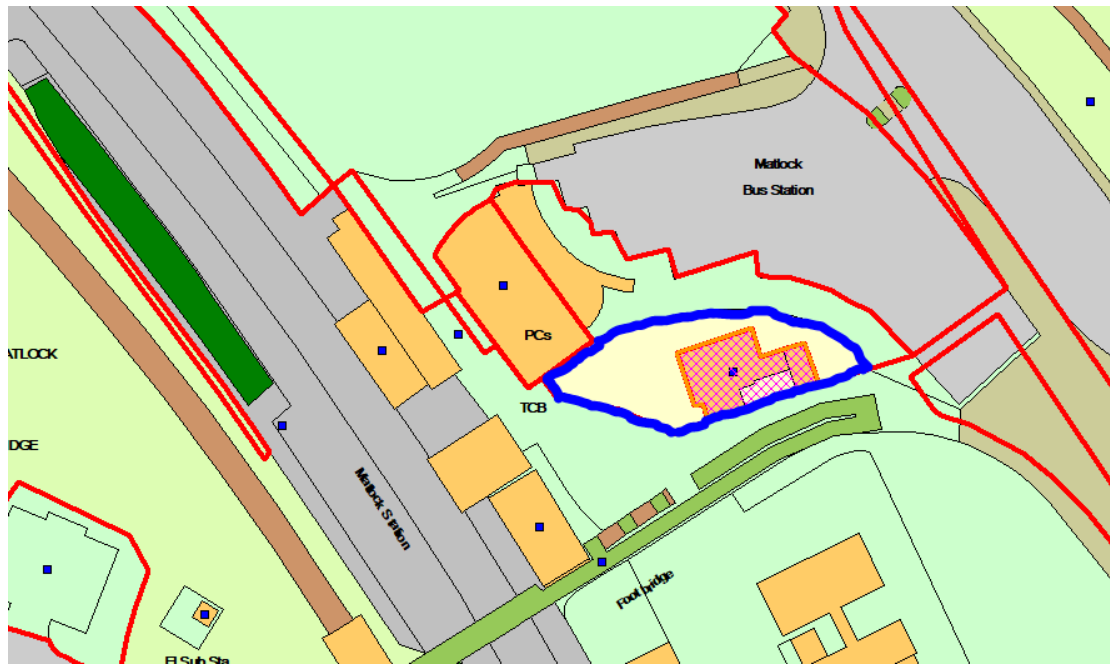
## LAND HOLDINGS REVIEW

### SITE NO. 3

ADDRESS	Land and Ex-public conveniences, Ilam Road Ilam Lane, Thorpe, Ashbourne DE6 2AW  Reference A/00199, A/01286, A/00218, A/00219
REQUEST RECEIVED	Estates request that this property be put to auction in 2 lots. The property is surplus to operational requirements.
DESCRIPTION/LOCATION	The property is located in the conservation area of the village of Thorpe. The adjoining land previously used as a car park free but is surplus to requirements..  The land has various accesses to fields to the rear.
OWNERSHIP	Freehold owned by Derbyshire Dales District Council under titles DY421495 and DY489230.
LEGAL COVENANTS RESTRICTIONS	TBC
PLANNING	This site is under the control of Peak District National Park Authority (PDNPA).  Pre-application advice has been obtained on the public conveniences and it was suggested suitable for conversion for either a business or community use of appropriate scale. In regards to housing they would not consider it as a building suitable for conversion to an open market dwelling but it is within a named settlement so could be considered appropriate for local needs housing. The adjoining car park was seen as being problematic for residential use. The advice provided by PDNPA is not binding.
MAINTENANCE	TBC (there are holding costs for water and electricity as well as general maintenance liabilities, there is no potential revenue source)
HEALTH & SAFETY/RISKS	TBC

