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**DIRECTOR OF STRATEGY,  
PERFORMANCE AND  
GOVERNANCE'S OFFICE**  
DIRECTOR OF STRATEGY, PERFORMANCE  
AND GOVERNANCE  
Paul Dodson

20 November 2019

Dear Councillor

You are summoned to attend the meeting of the;

## **PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE**

on **THURSDAY 28 NOVEMBER 2019** at 7.30 pm. in the Council Chamber. Maldon District Council Offices, Princes Road, Maldon.

A copy of the agenda is attached.

Yours faithfully



Director of Strategy, Performance and Governance

### **COMMITTEE MEMBERSHIP**

#### **CHAIRMAN**

Councillor E L Bamford

#### **VICE-CHAIRMAN**

Councillor K W Jarvis

#### **COUNCILLORS**

Mrs P A Channer, CC  
M F L Durham, CC  
A S Fluker  
B E Harker  
M S Heard  
J V Keyes  
K M H Lagan  
S P Nunn  
N J Skeens  
W Stamp  
Mrs J C Stilts  
C Swain  
Mrs M E Thompson

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**AGENDA**  
**PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE**  
**THURSDAY 28 NOVEMBER 2019**

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1. **Chairman's Notices (please see overleaf)**

2. **Apologies for Absence**

3. **Minutes of the last meeting** (Pages 5 - 12)

To confirm the Minutes of the meeting of the Committee held on 24 October 2019, (copy enclosed).

4. **Disclosure of Interest**

To disclose the existence and nature of any Disclosable Pecuniary Interests, other Pecuniary Interest or Non-Pecuniary Interests relating to items of business on the agenda having regard to paragraphs 6 – 8 of the Code of Conduct for Members.

(Members are reminded that they are also required to disclose any such interest as soon as they become aware should the need arise throughout the meeting.)

5. **Public Participation**

To receive the views of members of the public on items of business to be considered by the Committee (please see below):

1. A period of ten minutes will be set.
2. An individual may speak for no more than two minutes and will not be allowed to distribute or display papers, plans, photographs or other materials.
3. Anyone wishing to speak must notify the Committee Clerk between 7:00pm and 7:20pm prior to the start of the meeting.

6. **Report of the External Auditor on the Audit for the year ended 31 March 2019**  
(Pages 13 - 40)

To consider the report of the Interim Section 151 Officer, (copy enclosed).

7. **Draft Annual Governance Statement 2018/19** (Pages 41 - 56)

To consider the report of the Interim Section 151 Officer, (copy enclosed).

8. **Draft Statement of Accounts 2018/19** (Pages 57 - 128)

To consider the report of the Interim Section 151 Officer, (copy enclosed).

9. **Annual Audit and Certification of Fees 2019 / 20** (Pages 129 - 132)

To consider the report of the Interim Section 151 Officer, (copy enclosed).

10. **Internal Audit Progress Report October 2019** (Pages 133 - 178)

To consider the report of the Interim Section 151 Officer (copy enclosed).

11. **Quarterly Review of Corporate Risk and Performance** (Pages 179 - 204)

To consider the report of the Director of Strategy, Performance and Governance, (copy enclosed).

12. **Adoption of a New Risk Management Policy** (Pages 205 - 222)

To consider the report of the Director of Strategy, Performance and Governance, (copy enclosed).

13. **Corporate Health and Safety Report** (Pages 223 - 228)

To consider the report of the Director of Service Delivery (copy enclosed).

14. **Any other items of business that the Chairman of the Committee decides are urgent**

**NOTICES**

**Sound Recording of Meeting**

Please note that the Council will be recording any part of this meeting held in open session for subsequent publication on the Council's website. Members of the public attending the meeting with a view to speaking are deemed to be giving permission to be included in the recording.

**Fire**

In event of a fire, a siren will sound. Please use the fire exits marked with the green running man. The fire assembly point is outside the main entrance to the Council Offices. Please gather there and await further instruction.

**Health and Safety**

Please be advised of the different levels of flooring within the Council Chamber. There are steps behind the main horseshoe as well as to the side of the room.

**Closed-Circuit Television (CCTV)**

This meeting is being monitored and recorded by CCTV.





**MINUTES of  
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE  
24 OCTOBER 2019**

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**PRESENT**

Councillors E L Bamford, Mrs P A Channer, CC, M F L Durham, CC, A S Fluker, B E Harker, M S Heard, K W Jarvis, J V Keyes, K M H Lagan, S P Nunn, N J Skeens, W Stamp, C Swain and Mrs M E Thompson

Substitute Members Councillor B S Beale MBE

In attendance Councillors R G Boyce MBE, C Mayes, C Morris and N G F Shaughnessy

**484. APPOINTMENT OF CHAIRMAN**

The Director of Strategy, Performance and Governance called for nominations for Chairman.

It was proposed by Councillor M S Heard and duly seconded that Councillor Mrs J C Stilts be elected as Chairman of the Committee for the remainder of the municipal year. The Director then called for any other nominations and Councillor Mrs M E Thompson proposed that Councillor E L Bamford be elected as Chairman of the Committee. At this point Councillor Heard referred to the procedure followed at the Strategy and Resources Committee which the Director advised he was happy to replicate for this meeting.

In accordance with Procedure Rule No. 13 (3) Councillor Heard requested a recorded vote.

For the recommendation:

Councillors B S Beale, M S Heard, K M H Lagan, S P Nunn and W Stamp.

Against the recommendation:

Councillors E L Bamford, Mrs P A Channer, M F L Durham, A S Fluker, B E Harker, K W Jarvis and Mrs M E Thompson.

Abstention:

Councillor C Swain

The motion was therefore declared lost and the Director sought other nominations. Councillor Mrs Thompson proposed, and it was duly seconded that Councillor E L Bamford be elected as Chairman. Upon a vote being taken the Director declared that Councillor Bamford was appointed as Chairman of the Committee for remainder of the municipal year.

**RESOLVED** that Councillor E L Bamford be elected as Chairman of the Committee for the remainder of the municipal year;

IN THE CHAIR : COUNCILLOR E L BAMFORD

**485. APPOINTMENT OF VICE-CHAIRMAN**

The Chairman sought nominations for Vice-Chairman of the Committee. It was proposed by Councillor E L Bamford and duly seconded that Councillor K W Jarvis be elected as Vice-Chairman of the Committee for the remainder of the municipal year. Councillor M S Heard proposed Councillor W Stamp and this was duly seconded. The Chairman advised that she would take the proposal in the name of Councillor Mrs Thompson first.

The Chairman then put the proposal for Councillor Jarvis as Vice-Chairman. Upon a vote being taken this was agreed and she declared that Councillor K W Jarvis was therefore appointed as Vice-Chairman of the Committee for remainder of the municipal year.

**RESOLVED** that Councillor J W Jarvis be elected as Vice-Chairman of the Committee for the remainder of the municipal year.

**486. CHAIRMAN'S NOTICES**

The Chairman drew attention to the list of notices published on the back of the agenda.

**487. APOLOGIES FOR ABSENCE AND SUBSTITUTION NOTICE**

Apologies for absence were received from Councillors Mrs J C Stilts.

In accordance with notice duly given Councillor B S Beale was attending as a substitute for Councillor Mrs Stilts.

**488. DISCLOSURE OF INTEREST**

There were none.

**489. PUBLIC PARTICIPATION**

No requests had been received.

#### **490. INTERNAL AUDIT - FRAUD RISK ASSESSMENT - ADVISORY REPORT ADDRESSING THE RECOMMENDATIONS**

The Committee considered the report of the Interim Section 151 Officer seeking Members' consideration of the Council's Internal Auditors review of the Council's Fraud Risk Assessment Process and awareness of fraud risk across the organisation.

It was noted that having considered the findings of the Internal Audit Fraud Risk Assessment – Advisory report, the Finance and Corporate Services Committee, at its last meeting, resolved that an update on the progress of work in respect of the Internal Audit recommendation be brought to a meeting of the Performance, Governance and Audit Committee.

The Interim Section 151 Officer provided an update on the work he had been doing in relation to the recommendations and in response to questions outlined the training which would be provided to both Officers and Members in respect of fraud prevention and ensuring checks and controls were in place.

A debate ensued and in response to questions the Interim Section 151 Officer advised that according to the Council's Constitution the ultimate responsibility for ensuring fraud and corruption sat with the Monitoring Officer and Section 151 Officer who would work together to take appropriate action or implement procedures. However, as part of the new Council structure it was suggested that an individual officer should be charged with ensuring messages were going out and that regular assessments were taking place.

Members were advised that the recommendations identified in the Fraud Risk Assessment were addressed in the report and it was confirmed that this Committee would receive a subsequent report which would report on the execution of the recommendations.

#### **RESOLVED**

- (i) that the contents of the report, in particular reference to Section 3 and Appendix 1 be noted;
- (ii) that Committee notes the Interim Section 151 Officer's approach and his views and advice on ensuring that the corporate anti-fraud activities and awareness together with the appropriate processes and policies are all linked together and embedded into the normal operational working of the Council and that the ownership and accountability for the exercise of the function is identified in an individual role;
- (iii) that in view of the current ongoing structure change in the Council, the findings and recommendations of the Advisory Report be implemented in full by December 2019 with a combination of in-house resources and tailored external support from BDO the balance of activities between the two to be determined by the Corporate Leadership Team; and
- (iv) that the responsibility and accountability and hence the ownership for corporate fraud prevention function overall within the Council is clearly defined to an individual resource to lead on.

#### **491. APPOINTMENT OF REPRESENTATIVES ON LIAISON COMMITTEES / PANELS**

With the permission of the Chairman, Councillor M S Heard addressed the Committee and referred to the number of working groups that Councillors Fluker, Miss White, Mrs Channer, Helm and Mrs Thompson would sit on. He referred to the percentage of seats held by Independent Members of the Council and how they would support good decisions and oppose bad ones.

The Chairman advised the Committee that it did not need to appointment a representative to the Health, Overview and Scrutiny Committee as this would be carried out by the Overview and Scrutiny Committee. She explained the process she would be adopting in relation to the appointment of representatives to these groups.

##### **Brickhouse Farm Management Committee**

The Chairman proposed the representatives for this Committee be Councillors E L Bamford and M F L Durham. This was duly seconded.

Councillor Heard proposed that Councillor J C Stilts also be appointed as she was the Ward Member. The Chairman advised Councillor Heard that she would not be considering this proposition.

Councillor Mrs M E Thompson raised a point of order advising that the proposition from the Chairman came first and should therefore be dealt with prior to any other proposition.

In accordance with Procedure Rule No. 13 (3) Councillor W Stamp requested a recorded vote in relation to all appointments. This was duly seconded.

The Chairman then put the proposal for Councillors Bamford and Durham. At this point the Chairman advised that if a Member was appointed to one of these bodies it was essential that they attend meetings. Upon a vote being taken the voting was as follows:

##### For the recommendation:

Councillors E L Bamford, Mrs P A Channer, M F L Durham, A S Fluker, B E Harker, K W Jarvis, J V Keyes, K M H Lagan and Mrs M E Thompson.

##### Against the recommendation:

Councillors B S Beale, M S Heard, S Nunn, W Stamp.

##### Abstention:

Councillor C Swain.

The motion was therefore agreed.

##### **Maldon Citizens Advice Bureau Liaison Committee**

The Chairman proposed Councillors E L Bamford, Mrs P A Channer and K W Jarvis as representatives on this Liaison Committee. This was duly seconded. Councillor Heard proposed Councillor S P Nunn which was duly seconded. The Chairman advised Councillor Heard that if he wished to make an alternative proposal he needed to

nominate three Members. She then put the proposal for Councillors Bamford, Durham and Jarvis. Upon a vote being taken the voting was as follows:

For the recommendation:

Councillors E L Bamford, Mrs P A Channer, M F L Durham, A S Fluker, B E Harker, K W Jarvis, J V Keyes and Mrs M E Thompson.

Against the recommendation:

Councillors B S Beale, M S Heard, K M H Lagan, S Nunn and W Stamp.

Abstention:

Councillor C Swain.

The motion was therefore agreed.

**Maldon District Museum Liaison Committee**

The Chairman proposed Councillors E L Bamford and M F L Durham as representatives on the Maldon District Museum Liaison Committee. This was duly seconded. Upon a vote being taken the voting was as follows:

For the recommendation:

Councillors E L Bamford, Mrs P A Channer, M F L Durham, A S Fluker, B E Harker, K W Jarvis, J V Keyes and Mrs M E Thompson.

Against the recommendation:

Councillors B S Beale, M S Heard, S Nunn, C Swain and W Stamp.

Abstention:

Councillor K M H Lagan.

The motion was therefore agreed.

**Maldon Livewell Partnership Group**

The Chairman advised that as the representatives for this Group were named there was no need to vote separately on them. This was agreed.

**Parish Clerk's Forum**

The Chairman advised that as the representatives for this Group were named there was no need to vote separately on them. This was agreed.

**Places for People Liaison Committee**

The Chairman proposed that Councillors E L Bamford and M F L Durham with Councillor Mrs M E Thompson as substitute be appointed to this Liaison Committee. This was duly seconded. Councillor Heard proposed Councillor Mrs J C Stilts and Councillor W Stamp as substitute. This was duly seconded. The Chairman advised Councillor Heard that the first proposition had been seconded before his was received.

Councillor Mrs Thompson raise a point of order that it was the Chairman's proposal that counted, and this must count first.

The Chairman then put the proposal for councillors Bamford and Durham with Councillor Mrs Thompson and substitute and upon a vote being taken the voting was as follows:

For the recommendation:

Councillors E L Bamford, Mrs P A Channer, M F L Durham, A S Fluker, B E Harker, K W Jarvis, J V Keyes and Mrs M E Thompson.

Against the recommendation:

Councillors B S Beale, M S Heard, K M H Lagan, S Nunn and W Stamp.

Abstention:

Councillor C Swain.

The motion was therefore agreed.

**River Crouch Coastal Community Team (Management Team)**

The Chairman advised that as the representatives for this Group were named there was no need to vote separately on them. This was agreed.

**RESOLVED** that the following representatives be appointed to the bodies detailed below, for the remainder of the municipal year:

Body	Representative
Brickhouse Farm Management Committee	Councillors E L Bamford and M F L Durham CC
Maldon Citizens Advice Bureau Liaison Committee	Councillors E L Bamford, Mrs P A Channer CC and J W Jarvis
Maldon District Museum Liaison Committee	Councillors E L Bamford and M F L Durham CC
Maldon Livewell Partnership Group (formally Maldon Health and Wellbeing Partnership Group) (01/09/15)	Chairman and Vice-Chairman of the Performance, Governance and Audit Committee  <i>Substitute: Leader of the Council</i>
Parish Clerk's Forum	Chairman of the Performance, Governance and Audit Committee  <i>Substitute: Vice-Chairman of the Performance, Governance and Audit Committee</i>
Places for People Liaison Committee	Councillors E L Bamford and M F L Durham CC  <i>Substitute: Councillor Mrs M E Thompson</i>
River Crouch Coastal Community Team (Management Team)	Chairmen and Vice-Chairmen of the Performance, Governance & Audit and Strategy & Resources Committee <b>*NB: This body aligns with both the PGA and Strategy &amp; Resources Committees</b>

## 492. EXTERNAL AUDIT VERBAL UPDATE

The Interim Section 151 Officer advised that he had been liaising with External Audit and was currently working to present the following items to the next meeting of this Committee:

- Statement of Accounts;
- Auditors report for the year;
- Annual Governance Statement;
- Audit Fee Letter (to be presented by the External Auditor)

The Council's External Auditor were currently going through the final version of the Statement of Account to ensure they were happy with all changes and that any questions previously raised had been answered. The Interim Section 151 Officer reported that at this stage the accounts balanced, and the External Auditors had indicated that they were mindful to issue an unmodified audit opinion – a clean bill of health.

In response to a number of questions the Interim Section 151 Officer provided the Committee with further information, which included:

- The key issues resulting in delays with the Statement of Accounts related to IT and outage in the network along with experienced staff leaving including the Director of Resources that had affected the work which could be done in the time period with the available knowledge and experience.
- The Interim Section 151 Officer advised that he thought the Auditors may include in their final report a comment about the length of time it took for the Council to provide required information.
- Sometime had been spent explaining matters to the Auditors as some of their staff, although experienced auditors, were new to Local Government Audits. In response to a question regarding a reduction in fees regarding this, the Interim Section 151 Officer advised the Committee that they may want to challenge any additional fees which may be levied.
- It was noted that additional time had been required as the Auditors were following codes of practice and testing procedures
- It was noted that the External Auditors were appointed externally for a fixed period.
- Internal Audit could be requested to carry out a review of the production of the statement of accounts, but the Interim Section 151 Officer advised that both himself and his successor would ensure such delays did not happen in the future.

In response to a question regarding whether a time scale for completion of the task was given to the External Auditors at the time of Tender, the Chairman advised that this could be included in the report being brought back to the Committee.

Councillor A S Fluker proposed that the verbal update be noted and any points raised by the Committee be actioned. This was duly agreed.

**RESOLVED** that the verbal update from the Interim Section 151 Officer be noted and any points raised by the Committee be actioned.

The meeting closed at 8.20 pm.

E L BAMFORD  
CHAIRMAN





## **REPORT of INTERIM SECTION 151 OFFICER**

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**to  
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE  
28 NOVEMBER 2019**

## **REPORT OF THE EXTERNAL AUDITOR ON THE AUDIT FOR THE YEAR ENDED 31 MARCH 2019**

### **1. PURPOSE OF THE REPORT**

- 1.1 The purpose of this report is to provide the Council's External Auditor with the opportunity to report the key findings of their audit to those charged with governance, prior to issuing their opinion on the 2018/19 Statement of Accounts. The Final Report for the year ended 31 March 2019 (2018/19) is attached at **APPENDIX 1**.

### **2. RECOMMENDATIONS**

- (i) The Committee notes the unadjusted misstatements in the appendix to the report of the external auditor on the audit for the year ended 31 March 2019 (**APPENDIX 1**) which are below the auditor's materiality level and therefore not required to be adjusted and explained in paragraph 3.3 of this report;
- (ii) That Members formally note the opinion of the Auditor on the draft Statement of Accounts;
- (iii) That in all other respects the report of the External Auditor be noted.

### **3. SUMMARY OF KEY ISSUES**

- 3.1 Deloitte LLP, the Council's External Auditor, has completed the substantive work on the audit of the Council's 2018/19 Statement of Accounts.
- 3.2 Detailed findings of the audit and recommended actions are provided in **APPENDIX 1** to those charged with Governance. External Audit representatives will be at the meeting to discuss their findings in detail.
- 3.3 The terms of reference of the Performance, Governance and Audit Committee include a requirement to review the external auditor's opinion on the Statement of Accounts of the Council. The opinion on the accounts has not been issued due to the ongoing work to complete the audit.

- 3.4 The Council has made all the adjustments, amendments, corrections and provided explanations that the external auditor had identified and required in the normal course of the audit.

There were two misstatements in the accounts identified by the external auditor that were corrected by the Officers and that have been brought to the attention of the Committee. These are:

- Accounting for the outcome of McCloud judgement relating to a judgement that was made by the Court of Appeal on a case relating to age discrimination in respect of pensions in the Judiciary Service and the Firefighters Service. On 15 July 2019 the Government announced that they accept that the judgement applies to all of the main public service pension schemes, including the Civil Service Pension schemes. The consequences and effect of the judgement is significant and wide within the whole of the public sector and not limited to this Council only. As a result, like all local authorities the Council had to ask their Pension Fund actuaries to undertake further work to quantify the impact on the Council which for this Council is £0.5m. which Officers then adjusted the accounts for
- The valuation of the White Horse Lane Car Park had to be reduced by £0.6m as a result of difference of opinion on the original valuation produced by the Council's appointed professional valuer and the external auditor's professional valuer. This related to the assumption built into the valuation and not the methodology. The adjusted valuation was agreed between the two valuers and accepted by the external auditor and the Interim Section 151 Officer and the adjustment was made in the accounts.

## **4. CONCLUSION**

- 4.1 Detailed conclusions drawn from the audit work can be found in the report (**APPENDIX 1**).

## **5. IMPACT ON STRATEGIC THEMES**

- 5.1 The report links to the Maldon District Council's Strategic Theme of providing clear direction for allocating and managing our resources, grant funding and capital expenditure.

## **6. IMPLICATIONS**

- (i) **Impact on Customers** – None identified.
- (ii) **Impact on Equalities** – None identified.
- (iii) **Impact on risk** – The report summarises areas that required additional or special audit procedures in response to areas of significant risk.
- (iv) **Impact on Resources (Financial)** – None identified.

- (v) **Impact on Resources (human)** – None identified.
- (vi) **Impact on the Environment** – None identified.

Background Papers: None.

Enquiries to: Kamal Mehta, Interim Section 151 Officer. (Tel: 01621 875762).

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## **Maldon District Council**

### **Report to the Audit Committee on the audit for the year ended 31 March 2019**

Issued 12 November 2019 for the meeting on 28 November 2019

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# Introduction

## The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Audit Committee of Maldon District Council (the Council) for the 2019 audit. The scope of our audit was set out within our planning report presented to the committee in April 2019.

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<b>Status of the audit</b>	Our audit is substantially complete subject to completion of the following principal matters:
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- completion of audit work on adjustments posted following the first draft received;
- review of final financial statements;
- completion of internal quality assurance procedures;
- completion of statement of accounts tie through
- receipt of signed management representation letter; and
- our review of events since 31 March 2019 through to signing.

We will provide an oral update at the meeting.

<b>Conclusions from our testing</b>	<ul style="list-style-type: none"><li>• Based on procedures performed to date, we have not identified any significant audit adjustments or disclosure deficiencies.</li><li>• Based on the current status of our audit work, we envisage issuing an unmodified audit opinion, with no reference to any matters in respect of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources, or the Annual Governance Statement.</li></ul>
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<b>Narrative Report &amp; Annual Governance Statement</b>	<ul style="list-style-type: none"><li>• We have reviewed the Council's Annual Report &amp; Annual Governance Statement to consider whether it is misleading or inconsistent with other information known to us from our audit work.</li><li>• The Annual Governance Statement complies with the Delivering Good Governance guidance issued by CIPFA/SOLACE.</li><li>• We have provided officers with our comments on this document and we await an updated version for review.</li></ul>
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# Introduction

## The key messages in this report (continued)

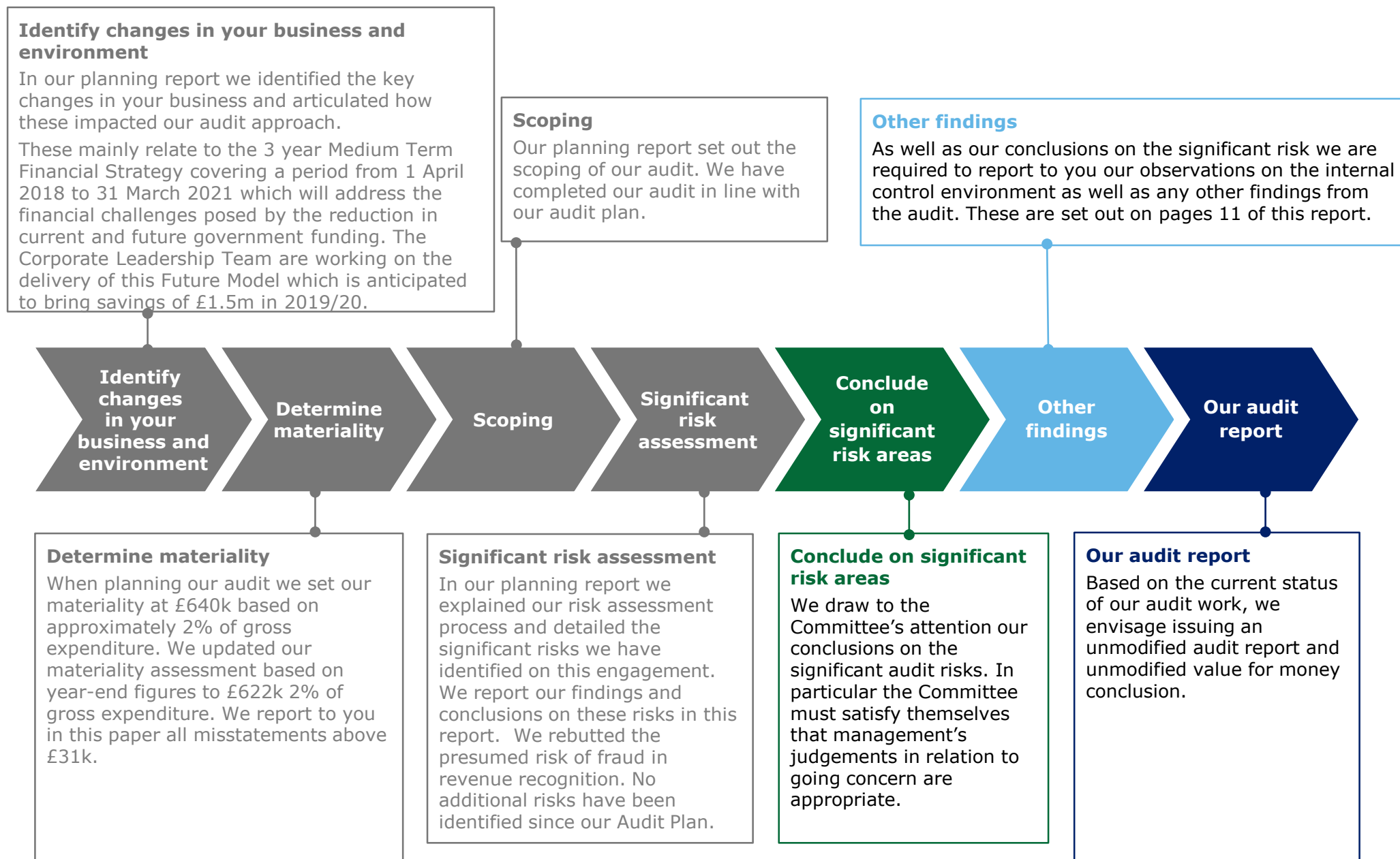
<b>Duties as public auditor</b>	<ul style="list-style-type: none"><li>• We did not receive any queries or objections from local electors this year.</li><li>• The publication of the accounts for inspection is a legal requirement. The requirement was not met in full due to delays in preparation meaning that the draft accounts published on the Council's website did not contain all the relevant notes due to a system problem.</li><li>• We have not identified any matters that would require us to issue a public interest report. We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.</li></ul>
<b>Whole of Government Accounts</b>	<ul style="list-style-type: none"><li>• The Council is not a sampled component for WGA reporting.</li><li>• We are required to report our overall audit opinion and key issues from our audit to the National Audit Office following completion of the audit.</li></ul>
<b>Management representations</b>	<ul style="list-style-type: none"><li>• We will obtain written representations from those charged with governance on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter will be circulated separately.</li></ul>
<b>Audit fee</b>	<p>As explained in our fee letter, our audit fee is based on assumptions about the scope of our work and the completeness and quality of information provided to support the draft financial statements and the timeliness and quality of responses to subsequent requests for information and explanation. The council's preparation for the audit was not in line with these assumptions and we will therefore be charging additional fees. A summary of the issues encountered are set out on page 11. Additional costs are charged using the rate card in the appendix. Our total additional costs is dependent on progress in finalising the work. Additional costs incurred to date compared to the scale fee are £37k based on the assumption that we will continue to progress and finalise our work over the coming weeks.</p>
<b>Audit certificate</b>	<p>We are not able to issue our certificate until we have completed our work on the Council's Whole of Government Accounts (WGA) return. We do not expect to meet the reporting deadline for the issue of our opinion on the WGA return. We expect this work to be completed at the same time of issuing our opinion on the Council's statement of accounts.</p>



# Our audit explained

## We tailor our audit to your organisation

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# Significant risk

## Management override of controls

### Risk identified

In accordance with ISA 240 (UK) management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.

### Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that:

- The Council's results are closely monitored during the year and any overspends are well understood; and
- Senior management's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

### Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

### Journals

We have performed design and implementation testing of the controls in place for journal approval.

We have used Spotlight data analytics to risk assess journals and select items for detailed follow up testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest.

We have tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting. No issues were noted. We however noted that not all individual journals have evidence of review, and have raised a control recommendation on page 12.

### Accounting estimates

We have performed design and implementation testing of the controls over key accounting estimates and judgements.

The key judgements in the financial statements are those selected as significant audit risks and other areas of audit interest: valuation of the Council's estate, the pension liability, NDR provision.

We reviewed accounting estimates for biases that could result in material misstatements due to fraud. We note that overall the changes to estimates in the period were balanced and did not indicate a bias to achieve a particular result.

We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.

### Deloitte view

We have not identified any significant bias in the key judgements made by management based on work performed.

We have not identified any instances of management override of controls in relation to the specific transactions tested based on work performed.

We noted that not all individual journals have evidence of review, and have raised a control recommendation on page 12.

# Other areas of audit focus

## Valuation of property assets and investment property

### Risk identified

The Council is required to hold property assets within Property, Plant and Equipment and Investment Properties at valuation. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value.

### Key judgements and our challenge of them

The Council held £30.0m of property assets at 31 March 2019, an increase of £1.4m, relating to a revaluation gain. The Council also held £2.7m of investment properties at year end with a revaluation gain of £0.7m.

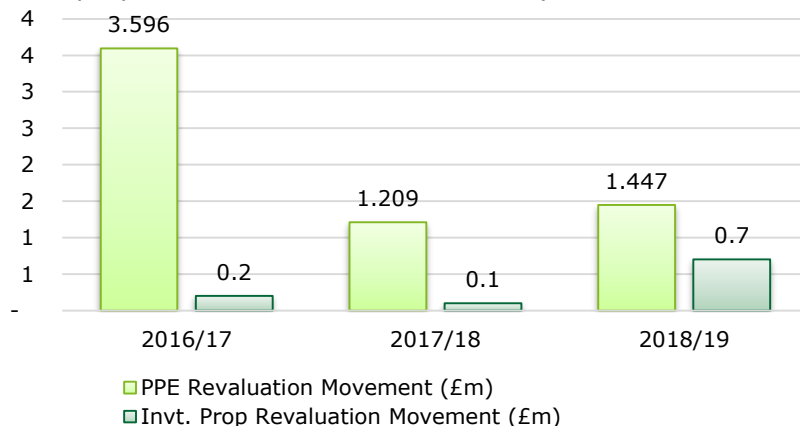
Valuation of property assets and investment property is an area of audit focus due to the inherent degree of complexity, estimation and potential variability in the valuation methodologies that can be applied.

The Council's material assets are reviewed annually as at 31 December, these are the Council offices and 2 leisure centres.

For the remainder of the operational assets, the financial year to 31 March 2019 represented year two of a five year rolling programme in which 20% of the portfolio was revalued. The land and buildings have been revalued on a 5 year rolling basis, at 20% (by number, not value) as at the 31 December 2018.

The Council's valuer had advised there had been no material change in value between the 31 December 2018 and 31 March 2019 and a letter of assurance was issued on 7<sup>th</sup> May 2019.

The investment properties are all revalued annually as at 31 December.



### Deloitte response

- We obtained an understanding of the approach adopted to the valuation, including assessing the valuer's qualifications, objectivity and independence and reviewing the methodology used.
- We tested a sample of inputs to the valuation
- We used our valuation specialists, Deloitte Real Estate, to review and challenge the appropriateness of the assumptions used in the valuation of the Council's property assets including considering the assumptions made of movements between the valuation being performed in December 2018 and the year-end.
- We tested a sample of revalued assets and reperformed the calculation of the movement to be recorded in the financial statements to check correctly recorded.
- We considered the impact of uncertainties relating to the UK's exit from the EU upon property valuations in evaluating the property valuations and related disclosures.

### Deloitte view

We have challenged the 31 March 2019 valuation figures and noted for one of the properties, White Horse Car Park, that the yield applied and resulting rate per hectare were considered to be in excess of a reasonable range of expected outcomes. This resulted in an adjustment of £0.6m which has been adjusted by management as detailed in the appendix.

With respect to those assets revalued in the year we have concluded that the net book value is not materially misstated. The Council's valuation assumptions are generally reasonable, in line with other Councils and fall within the expected range highlighted by Deloitte Real Estate. However, we have noted a number of recommendations which will be circulated separately as noted in the findings section.

# Other areas of audit focus (continued)

## Defined benefits pension scheme

### Background

The Council participates in the Essex Pension Fund Local Government Pension Scheme, administered by Essex County Council.

The net pension liability has decreased from £26.5m at 31 March 2018 to £25.1m at 31 March 2019 primarily as a result of slight increase in the discount rates and movements in asset values.

The Council's pension liability is affected by the McCloud legal case in respect of potential discrimination in the implementation of transitional protections following changes in public sector pension schemes in 2015. Subsequent to year-end, the Government was denied leave to appeal the case, removing the uncertainty over recognition of a liability. The actuary has assessed the impact on the Council's liability as £0.5m which has been adjusted for.

### Deloitte response

We obtained a copy of the actuarial report produced by Barnett Waddingham LLP, the scheme actuary, and agreed in the disclosures to notes in the accounts.

We assessed the independence and expertise of the actuary supporting the basis of reliance upon their work.

- We reviewed and challenged the assumptions made by Barnett Waddingham, including benchmarking as shown the table opposite.
- We obtained assurance from the auditor of the pension fund over the controls for providing accurate membership data to the actuary. We checked whether any significant changes in membership data were communicated to the actuary
- We assessed the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund financial statements as at 31 March 2019 and performed analytic procedures to test the asset value and movements for the year
- We have reviewed and challenged the calculation of the impact of the McCloud case on pension liabilities made by Barnett Waddingham LLP and estimated the impact on the total liabilities at 31 March 2019 to be 0.7% of liabilities (which equates to £547,000)
- We reviewed the disclosures within the accounts against the Code.

	Council	Benchmark	Comments
Discount rate (% p.a.)	2.40	2.40	Reasonable
Consumer Price Index (CPI) Inflation rate (% p.a.)	2.40	2.22	Reasonable, slightly Prudent
Salary increase (% p.a.) (over CPI inflation)	3.90	Council specific	Prudent
Pension increase in payment (% p.a.)	2.40	2.27	Reasonable
Pension increase in deferment (% p.a.)	2.40	2.22	Reasonable
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 65)	21.30	21.20	Reasonable
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 45)	22.90	23.00	Reasonable

### Deloitte view

The Council has adjusted the pension liability for the impact of the McCloud case which amounted to £0.5m. The scale of impact is in particular driven by assumptions on future salary increases and the age of the membership.

An exercise performed by the Government Actuaries Department indicates that based on a salary increase of CPI and using the average age for the LGPS scheme as a whole of 46, the McCloud judgement would result in an increase in the pension liability relating to active members of 0.1%. The salary increase assumption used to calculate the pension liability relating to the Maldon District Council and the average age of the active membership is 45 years.

We have reviewed the assumptions and, on the whole, the set of assumptions is reasonable and lies towards the middle of the range of assumptions when compared with the Deloitte benchmarks. The assumptions have been set in accordance with generally accepted actuarial principles and are compliant with the accounting standard requirements of IAS19.

# Value for money

## Background

Under the National Audit Office's Code of Audit Practice, we are required to report whether, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Code and supporting Auditor Guidance Notes require us to perform a risk assessment to identify any risks that have the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. We are required to carry out further work where we identify a significant risk - if we do not identify any significant risks, there is no requirement to carry out further work.

## Deloitte risk assessment

- We obtained an understanding of the Council's Medium Term Financial Plan, budget for 2019/20, and transformation programmes
- We considered the appropriateness of the governance arrangements.
- We discussed the Council's arrangements with senior operational staff – Emma Foy, Previous Director of Resources and internal audit.
- We reviewed the Council's draft Narrative Report, Annual Governance Statement and relevant Council papers and minutes.
- We considered the Council's financial results for the year and the assumptions in the budget for future years.
- We considered matters identified by the National Audit Office as potential value for money risks for Councils for 2018/19.
- We considered the issues encountered in relation to the year end audit.

## Deloitte view

Whilst we did identify improvement areas required in arrangements which are included as part of our recommendations on page 11-13, based upon the work performed in our risk assessment, we did not identify any significant areas of risk that required inclusion in our conclusion.

# Other matters

## Implementation of IFRS 9 and IFRS 15

### Matter identified

The Council is required to adopt the new accounting standards IFRS 9 *Financial Instruments* and IFRS 15 *Revenues from contracts with customers* in the year ended 31 March 2019. In both cases, the Council is using a modified retrospective approach to implementation where effectively the cumulative impact of transition to 1 April 2018 is posted as an adjustment to reserves.

The scope of IFRS 9 and IFRS 15 is limited to balances arising on "exchange" transactions. Non-exchange debtors, such as council tax and rates, levies are outside of the scope of IFRS 9 and IFRS 15.

The Council has posted no retrospective adjustments with regard to IFRS 9 or IFRS 15 as there is no material impact on the financial statements.

### Response

Management held discussions and have performed an assessment regarding the accounting impact of the new standards on the Council for the period and determined that the impact is immaterial.

We note that the statement of accounting policies in the original version of the financial statements had not been updated to reflect changes introduced by IFRS 9 including the classification of financial instruments and a different credit loss impairment model and as a result the financial statements do not fully comply with the Code in this respect.

The key accounting impact of IFRS 9 is on the calculation of the bad debt provision, which must move to a methodology of expected credit losses. The Council has used the simplified approach regarding the recognition of expected credit losses by recognising lifetime loss.

Regarding IFRS 15, officers were satisfied that no transitional adjustments would be required as the Council's larger sources of income including grant income, levies and taxation are outside of the scope of the standard and in other income streams which fall within the scope of IFRS 15 there are not material performance obligations which span the year end. This is consistent with a general expectation for local authorities which have not entered into material unusual transactions.

Again, the statement of accounting policies was not updated to bring the description of the Council's policy for the recognition of income into line with the requirements of IFRS 15.

IFRS 15 introduces new disclosures around the amount of income, deferred income and receivables which are accounted for under the standard. The Council's accounts template was not updated to include these new disclosures and as a result the financial statements do not fully comply with the Code in this respect.

The Council has not made any disclosure of the impact of the transition.

### Deloitte view

We received a draft management paper on IFRS 15 and 9, however we are in the process of reviewing the draft to assess that the new accounting standards do not have a material impact for the Council and disclosed adequately.

# Other significant findings

## Internal control and risk management

During the course of our audit we have identified a number of internal control and risk management findings, which we have included below for information.

Area	Observation	Priority
<div> <div>Page 27</div> <div>Quality of draft financial statements</div> </div>	<p>The initial draft financial statements which were published for public inspection and presented for audit were not of the expected standard. Issues noted included:</p> <ul style="list-style-type: none"> <li>• Arithmetic errors including the balance sheet not casting</li> <li>• Inconsistencies between notes and primary statements</li> <li>• Inconsistencies in movements between notes in the financial statements</li> <li>• Accounting policies not updated for the adoption of IFRS 9 and IFRS 15</li> <li>• Accounts disclosures not updated for the adoption of IFRS 9</li> <li>• Accounts disclosures not updated for the adoption of IFRS 15</li> <li>• Accounts disclosures not updated for 2018/19 changes in the Code including in respect of the reconciliation of financial liabilities</li> <li>• Capital Grant Received in Advance and Leases note did not tie to the underlying working papers provided for audit</li> <li>• In the original version of the cash flow statement, the cash flow from investing activities in the primary statement was not in agreement with the note and net surplus on the provision of services did not tie to the CIES.</li> <li>• The movement in reserves statement did not tie to the relevant movements in the financial statements</li> <li>• Other omitted disclosures including in respect of elements of the fair value hierarchies, leases, and senior officers remuneration disclosures.</li> <li>• The Council has included Money Market Funds (MMFs) within cash equivalents. Money market funds are generally excluded from cash equivalents unless it can be demonstrated that the particular assets are 'readily convertible to known amounts of cash' and 'subject to insignificant risk of changes in value'. This involves a careful assessment of factors such as the investment rules of the fund, controls over management of the fund's net asset value and mechanisms for redemption in stressed market conditions. An assessment has been performed by the Council to confirm that the MMFs meet the cash and cash equivalent definition.</li> <li>• Poor quality of audit supporting working papers received and poor quality of papers prepared by management to support key judgement and effectiveness of review process.</li> </ul> <p>Together these indicate deficiencies in the financial reporting and close process.</p> <p>We recommend the Council review the year-end reporting and close process, including:</p> <ul style="list-style-type: none"> <li>• preparation of a skeleton draft of the financial statements ahead of year-end, reviewed against the Code for any changes in the year and for the disclosure requirements for any new or changed activities of the Council</li> <li>• documentation and quantification of judgments in respect of materiality of disclosure requirements in preparing the accounts</li> <li>• documented and reviewed use of CIPFA disclosure checklists</li> <li>• documented and reviewed internal checks of arithmetic accuracy and internal consistency</li> <li>• completion of the CIPFA "pre-audit checks on draft year-end accounts" checklist</li> <li>• documented and reviewed internal tie back and referencing of the draft financial statements to supporting working papers</li> </ul>	<div> <div></div> <div></div> <div></div> </div>
	<div> <div>The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.</div> </div>	<div> <div>Low Priority</div> <div>Medium Priority</div> <div>High Priority</div> </div>



# Other significant findings (continued)

## Internal control and risk management

During the course of our audit we have identified a number of internal control and risk management findings, which we have included below for information.



Area	Observation	Priority
Preparation of accounting papers	<p>Management accounting papers were not available for key judgement and around the impact of IFRS 15 and 9. It is good practice (and the expectation of the Financial Reporting Council) for organisations to prepare accounting papers in respect of key matters in the application of accounting standards, in particular for matters of judgement or of estimation complexity. Typically these would include consideration of the relevant requirements of the accounting standards and the Code, the fact pattern (including details of relevant terms of contracts etc), an assessment of how the standards apply in this context, consideration of potential alternative treatments, the proposed approach to measurement/calculation of accounting entries required, and the required disclosures. The preparation of accounting papers both supports accurate financial reporting, including facilitating both internal and external review and challenge, and provides a resource to ensure institutional knowledge in the organisation. We recommend the Council adopt an approach of preparing papers for any key accounting judgements or issues arising.</p>	●
Preparation for IFRS 16	<p>The implementation of IFRS 16, Leases, for 2020/21 is expected to have a greater and more complex impact upon most Councils than the adoption of IFRS 9 and 15. The scope and potential complexity of work required, which may require system or process changes to underpin correct accounting under the standard, will require work to be completed at a significantly earlier stage than has been the case for IFRS 9 and 15 to allow for financial reporting timetables to be met. We recommend the Council targets completion of its IFRS 16 impact analysis during 2019/20, and to calculate an adjusted opening balance sheet position for audit following the 31 March 2020 audit. We recommend early consideration following the impact analysis of actions required to embed IFRS 16 accounting in the Council's underlying accounting systems.</p>	●
Documentation of controls and process	<p>There has been significant delays in the completion of the audit process and provision of key information. One of the reasons for these issues has been the significant turnover in the finance team and subsequent loss of corporate knowledge. This has been exacerbated by the processes and routines previously in place not being clearly documented, therefore restricting the level of knowledge and continuity. As it progresses its initiatives to improve the processes around financial control, we recommend the level of documentation is improved to mitigate any future loss of continuity within the finance team.</p>	●
Approval of journals	<p>The Sage finance system does not enforce approval of journals by a second member of staff and not all journals are individually approved. We note that most journals are not approved but there are mitigating controls implemented by management such as control account reconciliations and budget v/s actual variance analysis which help mitigate this risk. We recommend that all journals should be subject to review and approval.</p>	●



# Other significant findings (continued)

## Internal control and risk management



During the course of our audit we have identified a number of internal control and risk management findings, which we have included below for information.

