

South Hams Audit Committee



Title:	Agenda
Date:	Thursday, 31st January, 2019
Time:	10.00 am
Venue:	Cary Room - Follaton House
Full Members:	<p style="text-align: center;">Chairman Cllr Pearce</p> <p style="text-align: center;">Vice Chairman Cllr Pennington</p> <p><i>Members:</i> Cllr Bramble Cllr Holway Cllr Brazil</p>
Interests – Declaration and Restriction on Participation:	Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.
Committee administrator:	Member.Services@swdevon.gov.uk

1. Minutes	1 - 8
To approve as a correct record and authorise the Chairman to sign the minutes of the Audit Committee held on 11 October 2018;	
2. Urgent Business	
Brought forward at the discretion of the Chairman;	
3. Division of Agenda	
To consider whether the discussion of any item of business is likely to lead to the disclosure of exempt information;	
4. Declarations of Interest	
Members are invited to declare any personal or disclosable pecuniary interests they may have, including the nature and extent of such interests, in any items to be considered at this meeting;	
5. KPMG Housing Benefit Grants	9 - 12
6. Grant Thornton - External Audit Plan	13 - 30
7. Grant Thornton - Audit Progress Report and Sector Update	31 - 42
8. Pensions Strategy	43 - 64
9. Update on Progress on the 2018-19 Internal Audit Plan	65 - 88
10. Treasury Management Mid-Year Report	89 - 102
11. Review of the Council's Constitution: Rules of Procedure and Scheme of Members' Allowances	103 - 160
12. Audit Committee Work Programme 2018/19	161 - 162
13. Exclusion of Public and Press	
- to consider the following resolution to exclude the public and press:-	
"That in accordance with Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the	

meeting during consideration of the following items of business in order to avoid the likely disclosure to them of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act”;

- | | |
|--|------------------|
| 14. ICT Cloud Strategy | 163 - 166 |
| 15. ICT Procurement - Verbal Update | |

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**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT FOLLATON HOUSE, TOTNES ON THURSDAY 11 OCTOBER 2018**

Members in attendance			
* Denotes attendance			
∅ Denotes apology for absence			
∅	Cllr I Bramble	*	Cllr J A Pearce (Chairman)
*	Cllr J Brazil	*	Cllr J T Pennington (Vice-Chairman)
∅	Cllr T R Holway		

Members also in attendance:
Cllrs H D Bastone, M J Hicks, P W Hitchins, N A Hopwood, E D Huntley, K R H Wingate and S A E Wright

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Head of Paid Service; Section 151 Officer; Group Manager – Business Development; Community Of Practice Lead – Environment Services; Senior Specialist – Accountant; Internal Audit Manager; and Senior Specialist – Democratic Services
5	A.24/18	Devon County Council Assistant County Treasurer
12	A.31/18	Case Management Manager

A.21/18 MINUTES

The minutes of the meeting of the Committee held on 6 September 2018 were confirmed as a correct record and signed by the Chairman.

A.22/18 URGENT BUSINESS

The Chairman advised that she had no urgent items to be raised at this meeting.

A.23/18 DECLARATIONS OF INTEREST

Members and officers were invited to declare any interests in the items of business to be considered during the course of the meeting, but none were made.

A.24/18

PRESENTATION ON THE PENSION FUND ADMINISTERED BY DEVON COUNTY COUNCIL

The Devon County Council Assistant County Treasurer was in attendance to provide a presentation to Members on the Pension Fund.

In so doing, the presentation provided the following overview:-

- Devon County Council was the Administering Authority of the Fund and delegated management of the Fund to the Investment & Pension Fund Committee;
- As at 31 March 2018, the total size of the Fund equated to £4.086 billion;
- Over 200 employers paid into the Fund;
- The Pension Scheme had over 100,000 members comprising contributors, pensioners and deferred pensioners;
- Funds were invested by external investment managers into equities, bonds etc; and
- An actuarial review of the Fund took place every three years to determine the funding level.

Looking ahead, the presentation also concluded that:

- the Pension Fund had a long-term horizon over which to invest;
- investments needed to be managed to meet liabilities over the long-term;
- negative cashflow (contributions less benefits) needed to be factored into the Investment Strategy;
- the Fund needed to adapt to a changing world;
- investments would be pooled with other Local Government Pension Scheme Funds from April 2018; and
- long-term performance remained the overriding objective.

