

# Public Document Pack

**HAMBLETON**  
DISTRICT COUNCIL

## AGENDA

Committee Administrator: Democratic Services Officer (01609 767015)

Monday, 16 January 2017

Dear Councillor

### NOTICE OF MEETING

Meeting           **AUDIT, GOVERNANCE AND STANDARDS COMMITTEE**

Date               **Tuesday, 24 January 2017**

Time               **9.30 am**

Venue              **Main Committee Room, Civic Centre, Stone Cross, Northallerton**

Yours sincerely

*J. Ives.*

Dr Justin Ives  
Chief Executive

<b>To:</b>	Councillors	Councillors
	R W Hudson (Chairman)	G W Dadd
	C Patmore (Vice-Chairman)	Mrs J Watson
	R A Baker	P R Wilkinson
	Mrs C S Cookman	

Other Members of the Council for information

## **AGENDA**

### **Page No**

1. MINUTES

To confirm the minutes of the meeting held on 25 October 2016 (AGS.18 to AGS.24), previously circulated.

2. APOLOGIES FOR ABSENCE

3. REGULATION OF INVESTIGATORY POWERS ACT - REVIEW OF ACTIVITY

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Report of the Director of Law and Governance (Monitoring Officer)

4. STATUTORY AUDITOR - ANNUAL AUDIT LETTER 2015/16

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Report of the Director of Finance (S151 Officer)

**Relevant Ward(s): All Wards**

5. INTERNAL AUDIT SECOND PROGRESS REPORT 2016/17

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6. STATUTORY AUDITOR - QUARTERLY UPDATE REPORT

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Report of the Director of Finance (S151 Officer)

**Relevant Ward(s): All Wards**

8. MATTERS OF URGENCY

Any other business of which not less than 24 hours prior notice, preferably in writing, has been given to the Chief Executive and which the Chairman decides is urgent.

## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Audit, Governance and Standards Committee  
24 January 2017

**From:** Director of Law and Governance (Monitoring Officer)

**Subject:** **REGULATION OF INVESTIGATORY POWERS ACT – REVIEW OF ACTIVITY**

All Wards

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### **1.0 PURPOSE AND BACKGROUND:**

- 1.1 The Council, like many public authorities, is governed by the Regulation of Investigatory Powers Act 2000 (RIPA). This Act ensures that public authorities comply with their obligations under the Human Rights Act when undertaking investigations which may interfere with the rights of individuals. The Act introduces safeguards on activities such as surveillance undertaken by public bodies.
- 1.2 The Audit, Governance and Standards Committee has been given responsibility for RIPA matters. This involves the Committee in reviewing the Council's Policy Statement from time to time and receiving quarterly reports on any activities which have been authorised under RIPA.

### **2.0 RIPA ACTIVITIES:**

- 2.1 Although RIPA covers a number of activities undertaken by investigatory bodies (e.g., phone tapping by the Security Services and Police) its principle use in respect of Local Authorities relates to:-
- covert surveillance, and
  - covert human intelligence sources.
- 2.2 Covert surveillance covers the monitoring, observing or listening to persons, their movements, conversations or other activities and communications. It may be conducted with or without the assistance of a surveillance device and includes the recording of any information obtained. RIPA is most relevant to the Council's activities in effecting enforcement procedures such as the investigation and prosecution of offences. This would not normally include the initial investigation of contraventions such as planning enforcement or noise investigations, but would normally involve the later stages where criminal activity was a possibility. Although this could technically include breaches of Planning Enforcement Notices, breaches of Environmental Health Notices, fraud, etc., the Council's use of the powers has been very limited in recent years. For example, the Council has not used authorisations under the Act in the last three years.
- 2.3 From 1 November 2012 the Council is only able to use RIPA for directed surveillance for potential criminal activity with a possible penalty of at least six months imprisonment. This means that the Council can no longer use the procedure for low-level offences such as littering, dog control and fly-tipping. For serious offences the Council needs approval from a magistrate before it can use directed surveillance.

- 2.4 Another use of the Act is for the Police to authorise use of the Council's CCTV system for specific operations (general use of CCTV is not covered by the Act because this is not covert surveillance). The Police authorise themselves to use the Council's CCTV system for covert surveillance on approximately two occasions per year.
- 2.5 Covert human intelligence sources relate to the use of a third party to gather information. For example, this could be an informer or someone used to undertake test purchases. This is not an activity that the Council engages in at all. The Council also needs the approval of a magistrate to carry out this activity.
- 2.6 The only area in which the Council very occasionally involves itself where RIPA might be relevant is covert surveillance. It is necessary for the Council therefore to follow the legislation and the requirements of Government Codes of Practice. Most of the requirements of the Code are dealt with at an Officer level. However, Members are expected to approve a Policy on RIPA and to have some involvement in the monitoring of how the Council implements RIPA requirements.

### **3.0 MONITORING OF RIPA ACTIVITY:**

- 3.1 Codes of Practice on RIPA recommend that quarterly reports are made to Members on RIPA activity. Consideration of such reports has been delegated to the Audit, Governance and Standards Committee. This report therefore constitutes one of those reports and is intended to cover the period 26 October 2016 to 24 January 2017. There was no activity undertaken by the Council which had RIPA implications and therefore it is recommended that the Committee note the position.

### **4.0 RECOMMENDATION:**

- 4.1 It is recommended that it be noted that no RIPA activity has been undertaken by the Council during the period 26 October 2016 to 24 January 2017.

GARY NELSON  
DIRECTOR OF LAW AND GOVERNANCE (MONITORING OFFICER)

**Background papers:** HDC RIPA Register of Authorisations

**Author ref:** GN

**Contact:** Gary Nelson  
Director of Law and Governance (Monitoring Officer)  
Direct Line No: (01609) 767012

## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Audit, Governance and Standards Committee  
24 January 2017

**From:** Director of Finance (s151 Officer)

**Subject:** **STATUTORY AUDITOR – ANNUAL AUDIT LETTER 2015/16**

All Wards

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### **1.0 PURPOSE AND BACKGROUND:**

- 1.1 The purpose of this report is to present to Members the External Auditor's Annual Audit Letter on the 2015/16 Audit which is attached at Annex 'A'.
- 1.2 The Annual Audit Letter on the 2015/16 Audit summarises the conclusions and significant issues arising from the External Auditor's audit and inspection work for the financial year 2015/16. A member from EY will be in attendance to present the letter and answer questions.

### **2.0 DECISIONS SOUGHT:**

- 2.1 Members are asked to consider the External Auditor's report and comment on it as appropriate.

### **3.0 RISK ANALYSIS:**

- 3.1 There are no risks associated with consideration of this report. However, if this report was not considered the Committee would not be fulfilling its terms of reference and would not have the opportunity of commenting on the External Auditor's work in respect of 2015/16.

### **4.0 RECOMMENDATION:**

- 4.1 It is recommended that Members receive the External Auditor's Annual Audit Letter on the 2015/16 Audit.