Area	Observation	Priority
Review and approval of workings papers	A number of key working papers and reconciliations provided by management in the first instance were inadequate as they did not reconcile to the trial balance or did not contain the required level of detail. For example, the capital grants received in advance was understated by £154k in the balance sheet and the disclosure of the finance lease was overstated by £226k. Whilst we note that in most instances subsequent workings have been provided by management which are correct, we recommend that a process of review and approval of all key working papers is embedded in the year end process to implement an appropriate level of quality control.	
Valuation of properties	Our property valuations specialists have identified a number of recommendations relating to omissions to reporting, improvements to approach and process, DRC Methodology and Car Parks which we will communicate to management separately.	

# Other significant findings (continued)

## IT Findings

During the course of our audit we have identified a number of IT control findings, which we have included below for information.

Area	Observation	Priority
No periodic user access reviews are performed over applications.	Failure to review the appropriateness of access rights may mean that privileges are no longer valid or are beyond a user's current need. If unnecessary access privileges are not removed, there is a risk of unauthorised access to systems and data.	
	<p>In addition, where a review to identify whether user accounts for employees that have left the council has not been performed, there is a risk that unremoved leavers accounts may be compromised by current employees.</p> <p>We recommend management consider establishing formal periodic reviews of all user accounts. This should include the following checks:</p> <ul style="list-style-type: none"><li>- No user IDs exist for members of staff who have left the council;</li><li>- User permissions should be appropriate for staff job functions; and</li><li>- Those user IDs that have not been used for a significant period (for example 30 days) should be investigated and deleted or disabled, where appropriate.</li></ul> <p>Business managers should be involved in this review to ensure that they are aware of the level of access assigned to an employee in the application. The review and any resulting actions should be documented, approved and retained.</p>	
Copying of user profiles on SAGE application.	In the absence of period user access reviews, the risk of a user being given system access which has been slightly altered for previous user exists.	
	We recommend management consider establishing a more robust process for assigning user profiles across applications. User profiles for new employees on applications should be mapped in a matrix for all new users with additional access being granted only via requests which are approved.	

# Our audit report

## Matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



### **Our opinion on the financial statements**

Our opinion on the financial statements is unmodified based on work performed to date.



### **Material uncertainty related to going concern**

We have not identified a material uncertainty related to going concern and will report by exception regarding the appropriateness of the use of the going concern basis of accounting.



### **Emphasis of matter and other matter paragraphs**

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph. There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



### **Our value for money conclusion**

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money). Our conclusion on the Council's arrangements is unmodified.



### **Other reporting responsibilities**

The Annual Report is reviewed in its entirety for material consistency with the financial statements and the audit work performed and to ensure that they are fair, balanced and reasonable. No issues were noted.

# Your annual report

We are required to report by exception on any issues identified in respect of the Annual Governance Statement and the Narrative Report.

	Requirement	Deloitte response
Narrative Report	<p>The Narrative Report is expected to address (as relevant to the Council):</p> <ul style="list-style-type: none"> <li>- Organisational overview and external environment;</li> <li>- Governance;</li> <li>- Operational Model;</li> <li>- Risks and opportunities;</li> <li>- Strategy and resource allocation;</li> <li>- Performance;</li> <li>- Outlook; and</li> <li>- Basis of preparation</li> </ul>	<p>We have assessed whether the Narrative Report has been prepared in accordance with CIPFA guidance.</p> <p>We have also read the Narrative Report for consistency with the annual accounts and our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p> <p>We note that the Narrative Report does not have any mention of the implications of Brexit.</p> <p>Our review identified a number of areas where the Narrative Reports could be improved, and these have been raised with management.</p>
Annual Governance Statement	<p>The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.</p>	<p>We have assessed whether the information given in the Annual Governance Statement meets the disclosure requirements set out in CIPFA/SOLACE guidance, is misleading, or is inconsistent with other information from our audit. We have provided officers with our comments on this document and we await an updated version for review.</p>

# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to help the Audit Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

### What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

### The scope of our work

Our observations are developed in the context of our audit of the financial statements. We described the scope of our work in our audit plan and again in this report.

This report has been prepared for the Audit Committee and Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

We welcome the opportunity to discuss our report with you and receive your feedback.



**Craig Wisdom**

for and on behalf of Deloitte LLP

St Albans

13 November 2019

# Appendices

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# Audit adjustments

## Corrected misstatements

The following significant misstatements have been identified up to the date of this report which have been corrected by officers. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	Memo: Debit/ (credit) usable reserves £m	If applicable, control deficiency identified
<b>Misstatements identified in current year</b>						
Accounting for outcome of McCloud judgement	[1]	0.5	(0.5)	-	0.5	
Adjustment to the valuation of White Horse Lane Car Park	[2]	0.6	(0.6)		0.6	
<b>Total</b>		<b>1.1</b>	<b>(1.1)</b>	<b>-</b>	<b>1.1</b>	

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(1) Based on the outcome of the actuary's review of the impact of the McCloud judgement on pension liabilities an adjustment of £0.5m has been identified.

(2) Based on the review of the valuation performed, we have identified that the White Horse Lane Car Park was overstated by £0.6m.

# Fraud responsibilities and representations

## Responsibilities explained



### Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



### Required representations:

We have asked the Council to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that are not aware of any fraud or suspected fraud that affects the Council.

We have also asked the Council to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



### Audit work performed:

In our planning we identified management override of controls as key audit risks for your organisation.

During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the paper prepared by management for the Audit Committee on the process for identifying, evaluating and managing the system of internal financial control.

### Concerns:

No concerns have been raised in relation to fraud or whistleblowing during our procedures.



# Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 March 2019 in our final report to the Audit Committee.
Non-audit fees	No non-audit fees have been charged by Deloitte in the period.
Independence monitoring	We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with the Authority, its members, officers and affiliates, and have not supplied any services to other known connected parties.

# Independence and fees

	Planned fee £ (excl. VAT)
Code audit fee - Council	37,000
<b>Total audit</b>	<b>37,000</b>

We have incurred additional costs in our work on the 2018/19 audit due to difficulties and delays in obtaining information and errors identified in the draft accounts. We therefore expect to charge an additional fee. This is subject to finalisation of the costs incurred following completion of the audit and approval by Public Sector Audit Appointments Limited. Additional costs incurred to date compared to the scale fee are £37k. Additional time is charged using the rate card as detailed in the next slide.

# Our additional costs and fee proposal

As we outlined in our report, additional cost was incurred in the performance of the audit of the 2018/19 financial year. Per below, these hours have been applied against the rates outlined in the PSAA terms of appointment to provide a cost of £38,200. We are proposing additional billings of £37,000.

The additional time reflects the significant delays in completing the audit process, which is a result of a number of factors, including, but not limited to:

- Delays in the delivery of supporting working papers for the financial statements from management.
- Delays in receiving initial information and schedules, as well as responses to subsequent audit queries, resulting in significant delays in progressing the audit. This has been driven primarily by weaknesses in arrangements for the preparation of the statement of accounts and supporting work papers and the loss of key members of staff within the finance team.
- Significant amount of control deficiencies and errors identified.
- Financial statements received were substantially incomplete and were not, in material respects, compliant with the requirements of the CIPFA code.
- The audit team, at the request of management, being asked to leave site and return at a later date once adequate arrangements have been put in place to complete the audit. This occurred multiple times, despite the original timeline for completion being agreed in advance of the year end process.

Additional hours incurred to date has been 530 hours, whilst we anticipate another 50 hours are required to complete the audit upon receipt of the remaining outstanding information. The total additional hours will therefore be 580.

Additional Hours Incurred:	Additional hours:	PSAA rate per hour:	Calculated cost:	Actual additional fee:
Partner	40	£132	£5,280	-
Senior Manager / Manager	290	£73	£21,170	-
Senior Auditor	250	£47	£11,750	-
<b>Total:</b>	<b>580</b>	<b>-</b>	<b>£38,200</b>	<b>£37,000</b>

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## **REPORT of INTERIM SECTION 151 OFFICER**

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**to  
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE  
28 NOVEMBER 2019**

### **DRAFT ANNUAL GOVERNANCE STATEMENT 2018/19**

#### **1. PURPOSE OF THE REPORT**

- 1.1 To present the Annual Governance Statement 2018/19 for approval.

#### **2. RECOMMENDATIONS**

- (i) that the Annual Governance Statement 2018/19, attached at **APPENDIX 1** be approved;
- (ii) that the Annual Governance Statement 2018/19 be certified by the Leader of the Council, the Director of Service Delivery and Head of Paid Service and the Director of Strategy, Performance and Governance.

#### **3. SUMMARY OF KEY ISSUES**

- 3.1 The Accounts & Audit (England) Regulations 2015 requires the Council to be responsible for ensuring that financial management is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk. The regulations further require the Council to conduct a review at least once in a year of the effectiveness of its system of internal control, the findings of which must be considered by Members meeting as a whole or by Committee, and that following the review the Council must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.
- 3.2 The principal purpose of the Annual Government Statement (AGS) is to provide assurance that the Council's governance framework is adequate and effective. The AGS should demonstrate the extent to which the Council complies with its own code of corporate governance on an annual basis, including how the effectiveness of the governance arrangements have been monitored and an outline of actions taken or proposed to deal with any significant governance issues.
- 3.3 The AGS for 2018/19 is attached as **APPENDIX 1**

#### **4. CONCLUSION**

- 4.1 The AGS for 2018/19 reflects on governance issues identified as a result of the review of arrangements and by the work of external and internal audit and other agencies, and includes reference to processes currently in place and operating successfully to mitigate the risks associated with those weaknesses.

#### **5. IMPACT ON STRATEGIC THEMES**

- 5.1 The report links to the Maldon District Council Strategic Theme of providing clear direction for allocating and managing our resources, grant funding and capital expenditure.

#### **6. IMPLICATIONS**

- (i) **Impact on Customers** – None.
- (ii) **Impact on Equalities** – None.
- (iii) **Impact on Risk** – None.
- (iv) **Impact on Resources (financial)** – None.
- (v) **Impact on Resources (human)** – None.
- (vi) **Impact on the Environment** – None.

Background papers: None.

Enquiries to: Interim Section 151 Officer (Tel: 01621 875762).

## **MALDON DISTRICT COUNCIL**

### **ANNUAL GOVERNANCE STATEMENT 2018/19**

#### **1. SCOPE OF RESPONSIBILITY**

- 1.1 Maldon District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Under the Local Government Act 1999 it has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness.
- 1.2 Maldon District Council has approved and adopted a local Code of Corporate Governance which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / the Society of Local Authority Chief Executives (SOLACE) Framework 'Delivering Good Governance in Local Government'. The code forms part of the Council's constitution and can be found on our website [www.maldon.gov.uk](http://www.maldon.gov.uk). This Statement explains how Maldon District Council has complied with the Code and also how it meets the requirements of Regulation 6 of the Accounts and Audit Regulations 2015.

#### **2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

- 2.1 The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and the activities through which it is accountable to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, not absolute, assurance of effectiveness. The system of internal control is, in part, based on an ongoing process of risk management, designed to identify and rank the risks to the achievement of the Council's priorities, plans and policies. Risk management is designed to evaluate the likelihood of those risks occurring, to consider their impact should they materialise and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Maldon District Council for the year ended 31 March 2019 and up to the date of approval of the Statement of Accounts.

#### **3. THE GOVERNANCE FRAMEWORK**

- 3.1 The Council adopted a revised Code of Corporate Governance in line with guidance provided by CIPFA and SOLACE.

The Code describes how the District Council discharges its responsibilities for putting in place proper arrangements for the governance of its affairs, incorporating the six core principles of effective governance identified by CIPFA / SOLACE. The governance framework that the Council has put in place to encourage adherence to the Code is set out below together with the key areas of evidence of delivery,

### **3.1.1 Focusing on the purpose of the Authority and on the outcomes for the community and creating and implementing a vision for the local area**

- On February 2015, the Council approved and adopted a Corporate Plan covering the period 2015 – 2019. In developing the plan, a consultation exercise was carried out to elicit the views of the local community and of partner agencies. Subsequent annual updates have been undertaken with the 2018/19 update approved by Council on 8<sup>th</sup> February 2018. The Corporate Plan details the vision, goals, objectives and core values that guide the direction, work and achievements of the authority. It is the Council's core internal strategic planning document, from which supporting strategies can be developed and published, including the Medium Term Financial Strategy, ICT Strategy and Workforce Development Plan, all of which underpin the Council's ambition to transform the way it delivers its services in the future.
- Guided by the Corporate Plan, the corporate goals are underpinned by Key Corporate Activities (KCAs). These are the "flagship" activities for each goal that the Council is committed to progressing or achieving each year and provide a focus for the Council in delivering its priorities. The KCAs are subject to Council approval and are detailed in the Level 1 Business Plan for each Directorate. This plan is the cornerstone of the performance planning process and contains the aims and priorities for each Directorate and are submitted to the Programme Committees for notification.
- At an operational level, each service produces a Level 2 business plan. These are not submitted to Committee, but facilitate effective performance and risk management within the Directorates including the setting of individual objectives and completion of performance reviews.
- Progress of the KCAs and performance on selected indicators and measures are monitored quarterly by the Corporate Leadership Team (CLT) based upon updates recorded on TEN, the Council's Performance and Risk Management System.
- Corporate performance and risk is considered and challenged by CLT together with the Service Managers at quarterly performance and risk clinics. The outcomes of the clinics inform the quarterly performance reports to the Council's Overview & Scrutiny Committee and the risk reports to the Audit Committee.
- Six monthly performance reports are also provided to the Programme Committees.
- Staff objectives flow from, and contribute to, achieving the Level 1 and 2 Business Plan objectives.



### **3.1.2 Members and Officers working together to achieve a common purpose with clearly defined functions and roles.**

- The Council has adopted constitutional arrangements for its operation and the discharge of its responsibilities and functions. It has three service Committees, an Overview and Scrutiny Committee, an Audit Committee, a Joint Standards Committee, three Area Planning Committees, an Investigating and Disciplinary Committee and an Appointments Committee.
- The constitutional arrangements include terms of reference for each Committee which define those matters which Committees can deal with in contrast to those matters on which they have to report (recommend) to the Council. Also included is a scheme of delegation which enables matters to be dealt with by designated Officers of the Council. The Council sets the policy framework and annual budget and determines strategic and other matters as required by law. Each Committee has a specific portfolio of responsibilities requiring them to work closely with senior management to achieve the Council's ambitions. The principal decision making body is the Council.
- The Council has adopted a number of codes and protocols affecting the way it operates, in particular a Member/Officer Relations Protocol intended to clarify roles and promote effective communication.
- The Council's Corporate Leadership Team (CLT) was restructured during the year. Up until the 1 August it comprised of the Chief Executive and the three service Directors. From the 8 August it comprised of three Corporate Directors under a new Director model. CLT meets weekly, to steer and co-ordinate arrangements for the delivery of the Council's vision and goals.
- Until August 2018, a Leader and Chief Executive forum was conducted through six-weekly meetings of the Chief Executive and Directors with the Leader of the Council, Deputy Leader of the Council and Chairmen of the service Committees. Since August 2018, there has been a weekly meeting of the Political Leadership Team and Corporate Leadership Team. This acts as a sounding board on the best approach to deal with new and emerging issues and where an existing reporting mechanism does not exist.
- The Constitution details the role of the Head of Paid Service, whose function is carried out by the Director of Service Delivery firstly from 8 August 2018 in an acting capacity and permanently from August 2019.

### **3.1.3 Promoting values for the Authority and demonstrating the values of good governance through upholding standards of conduct and behaviour.**

- The Council has a Standards Committee, the terms of reference of which include promoting, monitoring and enforcing probity and high ethical standards of conduct for elected Members.

- The Council’s Monitoring Officer and the Section 151 Officer are responsible for advising if any proposal or proposed financial transaction would give rise to unlawfulness or maladministration, and therefore perform a key function in ensuring lawfulness and fairness in the operation of the Council’s decision-making process. The Monitoring Officer has appointed deputies to act in his/her stead when necessary. The Lead Legal Specialist is the Council’s Monitoring Officer. The Section 151 Officer has the ability in law to nominate a member of staff with the required qualification as their deputy in their absence or unavailability.
- The work of the Audit Committee is intended to enhance public trust in the corporate governance of the Council. It has a key role to provide assurance to the Council on the adequacy of governance and internal control arrangements, and review the adequacy of the internal audit arrangements, and advise the Council accordingly. Since 2016/17, the Council’s Internal Audit function has been provided by BDO LLP. The Committee works closely with the Council’s External Auditor and Internal Audit provider, receiving their respective annual opinions. From the financial year ended 31 March 2019 the Council’s new external auditor is Deloitte LLP. The Committee considers and formally approves the annual Statement of Accounts.
- Corporate Governance arrangements in the form of Procedure Rules to regulate Council proceedings and business, and Terms of Reference, including a Scheme of Delegation, are embodied in the Council’s constitutional documentation.
- Adopted Financial Regulations provide the framework for managing the Council’s financial affairs. They identify the financial responsibilities of the Council, the Committees, and key officers. The Section 151 Officer (under the Local Government Act 1972), is responsible for ensuring that sound financial management systems are maintained, and expenditure is lawful and appropriate, and this appointment is normally held by the Director of Resources. Since the 5 August 2019 the Section 151 responsibilities are fulfilled by the Interim Section 151 Officer due to the Director of Resources position being vacant. The Council considers that its financial management arrangements conform with the governance requirements of the CIPFA “Statement on the role of the Chief Financial Officer in Local Government 2015” as set out in the Application Note to “Delivering Good Governance in Local Government: Framework”.
- All Council Members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, properly authorised, provides value for money and achieves best value. The Director of Resources is responsible for maintaining a continuous review of the financial regulations and for reporting, where appropriate, any breaches. The Section 151 Officer regularly reviews the adequacy of the resourcing of the Council’s Finance function.
- The Council’s constitutional arrangements include a Code of Conduct for elected Members based on the Principles of Public Life (the Nolan Principles). This was originally adopted in 2012 and revised in 2016. Officers are subject to a Code of Conduct, the policy for which was refreshed and adopted with effect from 18 November 2013.

- Registers of gifts and hospitality are maintained for both Members and Officers. A statutory register of interests is maintained for Members, and the Code of Conduct requires staff to disclose interests. Periodic reminders are issued about the need to avoid potential conflicts of interest and protocols for the acceptance of gifts and hospitality.
- The Council has a series of approved policies and strategies relating to good governance, including, for example, the Code of Corporate Governance, anti-fraud and corruption, whistle-blowing, data quality, Freedom of Information, and corporate equality policies, all of which are accessible via the Council's intranet.
- BDO LLP under their remit of Internal Auditors consider fraud as part of their audit workplan. This ensures we conform to the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA 2014).

#### **3.1.4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**

- The Council's constitutional arrangements include protocols and procedures to guide the management of business and decision-making, for example the Access to Information Procedure Rules. The Codes of Conduct seek to safeguard Members and Officers against conflicts of interest.
- The Council has implemented and reviewed its Whistle Blowing Policy, which provides arrangements for employees to disclose allegations of malpractice internally, in relation to staff, Members, contractors, suppliers or consultants in the course of their work for the Council, without fear of victimisation, discrimination or disadvantage.
- Council and Committee meetings are open to the public (with the exception of items of business considered during private session due to the likely disclosure of exempt information under the Access to Information Act 1985). Committee agendas and reports are available online at least five working days before the date of the meeting, and are also available to view at the Council Offices. The Council makes every effort to advertise meetings, and to publish decisions whether taken by Councillors or by Officers under delegated powers. The Minutes of Council and Committee meetings are also published and made available to the public.
- The Council provides an opportunity for members of the public to speak at Committee meetings. For Area Planning Committees this is in respect of a relevant planning application and for the service Committees as well as the Overview and Scrutiny Committees the public can speak on any agenda item. At meetings of the Council the public may ask questions of the Leader of the Council (or via the Leader to a Chairman of a Committee) on any topic.

- The Council records all public Council and Committee meetings held in the Council Chamber at the Council Offices. These can be listened to using the links on the Council's website.
- The Council's Feedback Procedure has been designed to ensure that it is easy for the public to express their views and for all complaints and comments to be handled in a prompt, fair and efficient manner. The procedure and complaint form are available on the Council's website.
- The Overview and Scrutiny Committee provides a scrutiny function and reviews and examines decisions and performance of Committees and Council Officers.
- The Audit Committee, whose role is to have an independent oversight of internal control arrangements and governance arrangements. Audit Committee members undertake annual reviews both of the sources of information which they access in order to perform their role, and of the Committee's performance against its Terms of Reference. The Terms of Reference are subject to regular review against recommended best practice.
- Identifying and recording service risks on TEN (the Council's Performance Management system) complements and links directly with the Council's corporate risk management framework. It evaluates the adequacy and effectiveness of existing controls and identifies any required actions to address service risks highlighted during the year. The risks are included in each service's business plan which are subject to regular review by the manager and their Director. This process also provides an invaluable opportunity to identify any risks of a corporate nature on a timely basis.
- The Audit Committee is responsible for oversight of the Council's risk management arrangements as one source of control assurance. The Council's approach to risk management is set out in the Risk Management Policy.
- The Council maintains a focus on a relatively small number of key corporate risks. These are kept under constant scrutiny and changes are made in year as necessary. Corporate risks in excess of the Council's defined risk tolerance levels have identified mitigating actions, progress on which is regularly reported to the Audit Committee. The Corporate Risk Register and associated actions are recorded and updated on the TEN Performance and Risk Management system, so integrating them with the Council's standard approach.
- The Council employ the services of BDO LLP to carry out the function of Internal Audit. The service provided conforms with the requirements of the CIPFA Statement on the Role of the Head of Internal Audit 2010. Recommendations arising from the internal audits undertaken by BDO are recorded on the TEN Performance and Risk Management System and are subject to quarterly updates. Any that are not updated are reported to CLT as part of the quarterly performance and risk clinics.

### **3.1.5 Developing the capacity and capability of Members and Officers to be effective.**

- The Council aims to ensure that Members and Officers have the necessary knowledge, capacity and skills to undertake their duties.
- The Council's Performance Management Framework ensures that the links between the Council's corporate goals, Business Plans and key activities, performance data and targets, risk and staff objectives are clear. Staff have an annual Personal Performance Review discussion with the aim of identifying learning and development needs and gaps are addressed through training and development opportunities. Regular team meetings and Performance Conversations between staff and their line managers are held where work objectives are discussed.
- The Corporate Training Plan prioritises training by corporate need. After corporate priorities have been funded the remaining funds are available to services to meet identified training needs for Personal Development Plans.
- Compulsory E-learning is used to inform staff of essential information and expectations regarding statutory responsibilities for such matters as Safeguarding and Data Protection (GDPR). This programme will be steadily extended to cover a wider range of training and other information.
- Training events as well as Members seminars are held regularly to provide information on a variety of topics for Members. The Council has decided to introduce mandatory training for Members of Planning Committees.
- The Corporate Induction process ensures that new staff have the chance to meet the Leader of the Council, who will describe the role of elected Members. It also introduces all officers, including senior officers to the framework of the authority under which they will be working.
- The Senior Management Review which took place in the current year has created a more focussed Corporate Leadership Team, thereby strengthening the strategic decision making to enable the organisational improvement and change required to meet longer term challenges ahead.
- The Council has a workforce development strategy in place. The strategy sets out the Council's innovative plans to ensure that we have highly skilled people in place to deliver high quality services.

### **3.1.6 Engaging with local people and other stakeholders to ensure robust public accountability.**

- The Council is committed to encouraging members of the local community to contribute to, and participate in, the work of the Council.

- The Council seeks to undertake meaningful public consultation in order to inform its decisions, to help make the best decisions based on the views of the local community and the wider information available to the Council. The Council undertakes consultations using a variety of techniques as appropriate.
- The Council undertake consultation with particular interest groups, including our Friends Groups, Parish Clerks' Forum, Developer Forum, Landlord Forum, Business Forums, Community Safety Partnership and Park Watch scheme members.
- The Council engages with the appropriate equality groups in order to ensure that it meets its obligations under the Equality Act 2010. The Council produces Equality Impact Assessments (EIA) in line with legislation.
- The Council launched a new website in July 2016 which is in the process of being updated for Full Council Transformation. The website includes a range of information about the work that the Council and its partners are undertaking.
- Council officers commit to provide timely support, information and responses to external auditors to ensure the timely and relevant review of the Statement of Accounts. Any audit findings and recommendations from an audit are properly considered and processes reviewed where applicable.

#### **4. REVIEW OF EFFECTIVENESS**

- 4.1 Maldon District Council is responsible for conducting, at least annually, a review of its governance framework including the effectiveness of systems of internal control. The review is informed by Directors who are responsible for developing and maintaining the internal control environment. It also considers the work of the Council's Internal Audit service provider and comments made by the External Auditor, and other external review agencies and inspectorates.
- 4.2 In the Audit Report for the period 2017 / 18, the external auditor, EY, stated that:
- “In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Maldon District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018”.
- 4.3 The Council continuously reviews and seeks to improve its governance arrangements. Amongst the processes during 2018/19 that have contributed to the review are as follows; The annual opinion of the Head of Internal Audit to the Audit Committee on the assurance gained from the Internal Audit work. The report to the Audit Committee on 13 June 2018 (with regard to 2018/19) detailed background information relating to the protocols, scope of work and assessed quality of the Audit function, and highlighted areas where concerns had been identified through audit work, and where audit work was not completed.
- 4.4 This table below shows the progress on the control weaknesses identified in the 2017/18 AGS.

<b>SIGNIFICANT ISSUE IDENTIFIED IN 17/18 AGS</b>	<b>ACTION TAKEN IN 2018/19 TO ADDRESS THIS ISSUE</b>
<p><b>PROCUREMENT</b></p> <p>A control weakness was identified in respect of the procurement and delivery of the St Cedd's project. This was a project involving the demolition of temporary buildings and the creation of an overflow car park. The contractors delivering the car park did not meet the requirements of the specification, there was a lack of capital monitoring and the project overspent by £50,000.</p>	<p>Overview &amp; Scrutiny reviewed procurement and capital programme in 17/18. There was an in-depth review of the programme for 2017/18 for deliverability. Eight recommendations were agreed for implementation to address weaknesses identified. These have been confirmed as completed to the Committee.</p>
<p><b>DEBTORS</b></p> <p>The Council has identified required improvements in the raising, collection and monitoring of Sundry Debt.</p>	<p>The debtor's policy was reviewed and updated and reviewed by Members. Monthly reporting to management on aged debtors has been updated to ensure that the data is clear and relevant and reflects the policy.</p>

- 4.5 The annual opinion on the effectiveness of the system of internal control for 2018/19 produced by BDO LLP as the Council's internal audit service provider concluded that:

"Overall, we are able to provide moderate assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently.

In forming our view we have taken into account that:

- The majority of audits provided moderate assurance opinions for the period 1 April 2018 to 31 March 2019"

- 4.6 The Council and all its Committees met regularly throughout the year and were effective in their work.
- 4.7 There were no serious information security breaches within the year. The ICT Manager and GDPR principle advisor have raised data security awareness to staff and members to ensure that they are aware of their responsibilities in this respect.

## **5. SIGNIFICANT GOVERNANCE ISSUES – 2018/19**

- 5.1 The Corporate Risk Register details the key risk areas facing the Council, together with the proposed mitigating actions and progress made on these.



The Council is satisfied that these actions will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the regular review of those risks.

- 5.2 Internal Audits work, and the Councils own internal processes have not identified any key risks in 2018/19 that require noting in this statement.

## **6. FULL COUNCIL TRANSFORMATION**

- 6.1 The Council's Medium Term Financial Strategy (MTFS) sets out a savings requirement of £1.8 million annual recurrent revenue expenditure reductions by March 2021. The scale of this challenge requires us to look at a radical approach to achieving those savings whilst retaining a continued focus on our ambition to provide good quality, cost effective and valued services to our residents and businesses.

- 6.2 The Full Council Transformation Programme was approved by Members at its meeting of 9 August 2018. The purpose of the Full Council Transformation is to:

- secure the future financial security of Maldon District Council.
- achieving the savings required in the Medium Term Financial Strategy (MTFS).
- enhancing customer service, generating income and creating genuine channel shift.
- create commercial activity and a strategic commercial approach at Maldon District Council.
- develop thematic strategies to drive operational service delivery and achieve corporate objectives.

- 6.3 Progress to date:

Since approval of the Model, significant progress has been made in the delivery of the programme, including the following headlines:

- Successful completion of Phase one of the consultation, which encompassed transformation and transition of the Strategy, Performance and Governance and Resources directorates.
- Commencement of Phase Two (Service Delivery Directorate) internal recruitment process and any vacancies arising from Phase One advertised externally, shortlisted and interviews planned.
- Phase Two Tier Three (functional supervisory roles) appointments have been made and those appointees are assisting with appointments of caseworkers and specialist throughout the rest of Phase Two.
- Business as usual commencement activity for the Strategy, Policy and Governance workstream and the Strategic Review workstream.
- Appointment and commencement of all of seven Tier 2 managers.
- Development of three thematic strategies for Community, Place and Prosperity.

- Development of new Corporate Strategy.
- IT rollout completed for all Phase One staff and planning commenced for Phase Two staff with Tier Two managers.
- Project implementation fully running for new telephony and Firmstep, the new customer relationship management system.

The council is on track to achieve the forecast savings identified through delivery of the model.

## **7. OTHER ISSUES**

7.1 The Overview and Scrutiny Committee met eight times in 2018/19. As part of its Programme of Work, the Committee scrutinised a number of areas and whilst none of the matters discussed were considered a significant governance issue, i.e. one that could affect the future of the Council, some of these areas have been summarised below for transparency:

- procurement of capital projects, as detailed in paragraph 4.4 above;
- monitoring and allocation of S.106 Funds received by the Council;
- robustness of external service delivery contracts;
- administration of leases and licences, to ensure the maximum realisable financial benefits for Council assets.

7.2 The areas for continued review by the Overview and Scrutiny Committee form part of its 2019/20 Programme of Work which is reviewed at each meeting.

## **8. CONCLUSION**

8.1 Steps will be taken in 2019/20 to address the weaknesses identified by officers, internal and external audit in their reviews of effectiveness. These steps will aid to strengthen the Governance Framework already in existence at Maldon District Council and their implementation will be monitored as part of the 2019/20 annual review.

**CERTIFICATION BY THE LEADER OF THE COUNCIL AND THE  
CORPORATE LEADERSHIP TEAM**

Signed:

Councillor A S Fluker  
Leader of the Council

Date:

Signed:

Richard Holmes  
Director of Service Delivery and Head  
of Paid Service

Date:

Signed:

Paul Dodson  
Director of Strategy, Performance and  
Governance

Date:

Signed:

Currently Vacant

Director of Resources

Date:

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## **REPORT of INTERIM SECTION 151 OFFICER**

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**to  
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE  
28 NOVEMBER 2019**

### **DRAFT STATEMENT OF ACCOUNTS 2018/19**

#### **1. PURPOSE OF THE REPORT**

- 1.1 To report to the Committee the latest position on the external audit of the statement of accounts and present the draft Statement of Accounts for 2018/19 (subject to audit) at **APPENDIX 1** that are the subject of ongoing external audit work.
- 1.2 The Council's external auditor is Deloitte LLP and the financial year ended 31 March 2019 (2018/19) is their first year as the appointed external auditors.

#### **2. RECOMMENDATIONS**

- i) that the Draft Statement of Accounts for 2018/19 (subject to audit) as set out in **APPENDIX 1** be considered and approved;

**OR**

- ii) that delegated authority is given to the Chairman of Performance, Governance and Audit Committee in consultation with the Interim Section 151 Officer for the final approval of the Statement of Accounts for 2018/19 and letter of representation.

**OR**

- iii) Recommend to Council for approval of the final Statement of Accounts for 2018/19 once the External Auditor's Opinion on the accounts and the judgement for Value for Money has been received.

#### **3. SUMMARY OF KEY ISSUES**

- 3.1 The content of the Statement of Accounts is determined by statutory requirements and mandatory professional standards as set out within The Code of Practice on Local Authority Accounting in the United Kingdom (The Code) and the International Financial Reporting Standards (IFRS) as applicable to local authorities.
- 3.2 There is a statutory requirement to publish the approved and audited Statement of Accounts by 31<sup>st</sup>. July of the financial year immediately following the end of the

financial year to which the statement relates. However, where this has not been possible to comply with, the Accounts and Audit Regulations 2015 allow for the publication to be “as soon as reasonably practicable after the receipt of any report from the auditor which contains the auditor’s final findings from the audit which is issued before the conclusion of the audit”. Committee should note that there is a separate report on the agenda titled ‘ISA 260 Report of the External Auditor on the Audit for the year ended 31 March 2019’ which is the report of the findings of the external auditor. A notice in accordance with the Regulations has been published on the Council’s website, please see link below and a copy of the notice is attached at **APPENDIX 2**.

[https://www.maldon.gov.uk/info/20070/finance/9268/the\\_councils\\_finances](https://www.maldon.gov.uk/info/20070/finance/9268/the_councils_finances)

- 3.3 At the time of writing this report, audit work is ongoing and it is hoped that approval can be given by the Committee on the Statement of Accounts at this meeting, however, if this is not possible, then it is recommended that delegated authority is given to the Chairman of Audit Committee and the Interim Section 151 Officer to approve the final audited Statement of Accounts 2018/19 and the letter of representation that will be requested by the external auditor.
- 3.4 The Council has made all the adjustments, amendments, corrections and provided explanations that the external auditor had identified and required in the normal course of the audit. There were two misstatements in the accounts identified by the external auditor that were corrected by the Officers and that have been brought to the attention of the Committee. These are:
- Accounting for the outcome of McCloud judgement relating to a judgement that was made by the Court of Appeal on a case relating to age discrimination in respect of pensions in the Judiciary Service and the Firefighters Service. On 15 July 2019 the Government announced that they accept that the judgement applies to all of the main public service pension schemes, including the Civil Service Pension schemes. The consequences and effect of the judgement is significant and wide within the whole of the public sector and not limited to this Council only. As a result, like all local authorities the Council had to ask their Pension Fund actuaries to undertake further work to quantify the impact on the Council which for this Council is £0.5m. which Officers then adjusted the accounts for
  - The valuation of the White Horse Lane Car Park had to be reduced by £0.6m as a result of difference of opinion on the original valuation produced by the Council’s appointed professional valuer and the external auditor’s professional valuer. This related to the assumption built into the valuation and not the methodology. The adjusted valuation was agreed between the two valuers and accepted by the external auditor and the Interim Section 151 Officer and the adjustment was made in the accounts.

#### **4. CONCLUSION**

- 4.1 Based on the work that DELOITTE LLP has substantially completed, no significant issues with the Council’s accounts for 2018/19 have been identified. The Council has

made the adjustments in the accounts where the external auditor identified issues that required to be adjusted. This view is also based on the separate report on the agenda for this meeting titled 'ISA 260 Report of the External Auditor on the Audit for the year ended 31 March 2019.

## **5. IMPACT ON STRATEGIC THEMES**

- 5.1 The report links to the Maldon District Council's Strategic Theme of providing clear direction for allocating and managing our resources, grant funding and capital expenditure.

## **6. IMPLICATIONS**

- (i) **Impact on Customers** – None.
- (ii) **Impact on Equalities** – None.
- (iii) **Impact on Risk** – None.
- (iv) **Impact on Resources (financial)** – None.
- (v) **Impact on Resources (human)** – None.
- (vi) **Impact on the Environment** – None.

Background papers: None.

Enquiries to: Interim Section 151 Officer (Tel: 01621 875762).

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**Maldon District  
Council  
Statement of  
Accounts Year ended  
31.03.19  
  
Draft**

This document can be made available on request in larger print, braille and audio and in languages other than English.

To obtain a copy in an alternative format please contact:

Financial Services  
Maldon District Council  
Council Offices  
Princes Road  
Maldon  
Essex  
CM9 5DL

Alternatively email:

[customer.services@maldon.gov.uk](mailto:customer.services@maldon.gov.uk).

**MALDON DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2018/19**

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**\* Please note that figures are rounded to the nearest thousand (where applicable) throughout the document and may not sum due to rounding**

## **Narrative by Interim Section 151 Officer**

### **Introduction**

I am pleased to present the Statement of Accounts for Maldon District Council for 2018/19.

#### **Our Purpose and Role**

As a District Council we exist to:

- ensure the provision of good quality and improving local services accessible to all those who need them;
- promote improvement in the quality of life for all our residents;
- use our devolved powers of regulation for the wider good; and
- champion the needs of the District at local, regional and national levels.

We play a number of roles that affect how directly we will control or influence meeting the goals for the District. In summary these roles are:

**As Regulator** – We hold various regulatory powers such as planning, licensing, and environmental health. Through these we can have both direct control and indirect influence over other organisations and their actions.

**As Service Provider** – In addition to our regulatory service provision, we also have a statutory duty to provide a number of other services that are vital to the local community including refuse and recycling collection, housing benefit provision, council tax collection, and assisting the homeless. Councils also have a role in advancing the health, economic, cultural and leisure agendas.

**As Community Leader** – As the democratically elected body for the District, we have a role in leading on issues important to our local communities, working with them to help shape their aspirations and explore ways in which they can be delivered; advocating on behalf of them at national, regional and county levels, and planning and safeguarding for the future of our District and its communities.

**As Partner** – We have a good track record of working in partnership with various organisations to deliver services and secure improvements for our local communities. Difficult financial times reinforce the need to review how we, and others, support and facilitate partnership working in the District in the future.

Maldon is a rural District in the heart of Essex. The population is ageing, but also growing as there are a number of large housing developments in the area. These form key triggers for the Council's objectives around supporting the demographic and ensuring that there is the relevant infrastructure for the growing demand.

The purpose of the Statement of Accounts is to provide clear information to readers on how Maldon District Council has utilised available financial resources using CIPFA's code on Local Authority Accounting, based on International Financial Reporting Standards (IFRS). This document provides details of the Comprehensive Income and Expenditure for the financial year 2018/19.

The report provides the accounting for the General Fund and Collection Fund and all other accounts for which the Council is responsible. The Council's Balance Sheet provides details of the assets and liabilities as at 31 March 2019. Other supporting statements are provided to help to explain the figures in the accounts. In addition, a glossary can be found at the back of this publication to help explain some of the technical terms.

The accounts and other relevant documents are subject to audit by Deloitte LLP who provide their opinion on the Council's accounts.

### **The Statement of Accounts**

The accounts for the year ended 31 March 2019 consist of the following statements:

#### **Statement of Responsibilities**

The statement sets out the respective responsibilities of Maldon District Council (the Council) and the Interim Section 151 Officer, who is responsible for Finance.

#### **Independent Auditor's Report**

The Independent Auditor is required to publish an opinion on whether the financial statements give a true and fair view of the financial position and the expenditure and income of the Council for the year in question. The auditor also has a responsibility to satisfy themselves that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources by review and examination of the Council's corporate performance management and financial management arrangements. The Comptroller & Auditor General (National Audit Office) prepares the code of audit practice which external auditors follow when carrying out their duties.

## **The Financial Statements:**

### **PRIMARY STATEMENTS**

#### **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost for the year of providing services. This is different from the amount funded from taxation which is shown in the Movement in Reserves Statement.

#### **Movement in Reserves Statement**

This statement shows the change in the Council's financial resources over the year, including reconciling the accounting cost for the year of providing services with that under statute and used for raising local taxation. Financial resources are represented by specific usable and unusable reserves.

#### **Balance Sheet**

This statement shows how the resources available to the Council are held in the form of assets and liabilities. The net assets of the Council are matched by reserves that are analysed into 'usable' and 'unusable' reserves, the former being available to fund expenditure and/ or reduce local taxation, subject to maintaining a prudent level of reserves. The latter represents unrealised gains/ losses and timing differences between recognising amounts in accordance with accounting rules and statutory regulations.

### Cash Flow Statement

This statement shows how the movement in resources has been reflected in cash flows of the Council and ultimately changes in cash and cash equivalents.

### Accounting Policies

Accounting policies are the specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting its financial statements. The accounting policy for the valuation of fixed assets has been amended to reflect the new practice of valuing one fifth of the asset base each year.

### Notes to the Accounts

The Notes provide further breakdown and explanation of amounts included in the above financial statements.

Further supplementary financial statements and other additional information are the provided, comprising:

### Collection Fund

The Collection Fund statement reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

### Summary of the Financial Outturn for the Year

The overall CIES shows a surplus of £2.2m in the activities of the Council, comprising of the following:

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
(47)	(Surplus)/Deficit on Provision of Services	1,749
(6,838)	Other Comprehensive Income	(3,938)
<b>(6,885)</b>	<b>Total Comprehensive Income</b>	<b>(2,189)</b>

The Council is required to determine its revenue (including amounts from Council Taxpayers) and capital resources according to statutory regulations rather than IFRS. Adjustments must therefore be made to the Surplus or Deficit on Provision of Services to reconcile the IFRS accounts to the actual change in the Council's resources available as reflected in the Usable Reserves.

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
(47)	(Surplus)/Deficit on Provision of Services	1,749
362	Adjustments between accounting basis and funding basis under regulations	(1,840)
<b>315</b>	<b>Reduction / (Increase) in Usable Reserves of the Council</b>	<b>(91)</b>
	Comprising:	
275	Reduction / (Increase) in Revenue Balances and Reserves	(611)
42	Reduction in Capital Balances and Reserves	519

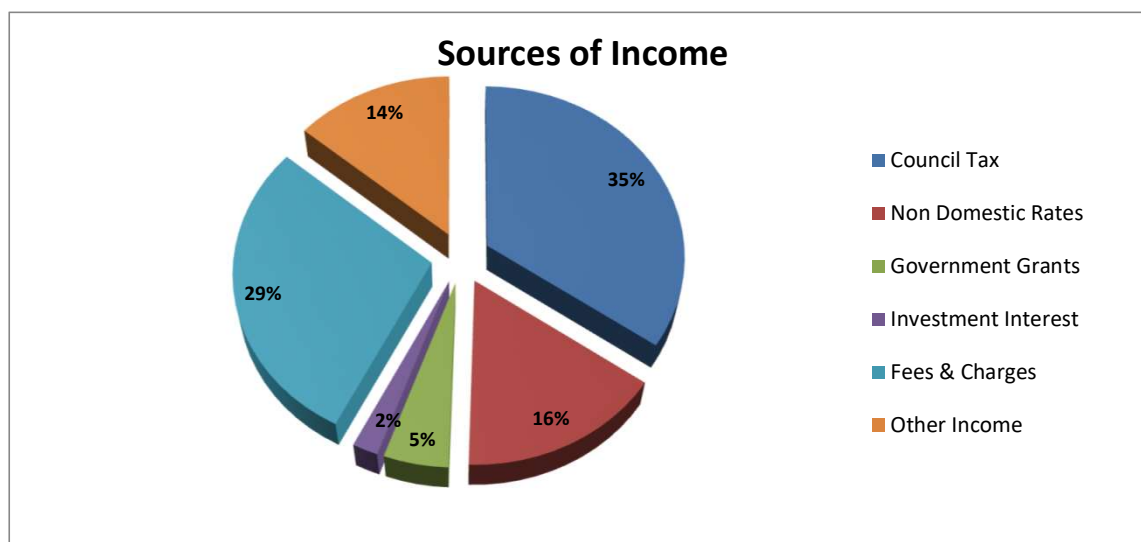
### Revenue Expenditure and Sources of Finance

Revenue expenditure reflects the cost (on an IFRS basis) to the Council of providing services to the community. Revenue expenditure totalled £32.1m for the year ended 31 March 2019.

2017/18		Service	2018/19	
Gross Exp			Gross Exp	
£000	%		%	£000
1,060	3	Chief Executive	6	2,013
2,953	10	Resources Directorate	11	3,457
22,786	74	Customers and Community Directorate	71	22,729
3,845	13	Planning and Regulatory Directorate	12	3,944
30,644	Cost of Services			32,144

### Revenue Expenditure and Sources of Finance (Cont.)

Funding for the revenue expenditure comes from a variety of sources:



### Performance against net revenue budget

The estimated net revenue expenditure for the Council for 2018/19 was originally £9,514,000. Subsequent to the original budget being agreed this was revised to £12,035,000. Actual net expenditure for the year was £10,513,199, the detail of which is shown below.