The Chairman invited questions on the content of the presentation and particular reference was made to:-

- (a) the Council's funding position in comparison to other local authorities in the county. The Assistant County Treasurer informed that the Council's position was well above the average. As a result, the Council's deficit contributions were much lower than the majority of other local authorities in Devon;
- (b) the overriding objective of the Fund. It was confirmed that the policy that was applied to the Fund was to ensure that the best financial return was obtained on investments, irrespective of factors such as ethical issues;
- (c) the implications of Brexit. Whilst acknowledging that it could be a risk, the Assistant County Treasurer informed that the impact of Brexit on the next actuarial valuation in 2019 was unknown.

In conclusion, the Chairman thanked the officer for his informative presentation and it was agreed that a copy of the presentation slides would be circulated to the wider membership for their information and retention.

A.25/18 KPMG ANNUAL AUDIT LETTER 2017/18

The Committee considered the KPMG Annual Audit Letter that summarised the outcome from their audit work that was carried out at the Council in relation to the 2017/18 audit year.

With no discussion taking place, it was then:

RESOLVED

That the contents of the Annual Audit Letter for 2017/18 be noted.

A.26/18 KPMG AUDIT CLOSURE LETTER 2017/18

Members were presented with a letter from KPMG that confirmed that the audit of the Council's accounts for the year ending 31 March 2018 had been completed.

The Committee acknowledged the findings of the auditor that had issued an excellent unqualified report and congratulated the Section 151 Officer and the Finance Community Of Practice accordingly.

It was then:

RESOLVED

That the contents of the Audit Closure Letter for 2017/18 be noted.

A.27/18 GRANT THORNTON – AUDIT PROGRESS REPORT AND SECTOR UPDATE

A paper was considered that provided the Committee with a progress report from Grant Thornton on delivery of their responsibilities. In addition, the paper also included:

- a summary of emerging national issues and developments that may be relevant to the Council; and
- a number of challenge questions in respect of those emerging issues that the Committee may wish to consider.

During the ensuing discussion, the following points were raised:-

- (a) Whilst Grant Thornton had only recently commenced in their role, the representatives confirmed that they were in constant ongoing dialogue with the Head of Paid Service and the Section 151 Officer to ensure that they were up to speed with the workings of the Council;
- (b) At the request of the Committee, the representatives confirmed that, as part of their Value for Money and Medium Term Financial Planning work, they would review the Business Plan and the processes that had been followed by the Council in recently adopting the Commercial Property Strategy;
- (c) It was noted that Grant Thornton had published a number of documents in relation to their views on the establishment (and best practice) of local government companies in the emerging world and it was agreed that links to these reports would be circulated to Members outside of this meeting;
- (d) Members also highlighted the current waste procurement project and, whilst acknowledging the input of Internal Audit, the request was made for the added assurance whereby Grant Thornton representatives also reviewed the processes, advice and assumptions that underpinned the project. In so doing, the Committee asked that the representatives undertake this piece of work in advance of the Council meeting on 6 December 2018.

It was then:

RESOLVED

That the contents of the Progress Report and Sector Update be noted.

A.28/18 GRANT THORNTON FEE LETTER

The Committee was presented with a letter from Grant Thornton that outlined the planned audit fee for 2018/19.

In so doing, the Committee welcomed the sizeable reduction in audit fee in comparison to the 2017/18 Financial Year. At this point, the Section 151 Officer did point out that this fee did not include the Housing Benefit Subsidy Claim work which would be subject to a separate Audit.

It was then:

RESOLVED

That the contents of the Grant Thornton Fee Letter for 2018/19 be noted.

A.29/18 UPDATE ON PROGRESS ON THE 2018/19 INTERNAL AUDIT PLAN

Members were presented with a report that sought to inform them of the principal activities and findings of the Council's Internal Audit Team for 2018/19 to 14 September 2018 by:-

- Illustrating the progress made by Internal Audit against the 2018/19 annual Internal Audit Plan (as approved by the Committee in March 2018); and
- Highlighting any revisions to the 2018/19 Internal Audit Plan.