OFFICER COMMENT	<p>This site is currently not used and does not have an obvious operational use without considerable redevelopment and capital expenditure. DDDC Housing have advised that as only one unit is likely to be possible it is not a viable site for providing affordable housing. It could be repurposed as an investment in a small business use (holiday let, seasonal café or office facility) but this would require considerable officer time and capital expenditure to bring it to fruition with limited return.</p> <p>There have been several parties expressing interest in purchasing the public conveniences and it is considered that putting it to auction is likely to provide all parties with the opportunity to acquire and would be the best way of maximising the sale price. There are also complications with unknown rights of way to the rear and auction overcomes this issue as it can be noted in the sale contract.</p> <p>The Parish Council have previously turned down a Community Asset Transfer to use the property as a public convenience and have expressed concerns about not being able to use it in the future for holding the Dove Dale Dash – a popular local event.</p> <p>The upcoming regulation in relation to ‘Right to Regenerate’ could result in the site being sold by default unless the Council has a compelling reason to retain.</p>
RECOMMENDATION	<p>The site to be entered into a public auction as two Lots (as indicated in the plan) with a reserve for each lot to be set by the Estates Manager in consultation with the auctioneer depending on interest generated with a buyers’ premium of 3% to apply.</p> <p>Other terms to be determined by the Estates Manager.</p>

## Site 4 - Station House Matlock



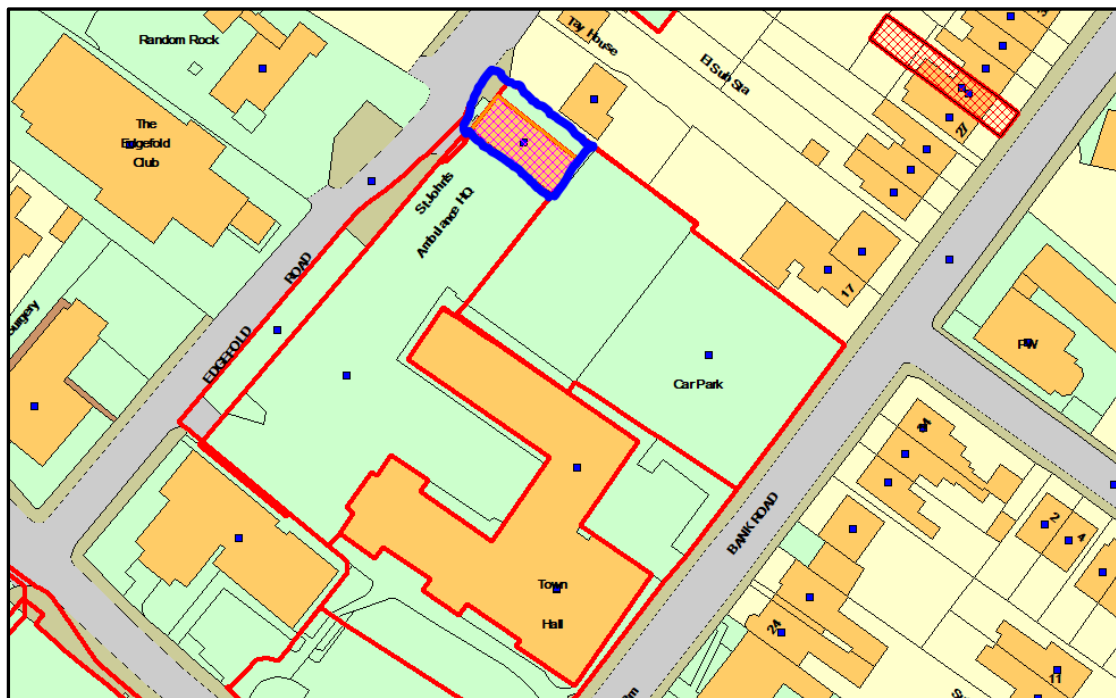
Station House and grounds outlined in blue

## LAND HOLDINGS REVIEW

### SITE NO. 4

ADDRESS	Station House, Matlock  Reference A/00599
REQUEST RECEIVED	Estates request that this property be allocated to Housing for development for affordable housing.
DESCRIPTION/LOCATION	The property is located in the conservation area and is grade listed.
OWNERSHIP	Freehold owned by Derbyshire Dales District Council under art of title DY395367.
LEGAL COVENANTS RESTRICTIONS	TBC
PLANNING	TBC
MAINTENANCE	TBC (there are holding costs for water and electricity as well as general maintenance liabilities)
HEALTH & SAFETY/RISKS	TBC
OFFICER COMMENT	This building is currently vacant and Housing have expressed interest converting this building to 2 units.
RECOMMENDATION	It be noted that the property is being allocated to Housing for providing affordable housing.  On developing a scheme a report will be presented by Housing for approval for its disposal.