	Revised Budget £000	Actual Expenditure £000	Variance £000
Chief Executive	2,706	1,988	717
Resources Directorate	3,125	3,372	(247)
Customers and Community Directorate	3,963	3,088	876
Planning and Regulatory Directorate	2,241	2,065	176
<b>Net Cost of Services</b>	<b>12,035</b>	<b>10,513</b>	<b>1,522</b>
Investment, Trading & Rental Income	(270)	(458)	188
Statutory Adjustments	(2,350)	(1,971)	(379)
General Grants & Other Income	(505)	(883)	378
Council Tax Receipts	(6,104)	(6,104)	(1)
Revenue Support Grant	0	0	-
Business Rate Income	(2,624)	(2,753)	129
Collection Fund Adjustment	(159)	(390)	231
Parish Precepts	1,436	1,436	-
<b>Transfer to / (from) Earmarked Reserves</b>	<b>(1,511)</b>	<b>(932)</b>	<b>(579)</b>
<b>Transfer to / (from) General Fund</b>	<b>50</b>	<b>1,542</b>	<b>(1,493)</b>

### Capital Expenditure

Capital expenditure for 2018/19 was £496,000 (£1,021,000 for 2017/18). This compares with a revised budget of £1,302,000

A summary of the key capital schemes for 2018/19 is shown below:

Scheme	2018/19 Budget	Actual spend to 31 March 2019
	£000	£000
Vehicle and Plant replacement	36	-
Information and Computer Technology	799	293
Maldon Promenade Park	189	88
Parks and Open Spaces	20	75
Cemeteries	24	3
Car Parks	118	7
Replacement polling booths	25	7
99 Wood Road		1
Purchase of bins	22	22
CCTV	69	-
<b>Total</b>	<b>1,302</b>	<b>496</b>
Housing *	420	503

\* The Housing figure includes external contributions to capital works in respect of Disabled Facility Grants (DFG), as Revenue Funded Capital Under Statute (REFCUS)

The Key Variance relates to Information and Computer Technology, which is a project that spans more than one accounting period and is work still in progress

### Pension Fund

The Council's share of the assets and liabilities of the Pension Fund is a net liability. The net liability has decreased from (£26,460K) to (£25,535K). A further explanation can be found in note 27 to the Core Financial Statements. It is important to understand that the net pension liability is a position taken at just one point in time. Market prices can move up as well as down in the short term and it is therefore not possible to quantify what long term effect the movement in market prices will have on the Pension Fund.

The net pension liabilities have decreased after actuaries allowed for Employer Asset investment returns, contributions paid into and estimated benefits paid from the fund and after projecting future cashflows to be paid from the fund, together with Demographic and Statistical assumptions including mortality projections.

### Provisions/Contingencies

The Council makes provisions for Bad Debts and for Business Rate Appeals that have been assessed as having a "probable" success rate. 13 appeals were settled by the Valuation Office during 2018/19, with a new total rateable value of £875,000

The increase in provision therefore reflects a further possible year of backdated claims.

There were no material write offs during 2018/19.

The Council also has earmarked reserves set aside for contingent liabilities i.e. "possible" obligations. A further explanation can be found in note 28 to the Core Financial Statements.

### Future Outlook Revenue

The Council approved a four year Medium Term Financial Strategy covering the period from 1 April 2019 to 31 March 2023 in February 2019. This strategy addresses the financial challenges posed by the reduction in current and future government grant. The Council's Medium Term Financial Strategy will be reviewed on an ongoing basis to take into account further developments in funding, charging strategies and economic conditions generally.

The Council continues to work prudently to manage financial risks and is embarking upon a programme of transformational change to address future financial challenges to provide further medium term financial sustainability. Additionally the Council is looking at not only making savings but also in existing revenue streams and creating new revenue streams through its commercial strategy to make itself sustainable for the future. It continues to hold robust levels of reserves.

The Council's general fund balances excluding earmarked reserves totalled £4.769m at 31 March 2019 (£3.227m at 31 March 2018) and cash balances were £7.877m at 31 March 2019 (£6.823m at 31 March 2018).



**Capital****Estimated Future Capital Spending plans**

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
<b>Project Title</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Vehicle & Plant Replacement	118	22	22	22
Information & Communication Technology	35	35	35	35
Provision of Superfast broadband	45			
New Accessible playsite	48	-	-	
Splash Park new elements	10	10		
Housing	420	420	420	420
Maldon Cemetery foundation work	25	-	-	
Other New Projects	-	-	-	
<b>Total Capital Programme</b>	<b>701</b>	<b>487</b>	<b>477</b>	<b>477</b>
Financed by:				
Capital Receipts	281	67	57	57
Government Grant	420	420	420	420
<b>Total Funding</b>	<b>701</b>	<b>487</b>	<b>477</b>	<b>477</b>

The above table shows the capital spending plans of the Council in line with the Medium Term Financial Strategy approved on 14 February 2019.

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as due to the Council when there is a reasonable assurance that:

- The Council will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

The £420k planned expenditure for Housing relates to the Disabled Facilities Grant Programme which gives money to claimants for disabled adaptations on their home. This is funded by Central Government.

**Risks**

The biggest risk to the authority is the future uncertainty around funding. There is already a significant funding gap identified in the Medium Term Financial Strategy. There remains ongoing uncertainty on the future system of local government funding and how Maldon will fare within it. There will also be the new system for Business Rates retention that is being moved away from the 100% retention scheme originally proposed to a lower percentage and with a baseline rates reset removing the greater potential for retained growth income.

Government has not pre-announced any future financial settlement for 20/21 and beyond, nor given any indication of future resource levels for local government via a Spending Review. This coupled with an overhaul of the business rate retention scheme for funding and a review of funding allocations via the fair funding and the resources and needs review means the levels of support from Government, in terms of funding, are very uncertain. The Council is in a good position to address this uncertainty via its sound financial management and planning, alongside prudent levels of reserves needed in times of uncertainty. The Council will be monitoring all announcements by Government with respect to its proposals and ensuring that the Council reply to all consultations to ensure the interests of the Council and our residents are strongly represented.

There is further uncertainty over the date of departure for the UK from the European Union but the Council will be monitoring all developments during the year to ensure any potential financial impacts on the Council are anticipated.

**Opportunities**

The Council are always looking at opportunities for joint working with other bodies, this could be something as simple as joint procurement of a service, or on a larger scale the joint provision of a service.

With the greater freedoms now available to Local Government, Maldon District Council are starting to explore commercial opportunities to assist in meeting the gaps in future finances.

## Performance Information

The Corporate Plan covering the period 2015/2019 was updated and adopted by the Council in February 2018. The Plan sets the vision and corporate goals and provides strategic direction for the planning and delivery of the Council's work. For each goal, the Plan details the objectives the Council is striving to achieve.

Each year the Corporate Leadership Team (CLT), together with managers, identifies the key corporate activities that will be taken forward to contribute to the achievement of the priorities and objectives. These are approved by Council and are monitored quarterly at a corporate level by CLT at performance and risk clinics which also involves the service managers. Targets for a number of key performance indicators are also agreed by Council and monitored corporately to manage performance and track the impact of the actions/provide evidence of achievements. Quarterly performance reports are submitted to the Overview and Scrutiny Committee which scrutinises decisions made by, and the performance of Committees and Council Officers.

The key corporate activities are detailed in the Level 1 Business Plan for each Directorate. This plan is the cornerstone of the performance planning process and contains the aims and priorities for each Directorate and are submitted to the Programme Committees for notification. At an operational level, each service produces a Level 2 business plan. These are not submitted to Committee, but facilitate effective performance and risk management within the Directorates including the setting of individual objectives and completion of performance reviews.

Updates on the key corporate activities and the performance indicators are recorded by the responsible officers on TEN, the Council's corporate performance and risk management system. These updates form the basis of the quarterly performance reports to CLT and the Overview and Scrutiny Committee. Six monthly performance reviews are also undertaken by the Programme Committees.

Individual staff objectives flow from the key corporate and service activities.

Quarterly performance information is published on the Council's website and all the performance reports submitted to the Committees are accessible via the website.

The Key Performance Indicators monitored include:

Key Performance Indicator/Measure	2017/18		2018/19		2019/20
	Target	Actual	Target	Actual	Target
Level of reported crime (no. of incidents)	<2,422	2,572	<2,422	3,330	Tracking measure w.e.f. 18/19 - no target to be set
Percentage of Council Tax collected	98.30%	98.45%	98.30%	98.55%	98.30%
Percentage of Non-domestic Rates collected	98%	98.8%	98%	97.95%	98%
Time taken to process Housing Benefit/Council Tax Support - new claims (days)*	15 days	10.72 days	15 days	28.63 days	15 days
Time taken to process Housing Benefit/Council Tax Support – change of circumstances (days)	8.5 days	5.09 days	8.5 days	6.27 days	6.5 days
Percentage of major planning applications processed within 13 weeks	80%	97.92%	80%	91.23%	90%
Percentage of minor planning applications processed within 8 weeks	75%	97.8%	75%	97%	90%
Percentage of other planning applications processed within 8 weeks	85%	98.16%	85%	99.24%	90%
Quality of decisions: percentage of the total number of decisions on applications made during the assessment period overturned at appeal (major applications)	8.50%	6.15%	8.50%	97%	8.50%
Quality of decisions: percentage of the total number of decisions on applications made during the assessment period overturned at appeal (non-major applications)	8.50%	3.70%	8.50%	99.24%	8.50%
Total Kilogrammes of household waste arising per household (annual)	790kg	825kg	790kg	825.8kg	750kg (subject to final review)
Percentage of household waste sent for reuse, recycling and composting	58%	59.60%	58%	58.80%	59%
Total Kilogrammes of residual household waste per household	350kg	333kg	350kg	339kg	340kg (subject to final review)
Average number of working days lost due to sickness per FTE	8 days	10.86 days	8 days	7.02 days	8 days

\*The actual figure for 2018/19 is higher than the target, when the resources available for this were reduced due to a period when core systems were stressed which resulted in the original target not being achieved as the additional demands that the service faced as they embed significant service transformations. There has also been the impact as a result of the Universal Credit roll out as, in some circumstances, additional checks, the timescales for which are not wholly within the Council's control, were required to establish whether a claim is new or should be Universal Credit. The situation is being monitored closely.

Other measures that are not wholly within the Council's control are also "tracked" during the year.

These are linked to the corporate goals and objectives. Monitoring the performance of these provides evidence of progress towards achieving our goals and outcomes.

## Further Information

Further information about the accounts is available from the Interim Section 151 Officer, Maldon District Council, Princes Road, Maldon, Essex. CM9 5DL

Transparency information concerning the Council's spend with suppliers is detailed on the website ([www.maldon.gov.uk](http://www.maldon.gov.uk)).

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Council's Responsibilities

The Council is required to:

- (i) make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Interim Section 151 Officer;
- (ii) manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- (iii) approve the Statement of Accounts.

### The Section 151 Officer's Responsibilities

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy's (CIPFA) / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). In preparing this Statement of Accounts the Section 151 Officer has:

- (i) selected suitable accounting policies and then applied them consistently;
- (ii) made judgements and estimates that were reasonable and prudent;
- (iii) complied with the local Authority Code.

I certify that these accounts were considered and approved under delegated powers, by the Performance, Governance and Audit Committee at the meeting held on 28 November 2019

On behalf of Maldon District Council  
Councillor Elaine Bamford  
Chair of the Performance, Governance and Audit Committee  
Date:

Signed:

Date:

The Section 151 Officer has also:

- (i) kept proper accounting records which were up to date;
- (ii) taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2019 and its income and expenditure for the year then ended.

Signed \_\_\_\_\_

Kamal Mehta  
Interim S.151 Officer  
Date: 2019

## EXPENDITURE FUNDING ANALYSIS

The Expenditure and Funding Analysis is a note to the Financial Statements, however it is positioned here as it provides a link from the figures reported in the Narrative by the Interim Section 151 Officer to those in the Comprehensive Income and Expenditure Statement.

The objective of the Expenditure and Funding Analysis is to demonstrate to council taxpayers how the funding available to the authority (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18			2018/19		
Net Expenditure Chargeable to the General Fund	Adjustments Between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	Adjustments Between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
1,031	2	1,033 <b>Chief Executive</b>	1,986	2	1,988
2,772	80	2,852 <b>Resources Directorate</b>	3,535	(163)	3,372
2,081	781	2,862 <b>Customers and Community Directorate</b>	2,495	593	3,088
1,878	343	2,221 <b>Planning and Regulatory Directorate</b>	1,591	474	2,065
(1,176)	1,176	<b>Absence Accrual and IAS19 Adjustments - included in the above</b>	(1,402)	1,402	0
6,586	2,382	8,968 <b>Net Cost of Service</b>	8,206	2,307	10,513
(6,310)	(2,705)	(9,015) Other Income and Expenditure	(8,818)	55	(8,764)
276	(321)	(47) <b>Surplus or Deficit</b>	(612)	2,359	1,749
6,992		<b>Opening General Fund Balance at 1 April</b>	6,718		
(276)		Add (deficit)/surplus on General Fund in year	612		
6,718		<b>Closing General Fund balance at 31 March</b>	7,328		

**Notes to the Expenditure and Funding Analysis**

Note 1.

**ADJUSTMENTS FROM GENERAL FUND TO ARRIVE AT THE COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT**

2017/18				2018/19			
Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments	Adjustments for Capital Purposes	Net change for the Pensions Adjustments (Included in service cost for members outturn)	Other Differences (Included in service cost for members outturn)	Total Adjustments
2	88	-	90	2	104	-	106
80	266	0	346	(163)	308	-	145
781	412	0	1,193	593	502	-	1,095
343	410	0	753	474	488	-	962
1,205	1,176	0	2,382	906	1,402	-	2,307
(1,309)	(996)	(400)	(2,705)	(1,392)	1,091	356	55
(104)	180	(400)	(321)	(486)	2,493	356	2,359

**Adjustments for Capital Purposes**

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure - Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**Net Change for the Pensions Adjustments**

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For Financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES.

**Other Differences**

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

**Notes to the Expenditure and Funding Analysis****Note 2.**

Income received in a segmental basis is recorded below:

<b>2017/18</b>		<b>2018/19</b>
<b>£000's</b>	<b>Income</b>	<b>£000's</b>
(27)	<b>Chief Executive</b>	(25)
(101)	<b>Resources Directorate</b>	(86)
(19,924)	<b>Customers and Community Directorate</b>	(19,642)
(1,624)	<b>Planning and Regulatory Directorate</b>	(1,878)
<u>(21,676)</u>	<b>Total income analysed in a segmental basis</b>	<u>(21,630)</u>

**Note 3.****EXPENDITURE AND INCOME ANALYSED BY NATURE**

The authority's expenditure and income is analysed as follows:

<b>2017/18</b>		<b>2018/19</b>
<b>£000's</b>		<b>£000's</b>
	<b>Expenditure</b>	
8,940	Employee benefits expenses	10,202
19,774	Other services expenses	20,332
694	Direct cost recharges	704
1,070	Depreciation, amortisation and impairment	239
831	Interest payments	660
1,383	Precepts and levies	1,436
<u>32,691</u>	<b>Total expenditure</b>	<u>33,572</u>
	<b>Income</b>	
(6,705)	Fees, charges and other service income	(7,456)
(389)	Interest and investment income	(453)
(8,990)	Income from council tax, nondomestic rates, district rate income	(8,857)
(608)	Gain on the disposal of assets	0
(16,048)	Government grants and contributions	(15,057)
<u>(32,739)</u>	<b>Total income</b>	<u>(31,823)</u>
<u>(47)</u>	<b>(Surplus)/Deficit on the Provision of Services</b>	<u>1,749</u>

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017/18	2017/18	2017/18		2018/19	2018/19	2018/19
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
1,060	(27)	<b>1,033</b>	Chief Executive	2,013	(25)	<b>1,988</b>
2,953	(101)	<b>2,852</b>	Resources Directorate	3,457	(86)	<b>3,372</b>
22,786	(19,924)	<b>2,862</b>	Customers and Community Directorate	22,729	(19,642)	<b>3,088</b>
3,845	(1,624)	<b>2,221</b>	Planning and Regulatory Directorate	3,944	(1,878)	<b>2,065</b>
<b>30,644</b>	<b>(21,676)</b>	<b>8,968</b>	<b>COST OF SERVICES</b>	<b>32,143</b>	<b>(21,630)</b>	<b>10,513</b>
		1,383	Parish & Town Precepts			1,436
		(608)	Gains on the disposal of fixed assets			-
		<b>775</b>	<b>OTHER OPERATING EXPENDITURE</b>			<b>1,436</b>
		6	Interest payable and similar charges			(5)
		(237)	Interest on investments			(291)
		(13)	(Surplus)/deficit on trading undertakings			(16)
		825	Net interest on pension liability			665
		(65)	Revaluation of Available for Sale Financial Asset			(6)
		(139)	Rental Income from Investment Assets			(146)
		(101)	Revaluation Gain on Investment Assets			(661)
			<b>FINANCING AND INVESTMENT INCOME &amp; EXPENDITURE</b>			<b>(460)</b>
		<b>276</b>				<b>(460)</b>
		(6,024)	Council Tax Income			(6,104)
		(1,076)	Government Grants (not attributable to specific services)			(883)
		(2,966)	Non-Domestic Rates			(2,753)
(9,015)	<b>(8,764)</b>	<b>(10,066)</b>	<b>TAXATION AND NON SPECIFIC GRANT INCOME</b>			<b>(9,740)</b>
		<b>(47)</b>	<b>(SURPLUS) /DEFICIT ON THE PROVISION OF SERVICES</b>			<b>1,749</b>
		(5,562)	Re-measurement of net defined liability for the pension fund			<b>(3,448)</b>
			Surplus or deficit on revaluation of Property, Plant and			
		(1,276)	Equipment assets			(490)
		<b>(6,838)</b>	<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE (SURPLUS)</b>			<b>(3,938)</b>
		<b>(6,885)</b>	<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE (SURPLUS)</b>			<b>(2,189)</b>

Note

12

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## MOVEMENT IN RESERVES STATEMENT

		Revenue Reserves		Capital Reserves				
	Notes	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Comparative Year</b>								
<b>Balance at 01 April 2018 Brought Forward</b>	7	<b>(4,339)</b>	<b>(2,653)</b>	<b>(3,510)</b>	<b>(207)</b>	<b>(10,709)</b>	<b>(2,095)</b>	<b>(12,804)</b>
<b>Movements in reserves during 2017/18</b>								
Total Comprehensive Income & Expenditure		(47)	-	-	-	(47)	(6,838)	(6,885)
Adjustments between accounting basis & funding basis under regulations		321	-	(35)	76	362	(362)	-
Transfers to / (from) earmarked reserves		838	(838)	-	-	-	-	-
<b>(Increase)/Decrease in the year in 2017/18</b>	7	<b>1,112</b>	<b>(838)</b>	<b>(35)</b>	<b>76</b>	<b>315</b>	<b>(7,200)</b>	<b>(6,885)</b>
<b>Balance at 31 March 2018 Carried Forward</b>	7	<b>(3,227)</b>	<b>(3,491)</b>	<b>(3,545)</b>	<b>(131)</b>	<b>(10,394)</b>	<b>(9,295)</b>	<b>(19,689)</b>
<b>Current Year</b>								
<b>Balance at 01 April 2018 Brought Forward</b>	7	<b>(3,227)</b>	<b>(3,491)</b>	<b>(3,545)</b>	<b>(131)</b>	<b>(10,394)</b>	<b>(9,295)</b>	<b>(19,689)</b>
<b>Movements in reserves during 2018/19</b>								
Total Comprehensive Income & Expenditure		1,749		-	-	1,749	(3,929)	(2,180)
Adjustments between accounting basis & funding basis under regulations		(2,359)		453	66	(1,840)	1,840	-
Transfers to / (from) earmarked reserves		(932)	932			-		-
<b>(Increase)/Decrease in the year in 2018/19</b>	7	<b>(1,542)</b>	<b>932</b>	<b>453</b>	<b>66</b>	<b>(91)</b>	<b>(2,089)</b>	<b>(2,180)</b>
<b>Balance at 31 March 2019 Carried Forward</b>		<b>(4,769)</b>	<b>(2,559)</b>	<b>(3,092)</b>	<b>(65)</b>	<b>(10,485)</b>	<b>(11,384)</b>	<b>(21,869)</b>

**Notes to the Movement In Reserves Statement  
2017/2018**

	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£000
<b>Adjustments to the Revenue Resources</b>			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Amortisation of intangible fixed assets	(38)		
Depreciation of fixed assets	(760)		
Loss on Revaluation	(142)		
Revaluation gain on Non Current assets	74		
Reversal of Capital Grants & Contributions Credited straight to services	373		
Revenue Expenditure Funded From Capital Under Statute	(341)		
Revaluation of Investment Assets	101		
Net gain/loss on sale of fixed assets	608	(608)	
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</b>			
Statutory provision for financing	227		
<b>Investment Assets fair value gain</b>			
Capital Expenditure charged in year to the General Fund			
<b>Adjustments relating to the Capital Grants Unapplied Account</b>			
New Capital Grants Received Reversed to CAA or Capital Grants Unapplied			
<b>Utilisation of Capital Grants Unapplied</b>			
Adjustments Relating to Capital Receipts			
Capital receipts applied		573	76
<b>Deferred Capital Receipts Received</b>			
Adjustments relating to the Pensions Reserve			
Net charges made for retirement benefits in accordance with IAS19	(2,818)		
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	2,636		
<b>Adjustments relating to the Collection Fund Adjustment Account</b>			
Transfers to (from) Collection Fund Adjustment Account	336		
<b>Adjustments relating to the Available for Sale Reserve</b>			
Transfers to (from) Available for Sale Reserve	65		
<b>Adjustments relating to the Accumulated Absences Account</b>			
Employee Benefits Accrued (prior year adjustment)	79		
Employee Benefits Accrued (current year adjustment)	(79)		
<b>Total adjustments between accounting basis &amp; funding basis under regulations</b>	<b>321</b>	<b>(35)</b>	<b>76</b>

**Notes to the Movement In Reserves Statement  
2018/2019**

**Usable Reserves**

	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adjustments to the Revenue Resources</b>			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Amortisation of intangible fixed assets	(36)		
Depreciation of fixed assets	(739)		
Loss on Revaluation	-		
Revaluation gain on Non Current assets	338		
Reversal of Capital Grants & Contributions Credited straight to services	502		
Revenue Expenditure Funded From Capital Under Statute	(437)		
Revaluation of Investment Assets	661		
Net gain/loss on sale of fixed assets	3	(15)	
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement			
Statutory provision for financing	226		
<b>Investment Assets fair value gain</b>			
Capital Expenditure charged in year to the General Fund			
<b>Adjustments relating to the Capital Grants Unapplied Account</b>			
New Capital Grants Received Reversed to CAA or Capital Grants Unapplied			
<b>Utilisation of Capital Grants Unapplied</b>			
Adjustments Relating to Capital Receipts			
Capital receipts applied		468	66
<b>Deferred Capital Receipts Received</b>			
Adjustments relating to the Pensions Reserve			
Net charges made for retirement benefits in accordance with IAS19	(3,453)		
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	932		
<b>Adjustments relating to the Collection Fund Adjustment Account</b>			
Transfers to (from) Collection Fund Adjustment Account	(390)		
<b>Adjustments relating to the Available for Sale Reserve</b>			
Transfers to (from) Available for Sale Reserve	6		
<b>Adjustments relating to the Accumulated Absences Account</b>			
Employee Benefits Accrued (prior year adjustment)	79		
Employee Benefits Accrued (current year adjustment)	(51)		
<b>Total adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(2,359)</b>	<b>453</b>	<b>66</b>

**BALANCE SHEET**

<b>31-Mar-18 £000</b>		Note	<b>31-Mar-19 £000</b>
28,609	<b>NON CURRENT ASSETS</b>		
2,458	Property Plant & Equipment	9	29,364
2,905	- Land & Buildings		2,028
624	- Vehicles Plant & Equipment		2,869
16	- Infrastructure		624
95	- Community Assets		16
1,997	- Assets Under Construction		95
121	- Heritage Assets		2,659
4,932	Investment Property	11	369
226	Intangible Assets		4,940
	Long Term Investments	12	277
	Long Term Debtors	14	
<b>41,983</b>	<b>TOTAL LONG TERM ASSETS</b>		<b>43,240</b>
16	<b>CURRENT ASSETS</b>		
3,170	Inventories		15
6,823	Short Term Debtors	13	2,207
1,001	Cash and Cash Equivalents	15	7,877
11,010	Available for Sale	12	2,000
			12,099
(4,276)	<b>LESS CURRENT LIABILITIES</b>		
(651)	Short term creditors	16	(5,022)
(4,927)	Provisions	29	(1,082)
			(6,104)
<b>6,083</b>	<b>NET CURRENT ASSETS</b>		<b>5,995</b>
(1,131)	Long Term Creditors	26	(905)
(26,460)	Liability related to Pension Scheme	27	(25,535)
(100)	Provisions (insurance)	29	(100)
(695)	Capital Grants Receipts in Advance		(826)
<b>(28,386)</b>	<b>TOTAL LONG TERM LIABILITIES</b>		<b>(27,366)</b>
<b>19,680</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>21,869</b>
	<b>FINANCED BY</b>		
(3,545)	Usable Reserves		
(131)	- Usable Capital Receipts Reserve		(3,092)
(6,716)	- Capital Grants Unapplied Account		(65)
	- Revenue Reserves	7	(7,327)
<b>(10,392)</b>	<b>- Total Usable Reserves</b>		<b>(10,484)</b>
(13,609)	Unusable Reserves	17	
(22,107)	- Revaluation Reserve		(14,066)
26,460	- Capital Adjustment Account		(23,177)
(224)	- Pensions Reserve	27	25,535
113	- Collection Fund Adjustment Account		167
79	- Available for Sale Reserve		106
	- Accumulated Absences Account		51
<b>(9,288)</b>	<b>- Total Unusable Reserves</b>		<b>(11,385)</b>
<b>(19,680)</b>	<b>TOTAL NET WORTH</b>		<b>(21,869)</b>

These financial statements replace the unaudited financial statements certified by Emma Foy (Director of Resources) on 31 May 2019.

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash flows have been made from resources which are intended to contribute to the authority's future service delivery. Financing activities summarises cash flows from where we have offered or received loans or finance leases during the year.

<b>2017/18</b> £000	<b>Note</b>	<b>2018/19</b> £000
(47) <b>Net (surplus)/deficit on the provision of services</b>		1,749
(533) Adjustments to net (surplus)/deficit for non-cash movements	(note A)	1,688
608 Adjustments for items that are financing or investing activities	(note B)	208
<b>28 Net cash (inflows)/outflows from operating activities</b>		<b>3,645</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment, investment property and		
419 intangibles		(496)
10,000 Purchase of short and long term investments		(2,000)
45 Other payments made for investing activities		520
Proceeds of sale of property, plant and equipment, investment		
- property and intangibles		(16)
(11,000) Proceeds of sale of short and long term investments		(1,009)
(288) Other receipts from investing activities		(521)
Other receipts from investing activities not included elsewhere		72
<b>(824) Net cash (inflow)/outflow from investing activities</b>		<b>(3,449)</b>
<b>Financing activities</b>		
226 Repayment of finance lease		226
221 Other payments for financing activities		1,095
(13) Cash receipts of short and long term borrowing		(13)
(592) Other receipts from financing activities		(390)
- Interest Received	(note D)	(60)
<b>(158) Net cash (inflow)/outflow from financing activities</b>		<b>858</b>
<b>(954) Net (increase) or decrease in cash and cash equivalents</b>		<b>1,054</b>
<b>5,869 Cash and cash equivalents at the beginning of the year</b>		<b>6,823</b>
<b>6,823 Cash and cash equivalents at the end of the year</b>	(note C)	<b>7,877</b>

## Notes to the Cash Flow Statement

### **Note A: adjustments to net (surplus) or deficit for non-cash movements**

<b>2017/18 £000</b>		<b>2018/19 £000</b>
(765)	Depreciation, impairments and amortisation	739
(4)	Decrease in inventories	2
(37)	(Increase) / decrease in impairment for bad debts	-
172	Increase in debtors	675
315	Increase in creditors	497
(99)	(Increase) / decrease in provisions	3,899
(2,816)	Pension costs	(4,401)
2,636	Pension charges	932
65	Revaluation gains on the value of investment properties	(661)
-	Available for Sale Reserve	6
<b>(533)</b>		<b>1,688</b>

### **Note B: adjustments for items that are financing or investing activities**

<b>2017/18 £000</b>		<b>2018/19 £000</b>
	Proceeds of sale of property, plant and equipment, investment property and intangibles	15
608	Capital grants received	133
-	Interest received	60
<b>608</b>		<b>208</b>

### **Note C: cash & cash equivalent components**

<b>As at 31 March 18 £000</b>		<b>As at 31 March 19 £000</b>
5,503	Call accounts	6,205
1,316	Cash	1,668
4	Cash floats	4
<b>6,823</b>		<b>7,877</b>

### **Note D: Interest paid and received**

<b>2017/18 £000</b>		<b>2018/19 £000</b>
(240)	Interest received	60
6	Interest paid	-
<b>(234)</b>	<b>Net cash (inflow) / outflow</b>	<b>60</b>

**Note E: Reconciliation of liabilities arising from financing activities**

	<b>31 March 2018 £000</b>	<b>Financing Cashflows £000</b>	<b>Non Cash Acquisition</b>	<b>Changes Other non-cash changes</b>	<b>31 March 2019 £000</b>
Lease Liabilities	1,358	(226)	-	-	1,131
<b>Total liabilities from financing activities</b>	<b>1,358</b>	<b>(226)</b>	<b>-</b>	<b>-</b>	<b>1,131</b>

	<b>31 March 2017 £000</b>	<b>Financing Cashflows £000</b>	<b>Non Cash Acquisition</b>	<b>Changes Other non-cash changes</b>	<b>31 March 2018 £000</b>
Lease Liabilities	1,584	(226)	-	-	1,358
<b>Total liabilities from financing activities</b>	<b>1,584</b>	<b>(226)</b>	<b>-</b>	<b>-</b>	<b>1,358</b>

## COLLECTION FUND

2017/18		
Business Rates £000	Council Tax £000	TOTAL £000
-	(40,202)	(40,202)
(13,942)	-	(13,942)
-	(11)	(11)
<b>(13,942)</b>	<b>(40,213)</b>	<b>(54,155)</b>
6,353	-	6,353
1,144	27,776	28,920
-	3,748	3,748
127	1,648	1,775
5,082	5,855	10,937
(443)	-	(443)
(79)	1,104	1,025
-	149	149
(9)	66	57
(354)	231	(123)
<b>11,821</b>	<b>40,577</b>	<b>52,398</b>
113	38	151
321	-	321
93	-	93
601	-	601
<b>1,128</b>	<b>38</b>	<b>1,166</b>

<b>(993)</b>	<b>402</b>	<b>(591)</b>
<b>1,077</b>	<b>(2,125)</b>	<b>(1,048)</b>
<b>84</b>	<b>(1,723)</b>	<b>(1,639)</b>

## Income

Council Tax Receivable (CT)
Business Rates Receivable (NDR)
Annex Discount Grant (CT)

## Expenditure

Precepts Demands and Shares:
Central Government
Essex County Council
PFCC for Essex Policing and Community Safety*
Essex PFCC Fire & Rescue Authority*
Maldon DC & Parishes
Redistributed Collection Fund previous year surplus
Central Government
Essex County Council
PFCC for Essex Policing and Community Safety*
Essex PFCC Fire & Rescue Authority*
Maldon DC & Parishes
Charges to Collection Fund:
Increase /Decrease (-) in Bad Debt Provision
Increase/Decrease (-) in Provision for Appeals
Costs of Collection
Disregarded Amounts

(-) Surplus/Deficit arising during the year  
 (-) Surplus/Deficit b/fwd as at 1 April  
 (-) Surplus/Deficit c/fwd 31 March

2018/19		
Business Rates £000	Council Tax £000	TOTAL £000
-	(42,626)	(42,626)
(14,230)	-	(14,230)
-	-	-
<b>(14,230)</b>	<b>(42,626)</b>	<b>(56,856)</b>
6,635	-	6,635
1,194	29,558	30,752
-	4,089	4,089
133	1,703	1,836
5,308	6,104	11,412
89	-	89
16	754	770
-	102	102
2	45	47
71	159	230
<b>13,448</b>	<b>42,514</b>	<b>55,962</b>
81	133	214
1,125	-	1,125
91	-	91
456	-	456
<b>1,753</b>	<b>133</b>	<b>1,886</b>

<b>971</b>	<b>21</b>	<b>992</b>
<b>84</b>	<b>(1,723)</b>	<b>(1,639)</b>
<b>1,055</b>	<b>(1,702)</b>	<b>(647)</b>

\* PFCC is the abbreviation for Police, Fire and Rescue Authority and Crime Commissioner



## Notes to the Collection Fund

### 1. COUNCIL TAX INCOME

The average Band D Council Tax for the year was £1,713.46 (£1,635.11 in 2017-18).

### 2. COUNCIL TAX BASE

The Council's tax base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, was calculated as follows:

Band	Chargeable Dwellings	Estimated Properties after discounts exemptions etc.	Ratio to Band D	B and D Equivalent Dwellings
A *	-	2.35	5/9	1.3
A	2,370.00	1,409.15	6/9	939.4
B	3,679.00	2,688.19	7/9	2,090.8
C	7,919.00	6,423.12	8/9	5,709.4
D	5,204.00	4,637.47	9/9	4,637.5
E	4,378.00	4,057.06	11/9	4,958.6
F	2,773.00	2,638.83	13/9	3,811.6
G	1,502.00	1,435.06	15/9	2,391.8
H	174.00	161.35	18/9	322.7
	27,999.00	23,452.58		24,863.1
Less adjustment for collection rate				(669.9)
<b>Council Tax Base</b>				<b>24,193.2</b>

\* Band A properties entitled to a disabled relief reduction

### 3. NON DOMESTIC RATES

Rates are charged on each of the district's 2,449 commercial properties.

Rateable value at 31 March 2019

Multiplier: Business Rate Relief

50.4

Small Business Rate Relief

49.1

The multiplier is set by Central Government.

A business rates retention scheme was introduced in April 2013.

The Local Authority retains 100% of NDR income for their Renewable Energy sites then, after allowances and expenditure retains 40%, with 50% being paid to Central Government, 9% to Essex County Council and 1% to Essex County Fire & Rescue Service.

### 4. COLLECTION FUND BALANCES

	31-Mar-18 £000	Movement £000	31-Mar-19 £000
(Surplus) / Deficit (CT)	(1,723)	21	(1,702)
(Surplus) / Deficit (NDR)	84	971	1,055
		NDR	CT
Attributable to:			
Central Government		528	
Maldon District Council		422	(251)
Essex County Council		95	(1,214)
PFCC for Essex Policing and Community Safety			(168)
Essex PFCC Fire & Rescue Authority		11	(70)
		1,055	(1,702)

## **NOTES TO THE CORE ACCOUNTING STATEMENTS**

### **1. ACCOUNTING POLICIES**

#### **General Principles and Accounting Concepts**

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year end of 31 March. The Council is required to prepare an annual Statement of Accounts, prepared in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

#### **The main accounting policies adopted by the Council in preparing the Statement of Accounts are as follows:**

##### **1) Accruals of Income and Expenditure**

Activity is generally accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract
- Supplies are recorded as expenditure when they are consumed, when there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instruments rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- In the case of periodic receipts and payments, where it does not materially affect the accounts and a full year's income and expenditure is recorded, an accrual does not need to be raised

The Code of Practice on Local Authority accounting for 2018/19 was revised to take into account the latest International Financial Reporting Standards (IFRS), IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with Customers coming into effect.

IFRS 9 includes a single classification approach for financial assets driven by cash flow characteristics and how an instrument is managed, and a "forward looking" "expected loss" model for impairment rather than the previous "incurred loss" model.

IFRS 15 introduces a five-step process for recognising revenue based on the transfer of control rather than the previous risk and reward.

Both of these changes have been considered as part of the preparation of the Council's accounts for 2018/19 and neither are considered to have a material impact on the financial statements.

Where the Council is due to receive income from contractual arrangements with its customers, it is required to consider the following 5 steps before disclosing income:

1. Identify the contract with a service recipient
2. Identify all the individual performance obligations within the contract
3. Determine the transaction price
4. Allocate the price to the performance obligations
5. Recognise revenue as the performance obligations are fulfilled

If these are deemed to be applicable to any existing arrangements, income will not be recognised in the financial statements until the relevant performance obligations have been met.

**2) Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments held for the purpose of settling liabilities in the short-term and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**3) Exceptional items**

When specific items of income and expenditure are individually material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement (CIES) or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

## **1. ACCOUNTING POLICIES cont.**

### **4) Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the relevant service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. Depreciation, revaluation and impairment losses and amortisation are replaced by an equal contribution in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account, recorded in the Movement in Reserves Statement (MiRS).

### **5) Government Grants and Other Contributions**

Whether paid on account by instalments or in arrears, government grants, third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account.

### **6) Council Tax and Non-domestic Rates**

Maldon District Council is a billing authority and acts as agents, collecting council tax and non-domestic rates (NDR) on behalf of major preceptors (including government for NDR), which includes Essex County Council, Essex Fire Authority, Council Tax for Essex Police and Crime and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than expected.

#### **Accounting for Council Tax and NDR**

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the councils share of accrued income for the year. However, regulations determine the amount the council tax and NDR that must be included in the councils General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the councils share of the end of year balances in respect of council tax and NDR relating to arrears, impairment for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the

### **7) Employee Benefits**

#### **- Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave and non-monetary benefits for current employees. They are recognised as an expense for services in the year in which employees render their services to the Council.

An accrual is made for the cost of holiday entitlements, flexi time and time off in lieu earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is an estimation based on the historical cost of outstanding leave after giving consideration to the risk of any material misstatement. The accrual is charged to Surplus/Deficit on the Provision of Services in the financial year in which the absences are accrued and it is then reversed out through the Movement in Reserves Statement so there is no impact on Council Tax.

- *Termination Benefits*

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the accounting basis debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable unpaid at the year end.

## **1. ACCOUNTING POLICIES cont.**

### **7) Employee Benefits cont'd**

#### *- Post Employment Benefits*

Employees of the Council are members of the Local Government Pension Scheme, administered by Essex County Council. The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Essex Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover rates etc. and earnings for current employees).
- Liabilities are discounted to their value at current prices, using a discount rate (based on the indicative rate of return on high quality corporate bonds).
- The assets of Essex pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities: current bid price
  - unquoted securities: professional estimate
  - unitised securities: current bid price
  - property: market value.
- The change in the net pensions liability is analysed into the following components:  
Service cost comprising:
  - Current service cost: the increase in liabilities as a result of the year of service earned this year. This is allocated in the Comprehensive Income and Expenditure Statement to the services for which the Council employees worked.
  - Past service costs: the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. These are debited to the surplus/deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Resources Directorate.
  - Net interest on the net defined benefit liability (asset): the change during the period in the net defined benefit liability that arises from the passage of time, charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period; taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments.

#### Remeasurements comprising:

- The return on plan assets: excluding amounts included in net interest on the defined benefit liability. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Actuarial gains and losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Essex Pension Fund: cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense for the

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standard. This means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension fund. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

## **1. ACCOUNTING POLICIES cont.**

### **7) Employee Benefits cont'd**

#### *- Discretionary Benefits*

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **8) Events after the Reporting Period**

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period (on 31 March) and the date when the Statement of Accounts are authorised for issue.

Two types of post Balance Sheet events can be identified:

- Adjusting events are those that provide evidence of conditions that existed at the Balance Sheet date. Where material, the Statement of Accounts is adjusted to reflect the impact of such events.
- Non-adjusting events are those that are indicative of conditions that arose after the Balance Sheet date. The Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, additional disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date the Statement of Accounts is authorised for issue are not reflected in the Statement of Accounts.

### **9) Financial Instruments**

#### *- Financial Liabilities*

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

The Council does not have any borrowing. Trade payables (creditors) are disclosed at fair value.

#### *- Financial Assets*

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) - not applicable to the Council for 2018/19.

The Councils business model is to hold investments to collect contractual cash flows.

Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

**Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivables are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### Expected Credit Loss Model

The authority recognises expected credit losses on all its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The Council has one loan made to a charitable trust. This loan was made to support the charitable trust at Stow Maries Great War Aerodrome the site has significant natural heritage value and is in Natural England's Higher Level Environmental Stewardship scheme.

### Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques.

- instruments with quoted market prices - the market price
- other instruments with fixed and determinable payments - discounted cash flow analysis

Available for sale assets are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where fixed and determinable payments exist, annual credits made to the financing and investment income within the CIES for interest receivable are based on amortised cost of the asset multiplied by the effective interest rate. The fair value of available for sale assets is based on market price. As the Council only used stable net asset value funds fair value is the same as nominal value. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices - the market price.
  - other instruments with fixed and determinable payments - discounted cash flow analysis.
- The inputs to the measurement techniques are categorised in accordance with the following three levels:
- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
  - Level 2 inputs - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
  - Level 3 inputs - unobservable inputs for the asset.

### 10) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or if the asset is held for sale. Investment properties are measured initially at cost and subsequently at Fair Value (see below).

Properties are not depreciated but are revalued or reviewed annually to a year-end value.

As a minimum investment properties, regardless of leases, will be revalued every 5 years along with other classes of assets.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line. Directly attributable operating expenses related to investment properties are debited to the Financing and Investment Income line. Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve (for the sale proceeds).



## **1. ACCOUNTING POLICIES cont.**

### **11) Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible assets are held by the Council which meet this criteria, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. Intangible assets are depreciated using the straight line method over 3 – 7 years.

### **12) Fair Value (FV) Measurement**

The authority measures some of its non-financial assets, e.g. surplus assets and investment properties and certain financial instruments at FV at each reporting date. See the Glossary for the definition of FV. This authority had only 3 investment properties for 2018/19.

The authority is required to measure the FV of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the FV of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability

### **13) Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

## **1. ACCOUNTING POLICIES CONT.**

### **a) Finance Leases - Lessee**

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at the lower of its fair value measured at the lease inception and the present value of the minimum lease payments. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Finance lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment which is applied to write down the lease liability, and
- a finance charge which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life and where ownership of the asset does not transfer to the Council at the end of the lease period.

### **b) Operating Leases - Lessee**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment.

### **c) Finance Leases - Lessor**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. The written-off value is appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement, so as to mitigate any impact on Council Tax.

A gain on disposal, representing the Council's net investment in the lease, is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement, matched by a long-term debtor asset in the Balance Sheet. The gain is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

**1. ACCOUNTING POLICIES cont.****13) Leases cont'd**

Finance lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property which is applied to write down the lease debtor including any premiums received, and
- finance income which is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Usable Capital Receipts Reserve.

The Authority do not currently have any finance leases where they act as the lessor.

**d) Operating Leases - Lessor**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease.

**14) Property Plant and Equipment (PPE)**

Expenditure on the acquisition, creation and enhancement of fixed assets is capitalised in accordance with the accruals concept. The Council's de minimis level for capital expenditure is £10,000.

Expenditure on PPE is capitalised, provided that the fixed asset yields benefit to the Council and the services it provides for a period of more than one year. This excludes expenditure on routine repairs and maintenance on PPE, which does not enhance the asset and is charged direct to service revenue accounts.

#### **14) Property Plant and Equipment (PPE) cont'd**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not have any borrowing costs. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Large assets are divided into their component parts only if the components have materially different useful lives compared to the rest of the asset. This allows depreciation charges for assets to more accurately reflect the consumption of economic benefit which takes place at different rates for each component. The Council has considered the componentisation of all significant assets and has started to bring this into effect.

The Council has only been able to componentise assets where the valuation information of each component was supplied to them already, or the components have since been replaced subsequent to the componentisation rules coming into effect.