LOUISE BRANFORD-WHITE  
DIRECTOR OF FINANCE (S151 Officer)

**Background papers:** None

**Author ref:** LBW

**Contact:** Louise Branford-White  
Director of Finance  
Direct Line No: 01609 767024

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# Hambleton District Council

Annual Audit Letter for the year ended 31 March 2016

October 2016

Ernst & Young LLP

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In April 2015, Public Sector Audit Appointments Ltd (PSAA) issued the 'Statement of responsibilities of auditors and audited bodies 2015-16'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk)).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment from 1 April 2015' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



## Executive Summary

## Executive Summary

We are required to issue an annual audit letter to Hambleton District Council (the Council) following completion of our audit procedures for the year ended 31 March 2016.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council at 31 March 2016 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception: ▶ Consistency of the annual governance statement	The annual governance statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was presented to the Audit, Governance and Standards Committee on 20 September 2016.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 21 September 2016.

In December 2016, we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken in relation to the housing benefit subsidy return.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Nicola Wright

Executive Director  
For and on behalf of Ernst & Young LLP

Purpose



## Purpose

### The Purpose of this Letter

The purpose of this annual audit letter is to communicate to members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2015/16 Audit Results Report to the Audit, Governance and Standards Committee on 20 September 2016, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.





# Responsibilities



## Responsibilities

### Responsibilities of the Appointed Auditor

Our 2015/16 audit work has been undertaken in accordance with the Audit Plan that we issued in January 2016 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2015/16 financial statements; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

## Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an annual governance statement. In the annual governance statement, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



# Financial Statement Audit

## Financial Statement Audit

### Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 21 September 2016.

Our detailed findings were reported to the Audit, Governance and Standards Committee on 20 September 2016.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Management override of controls</p> <p>A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p>	<p>In response to the risk of management override of controls we:</p> <ul style="list-style-type: none"><li>▶ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; and</li><li>▶ Reviewed accounting estimates for evidence of management bias.</li></ul> <p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>We have not identified any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p>

Significant Risk	Conclusion
<p>Revenue and expenditure recognition</p> <p>Auditing standards also required us to presume that there is a risk that revenue may be misstated due to improper recognition or manipulation.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p>	<p>In response to the risk of revenue and expenditure recognition we:</p> <ul style="list-style-type: none"> <li>▶ Reviewed and tested revenue and expenditure recognition policies;</li> <li>▶ Reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias;</li> <li>▶ Developed a testing strategy to test material revenue and expenditure streams, with a particular focus on the completeness of expenditure; and</li> <li>▶ Reviewed and tested revenue recognition and cut-off at the period end of grant income with specific conditions attached.</li> </ul> <p>Our testing has not revealed any material misstatements with respect to revenue and expenditure recognition.</p> <p>Overall our audit work did not identify any issues or unusual transactions which indicated that there had been any misreporting of the Council's financial position.</p>
<p>Valuation of land and buildings</p> <p>Land and buildings is the most significant balance in the Council's Statement of Financial Position. The valuation of land and buildings is subject to a number of assumptions and judgements and even a small movement in these assumptions could have a material impact on the accounts.</p>	<p>In response to this risk we:</p> <ul style="list-style-type: none"> <li>▶ Reviewed the output of the Council's valuer;</li> <li>▶ Tested the assumptions used by the Council's valuer by reference to external evidence and the CIPFA code of practice on local authority accounting; and</li> <li>▶ Tested the journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements.</li> </ul> <p>Our work did not identify any indications of material misstatement in the valuation of land and buildings.</p>





## Value for Money

## Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.



We issued an unqualified value for money conclusion on 21 September 2016.

#### Key Findings

In undertaking our work on the Value for Money opinion we have considered the financial position of the Council and noted that:

- ▶ The financial strategy predicts a budget surplus in 2016/17 and 2017/18 with a relatively small budget gap of £0.2m forecast in 2018/19;
- ▶ A transfer of £0.5m was required from reserves in 2015/16 to fund the final outturn position compared to the original budget; and
- ▶ The total useable reserves at 31 March 2016 were £17.3m.

We also considered significant transactions undertaken by the Council in the year including the purchase of Northallerton prison and the loan to Broadacres Housing Association.

We did not identify any implications for our Value for Money opinion as part of this work.

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## Other Reporting Issues

## Other Reporting Issues

### Whole of Government Accounts

The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

### Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

### Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

### Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

### Objections Received

We did not receive any objections to the 2015/16 financial statements from members of the public.

### Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.



## Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 20 September 2016. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

## Control Themes and Observations

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

A close-up, shallow depth-of-field photograph of a person's hands holding binoculars. The person's face is visible in the background, slightly out of focus. A bright yellow rectangular box is overlaid on the left side of the image, containing the text 'Focused on your future'.

Focused on your  
future

## Focused on your future

Area	Issue	Impact
EU referendum	<p>The decision of the UK to begin the process of leaving the EU has introduced a period of uncertainty for the UK and indeed Global economy. The Leave vote is likely to lead to a significant impact for the public sector as it will be this sector that has to deliver the implementation of the decision. We have had a change of Prime Minister and other changes to the cabinet as a result. This level of political change and uncertainty will potentially increase uncertainty both within the public sector and in the business world.</p>	<p>Many of the issues and challenges that face the UK public sector will continue to exist, not least because continued pressure on public finances will need responding to. Additionally it may well be that the challenges are increased if the net economic impact of the vote to leave the EU results in further constraints on public sector spending which require more innovative solutions.</p> <p>We are committed to supporting our clients through this period, and help identify the opportunities that will also arise. We will talk with you on the concerns and questions you may have and provide our insight at key points along the path.</p>

Appendix A

## Audit Fees





## Appendix A     Audit Fees

Our fee for 2015/16 is in line with the scale fee set by the PSAA and reported in our Audit Planning Report issued in January 2016.

Description	Final Fee 2015/16 £	Scale Fee 2015/16 £
Total Audit Fee – Code work	40,754	40,754
Total Audit Fee – Certification of claims and returns *	11,286	11,286

\* Our work on the certification of the housing benefit subsidy return is still underway but at the time of writing this report we do not anticipate any variation to the scale fee.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

Ernst & Young LLP

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ED None

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## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Audit, Governance and Standards Committee  
24 January 2017

**From:** Director of Finance (S151 Officer)

**Subject:** **INTERNAL AUDIT SECOND PROGRESS REPORT 2016/17**

All Wards

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### **1.0 PURPOSE AND BACKGROUND:**

- 1.1. The provision of Internal Audit is a statutory requirement (Accounts & Audit Regulations 2015). The council has formalised its arrangements for internal audit within the Audit Charter. Internal Audit work is undertaken by Veritau who carries out work in accordance with the Public Sector Internal Audit Standards.
- 1.2 The Audit and Governance Committee approved the Internal Audit Plan for 2016/17 at its meeting held on the 22 March 2016. The purpose of this report is to inform Members of the progress made to date in delivering the 2016/17 Internal Audit Plan and any developments likely to have an impact on the plan throughout the remainder of the financial year.