In discussion, particular reference was made to:-

- (a) the omissions in Appendix A of the presented agenda report were highlighted;
- (b) the Beach and Water Safety audit findings. It was confirmed that discussions were ongoing with the Harbour Master in an attempt to resolve the matter highlighted;
- (c) the LEAF and LAG Audit work. Concerns were again raised over the extent of the bureaucracy involved in auditing the LEAF and LAG Grant funds;
- (d) the Performance Management audit. As had also been raised on a number of occasions by the Overview and Scrutiny Panel, some Members highlighted the difficulties they experienced in accessing the Council's Performance Indicators via the covalent software system.

It was then:

RESOLVED

That the progress made against the 2018/19 Internal Audit Plan (and any key issues arising) be approved.

A.30/18 INTERNAL AUDIT CHARTER AND STRATEGY 2018/19

The Committee considered a report that sought to review (and recommend approval) of the Internal Audit Charter and Strategy for 2018/19.

In debate, it was recognised that only minimal changes to the Charter and Strategy were being proposed.

It was then:

RESOLVED

That the Internal Audit Charter and Strategy for 2018/19 be approved.

A.31/18 SUNDRY DEBT

Members were presented with a report that provided an update on the progress made in monitoring and administering the recovery of Sundry Debt.

In debate, the following points were raised:-

- (a) In making the point that Council Tax and Business Rates were separate to Sundry Debt, the Committee felt that an overview of all Council debt would be of interest to Members;
- (b) Members were advised that the increase in Housing Benefits overpayments was largely attributed to the introduction of Universal Credit;
- (c) With regard to Section 106 deposits, officers confirmed that they were no outstanding invoices at this moment;
- (d) Members were informed that there was a sizeable amount of debt that was related to the Assets Community Of Practice (COP) (e.g. commercial property rent). In reply, the Committee was assured that the Senior Leadership Team had recently requested that the Assets COP present a revised set of Performance Indicators (e.g. number of vacant properties, unit turnaround and debt levels) and report on these more frequently. Officers gave a commitment to share this information with Committee Members.

It was then:

RESOLVED

That the progress made in monitoring and administering the recovery of Sundry Debt be noted.

A.32/18 STRATEGIC RISK ASSESSMENT – REGULAR UPDATE

The Committee considered a report that presented an updated assessment of the Council's strategic risks.

In discussion, reference was made to the inclusion of the West Devon financial position. In light of its previous request, the Committee welcomed inclusion of this risk in the Corporate Risk Report but did retain its previously raised view that there was an apparent lack of Contingency Planning in the event of West Devon Borough Council (WDBC) failing to fulfil its financial obligations.

Whilst assurances were given that the Senior Leadership Team was closely monitoring this risk, a Member did make the point that the scores allocated in the Register did not reflect the information that was being relayed during the One Council consultation exercise twelve months ago.

It was then:

RESOLVED

1. That the Committee has reviewed the strategic risks and has made comments (as detailed in the minutes above);
2. That Council be **RECOMMENDED** to adopt the updated Risk and Opportunity Management Strategy (as outlined in Appendix 3 of the presented agenda report); and
3. That Council be **RECOMMENDED** to rescind the Joint Risk Management Policy 2012 and the Joint Risk Management Strategy 2013.

A.33/18 **AUDIT COMMITTEE DRAFT WORK PROGRAMME**

In considering its draft Work Programme, the Committee agreed that:

- A standing agenda item entitled: 'Grant Thornton Update Report' be added to each meeting date; and
- The Review of the Council Constitution be brought forward to the Committee meeting on 31 January 2019.

(Meeting commenced at 10.05 am and finished at 12.05 pm)

Chairman

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Our ref SHDC/GrantLett/18

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13 December 2018

Dear Lisa

South Hams District Council - Certification of claims and returns - annual report 2017/18

Public Sector Audit Appointments requires its external auditors to prepare an annual report on the claims and returns certified for each audited body. This letter is our annual report for the certification work we have undertaken for 2017/18.