Assets are subsequently carried in the Balance Sheet using the following measurement bases:

- Plant, Vehicles, Furniture and Equipment assets, Infrastructure assets and Community assets: Depreciated Historic Cost
- Other (operational) land and buildings: Current Value, determined as the amount that would be paid for the asset in its Existing Use (EUV).
- Surplus Assets: Fair Value = highest and best use.
- Components of buildings: Depreciated Historic Cost

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of Current Value. Where non-property assets (Plant, Vehicles, Furniture and Equipment assets) that have short useful lives or low values (or, both) depreciated historical cost basis is used as a proxy for Current Value.

## **1. ACCOUNTING POLICIES cont.**

### **14) Property Plant and Equipment (PPE) cont'd**

Assets included in the Balance Sheet at current or fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their value at the financial year end, but as a minimum every five years. Between quinquennial external valuations views are sought from External Valuers to ensure that the asset values reported in the Statement of Accounts remain materially accurate. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service. Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **15) Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year, Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

### **16) Impairment**

Assets are assessed at each financial year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **17) Depreciation**

Depreciation is provided for on assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- Newly acquired assets are not depreciated in the first year and assets in the course of construction are not depreciated until they are brought into use.
- Where depreciation is provided for, assets are depreciated using the straight line method over the following periods:
 

- Buildings (where appropriate)	5 - 60 years
- Infrastructure	5 - 30 years
- Vehicles, Plant & Equipment	3 - 10 years
- Land, including car parks	Not depreciated

### **18) Disposals of Plant, Property and Equipment.**

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

All amounts for disposal of assets currently recognised on the balance sheet are categorised as capital receipts. Amounts for other asset disposals in excess of £10,000 are also categorised as capital receipts.

**19) Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

**20) Contingent Assets**

A contingent asset arises where an event had taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

**21) Reserves**

The Council has the power to keep reserves for certain purposes by setting aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure is incurred that is to be financed from a reserve, it is charged to the appropriate service in that year to be included as expenditure in the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so there is no charge against the General Fund for the expenditure incurred.

Separate earmarked reserves are held by the Council.

Certain reserves are kept by the Council to manage the accounting processes for non-current assets (e.g. Revaluation Reserve and Capital Adjustment Account), retirement benefits (e.g. Pensions Reserve) and employee benefits (e.g. Accumulated Absences Account) and do not represent usable resources for the Council.

**22) Impairment Loss of Trade Receivables**

IFRS 9 requires the authority to recognise the impairment of Trade Receivables (Debtors) held at amortised cost on the amount of Lifetime Expected Credit Losses using the simplified approach. Impairment losses are calculated to reflect the expectation that there is a likelihood arising based on past events experience that cash received will be lower than the carrying amount for receivables.

Known uncollectable debts have been written off. Allowances are typically estimated on a percentage basis, with the older the outstanding debt the higher the percentage of the debt that is provided for. All allowances are reviewed and recalculated at the end of the accounting period. Allowances are generally netted off against short term debtors on the Balance Sheet.

**23) Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset and has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or government Grant, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

**24) Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

**25) Provisions for Appeals against the rateable value of Business Properties**

The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013. Billing authorities act as agents on behalf of the major preceptors, central government and themselves and are required to make provisions for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts relating to non-domestic rates charged to businesses in 2012-2013 and earlier financial years.

The Council has established a provision in the accounts for an appeal if it meets the following criteria:

- the authority has a present obligation (legal or constructive) as a result of a past event
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate at the Balance Sheet Date of the expenditure required to settle the present obligation taking risks and uncertainties into account.

## **2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED**

Under The Code of Practice on Local Authority Accounting disclosure of the impact of accounting standards issued but not yet adopted is required. The new standards that would require additional disclosures in the 2018/19 financial statements are as follows:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

It is not anticipated that these changes will be relevant to the Council

IFRS 16 Leases - This standard has been issued. Application is required for accounting periods beginning on or after 1 January 2020, but not yet adopted by the code: early adoption is not permitted. The Council is continuing to assess the potential impact on application of the standard. The implications are therefore not yet known and are therefore not quantifiable.

## **3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The only critical judgement made in the Statement of Accounts is in relation to the high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Government has not pre-announced any future financial settlement for 20/21 and beyond, nor given any indication of future resource levels for local government via a Spending Review. This coupled with an overhaul of the business rate retention scheme for funding and a review of funding allocations via the fair funding and the resources and needs review means the levels of support from Government, in terms of funding, are very uncertain. The Council is in a good position to address this uncertainty via its sound financial management and planning, alongside prudent levels of reserves needed in times of uncertainty. The Council will be monitoring all announcements by Government with respect to its proposals and ensuring that the Council reply to all consultations to ensure the interests of the Council and our residents are strongly represented.

There is further uncertainty over the date of departure for the UK from the European Union but the Council will be monitoring all developments during the year to ensure any potential financial impacts on the Council are anticipated.



#### **4. ASSUMPTIONS ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or events that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ From Assumptions</b>
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependant on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate provides the uncertainty that the Council may not be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of the property, plant and equipment assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge would increase by £0.094 million if the useful lives of the Council's buildings were reduced by 1 year.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Barnett Waddingham, is engaged to provide expert advice regarding the assumptions applied in calculating the Council's net pension liability.	The effect on the net pension liability of changes in individual assumptions can be measured. For instance: A 0.1% increase in the discount rate assumption at 31 March 2019 would result in an increase in the Gross pension obligation, increasing this to £75.123 million. - a 1 year addition to the life expectancy assumption at 31 March 2019 would result in an increase in the Gross pension obligation, increasing this to £79.401 million.
Bad Debt Provisions	At 31 March 2019, the Council has included in it's accounts a provision for the impairment of doubtful debts of £0.844 million. However, in the current economic climate this allowance may not be sufficient.	If collection rates were to deteriorate, an increase in the impairment for doubtful debts of 10% would require the Council to set aside an additional £0.149 million as an allowance.
NDR Appeals Provision	At 31 March 2019, the Council has included in it's accounts a provision for appeals on NNDR rates of £1.027 million. However, appeals vary hugely in size and therefore this may not be sufficient.	If the predicted success rate was to alter by just 1%, an additional £0.073 million would be required.

## **5. MATERIAL ITEMS OF INCOME OR EXPENSE**

No other material items of income or expense have occurred that are not already disclosed on the face of the CIES.

## **6. EVENTS AFTER THE BALANCE SHEET DATE**

On 27 June 2019, the Supreme Court refused the Government permission to appeal the McCloud case in respect of age discrimination and pension protection. Barnett Waddingham have calculated a potential balance sheet effect with respect to the Maldon District Council to be 0.7% of total liabilities. As such a contingent liability exists as at 31 March 2019. Based on the year-end liability position of the Fund, the increase in estimated total value of the Fund's promised retirement benefits as at 31 March 2019 would be approximately £0.547million. There have been no other events occurring after the reporting date that would have a material impact on these

## **7. TRANSFERS (TO)/FROM EARMARKED RESERVES**

Separate earmarked reserves are held by the Council.

- Transformation Reserve: To provide funds to meet the one-off investment costs of efficiency savings or service reductions to be realised in future years. Also to enable the upfront costs of potential income generating projects.
- Community Grants : The Council previously had schemes for awarding grants. The time limits on these grants exceed the financial year in which the budget provision was made, necessitating a reserve to cover the outstanding liabilities.
- Community Sports Network: A grant was received from the Government in 2011/12 to support sports networks; this is being utilised year by year as necessary.
- Heritage Projects: The Council gives grants in support of environmental initiatives and historic buildings. The time limits for payment of these grants exceed the financial year in which budget provision is made, necessitating a reserve to be set aside to cover the outstanding liabilities.
- Insurance: The Council maintains external insurance policies to cover major risks. In many cases the policies have excess clauses that require the Council to meet the first part of each claim. The Council has established this reserve to cover its liabilities under policy excesses and finance any claims for small risks not insured externally.
- Repairs & Renewals Fund: To provide funds to support additional revenue / capital costs arising from the need to maintain the Council's asset base.
- Revenue Commitments: This reserve exists to smooth out the timing differences between monies being earmarked to fund expenditure from the annual revenue budget and the expenditure actually occurring.
- Community Infrastructure Levy (CIL) and Local Development Plan (LDP) review: Following the adoption of the Local Development Plan, this reserve will now fund the work to enable implementation of the CIL, and also to meet the regulations to ensure that the LDP is reviewed regularly.
- Land Charges: Government Grant received and has been put aside to support the cost of resolving the legal dispute concerning refunds of local search fees.
- Preventing Repossessions: A grant was received from the Government in 2011/12. This funding has been set aside to support future work to be undertaken as part of the Council's Strategic Homeless strategy.
- Localisation of Council Tax and Business Rates: The new business rate funding and council tax localisation regime provides significant risk to the Council, especially in the first few years whilst funding cuts are experienced. This reserve has been set up to mitigate the impact of these changes.
- Business Continuity: To provide funding for emergency requirements such as salt, sand bags or other business continuity requirements as they arise.
- Sports Development: Reserve set aside to fund Sports Development activities.
- Community Safety: Reserve set aside to fund Community Safety activities.
- Economic Development: Reserve set aside to support economic development activities in the District.
- Electoral Registration: Reserve set aside to support Electoral works.
- LSIP Capacity: Reserve set aside to support Large Scale Infrastructure Projects.
- Neighbourhood Plan Applications: Funding to be utilised in supporting the preparation of neighbourhood plans.
- Waste Contract Implementation: Contributions towards the procurement and mobilisation of the new waste contract.
- Custom and Self Build Grant: Reserve to support the resource required to maintain and develop the self build and custom housebuilding register
- Brownfield Grant: New Burdens funding relating to dealing with development orders for housing development on brownfield land
- Community Housing Fund Grant: Reserve to support Community-led housing delivery. Objective is to help deliver affordable housing aimed at first time buyers in response to the problem second homes can cause in reducing supply.
- FDO External Funding from Plume: Specific external funding towards the post of Football Development Officer
- Homeless reduction Act Grant: Reserve set up to use three years of grant funding for Homelessness Reduction Officer.
- Pensions Reserve: To provide a reserve to enable the Authority to forward fund the pension deficit for 3 years in 2020.
- Business Rates Equalisation Reserve: This reserve is to counter the timing differences see in Business Rates funding.

## 7. TRANSFERS (TO)/FROM EARMARKED RESERVES cont.

The following table details the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from the earmarked reserve to meet General Fund expenditure in 2018/19

	Balance 31-Mar-17 £000's	Transfers Out 2017/18 £000's	Transfers (In) 2017/18 £000's	Balance 31-Mar-18 £000's	Transfers Out 2018/19	Transfers (In) 2018/19 £000's	Balance 31-Mar-19 £000's
Transformation	(765)	-	(948)	(1,713)	961	-	(752)
Community grants	(1)	-	-	(1)	-	-	(1)
Community Sports Network	(9)	1	-	(8)	-	-	(8)
Heritage projects	(8)	-	-	(8)	-	-	(8)
Insurance liability	(60)	-	-	(60)	8	-	(52)
Repairs & renewals fund	(225)	-	-	(225)	39	(17)	(203)
Revenue commitments	(300)	166	-	(134)	126	(319)	(327)
Community Infrastructure levy and LDP review	(406)	171	-	(235)	9	-	(226)
Land Charges	(6)	6	-	-	-	-	-
Preventing Repossessions	(32)	32	-	-	-	-	-
Localisation of CT & NDR	(369)	369	-	-	-	-	-
Business Continuity	(10)	-	-	(10)	-	-	(10)
Sports Development	(13)	-	-	(13)	7	(6)	(12)
Community Safety	(92)	11	-	(81)	8	(3)	(76)
Economic Development	(47)	-	(44)	(91)	70	(5)	(26)
Electoral Registration	(20)	-	-	(20)	-	(10)	(30)
Neighbourhood Plan Applications	(17)	-	(12)	(29)	-	-	(29)
Waste Contract Implementation	(44)	19	-	(25)	10	-	(15)
Custom & Self Build Grant	(21)	21	-	-	-	-	-
FDO external funding from Plume	(2)	-	(1)	(3)	2	-	(1)
Brown Field grant	(15)	-	15	-	-	-	-
Homeless reduction Act Grant	-	-	(30)	(30)	12	-	(18)
Business Rates equalisation	-	-	(533)	(533)	-	-	(533)
Pensions Reserve	-	-	(116)	(116)	-	-	(116)
Community Housing Fund Grant	(191)	35	-	(156)	40	-	(116)
<b>Total Specific Reserves</b>	<b>(2,653)</b>	<b>831</b>	<b>(1,669)</b>	<b>(3,491)</b>	<b>1,292</b>	<b>(360)</b>	<b>(2,559)</b>
General Fund balance	(4,339)	1,112	-	(3,227)	-	(1,542)	(4,769)
<b>Total Revenue Reserves</b>	<b>(6,992)</b>	<b>1,943</b>	<b>(1,669)</b>	<b>(6,718)</b>	<b>1,292</b>	<b>(1,902)</b>	<b>(7,327)</b>

## 8. PROPERTY PLANT AND EQUIPMENT VALUATION

All freehold and leasehold properties which comprise the Council's property portfolio were valued as at 31 December 2018 by an external independent valuer - Valuation Office Agency in accordance with the RICS Appraisal and Valuation Manual as published by the Royal Institution of Chartered Surveyors.

A statement of reassurance has been provided by the Valuation Office that there will have been no material change in values between the 31 December 2018 and 31 March 2019 so no further revaluations are required.

The value of plant and machinery that is integral to a building is included in the valuation of the building. Properties regarded by the Council as operational are valued on the basis of open market value for the existing use or, where this could not be assessed because there is no market for the subject asset, the depreciated replacement cost. Properties regarded by the Council as non-operational have been valued on the basis Fair Value (open market value). Community assets are assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. These are valued at historic cost.

**9. PROPERTY, PLANT AND EQUIPMENT**

<b><u>Movements in 2018/19</u></b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Assets Under Construction</b>	<b>Total Tangible Assets</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>						
At 1 April 2018	28,681	6,318	7,017	624	16	<b>42,656</b>
Additions		59	153	-	-	<b>212</b>
Disposals		(16)				<b>(16)</b>
Revaluation Reserves	490					<b>490</b>
Revaluation CIES	338					<b>338</b>
<b>At 31 March 2019</b>	<b>29,509</b>	<b>6,361</b>	<b>7,170</b>	<b>624</b>	<b>16</b>	<b>43,680</b>
<b>Depreciation and impairments</b>						
At 1 April 2018	(71)	(3,861)	(4,113)	-	-	<b>(8,045)</b>
Depreciation for year	(73)	(477)	(189)			<b>(739)</b>
Depreciation on disposals	-	5	-	-	-	<b>5</b>
<b>At 31 March 2019</b>	<b>(144)</b>	<b>(4,333)</b>	<b>(4,301)</b>	<b>-</b>	<b>-</b>	<b>(8,778)</b>
<b>Net Book Value at 31 March 2019</b>	<b>29,365</b>	<b>2,028</b>	<b>2,869</b>	<b>624</b>	<b>16</b>	<b>34,902</b>
<b>Net Book Value at 31 March 2018</b>	28,609	2,458	2,905	624	16	<b>34,612</b>

**9. PROPERTY, PLANT AND EQUIPMENT**

<b><u>Movements in 2017/18</u></b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Assets Under Construction</b>	<b>Total Tangible Assets</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>						
At 1 April 2017	27,421	5,997	6,868	624	18	<b>40,928</b>
Additions	43	322	155	-	-	<b>520</b>
Reclassifications	-	-	2	-	(2)	<b>-</b>
Revaluations	1,276	-	-	-	-	<b>1,276</b>
Impairments	(60)	-	(7)	-	-	<b>(67)</b>
<b>At 31 March 2018</b>	<b>28,680</b>	<b>6,319</b>	<b>7,018</b>	<b>624</b>	<b>16</b>	<b>42,657</b>
<b>Depreciation and impairments</b>						
At 1 April 2017	(14)	(3,339)	(3,932)	-	-	<b>(7,285)</b>
Depreciation for year	(57)	(522)	(181)	-	-	<b>(759)</b>
<b>At 31 March 2018</b>	<b>(71)</b>	<b>(3,861)</b>	<b>(4,113)</b>	<b>-</b>	<b>-</b>	<b>(8,045)</b>
<b>Net Book Value at 31 March 2018</b>	<b>28,609</b>	<b>2,458</b>	<b>2,905</b>	<b>624</b>	<b>16</b>	<b>34,612</b>
<b>Net Book Value at 31 March 2017</b>	27,407	2,658	2,936	624	18	<b>33,644</b>

## 10. CAPITAL COMMITMENTS

At 31 March 2019 the Council has the following outstanding contracts for the construction or enhancement of Property, Plant and Equipment.

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
98	Prom Park Winter Car Parking	19
39	CCTV upgrades	69
20	Riverside Park Information Boards	11
25	Replacement of Polling Booths	-
1	Prom Park Road Repairs	-
-	Tip Road Resurfacing	80
-	Community Protection New Vehicle	9
18	E-mail replacement upgrade	18
22	Waste Contract purchase of bins	-
1	Heybridge Cemetery Roof	24
-	New Accessible playsite	43
-	Car Park Machines - Prom & Town Centre	111
-	Splash Park Elements	10
-	I.T Future model	444
<b>224</b>		<b>838</b>

## 11. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
(142)	Rental Income	(150)
3	Direct Operating Expenses	4
<b>(139)</b>	<b>Net Gain</b>	<b>(146)</b>

The Council's ability to realise the values inherent in investment property are restricted by tenants security under the Landlords and Tenant Act 1954 and long lease terms with commercial tenants. The Council also has obligations to maintain the fabric of the buildings along with road ways and drainage on two investment properties.

All investment properties are subject to operating leases and rental income is received as above. The value of a leased investment is determined based on the Fair Value which is reviewed each year.

The following table summarises the fair value of investment properties:

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
1,833	Balance at the start of the year	1,997
63	Capital Expenditure	1
101	Gain from fair value adjustments	661
<b>1,997</b>	<b>Balance at the end of the year</b>	<b>2,659</b>

### Fair value measurement

The fair value for the commercial properties (at market rents) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area.

Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

In estimating the fair value of the councils investment properties, the highest and best use of the properties is their current use.

Fair values are measured annually at each reporting date. The valuations were carried out by a Senior Surveyor being an RICS Registered Valuer employed by DVS East, Property Specialists for the Public Sector, a commercial arm of the Valuation Office Agency

## **12. FINANCIAL INSTRUMENTS**

### **Transition to IFRS 9 Financial Instruments**

The Council adopted the IFRS 9 Financial instruments accounting standard with effect from 1 April 2018. The main changes include the reclassification and re-measurement of financial assets and the earlier recognition of the impairment of financial assets.

The council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements and disclosures. The adoption of the new standard has had no material impact on the Council and consequently there is no change to the General Fund balance at 1 April 2018.

The Council invests in low volatility net asset value money market funds, which can be withdrawn at anytime, and as such there is no significant difference between fair value and amortised cost. All financial assets and liabilities are therefore carried at amortised cost i.e. the aggregate of the principle sum and accrued interest. The valuation basis adopted in Where an instrument will mature within the next 12 months the carrying amount is assumed to be approximate to fair value;

For all other financial assets and liabilities the carrying amount is considered to be an appropriate measure of fair value.

### **Classifications**

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

### **Financial Liabilities**

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

The councils non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- trade payables for goods and services received
- finance leases

### **Financial Assets**

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or equity and other instruments or a contractual right to receive cash or another financial asset or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are held under the following two classifications.

Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- cash in hand
- bank current and deposit accounts with NatWest bank
- fixed term deposits with banks
- trade receivables for goods and services delivered

Fair value through profit and loss (all other financial assets) comprising

- money market funds managed by fund managers
- certificates of deposit and covered bonds issued by banks and building societies
- pooled property funds managed by CCLA fund managers

Financial assets held at amortised cost are shown net of a loss allowance reflecting the likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council

**Categories of Financial Instruments**

The following categories of financial instrument are carried in the Balance Sheet:

	<b>Non-Current</b>		<b>Current</b>	
	<b>31 March 2019</b>	<b>31 March 2018</b>	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Investments , Cash and Cash Equivalents</b>				
Financial Assets at Amortised Cost	4,892	4,888	7,877	6,823
Loans and Receivables				
Financial Assets at Fair Value Through Profit or Loss	-	-	2,000	1,000
Available for sale Financial Assets	46	44	37	4
Accrued Interest				
<b>Total Investments</b>	<b>4,938</b>	<b>4,932</b>	<b>9,914</b>	<b>7,827</b>
<b>Debtors</b>				
Financial Assets at Amortised Cost	277	226	893	1,692
Loans and Receivables				
<b>Total Debtors</b>	<b>277</b>	<b>226</b>	<b>893</b>	<b>1,692</b>
<b>Creditors</b>				
Financial Liabilities at Amortised Cost	905	1,131	3,059	1,473
<b>Total Creditors</b>	<b>905</b>	<b>1,131</b>	<b>3,059</b>	<b>1,473</b>

In the light of the adoption of IFRS 9, the council continues to review its classification of creditors and debtors as trade payables and receivables. Prior year comparatives have not been restated as IFRS 9 is effective from 1 April 2018.

**12. FINANCIAL INSTRUMENTS cont.****Offsetting Financial Assets and Liabilities**

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The council had no other financial assets or liabilities subject to an enforceable master netting arrangement or similar agreement.

**(b) Financial Instruments - Gains & Losses**

The income & expenditure recognised in the surplus or deficit on the provision of services in relation to financial instruments consists of the following items:

2017/18			2018/19	
Financial Liabilities Measured at Amortised Cost	Financial Assets Loans and Receivables		Financial Liabilities Measured at Amortised Cost	Financial Assets Measured at Amortised Cost
£000	£000		£000	£000
(6)	237	Interest Income	5	291
<b>(6)</b>	<b>237</b>	<b>Total</b>	<b>5</b>	<b>291</b>

**(C) Financial Instruments - Fair Values and Carry Amounts**

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2019, using the following methods and assumptions:

- The fair value of long term loans and investments would have been discounted at the market rates for similar instruments with similar remaining terms to maturity.
- No early repayment or impairment is recognised for any financial instrument.
- Where an instrument will mature in the next 12 months, the carry amount is assumed to be fair value.
- Finance lease liabilities are measured at their present value discounted using the interest rate implicit within the lease agreement.
- The fair value of short term instruments, including trade payables and receivables is assumed to approximate to the carrying value.

The carry amount and fair values of the Council's Investments are as follows:

2017/18		Financial Liabilities	Input Level in fair value hierarchy	Valuation technique used to measure	2018/19	
Carry Amount	Fair Value				Carry Amount	Fair Value
£000	£000				£000	£000
(1,358)	(1,358)	Finance Lease liabilities	Level 2	Other significant observable inputs	(1,358)	(1,358)
<b>(1,358)</b>	<b>(1,358)</b>	<b>Total Financial Liabilities</b>			<b>(1,358)</b>	<b>(1,358)</b>

2017/18		Financial Assets	Input Level in fair value hierarchy	Valuation technique used to measure	2018/19	
Carry Amount	Fair Value				Carry Amount	Fair Value
£000	£000				£000	£000
4,932	4,925	Long Term Investments	Level 1	Quoted prices in active markets for identical	4,940	4,940
1,001	1,001	Available for Sale	Level 1	Quoted prices in active markets for identical	2,000	2,000
-	-	Short Term	Level 2	Other	-	2,002
<b>5,933</b>	<b>5,926</b>	<b>Total Financial Assets</b>			<b>6,940</b>	<b>8,942</b>

**(d) Nature and Extent of Risks arising from Financial Instruments**

The Council has adopted CIPFA's Code of Practice on Treasury Management and complies with The Prudential Code of Capital Finance for Local Authorities.

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Government's Investment Guidance to local authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The Council's activities in financial instruments expose it to a variety of risks:

- Credit Risk: The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party.
- Liquidity Risk: The possibility that a party will be unable to raise funds to meet the commitments associated with Financial Instruments.
- Market Risk: The possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices etc.

The Council's overall risk management procedures focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on resources available to fund services. Risk Management is carried out by the exchequer team under the direction of the Director of Resources



**12. FINANCIAL INSTRUMENTS cont.****Credit Risk : Investments**

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long term credit rating of A-, UK government, other Local authorities and organisations without credit ratings upon which the Council has received independent investment advice

The table below summarises the nominal value of the Council's investment portfolio at the end of each financial year:

Short Term			Long Term					
Credit Rating*	Balance as at 31-Mar-18 £000	Balance as at 31-Mar-18 £000	Investments	Balance as at 31-Mar-19 £000	Balance Invested as at 31-Mar-19 £000	Credit Rating*		
Money Market Funds								
Unrated	-	2,911	Local Authorities Property Fund	-	2,987	Unrated		
Unrated	-	1,977	Investec Diversified Inc Fund	-	1,951	Unrated		
AA-	1,500	-	GSAM	-	-	AA-		
AA	-	-	Deutsche	1,200	-	AA-		
A+	2,000	-	Federated	3,005	-	A+		
Banks								
A	-	-	Lloyds / Bank of Scotland	-	-	A		
A	2,000	-	Barclays	2,000	-	A		
	<u>5,500</u>	<u>4,888</u>	Total Banks	<u>6,205</u>	<u>4,938</u>			
Short Term			Long Term					
Credit Rating*	Balance as at 31-Mar-18 £000	Balance as at 31-Mar-18 £000	Available for Sale	Balance as at 31-Mar-19 £000	Balance Invested as at 31-Mar-19 £000	Credit Rating*		
Certificates of Deposit								
A+	1,000	-	Rabobank	-	-	AA-		
	-	-	Nordea	2,000	-			
	<u>1,000</u>	<u>-</u>	Total Banks	<u>2,000</u>	<u>-</u>			

For Deposits held as cash and cash equivalents please refer to note 15.

A limit of £2m is placed on the amount of money that can be invested with a single counterparty (other than the UK government or Money Market Funds) The Council also sets limits on investments in certain sectors. No more than £5m in total can be invested for a period longer than one year.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £7m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

The table below summarises the credit risk exposure of the council's investment portfolio by credit rating.

Credit Rating	Long Term		Short Term	
	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000	31-Mar-18 £000
AA-	-	-	3,200	1,500
AA	-	-	-	-
A+	-	-	3,005	3,000
A	-	-	2,000	2,000
Unrated pooled Funds	4,938	4,888	-	-
Total Investments	<b>4,938</b>	<b>4,888</b>	<b>8,205</b>	<b>6,500</b>

\* This reflects the lowest Credit Rating (or equivalent rating) from those provided by Fitch, Moody and S&P.

**12. FINANCIAL INSTRUMENTS cont.****Credit Risk : Investments (cont.)**

The Council has no historical experience of counterparty default.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council generally allows 14 days credit for its debtors; £290,851 is past its due date for payment at the 31st March 2019. The past due amount can be analysed as follows:

<b>31-Mar-19</b>		<b>31-Mar-19</b>
<b>£000</b>		<b>£000</b>
364	Less than three months	232
53	Three to twelve months	26
16	More than a year	33
<b>433</b>	<b>Total</b>	<b>291</b>

**Liquidity**

Liquidity risk is managed by cash flow forecasting of the current financial year, combined with limits on fixed investments for periods of more than a year and an authorised borrowing limit for unforeseen emergencies. Both are specified annually in accordance with the prudential indicator requirements.

The Council does not currently have any borrowing, but should it be needed can access funds from the Public Works Loan Board (PWLb). There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

**Market Risk****(1) Interest Rate Risk:**

The Council is exposed to risk in terms of its exposure to investment interest rate movements. Most investments are made for fixed periods and therefore changes in market rates during the investment period can lead to the fair value of an investment being higher or lower than its carrying value.

Investment decisions through Treasury Management activity seek to manage this risk as much as possible by taking a view on investment interest rate trends. Investment deposits are committed only for short term thus minimising this risk.

**Sensitivity Analysis**

If variable interest rates had been 1% higher with all other variables held constant the financial effect would be a decrease in the deficit on the provision of services in the CIES of £62K.

If there was a decrease in variable interest rates from 0.724% to 0% there would be an increase in the deficit on the provision of services in the CIES of £45K.

**(2) Price risk:**

The Council does not invest in equity shares or gilts and therefore is not subject to any price risk (i.e. the risk that the Council will suffer loss as a result of adverse movements in the price of financial instruments).

**(3) Foreign exchange risk**

The Council has no financial asset or liabilities denominated in a foreign currency. It therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

### **13 DEBTORS** **(a) DEBTORS**

<b>31-Mar-18</b>		<b>31-Mar-19</b>
<b>£000</b>		<b>£000</b>
2,038	Trade Debtors	1,476
1,132	Other Debtors	731
<b>3,170</b>	<b>Total</b>	<b>2,207</b>

### **(b) DEBTORS FOR LOCAL TAXATION**

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

<b>31-Mar-18</b>		<b>31-Mar-19</b>
<b>£000</b>		<b>£000</b>
185	Less than three months	245
0	Three to six months	0
0	Six months to one year	0
135	More than one year	129
<b>320</b>		<b>374</b>

### **14. LONG TERM DEBTORS**

	<b>Balance</b>	<b>New</b>	<b>To Short</b>	<b>Balance</b>
	<b>31-Mar-18</b>	<b>Advances</b>	<b>Term</b>	<b>31-Mar-19</b>
	<b>£000</b>	<b>£000</b>	<b>Debtors</b>	<b>£000</b>
Loans issued	63	-	(13)	50
Charges against Property	163	64	-	227
	<b>226</b>	<b>64</b>	<b>(13)</b>	<b>277</b>

### **15. CASH AND CASH EQUIVALENTS**

The balance of Cash and Cash Equivalents is made up of the following elements:

<b>31-Mar-18</b>		<b>31-Mar-19</b>
<b>£000</b>	<b>Cash held by the Council</b>	<b>£000</b>
1,316	Bank Current Accounts	1,668
4	Cash in Hand	4
5,503	Short term deposits	6,205
<b>6,823</b>	<b>Total Cash and Cash Equivalents</b>	<b>7,877</b>

### **16. CREDITORS**

<b>31-Mar-18</b>		<b>31-Mar-19</b>
<b>£000</b>		<b>£000</b>
2,879	Trade Payables	2,833
1,399	Other Payables	2,189
<b>4,278</b>	<b>Total</b>	<b>5,022</b>

### **17. (a) USABLE RESERVES**

See Movement in Reserves Statement Pages 17 to 19 inclusive

**17. (b) UNUSABLE RESERVES**

Opening and closing balances for all the Unusable Reserves detailed below are disclosed on the face of the Balance Sheet while full movements for the year are detailed in the Movement In Reserves Statement

<b>31-Mar-18</b>	<b>31-Mar-19</b>
<b>£000</b>	<b>£000</b>
25 Revaluation Reserve	33
(187) Capital Adjustment Account	(1,070)
19 Deferred Capital Receipts Account	-
182 Pensions Reserve	2,521
(336) Collection Fund Adjustment Account	390
(65) Available for Sale Reserve	(6)
- Accumulated Absences Account	(28)
<b><u>(362) Total Unusable Reserves</u></b>	<b><u>1,840</u></b>

**Revaluation Reserve**

The revaluation reserve holds individual balances for each asset where an increase in value has occurred. These balances are reduced when the assets are revalued downwards, impaired, used in the provision of services or disposed of and the balance realised. The revaluation reserve only contains gains accumulated since 1 April 2007, the date it was created. Gains before this date are consolidated into the Capital Adjustment Account. This reserve is not available to support spending.

<b>31-Mar-18</b>	<b>31-Mar-19</b>
<b>£000</b>	<b>£000</b>
(12,358) <b>Balance at 1 April</b>	(13,609)
(1,276) Revaluation gain on non current assets	(490)
25 Depreciation of fixed assets	33
<b><u>(13,609) Balance at 31 March</u></b>	<b><u>(14,066)</u></b>

**Capital Adjustment Account**

The Capital adjustment account contains the difference between amounts provided for depreciation and impairment of assets and the capital expenditure financed from capital receipts. It also contains revaluation gains accumulated prior to 1 April 2007, the date the revaluation reserve was created. The Capital Adjustment Account is not available to support spending.

<b>31-Mar-18</b>	<b>31-Mar-19</b>
<b>£000</b>	<b>£000</b>
(21,920) <b>Balance at 1 April</b>	(22,107)
38 Amortisation of intangible fixed assets	36
735 Depreciation of fixed assets	706
142 Loss on revaluation	-
(74) Revaluation gain on non current assets	(338)
(392) Reversal of Capital Grants & Contributions Credited straight to services	(502)
341 Revenue Expenditure Funded From Capital Under Statute	437
(101) Revaluation of Investment Assets	(661)
- Net gain/loss on sale of fixed asset	12
(227) Statutory provision for financing	(226)
(649) Capital receipts applied	(534)
<b><u>(22,107) Balance at 31 March</u></b>	<b><u>(23,177)</u></b>

**Deferred Capital Receipts**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. The Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Usable Capital Receipts Reserve.

<b>31-Mar-18</b>	<b>31-Mar-19</b>
<b>£000</b>	<b>£000</b>
(19) <b>Balance at 1 April</b>	-
19 Reversal of Capital Grants & Contributions Credited straight to	-
<b><u>- Balance at 31 March</u></b>	<b><u>-</u></b>

**Pensions Reserve**

The Pensions Reserve is an adjustment account that manages the effects of IAS19 charges made to the Comprehensive Income and Expenditure Statement against the statutory requirements for meeting the cost of retirement benefits from local taxes, as well as absorbing the impact of actuarial gains and losses.

<b>31-Mar-18</b>		<b>31-Mar-19</b>
<b>£000</b>		<b>£000</b>
31,833	<b>Balance at 1 April</b>	26,453
(5,562)	Actuarial gains/losses on pension assets/liabilities	(3,448)
-	Revaluation gain on non current assets	9
2,818	Net charges made for retirement benefits in accordance with IAS19	3,453
(2,636)	Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	(932)
<b>26,453</b>	<b>Balance at 31 March</b>	<b>25,535</b>

**Collection Fund Adjustment Account**

Replaces the collection fund surplus balance attributable to this Authority and reflects the adjustment needed to allow accounting requirements to be reconciled to statutory requirements.

<b>31-Mar-18</b>		<b>31-Mar-19</b>
<b>£000</b>		<b>£000</b>
112	<b>Balance at 1 April</b>	(224)
(336)	Transfers to (from) Collection Fund Adjustment Account	390
<b>(224)</b>	<b>Balance at 31 March</b>	<b>166</b>

**Available for Sale Reserve**

This account holds the balance of leave/lieu time earned by employees but not taken at 31 March 2019. Accounting arrangements require leave due to employees to be charged to the Comprehensive Income and Expenditure Statement but not the General Fund.

<b>31-Mar-18</b>		<b>31-Mar-19</b>
<b>£000</b>		<b>£000</b>
178	<b>Balance at 1 April</b>	113
(65)	Transfers to (from) Available for Sale Reserve	(6)
<b>113</b>	<b>Balance at 31 March</b>	<b>107</b>

**Accumulated Absences Account**

Changes in the Fair Value of Available for Sale Assets are balanced by a entry in the Available for Sale Reserve.

<b>31-Mar-18</b>		<b>31-Mar-19</b>
<b>£000</b>		<b>£000</b>
79	<b>Balance at 1 April</b>	79
(79)	Employee Benefits Accrued (prior year adjustment)	(79)
79	Employee Benefits Accrued (current year adjustment)	51
<b>79</b>	<b>Balance at 31 March</b>	<b>51</b>

**18. MEMBERS' ALLOWANCES**

The total attendance allowances paid to Members were as follows:

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
219	Basic Allowance	220
14	Other Allowance	9
16	Expenses	12
<b>249</b>	<b>Total</b>	<b>241</b>

**19. REMUNERATION OF SENIOR STAFF**

The following table shows the remuneration for the Council's senior officers

<b>2018/19</b>	<b>Total Remuneration excluding Pension Contributions</b>	<b>Pension Contributions</b>	<b>Total Remuneration including Pension Contributions</b>
<b>Job Title</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Chief Executive	78	6	84
Director of Customers & Community	80	12	92
Director of Planning & Reg Servs	80	12	92
Director of Resources	81	12	93

The salary of the Chief Executive includes a sum for redundancy.

<b>2017/18</b>	<b>Name</b>	<b>Total Remuneration excluding Pension Contributions</b>	<b>Pension Contributions</b>	<b>Total Remuneration including Pension Contributions</b>
<b>Job Title</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>
Chief Executive		106	17	123
Director of Customers & Community		78	12	90
Director of Planning & Reg Servs (from 02/01/08)		19	3	22
Director of Resources (from 06/04/2017)		72	11	83

The post of Director of Planning and Regulatory Services was covered with Interim Consultant arrangements until 30 June 2017.

For this purpose 'remuneration' means all amounts paid to or receivable by an employee and includes employer pension contributions, sums due by way of expenses allowance (so far as those sums are chargeable to UK income tax) and the estimated money value of any other benefits received by an employee other than in cash.

The number of employees - other than senior officers shown in the table above - whose remuneration was in excess of £50,000 was as follows :

<b>2017/18</b>		<b>2018/19</b>
1	£50,000 - £54,999	2
1	£55,000 - £59,999	1
4	£60,000 - £64,999	1
-	£65,000 - £69,999	2
<b>6</b>		<b>6</b>

For this purpose 'remuneration' means all amounts paid to or receivable by an employee excluding employer pension contributions and including sums due by way of expenses allowance (so far as those sums are chargeable to UK income tax) and the estimated money value of any other benefits received by an employee other than in cash. Part time or temporary posts would be included at annualised cost.

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

( a ) Exit Package costs band (including special payments)	( b ) Number of compulsory redundancies		( c ) Number of other departures agreed		( d ) Total number of exit packages by cost band ( ( b + c ) )		( e ) Total cost of exit packages in each band	
	2017 /18	2018/19	2017 /18	2018/19	2017 /18	2018/19	2017 /18	2018/19
£0 - £20,000	1	13		1		14	2618	136,202
£20,001 - £40,000		3				3		94,459
Total cost included in bandings and in the CIES							2,618	230,661

\* The total cost of £230,661 in the table above includes £28,916 for exit packages that have been charged to the authority's Comprehensive Income and Expenditure Statement in the current year.

## 20. TERMINATION BENEFITS

Termination benefits are amounts payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.

£390,595 was paid out in termination benefits in 2018/19 in respect of 17 employees. (£2,618 in 2017/18 in respect of 1 employee).

**21. AUDIT AND INSPECTION COSTS**

The Council incurred the following fees relating to external audit and inspection work. The appointed auditors were Deloitte LLP (Ernst & Young (EY) LLP in 2017/18)

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
	Fees payable to Deloitte LLP (EY LLP in 2017/18)	
52	with regard to external audit services carried out for the year	48
13	Fees payable to (EY LLP in 2017/18) for the certification of Grant claims and returns for the year	0
	Fees payable in respect of other services	4
<b>65</b>	<b>Total</b>	<b>52</b>

**22. GRANT INCOME**

The Council credited the following Capital grants and contributions to the Comprehensive Income and Expenditure Statement - Taxation and Non Specific Grant Income:

It also credited the following Revenue grants and contributions to the Comprehensive Income and Expenditure Statement - Cost of Services:

<b>2017/18</b>	<b>Revenue Grants Credited to Services</b>	<b>2018/19</b>
<b>£000</b>		<b>£000</b>
93	NDR Admin Grant	91
58	Council Tax Admin Grant	56
27	Council Tax Benefit / LCTS Transition	-
145	Housing Benefit Admin Grant	134
14,123	Housing Benefits	13,762
11	Welfare Reform Changes	-
8	Transparency New Burdens	-
42	DCLG New Burdens Grant	-
11	Fraud & Error Reduction Incentive Scheme	-
20	Neighbourhood Plan Pilot Income	-
46	DCLG Homelessness Grant	52
1	Coastal Communities Grant	-
13	Electoral Registration / IER	11
<b>14,598</b>	<b>Total</b>	<b>14,106</b>



### 23. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or be controlled or influenced by the Council. The most significant related party transactions with these bodies are disclosed in the precepting bodies in the Collection Fund. Details of financial transactions with these bodies are disclosed in the Comprehensive Income and Expenditure Statement and associated notes.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in Note 18.

In 2013/14 the Council advanced a 10 year loan, totalling £100,000 to Stow Maries Great War Aerodrome Ltd, of which Cllr. A Fluker is a Trustee. £50,000 was outstanding and shown in the balance sheet as at 31/3/19.

Senior Offices with budgetary control had interests in the following companies where we had financial transactions in the year.

Fiona Marshall - shareholder in a local boat yard from whom we received £6,180 foreshore rent in 2018/19.

Shirley Hall - D Hall Electrical (owned by officers son) expenditure in 2018/19 of £6,072

A Register of Members Interests is held by the Council; in this document members set out details of their interests, as required by the Localism Act 2011 and also by the Council's Code of Conduct.

This information is published on the Council's website ([www.maldon.gov.uk](http://www.maldon.gov.uk)), using the search term 'Register of Interests'.

### 24. CAPITAL EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2019

	Vehicles, Plant & Equipment	Intangible Assets (Software Licences)	Land and Buildings	Infra- structure	Revenue Funded from Capital Under Statute	Renovation Loans	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Operational Assets</b>							
Prom Park entrance Refurbishment				1			1
New Accessible Playsite				5			5
Car Park Machines Prom & Maldon	4						4
Town Centre							
Waste Contract Purchase of Bins	22						22
PC & Printer Replacement Programme	14						14
I.T Network		4					4
I.T Contact Centre		160					160
I.T Digital Platform		9					9
I.T Windows 10		104					104
I.T Upgrades and API's		11					11
I.T Email replacement project		(9)					(9)
Coastal Trail		5		61			66
Heybridge Cemetery Chapel roof				3			3
Riverside Park Footpaths				1			1
New Car Parks signage (Town & Prom)	4						4
Replacement polling booths	7						7
Riverside Pk Information boards	9						9
Prom Park Road Repairs				3			3
All Weather Prom Car Parking Improvements				79			79
Minor Repair					1		1
<b>Investment Properties</b>							
99 Wood Road			1				1
<b>Total for Y/E 31 March 19</b>	<b>60</b>	<b>284</b>	<b>1</b>	<b>153</b>	<b>1</b>	<b>0</b>	<b>496</b>
<b>Total for Y/E 31 March 18</b>	<b>322</b>	<b>54</b>	<b>105</b>	<b>155</b>	<b>373</b>	<b>12</b>	<b>1,021</b>

**25. FINANCING OF CAPITAL EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2019**

The above expenditure was financed in the following ways:

<b>2017/18</b>			<b>2018/19</b>		
<b>Capital £000</b>	<b>REFCUS £000</b>	<b>Total £000</b>	<b>Capital £000</b>	<b>REFCUS £000</b>	<b>Total £000</b>
573	-	573	402	-	402
53	373	426	66	531	597
22	-	22	2	-	2
<b>648</b>	<b>373</b>	<b>1,021</b>	<b>470</b>	<b>531</b>	<b>1,001</b>

Usable capital receipts applied  
Government grants  
Other grants and contributions

Capital Financing Requirement (CFR):

<b>2017/18 £000</b>		<b>2018/19 £000</b>
-	Opening CFR	-
1,021	Capital Investments	496
(1,021)	Capital Financing	(1,001)
-	Closing CFR	(505)

**26. LEASES.****OPERATING LEASES****The Council as a Lessor**

The Council leases out property and equipment under operating leasing for the following purposes:

- for economic development purposes to provide suitable affordable accommodation for local businesses
- for the provision of community services such as river leases.

Income the Council is expecting to receive from minimum lease rental payments is analysed as:

<b>31-Mar-18 £000</b>		<b>31-Mar-19 £000</b>
420	Not later than one year	404
1,392	Later than one, and not later than five years	1,390
11,216	Later than five years	10,911
<b>13,028</b>	<b>Total</b>	<b>12,705</b>

**FINANCE LEASES****The Council as a Lessee**

The Council effectively "leases" Refuse vehicles indirectly through its contract with Suez as they use their vehicles solely on the Council's behalf. These are known as "embedded leases".