### **2.0 THE REPORT**

- 2.1 Veritau is progressing in the delivery of the agreed internal audit plan. Within the report there is a summary of progress made against the plan and information on planned start dates for the remaining work. There are no significant delays anticipated and therefore the programme of work is expected to be completed by the end of the year.
- 2.2 In the period between 1 April 2016 and 31 December 2016 Veritau has completed four pieces of work. Three reports have been finalised since the last committee and these covered Leisure Centres, Environmental Health and Payroll. Training has also been delivered to officers on Contract Management. Two draft reports have been issued on Fraud and Corruption and Council Tax/NNDR. Work is ongoing on seven areas (Housing Benefits, Data Analytics, Strategic Income, General Network and System controls, Business Continuity, Disaster Recovery and Strategic Training). Planning has started for three other pieces of work.
- 2.3 It is important that agreed actions are fully implemented by managers. The internal audit team carries out follow-up work throughout the year of previously agreed actions and escalates any issues that have not been addressed, with senior managers. Where necessary, the issues will also be brought to the attention of this committee. There are currently no matters to bring to the attention of Members.

### **3.0 LINK TO COUNCIL PRIORITIES**

- 3.1 The work of internal audit supports the council's overall aims and priorities by promoting probity, integrity and honesty and by helping support the council to become a more effective organisation.

### **4.0 RISK ASSESSMENT**

- 4.1 There are no risks associated with this report.

**5.0 FINANCIAL IMPLICATIONS:**

5.1 There are no financial implications associated with this report.

**6.0 LEGAL IMPLICATIONS:**

6.1 There are no legal implications associated with the recommendations in the report.

**7.0 EQUALITIES AND DIVERSITY ISSUES:**

7.1 There are no equalities or diversity issues associated with the report.

**8.0 RECOMMENDATIONS:**

8.1 It is recommended Members note the work undertaken by internal audit in the year to date.

DIRECTOR OF FINANCE (S151 OFFICER)  
LOUISE BRANFORD-WHITE

**Background papers:** None

**Author ref:** SC

**Contact:** Stuart Cutts; Audit Manager; Veritau North Yorkshire  
[Stuart.Cutts@veritau.co.uk](mailto:Stuart.Cutts@veritau.co.uk)





**Hambleton District Council**

**Internal Audit Progress Report 2016/17**

**Period to 31 December 2016**

**Audit Manager:** Stuart Cutts  
**Head of Internal Audit:** Max Thomas

**Circulation List:** Members of the Audit, Governance and Standards Committee  
Head of Service - Finance (s151 Officer)

**Date:** 4 January 2017



## **Background**

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the PSIAS, the Head of Internal Audit is required to report, to 'those charged with governance' progress against the internal audit plan agreed by the Committee and to identify any emerging issues which need to be brought to the attention of the Committee.
- 2 Members of this Committee approved the Internal Audit Plan 2016/17 at their meeting on the 22 March 2016. This report summarises the progress made to date in delivering the agreed programme of work.
- 3 This is the second Internal Audit progress report to be received by the Audit, Governance and Standards Committee in 2016/17. This report updates the Committee on the work completed between 1 April 2016 and 31 December 2016.

## **Internal Audit work completed**

- 4 In the period between 1 April and 31 December 2016 we have completed four internal audit pieces of work; three reports (on Leisure Centres, Environmental Health and Payroll) and a training day for officers on Contract Management. A further two audits have been issued as a draft report and seven audits are ongoing. Planning work has started for three other audits.
- 5 For those audits we have yet to start then these will be started within the next two months. We have agreed timings with management for all 2016/17 audits. We are on target to deliver the agreed Audit Plan by the end of April 2017.
- 6 Further information is included in Appendix A.
- 7 Information on the findings from the audits completed since the last Audit, Governance and Standards Committee on 25 October 2016 is included in Appendix B.

## **Updates to the 2016/17 Audit Plan**

- 8 Following the last Audit, Governance and Standards Committee we have agreed some minor revisions to the 2016/17 plan with the Director of Finance (s151 Officer). Overall there is no change to the total number of audit days.
- 9 We have completed additional work on the review of Fraud and Corruption arrangements and Environmental Health than was initially envisaged in the 2016/17 original plan. The extra time has enabled the work to have greater value to the Council by providing more detailed reporting and audit review.
- 10 We have used the time originally allocated to complete work on Purchase to Pay and Payment Card Industry Data Security Standards (PCI DSS) to help complete the above additional work. Future work in those areas will be considered in 2017/18 as part of the upcoming audit planning process.

## Audit Opinions

- 11 For most reports we provide an overall opinion on the adequacy and effectiveness of the controls under review. The opinion given is based on an assessment of the risks associated with any weaknesses in controls identified. We also apply a priority to all actions agreed with management. Details of the definitions used are included in **Appendix C**.

## Wider Internal Audit work

- 12 In addition to undertaking assurance reviews, Veritau officers are involved in a number of other areas relevant to corporate matters:
- **Support to the Audit, Governance and Standards Committee;** this is mainly ongoing through our attendance at meetings of the Committee and the provision of advice to Members.
  - **Ongoing support to management and officers;** we meet regularly with management to provide advice on a range of specific business and internal control issues. These relationships help to provide 'real time' feedback on areas of importance to the Council.
  - **Contractor assessment;** this work involves supporting the assurance process by using financial reports obtained from Experian (Credit Rating Agency) to assess the financial standing of potential contractors.
  - **Follow up of previous audit recommendations;** it is important that agreed actions are regularly and formally 'followed up'. This helps to provide assurance to management and Members that control weaknesses have been properly addressed. We follow up agreed actions either as part of our ongoing audit work, or by separate review. This work forms part of conversations with senior management. We currently have no matters to report to members as a result of our follow up work.
  - **Risk Management;** Veritau advise on the Council's risk management processes.
  - **Investigations;** We perform special or ad-hoc reviews or investigations into specific issues. In 2016/17 we have been asked by the Chief Executive to provide support reviewing one area and that work is ongoing.