In 2017/18 we carried out certification work on only one claim or return, the Housing Benefit Subsidy claim. The certified value of the claim was £21.1 million, and we completed our work and certified the claim on 29 November 2018.

Matters arising

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Our work did not identify any issues or errors and we certified the claim unqualified without amendment.

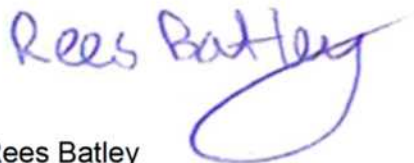
Consequently we have made no recommendations to the Authority to improve its claims completion process. There were no recommendations made last year and there are no further matters to report to you regarding our certification work.

In addition, there were no issues raised in our 2016/17 Certification Annual Report which required follow-up during 2017/18.

Certification work fees

Public Sector Audit Appointments set an indicative fee for our certification work in 2017/18 of £7,670. Our actual fee was the same as the indicative fee, and this compares to the 2016/17 fee for this claim of £7,328. The variance between years reflects the different indicative fees set by Public Sector Audit Appointments for each year.

Yours sincerely



Rees Batley
Director, KPMG LLP

This report is addressed to the Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public 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.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Rees Batley, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to andrew.sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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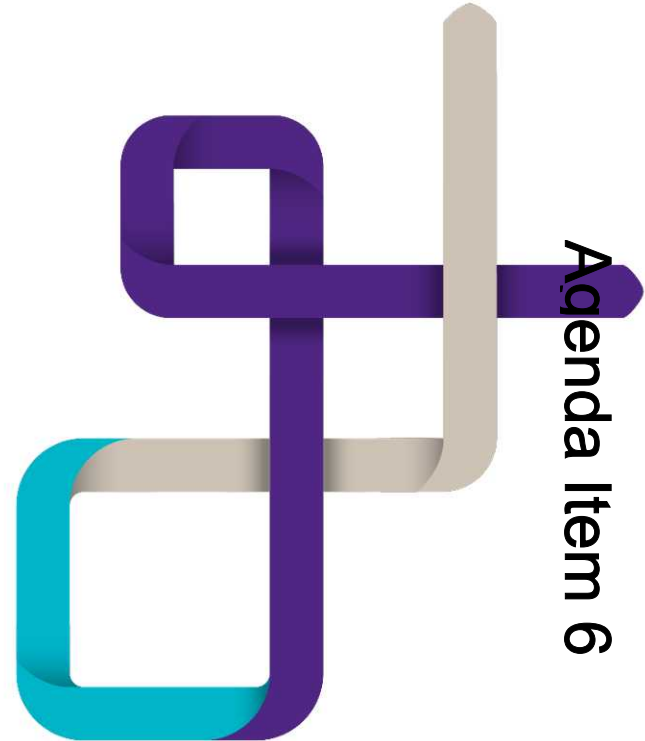
External Audit Plan

Year ending 31 March 2019

South Hams District Council

16 January 2019

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Your key Grant Thornton team members are:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of South Hams District Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed engagement letter. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based. We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- The revenue cycle includes fraudulent transactions - This risk has now been rebutted
- Management over-ride of controls
- Revaluation of PPE
- Valuation of pension liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1,466k for the Council, which equates to 1.8% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £73k.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Sustainable resource deployment - The cumulative budget gap is forecast to be £1,8 million by 2023/24, assuming annual savings are not achieved.

Audit logistics

Our interim visit will take place in February and March and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £30,335 (PY: £39,396) for the Council, subject to the Council meeting our requirements set out on page 15.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Key matters impacting our audit

Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents.

South Hams District Council is currently forecasting a £66k overspend for 2018/19 and the Council has a budget gap of £0.5m by 2020/21 and a cumulative budget gap of £1.8m by 2023/24. The recent letting of a joint waste collection contract with West Devon Borough Council is expected to provide £0.4 million of annual savings for South Hams.

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty (update as appropriate). The Council will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.

Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with customers which introduces a five step approach to revenue recognition.

No significant impact is expected to occur on the accounts from these changes although discussions are ongoing with financial management to monitor the impact.

Future budget proposals

South Hams District Council has continued to work in partnership with West Devon Borough Council which has allowed the Council to achieve annual savings of £3.9 million and more importantly protect its statutory front line services.