The assets acquired under these leases are carried as property, plant and equipment in the Balance Sheet at the following net amounts.

<b>31-Mar-18 £000</b>		<b>31-Mar-19 £000</b>
1,358	Embedded Leases	1,130
<b>1,358</b>		<b>1,130</b>

The Council's exposure to these minimum "embedded" lease payments is summarised below:

<b>31-Mar-18 £000</b>		<b>31-Mar-19 £000</b>
226	Current	226
1,131	Non - current	905
18	Finance costs payable in future years	13
<b>1,375</b>	<b>Minimum lease payments</b>	<b>1,144</b>

The minimum lease payments will be payable over the following periods:

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31-Mar-18 £000</b>	<b>31-Mar-19 £000</b>	<b>31-Mar-18 £000</b>	<b>31-Mar-19 £000</b>
Not later than one year	231	231	226	226
Later than one year and not later than five years	1144	914	1131	905
	<b>1,375</b>	<b>1,144</b>	<b>1,358</b>	<b>1,130</b>

## **27. DEFINED BENEFIT PENSION SCHEME**

### **Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers and other employees, the Council makes contributions to the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments, which needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered by Essex County Council. This is a funded defined benefits final salary/career average scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

### **Transactions Relating to Post-Employment Benefits**

The cost of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required against Council Tax is based on the cash contributions payable to the Pension Fund in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
	<b><u>Service Cost</u></b>	
1,976	Current service cost	2,768
17	Past service cost (including curtailments and administration)	968
<b>1,993</b>	<b>Total Service Cost</b>	<b>3,736</b>
	<b><u>Financing and Investment Income and Expenditure</u></b>	
825	Net Interest on the Net Pension Liability	665
<b>2,818</b>	<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>4,401</b>
	<b>Remeasurements of the Net Defined Liability Comprising:</b>	
(2,020)	Return on plan assets excluding amounts included in net interest	(2,691)
0	Changes in demographic assumptions	(4,210)
(3,542)	Changes in financial assumptions	3,453
	Other	
<b>(5,562)</b>	<b>Total remeasurements recognised in other comprehensive income</b>	<b>(3,448)</b>
<b>(2,744)</b>	<b>Total Post Employment Benefits Charged to the Comprehensive Income and</b>	<b>953</b>
	<b><u>Movement in Reserves Statement</u></b>	
(2,818)	Reversal of net changes made to the surplus or deficit on the provision of services	(4,401)
2,636	Employers' Contributions Payable to the Scheme	932
<b>(182)</b>		<b>(3,469)</b>

Future Employer Contributions will be subject to the triennial review that is currently underway.

**27. DEFINED BENEFIT PENSION SCHEME cont.****Pensions Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit scheme is as follows:

<b>2017/18</b>	<b>2018/19</b>
<b>£000</b>	<b>£000</b>
(73,025) Present value of funded liabilities	(75,134)
48,068 Fair value of employer assets	50,972
(1,496) Present value of unfunded liabilities	(1,373)
<b>(26,460) Net Liability Arising From Defined Benefit Obligation</b>	<b>(25,535)</b>

Reconciliation of the Movements in Fair Value of Scheme Assets

Transactions Relating to Post-Employment Benefits

<b>2017/18</b>	<b>2018/19</b>
<b>£000</b>	<b>£000</b>
43,766 Opening fair value of scheme assets	48,059
1,196 Interest income	1,213
<b>Remeasurement gain</b>	
2,020 Return on plan assets excluding amounts included in net interest	2,691
Other actuarial gains/(losses)	
(17) Administration expenses	(20)
2,636 Contributions from employer	932
347 Contributions from employees into the scheme	337
(1,884) Benefits paid	(2,240)
<b>48,059 Closing Fair Value of Scheme Assets</b>	<b>50,972</b>

Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)

<b>2017/18</b>	<b>2018/19</b>
<b>£000</b>	<b>£000</b>
75,602 Opening fair value of scheme liabilities	74,521
1,976 Current service cost	1,820
2,021 Interest cost	1,878
347 Contributions from scheme participants	337
<b>Remeasurement gain</b>	
Changes in demographic assumptions	(4,210)
(3,542) Changes in financial assumptions	3,453
(113) Other	(115)
Past service cost	948
(1,771) Benefits paid	(2,125)
<b>74,521 Closing Fair Value of Scheme Liabilities</b>	<b>76,507</b>

**Defined Benefit Pension Scheme Risks**

In general, participating in a defined benefit pension scheme means that the Council is exposed to a number of risks:

- **Investment risk:** the Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- **Interest rate risk:** the Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- **Inflation risk:** all of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- **Longevity risk:** on the event that the members live longer than assumed a deficit will emerge on the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Essex Pension Fund, there is an orphan liability risk where employers leave the Fund with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the above may also benefit the Council e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

**27. DEFINED BENEFIT PENSION SCHEME cont.****Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, estimates for the Essex County Council Fund being based on the latest valuation of the scheme.

The principal assumptions used by the actuary have been:

2017/18	Assumptions	2018/19
Long term expected rate of return on assets in the scheme:		
Longevity at 65 for current pensioners:		
22.2 Years	Men	21.3 Years
24.7 Years	Women	23.6 Years
Longevity at 65 for future pensioners:		
24.4 Years	Men	22.9 Years
27.0 Years	Women	25.4 Years
Financial assumptions:		
3.3%	RPI increases	3.4%
2.3%	CPI increases	2.4%
3.8%	Rate of increase in salaries	3.9%
2.3%	Rate of increase in pensions	2.4%
2.6%	Rate for discounting scheme liabilities	2.4%

The Discretionary Benefits arrangements have no assets to cover its liabilities.

The Scheme's assets consist of the following categories, by proportion of the total assets held:

2017/18			2018/19	
£000	%		£000	%
31,366	65	Equities	31,735	62
3,197	7	Gilts	2,705	5
1,785	4	Other Bonds	2,979	6
4,559	9	Property	4,532	9
1,653	4	Cash	1,342	3
3,550	7	Alternative Assets	4,970	10
1,949	4	Other	2,709	5
<b>48,059</b>	<b>100</b>	<b>Total</b>	<b>50,972</b>	<b>100</b>

Based on the above, Maldon District Council's share of the assets of the total Essex Pension Fund is approximately 1%.

**Sensitivity Analysis: present value of total obligation**

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant.

The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

2017/18			Adjustment to:	2018/19		
£000	£000	£000		£000	£000	£000
+0.1%	0.0%	-0.1%	discount rate	+0.1%	0.0%	-0.1%
73,174	74,521	75,893		74,586	75,960	77,361
+0.1%	0.0%	-0.1%	long term salary increase	+0.1%	0.0%	-0.1%
74,668	74,521	74,375		76,115	75,960	75,806
+0.1%	0.0%	-0.1%	pension increases & deferred revaluation	+0.1%	0.0%	-0.1%
75,749	74,521	73,316		77,205	75,960	74,738
+1 Year	None	-1 Year	mortality age rating assumption	+1 Year	None	-1 Year
77,346	74,521	71,802		78,835	75,960	73,192

## **28. CONTINGENT LIABILITIES**

### **Planning Appeals (Award of Costs)**

As a local planning authority, decisions are made in relation to planning applications; there is a process in place which enables appeals to be made against these decisions. Historically some of the appeals that have been lodged have been upheld and have resulted in costs being awarded against the Council. A provision has been made, below, in relation to appeals that have been upheld and where there is an expectation of costs being awarded against the Council. Where an appeal decision has not yet been made there is also potential that the Council may incur future costs, however at this stage it remains improbable and is not quantifiable.

## **29. PROVISIONS**

	<b>2017/18</b>	<b>Additional Provisions made</b>	<b>Amounts Utilised in 2018/19</b>	<b>Unused amounts reversed</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Short Term: &lt; 1 year</b>					
Planning Appeals	74	0	(7)	(13)	54
Business Rate Appeals	577	640	(189)	0	1,027
Total Short Term	651	640	(196)	(13)	1,082
<b>Long Term: &gt; 1 year</b>					
Insurance	100	-	-	-	100
Total Long Term	100	-	-	-	100
Total Provisions	751	640	(196)	(13)	1,182

### **Insurance**

This provision is for the coverage of probable insurance claims under the Municipal Mutual Insurance Scheme (MMI) Clawback Scheme of Arrangement. MMI ceased accepting new claims in 1992, however under the scheme of arrangement, the Council are liable for a proportion of costs that aren't covered in full by MMI.

### **Planning Appeals**

See also above, provision is made where there is a probable obligation.

### **Business Rates Appeals**

Provision is made for outstanding rating appeals based on information supplied by the Valuation Office, as well as for appeals which are as yet unlogged.

## **GLOSSARY**

### **Accounting Policies**

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- recognising;
  - selecting measurement bases for; and
  - presenting
- assets, liabilities, gains, losses and changes to reserves

### **Accruals Concept**

Income and expenditure is recognised where it is earned or incurred, not when money is received or paid.

### **Accumulated Absences**

Holiday entitlements, or any other form of leave such as time off in lieu earned by employees, which has not been taken by the end of the financial year and can be carried forward to the next financial year.

### **Actuarial Gains and Losses**

For a defined benefit pension scheme, actuarial gains and losses are the changes in the actuarial surplus/deficits which arise because either events have not coincided with previous actuarial assumptions or where actuarial assumptions have changed.

### **Actuary**

An expert who advises on the cost of pensions and determines whether the Pension fund is adequate to meet its commitments.

### **Amortisation**

Spreading the cost of an intangible asset over the expected periods of its use and benefit to the Council.

### **Appropriations**

The transfer of resources between revenue/capital accounts and the reserves held by the Council.

### **Assets Held for Sale**

Non-current assets which are no longer required by the Council and are marketed for sale/disposal

### **Capital Adjustment Account (CAA)**

An account which reflects the timing difference between the charges to the CIES account for the use of non-current assets to provide services over a number of years, and actual funds set aside to pay for the original cost of assets.

### **Capital Expenditure**

Expenditure relating to the acquisition or enhancements of property, plant & equipment assets, heritage assets, intangible assets and investment property and certain other items meeting the definition of capital expenditure under statute.

### **Capital Financing Requirement**

This is a measure of the Council's need to borrow funds to pay for capital expenditure.

### **Capital Receipts**

Proceeds from the sale of an asset. Sums received and not yet used for further capital expenditure are held in the Usable Capital Receipts reserve.

### **Capital Programme**

The council's budget for capital expenditure and resources over the current and future years. Income generated from the sale of capital assets and the repayment of grants/loans given for capital purposes. The government prescribes the amount of the receipt which must be set aside to repay debt and the usable amount which may be used for finance capital expenditure.

### **Cash and Cash Equivalents**

Cash available at immediate notice and short-term investments readily convertible to cash without risk to the principal sum.

### **Collection Fund**

A fund administered by the Council recording receipts from Council Tax and Business Rates, and payments to the General Fund and other public authorities, including Central Government.

**GLOSSARY CONT.****Commitments**

Budget provision for specific items that are committed or planned for a year where the specific goods or services are not received by 31 March and for which there is no provision in the following year. Such budgets may be formally 'carried forward' to the following year to match the committed or planned expenditure.

**Community Assets**

Assets that the Council does not plan to sell and which have no definite useful life. Examples of community assets are parks and historic buildings.

**Contingent****Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

**Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

**Council Tax**

A local tax charged to the occupiers of residential properties used to finance the budget of the Council for the year.

**Creditors**

Amounts owed by the Council for goods, services and works that have been received by the Council for which no payments have been made by the Council at the Balance Sheet date.

**Current Asset**

Asset held which will be realised, sold or consumed within the next financial year.

**Current Liability**

Amounts which will be settled within the next financial year.

**Current Service Cost (Pensions)**

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period

**Curtailment**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits

**Debtors**

Amounts owed to the Council for goods, services and works that have been provided by the Council for which payments have not been received by the Council at the Balance Sheet date.

**Defined Benefit Pension Scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).



**GLOSSARY CONT.****Depreciation**

The measure of the loss in the value of an asset during the period due to age, wear and tear, deterioration or obsolescence. This charge is spread over the useful life of the asset.

**Earmarked Reserves**

Amounts set aside for future commitments or potential liabilities.

**Effective Interest Rate (EIR)**

The rate of interest necessary to discount the expected cash flows on a financial instrument in order to reduce its amortised cost to equal the amount of the original principal invested or borrowed.

**Fair Value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

**Financial Instruments**

These are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The financial instruments held by the Council include borrowings, investments, creditors and debtors.

**Finance Lease**

A lease which effectively transfers the risk of ownership of a non-current asset from a lessor to a lessee in return for a series of regular payments. Where the Council has obtained non-current assets by finance lease these assets are shown on the Council's balance sheet.

**Financial Year**

The period of twelve months covered by the accounts, which commences on 1st April.

**General Fund**

The main revenue fund of the Council, which summarises the cost of all services the Council provides.

**Going Concern**

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the income and expenditure accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

**Gross Book Value**

This represents the original price paid for an asset adjusted for subsequent revaluations, acquisitions, enhancements and disposals.

**Heritage Assets**

A heritage asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

**Impairment**

A reduction in the value of a non current asset caused by a specific event occurring to the asset.

**Intangible Assets**

Assets which do not have a physical substance but are identifiable and are controlled by the Council through custody or legal rights. Examples of such asset are software licences.

**Inventory**

The amount of unused or unconsumed inventory held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Inventories comprise the following categories:

- goods or other assets purchased for resale;
- consumable stores;
- raw materials and components purchased for incorporation into products for sale;
- products and services in intermediate stages of completion;
- long-term contract balances; and
- finished goods.

**GLOSSARY CONT.****Investment Property**

Property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of operations.

**Leases**

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

**Business Rates**

This is a levy paid by the occupiers of non residential properties within the Council's district. It is charged on the rateable value of each non residential property multiplied by a uniform amount set annually by central government. This levy contributes to the cost of providing local authority services. The NDR income collected is redistributed between Maldon District Council, Central Government, Essex County Council and Essex Fire and Crime Commissioner.

**Non Distributed Costs**

These are overhead costs which provide no benefits to services and are therefore not distributed to services. These include pensions arising from discretionary added years service.

**Net Book Value (NBV)**

The Net Book Value of an asset is equivalent to its gross book value, less cumulative depreciation and impairment charges. Assets are included in the Balance Sheet at their net book value.

**Precept**

This is the amount that local authorities providing services within the Maldon District require to be paid from the Collection fund to meet the net cost of their services. The Council Tax requirement is made up of the sum of all the precepts levied on the Billing Authority. For the Maldon district – precepts are raised by Maldon District Council, Essex County Council, PFCC for Essex Policing and Community Safety, Essex PFCC Fire & Rescue Authority and Town and Parish Councils.

**Principal Amount**

The original amount of debt or investment on which interest is calculated.

**Property, Plant and Equipment (PPE)**

Assets held by the Council, which are directly used or occupied by the Council in the delivery of the Council's services. These are tangible assets (e.g. land, buildings, vehicles etc.) which yield benefit to the Council for a period of more than a year.

**Provision**

Amounts set aside where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

**Prudential Code**

This Code is developed by CIPFA and sets out the system of capital financing and capital controls for local authorities. Prudential limits apply to all borrowing, qualifying credit arrangements and other long-term liabilities – whether supported by government or entirely self-financed. The system is designed to encourage authorities that need, and can afford, to borrow for capital investment to do so. The Code seeks to ensure that local authorities' capital investment plans are affordable, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice; and that local strategic planning, asset management planning and proper option appraisal are supported.

**Revaluation**

A technique used to adjust the value of certain classes of Property, Plant and Equipment assets to their fair value.

**Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset.

**Revenue Support Grant (RSG)**

Central government provides financial support towards the general expenditure of local authorities. The entitlement of each local authority is determined by a prescribed methodology.

**Useful Life**

The period over which benefits will be derived from the use of Property, Plant and equipment asset.

# MALDON DISTRICT COUNCIL

Princes Road  
Maldon  
Essex CM9 5DL

[www.maldon.gov.uk](http://www.maldon.gov.uk)



## Statement of accounts

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, in accordance with proper accounting practices. These Practices are prescribed by the 'Code of Practice on Local Authority Accounting in the United Kingdom' and comply with International Financial Reporting Standards (IFRS).

The purpose of the accounts is to present a true and fair view of the financial results of the Council's activities for the year ended 31 March, and to summarise the overall financial position of the Council as at the 31 March.

The Statement of Accounts are externally audited.

The draft accounts for 2018/19 (unaudited) are presented below:

[http://www.maldon.gov.uk/download/downloads/id/17707/draft\\_statement\\_of\\_accounts\\_2018-19.pdf](http://www.maldon.gov.uk/download/downloads/id/17707/draft_statement_of_accounts_2018-19.pdf)

### **Maldon District Council**

Audit of Accounts: Year ended 31 March 2019

### **Publication of statement of accounts, annual governance statement and narrative statement**

#### **The Accounts and Audit (England) regulations 2015 – Regulation 10**

The external audit of the draft statement of accounts for the year ended 31 March 2019 has not yet been completed by our external auditors, Deloitte LLP. This situation is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015.

The Council published its unaudited draft accounts by the 31 May 2019 (in accordance with Regulations 9 and 14 of the Accounts and Audit Regulations 2015).

Therefore, this notification explains, as per paragraph (2a), that we are not yet able to publish our audited 2018/19 final statement of accounts in line with deadline for 31<sup>st</sup> July 2019, as per paragraph (1). The Performance, Governance and Audit Committee will consider the results of the 2018/19 audit at its meeting on 28 November 2019 by way of a report from the external auditor on the audit for the year ended 31 March 2019, after which we will publish the final audited statement of accounts upon receipt of the external auditor's audit opinion.

Kamal Mehta  
Interim Section 151 Officer  
Maldon District Council  
14 November 2019

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## **REPORT of INTERIM SECTION 151 OFFICER**

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**to  
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE  
28 NOVEMBER 2019**

### **ANNUAL AUDIT AND CERTIFICATION OF FEES 2019/20**

#### **1. PURPOSE OF THE REPORT**

- 1.1 This report is to inform the Performance, Governance and Audit Committee of the audit fee for Deloitte LLP, the Council's External Auditor for
- 1.2 The year to 31 March 2020 (financial year 2019/20).

#### **2. RECOMMENDATION**

- 2.1 That the content of this report be noted.

#### **3. SUMMARY OF KEY ISSUES**

- 3.1 The audit and certification work that Deloitte LLP will be undertaking for the 2019/20 financial year at Maldon District Council includes:
  - Audit of the financial statements;
  - Value for money conclusion; and
  - Whole of Government accounts.
- 3.2 The indicative external audit fee payable by the Council for 2019/20 as per the letter received from Deloitte LLP on the 29 April 2019 is expected to be approximately £37,942 excluding VAT. The fee is set by Public Sector Audit Appointments Ltd (PSAA) which the Council opted into to procure and appoint its external auditor. The fee letter is included at **APPENDIX 1**.
- 3.3 The Council is also required to make arrangements for the certification of Housing Benefit (HB) Subsidy Claim. The cost of this is expected to be approximately £15,000 which is undertaken under a separate contract directly with the Council by BDO LLP. The HB Subsidy Claim audit and certification is carried out under directions and requirements set out by the Department of Work and Pensions (DWP).

#### **4. CONCLUSION**

- 4.1 This report updates the Performance, Governance and Audit Committee on the external audit and HB Subsidy Claim audit and certification fees for the current year (2019/20).

#### **5. IMPACT ON STRATEGIC THEMES**

- 5.1 The report links to the Maldon District Council's Strategic Theme of best value procurement and project management ensured.

#### **6. IMPLICATIONS**

- (i) **Impact on Customers** – None.
- (ii) **Impact on Equalities** – None.
- (iii) **Impact on Risk** – None.
- (iv) **Impact on Resources (financial)** – The indicative audit fee for 2019/20 is expected to be £37,942. This is contained within the budget.
- (v) **Impact on Resources (human)** – None.
- (vi) **Impact on the Environment** – None.

Background Papers: None.

Enquiries to: Kamal Mehta, Interim section 151 Officer (Tel: 01621 875762).



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29 April 2019

Emma Foy  
Maldon District Council  
Council Offices  
Princes Road  
Maldon  
Essex  
CM9 5DL

Dear Emma,

### **Fee for the audit of the accounts of Maldon District Council for the year ending 31 March 2020**

We are writing to set out our fee for the audit of the accounts of Maldon District Council for the year ending 31 March 2020.

### **Proposed fee for the audit**

The scale fee for the audit published by Public Sector Audit Appointments Limited (PSAA) in respect of the year ending 31 March 2020, consistent with the scale for 2018/19 is £37,942.

We do not propose any variations to the scale fee at this stage however we note that the Council will be moving to a new finance system which will require us to perform additional work. Once we have assessed the level of work required we will agree any fee amendment required.

### **Work programme**

Our audit work will be undertaken under the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The Code sets the overall scope of the audit, requiring the auditor to give an opinion on the financial statements of a principal body subject to audit under the 2014 Act, and a conclusion on the arrangements for value for money.

The audited body is responsible for putting in place appropriate arrangements to support the proper conduct of public business, and for ensuring that public money is safeguarded, properly accounted for and used with due regard to value for money.

The Code requires that the auditor's work should be risk-based and proportionate. We tailor our work to reflect local circumstances and their assessment of audit risk. We do this by assessing the significant financial and operational risks facing an audited body, and evaluating the arrangements it has put in place to manage those risks.

Whilst this is the second year of our appointment, we are yet to complete the audit for 2018/19 at the date of this letter. Our risk assessment specific to the 2019/20 has therefore not yet been performed. Our fee assumes that no risk-based value for money work will be required.

Once we have completed our detailed planning and risk assessment procedures for the purposes of the 2019/20 audit, we will present our audit plan to those charged with governance and provide an explanation

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for any variances (if applicable) to the published scale rate set out in this letter and following the approval process described below.

## **Assumptions on which the fee is based**

The 2019/20 scale fee and our proposed fee is based on the following assumptions:

- there are no significant changes (compared to that applying to 2018/19 and reflected in the published fee scale for that year) in NAO guidance for auditors, professional standards, or CIPFA/LASAAC financial reporting requirements that would affect materially the amount of audit work to be undertaken for our 2019/20 audit;
- the authority is able to provide us with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes; and
- audit risk and complexity are similar to the level identified and reflected in the scale fee for 2019/20, including that: the authority maintains a strong control environment; and our detailed risk assessment work does not identify the need to undertake pieces of risk-based value for money work.

The proposed fee does not include fees for considering objections or any special investigations, such as those arising from disclosures under the Public Interest Disclosure Act 1998. These will be charged as a variation to the scale fee using the procedure described below.

Certification work is not covered by PSAA's audit contract and is therefore not within the scope of this letter. If such work is requested, it would be subject to separate agreement of fee, and a separate engagement letter.

The fees exclude value added tax (VAT), which will be charged at the prevailing rate of 20 per cent on all work done.

## **Variations to the proposed fee**

Where it becomes clear that the amount of work required is significantly different to that which would be expected based on these assumptions (and reflected in the above fees), we will request a variation to the proposed fee.

We will first discuss the reasons for the additional fee with you and then submit a request to PSAA for a variation in the fee. PSAA has the power to determine the audit fee payable, which may vary from the prescribed scale fee, where it concludes that substantially more or less audit work was required than envisaged by the scale fee.

Yours sincerely



**Craig Wisdom**  
Deloitte LLP





## **REPORT of INTERIM SECTION 151 OFFICER**

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to  
**PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE**  
**28 NOVEMBER 2019**

### **INTERNAL AUDIT PROGRESS REPORT OCTOBER 2019**

#### **1. PURPOSE OF THE REPORT**

1.1 This report provides by way of appendices a number of reports issued by BDO LLP, the Council's Internal Audit Service provider to this meeting of the Committee:

- Internal Audit Progress Report November 2019 at **APPENDIX 1**;
- Internal Audit Follow Up of Recommendations November 2019 at **APPENDIX 2**; and,
- Procurement and Contract Management November 2019 Final at **APPENDIX 3**

#### **2. RECOMMENDATIONS**

That the Committee considers and comments on:

- (i) Internal Audit Progress Report November 2019 at **APPENDIX 1**;
- (ii) Internal Audit Follow Up of Recommendations November 2019 at **APPENDIX 2**, and,
- (iii) Procurement and Contract Management November 2019 Final at **APPENDIX 3**

#### **3. SUMMARY OF KEY ISSUES**

- 3.1 BDO LLP are the Council's contracted Internal Audit Service provider. The Partner, Mr. Greg Rubins fulfils an equivalent role to that of a Head of Internal Audit.
- 3.2 The Internal Audit Service is there to provide assurance to Management of the adequacy of internal controls and checks in the organisation and to highlight any risks that the Council may be exposed to in its overall and day to day operations.
- 3.3 As such, Internal Audit is independent of Management and operates, performs to and is measured against The UK Public Sector Internal Audit Standards (PSIAS) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In addition, CIPFA has also issued a Statement on the Role of the Head of Internal Audit.
- 3.4 The reports attached in the three appendices will be presented to the Committee and discussed by Mr. Greg Rubins.

- 3.5 Normally, Director of Resources is the Client Officer for the Internal Audit Service however due to the Director's post being vacant currently, the Interim Section 151 Officer is fulfilling the role.

#### **4. CONCLUSION**

- 4.1 This report together with the reports attached as Appendices allows the Committee to fulfil its remit of overseeing governance.

#### **5. IMPACT ON STRATEGIC THEMES**

- 5.1 Internal Audit cuts across the delivery of all the Strategic Themes of the Council.

#### **6. IMPLICATIONS**

- (i) **Impact on Customers** – any impact on customers will be highlighted with the reports in the appendices.
- (ii) **Impact on Equalities** – any impact on equalities will be highlighted with the reports in the appendices if it is within the scope of the audit work carried out.
- (iii) **Impact on Risk** – Any risks identified as a result of the findings of the internal audit work are highlighted with the individual reports and summarised in the Progress Update and Follow Up of recommendations reports.
- (iv) **Impact on Resources (financial)** – Same comment applies here as for Impact on Risk above.
- (v) **Impact on Resources (human)** – Same comment applies here as for Impact on Risk above.
- (vi) **Impact on the Environment** – Same comment applies here as for Impact on Risk above.

Background papers: None.

Enquiries to: (Tel: 01621 875762)  
Kamal Mehta, Interim Section 151 Officer  
Emma Donnelly - BDO  
Greg Rubins - (BDO)

# INTERNAL AUDIT PROGRESS REPORT

MALDON DISTRICT COUNCIL

NOVEMBER 2019

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# SUMMARY OF 2019/20 WORK

This report is intended to inform the Performance, Governance & Audit Committee of progress made against the 2019/20 internal audit plan. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.

## Internal Audit Methodology

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in Appendix 1 of this report, and are based on us giving either "substantial", "moderate", "limited" or "no". The four assurance levels are designed to ensure that the opinion given does not gravitate to a "satisfactory" or middle band grading. Under any system we are required to make a judgement when making our overall assessment.

## 2019/20 Internal Audit Plan

The following audit has been issued in final since the last committee:

- Procurement and Contract Management (issued as a separate paper)

The following audits are underway and will be brought to the next Committee:

- IT Disaster Recovery (draft report issued w/c 11 November 2019)
- Main Financial Systems (fieldwork scheduled w/c 11 November 2019)

## Reports for this Committee

- Follow Up of Internal Audit Recommendations

## Changes to the Plan

Following discussion at CTM on 6 November 2019, the internal audit plan has been revised and an updated version will be brought to the next Committee for discussion and approval.

# REVIEW OF 2019/20 WORK

Audit Area	Audit Days	Planning	Fieldwork	Reporting	Opinion Design	Effectiveness
Main Financial Systems	20	✓	✓	January 2020		
Risk Maturity Assessment	15	✓	✓	August 2019	N/A	N/A
Corporate Governance	20	✓		April 2020		
Workforce Management	15	✓		February 2020		
Transformation Programme	25	✓		April 2020		
GDPR Compliance	15	✓	✓	August 2019	Substantial	Moderate
IT Disaster Recovery	20	✓	✓	January 2020		
Procurement & Contract Management	15	✓	✓	November 2019	Moderate	Limited
Management of Property	15	✓		April 2020		
Corporate Plan and Priorities	15	✓		February 2020		

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# SECTOR UPDATE

Our quarterly Local Government briefing summarises recent publication and emerging issues relevant to Local Authorities that may be of interest to your organisation. It is intended to provide a snapshot of current issues for senior managers, directors and members.

## Increase in local authority investments in shopping centres and increased reserves

Research conducted by retail property consultants Revo and Lamber Smith Hampton has identified the increased trend in local authority investment in shopping centres. UK councils have spent £770m on shopping centres since 2016, with nearly one in five local authority transactions relating to shopping centre investment. The investments are predicted to reach £1bn by 2020. The head of planning, development and regeneration at LSH said "We are fully supportive of councils acquiring shopping centres as a catalyst for change, but only where they are underpinned by robust and fully costed business plans and investment strategies, as part of wider regeneration and income-generating objectives."

<https://www.publicfinance.co.uk/news/2019/09/council-investment-shopping-centres-predicted-reach-ps1bn-mark>



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## Local Authority Reserves

CIPFA chief executive Rob Whiteman has suggested local authorities appear to be expecting austerity to continue, as latest figures show increased reserves. Data released in August 2019 showed Local Authority reserves were up 7.4% in total, however there was a large variation between authorities, with 37% of local authorities making a net use of their reserves in 2018-19. Excluding education spending, councils spent 1% more in 2018/19 than the previous year, taking into account inflation. One of the most significant increases is in adult and children's social care (5.1% and 5.8% increases respectively), highlighting the pressures on these particular areas.

<https://www.publicfinance.co.uk/news/2019/08/english-councils-expect-further-squeeze-reserve-levels-rise>



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## The benefits of full-fibre/5G and innovative ways to introduce technology into local authorities

A report from the Broadband Stakeholder Group (BSG), based on research provided by Oxera Consulting, has stated how local governments can benefit from full-fibre and 5G. According to the report local governments are crucial to the ability of telecoms operators to provide the UK with the necessary networks and infrastructure to support connectivity requirements.



Local authorities are expected to see benefits from this in the form of being able to enhance services such as home care, as well as boosting local

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economic activity, with the report estimating employment could increase by up to 1.7% in some areas. In areas currently suffering with poor coverage the introduction of enhanced networks is estimated to result in a 3.2% rise in the number of local businesses. For a local authority with an annual business rates income of £400,000 this would equate to an extra £10,000pa. The increased connectivity could also help tackle local issues such as deprivation and antisocial behaviour.

<https://www.governmentcomputing.com/local-government/industry-news/bsg-local-governments-5g-full-fibre>

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### **Councils invited to apply for digital funding to boost services**

In August 2019 the government announced plans for councils to be able to bid for grants to develop 'innovative ways' to improve public services through technology, with a fund of up to £7.5m to be shared by local authorities and a maximum of £350k per project. Previous examples include using Amazon's Alexa to assist people in need of care, using AI to produce education plans, developing online payment for services and helping social housing tenants log repairs digitally. Luke Hall, the Minister for Local Government stated "Councils are on the front line of exploring how we can harness technology to improve services while saving taxpayers' money." In each project, a lead council will partner with at least two other authorities from across the country to share knowledge, skills and ideas.

<https://www.gov.uk/government/news/councils-invited-to-apply-for-digital-funding-to-boost-services>

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### **Council set to save £5m a year by introducing virtual assistant technology**

A recent example of successful technology implementation comes from Wiltshire Council, who introduced virtual assistant technology to speed up the authority's payroll service. The council is planning to continue increasing the number of services digitally available and claim it will save the council £5m every year by 2021.

<https://www.wiltshiretimes.co.uk/news/17906928.virtual-assistants-come-online-save-cash-local-authority/>

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### **Local authorities required to have recycling collections in place by 2023 and could risk legal action if they do not include carbon targets in local plans**

The Department for Environment, Food and Rural Affairs has announced new legislation that will require all local authorities in England to have recycling collections in place by 2023. The authority collections should include separate collections for glass, plastic, aluminium, paper and card. The department also announced that packing producers will be required to pay the full cost of disposing of packaging, currently packaging producers pay only around 10% of the costs. Martin Tett, environment spokesperson for the Local Government Association, said: "We support moves to a clearly defined core set of recyclable materials, provided it is fully funded, as well





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as further work on how funding from packaging producers and retailers will be allocated to councils”.

<https://www.publicfinance.co.uk/news/2019/07/english-councils-must-have-recycling-collections-set-2023>

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### Local Plan 15-year vision for development in their areas

ClientEarth has warned that Local Authorities could risk legal action if they do not include carbon targets in their Local Plans. Local planning authorities now have a legal obligation to include carbon reduction targets in a 15-year vision for development in their areas. ClientEarth climate lawyer, Sam Hunter Jones, has said “So many of the daily decisions around new and existing infrastructure – such as new buildings, roads and utilities – are made at the local level. All of these decisions will ‘lock in’ an area’s future emissions and its resilience to climate change.” Local Authorities are therefore obliged to be “Climate Sensitive” when planning upcoming infrastructure and housing development.





<https://www.publicfinance.co.uk/news/2019/09/councils-not-including-carbon-targets-local-plans-risk-legal-action1>

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# APPENDIX 1

## OPINION SIGNIFICANCE DEFINITION

Level of Assurance	Design Opinion	Findings from review	Effectiveness Opinion	Findings from review
<b>Substantial</b> 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
<b>Moderate</b> 	In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
<b>Limited</b> 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
<b>No</b> 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

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# INTERNAL AUDIT FOLLOW UP OF RECOMMENDATIONS REPORT

MALDON DISTRICT COUNCIL

NOVEMBER 2019

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# Summary

## 2016/17

	Total Recs	H	M	L	To follow up	Complete		In progress		Overdue		No Response		Not Due		% Complete
						H	M	H	M	M	M	H	M	H	M	
16/17. Channel Shift	7	-	7	-	7	-	1	-	-	-	6	-	-	-	-	14%
16/17. Information Governance PCI/DSS	4	1	3	-	4	-	4*	-	-	-	-	-	-	-	-	100%
16/17. Planning	5	-	5	-	5	-	4	-	-	-	1	-	-	-	-	80%
16/17. Flooding	5	-	5	-	5	-	3	-	-	-	2	-	-	-	-	60%
	21	1	20	-	21	-	12	-	-	-	9	-	-	-	-	

## 2017/18

	Total Recs	H	M	L	To follow up	Complete		In Progress		Overdue		No Response		Not Due		% Complete
						H	M	H	M	H	M	H	M	H	M	
17/18. Economic Development/ Business Rate Growth	4	-	4	-	4	-	3	-	-	-	-	-	-	-	1	75%
17/18. Partnership Working	3	-	1	2	1	-	1	-	-	-	-	-	-	-	-	100%
17/18. Disaster Recovery and Business Continuity	6	-	5	1	5	-	5*	-	-	-	-	-	-	-	-	100%
17/18. Contract Procurement Management and Purchasing	6	-	3	3	3	-	3	-	-	-	-	-	-	-	-	100%
17/18. Attendance Management	2	-	1	1	1	-	1	-	-	-	-	-	-	-	-	100%
17/18. Elections Improvement Plan	6	-	3	3	3	-	3	-	-	-	-	-	-	-	-	100%
17/18. Business Resilience	5	-	3	2	3	-	3	-	-	-	-	-	-	-	-	100%
17/18. Budget Setting	1	-	1	-	1	-	1	-	-	-	-	-	-	-	-	100%
	33	-	21	12	21	-	20	-	-	-	-	-	-	-	1	

## 2018/19

18/19. Fraud Risk Assessment  
18/19. Budgets and Performance Management  
18/19. Main Financial Systems  
18/19. Safe and Clean Environment  
18/19. Transformation Programme  
18/19. Local Development Plan  
18/19. Building Control

Total Recs	H	M	L	To follow up	Complete		In progress		Overdue		No Response		Not Due		% Complete
					H	M	H	M	M	M	H	M	H	M	
1	1	-	-	1	-	-	1	-	-	-	-	-	-	-	0%
4	-	1	3	1	-	1	-	-	-	-	-	-	-	-	100%
2	-	1	1	1	-	1	-	-	-	-	-	-	-	-	100%
6	-	5	1	5	-	3	-	-	-	-	-	-	-	2	60%
1	-	1	-	1	-	-	-	-			-	-	-	1	0%
3	-	2	1	2	-	-	-	-	-	-	-	-	-	2	0%
5	2	3	-	5	-	-	-	-	-	-	-	-	2	3	0%
20	2	13	6	16	-	5	1	-	-	-	-	-	2	8	

## 2019/20

19/20. GDPR Compliance  
19/20. Risk Maturity Assessment

Total Recs	H	M	L	To follow up	Complete		In progress		Overdue		No Response		Not Due		% Complete
					H	M	H	M	M	M	H	M	H	M	
3	-	3	-	3	-	-	-	-	-	-	-	-	-	3	0%
7	-	7	-	7	-	-	-	-	-	-	-	-	-	7	0%
10	-	10	-	10	-	-	-	-	-	-	-	-	-	10	



---

# Summary

We regularly follow up progress with the implementation of recommendations raised by Internal Audit and we report to the Performance, Governance & Audit Committee. We request commentary by responsible officers on the progress towards implementation of our recommendations and for high and medium priority recommendations we verify the progress to source evidence and conclude either that the recommendation is complete or incomplete. This report represents the status of all internal audit recommendations as at 6 November 2019.

## 2016/17 Recommendations

Of the remaining 21 recommendations, we note:

- 12 recommendations have been previously reported as implemented
- A further 9 are overdue relating to the audit of Channel Shift (6 recommendations) and Flooding (2 recommendations) and Planning (1 recommendation). These recommendations will be implemented under the Future Council Model.
- Four recommendations\* are reported as completed as these are no longer applicable to the Council (Information Governance PCI/DSS)

## 2017/18 Recommendations

21 medium recommendations were raised in 2017/18. The current position of these recommendations is as follows:

- 15 are considered implemented relating to Economic Development, Partnership Working, Procurement & Contract Procurement Management and Purchasing, Business Resilience and Disaster Recovery, Attendance Management, Elections improvement Plan.
- 5\* (medium priority) relating to Disaster Recovery and Business Continuity which have been superseded by the IT Disaster Recovery audit which was undertaken in October 2019, with the resulting report scheduled to be presented at the next Committee.
- 1 medium recommendation relating to Economic Development has a revised implementation date which is not yet due (reliant on Brexit timeframes)

## 2018/19 Recommendations

3 high and 13 medium recommendations have been raised in 2018/19. The current position of these recommendations is as follows:

- 4 are considered implemented as previously reported relating to Budgets and Performance Management (1 recommendation), Main financial Systems (1 recommendation) and Safe and Clean Environment (2 recommendations)
- Safe & Clean Environment (1 recommendation) is now implemented
- 1 is in progress relating to Fraud Risk Assessment
- The below recommendations are not yet due for follow up:
  - Safe and Clean Environment (2 recommendations)
  - Local Development Plan (2 recommendations)
  - Building Control- (5 recommendations)
  - Transformation Programme (1 recommendation)

## 2019/20 Recommendations

10 recommendations have been raised in 2019/20.

- GDPR Compliance- 3 medium recommendations which are not due yet



- 
- Risk Maturity Assessment—7 medium recommendations which are not yet due for follow up

# Recommendations: Completed

RECOMMENDATION MADE	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
2018/19- Safe and Clean Environment				
<p>a)The Council should work with the contractor to determine the monitoring and performance targets to be implemented which are commensurate with the risk and value of the contract.</p> <p>Monitoring should then be undertaken on a set periodic basis, with monitoring reports provided by the contractor to enable an assessment of performance against predetermined targets. Any performance below target should result in an action plan being put in place by the contractor to enable them to meet the Council's expectations</p>	Medium	Carol Love - Waste and Street Scene Manager	<p><del>11 January 2019</del></p> <p>July 2019</p>	<p>a)This contract is currently considered to be a low risk by the council, this is evidenced by the lack of complaints by the public and parish councils also the Community Protection Officers visually monitor the district on a daily basis. If the levels of cleanliness of the district should begin to drop then resources will be applied to monitoring and maintaining standards.</p> <p>The contractors for Street Cleansing have carried out the service for many years and the level of performance during that time has been consistently high. All flytipping and complaints are dealt with quickly and within expected timescales. Although no programmed monitoring is currently undertaken due to resources it is recognised that this should be implemented and this is included in this year's Business Plan.</p> <p>Internal audit confirmed that soft market testing has been undertaken to ensure the Council is getting value for money. If confirmed the SLA with the contractors will be updated to include these indicators.</p> <p>b) Regular contract meetings are now programmed in for Street Cleansing and these will be minuted.</p> <p>A programme of monitoring has been devised with the Senior Community Protection Officer as part of the new transformation that the Council is going through which started 30 October 2019.</p>

# Recommendations: In Progress

RECOMMENDATION MADE	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
2018/19- Fraud Risk Assessment				
The Council should commission external resource to develop the risk assessment further and carry out an annual programme of work to address risks around fraud and corruption.		Kamal Mehta	<del>1 May 2019</del> December 2019	<p>The October PGA considered the report of the Interim Section 151 Officer seeking Members' consideration of the Council's Internal Auditors review of the Council's Fraud Risk Assessment Process and awareness of fraud risk across the organisation.</p> <p>It was noted that having considered the findings of the Internal Audit Fraud Risk Assessment - Advisory, the Finance and Corporate Services Committee, at its last meeting, resolved that an update on the progress of work in respect of the Internal Audit recommendation be brought to a meeting of the Performance, Governance and Audit Committee.</p> <p>The Interim Section 151 Officer provided an update on the work he had been doing in relation to the recommendations and in response to questions outlined the training which would be provided to both Officers and Members in respect of fraud prevention and ensuring checks and controls were in place.</p> <p>A debate ensued and in response to questions the Interim Section 151 Officer advised that according to the Council's Constitution the ultimate responsibility for ensuring fraud and corruption sat with the Monitoring Officer and Section 151 Officer who would work together to take appropriate action or implement procedures. However as part of the new Council structure it was suggested that an individual officer should be charged with ensuring messages were going out and that regular assessments were taking place.</p>

		<p>Members were advised that the recommendations identified in the Fraud Risk Assessment were addressed in the report and it was confirmed that this Committee would receive a subsequent report which would report on the execution of the recommendations.</p> <p>The Committee noted the Interim Section 151 Officer's approach and his views and advice on ensuring that the corporate anti-fraud activities and awareness together with the appropriate processes and policies are all linked together and embedded into the normal operational working of the Council and that the ownership and accountability for the exercise of the function is identified in an individual role;</p> <p>In view of the current ongoing structure change in the Council, the findings and recommendations of the Advisory Report be implemented in full by December 2019 with a combination of in-house resources and tailored external support from BDO the balance of activities between the two to be determined by the Corporate Leadership Team; and that the responsibility and accountability and hence the ownership for corporate fraud prevention function overall within the Council is clearly defined to an individual resource to lead on.</p>
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## Recommendations: Not due

RECOMMENDATION MADE	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
2019/20- GDPR Compliance				
<p>a) All data sources and corresponding applications should be reviewed on at least an annual basis to ensure access risks, security measures and general changes are updated and managed.</p> <p>b) Management should consider holding an induction session with all assigned data owners following the staff restructure to ensure responsibilities are understood.</p>	Medium	Emma Holmes	<p><del>31 October 2019</del></p> <p>a) December 2019</p> <p>b) March 2020</p>	<p>The audit report although signed off at the Audit Committee had limited management responses to the recommendations and did not take into account the transformation programme of the Council in determining appropriate responses and deadlines.</p> <p>The revised timeframes takes into account the new structure coming into place on the 30th October and working with new Tier 2 managers, the last of which will be in post in a few weeks and appropriate timelines in relation to this.</p>
Information Governance Group should provide oversight and ensure contractual addendums are agreed as soon as possible where necessary by responsible management (i.e. contract owners).	Medium	Emma Holmes	<p><del>30 September 2019</del></p> <p>1. Ongoing</p> <p>2. Interim Target 80% completed by August 2020, 100% completed by March 2021</p>	<p>The audit report although signed off at the Audit Committee had limited management responses to the recommendations and did not take into account the transformation programme of the Council in determining appropriate responses and deadlines.</p> <p>The revised timeframes takes into account the new structure coming into place on the 30th October and working with new Tier 2 managers, the last of which will be in post in a few weeks and appropriate timelines in relation to this.</p> <p>In regards to this recommendation:</p> <ol style="list-style-type: none"> <li>The Council plans to arrange quarterly meetings of the Information Management Group where we can prioritise assessments to be completed.</li> <li>New Data Owners will need to review these. Due to the potential time this will take the Council intends to complete these over a long period.</li> </ol>

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## MALDON DISTRICT COUNCIL

### INTERNAL AUDIT REPORT

PROCUREMENT AND CONTRACT MANAGEMENT  
NOVEMBER 2019- FINAL

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Limited

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#### DISTRIBUTION

Name	Job Title
Paula Jarvis	Senior Procurement Consultant
Emma Foy	Director of Resources

#### REPORT STATUS LIST

Auditors:	Marina Karystinou
Dates work performed:	15 May - 26 June 2019
Draft report issued:	July 2019
Final report issued:	6 November 2019



## EXECUTIVE SUMMARY

### LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	<b>Moderate</b>	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	<b>Limited</b>	Non-compliance with key procedures and controls places the system objectives at risk.

### SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High

Medium

Low

### TOTAL NUMBER OF RECOMMENDATIONS: 6

### CRR/BAF REFERENCE:

CRR 15 - Failure to plan and deliver balanced budgets over the medium term.

### BACKGROUND:

The achievement of many aspects of the Council's purpose and vision relies on effective procurement and contract management, alongside the management of relationships with key partners. All Local Authorities are required to demonstrate sound financial administration supporting protection of the public purse, and work to rules governing how the Council will conduct procurement and ensure fair and transparent competition in the award of contracts.

This includes competitive tendering for contracts with a total value in excess of £25k and additional requirements to follow the Public Contracts Regulations 2015 where the value of the contract exceeds the EU threshold (which is currently £181,302 for Services and Supply contracts and £4,551,413 for Works contracts). These regulations also help to ensure the Council achieves value for money in procurement. Sound procurement and contract management practices enable the Council to gain ongoing assurance that contracts continue to meet their aims and support Council objectives, along with timely information on potential contract issues which facilitate early resolution.

For the purpose of this audit, we picked a sample of contracts and reviewed the evidence available to confirm whether the procurement process was followed as per the Council's Contract Procedure Rules and that roles and responsibilities for procurement and contract management are clearly assigned.

In addition we determined if a contract register was available, with comprehensive and up to date data. We interviewed the contract managers for our sample contracts to ascertain the contract management process, including monitoring of contract requirements and KPIs (where applicable),

contact performance, payments in accordance with agreed terms and variations and the reporting of performance and issues.

The following contracts were tested for confirming the procurement process was followed:

1. Ticket Rolls for Car Parking Machine
2. CCTV Maintenance Agreement
3. Integrated income / Cash Receipting System & E-Payments Solutions Software Maintenance
4. Treasury Management Consultancy Services
5. Street Cleansing
6. Idox Uniform Application Suite
7. Waste and Recycling Contract
8. Dengie 100 Sports Centre and Blackwater Leisure Centre (contract is with "Places for People")

The sample was then extended by one:

9. Verge Mowing Contract

As it proved difficult to recover the procurement documents and the contract agreements for some of the initial eight sampled (see detailed findings for more information), we extended the initial sample by one with a 2018 start date on the register, to identify whether it was easier to retrieve more recent documents. However, it later transpired the extended sample's actual start date was 2013 and we were not able to retrieve the procurement-related documents for this contract either.

Contracts one to four were small value (below the EU threshold of £181k) and contracts five to nine were large value contracts (above the £181k EU threshold).

#### GOOD PRACTICE:

From our testing, we identified the following areas of good practice:

1. The procurement team is well-established in the Council and all the contract managers we interviewed were aware of their role. The team is able to offer guidance and advice when tendering contracts, to help with renegotiation of existing contracts and offer support where there are issues with contract performance.
2. Maldon are a member of the PAE (Procurement Alliance Essex) and of the Essex Procurement Hub. This allows the procurement team members to participate in meetings where knowledge is shared and to receive training, allowing them to stay up to date and benefit from a pool of knowledge and experience.
3. All contracts have an assigned contract manager. The managers we interviewed were aware of their responsibility to maintain a good relationship with the partners and have contact as necessary to deal with any issues.
4. The high value contracts we tested that had specified KPIs or contract requirements were monitored closely by the contract managers.
5. All payments for the contracts we tested matched the agreed charges or, where that was not the case, variations were based on agreed terms in the contract. Managers were aware of the need to check invoices, and check variations against agreements to ensure they were valid.

**KEY FINDINGS:**

1. Contract documentation is not saved in one centralised location. As a result, evidence was not always available regarding the procurement process, due diligence checks, the contract agreements or contract management documents. The procurement process was not followed for two out of the nine sampled and one contract was for a year but has not been retendered since 2013. Due diligence checks are only performed where the central procurement team are involved and the contract is considered high value. **(finding 1 - high)**
2. Whereas roles and responsibilities for procurement and contract management have been clearly assigned, the Council's procedure does not state the cases where the procurement team should be involved (any contracts with total value above £25k). Contract managers have not received training and they were not aware of some of their responsibilities in relation to involvement and engagement with the procurement team and contract monitoring and reporting requirements **(finding 2- medium)**
3. The contract register is not always updated accurately and some fields are not completed consistently **(finding 3-medium)**
4. Monitoring and reporting is not consistent with the Council's procedure, both for small and large value contracts **(finding 4- medium)**
5. The Council has not established a formal method for embedding knowledge from data and lessons learned to ensure knowledge of procurement and contract management is shared and embedded **(finding 5 - low)**

**CONCLUSION:**

Overall, the Council has an established procurement team, with effective procurement controls in place, however there is less assurance that the approved procurement process is followed when the procurement team are not involved.

In order to minimise the control weaknesses risk in the procurement process, the Council procurement policy should clearly set out the procurement team involvement responsibilities. Contract managers have been assigned for all contracts and there is monitoring of varying levels for six out of the eight contracts tested. We found managers were not always aware of their responsibilities as detailed in the Council's procedure, particularly regarding monitoring and reporting. Managers followed their predecessor's processes rather than the Council procedures. Further, we found there was a lack of training and available guidance for contract managers. The Council does not centrally store contract related documents, therefore documents were not easily accessible to staff to ensure continuity post staff changes. As a result we have concluded a moderate level of assurance for the design and limited level of assurance for the effectiveness of the controls; raising one high, three medium and two low level recommendations. Our work was based on historic contracts and we acknowledge that improvements have recently been made which should result in more effective controls in future.

Management commentary:

It should be noted and acknowledged that the Council is currently going through a significant amount of change whereby there will be a whole new organisational structure from 1 November 2019 with new roles and responsibilities. Inevitably, there will be a period of settling in of the new structure and the new ways of working.

Thus, it should be accepted that the recommendations, whilst agreed by Management cannot be implemented as quickly as would under normal circumstances in the absence of such whole organisation change. Expectations on the implementation of the recommendations must take this into account and allow for the time.

## DETAILED FINDINGS

RISK: PROCUREMENT ACTIVITY IS NOT COMPLIANT WITH THE CONTRACT PROCEDURE RULES AND PROCUREMENT CODE OF PRACTICE AND DUE DILIGENCE SUCH AS FINANCIAL CHECKS IS NOT UNDERTAKEN ON POTENTIAL CONTRACTORS TO ENSURE THAT THE CONTRACTOR IS FIT FOR PURPOSE.

Ref	Significance	Finding: In three cases the procurement process was not followed (one relates to an exemption). There is a lack of due diligence checks performed before and during a contract. Contract documentation is not always available, including procurement documents and contracts.
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1	High	We tested a sample of nine contracts from the contract register to confirm whether the procurement process had been followed as per the Council procedure documents and whether any exemptions were approved as required. In addition we requested evidence of due diligence performed on the tendering companies.
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We identified the following exceptions:

1. The procurement process was not followed in three cases:
  - The Verge Mowing Contract (annual value £26.5k) was procured in 2013 for one year with the possibility of a three year extension. However, we noted the procurement process did not take place after the end of the four year period. It appears that the contract has been continued with no re-tendering. The procurement team was not involved in the process and we were unable to contact the contract manager to ascertain the process followed.
  - The policy states that for all exemptions, an exemption form is required to be completed stating the reasons; it should be approved by the Officer, the Director of Resources and a Council member. For one sample where an exemption was applied (Integrated income/Cash Receipting System & E-Payments Solutions software maintenance) we were unable to obtain evidence to confirm the relevant exemption form was submitted and approved.  
We note the Council maintain an internal record of exemptions, however the contract we sampled was not included on the record.

Not following the approved procurement process increases the risk of value for money not being achieved and the government's legal framework not being adhered to. This can lead to poor decision making and increased costs for the Council.

2. There was no evidence of due diligence performed at the tendering process, during the contract period or at the renewal stage:

The contract procedure rules state:

*“Officers are responsible for ensuring that all Candidates for Relevant Contract are suitably assessed. The assessment process shall establish that the potential Candidates have sound: Economic and financial standing; Technical ability and capacity to fulfil the requirements of the authority”.*

None of the contract managers we interviewed were performing financial checks before or during the contract. Regarding the technical ability and capacity checks, contract managers we interviewed said that most of these contracts have been supplied by the same company for years, so the quality is known.

We discussed the above due diligence requirements with the procurement team; they confirmed that they do quality checks for contracts they are involved in. Contract that have a project team involved (procurement, finance and legal staff) will have financial checks performed. However, there are no evidence of further checks done during a contract.

The lack of financial and quality checks increase the risk of goods or services procured falling short of the Council's quality requirements or suppliers not being financially viable. This can lead to interruption of services provided by the Council, reduced customer satisfaction, reputational damage and financial loss.

### **3. For four contracts we could not find the procurement documentation:**

From our testing and interviews, we identified that the documents relating to the procurement and management of each contract are not always accessible. This is because they are not saved in a central location. As contract managers and procurement staff change, it becomes more difficult to track down the documents for older contracts.

The CCTV Maintenance contract was procured in 2010 and the Ticket Rolls for Car Parking Machine in 2014. The current contract manager took over in 2016 and procurement was not involved in the process; as a result we were unable to obtain and review the procurement documentation.

Two of our samples, related to renewal of a contract with an existing supplier; ICT services (IDOX application suite and Integrated income / Cash Receipting System & E-Payments Solutions software maintenance) procurement documentation was unable to be obtained and reviewed as the original contracts were procured many years ago but the current contract manager was assigned responsibility very recently, in 2019.

The lack of complete and comprehensive files for every contract increases the risk of inadequate procurement documentation being available for audit trail. The lack of complete records may lead to increased expenditure/ errors or fraud not being identified.

## RECOMMENDATION &amp; MANAGEMENT RESPONSE:

1. The procurement team should be involved in the process for all contracts with a total value of £25k or above and should have an overview of the process for all other contracts. Ensure all operational staff involve the procurement team in the tendering of contracts, or inform them of their actions to increase assurance of the approved process being followed.

- Reminder for all staff to involve Procurement in all processes for over £25k by Team Talk inclusion, also to include in Freshserve as an article/reminder (Paula Jarvis, September 2019)
- Online Quotations register, to be set up & reviewed by Procurement regularly to ensure rules are adhered to (Holly Sanders, December 2019)
- Monitor Contract Register to ensure all contracts due for renewal have Procurement involvement (Holly Sanders, September 2019)

2. Review the reasons for the Verge Mowing contract not having a re-tender/ procurement exercise carried out in 2017 and determine whether the appropriate process was followed.

- Investigate and report on reasons for non-adherence to the Procurement rules and provide action plan to ensure compliance in future. (Paula Jarvis, December 2019)

3. Ensure an internal list of all exemptions is maintained and updated. It should detail all the relevant information for exemptions applied, to provide an accurate and summary overview of all exemptions.

- Create formal spreadsheet to log exemptions and link to contracts register. Copy of exemption to be saved in contract folder (Paula Jarvis & Holly Sanders, commence September 2019, complete March 2020)

4. Clarify in the policy and procedure who has the responsibility for financial and quality checks at the procurement stage and during the contract. Evidence of the checks should be saved in the contract file. Ensure that contract managers are aware of their due diligence responsibilities (please refer to **recommendation 2** on training for contract managers).

- Make clear in Policy & Procedure at time of update for Brexit (Paula Jarvis, commence October 2019, complete March 2020)
- Evidence to be saved in contract folder at time of tender by Procurement and by Contract Manager during life of Contract (Paula Jarvis & Contract Manager, commence September 2019)
- Contract Manager training in 3 sessions (ALL Contract Managers) (Paula Jarvis, March 2020)

5. Ensure all contract documents are saved in a central location, including procurement documents, contract agreements and contract management records. Contract managers and the procurement team should be aware of the location and the need to keep the file up to date.

- New contracts all saved in central location. Complete
- Contract documentation to be held on Procurement drive (Paula Jarvis & Contract Managers, March 2020)

**RISK: ROLES AND RESPONSIBILITIES FOR PROCUREMENT AND CONTRACT MANAGEMENT ACROSS THE COUNCIL ARE NOT CLEARLY ASSIGNED AND/OR ARE NOT BEING EXECUTED AT SENIOR LEADERSHIP LEVEL OR WITHIN OPERATIONAL MANAGEMENT**

Ref	Significance	
2	Medium	<p>Finding: The policy does not clearly state when procurement of a contract should happen with the involvement of the Procurement team. Contract managers have not received procurement and contract management training.</p> <p>The procurement team is well-established in the Council. The four contract managers we interviewed felt well supported and they were aware of the role of the procurement team and the support they could offer at the procurement and renewal stages, or if there were issues with a contract's performance. This enhances the assurance that the correct procurement process has been followed.</p> <p>However, we identified the following issues:</p> <ol style="list-style-type: none"> <li><b>1. The procedure does not state that contracts with total value &gt;£25k should be advertised via the procurement team.</b></li> </ol> <p>From our discussions with the Senior Procurement Consultant; contracts with a total value above £25k, require the procurement team to be involved in the process. However, this is not stated in the procedure. During our testing, we identified three cases where the correct procurement process had not been followed (please refer to <b>finding 1</b>).</p> <p>For contracts where the procurement team are not involved, there is less assurance that the correct procurement process is followed.</p> <ol style="list-style-type: none"> <li><b>2. Three out of the four managers stated that they would like to receive training on the procurement and contract management processes.</b></li> </ol> <p>Up to date training would increase the likelihood of consistent process application and provide managers with confidence in performing their contract management duties.</p> <p>As noted earlier we identified that contract managers were not always aware of their responsibilities, for example the need to regularly update the contract register or perform due diligence checks on prospective and existing suppliers (please refer to <b>finding 1</b>). They were also not aware of the monitoring and reporting requirements detailed in the Council's procedure (please refer to <b>finding 4</b>). These items should be specifically included in the training offering.</p> <p>The Senior Procurement Consultant informed us that she offers training to employees but it has not been possible to do so in Maldon due to time pressures.</p>

The lack of training on procurement and contract management, increases the risk that staff are not aware of their duties as contract managers and these are not performed consistently across the Council. This can lead to a lack of/ineffective actions and increased expenditure for the council.

#### RECOMMENDATION & MANAGEMENT RESPONSE:

1. Update the policy to include the need for operational staff to involve the procurement team in all procurement processes for contracts with a total value >£25,000 and for the procurement team to have an overview of all other tenders (please refer to **recommendation 1.1**)

- Make clear in Policy & Procedure at time of update for Brexit (Paula Jarvis, commence October 2019, complete March 2020)

2. Ensure all contract managers receive training on the procurement and contract management procedures at regular intervals.

- Contract Manager training (ALL Contract Managers) (Paula Jarvis, March 2020 & every 1 year)

3. Develop contract management guidance or identify external sources and make available to contract managers.

- Create Procurement / Contract Management "How To" guide (Paula Jarvis, December 2019)



**RISK: A CONTRACTS REGISTER IS NOT HELD, IS INCOMPLETE OR OUT OF DATE, AND MONITORING/MANAGEMENT OF CONTRACTS IS INEFFECTIVE RESULTING IN A FAILURE OF CONTRACTS TO DELIVER AGAINST KPI'S, KEY CONTRACT PROVISIONS NOT BEING COMPLIED WITH AND EFFECTIVE RELATIONSHIPS NOT MAINTAINED WITH KEY PARTNERS.**

Ref	Significance	Finding: The contract register is not updated and completed accurately and consistently. The responsibility for maintaining and updating the register is not clear.
3	Medium	<p>We reviewed the contract register to confirm it was completed consistently and accurately. We also compared the information recorded to the documents received for our sample testing.</p> <p>We identified the following issues:</p> <ol style="list-style-type: none"> <li><b>1. Responsibility for updating the register is not clear:</b> <p>The Senior Procurement Consultant informed us that the contract managers are currently responsible for keeping the register up to date. However, in the past, the procurement assistant responsibilities also included register update; we note this post no longer exists. The contract managers we interviewed were not aware that the register update was included in their duties.</p> </li> <li><b>2. The register did not always contain up to date, accurate and comprehensive data. Specifically:</b> <ul style="list-style-type: none"> <li>The names of the contract managers had not been updated; this was because there was a recent reallocation of contract managers. The names were easily retrieved and provided when requested.</li> <li>The start and end dates of the contracts were not always accurate. <p>For three out of the nine samples we tested, we identified that the contract was procured before the date stated in the register. This was because the contract might have been extended or renewed since first procured but the original start date has been replaced by the newest date of the extension or renewal.</p> <p>For example, the IDOX uniform application suit contract had a start date of April 2017 and 5 year duration. When we requested to see the procurement documents, we were informed that the contract was procured many years ago and this was an extension of maintenance and annual support (for which an exemption had been applied). However, these should either be two separate entries on the register or, if one entry, the different services provided should be recorded separately.</p> </li> <li>Annual amount and total amount should be recorded net of VAT (as stated by the Senior Procurement Consultant) but the register requires them to be recorded gross: <p>The two columns request the amounts to be recorded</p> </li> </ul> </li> </ol>

inclusive of VAT.

- Some fields were not consistently completed. For example, the fields recording whether the contract was advertised on EUCJ, on contracts finder or is part of a framework agreement are often left blank.

If the contract register contains incomplete or inaccurate information, it increases the risk of documenting and monitoring of contract information and suppliers being ineffective. This can lead to decision making being based on irrelevant and inappropriate information and therefore resulting in ineffective decisions.

The Senior Procurement Consultant informed us that they were in the process of re-designing the register to make it shorter, simpler and easier to complete.

#### RECOMMENDATION:

1. The procurement team should be responsible for completing and updating the contract register to ensure it is accurate and up to date. Contract managers should ensure the procurement team is aware and have overview of changes (please refer to **recommendation 1.1**).

- Create new Contract Register, including links to Contract documents (Paula Jarvis & Holly Sanders commence September 2019, complete August 2020)

2. Where a contract was renewed or extended, the original procurement date should be recorded on the register and a further column should be added to record extensions or renewals. If further services are provided by the same supplier, these should be recorded separately.

- Create new Contract Register, including links to Contract documents (Paula Jarvis & Holly Sanders commence September 2019, complete August 2020)

3. Clarify whether annual and total amounts should be recorded net of VAT and remove inappropriate columns from the register.

- Create new Contract Register, including links to Contract documents (Paula Jarvis & Holly Sanders commence September 2019, complete August 2020)

4. Ensure all fields are completed consistently.

- Create new Contract Register, including links to Contract documents (Paula Jarvis & Holly Sanders commence September 2019, complete August 2020)

RISK: A CONTRACTS REGISTER IS NOT HELD, IS INCOMPLETE OR OUT OF DATE, AND MONITORING/MANAGEMENT OF CONTRACTS IS INEFFECTIVE RESULTING IN A FAILURE OF CONTRACTS TO DELIVER AGAINST KPI'S, KEY CONTRACT PROVISIONS NOT BEING COMPLIED WITH AND EFFECTIVE RELATIONSHIPS NOT MAINTAINED WITH KEY PARTNERS.

RISK: PROCUREMENT AND CONTRACT MANAGEMENT HAS NOT BEEN REPORTED TO MANAGEMENT MEETINGS SUFFICIENTLY TO ALLOW ADEQUATE OVERSIGHT.

Ref	Significance	Finding: For smaller value contracts the approach to monitoring performance is ad-hoc and not evidenced. For bigger value contracts, monitoring and reporting is not always consistent with the policy.
4	Medium	<p>We tested a sample of eight contracts from the contract register. Four were below the EU threshold value (total value from £2k to £46.6k) and the remaining four were of high value and above the EU threshold (£221k to £20.6m). We reviewed evidence to ascertain:</p> <ol style="list-style-type: none"> <li>whether every contract has a contract manager; and</li> <li>whether the manager is actively monitoring the performance of the contract as per the policy and procedures of the Council.</li> </ol> <p>We found the following:</p> <ol style="list-style-type: none"> <li>We confirmed that every contract has a named contract manager. We interviewed the managers and confirmed that they are actively responsible for maintaining an effective relationship with the partners and resolving operational issues.</li> <li>Regarding monitoring of performance, the Council's "Contract Procedure Rules" state: <ol style="list-style-type: none"> <li>"During the life of the contract, the Officer must monitor in respect of: • performance; • compliance with specification and contract cost; • Value for Money requirements; • user satisfaction and risk management.</li> <li>All contracts which have a value higher than the EU Threshold limits, or which are High Risk, are to be subject to monthly formal review with the contractor. The review may be conducted quarterly if permitted by the Director of Resources.</li> <li>For all contracts with a value higher than the EU Threshold limits, or which are High Risk, an annual report must be submitted to the relevant Committee.</li> <li>Where the Total Value of the contract exceeds £250,000, the Officer must make a written report to the relevant Committee evaluating the extent to which the purchasing need and the contract objectives were met ...when the contract is completed."</li> <li>Contracts may also be classified as <i>high risk, high value or high profile</i> (p. 22). This impacts the monitoring and reporting requirements of contracts.</li> </ol> </li> </ol>

Based on the above "*Contract Procedure Rules*" we identified the following exceptions from our sample testing:

1. **There was no evidence to confirm contracts classified as high risk, high value or high profile:**

However, there is no specification of the criteria for the classification and there is no indication on the contract documentation of this classification.

2. **For lower value contracts (less than the EU threshold), there is limited evidence of the monitoring process:**

Contract managers maintain the relationship with the suppliers with meetings that vary in frequency. They will also be responsible for resolving any operational issues, for example issues with the parking ticket machines.

However, there is no evidence of monitoring as per the Council's procedure. Furthermore, the procedure does not specify how monitoring should be evidenced for low value contracts that may not have detailed contract requirements or KPIs agreed.

For our sample of four low value contracts, we were unable to review the contract agreements for KPIs and/or contract requirements, as they had been procured several years ago and the documents were not available. However, we received the procurement document for one of the four contracts, the Treasury Management Consultancy Services. The procurement document includes a list of requirements, for example:

1. Regular review meetings of treasury policies (four per year)
2. Training for officers on treasury management activities etc.

Even if there are no KPIs, the above procurement document requirements should be used for performance monitoring. However, this does not happen for this contract. In addition, the other contract managers we spoke to did not perform specific monitoring.

The lack of monitoring of contract requirements and/or KPIs, value for money and user satisfaction increases the risk that a contract is not effectively evaluated, which can lead to low value for money and ineffective procurement or award decisions. The Council can also not make use of potential penalties or withholding of payment clauses which could lead to unnecessary increased expenditure for the Council.

3. **For Higher value contracts (above the EU threshold): We did not receive any evidence of monitoring or reporting for one contract:**

3. We have received no evidence regarding the monitoring and reporting process for one of the contracts (IDOX Uniform Application suite). This is a five year contract with a total value of £221k, therefore we would expect this to have formal monthly meetings to monitor performance as per the Council procedure and an annual report submitted to a

relevant committee. It is also not clear whether there are KPIs or contract requirements (the contract was procured several years ago and the paperwork is not available). As a result, we found there to be no monitoring. We also received no evidence of reporting to a relevant committee.

4. One contract (Street Cleansing) does not have regular formal meetings as per the policy. This is because the supplier has been used for many years, the Council has a successful relationship with them and no concerns have been raised regarding performance. Only one KPI is monitored and performance is reported quarterly to the Overview and Scrutiny committee. However, a level of monitoring and evidence of this should take place to ensure that performance is consistent. Furthermore, if there is a future change of suppliers, the appropriate monitoring and reporting requirements should be documented to ensure they are appropriate for the value/risk/profile of the contract. A finding regarding the lack of formal meetings and KPIs for this contract has been raised in the "SAFE AND CLEAN ENVIRONMENT" audit report issued in December 2018.
5. For two of the contracts tested (Places for People and Waste & Recycling) the contract managers had regular (monthly or bi-monthly) formal meetings with the suppliers and performance is monitored based on KPIs or contract requirements. Both these also have provisions to apply penalties or withhold payments. The contract managers are aware of these. Performance is reported to the Communities committee and the Overview and Scrutiny Committee respectively.
4. For the higher value contracts, the managers were not aware of the requirement to produce and submit an annual report to the relevant committee.

The procedure does not clearly state what this report should entail. Contract managers were also not aware of the requirement to produce an evaluation report after a contract ended (for total value above £250k). All the managers we interviewed said that they produce ad-hoc reports if they are faced with specific issues.

## RECOMMENDATION:

1. Clarify criteria for classification of contracts as high value, high risk or high profile.
  - Work with MDC internal risk team (Strategy, Performance & Governance) to classify contracts (Paula Jarvis, March 2020)
2. Clarify the method for monitoring and evidencing contract monitoring in terms of performance, value for money, compliance with specification and contract cost and user satisfaction and risk management. The Council policy should clearly clarify the need for annual reporting, report requirements and specify where annual reporting is not applicable. This could be part of the procedure or a separate guidance document (please refer to **recommendation 2.3**).
  - Methods and evidence requirements collate with Governance team and add to Policy & Procedure and "How To" Guide (Paula Jarvis, March 2020)
  - Include in Contract Management training (Paula Jarvis, March 2020)
3. Ensure there is clear monitoring and reporting requirements for every contract, to provide adequate overview of all contracts. The procurement team should create a separate document/plan for all contracts that will contain the classification (in terms of value/risk/profile), the level and kind of monitoring and meetings required for each (and, if different, what currently happens and why), which Director/committee performance is reported to and a RAG rating for performance/overall relationship status (please refer to **recommendation 5.2**).
  - Produce a monitoring and reporting schedule with Governance team (Paula Jarvis, March 2020)

**RISK: LESSONS HAVE NOT BEEN LEARNED OR RESPONDED TO IMPROVE CONTRACT MANAGEMENT PROCEDURES IN HOW FUTURE CONTRACTS ARE DEVELOPED AND MANAGED.**

Ref	Significance	Finding: There is no established method to share knowledge and expertise on procurement and contract management, to ensure lessons learned are used to improve processes in the future.
5	Low	<p>We interviewed the Senior Procurement Consultant and two of the contract managers to ascertain whether there is an established method in the Council for sharing knowledge and lessons learned on procurement and contract management in order to improve the processes in the future.</p> <p>Regarding the procurement process, we learnt that if operational staff approach the procurement team for help and advice, lessons learned and expertise of the procurement team is shared. However, this is not the case where the procurement team is not involved. Similarly, if a contract manager is facing problems with a contract's performance or other issues and they approach the procurement team for advice, knowledge and previous experience is shared and utilised to improve the process in the future.</p> <p>Contract managers have their own experience and knowledge acquired from managing contracts in the past that they draw on when dealing with a new partner or contract.</p> <p>There is no established, formal way to capture and share knowledge and lessons learned from previous experience with staff involved in the contract management process. This would be useful as contracts may have different managers throughout their duration. The lack of knowledge sharing/ lessons learnt increases the risk that knowledge and experience is not embedded and used to improve the process, leading to avoidable mistakes being repeated, decisions that do not serve the Council's strategic agenda and may result in unnecessary increased expenditure for the Council.</p>

**RECOMMENDATION:**

1. Establish a formal method that ensures key data, lessons and experience from contract management process are captured within the organisation and more widely (for example, from the Essex Hub the Council is a member of). This could be via an annual meetings of contract managers with the procurement team and the Director of Resources where lessons learned and good practice examples can be shared.

- Discuss lessons learned & good practice and regular Hub Meetings (Paula Jarvis, March 2020)

2. The document/plan in **recommendation 4.2** can be used to capture lessons learned or good practice during the year and after the annual meeting as well as agreed actions. These can be shared with staff across the Council as necessary.

- Discuss lessons learned & good practice and regular Hub Meetings (Paula Jarvis, March 2020)

**RISK: POLICIES AND PROCEDURES ARE NOT UP-TO-DATE TO ENSURE THAT PROCUREMENT AND TENDERING OF CONTRACTS IS ROBUST AND SOUND AND ARE NOT REFLECTIVE OF RELEVANT AND CHANGING LEGISLATIVE AND REGULATORY REQUIREMENTS.**

Ref	Significance	Finding: The Procurement Guide has not been reviewed since 2014. In the Contract Procedure Rules, the guidance on contract management for lower value contracts, reporting requirements and on the appropriate authorisation of exemptions is not clear
6	Low	<p>1. We reviewed the "Contract Procedure Rules" and the "Procurement Guide" documents, regarding procurement and contract management. The main document, "Contract Procedure Rules" is up to date and approved by the Council. However, the review of a separate "Procurement Guide" identified that this document was last updated in 2014 and it is not clear if it has been reviewed since. This document's contents are included in the "Contract Procedure Rules", however it provides more detailed guidance on the procurement aspect of the process. The lack of a clear review trail increases the risk that the two documents are not updated simultaneously and that the guidance is not consistent across both documents.</p> <p>2. There is a lack of clear guidance on the required contract management process for lower value contracts. (Please refer to finding 4.2).</p> <p>The lack of guidance increases the risk that contract managers are not aware of their responsibilities and that contract management practice across the Council is inconsistent. This leads to ineffective contract monitoring/ evaluation and increased costs for the Council.</p> <p>3. The guidance regarding the appropriate authorisation of exemptions in the "Contract Procedure Rules" (section 3) is not clear. For example, the guidance states:</p> <p><i>"3.2 Where a proposed contract is likely to exceed the European Union (EU) Threshold, Directors have no delegated powers and the matter has to be determined by the council (see Rule 3.1). No exemption can be used if the EU Procedure applies or if the Total Value exceeds £24,999".</i></p> <p>It is not clear whether exemptions above the EU threshold (where the EU procedure is likely to apply) are allowed or not. Also, the total value of £25k over which "no exemption can be used" is quite low and we came across contracts of higher value in our sample testing, where exemption had been applied (Integrated income / Cash Receipting System &amp; E-Payments Solutions software maintenance; although we did not find the required evidence for approval of exemptions).</p>



**RECOMMENDATION:**

1. Review the Procurement Guide to ensure it is up to date. Document the date of last and next review and ensure these match the other procurement related procedure documents.

- Delete Procurement Guide from Intranet and create Procurement / Contract Management "How To" guide (Paula Jarvis, March 2020)
- Update Policy & Procedure at time of Brexit and link into above document (Paula Jarvis, Commence October 2019, complete March 2020)

2. Ensure the contract management section of the procedures includes adequate detail and guidance for the monitoring, review, evaluation and reporting of lower value contracts. Alternatively, this could be part of separate contract management guidance (please refer to **recommendations 4.2 and 2.3**)

- Create Procurement / Contract Management "How To" guide (Paula Jarvis, March 2020)

3. Clarify further the section regarding exemptions and appropriate approval process in the "Contract Procedure Rules" document.

- Update Policy & Procedure and link into above document (Paula Jarvis, March 2020)

## STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Name	Job Title
Paula Jarvis	Senior Procurement Consultant
Emma Foy	Director of Resources
Richard Heard	Leisure & Community Services Manager
Carol Love	Specialist Contracts & Commissioning (Waste), Strategy, Performance & Governance
Sue Green	Customer, Community and Casework Manage
Adrian Rayner	Community Protection Team Leader
Simon Walker	Finance Specialist
Michelle Edgington	Waste Services Administrator

## APPENDIX I – DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

## RECOMMENDATION SIGNIFICANCE

High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

## APPENDIX II - TERMS OF REFERENCE

### PURPOSE OF REVIEW:

The purpose of this review is to consider the adequacy and effectiveness of arrangements for contract management and procurement, ensuring arrangements are robust and transparent and that effective relationships are maintained with key partners.

### KEY RISKS:

Policies and procedures are not up-to-date to ensure that procurement and tendering of contracts is robust and sound and are not reflective of relevant and changing legislative and regulatory requirements.

Roles and responsibilities for procurement and contract management across the Council are not clearly assigned and/or are not being executed at senior leadership level or within operational management

Procurement activity is not compliant with the Contract Procedure Rules and procurement Code of Practice and due diligence such as financial checks is not undertaken on potential contractors to ensure that the contractor is fit for purpose.

A contracts register is not held, is incomplete or out of date, and monitoring/management of contracts is ineffective resulting in a failure of contracts to deliver against KPI's, key contract provisions not being complied with and effective relationships not maintained with key partners.

Payments made to contractors do not accord with authorised contracts, approved variations and agreed KPI targets and inappropriate incentive mechanisms are in place.

Procurement and contract management has not been reported to management meetings sufficiently to allow adequate oversight.

Lessons have not been learned or responded to improve contract management procedures in how future contracts are developed and managed.

### SCOPE OF REVIEW:

The review will consider the adequacy and effectiveness of the controls in place around contract procurement, management and purchasing to highlight any areas where the controls could be improved

- Appropriate procurement policy and local procedures are in place which has been approved by management at appropriate intervals, to ensure the latest legislative requirements are incorporated into the Policy.
- Clear central structure is in place, adequately supported by clear and measurable objectives and a scheme of delegation with designated approval limits included within procurement policy are appropriate and are being adhered to, particularly regarding tendering, use of quotations etc.
- Procurement activities are adequately monitored and consulted, with due diligence checks in place to ensure financial performance and quality of contractors is adequately monitored and performance reviews are undertaken with actions taken to improve performance and achieve value for money.
- An appropriate contracts register is in place, identifying current contracts, original contract period and extensions, KPI's, value and assigned responsibility and approved variations to the contract, with appropriate supporting evidence available and appropriately maintained. Appropriate monitoring arrangements in place, ensuring

contracts are delivering against KPI's, key contract provisions are complied with and effective relationships is maintained with key partners.

- Incidents of waiving of Financial Regulations or Contract Procedure Rules are not identified or not properly reported
- Payments to contractors are made in compliance with agreed contract payment schedule and performance KPIs are set to ensure appropriate coverage to manage risks, reports on activity are produced on a timely basis which are effective along with KPIs to correct personnel and action is taken depending on the outcome of reports issued.
- There is agreed and regular reporting that identifies trends and meets expected compliance/performance indicators which have been set and sound road map activities are in place to meet the expectations set out and support strategic direction.

#### APPROACH:

Our approach will be to conduct interviews to establish the controls in operation for each of our areas of audit work. We will then seek documentary evidence that these controls are designed as described. We will evaluate these controls to identify whether they adequately address the risks.

We will seek to gain evidence of the satisfactory operation of the controls to verify the effectiveness of the control through use of a range of tools and techniques.

#### BAF/CRR REFERENCE:

CRR 15 - Failure to plan and deliver balanced budgets over the medium term.

**FOR MORE INFORMATION:**

**Greg Rubins**

Greg.Rubins@bdo.co.uk

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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**REPORT of  
DIRECTOR OF STRATEGY, PERFORMANCE AND GOVERNANCE**

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**to  
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE  
28 OCTOBER 2019**

**QUARTERLY REVIEW OF CORPORATE RISK AND PERFORMANCE**

**1. PURPOSE OF THE REPORT**

- 1.1 The Risk Management Policy requires this Committee to undertake a quarterly review of the Corporate Risk Register as assurance that the corporate risks are being managed effectively. **APPENDIX 1** to this report provides an updated position on the full Corporate Risk Register (CRR) as at the end of Quarter 2 (30 September 2019).
- 1.2 The Corporate Performance framework requires this committee to undertake a quarterly review of the Thematic Strategy's performance, as assurance that performance is being managed effectively to achieve the Corporate outcomes, and where necessary make consensus suggestion of improvement. **APPENDIX 2** provides the first view of performance as of the end of Quarter 2 (Q2) (30 September 2019).
- 1.3 These two reports have been simplified to bring together a clear picture of performance and risk. Online versions are available to view on the Members SharePoint site using the following link: [Corporate Risk & Performance Report](#)

**2. RECOMMENDATIONS**

- (i) that Members review the information as set out in this report and **APPENDICES 1 and 2** and their views and comments are sought;
- (ii) that Members are assured through this review that corporate risk and performance are being managed effectively;
- (iii) that Members challenge performance or risk where the Committee feels that the Council's corporate goals may not be achieved;
- (iv) that Members question Members and Officers on decisions and performance, relating to comparisons with the Corporate Plan outcomes or in respect of decisions, initiatives or projects.

### **3. SUMMARY OF KEY ISSUES**

- 3.1 Three strategic themes have been identified – Place, Community and Prosperity - and following approval of the Corporate Plan, agreed Thematic Strategies will be submitted to Council in November for adoption.
- 3.2 Both appendices have been reported in line with the strategic risk and performance reporting format as agreed by the Council in July 2019.
- 3.3 Following the agreement of the strategies; key activities and priority measures to be monitored at a corporate level have been determined. A small number of measures are still under development and are shown as placeholders in Q2 report for illustration purposes only. All data will be incorporated into subsequent reporting cycles.
- 3.4 Review of the Risk Management Policy is being undertaken to encompass recommendations made in the Risk Management Audit in June 19.
- 3.5 The Corporate Risk Register (CRR) includes risks from both Corporate Plan 2015 – 2019 and Corporate Plan 2019 - 2023. A full risk review will be conducted in Q4 2019 / 20, post the completion of transformation, committee restructure and adoption of the thematic strategies.

### **4. CONCLUSION**

- 4.1 Some measures are in development for reporting performance according to the new corporate plan.
- 4.2 Based on the indicators available, officers will be focusing resource on delivery against the targets.
- 4.3 Additional Corporate Risks have been included that have been escalated from service and project. Overall no major concerns and no increased risk exposure, work continues to ensure risks are mitigated, for both existing risks, and new additions.
- 4.4 All reported performance measures are illustrating positive direction of travel. Where hindrances and data gaps are being experienced, solutions are being sought to enable work to progress.

### **5. IMPACT ON STRATEGIC THEMES**

- 5.1 It is important that performance and risk are monitored and managed effectively, to ensure that Maldon District Council progresses towards &/ achieves its stated outcomes.



## 6. IMPLICATIONS

- (i) **Impact on Customers** – Risk and performance management covers the monitoring of strategic objectives and minimising Council exposure. Both elements support a seamless customer service.
- (ii) **Impact on Equalities** – None.
- (iii) **Impact on Risk** – If risk and performance are not managed effectively by the Council, it puts the Councils strategic delivery at risk and increases unnecessary exposure to potential, operational, reputational or regulatory consequences.
- (iv) **Impact on Resources (financial and human)** – All risk and performance management is undertaken within existing planned budget. Exceptions being for a potential enactment of a recommendation outside of pre-defined resource.
- (v) **Impact on the Environment** – None.
- (vi) **Impact on Strengthening Communities** – None.

Background Papers: None.

Enquiries to: Paul Dodson, Director of Strategy, Performance and Governance.

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# Corporate Performance Report Q2 – Appendix 1

15<sup>th</sup> October 2019



## Appendix Context

- The following slides detail the performance of each corporate outcome, supported by the individual measures agreed in the Thematic Strategies
- An overhaul of the performance measures reported has taken place, to ensure that we are only reporting performance related to the corporate plan
- Focus should begin at the outcome level summary, which leads to individual indicator level detail if required.
- The narrative against each outcome indicates if the measures are illustrating the correct direction of travel.
- Where challenges or concerns have impacted the outcomes performance, this will be highlighted in the outcome summary, along with any supporting action if required.

# Community Strategic Performance

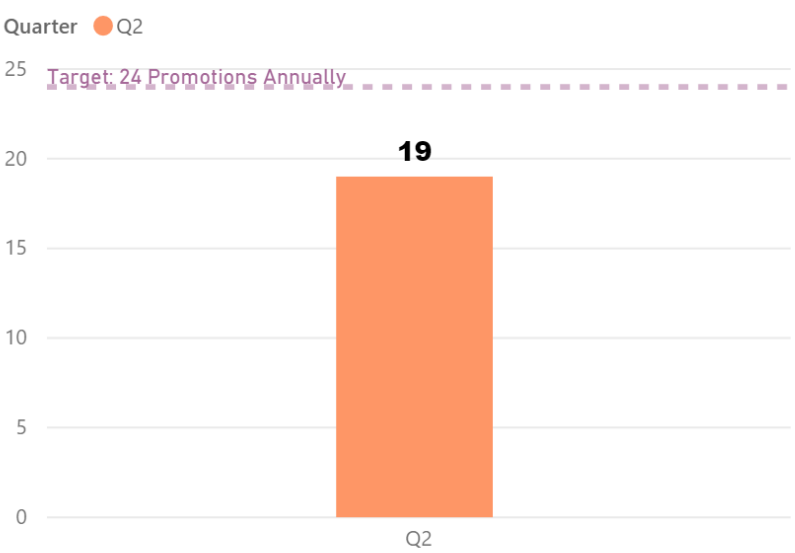
## Community Outcomes

Reference	Title	Status	Commentary
A	Working with communities and partners to support our health and wellbeing priorities: Obesity	On Track - Conditional Elements	Q2 -These measures are on track and there is ongoing work with the leisure centre to ensure that participation is increased.
B	Working with communities and partners to support our health and wellbeing priorities: Mental Health	On Track - Conditional Elements	Q2 - Due to lack of resource we have not been able to progress with the pop-up Multi Agency Centre's. There is as of 21/10/19 increased resource and we will now look to progress in the identified locations.
C	Working with communities and partners to support our health and wellbeing priorities: Social Isolation & loneliness	On Track - All Areas	Q2 - We are on track to meet our annual figure and will look to go over and above the target.
D	Working with communities and partners to support our health and wellbeing priorities: Older peoples health	On Track - Conditional Elements	Q2-This measure is on track and there is a plan in place to ensure that this measure is fully met.
E	Partnership working to safeguard vulnerable adults, children & families	On Track - Conditional Elements	Q2 - All safeguarding cases continue to be dealt with in the right guidelines (SET) and this measure is on track. Staff completion of e-learning modules regarding safeguarding and GDPR will be available from Q3.  Once the Council go live with the new structure we will be able to move forward with training (MECC) for the customer facing staff and increase the number of staff who are trained.
F	Effective engagement to support strong and resilient communities	On Track - All Areas	Q2 - Generally all measures are on track to meet the targets. There are some examples (customer evaluation survey) where we are already performing at a high level and therefore increases in performance will be small. Some measures are in their infancy (MDC digital assistance at Council Offices).