Stuart Cutts  
Audit Manager  
Veritau Ltd

4 January 2017

# Table of 2016/17 audit assignments to 31 December 2016

## Appendix A

Audit	Status	Assurance Level	Audit Committee
<b>Director of Finance (s151 Officer)</b>			
<b>Revenues and Benefits</b>			
Council Tax and NNDR	Draft Report		
Housing Benefits	In Progress		
<b>Corporate Finance</b>			
IDEA data analytics and data matching	In Progress		
Sundry Debtors	Planning		
Creditors	Not Started		
Income – Receipting	Not Started		
Income – Strategic	In Progress		
Payroll	<b>Final Report</b>	<b>Substantial Assurance</b>	<b>January 2017</b>
General Network and Key Systems controls	In Progress		
<b>Performance and Improvement</b>			
Performance Improvement and Data Quality	Not Started		
Risk Management	Planning		
<b>Projects</b>			
Fraud and Corruption	Draft Report		
Strategic Asset Management	Not Started		
Purchase to Pay	Deferred		
Payment Card Industry Data Security Standards (PCI DSS)	Deferred		
<b>Director of Leisure and Environment</b>			
Leisure Centres	<b>Final Report</b>	<b>Substantial Assurance</b>	<b>January 2017</b>
Closed Circuit Television (CCTV)	Not Started		
Environmental Health	<b>Final Report</b>	<b>Reasonable Assurance</b>	<b>January 2017</b>
Business Continuity	In Progress		
Disaster Recovery	In Progress		
<b>Director of Law and Governance</b>			
Strategic Training	In Progress		
Contract Management – training	<b>Completed</b>		
Contract Management – follow up review	Planning		
<b>Director of Economy and Planning</b>			
Community Infra- Structure Levy	Not started		
<b>Follow-Ups</b>	Ongoing		

# Summary of Key Issues from audits completed to 31 December 2016; not previously reported to Committee

## Appendix B

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Leisure Centres	Substantial Assurance	<p>The Council has four Leisure Centres at Hambleton, Stokesley, Bedale, and Thirsk and Sowerby.</p> <p>We reviewed the following key areas to ensure:</p> <ul style="list-style-type: none"> <li>• There were adequate and effective financial and administrative procedures which were being consistently followed</li> <li>• Procedures were in place for time recording and overtime</li> <li>• All cash income was stored securely in a safe and only appropriate officers had access</li> <li>• All cash income was cashed-up and banked promptly, securely, completely and accurately.</li> </ul> <p>We also followed up the extent to which all recommendations made in the January 2016 report on Thirsk and Sowerby Leisure Centre had been implemented.</p>	October 2016	<p><b>Strengths</b></p> <p>We found controls surrounding the security of cash and banking were generally good. We tested a sample of weekly income sheets from the four Leisure Centres to ensure variances were being investigated in line with the policy. Variances were being investigated and discrepancies are being recorded in the notes section of the spreadsheet.</p> <p>A sample of timesheets was checked to the corresponding rota to ensure staff only claimed for hours worked. We found on the whole the rotas were clear, understandable and could be matched to the corresponding timesheets. Timesheets had been signed by the employee and a supervisor.</p> <p>We saw some improvements at Thirsk &amp; Sowerby Leisure Centre. Stricter controls were in place with regard to access.</p> <p><b>Areas for Improvement</b></p> <p>Some recommendations from the January 2016 report had not yet been fully implemented. CCTV had not yet been improved. There were also not always two people present at weekends when cashing up and putting money in the safe. The new process of reconciliation at point of collection was not being documented.</p> <p>Improvements were suggested for the type of safe used at each Leisure Centre.</p> <p>Some variances significantly over the investigation level were found on weekly merger sheets.</p>	<p>External CCTV at Thirsk Leisure Centre is to be reviewed to help improve coverage.</p> <p>The final cash up will occur at 2pm before the receptionist finishes shift so this will allow two people to be present and this captures the majority of the income collected for that day</p> <p>The type of safe used at the Leisure Centres will be reviewed with the potential of installing drop safes. Reconciliations are not being carried out at point of collection. More robust and accurate records are being maintained when cash is input into the safe.</p> <p>Merger sheets are currently being reviewed to identify areas of improvement. Discussions are planned with finance to evaluate the current tolerance level.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Environmental Health	Reasonable Assurance	<p>The Council has seen increasing pressures on the Environmental Health service due to growing demands and changes in legislation. The food inspection service has been one area in particular where the Authority is struggling to meet service demand.</p> <p>The audit reviewed the extent to which:</p> <ul style="list-style-type: none"> <li>• The Environmental Health department effectively monitors and manages the key risks affecting the service</li> <li>• Adequate Management and Senior Management controls are in place to manage areas such as time management and performance.</li> <li>• Food inspection strategies and procedures have been reviewed to ensure they are effective, fit for purpose and followed.</li> </ul>	December 2016	<p><b>Strengths</b></p> <p>The Environmental Health Manager has invested a lot of time and resources into reviewing each service within the department to help to improve efficiency.</p> <p>A quarterly visitation schedule is in place, which adheres to the Food Standards agency risk based approach.</p> <p>Service risks are identified and reviewed through the corporate risk framework.</p> <p><b>Areas for Improvement</b></p> <p>The food service plan has too many objectives, too many performance indicators and content which is unrealistic to achieve. The food service plan had also not been subject to formal and robust review by Senior Management.</p> <p>There was a lack of documented senior management review of performance, service issues and upcoming challenges. Not all operational areas were being covered and actions to be completed were not being identified.</p> <p>The Uniform system is shortly being reviewed (a 'health check') to help improve the functionality and quality of arrangements. The Food Inspection team has highlighted many potential areas for improvement such as increasing the efficiency of staff using the system and improving levels of security and resilience. Further work is required to define how each of the improvements will be achieved. Decisions are also needed on the reports required from the system to ensure these will be available and of use for monitoring purposes.</p>	<p>The food service plan is to be fully reviewed and plan objectives will be revised.</p> <p>Team meetings will be documented with a published agenda and minutes taken. The updated service plan will help focus these more.</p> <p>Information from the system supplier plus additional support and consideration will be undertaken to help ensure the health check meets the desired improvement aims and objectives.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Payroll	Substantial Assurance	<p>From October 2015 the Payroll system has been operated in-house at Hambleton. Our review of these payroll arrangements in 2015/16 concluded High Assurance arrangements were in place.</p> <p>Our review in 2016/17 focussed on the areas of overtime and timesheets. We reviewed these areas to ensure:</p> <ul style="list-style-type: none"> <li>Established procedures were in place for time recording and overtime</li> <li>Manual timesheets were accurate, timely, authorised appropriately and processed correctly</li> <li>Additional hours/overtime (not submitted via self-service) was appropriately authorised, accurately paid and coded correctly into the General Ledger.</li> </ul>	December 2016	<p><b>Strengths</b> All overtime hours were processed accurately within the payroll system. Payments were correctly coded into the General Ledger.</p> <p>Our sample testing found timesheets are generally authorised appropriately by Management.</p> <p><b>Areas for Improvement</b> We further analysed the Council's overtime data from April – September 2016 using computer software. This information highlighted overtime trends and we provided further information and insight for officers to consider and manage. Over a six month period £438,683 was spent on overtime for manual claims.</p> <p>There are no official written policies and procedures for time recording and overtime both at a corporate level and for the Depot. Payroll procedural instructions are also still to be completed.</p> <p>Some minor issues were found with timesheets in relation to calculating hours.</p>	<p>Management are aware of the level of overtime across all areas of the Council including Leisure Centre. However improvements may be able to be made and the monitoring of overtime will be reviewed.</p> <p>Management are to further review and use the data provided in the audit to help challenge the ongoing management of overtime.</p> <p>Procedures and guidance notes are being written.</p>

### Audit Opinions and Priorities for Actions

Audit Opinions	
<p>Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.</p> <p>Our overall audit opinion is based on 5 grades of opinion, as set out below.</p>	
Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.



## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Audit, Governance and Standards Committee  
24 January 2017

**From:** Director of Finance (S151 Officer)

**Subject:** **STATUTORY AUDITOR – QUARTERLY UPDATE**

All Wards

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### **1.0 PURPOSE AND BACKGROUND:**

- 1.1 The purpose of this report is to enable the Council's statutory auditor, Ernst & Young LLP (EY), to give an update to the Committee on its activities to date.
- 1.2 Attached as Annex 'A' is the EY Local Government Audit Committee Briefing which provides information on the Local Government sector. A verbal update will be provided at the meeting by a representative from EY on the progress of their audit planning for 2016/17. This will also provide an opportunity for Members to question the auditor.

### **2.0 DECISIONS SOUGHT:**

- 2.1 Members are asked to consider the RY Local Government Audit Committee Briefing and note the statutory auditor's verbal update.

### **3.0 RISK MANAGEMENT:**

- 3.1 There are no risks associated with approving the recommendation.

### **4.0 RECOMMENDATIONS:**

- 4.1 It is recommended that Members note the verbal update from the auditor and the Local Government Audit Committee Briefing.

LOUISEBRANFORD-WHITE  
DIRECTOR OF FINANCE (S151 Officer)

**Background papers:** None

**Author ref:** LBW

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# Local government audit committee briefing

## Contents at a glance

### Government and economic news

### Accounting, auditing and governance

### Regulation news

### Key questions for the audit committee

### Find out more

This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local Government sector, and the audits that we undertake.

The briefings are produced by our public sector audit specialists within EY's national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Local Government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please contact your local audit team.



# Government and economic news

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## EY Item Club

The latest EY Item Club forecast (Autumn 2016) focuses on the United Kingdom's decision to leave the European Union and highlights that it believes the relatively small impact on the economy to date may be deceptive. The Sterling's performance could be an indication that troubles lie ahead.

At the moment, growth in the economy is being driven entirely by the consumer, supported by rising employment and real wages, as well as ultra-low interest rates. However, sterling's devaluation will push inflation up to 2.6% temporarily next year. With average earnings still subdued, which will slow the consumer. In the meantime, many firms have put investment and recruitment on hold whilst they assess the likely impact of the Article 50 negotiations on their business and consider their long-term options.

Policy uncertainty is feeding through into lower levels of business confidence which we expect to translate into lower investment in 2017. This together with a squeeze on margins from input cost inflation and a tightening labour market in some areas is leading to investment projects that are seen as marginal either being cancelled or delayed, with some of this capital being diverted to other geographies.

Now is the time to update strategies and associated business plans to reflect the slowing macro-environment and emerging policy outlook. Slowing growth and rising inflation together with a depreciating currency which could negatively impact the economy.

## Sustainability and transformation plans

The NHS Planning Guidance issued in December 2015 included the requirement for Sustainability and Transformation Plans (STPs). NHS organisations were asked to work together to come up with a 5-year plan for their area for all areas of NHS spending.

A named individual has been identified to lead each STP. In most cases this is from CCGs, NHS Trusts and Foundations but there are a smaller number from local government bodies.

These STPs have now been delivered and are designed to articulate how individual organisations will play their part in delivering their locally agreed STP objectives, including sustainable financial balance across the health economy.

From April 2017, access to NHS transformation funding will be linked to effective delivery of the STP. STPs represent a shift in focus from the role of competition within the health system to one of collaboration – referred to as 'place-based planning'. NHS organisations are telling us that the changing needs of their populations are best met through integrated models of care, with the delivery of care being best met by different areas of the NHS working in a co-ordinated way. The King's Fund has argued that a place based approach to planning and delivering health and social care services is the right approach – and that this should also include collaborating with other services and sectors outside the NHS – with the aim of improving the health and wellbeing of local populations.



## Government and economic news

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Development and delivery of STPs is a complex task, with large footprints, involving many different organisations, in an already stretched environment in terms of finances and capacity. There are further challenges with the need to address weaknesses in NHS incentives to work together and to avoid organisations focussing on individual goals rather than the effective implementation of STP objectives – for example, NHS Trusts are closely monitored on their own performance targets.

The STPs have been delivered in a relatively short timeframe and propose major changes to services. With the growing financial challenges in the system, the STPs are required to show how they will bring the NHS back into financial balance. Given the short timeframes, the submitted plans will need further development and engagement before they can be effectively implemented.

Four of the STPs have been published early and these demonstrate the significance of the changes being considered under these plans, including reducing the number of acute hospitals and the consolidation of services. Such changes are likely to lead to public and political opposition.

The challenge for STP partners will be to move from the planning phase to implementation in order to realise the objectives agreed.

### **Treasury confirms public sector pay offs to be capped at £95,000**

The Treasury have confirmed that public sector exit packages will be capped at £95,000. The announcement follows a consultation period which heard replies from over 350 interested parties. The changes will apply to the majority of the five million public sector workers. Reflecting on the announcement the Treasury noted that the reduction in exit packages across the public sector would result in significant savings but would still offer a comparable and competitive settlement process similar to that in the private sector.

The proposals include the following:

- ▶ A cap on the salary level at which exit packages can be calculated. It is likely that this will fall in line with the current NHS cap of £80,000
- ▶ The tariff for calculating exit packages will be based on three weeks' pay per year of service with a maximum of 15 months being the cap
- ▶ A clawback proposal would also come into effect which would mean that anyone returning to a public service post soon after leaving with an exit package would be required to repay their redundancy payment





# Government and economic news

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## Pension investment schemes

There is a proposal to replace the Local Government Pension Scheme 2009 with new draft regulations as set out below:

The two main areas of reform are:

- ▶ A package of reforms that propose to remove some of the existing prescribed means of securing a diversified investment strategy and instead place the onus on authorities to determine the balance of their investments and take account of risk
- ▶ The introduction of safeguards to ensure that the more flexible legislation proposed is used appropriately and that the guidance on pooling assets is adhered to. This includes a suggested power to allow the Secretary of State to intervene in the investment function of an administering authority when necessary

## Revaluation of business rates

The next revaluation of all properties for business rates will take effect from 1 April 2017. From next April, businesses will benefit from the biggest ever cut in business rates in England-worth £6.7bn over the next five years. £3.4bn worth of transitional relief will be available to provide support for the changes. By 2020 councils will be able to keep 100% of all local taxes to fund local services. Invoices will be issued by councils, and the valuations carried out by the VOA, as is currently done, to avoid conflict of interest.

The small business rate multiplier is expected to fall from April 2017 by 1.7p to 46.7p, the standard rate multiplier is also expected to fall by 1.7p to 48.0p.