Between both Councils the annual shared services savings being achieved are over £6 million. However, the Councils continue to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending.

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Council and will review related disclosures in the financial statements.

- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

- We will review the Councils Medium Term Financial Plan and the savings plans.
- We will continue to monitor the progress of the partnership with West Devon Borough Council

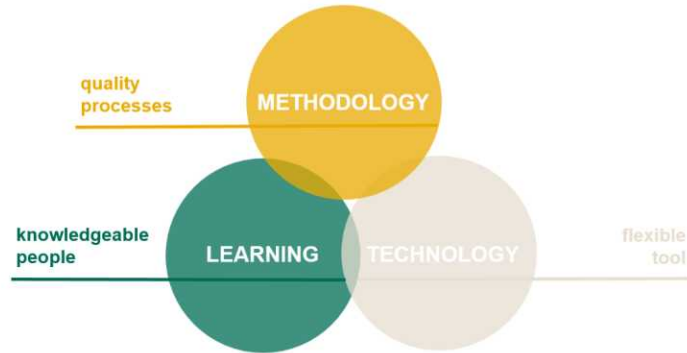
Audit approach

Use of audit, data interrogation and analytics software

LEAP

Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- A cloud-based industry-leading audit tool developed in partnership with Microsoft



Inflo



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.



REQUEST & SHARE

- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring



ASSESS & SCOPE

- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment



VERIFY & REVIEW

- Automate sampling requests
- Download automated work papers



INTERROGATE & EVALUATE

- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs



FOCUS & ASSURE

- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance



INSIGHTS

- Detailed visualisations to add value to meetings and reports
- Demonstrates own performance and benchmark comparisons

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IDEA

- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively



Appian

Business process management

- Clear timeline for account review:
 - disclosure dealing
 - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on

Appian

Significant risks identified – Revenue

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>We have identified the occurrence and accuracy of Fees, charges & other service income as a significant risk, which was one of the most significant assessed risks of material misstatement and a key audit matter.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, We have rebutted this presumed risk for the other revenue streams of the Council because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including South Hams District Council, mean that all forms of fraud are seen as unacceptable 	<p>We will:</p> <ul style="list-style-type: none"> • Review the income streams and amounts attributable for the Council at draft accounts stage to revisit this assumption. • Request that Management review the introduction of IFRS15 and the impact that this will have on applicable revenue schemes • evaluate the Council's accounting policy for recognition of income for appropriateness; • gain an understanding of the Council's system for accounting for income and evaluate the design of the associated controls; • Test, on a sample basis amounts recognised as income from Fees, charges & other service income in the financial statements.

Significant risks identified – Management override

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Management over-ride of controls</p>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. . The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified – PPE

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Valuation of land and buildings</p>	<p>All material freehold land and buildings which comprise the Authority's property portfolio are revalued by the Council's Valuer on a rolling basis.</p> <p>Ad hoc valuations take place, for example where assets have been enhanced. In addition, a formal impairment review of the entire holding of land and buildings is undertaken at the end of each financial year, to ensure the carrying value reflects the fair value at the Balance Sheet date</p> <p>We therefore identified valuation of land and buildings, particularly the annual review, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the annual impairment review. • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • test revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluating the challenge and the assumptions made by management for ensuring that the Council has satisfied themselves that these are not materially different to current value at year end.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Valuation of the pension fund net liability</p>	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£51.5 million in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. • Consider the challenges made by Management in relation to any significant movements as a result of Brexit.

Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Completeness of operating expenses	<p>The Council is under financial pressure to deliver transformational savings targets. Non-pay expenses represent a significant percentage of the Council's overall operating expenses. Management use judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non-pay expenses as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness; • gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls; • obtain a listing from the financial ledger of non-employee payments made post year and test a sample to ensure that they have been charged to the appropriate year. • review the year-end Accounts Payable reconciliation and investigate any significant reconciling items
Purchase of Investment property	<p>The Council has agreed a commercial property acquisition strategy of up to £60m. The accounting treatment and Funding, principally through long term borrowing, will be a material and unusual transaction in the accounts.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Review the Council's reporting of the transactions; • test revaluations made during the year to see if they had been input correctly into the Council's asset register.
Allocation of shared costs	<p>The Council operates on a shared service basis with West Devon Borough Council. Consequently, there are a number of costs borne by each Council that are reallocated as part of process to allocate costs equitably between the two Councils.</p>	<p>We will review:</p> <ul style="list-style-type: none"> • the basis of allocation to ensure that it is reasonable and appropriate; • consider any changes from the prior year basis; and • test the calculation of transferred costs.