## Site 5 – Edgefold Road, Matlock



Site outlined in blue

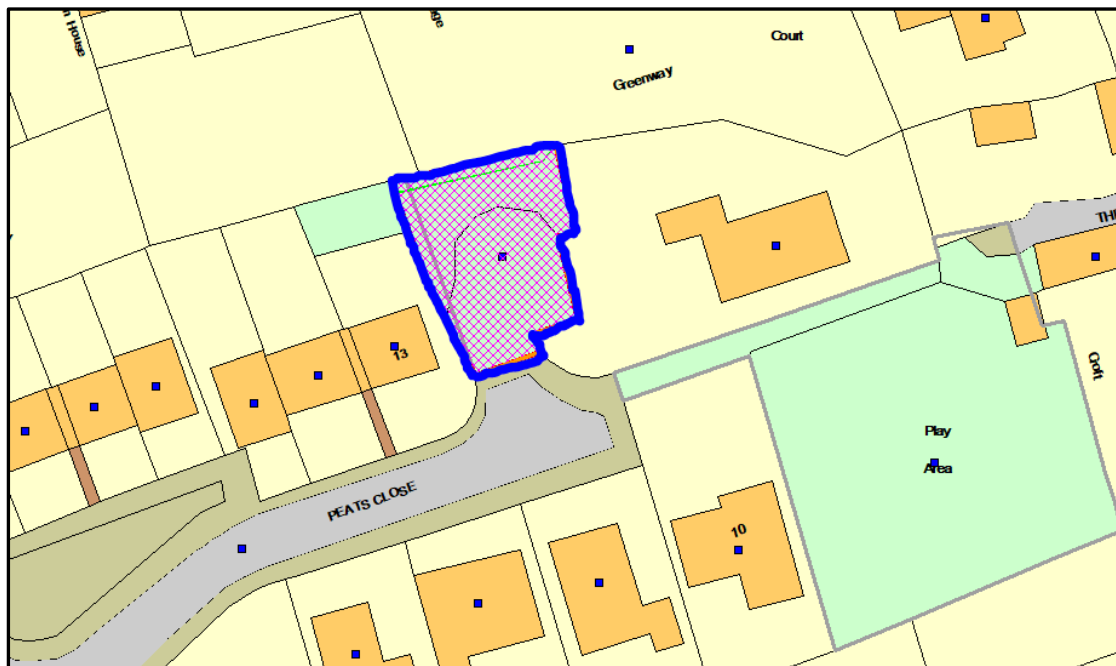
## LAND HOLDINGS REVIEW

### SITE NO. 5

ADDRESS	Land at Edgefold Road, Matlock  Reference A/00325
REQUEST RECEIVED	Estates request that this property be allocated to Housing for development for affordable housing.
DESCRIPTION/LOCATION	The property is located on Edgefold Road. It was previously the site of the St John's Ambulance Hut which was demolished in 2017.
OWNERSHIP	Freehold owned by Derbyshire Dales District Council under art of title DY415155
LEGAL COVENANTS RESTRICTIONS	TBC
PLANNING	TBC
MAINTENANCE	None
HEALTH & SAFETY/RISKS	TBC
OFFICER COMMENT	This site is currently used as informal parking for the Town Hall.
RECOMMENDATION	It be noted that the property is being allocated to Housing for providing affordable housing.  On developing a scheme a report will be presented by Housing for approval for its disposal.



## Site 6 – Land at Peats Close, Kirk Ireton



Site outlined in blue

## LAND HOLDINGS REVIEW

### SITE NO. 6

ADDRESS	Land Between 13 And 15 Peats Close Kirk Ireton  Reference A/00358
REQUEST RECEIVED	Estates request that this property be allocated to Housing for development for affordable housing.
DESCRIPTION/LOCATION	The property is located on Peats Close and was retained at the housing transfer in 2003. The site measures approx. 0.08 acre.
OWNERSHIP	Freehold owned by Derbyshire Dales District Council under part of title DY421558.
LEGAL COVENANTS RESTRICTIONS	TBC
PLANNING	TBC
MAINTENANCE	None
HEALTH & SAFETY/RISKS	TBC
OFFICER COMMENT	This site is currently used as informal parking by residents of Peats Close. The open land to the rear of this site has recently had two houses developed.
RECOMMENDATION	It be noted that the property is being allocated to Housing for providing affordable housing.  On developing a scheme a report will be presented by Housing for approval for its disposal.