## Schools no longer required to convert to academies

The government will no longer pursue a bill making it compulsory for all schools to convert to academies after protest from Councils, the bill will now only encourage converting.

The original plans required all schools to have converted, or have plans in place to do so by 2022. The announcement coincides with draft plans to introduce more grammar schools in England, reversing the 1998 ban on new grammar schools. And proposals suggesting more schools will be allowed to select pupils based on academic ability which is under consultation until mid-December.

In addition a bill on technical and further education has been published with the aim of boosting the countries productivity by addressing skills shortages by providing high quality technical education. This stems from the independent panel chaired by Lord Sainsbury, which undertook a review of the post-16 skills system and advised Government on measures to improve technical education in England, this led to the Post-16 Skills Plan published in July 2016, which set out the plan to replace thousands of courses with 15 routes into technical employment.



## Government and economic news

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### Public sector borrowing

Public sector borrowing for August has decreased by £0.9bn to £10.5bn compared with the same month last year. This is due largely to a decrease in central government net borrowing of £0.4bn as well as a fall in local government borrowing of £0.2bn.

Public sector net debt at the end of August was £1,621.5bn which is equivalent to 83.6% of UK GDP. This is an increase of £52bn compared with August 2015.

The latest figures come 2 months after the vote to leave the European Union in June.

### The Emergency Services Network

In 2011 the Government set up the Emergency Services Mobile Communications Programme to look at options to replace the current provider, Airwave Solutions Limited, for communications between personnel in the field and control rooms. The current contract is set to expire in 2019 and the objective was to replace the current service with one that:

- ▶ Makes high speed data easily available to the emergency services
- ▶ Provides more flexibility and takes advantage of new technologies as they emerge
- ▶ Costs less

The chosen option to replace the Airwave service and meet the three objectives is the Emergency Services Network (ESN). The provision of this service has been contracted out to three main providers Kellogg Brown and Root, Motorola Solution and EE Ltd.

The plan is emergency services will start moving to this new network in September 2017 and the process will be complete by December 2019.

It is estimated to cost £1.2bn from April 2015 to March 2020. After this date the ESN is expected to save money compared to Airwave, the current provider.

### Barclays changes LOBO loans to fixed rate loans

Following a period of public scrutiny Barclays has changed its Lender Option Borrower Option (LOBO) Loans to Councils and Local Authorities to a fixed rate basis. The LOBO's had initially been offered at lower rates than the other main source of public sector funding the Public Works Loan Board (PWLb) however Barclays always retained the right to adjust the interest rate. This had come under scrutiny and it was argued didn't offer value for money for taxpayers. A series of objections by local electors have been made to the 2015-16 accounts of 24 local authorities that have taken out LOBO loans. The objections predominantly argued that the decision to take out LOBO loans was irrational and unreasonable, and thereby unlawful. Appointed auditors are currently considering these objections under the legal framework for objections contained in the Local Audit and Accountability Act 2014.

Under the changes Barclays has stated that over 100 local authorities and housing associations will benefit from the change. It will also give such bodies much more certainty over their finances in the future as it will remove an element of uncertainty attached with the nature of the loans by locking the loans in at a fixed rate for the duration of the loans. Barclays said that clients impacted had been notified of the change in June 2016.



# Accounting, auditing and governance

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## PSAA as appointing person

In July 2016, the Secretary of State for Communities and Local Government specified PSAA as an appointing person under regulation three of the Local Audit (Appointing Person) Regulations 2015. This means that PSAA can make auditor appointments for audits of the accounts from 2018/19 of principal authorities that choose to opt into its arrangements.

Appointments for 2018/19 must be made by 31 December 2017. Details of the scheme as well as a timetable will be available soon.

## Governing culture: practical considerations for the board and its committees

Corporate culture has been a hot topic for many years now and we are finding Boards and Audit Committees are starting to question more and more how they can ensure proper oversight. The EY Corporate Governance team have prepared a report that summarises the findings of the recent EY and FT board survey on culture and their own work at individual organisations.

We would define culture as the collective values and beliefs that exist in an organisation, or parts of an organisation, that inform and influence behaviours, actions and decision making. Culture can then be split into four organisational pillars:

- ▶ Political architecture: where does power lie and how is it used?
- ▶ Performance architecture: how do economic and performance objectives drive behaviour?
- ▶ Social architecture: what values govern relationships and what behaviours do these drive?
- ▶ Operational architecture: how do organisational frameworks, systems and processes affect behaviour?

Audit committees have a unique role to play in the governance of culture, which can directly affect internal control processes, risk management and the integrity of the financial statements. The Corporate Governance team included the following key messages for the audit committee:

- ▶ The audit committee should understand how culture can impact the effectiveness of risk mitigation strategies and support decision making throughout the company in line with the risk appetite determined by the board
- ▶ The committee should consider the cultural context for performance and results and the integrity of the financial statements
- ▶ Data analytics can help the committee create a picture of culture throughout the company, including across international locations. This data should form part of the overall analysis that is used to drive further assurance and oversight efforts
- ▶ The committee should be aware of cultural factors that can influence the relationship with the external auditor. It should use internal audit as a resource for monitoring and championing the desired culture throughout the organisation

If you have any questions on culture or corporate governance then please speak to your external audit team who will be able to provide information on the various pieces of work we have done, and could do, for your organisation.





# Regulation news

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## Gender Pay Gap

Subject to the approval by Parliament the regulations for mandatory reporting on the gender pay gap will come into force during October 2016. However, employers will have around 18 months from commencement to publish the required information for the first time.

Employers with 250 or more employees will fall within the scope of the regulations.

### Pay

The regulations will require employers to publish their overall mean and median gender pay gaps as they are complementary indicators. As well as giving employers a better understanding of any pay gaps identified, this will facilitate comparisons with national and international figures.

### Bonus

Employers within scope will need to publish the difference between the mean bonus payments paid to men and women (regulation 6). The mean takes into account the full distribution of bonuses paid by an employer. Only those employees who receive 10 bonuses should be included in the calculation. Employers will also be required to publish the proportion of male and female employees that received a bonus.

## Salary Quartiles

Employers will be required to report on the number of men and women in each quartile of their pay distribution (regulation 7). Quartiles split into four equal groups, where each group contains a quarter of the data. Employers will calculate their own salary quartiles based on their overall pay range. The objective is to identify the numbers of women and men in each quarter by the overall pay distribution. This is straightforward to produce and will help employers consider where women are concentrated in terms of their remuneration, and if there are any blockages to their progression.

### Impact

This is not yet a disclosure requirement but is something that could emerge in the future.



# Key questions for the audit committee

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## **What questions should the Audit Committee be asking itself?**

What actions are being taken to consider the impact of the UK's decision to leave the European Union?

Do we have appropriate governance arrangements in place to facilitate the delivery of the STP?

Are we ready for the changes to exit package calculations?

If you are an administering authority has the impact of the proposed changes to the new pension investment scheme been considered and how the local authority will go about determining the value of their own investment?