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We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
 - issue of a report in the public interest or written recommendations to the Council under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

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Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Council's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

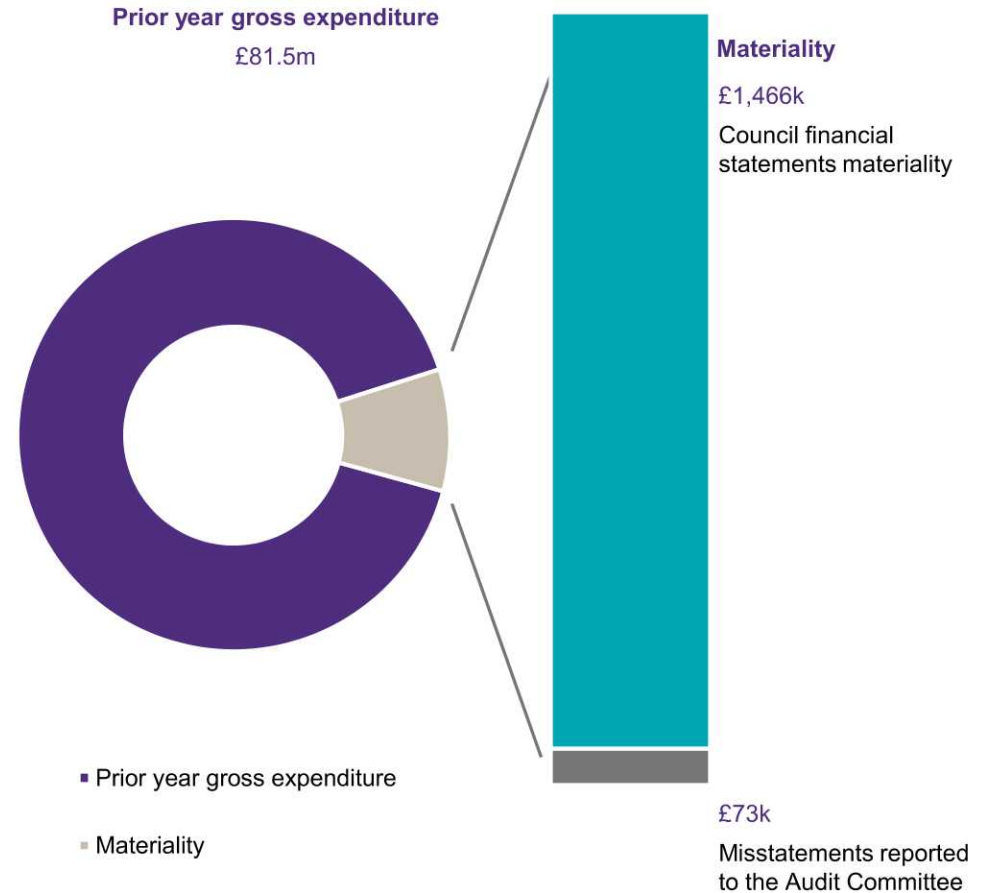
We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1,466k for the Council, which equates to 1.8% of your [forecast/prior year] gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £50k for Senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £73k.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