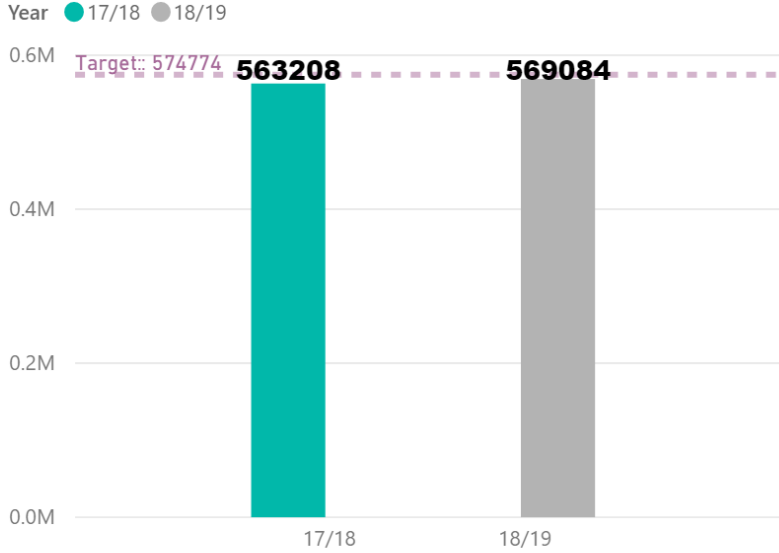
Community Performance Measures

A) Obesity

No. of physical activity promotions

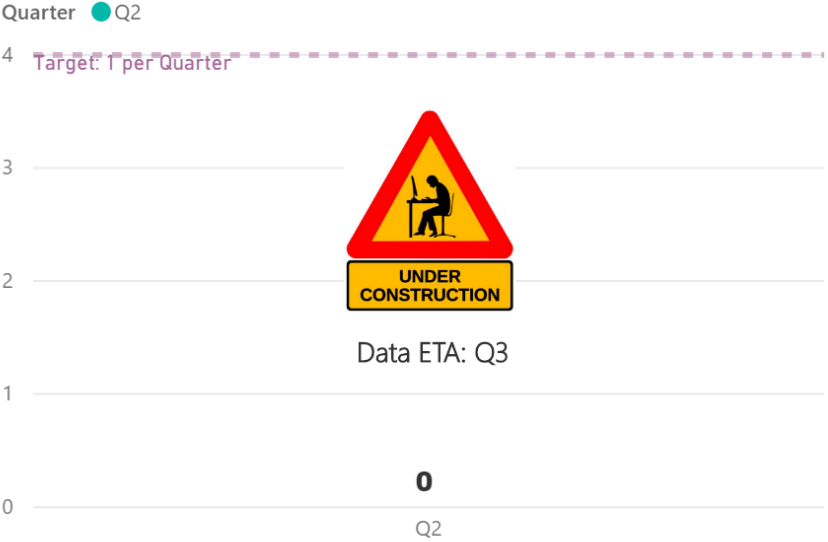


Participation at Maldon leisure centres



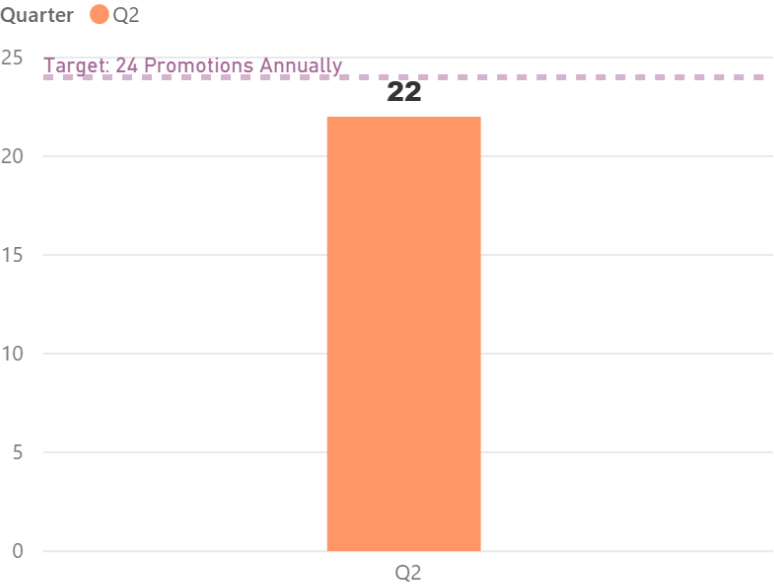
B) Mental Health

Targeted MAC\* (Multi Agency Centres) supporting vulnerable residents



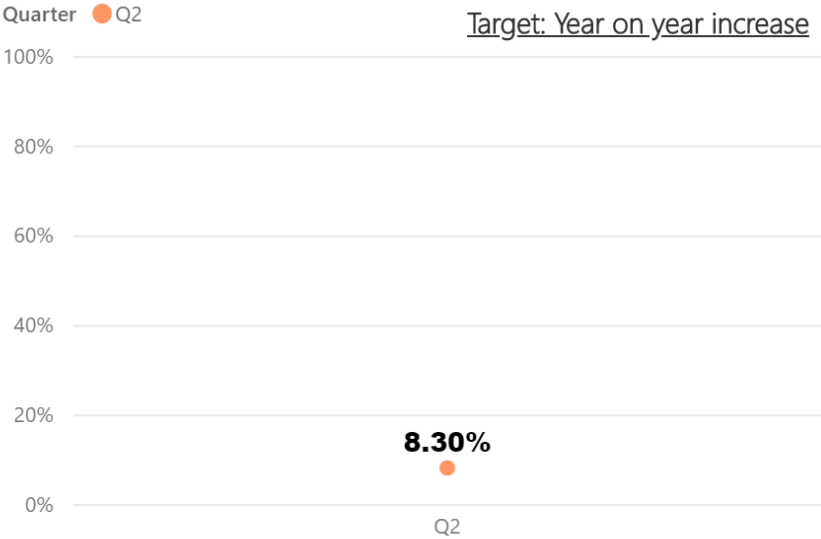
C) Social Isolation/Loneliness

Promotion of social isolation initiatives



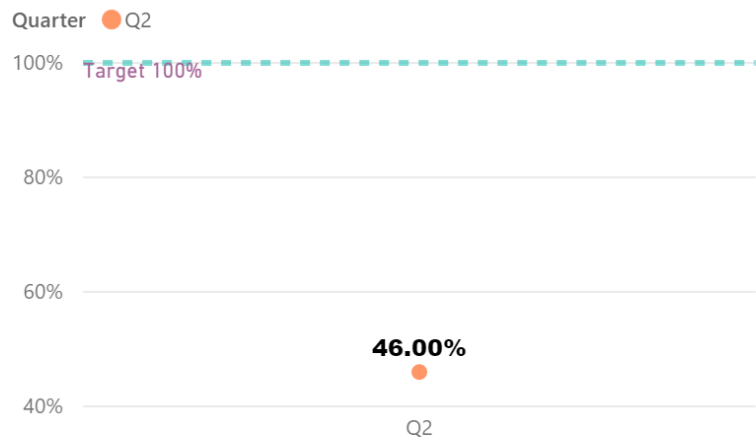
D) Older Health

% of known Maldon District dementia friendly groups/ services promoted

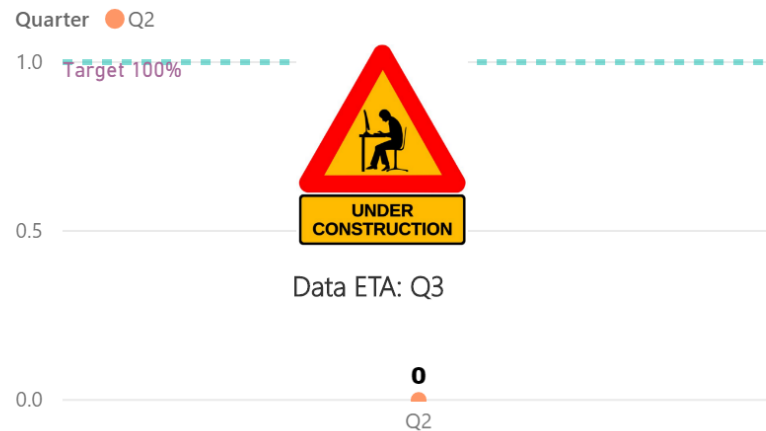


## E) Partnership working to safeguard

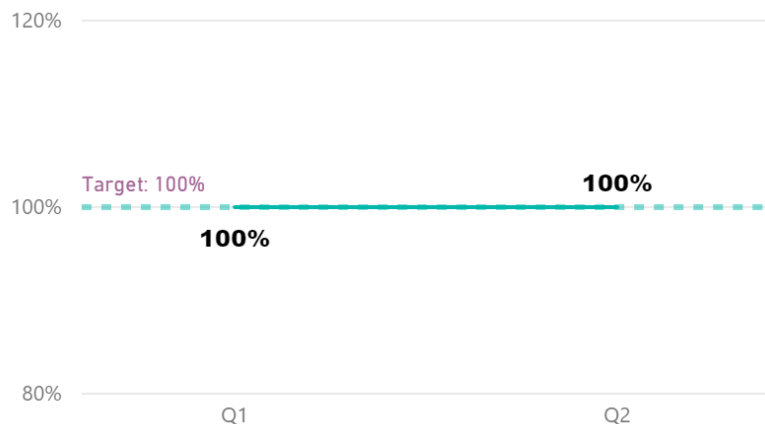
% of customer facing staff who have received MECC\* training



Staff completion of e-learning modules on Safeguarding and GDPR

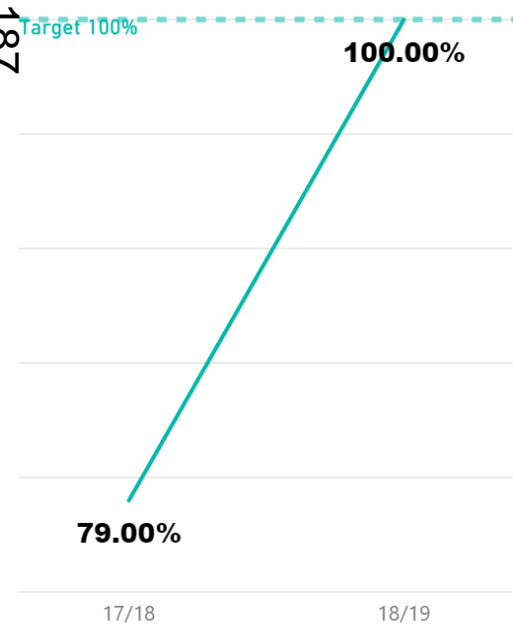


% of safeguarding cases are dealt with in accordance of Southend, Essex and Thurrock (SET) guidelines for adults and children

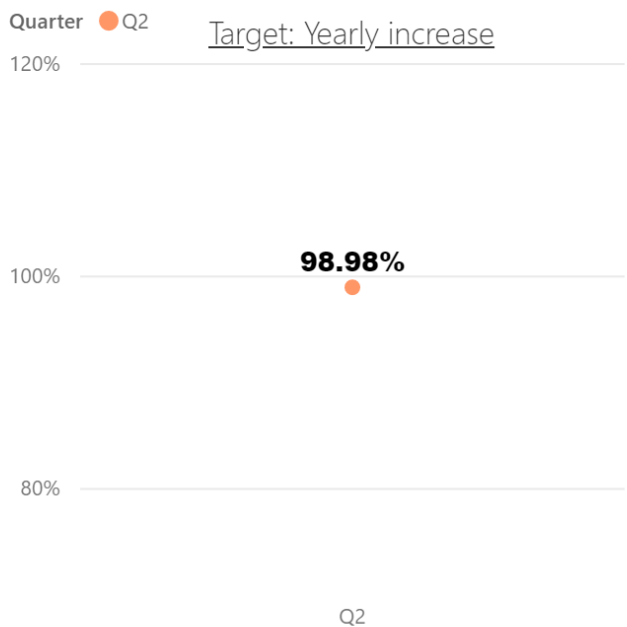


## F) Community Engagement

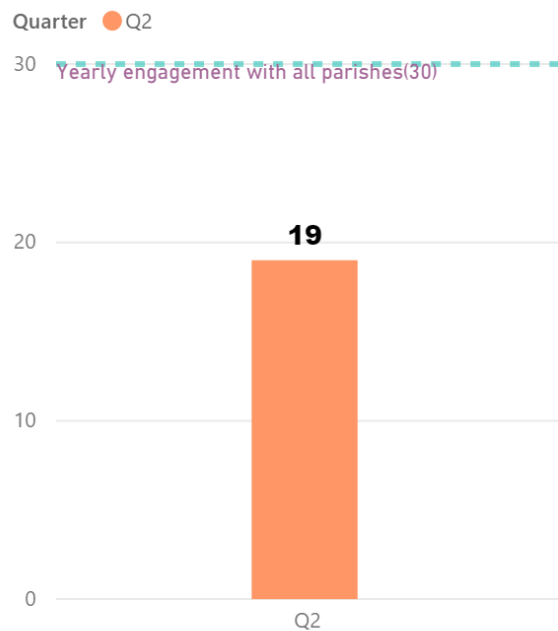
Annual Better Care Fund spend



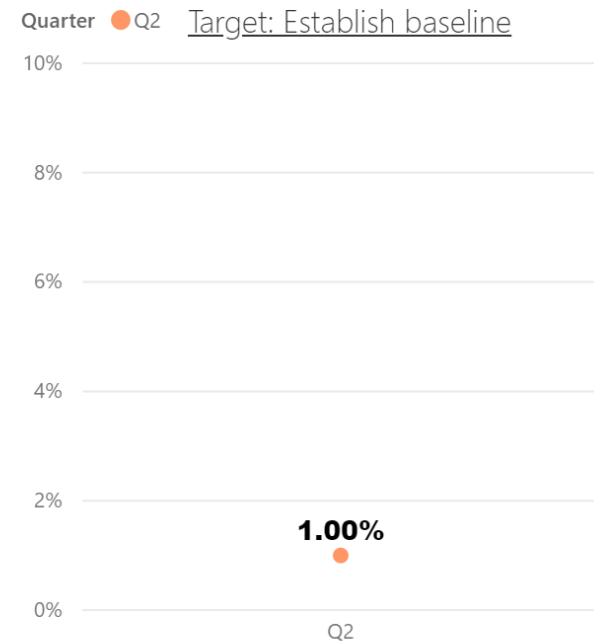
Customer evaluation survey (MDC) – private sector housing grants/ loans



No. of Parish and Town Council engagements by Community team



MDC assistance to use digital service/ payment at Council Offices



## Community Supporting Plans

Supportive Outcome	Community Actions Plans	Status	Highlights/Low Lights	Target
A) Support health and wellbeing priority: Obesity	Parishes covered by community weight management sessions	OnTrack	Q2 - There has been 1 new community weight management session set up in Tolleshunt D'Arcy. This now takes the number of sessions in the District from 7 to 8. The north of the District now has increased coverage in terms of weight management sessions, we will look to progress the expansion of weight management sessions in the Dengie area.	To increase Parishes by 2 per year
A) Support health and wellbeing priority: Obesity	Campaign delivery for physical activity	Not Started	Q2 - Due to lack of resource we have not been able to release a campaign. However, the identified theme of the campaign has been identified; this is to target the Maldon East area which will focus on highlighting the short and free activities that are available in the District for all ages.	2 Campaigns per year
B) Support health and wellbeing priority: Mental Health	Primary Schools supported by MDC Y6 transition template	OnTrack	Q2 - We have worked in partnership with Plume Academy to ensure that they are onboard to deploy the template in March 2020- We are confirming with Ormiston Rivers Academy that they are confirmed and able to send out the template in March 2020.- Between Plume and Ormiston them they will cover 18 primary schools in the District which should meet and complete our target by Q4.	To onboard 2 new schools per year
C) Support health and wellbeing priority: Social isolation/loneliness	The number of intergenerational projects in the District	OnTrack	Q2 - One new school on boarded in Q1. We will seek to get another school on board by the end of Q4.	1 new school participating in intergenerational projects per year
C) Support health and wellbeing priority: Social isolation/loneliness	Campaign delivery for social isolation	OnTrack	Q2 - We have ensured that we have promoted and shared all social isolation and loneliness initiatives that are ongoing in the District. We are supporting the delivery of UnitedInKind campaign which is led by Essex County Council and will be delivering our own social isolation/ loneliness campaign as part of the Winter Warmth project.	1 Campaign per year
D) Support health and wellbeing priority: Older people's health	health drop-ins for older people's groups provided	Not Started	Q2 - Due to resource this has not been started yet.	To increase older health drop in sessions, 1 per quarter



# Place Strategic Performance

## Place Outcomes

Reference	Title	Status	Commentary
A	A clean and tidy District	On Track - Conditional Elements	Q2 - Whilst increase seen in fly tipping incidents there are no overall concerns for Q2.
B	Reduced Household waste	On Track - All Areas	Q2 - All on track and no concerns.
C	Our open spaces maintained for the enjoyment of all	On Track - Conditional Elements	Q2 - On track but initial concern at progress on review/writing of Management Plans due to Transformation.
D	Improved air quality	On Track - Conditional Elements	Q2 - On track but potential for public consultation to overlap target completion date.
E	Partnership working to protect our countryside and coastline	On Track - All Areas	Q2 - On track and progressing.
F	Sound and tested environmentally friendly initiatives delivered	On Track - All Areas	Q2 - On track and progressing.
G	A five -year housing land supply maintained	On Track - Conditional Elements	Q2 - Performance measure data is annual but indications are positive.
H	Strategic sites delivered in accordance with the Local Development Plan bought forward	On Track - Conditional Elements	Q2 - On track however, hindered slightly in Q2 by S106 officer resource.
I	Affordable housing targets in the Local Development Plan achieved	On Track - Conditional Elements	Q2 - Performance measure data is annual but indications are positive.
J	Section 106 planning agreements are effectively discharged	On Track - Conditional Elements	Q2 - On track however, hindered slightly in Q2 by S106 officer resource.
K	Partnerships are developed to maintain coastal defences	On Track - All Areas	Q2 - On track and progressing.
L	Improved access to Superfast Broadband across the District	On Track - All Areas	Q2 - On track and current predictions indicate exceeding target.

Place Performance Measures

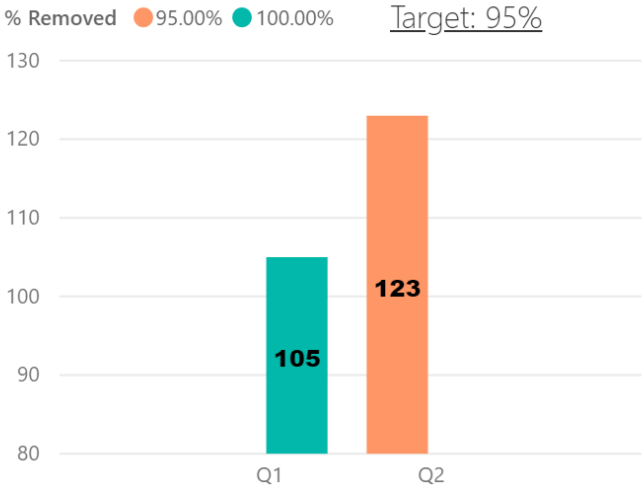
A) Clean and Tidy District

Public satisfaction to cleanliness & tidiness of the District



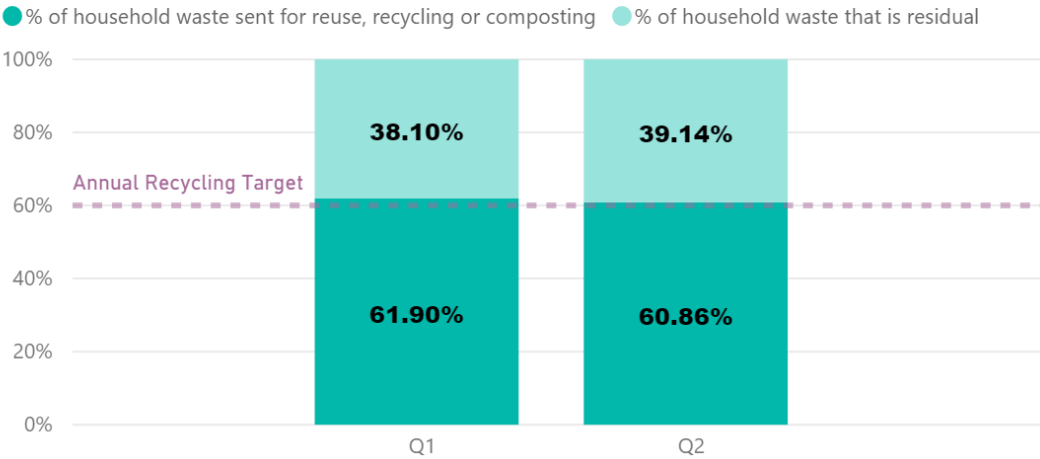
Data ETA: Q4

No of fly tipping incidents and % Removed within 24hrs



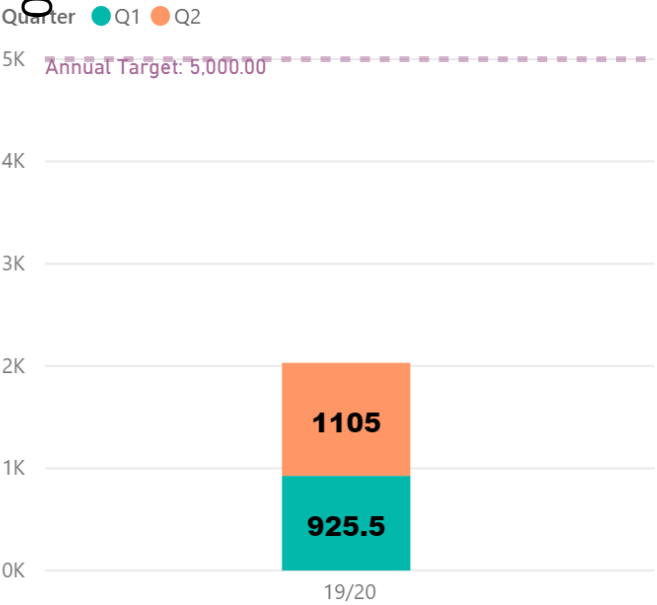
B) Household Waste Reduction

Residual Waste V Recycled Waste



C) Open Spaces

Local volunteering activity(Hrs)



Public satisfacion to Flagship open spaces



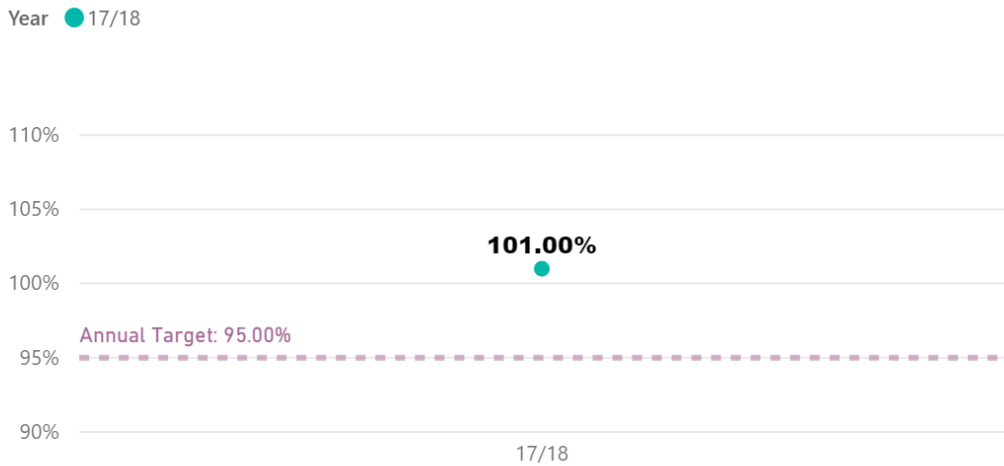
Data ETA: Q4

G) Housing Land Supply

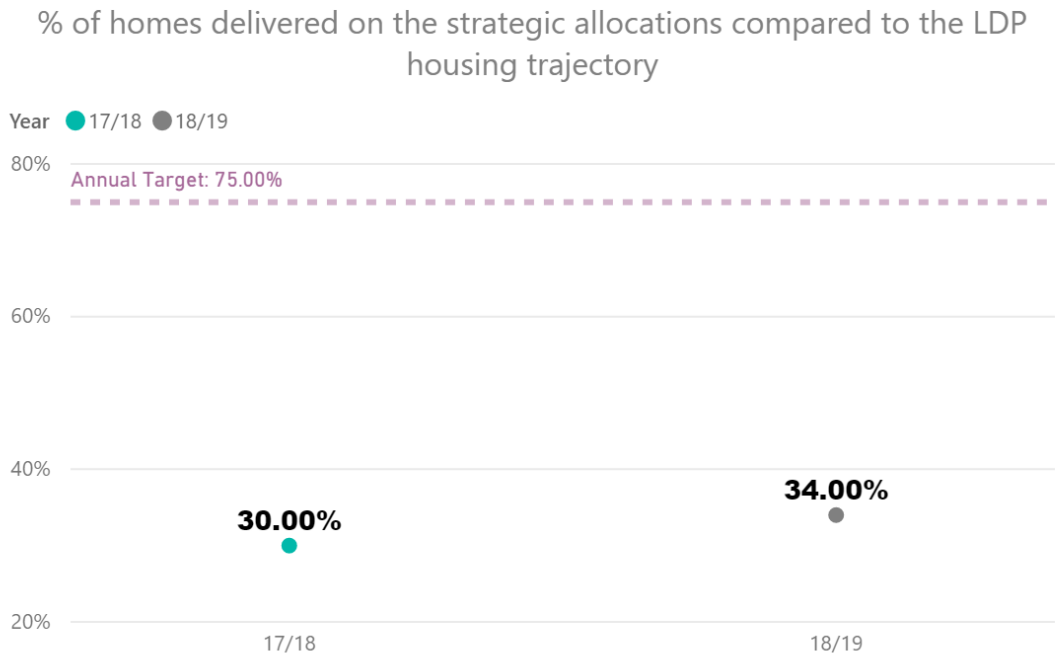
5Yr housing land supply 17/18

6.34

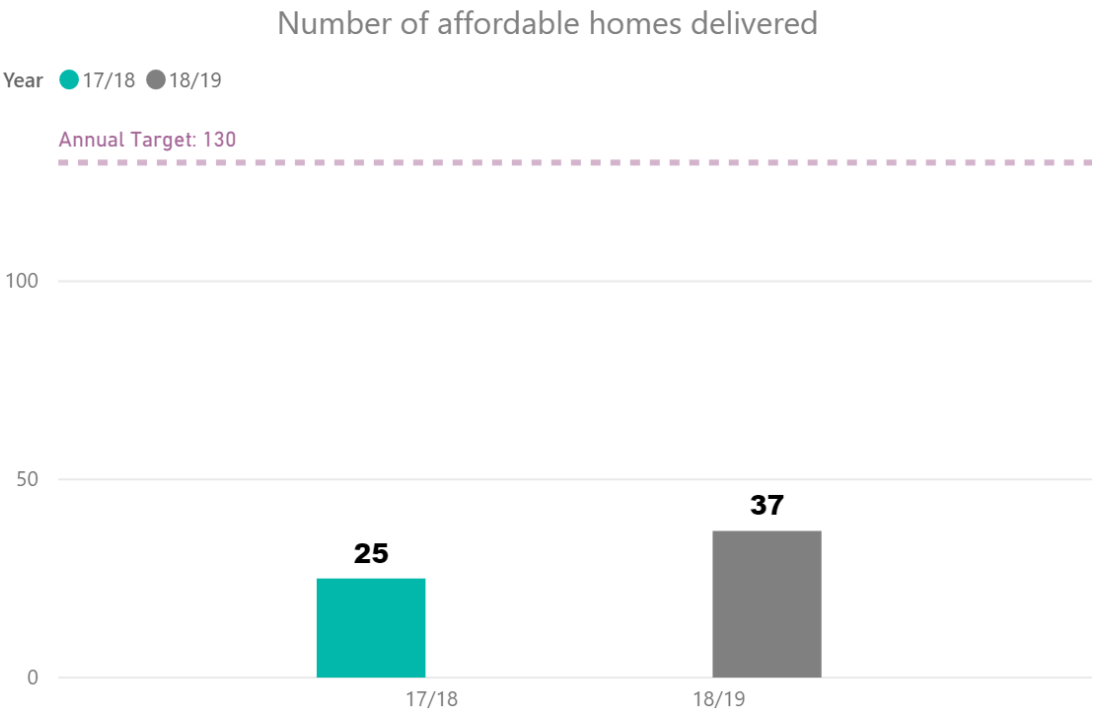
Housing Delivery Test (HDT\*) result



H) Strategic Site Developement



I) Affordable Homes



## Place supporting plans

Supportive Outcome	Place Actions Plans	Status	Highlights/Low Lights	Target
C) Maintaining open spaces	Keep Britain Tidy 'Green Flag' award (well managed parks and open spaces)	At Risk	Q2 - Applications for Green Flag Awards depend entirely on Management plans being in place for candidate award sites. Due to Future Council process and key vacancies within Service, capacity for review/writing of the Management Plans is currently very limited.	Two applications submitted for 2020/21 awards
C) Maintaining open spaces	Progress implementation of the Green Infrastructure Strategy [GINS] findings / projects - adopted by Council May 2019	Not Started	Q2 - Working group not started; liaison with Strategy team regarding GI projects & opportunities for delivery is in place. See also update for Blackwater Conservation Strategy with regard to Eol for funding.	Establish internal working group to explore taking a programme management approach to GIS [similar to CAMP] to secure strategic delivery
D) Improved air quality	Development of AQMA Action Plan	At Risk	Q2 - Modelling of possible mitigation measures complete. This will be shared with the next Steering Group due 9 October 2019. The group will consider ToR and receive an update from the Lead, Tim Savage (CCC). The draft plan will start to be formed in partnership with ECC. Public consultation proposed to go ahead in Q3/4	Plan completion by Dec. 2019
D) Improved air quality	Implementation of AQMA Action Plan measures	Not Started	Q2 - No updates on this measure until the development of the AQMA action plan has finalised	Jan 2020 + implemented in accordance with agreed timetable
E) Protect our countryside and coastline	Development of a Blackwater Nature Conservation Strategy	On Track	Q2 - Blackwater Conservation Partnership development continuing. Vision statement and Objectives for the group/strategy have been drafted and agreed in principle. Next Partnership meeting scheduled for 11th November. Key Partners have also submitted an initial Expression of Interest to the Lottery "Heritage Horizons" scheme, largely based on the discussions of the Partnership to date and includes three projects from the MDC Green Infrastructure Strategy and Central Area Master plan. Expression of interest(EOI) outcome should be due January 2020, if progressing to the next stage then Report to Committee for approval will be needed.	Initiation March 2019; 10 draft work-streams identified; workstream focus meetings planned July; whole Group meeting & review in October 2019 for further tasking.
F) Environmental Initiatives	Successfully deliver promotional campaigns to support a sustainable Place	On Track	Q2 - Supporting delivery of Love Essex's anti-littering campaign - 'See it, Report it'	Deliver three campaigns during 2019/20
F) Environmental Initiatives	Develop and adopt an Environment and Climate Change Strategy	On Track	Q2 - Transformation has taken priority however, draft Strategy is being prepared awaiting results of Resident Survey to complete outcomes. This will ensure the outcomes reflect the view of the residents	Submit draft Strategy to Committee by November 2019

## Place supporting plans

Supportive Outcome	Place Actions Plans	Status	Highlights/Low Lights	Target
H) Strategic sites development	Infrastructure delivered in relation to the strategic allocations in accordance with adopted LDP and the negotiated and signed S.106 agreement	At Risk	Q2 - A S106 update report for the period of April to September has been submitted to Overview and Scrutiny Committee. This meeting is taking place on the 31st October. However, performance data for this specific measure cannot be reported on as we are currently without a S106 officer. We hope to have resource from mid-October.	Delivery in accordance with the Infrastructure Delivery Plan
J) Section 106 planning agreements effectively discharged	All s106's are monitored in accordance with the signed legal agreement	On Track	Q2 - A monitoring and progress report on S106 for the period of April to September has been submitted to Overview & Scrutiny Committee October meeting.	100% implementation
K) Maintaining coastal defences	To monitor delivery of the agreed 2019 Maldon District Strategic Flood Projects and Maintenance Plan and maximise grant opportunities towards local coastal defences.	On Track	Q2 - Revised plan discussed at July Audit Committee and risk score reduce. A number of maintenance projects completed with an addition of 4 new projects in Q2. Next meeting booked in Q3	80% of works/maintenance projects put forward annually are completed in accordance with the project timescales
L) Improved access to Superfast Broadband	To work with Partners to accelerate and maximise the rollout of Superfast Broadband across premises in the District.	On Track	Q2 - Superfast Essex Programme short term rollout figures are on track and likely to be surpassed. Phase 2 of the Programme will be completed by December 2019. Current status as at 12 August 2019 91% coverage. Phase 3 and Phase 4 roll out to December 2021 forecast coverage 96.2%.	94.7% Superfast broadband available by March 2020

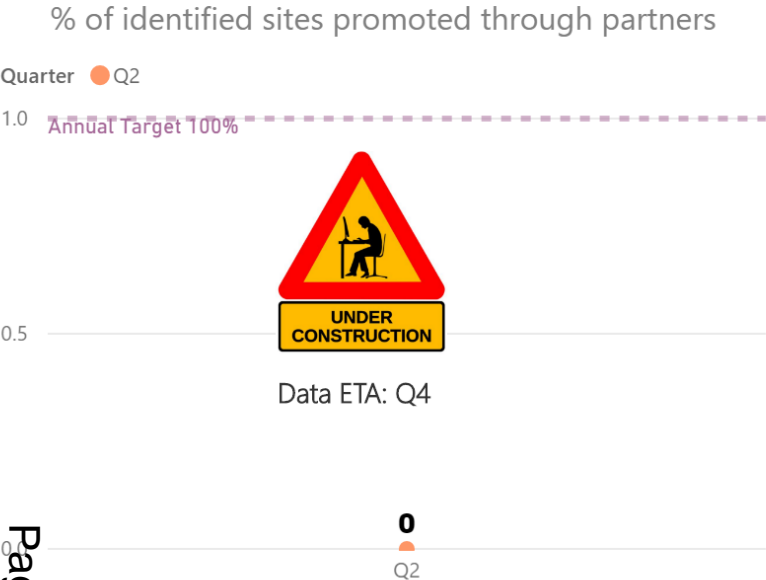
# Prosperity Strategic Performance

## Prosperity Outcomes

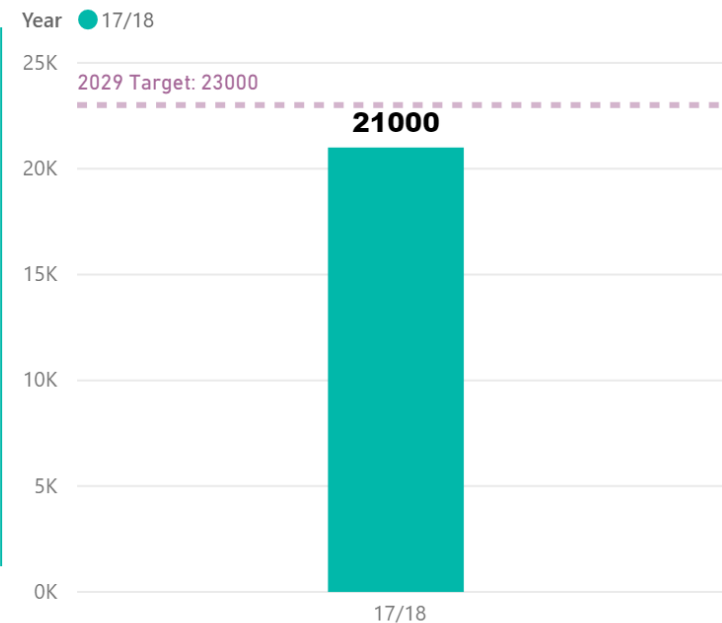
Reference	Title	Status	Commentary
A	Delivery of strategic employment sites in accordance with the Local Development Plan	On Track - Conditional Elements	Q2 - Strategic Employment Sites measures are being developed as part of the Prosperity action plan (pending the approval of the Council's Prosperity Strategy), data will be reported from Q4.
B	Partnership working to provide an Enterprise Centre	On Track - Conditional Elements	Q2 - Work progressing within targets
C	Rural business and diversification supported	On Track - Conditional Elements	Q2 - Good progress seen with Bradwell B. However measures have been hindered slightly by staffing issues, no current concerns. Rural Business actions being developed as part of the Prosperity action plan (pending the approval of the Council's Prosperity Strategy), data will be reported from Q4
D	Tourism supported and encouraged	On Track - Conditional Elements	Q2 - Tourism activity has been strong through Q2. The planned closure of the Tourist Information Centre has meant a significant change in operational delivery a but over all this performance is expected to continue. Tourism data is annual, results expected in Q3 to solidify positive performance trend.
E	Efficient and effective engagement with businesses	On Track - Conditional Elements	Q2 - Business Engagement Action Plan being developed (pending the approval of the Council's Prosperity Strategy). Data Gaps to be filled for Q3 + Q4.

Prosperity performance measures

A) Delivery of strategic employments sites

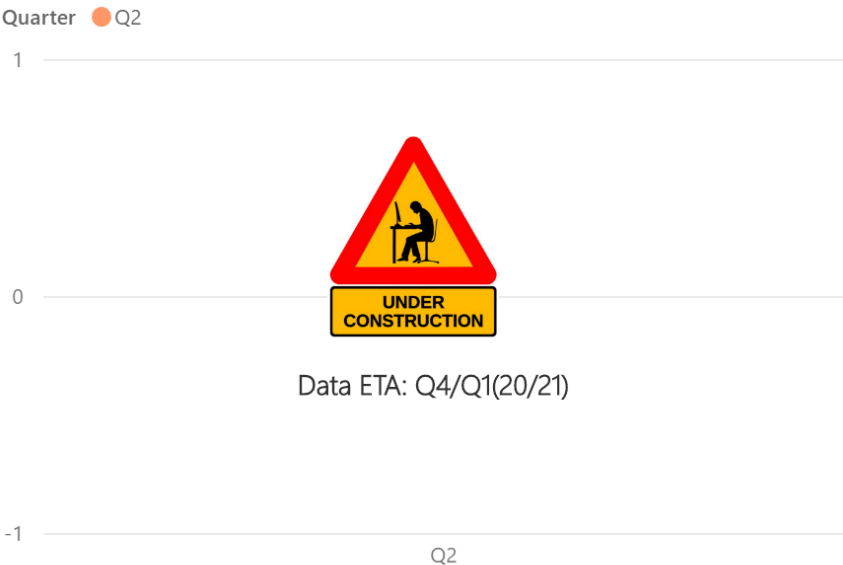


Job Creation

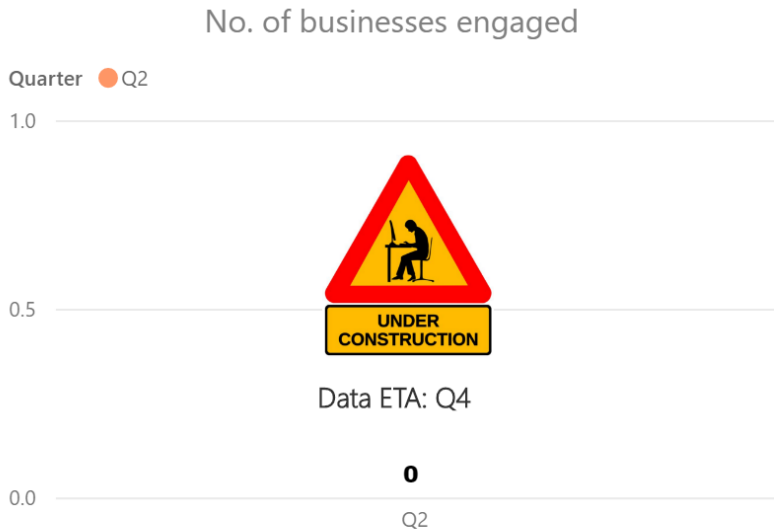


B) Partnership working to provide an Enterprise Centre

Occupancy in the Enterprise hub



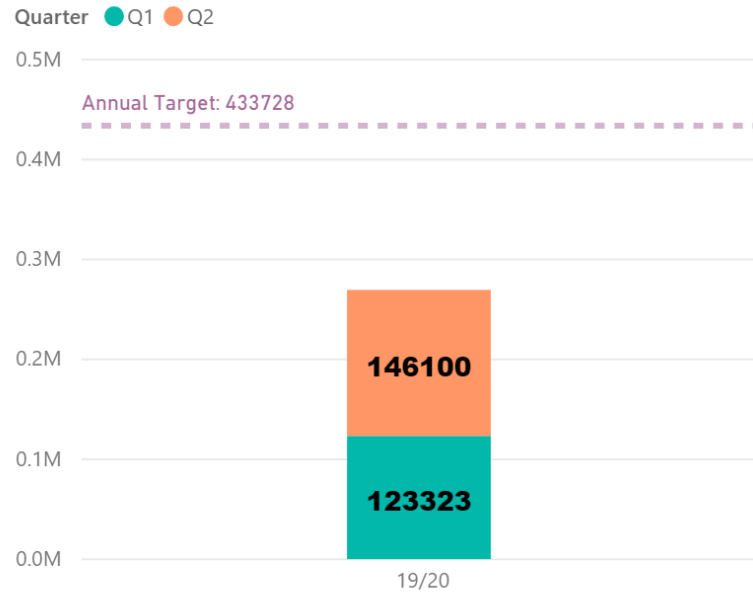
E) Efficient & Effective engagement with Businesses



Business satisfaction with MDC services



Visitors to Maldon Website



Business benefit through tourism



Data ETA: Q3/Q4

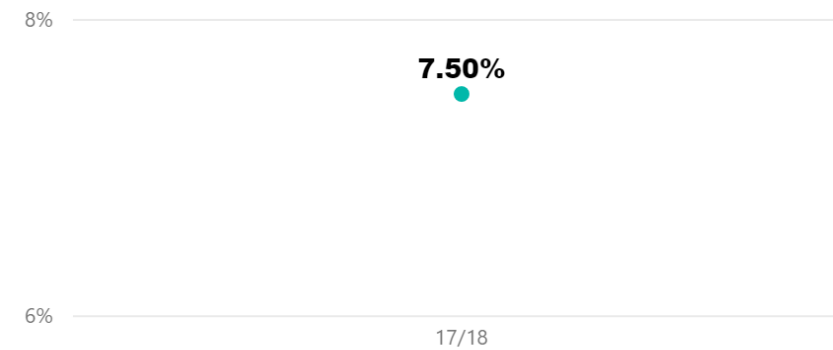
Number of tourism businesses engaged- PLACE HOLDER



Tourism Spend

Year ● 17/18

Target TBC





## Prosperity supporting plans

Supportive Outcome	Prosperity Actions Plans	Status	Highlights/Low Lights	Targets
C) Rural and coastal business supported	Establish Maldon Rural Business Growth Strategy	Not Started	Q2 - Activity pending approval of the Thematic Strategy	Contractual SoP Objectives met
B) Partnership working to provide an Enterprise Centre	Deliver Enterprise Centre	On Track	Q2 - Currently reviewing initial feasibility study and reviewing approach, project still within timescales.	Enterprise Centre delivered by 2025
B) Partnership working to provide an Enterprise Centre	Deliver Enterprise Hub based in Maldon District Council's building	On Track	Q2 -Progress slightly delayed, awaiting start of Commercial Manager, start date Nov 19. Project should still be delivered on track in 2020.	Enterprise Hub delivered by 2020
C) Rural and coastal business supported	Bradwell B project	On Track	Q2 - Bradwell B (BRB) nuclear power plant - The developer BRB, comprised of China General Nuclear (CGN) and EDF Energy commenced scoping working for the Development Consent Order process on July 4th. Consultation with the public will happen from Spring 2020. In parallel to this, the developer is applying for a license for the nuclear reactor. Both activities will take approximately two years. If the project progresses, it will be a further five years before any construction would take place. Maldon District Council are the lead local planning authority for this development and is working with Essex County Council and the Developer to inform all scoping activities. Maldon District Council is actively recruiting a Programme Manager and Senior Specialist - Local Plan to ensure the required supplementary planning document can be produced by March 2020. However, we have found it difficult to recruit permanent staff to these roles.	Production of Supplementary Planning Documents March 2020
D) Tourism supported & encouraged	Digital Tourism campaigns delivered	On Track	Q2 - Delivery of Saltmarsh 2019 comms campaign	TBC

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# Corporate Risk Report Q2 – Appendix 2

31<sup>st</sup> October 2019

\*Please note risk are sorted in Overall Risk Rating descending order\*



Title	Risk Description	Likelihood	Impact	Overall Risk Rating	Rating direction	Commentary
R3	Failure to target services/influence partners effectively to support identified housing needs of increasing aging population	3	4	12	Risk rating unchanged	Q2 - Planning Application, outline in nature, has been granted for an 'older person village' at Burnham. Once built will substantially assist in meeting the housing need for older people. Also working with other parties to meet this need on other sites. Whilst outline permission has been granted it is not considered that the likelihood can move to un-likely.
R5	Failure to deliver the required infrastructure to support development arising from the LDP	4	3	12	Risk rating unchanged	Q2 - The interim S106 officer liaising with the Strategy Theme Lead Place has made good progress in monitoring S106 regarding delivery of payments and contributions and are up to date with clear sight going forward.
R6	Failure to have a clear shared plan regarding strategic ownership of coastal, fluvial and surface flood mitigation and long term maintenance responsibilities	3	4	12	Risk rating unchanged	Q2 Plan updated by all partners in Q2 with schemes completed and new schemes included. An additional column was added to included the date the project was added to the Plan to enable performance to be monitored clearly. The operational meeting of the Strategic Flood and Maintenance Projects group was held in Q3 and this will be reported to the Flood & Coastal Group due to be held in December.
R7	Failure to maintain a 5 year supply of Housing Land	3	4	12	Risk rating unchanged	Q2 - Site S2(d) Hybrid application approved September 2019. Site S2(a) western parcel 1st Reserved Matters application to be submitted for 106 dwellings October 19 2019. Site S2(k) detailed application for 90 dwellings to be submitted October 19 2019. These sites will significantly contribute to maintaining the 5YHLS.
R8	Failure to meet the affordable housing need	3	4	12	Risk rating unchanged	Q2 - Schemes are now being policy compliant and a number of windfall applications have helped to erode the shortfall. However, there is a need to think 'outside the box'. Working on ways to solve this including working with other parties.
R10	Failure to develop jobs to support the growing population	4	3	12	Risk rating unchanged	Q2 - There is an interest in vacant sites in the Causeway Regeneration Area with businesses wishing to locate: planning application by Screwfix. North Quay Development Brief preparation is engaging with businesses, landowners and landlords to promote and develop the defined area for job creation.