Did your local authority have a Barclays LOBO and if so have the impact of the changes made by Barclays been considered by your organisation?

Has the local authority got a plan in place to appoint an external auditor before 31 December 2017?

How thoroughly has the committee discussed the impact of culture on risk, risk management and the internal control environment?

Are there systems in place to be able to calculate the gender pay gap, ensuring your organisation is prepared if this does become a requirement?



## Find out more

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### **EY Item Club**

<http://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/item---forecast-headlines-and-projections>

### **Sustainability and transformation plans**

<https://www.england.nhs.uk/wp-content/uploads/2016/02/stp-footprints-march-2016.pdf>

<https://www.kingsfund.org.uk/projects/sustainability-and-transformation-plans>

### **Exit packages**

<http://www.publicfinance.co.uk/news/2016/09/treasury-confirms-public-sector-pay-offs-be-capped-ps95k>

### **Pension investment schemes**

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/479642/Consultation\\_on\\_investment\\_reform.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479642/Consultation_on_investment_reform.pdf)

### **Revaluation of business rates**

<https://www.gov.uk/government/news/government-promises-fairer-bills-for-business-across-the-country>

### **Schools conversion to academies dropped**

<http://www.bbc.co.uk/news/education-37791282>

and

<https://www.gov.uk/government/collections/technical-and-further-education-bill>

### **Public sector borrowing**

<http://www.publicfinance.co.uk/news/2016/09/public-sector-borrowing-falls-august>

### **The Emergency Services Network**

<https://www.nao.org.uk/wp-content/uploads/2016/09/Upgrading-emergency-service-communications-the-Emergency-services-Network.pdf>

### **Barclays changes LOBO loans to fixed rate loans**

<http://www.publicfinance.co.uk/news/2016/09/barclays-ditches-lobo-loans>

### **PSAA as appointing person**

<http://www.psaa.co.uk/2016/08/news-release-psaa-specified-as-appointing-person/>

### **Governing culture: practical considerations for the board and its committees**

<http://www.ey.com/uk/en/issues/governance-and-reporting/corporate-governance/ey-governing-culture---practical-considerations-for-the-board-and-its-committees>

### **Gender Pay Gap**

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/504398/GPG\\_consultation\\_v8.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/504398/GPG_consultation_v8.pdf)

## Notes

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## Notes

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#### About EY

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## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Audit, Governance and Standards Committee  
24 January 2016

**From:** Director of Finance (s151 Officer)

**Subject:** **DISCRETIONARY BUSINESS RATE RELIEF POLICY**

All Wards

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### **1.0 PURPOSE**

- 1.1 To review the revised Discretionary Rate Relief Policy (DRRP) effective from 1st April 2017, prior to it being presented to Cabinet on 7 February 2017 for approval at Council on 21 February 2017.
- 1.2 In order for the revised Discretionary Rate Relief Policy to be introduced from 1 April 2017, all businesses have been informed prior to 1 April 2016, 1 year in advance, that the current DRRP will be revoked.

### **2.0 BACKGROUND**

- 2.1 The power for granting discretionary rate relief is provided in Section 47 of the Local Government Finance Act 1988 which has been amended by subsequent powers which allows the Council to grant relief under local discretion.
- 2.2 The Council has discretionary powers to grant discretionary rate relief to organisations to a maximum of 100% of the business rate liability. Those organisations in receipt of mandatory relief (Mandatory relief is available to charities and other not for profit organisations, including registered amateur sports clubs, who can apply for up to 80% where the property is occupied by the charity or club and is wholly, or mainly, used for charitable purposes, or as a registered community amateur sports club) can apply for 'top up' discretionary relief on the remaining business rates liability up to a maximum of 20%.
- 2.3 Once awarded the Council is committed financially and a decision can only be revoked following notice by the authority advising when the discretionary rate relief will end. The council is required to give 1 years notice. Ratepayers who currently receive discretionary rate relief received notice before 1 April 2016 that they would be required to renew their applications with effect from 1 April 2017 as the Council was considering reviewing its policy.
- 2.4 A priority of the discretionary rate relief policy is to support local and voluntary organisations and the aims of any organisation should support one or more of the Council's corporate priorities.
- 2.5 The council currently awards discretionary relief of £ £98,818 to 165 charities including shops and amateur sports clubs and other non for profit organisations such as village halls. Details of the awards are shown in the table below:

Rate relief type	Total amount of discretionary rate relief granted 2016/17 £	No of awards	Average award £	Range of awards
'Top up' rate relief (0%-20%)	73,394	156	470.47	£9.46 to £10,034
Discretionary Rate relief (0%- 100%)	25,424	9	2824.58	£736 to £6,057

2.6 Ratepayers who wish to receive discretionary rate relief must complete an application form and provide supporting evidence setting out their organisations aim and purpose along with annual accounts and reports showing achievements and the financial standing of the company. Discretionary rate relief awards are made using a range of criteria where each application will be reviewed on an individual basis under the Discretionary Rate Relief Policy and the outcome considered.

2.7 The Discretionary Rate Relief Policy for 1 April 2017 is attached at Annex A. It is based on the previous Discretionary Rate Relief Policy and also includes the:

- Increased emphasis on links to the Councils corporate aims and objectives
- Consideration of the organisations financial reserves
- Renewals of discretionary rate relief to be every 3 years

### **3.0 LINK TO COUNCIL PRIORITIES:**

3.1 Discretionary Rate Relief awarded to businesses results in a decrease in the amount of business rates income that is collected. Business rates income is one of the funding streams of the Council which supports the budget and the overall aims and objectives of the Council.

### **4.0 RISK ASSESSMENT:**

4.1 There are no major risks associated with approving the recommendation.

### **5.0 FINANCIAL IMPLICATIONS:**

5.1 The cost of awarding Discretionary Rate Relief is included with in the Collection Fund accounts. The cost is split between Central Government (50%), Hambleton District Council (40%), North Yorkshire County Council (9%) and Fire (1%).

5.2 Using the above split the costs of the current awards to each preceptor and would be Central Government £49,409, Hambleton Council £39,527, North Yorkshire Council £8,894 and Fire £988

### **6.0 LEGAL IMPLICATIONS:**

6.1 The Discretionary Rate Relief Policy reviews each application on an individual basis. It is necessary to consider each case on its own merits so that the Council does not fetter its discretion or act ultra vires to its powers, this will ensure that the Council's approach is lawful.



**7.0 EQUALITY/DIVERSITY ISSUES:**

7.1 There are no specific equality implications to this report.

**8.0 RECOMMENDATIONS:**

8.1 It is recommended that Members review the Discretionary Rate Relief Policy.

LOUISEBRANFORD-WHITE  
DIRECTOR OF FINANCE (S151 Officer)

**Background papers:** None

**Author ref:** LBW

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## **Policy for the Determination of Discretionary Business Rate Relief Applications from Charities, Community Amateur Sports Clubs and Not for Profit Organisations**

The Council has discretionary powers to grant relief to organisations to a maximum of 100% of the business rate liability. Those organisations in receipt of mandatory relief can apply for 'top up' relief on the remaining business rates liability up to a maximum of 20%.