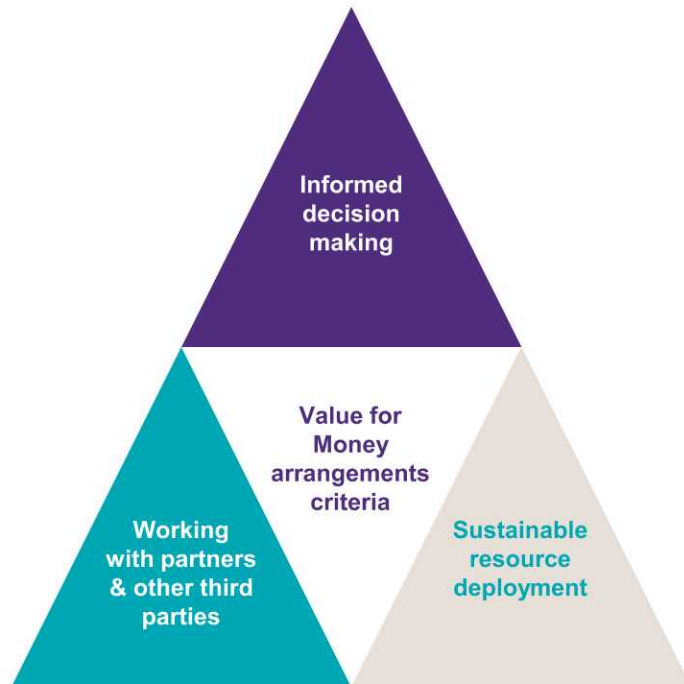
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.



Informed decision making

At the end of September 2018 The Council was forecasting an overspend of £66,000 (0.7% of the total Budget £8.983 million) for 2018/19.

However, the Council has identified some financial challenges over the life of its Medium Term Financial Strategy. The cumulative budget gap is forecast to be £1.8 million by 2023/24, assuming annual savings are not achieved.

The Council has recently let its Waste collection contract jointly with West Devon Borough Council, which is predicted to achieve £0.4 million of the savings required.

The Council plans to address this through a challenging programme that includes:

- Budget delivery and reserves management;
- Commercial development opportunities within the South Hams District and associated borrowing

The Council has identified a key risk that may arise that would affect its achievement. Some of the councils identified savings are part of its joint working with West Devon Borough Council, e.g. the award of a joint waste collection service and the continuation of joint provision of services.

Response

We will review the Council's approach to:

- Award of the Waste contract;
- The decision to embark on its commercialisation plans; and
- Setting and Monitoring the delivery of its Medium Term financial strategy.

We will continue to observe the joint working with West Devon Borough Council

Audit logistics, team & fees



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Audit fees

The planned audit fees are £33,421 (PY: £43,404) for the financial statements audit completed under the Code, which are inline with the scale fee published by PSAA. There is no non-Code (as defined by PSAA) work planned]. In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Any proposed fee variations will need to be approved by PSAA.

Early close

Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

The council achieved the earlier deadlines in 2017/18, and the opinion was given on 26 July 2018.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 14). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. No other services were identified.



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Audit Progress Report and Sector Update

South Hams District Council
Year ending 31 March 2019
31 January 2019



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Introduction



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

The paper also includes:

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



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Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grant-thornton.co.uk ..

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

Progress at 15 January 2019

Financial Statements Audit

We have started planning for the 2018/19 financial statements audit and have issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2018/19 financial statements.

We are due to commence our interim audit in February 2019. Our interim fieldwork visit will include:

- Review of the Council's control environment
- Documenting our understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We will report any findings from the interim audit to you in our Progress Report at the March Audit committee.

The statutory deadline for the issue of the 2018/19 opinion is 31 July 2018. We will discuss our plan and timetable with officers.

The final accounts audit is due to begin on the 3 June 2019 with findings reported to you in the Audit Findings Report by the deadline of July 2019.

Value for Money

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

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

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

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

Details of our initial risk assessment to determine our approach are included in our Audit Plan.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2019.

Other areas

Meetings

We intend to hold regular liaison meetings with Management and we have already held a meeting with key management and Senior leadership team in September, to understand the Council's current position and future plans, and developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council.

Our annual accounts workshops are planned to take place early in March 2019. Members of your finance team will be attending.

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

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2018	Issued 19 April 2018
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	January 2019	On the January agenda
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2019	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due

Sector Update

Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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

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

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

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

Public Sector

Local
government

Public Sector Audit Appointments – Report on the results of auditors’ work 2017/18

This is the fourth report published by Public Sector Audit Appointments (PSAA) and summarises the results of auditors’ work at 495 principal local government and police bodies for 2017/18. This will be the final report under the statutory functions from the Audit Commission Act 1998 that were delegated to PSAA on a transitional basis.