Title	Risk Description	Likelihood	Impact	Overall Risk Rating	Rating direction	Commentary
R18	2020 Savings not delivered from strategic reductions	3	4	12	Risk rating unchanged	Q2 - Review of position underway to identify progress and mitigation of any shortfall, currently risk unchanged. Risk will be superseded by R25.
R20	Failure to have a Disaster Recovery & Business Continuity Plan(BCP)	3	4	12	Risk rating increased	Q2 - Currently running out of space on main FS1 drive so high risk. Committee report to approve procurement of additional drives and then plan to move to Cloud which will remove risk
R22	Contracts not managed or owned and not providing Value For Money, out of contract on many across Council. Procurement Process not adhered to resulting in fines, loss of reputation	4	3	12	Risk rating unchanged	Q2- Audit identified risk - recommendations in place but at risk due to resource and current lack of time and ownership by contract owners or contracts with no identified owner. Procurement post in progress of recruitment .
R23	Poor Financial Accounting	3	4	12	Risk rating unchanged	Q2 - Transformation has left a lot of gaps so Financial process not currently robust and several areas of risk. Actions are being taken to address the gaps identified. These include putting in place controls and checks in the processes and procedures for staff to follow. Additional expert external support has been engaged to assist in the programme of work and put in place the necessary controls.
R13	Failure to manage impact of organisational change	3	3	9	Risk rating unchanged	Q2 -Programme delivery period ends on 31/10. Impact continues to be monitored and will also be monitored following go live. A review of programme risks will be undertaken and transferred into Corporate Risk Register as appropriate following 'go live at end October.
R14	Unable to recruit and retain staff in national skill shortage areas to meet the demands of the service	3	3	9	Risk rating unchanged	Q2- The Council continues to manage vacancies actively utilising agency staff and working in partnership with local authorities where appropriate. Recruitment experience has shown it is harder to fill specialist roles compared to caseworkers for example. Some success has achieved in advertising roles in a different way leading to an increase in applications for some roles previously difficult to attract applicants to. Recruitment is monitored on a weekly basis at a senior level and will continue until staff vacancies are filled as required.



Title	Risk Description	Likelihood	Impact	Overall Risk Rating	Rating direction	Commentary
R15	Failure to plan and deliver balanced budgets over the medium term	3	3	9	Risk rating unchanged	Q2: The council will have implemented the full Transformation Programme Future Model structure by the end of October 2019 which will deliver net savings in expenditure and increased income from existing and new sources of £1.8m in total by 2022/23. There continues to be uncertainty over the future funding levels from the government for 2020/21 and future years pending the response of the government to the Needs and Resources Review and the Fair Funding Review Consultations. The government has announced that the Provisional Local Government Finance Settlement will be published in the autumn. It is expected that it will be for one year only.
R24	Loss of key skills and knowledge across the organisation, and failure to embrace new working cultures.	3	3	9	Risk rating unchanged	Q2 - SMART objectives, Agile & process training launched for all as part of roll out. Recruitment has been progressed on business need and skills required. Change champions are now focusing on organisational culture & behaviours.
R27	Failure of stakeholder & member engagement with the transformation programme.	3	3	9	Risk rating unchanged	Q2 - Members are kept informed regularly through gateway reviews of transformation progress. Minutes of the transformation board are made available to members for information. There are also plans to hold a member briefing towards the end of the year. Council Staff are continually kept up to date via weekly 'team talk', there has also been a number of all staff briefings held, next one planned for October.
R1	Failure to safeguard children and vulnerable adults	2	4	8	Risk rating increased	Q2 - The Council continues to meet safeguarding responsibilities during the transformation journey. Officers continue to report concerns and make referrals as required. A training need has been identified for staff and Members and as transformation completion nears this will be incorporated into individual training plans for staff and briefings for Members.  The likelihood has been increased to 'unlikely' to reflect the change in staff and teams following transformation. This score will be revisited in Q3.

Title	Risk Description	Likelihood	Impact	Overall Risk Rating	Rating direction	Commentary
R9	Failure to have a co-ordinated approach to supporting inward investment and maximising business rate growth	2	4	8	Risk rating unchanged	Q2- The draft Thematic Strategy identifies the actions, partners and priorities required to deliver inward investment and business growth. Awaiting imminent approval by Council. Prosperity Theme Lead in place and SoP Coordinator role being advertised.
R19	2020 Savings not delivered from new commercial surplus	2	4	8	Risk rating unchanged	Q2 - Work underway within programme to progress business cases, feasibility fund and programme Board established, with first business cases developed. Further review of progress on arrival of Commercial Manager to post on 18/11/19. Risk will be superseded by R25
R25	Failure to deliver finances associated to transformation programme.	2	4	8	Risk rating unchanged	Q2 - Members are updated regularly through gateway reviews. S151 Officer monitoring financial position, which informs the MTFS
R26	Failure to deliver channel shift, through lack of customer engagement or undelivered processes	2	4	8	Risk rating unchanged	Q2 - Prioritising the top 25 processes ready for launch at the end of October. A new Website is also being redesigned to aid customer journey and channel shift. Customer Support Advisors(CSA) are being trained to promote channel shift.
R2	Failure to target services and influence partners with the aim of having an effective outcome on the identified (health and wellbeing) needs of the vulnerable population	2	3	6	Risk rating unchanged	Q2 - livewell action plan is awaiting committee submission (community strategy measures also supporting this mitigating action) due to amalgamation of Leisure and Sports Development Strategy and livewell strategy - Health data supporting thematic strategies has been centralised so that consistent sources are used across the Council. Awaiting location on SharePoint for this to go. - New health improvement officer will be starting in October which will further support Maldon's link to the Public Health Network - livewell group is functioning quarterly and currently at a review process to ensure that the partners who attend are jointly working towards the priorities.

Title	Risk Description	Likelihood	Impact	Overall Risk Rating	Rating direction	Commentary
R4	Failure to influence Community Safety partners to address the key areas of public concern (including rural crime) and the negative perception of crime	2	3	6	Risk rating decreased	Q2 - In September the Police increased resources specifically in the Maldon District dedicating two PC's for Maldon Town. The Gypsy Traveller Rural Engagement team has re formed as the Rural Crime Team, resources have doubled which should result in a positive impact in the whole district. The Community Safety Hub is working well ensuring good lines of communications and being able to target problem areas. The Police have now improved working relationships with schools in the district, The Plume School, Ormiston Academy and the Heybridge Cooperative Academy now have dedicated PC contacts with regular visits being made.
R11	Failure to protect personal or commercially sensitive data	2	3	6	Risk rating unchanged	Q2 - E-Learning is currently being considered. Tier 2 Manager Training included Data Responsibilities. 2 Minor breaches in relation to letters being sent to incorrect person. CCTV policies needs to be reviewed following new guidance from ICO
R16	Corporate policies not managed and reviewed	3	2	6	Risk rating unchanged	Q2 - Database updated, Policy review to be built into Strategic Cycle to ensure updates are managed.
R17	Failure to maximise effectiveness of services through promotion and engagement	3	2	6	Risk rating unchanged	Q2 - Communications strategy being delivered within Transformation Programme and Marketing and Communications Corporate Strategy due for approval at S and R Committee on 17th October. This risk should then be further reviewed with a view to reducing risk level.
R12	A Committee structure which is not cost effective	1	3	3	Risk rating decreased	Q2 -New Committee structure based on strategic approach, and reduce resource impact no fully approved and live from 3/10/19
R21	Poor Financial audit	1	2	2	Risk rating	Q2- Financial audit almost complete, no major qualifications expected.





**REPORT of  
DIRECTOR OF STRATEGY, PERFORMANCE AND GOVERNANCE**

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**to  
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE  
28 NOVEMBER 2019**

**ADOPTION OF A NEW RISK MANAGEMENT POLICY**

**1. PURPOSE OF THE REPORT**

- 1.1 To provide a risk management policy update and identify working principles for adoption.
- 1.2 To address recent risk audit recommendations through the revision of our Corporate Risk Management approach.

**2. RECOMMENDATIONS**

- (i) that the revised Risk Management Policy (**APPENDIX A**) to reflect external developments in the area, and in line with a recent risk audit report be adopted;
- (ii) that the roles and responsibilities of risk management be approved;
- (iii) that a new 5-point risk scoring matrix be approved.

**3. SUMMARY OF KEY ISSUES**

- 3.1 An external audit of risk management took place in June 2019, with a final advisory report and recommendations provided in July.
- 3.2 The policy has been revised and updated to reflect the recommendations of the audit and best practice around risk management and is presented in **APPENDIX A**.
- 3.3 Operationally, we will also be utilising improved technology to increase risk visibility, with a reporting form and its results available to all staff
- 3.4 A new SMART (Strategic, Measurable, Achievable, Realistic and Timely) objectives template has been put in place for all staff, and this makes risk discussion part of the 1-2-1 process with all staff.
- 3.5 If adopted, there will be training available to all staff to reflect the new reporting mechanisms and scoring criteria.

- 3.6 As the scoring criteria changes with this policy update, a review of the current risk register will take place to move historic risks in line with new reporting criteria.

#### **4. CONCLUSION**

- 4.1 The revised risk management policy takes account changes in technology and audit recommendations to improve our corporate approach to risk management.
- 4.2 If approved, the approach will be embedded as part of staff training and roll out of the new Project Management Office (PMO), which sits in the Strategy, Performance and Governance Directorate.

#### **5. IMPACT ON STRATEGIC THEMES**

- 5.1 The policy highlights how risk management will track risk delivery of the corporate plan and strategic objectives. If approved, it will help to have a more robust approach to risk management of strategic themes.

#### **6. IMPLICATIONS**

- (i) **Impact on Customers** – positive risk management approach to ensure delivery of project goals and good outcomes for customers.
- (ii) **Impact on Equalities** – none
- (iii) **Impact on Risk** – Revisions to risk methodology in scoring criteria and mechanisms for reporting. Staff will be trained to reflect this update.
- (iv) **Impact on Resources (financial)** – none
- (v) **Impact on Resources (human)** – none
- (vi) **Impact on the Environment** – none
- (vii) **Impact on Strengthening Communities** - none

Background Papers: Revised risk management policy - **APPENDIX A.**

Enquiries to: Cheryl Hughes, Programmes Performance and Governance Manager

# **Maldon District Council**

## **Risk Management Policy**

**Updated November 2019**



## Document Control Sheet

<b>Document title</b>	Risk Management Policy
<b>Summary of purpose</b>	Sets out the risk management arrangements of the Council
<b>Prepared by</b>	Cheryl Hughes, Programmes Performance and Governance Manager
<b>Status</b>	Draft
<b>Version number</b>	Version 4 19/20
<b>To be approved by</b>	Performance, Governance and Audit Committee, Council
<b>Approval date</b>	
<b>Date of implementation</b>	Continuous (takes over from existing policy)
<b>Review frequency</b>	Every three years
<b>Next review date</b>	November 2022
<b>Circulation</b>	Intranet, Corporate Risk Sharepoint
<b>Published on the Council's website</b>	No

## Validity Statement

This document is due for review by the date shown above, after which it may become invalid. Users of the strategy or policy should ensure that they are consulting the currently valid version of the document.

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**Context**

Maldon District Council provides a diverse range of services to the residents, business and visitors of the Maldon District.

Having recently undertaken a full council transformation, focussed on putting our customers at the centre of what we do and being financially robust as central government budget cuts increase, we are reviewing our risk management policy and procedures to underpin this new structure and way of working

The Council has to manage the risks and opportunities associated with the delivery of our objectives stated in the Corporate Plan, by adopting good risk management principles.

Risk is unavoidable. It is an important part of life that allows us all to move forward and develop. Successful risk management is about ensuring that we have the correct level of control in place to provide sufficient protection from harm, without stifling our development.

Risk management therefore needs to be embedded into the Council and our key partners. We need to have the structures and processes in place to ensure the risks and opportunities of daily Council activities are identified, assessed and addressed in a standard way and proactively managed. This will allow us not only to meet the needs of the community today, but also be prepared to meet future challenges.

The purpose of this policy is to define risk management, state the Council's risk management objectives, approach, responsibilities and procedures.

**What is the Council's risk appetite?**

The Council's overriding attitude to risk is to operate in a culture of creativity and innovation, in which all key risks are identified in all areas of the business, are understood and proactively managed, rather than avoided.

**What are the Council's risk management objectives?**

- Adopt a strategic approach to risk management to make better informed decisions which is vital to successful transformational change;
- Acknowledge that even with good risk management and our best endeavours, things can go wrong. Where this happens we use the lessons learnt to try to prevent it from happening again;
- Develop leadership capacity and skills in identifying, understanding and managing the risks facing the Council;
- Use Project Management Office training and guidance to promote and guide risk management;
- Promote corporate governance and integrate risk management into how we run Council business/services. Sound risk management processes help us to achieve our corporate vision, priorities and objectives as outlined in the Corporate Plan;
- To ensure officers at all levels are responsible for risk, identifying mechanisms for reporting and escalating risk council-wide

- Support a culture of well-measured risk taking throughout the Council's business, including strategic, programme, partnership, project and operational. This includes setting risk ownership and accountabilities and responding to risk in a balanced way, considering the level of risk, impact and cost of control measures;
- Anticipate and respond to changing social, environmental and legislative requirements and ensure that the Council continues to meet all statutory and best practice requirements in relation to risk management;
- Ensure risk management continues to be a key and effective element of our Corporate Governance arrangements.

#### **How will our objectives be met?**

- Commitment from the Corporate Leadership Team (CLT) and senior managers to managing risk effectively;
- Maintaining a robust and consistent risk management approach that will:
  - Identify and effectively manage strategic, operational and project risks
  - Ensure mechanisms for officers of all levels to report risk
  - Focus on those key risks that, because of their likelihood and impact, make them priorities;
- Ensure accountabilities, roles and responsibilities for managing risks are clearly defined and communicated;
- Consider risk as an integral part of business planning, service delivery, key decision making processes, and project and partnership governance;
- Communicate risk information effectively through a clear visible reporting framework; and
- Increase understanding and expertise in risk management through targeted training and the sharing of good practice

The Risk Management Policy and framework will be reviewed every three years to take account of changing legislation, government initiatives, best practice and experience gained within the Council.

## Risk Management Approach

### 1. Introduction

The purpose of the risk management approach outlined in this document is to:

- Provide standard definitions and language to underpin the risk management process
- Ensure risks are identified and assessed consistently throughout the organisation through the clarification of key concepts
- Clarify roles and responsibilities for managing risk
- Implement an approach that meets current legislative requirements and follows best practice and relevant standards.

### 2. Definitions

**Risk** can be defined as “an uncertain event that, should it occur, will have an effect on the Council’s objectives and/or reputation.” It is the combination of the probability of an event (likelihood) and its effect (impact).

Risk management generated opportunities can arise as a consequence of effectively managing risks, for example additional grant funding or improved working practices.

**Risk management** is the “systematic application of principles, approach and processes to the identification, assessment and monitoring of risks.” By managing our risk process effectively we will be in a better position to safeguard against potential threats and exploit potential opportunities to improve services and provide better value for money.

Risk management is applied at all levels of service delivery and include:

- Corporate Strategic Risks – Risks that could have an effect on the successful achievement of our long term corporate goals, priorities and objectives. These are:
  - risks that could potentially have a council-wide impact and/or
  - risks that cannot be managed solely at a service level because higher level support/intervention is needed.
- Service Risks – Risks at a service level that could have an effect on the successful achievement of the Directorate or service outcomes/objectives. Potentially these risks could have a significant financial, reputational and/or service delivery impact on the service as a whole.
- Contract Risks – Risks that could have an effect on the successful achievement of the contract’s outcomes/objectives in terms of delivery, outcomes and value for money. Contract risks are managed throughout the contracting process including contract management/business as usual.
- Project Risks – Risks that could have an effect on the successful achievement of the project’s outcomes/objectives in terms of service delivery, benefits realisation and engagement with key stakeholders (service users, third parties, partners etc.).
- Partnership Risks – Partnerships bring risks as well as opportunities; how the partnerships are governed can be problematic and as a result the objectives of the partnership may not be achieved; they may not deliver good value for public money or the Council could find itself having to pay more money into a partnership or pick up other partners’ contributions should one or more partners leave. Alternatively, the Council could just find that it is not reaping the benefits that it thought it would by participating in the partnership.



### 3. Approach

For a number of years the Council has been working towards a comprehensive and integrated approach to risk management where:

- ✓ staff are clear about what risk management is intended to achieve;
- ✓ significant risks are being identified and managed effectively;
- ✓ training and guidance on risk management are easily accessible;
- ✓ a consistent corporate approach is followed using a common 'risk language'; and
- ✓ it is seen as an integral part of good corporate governance.

This section details the agreed MDC Risk Management framework to ensure the effective management of risk across the organisation. The Council's approach to risk management involves a number of key steps as outlined below.

All staff	Risk discussions in 1-2-1's (template) Central form for reporting any risks identified to be picked up by Programme, Performance and Governance team
Senior managers	Annual service plan update and identifying risk to service delivery Escalating risks above the service-level tolerance
Project Management Office	Standardised reporting for all projects, which prescribes risk management as part of project scoping and monitoring
CLT	Reviewing escalated risks and ensuring mitigating actions are sufficient
Programme, performance and Governance team-	Centrally monitor and report
Performance, Governance and Audit committee-	Review and feed back quarterly

Effective communication is key to the successful management of risk and it is vital that staff at all levels across the organisation are involved if risk management is to be truly embedded and a useful management tool.

#### 1) Identify Corporate, Service, Project or Partnership Objectives

Before we can identify our risks we need to establish the context by looking at what we are trying to achieve and what our proposed objectives are. Depending on the area under review, the relevant objectives and outcomes will usually be detailed in existing documents, including the following:

- Maldon District Council Corporate Plan
- Thematic strategies
- Business Plans
- Project Brief or Project Initiation Document
- Partnership agreement or Service Level Agreement.

#### 2) Identify Risks

At its simplest, risk management consists of asking and answering “what are we trying to achieve?” and “what can stop this/these being achieved?”.

There are a number of different types of risk than an organisation may face including:

**Strategic** - what could prevent corporate goals and objectives being achieved? An example would be a failure to ensure that all services are working effectively to the corporate agenda or not having the capacity and resources to deliver the agreed key activities.

**Financial** - what could affect the council’s financial position? Examples include the risks associated with investment and borrowing, lack of sound financial management or the existence of fraud or corruption.

**Economic** - the impact of an economic downturn would affect prosperity of local businesses and communities.

**Regulatory** - what would happen if the Council was not compliant with legislation such as the Health and Safety at Work Act, Data Protection, Freedom of Information Employment Law, Human Rights, Equalities Act or Environmental legislation? What about legal challenges?

**Reputation** - Negative publicity (local and national) or an increase in complaints would affect the Council’s reputation.

**Management** – there could be risks relating to loss of key staff, recruitment or retention issues; capacity issues – availability, sickness absence, emergency preparedness or business continuity.

**Operational/Departmental** - what could potentially affect the delivery of the service? Examples could be a loss of key staff, or a failure of IT systems.

**Health and Safety** - what are the potential risks to staff, customers, and users of the service? Examples of this are risk of slips, trips and falls.

**Partnerships** - what would the implications for the Council be if the partnership failed? For example, would the Council be responsible for any of the partnership’s financial liabilities or would services be affected if the partnership was no longer in existence?

**Projects** - What could cause the project to fail? Examples could include unrealistic initial assumptions about time, cost or feasibility.

Describing the risk is equally important to ensure that risks are fully understood, and to assist with the identification of mitigating actions, the cause and consequences of each risk must also be detailed. Typical phrases used to do this include:

Description	Cause	Consequences
Failure to ... Failure of ... Lack of ... Loss of ... Uncertainty of ... Delay in ... Inability to ... Inadequate ... Partnership with ... Development of ... Damage to	.....due to ..... because	....leads to .....results in

Once identified, all risks are recorded in a “Risk Register” – this maybe the Council’s corporate risk register, the service risk register, the project risk register or a partnership risk register.

A risk owner must be allocated and recorded against each risk on the risk register. Such accountability helps to ensure ‘ownership’ of the risk is documented and recognised. A risk owner is defined as a person with the accountability and authority to effectively manage the risk. At this stage there may well be a long list of possible risks. The next step will help to prioritise these in order of importance.

### 3) Assess adequacy of existing controls

For each risk, identify those actions/controls which are currently helping to minimise the likelihood and/or impact of the risk occurring. These are actions or controls that are completed, in place and embedded.

Assess the adequacy of these controls as follows:

**Poor** - no controls in place or the few that are do not mitigate the risk

**Fair** - some controls in place and some reduction in risk but still not adequate

**Good** - controls in place are considered adequate and reduce the risk

**Excellent** - effective controls are in place which reduce the risk considerably.

### 4) Assess Inherent Risk Level

To ensure resources are focused on the most significant risks, the Council’s approach to risk management is to assess the risks identified in terms of both the potential likelihood and impact so that actions can be prioritised.

Taking into account the controls currently in place and how adequately these reduce the likelihood or impact of the risk, the risk is scored for both likelihood and impact using **The Risk Assessment Table** included in **Appendix 1**.

Both the likelihood and impact levels of each risk are plotted on the Maldon District Council’s Risk Matrix which displays its appetite or tolerance to risk (see below). The position of the risk, either above or below the tolerance line, will help to determine what action, if any, will be taken forward.

The table below shows the risk scoring criteria, based on a standardised 5 point scale for likelihood and scale.

<u>Definitions:</u>		
	Impact	Likelihood
1	Negligible	Unlikely
2	Minor	Less Likely
3	Moderate	Likely
4	Significant	Very Likely
5	Major	Definite

Risk Level	Likelihood score				
	1= Rare	2= Unlikely	3= Possible	4= Likely	5= Almost certain
Catastrophic: Level 5	5	10	15	20	25
Major: Level 4	4	8	12	16	20
Moderate: Level 3	3	6	9	12	15
Minor: Level 2	2	4	6	8	10
Negligible: Level 1	1	2	3	4	5

Anything in the green area is considered to be “below the tolerance line” and it may be decided not to take any mitigating action.

An overall risk score is reached by multiplying the likelihood score by the impact score.

### 5) Identify further mitigating actions required

There are four basic ways of responding to risks identified and can be summarised as the four ‘T’s’:

- ❖ **Terminate** – deciding not to continue or proceed with the activity in view of the level of risks involved although often this is not possible.
- ❖ **Transfer** – which involves another party bearing or sharing the risk such as obtaining insurance or finding an external partner to undertake the activity in return for a fee (which will reflect the risk taken on). Not all types of risks can be transferred.
- ❖ **Treat** – by ensuring existing controls are effective by periodic review and testing and implementing additional controls through mitigating actions where considered necessary to reduce the risk to a tolerable level. This is likely to be the most common approach, as risks are identified as part of our approach as a transformative council.
- ❖ **Tolerate** – it is not considered cost effective to address the risk, so the risk is accepted.

The decision on the appropriate action should take account of the Council’s risk appetite, i.e. what level of risk is the Council prepared to tolerate. Any risk that has been assessed as above the tolerance line must be a priority for immediate management action with actions designed to reduce the risk to a target level set within the risk appetite.

Mitigating actions identified should be clearly defined and actioned, with a lead officer and timescales for implementation/completion.

### 6) Monitor impact of mitigating actions on residual risk

The risk owner should monitor the progress of the mitigating actions regularly to ensure that these are being taken forward and that they are actually reducing either the impact or the likelihood of that risk occurring. The overall risk score should be re-assessed accordingly and if it is now within the accepted tolerance, the risk can be removed from the appropriate risk register.

## 7) Review and report

Risk management should be considered as an ongoing process and as such risk needs to be reviewed regularly to ensure that prompt and appropriate action is taken to reduce their likelihood and/or impact.

The Council's Risk Management Framework requires the following review/reporting:

Corporate Risks - those risks that are identified as potentially preventing the Council achieving the corporate goals and objectives stated in the Corporate Plan and which are assessed as being above the Council's acceptable tolerance level are recorded on the Corporate Risk Register in Sharepoint (the Council's central Risk site). The mitigating actions are also recorded and both the overall risk scores and the progress of the mitigating actions are updated on a quarterly basis by the risk owner or the officer responsible for taking the actions forward.

To ensure that risk is being managed effectively, quarterly risk reports are submitted to CLT and Performance, Governance and Audit Committee outlining the current risk scores, whether there have been any changes to the scores and what progress has been made on the mitigating actions.

As the scoring criteria changes with this policy update, a review of the current risk register will take place to move historic risks in line with new reporting criteria, and review their current relevance.

Service/operational risks - at a service/operational level, the risks that are identified as potentially preventing the service from achieving its service objectives and which are assessed as being above the Council's acceptable tolerance level are detailed in the business plans and also recorded on Sharepoint.

These should be subject to regular review and discussion between the manager and their Director. It is the responsibility of the appropriate managers to ensure that any actions detailed in the business plan to reduce these service risks are taken forward and progress monitored.

Project risks - these risks should be reviewed regularly by the Project Manager and the Project Sponsor, and will be recorded as part of the PMO documentation process.

Partnership risks – for any partnership which is assessed as being high risk, a risk register will be established and will be subject to annual review as part of the Partnerships assessment framework. The risks will be included in the relevant service's business plan together with the mitigating actions and these will be subject to regular review by the manager and their Directorate.

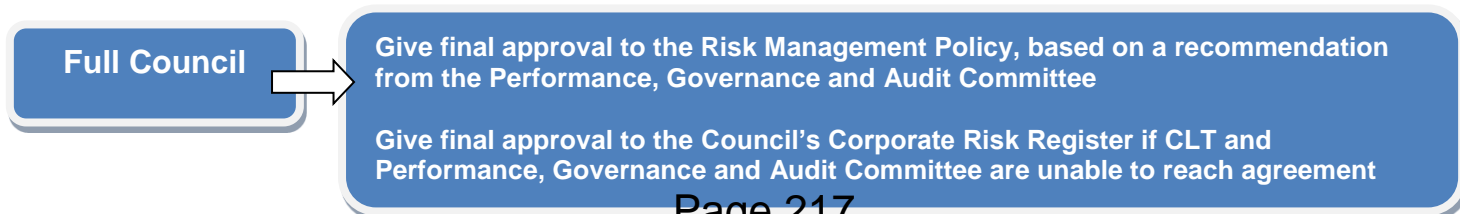
## 4. Roles and Responsibilities

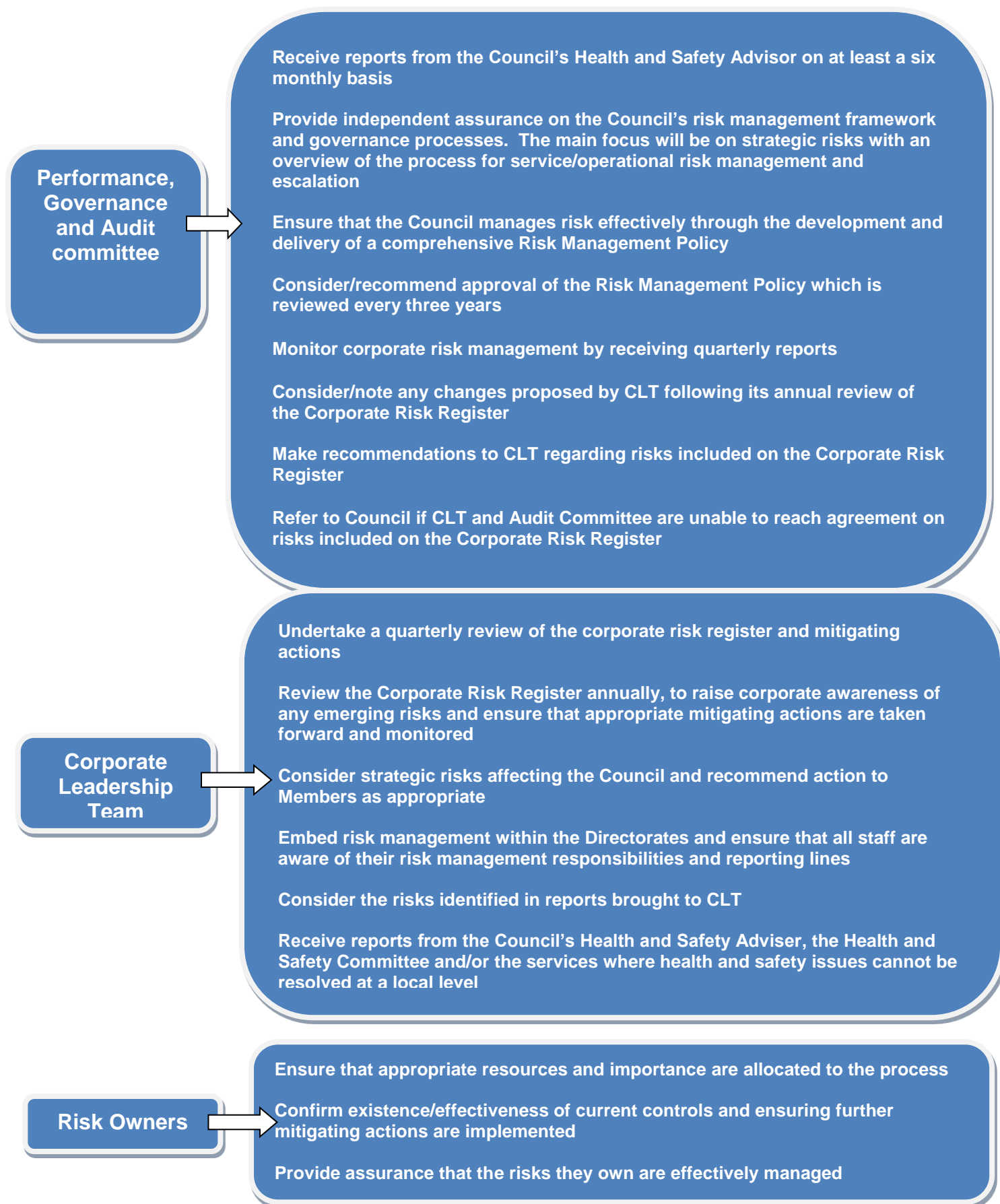
To be effective risk management must be embedded throughout the Council by CLT, Members and each individual employee. One of the Council's key objectives within this policy is to promote a risk aware culture. Risk management is a cultural issue which will only be effective with understanding and support from all levels of staff and Members; training will be provided periodically to staff and Members to enable them to fulfil their risk management responsibilities.

All employees and Members are responsible for ensuring there are robust and fit-for-purpose systems of internal control and risk management in place; and they are aware of the risks:

- they are empowered to take
- that must be avoided
- that must be reported upwards.

Some individuals and groups have specific leadership roles or responsibilities as follows:





**Managers**

Manage risk effectively in their particular service areas

Ensure all staff are aware of any specific risk management responsibilities through the performance review process

Embed the risk management process by identifying new service risks, agreeing and implementing mitigating actions and updating records on TEN

Report any new risk or escalate any service risk which is deemed to have more corporate impact to their Director and CLT

Schedule frequent discussion on risk management issues through team meetings as required

Be accountable (to the Director, CLT and Audit Committee) for their actions with regard to managing risk

Undertake annual health and safety risk assessments and take any corrective action that is needed

Health and Safety Risks are dealt with immediately - where possible the risk should be removed or eliminated, otherwise it must be reported as a matter of urgency and steps taken to warn people of the problem

**All Staff**

Manage risk effectively in carrying out their everyday duties

Report hazards and risks to their Managers

Undertake their duties within risk management guidelines

Health and Safety Risks are dealt with immediately - where possible the risk should be removed or eliminated, otherwise it must be reported as a matter of urgency and

## 5. Embedding Risk Management

For risk management to be effective and a meaningful management tool, it needs to be an integral part of key management processes and day-to-day working. As such risks and the monitoring of associated actions should be considered as part of a number of the Council's significant business processes.



## 6. Training and Awareness

Having developed a robust approach and established clear roles and responsibilities and reporting lines, it is important to provide Members and Staff with the knowledge and skills necessary to enable them to manage risk effectively.

The Council uses a range of training methods to meet the needs of the organisation including external training (e.g. from our contracted internal audit providers), internal staff training as part of the Project Management Office (PMO) rollout and intranet based e-awareness training.

Further risk management information is available to all staff and members on the Freshservice

## 7. Review of the Corporate Risk Register

In addition to possible items for the register arising from items referred to CLT for consideration, there will be an annual review by CLT and managers to consider:

- whether any items should be deleted from the risk register; or
- should be added to the risk register; or



- have moved above or below the Council's risk tolerance level and so require a change in status in respect of action planning;
- whether the Council's risk appetite/tolerance level remains appropriate.

Following the reviews the amended Corporate Risk Register is submitted to the Audit Committee for consideration and discussion.

## **8. Partnership Risks**

These should be identified by the officer with lead responsibility for the partnership or at the time of its initiation.

For those partnerships which are designated as key/significant to the Council, an annual assessment will be undertaken. The risk register should also be reviewed at least annually to ensure that it is kept up to date, consideration given to both the risks to the partnership and risks to the Council arising from the partnership and mitigating actions established where appropriate.

## **9. Relevance to other Corporate Functions**

### **Internal Audit**

The Council's appointed internal auditors will periodically undertake an independent evaluation of the risk management framework to provide the Performance, Governance and Audit Committee with assurance on the adequacy of the internal control arrangements including risk management and governance.

### **Business Continuity Planning**

The main objective of business continuity is to provide a means of both recovery for the Council should it be affected by a crisis or a business interruption and of minimising the impact on the Council's employees, customers and reputation. Examples of issues tackled by business continuity include those in relation to loss of premises, equipment, staffing, and telecommunications / IT. Business continuity planning requires that potential impact to be considered and managed and the corporate and individual business continuity plans need to be updated on an on-going basis to reflect changes in the overall risk profile. Put simply, the difference between risk management and business continuity is that the former considers what could go wrong and seeks, where possible, to prevent it, while the latter creates contingency arrangements in the event of a crisis and is largely indifferent to the cause of the problem.

### **Performance Management and Monitoring**

Performance management is concerned with the delivery of corporate objectives, business plans and budgets. Risks can prevent this and as a result corporate, service, project and partnership risks registers are maintained and cross referenced to objectives and plans in order to ensure:

- The risks to strategic and operational plans are being actively and appropriately managed; and
- Due account has been taken of material risk considerations in the preparation of delivery plans.

Reporting for both performance management and risk management will be aligned for Performance, Governance and Audit committee papers.

## APPENDIX 1

## Risk Assessment Table

**Risk Assessment**

The identified risks are assessed in terms of their likelihood of occurring and the potential impact should they occur and are scored on a scale of 1 – 5 as shown in the table below:

As guidance, when assessing the impact, the table gives a likelihood

An overall risk score is reached by multiplying the likelihood score by the impact score.

Risk Level	Likelihood score				
	1= Rare	2= Unlikely	3= Possible	4= Likely	5= Almost certain
Catastrophic: Level 5	5	10	15	20	25
Major: Level 4	4	8	12	16	20
Moderate: Level 3	3	6	9	12	15
Minor: Level 2	2	4	6	8	10
Negligible: Level 1	1	2	3	4	5



## **REPORT of DIRECTOR OF SERVICE DELIVERY**

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**to  
PERFORMANCE GOVERNANCE AND AUDIT COMMITTEE  
28 NOVEMBER 2019**

### **CORPORATE HEALTH AND SAFETY**

#### **1. PURPOSE OF THE REPORT**

- 1.1 To provide an update on corporate health and safety activity from 1 July to 30 September 2019 (quarter two).
- 1.2 To show progress with the health and safety action plan for 2019-20.

#### **2. RECOMMENDATIONS**

- (i) That the accident and incident statistics for the quarter are considered;
- (ii) That progress with the health and safety action plan 2019/20 is considered; and,
- (iii) That information pertaining to corporate health and safety matters is considered.

#### **3. SUMMARY OF KEY ISSUES**

- 3.1 There were three accidents and one near miss reported during the quarter.
  - Staff – one accident and one near miss: an apprentice sprained his back whilst loading sand bags onto a vehicle and another member of staff had a near miss when he tripped on the stairs at the Council's offices.
  - Members of the public – two accidents: a child fell whilst playing in the Valley area in Promenade Park and an adult fell whilst walking through Longfields.

Following both incidents, staff checked the areas in question to identify if any remedial measures were required.

- 3.2 There has been six incidents of unacceptable behaviour reported in quarter 2 in contrast to quarter 1 when there was only one reported incident. Five were reported by Customer service staff and one via Environmental Health following intelligence from Social Services. Conflict resolution training is being arranged: a provider has been found, training dates to be confirmed.
- 3.3 Progress with the health and safety action plan for 2019-20 can be seen in **APPENDIX 1**. Progress during quarter 2 has been highlighted for ease of reference.

- 3.4 The Health and Safety Executive (HSE) has contacted the Council as it wants to visit the depot in Promenade Park, possibly following a complaint it has received. Matt Wilson, the Countryside and Coast Manager, is in the process of arranging a time and date with the HSE Inspector. Members will be informed of the outcome of this visit.
- 3.5 A health and safety consultant has been contracted to undertake a review of our direct labour force on the 5 November 2019. This review was arranged prior to the notification of the HSE visit as part of general review before the 2020 summer season. The consultant will be able to identify any gaps in the Council's management of health and safety in this service area and to make recommendations for improvement. Members will be informed of the outcome of this review.
- 3.6 Following the departure of staff with health and safety responsibilities during the transition period, namely first aiders and display screen assessors, replacements have not yet been nominated or training taken place. This is now becoming a priority to ensure that the Council can fulfil its health and safety obligations.
- 3.7 The health and safety advisor visited the waste transfer site in September to undertake an audit following a request from a member of staff. There were a few issues that need addressing and a report was sent to the staff member responsible for the site as well as relevant managers to ensure these matters are addressed.

#### **4. CONCLUSION**

- 4.1 There has been a significant increase in the number of incidents of unacceptable behaviour reported by the Customers team, however, this may be due to better reporting by staff. Conflict resolution training is currently being organized to enable staff to deal with difficult situations.
- 4.2 Limited progress has been made in relation to the health and safety action plan for 2019-20.
- 4.3 A visit is being arranged with the HSE to look at the depot in Promenade Park. Proactive work is being undertaken with a health and safety consultant to undertake a review of our direct labour force.

#### **5. IMPACT ON THEMATIC STRATEGIES**

- 5.1 Managing health and safety well helps protect the workforce and wider community who may be affected by the Council's activities ensuring that communities remain strong and resilient.

#### **6. IMPLICATIONS**

- (i) **Impact on Customers** – Good health and safety management reduces the number of accidents and injuries to both customers and employees alike. Reduced staff absence resulting from work related injuries or ill health ensures a better service is provided to customers.

- (ii) **Impact on Equalities** – None
- (iii) **Impact on Risk** – Poor management of health and safety can lead to accidents, injuries, occupational ill health or dangerous occurrences. This may result in avoidable sickness absence and these incidents may be investigated by the Health and Safety Executive (HSE). This could result in prosecution with fines or custodial sentences and an award of costs if found guilty by the courts. In addition the HSE has adopted a “Fee for Fault” policy in which it recharges the cost of investigations if liability is identified. Civil claims by individuals could lead to significant pay outs which in turn could lead to increased insurance premiums. It can also lead to poor publicity, reputational damage and impacts on staff morale.
- (iv) **Impact on Resources (financial)** – No additional resources required, however, by managing health and safety, there should be less impact on financial resources as identified in (iii) above.
- (v) **Impact of Resources (human)** – No additional resources are required, however, by preventing accidents and ill health, there should be less impact on human resources.
- (vi) **Impact on the Environment** – Good health and safety management of the workplace, for example, management of asbestos and legionella, helps provide a safer and healthier environment in which to live and work.

Background Papers: accident and incident data (data protected)

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## HEALTH AND SAFETY ACTION PLAN 2019-20

Subject	Action Required	Timescale	Progress
Health and Safety Arrangements	To review all the corporate health and safety procedures falling due during 2019-20, ensuring they are relevant to the new future model	March 2020	<ul style="list-style-type: none"> <li>• Accident and near miss reporting procedure reviewed and updated to reflect changes in staffing: new staff have been identified and made aware of the procedure.</li> <li>• Contractors' procedure reviewed and updated as some links were no longer working and relevant staff were reminded of this procedure.</li> <li>• <b>The fire procedure is being updated on a regular basis to reflect all the changes in staffing and the relocation of staff within the Council office building.</b></li> </ul>
Risk Assessments	To update and amend risk assessments, ensuring they reflect the new organisational structure: - <ul style="list-style-type: none"> <li>• Strategy, Performance and Governance</li> <li>• Resources</li> <li>• Service Delivery Units</li> </ul>	October 2019 October 2019 March 2020	<ul style="list-style-type: none"> <li>• The managers of the Resources and Strategy, Performance and Governance teams have been asked to complete their risk assessments by October 2019. <b>Risk assessments have not yet been received from the back office service areas: email sent 29 October 2019 asking the tier 2 managers for an update.</b></li> </ul>
Hand Arm Vibration (HAV)	To respond to the Health and Safety Executive's investigation into HAV hazards and risks within the Parks Team	June 2019	<ul style="list-style-type: none"> <li>• To date, the HSE has not contacted the Council following the submission of HAV information.</li> <li>• <b>An appointed HSE inspector contacted the Council in October 2019 asking to visit the depot in Promenade Park: a date and time are being arranged.</b></li> </ul>
Training	To deliver health and safety training where required, to include: - <ul style="list-style-type: none"> <li>• refresher first aid training and training for new first aiders</li> <li>• training for new workstation assessors</li> </ul>	When required and June 2019  October 2019	<ul style="list-style-type: none"> <li>• <b>First aid training for additional first aiders (following the departure of staff with first aid qualifications) and training for workstation assessors has not yet been organised.</b></li> <li>• <b>Conflict resolution training is currently being organised for Customer Service staff.</b></li> </ul>

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