The Council's priority is to support local voluntary and community sector organisations and clubs that contribute to one or more of the Council's corporate priorities for local people. By voluntary and community sector organisations we mean non-governmental, community-based organisations which are value driven (their values arise from the community) and which reinvest their surpluses for further social, environmental or cultural objectives. The Council believes that organisations should be encouraged to be financially independent.

### **Eligibility**

Applications for discretionary relief are welcomed from organisations which are not established or conducted for profit. Their aims should be charitable or otherwise philanthropic or religious, or be concerned with education, social welfare, science literature or the fine arts. Relief may also be awarded when a property is used for recreation and is occupied by a club, society or other organisation not established or conducted for profit. All applications will be considered on its individual merits.

### **Applications**

Applications must be made by the ratepayer or a person with the authority to act on behalf of the organisation. The Council's application form must be completed.

Relief will be granted for a maximum of 3 years subject to there being no material change to the aims and objectives of the organisation. After which a fresh application is required for renewals of awards together with updated accounts.

Application forms for Discretionary Relief, must be supported with the following evidence:

- (i) Copy of the Governing Document setting out the organisation's purposes and how the organisation is administered. (This can be in one of several different forms including a Trust Deed, Constitution, Memorandum and Articles of Association, Will, Conveyance, Royal Charter, Scheme of the Charity Commissioners, or the Rules of the Organisation.)
- (ii) Copies of the organisation's Annual Reports (containing a brief summary of the main activities and achievements of the organisation) for the last 2 years.
- (iii) Copies of the organisation's Annual Accounts including Balance Sheet for the last 2 years.

It is the responsibility of the organisation or person applying for rate relief to provide sufficient information and documentary evidence to support their applications.

Where information is not provided this will result in an application being deferred for 30 working days, after which the application will be deemed to be withdrawn if the information has not been received.

### **Factors Taken into Account**

The following factors for determining relief are not intended to be a rigid set of rules, neither are all the guidelines applicable to every organisation. Each case will be judged on its merits taking into account the contribution which each organisation / business makes to the District's amenities and its residents lifestyles and well being

### Access / Membership

The Council will consider the importance of the organisation to the local community. For example

- Does the organisation provide a benefit to the community
- Would the organisations absence have a detrimental effect on the community

Whilst the Council accepts that organisations provide a valuable facility or service it must be remembered that any relief granted is partially funded by the local council tax payer and as such consideration will be given to the percentage of members/ users of the facility who reside in the district

- (a) Is the membership open to all sections of the community? If not, are there legitimate reasons for restriction, for example, capacity of the facility is limited?
- (b) How many members are there and are the majority residents of the district?
- (c) Are membership rates set at such a level that allows access to the wider community.
- (d) Does the organisation actively encourage membership from particular groups in the community which, in the authority's opinion, particularly deserve support?
- (d) Are the facilities made available to people other than club members, for example, schools, youth groups etc.?
- (e) Is the organisation affiliated to local or national organisations?

### Financial criteria

The Council must consider the importance of the organisation to the local community. Two years accounts are required to support each application. The figures used to determine eligibility will normally be an average of the last two years to establish the overall financial stability of the organisation.

Information will be drawn from the audited balance sheet. Where this is not available, copies of bank statements with a profit and loss position must be provided.

The level of reserves should be examined. If the reserves held are restricted and evidence of this with an explanation of how the reserves will be used is provided, this factor will be taken into consideration.

Where an organisation is struggling financially, questions should be asked about the level of membership fees and other charges, i.e. are they realistic compared to those charged by similar organisations.

The council is keen to see that clubs and organisations are trying to be self sufficient where possible. Whilst income can be received from external grants, charging subscriptions and fund raising events can raise income.

Where an application is a renewal only the most recent years accounts will be needed as the previous accounts will be on file.

### Provision of facilities

The council wishes to see facilities provided that compliment its own or facilities that the council itself does not provide as this will contribute to providing opportunity and access to as wide a group as possible.

Organisations/ clubs are encouraged to have facilities/ workshops/ training etc. which supports disadvantaged and under represented groups regardless of gender, race, sexual orientation and religion

Some sporting clubs have licensed bars which are open to participating and non participating club members. Consideration will be given to whether the facility is ancillary to the main aims of the organisation and how the organisations income /profits are used to fund facilities and activities of the organisation

#### Sports Clubs

Is the club eligible to register as a Community Amateur Sports Club and has an application been made ?

If it appears from these answers that a club is prima facie eligible, but won't apply for CASC status, this will be taken into consideration in deciding on the level of discretionary relief: it is recognised that, for very small clubs, the administration involved in applying may outweigh the benefits, though there are other tax advantages.

#### Community Interest Companies

Is the organisation eligible to register as a Community Interest Company and has it done so?

If it appears from these answers that an organisation is prima facie eligible, but won't apply for incorporation as a CIC, this will be taken into consideration in deciding on the level of discretionary relief: it is recognised that, for very small organisations, the administration involved in applying may outweigh the benefits.

#### Charity Shops

Where the application is in respect of a charity shop, the following are also taken into consideration:

- (a) the level of turnover;
- (b) the amount of non-donated goods for sale;
- (c) any other use of the premises, for example, does the shop also provide advice, or a meeting place for those that it seeks to help?

#### Strategic intent

The Council's vision is for Hambleton to be a place to grow, be healthy and be prosperous. The Council Plan sets out the key priorities for delivering this vision. The discretionary rates relief policy will work within these priorities as identified in the Council Plan by supporting the work of charities and not for profit organisations that work with Hambleton residents and encourage prosperity.

Each application will be considered to ensure the following is supported:

1. Driving economic prosperity  
Hambleton will be a place where all business, new and old a can grow and be prosperous, alongside thriving market towns. Establish links with education
2. Enhancing health and Wellbeing  
Hambleton will be a place where community health facilities, activities, events and interventions are provided and supported to improve the health and well being of residents
3. Caring for the environment  
Hambleton will improve the efficiency of its waste collections and recycling to reduce the Councils carbon footprint year on year
4. Providing a special place to live

Hambleton will be a place where a diverse mix of housing types ensures that homes are affordable to all that need them and communities have a sense of identity and residents are able to live in the district independently

### **Appeals**

There is no statutory right of appeal against a decision made by the Council in respect of Discretionary Rate Relief. However, an independent officer will review the case where it is believed that the policy has not been applied correctly. The applicant will be allowed to submit in writing additional or new information/evidence to support the application. The right of appeal process does not affect a ratepayer's legal right to challenge the decision by way of a judicial review

If an unsuccessful applicant requests an appeal, they will still need to continue to pay their rates bill. Once the appeal has been heard, the ratepayer will be informed, in writing, of the decision.

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