The report covers the timeliness and quality of financial reporting, auditors’ local value for money work, and the extent to which auditors used their statutory reporting powers.

For 2017/18, the statutory accounts publication deadline came forward by two months to 31 July 2018. This was challenging for bodies and auditors and it is encouraging that 431 (87 per cent) audited bodies received an audit opinion by the new deadline.

The most common reasons for delays in issuing the opinion on the 2017/18 accounts were:

- technical accounting/audit issues;
- various errors identified during the audit;
- insufficient availability of staff at the audited body to support the audit;
- problems with the quality of supporting working papers; and
- draft accounts submitted late for audit.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts. Auditors have made statutory recommendations to three bodies, compared to two such cases in respect of 2016/17, and issued an advisory notice to one body.

The number of qualified conclusions on value for money arrangements looks set to remain relatively constant. It currently stands at 7 per cent (32 councils, 1 fire and rescue authority, 1 police body and 2 other local government bodies) compared to 8 per cent for 2016/17, with a further 30 conclusions for 2017/18 still to be issued.

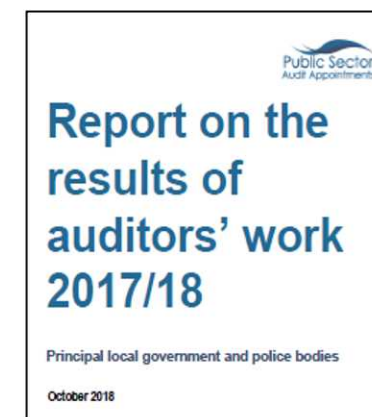
The most common reasons for auditors issuing qualified VFM conclusions for 2017/18 were:

- the impact of issues identified in the reports of statutory inspectorates, for example Ofsted;
- corporate governance issues;
- financial sustainability concerns; and
- procurement/contract management issues.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts.

The report is available on the PSAA website:

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>



ICAEW Report: expectations gap

The Institute of Chartered Accountants in England and Wales (ICAEW) has published a paper on the 'expectation gap' in the external audit of public bodies.

Context:

The expectation gap is the difference between what an auditor actually does, and what stakeholders and commentators think the auditors obligations might be and what they might do. Greater debate being whether greater education and communication between auditors and stakeholders should occur rather than substantial changes in role and remit of audit.

What's the problem?

- **Short-term solvency vs. Longer-term value:**
 - LG & NHS: Facing financial pressures, oversight & governance pressures
- **Limited usefulness of auditors reports:** 'The VFM conclusion is helpful, but it is more about the system/arrangements in place rather than the actual effectiveness of value for money'
- **Other powers and duties:** implementing public interest reports in addition to VFM
- **Restricted role of questions and objections:** Misunderstanding over any objections/and or question should be resolved by the local public auditor. Lack of understanding that auditors have discretion in the use of their powers.
- **Audit qualification not always acted on by those charged with governance:** 'if independent public audit is to have the impact that it needs, it has to be taken seriously by those charged with governance'
- **Audit committees not consistently effective:** Local government struggles to recruit external members for their audit committees, they do not always have the required competencies and independence.
- **Decreased audit fees:** firms choose not to participate because considered that the margins were too tight to enable them to carry out a sufficient amount of work within the fee scales.
- **Impact of audit independence rules:** new independence rules don't allow for external auditors to take on additional work that could compromise their external audit role
- **Other stakeholders expectations not aligned with audit standards**

- **Increased auditor liability:** an auditor considering reporting outside of the main audit engagement would need to bill their client separately and expect the client to pay.

Future financial viability of local public bodies

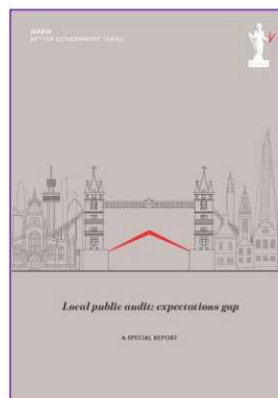
Local public bodies are being asked to deliver more with less and be more innovative and commercial. CFOs are, of course, nervous at taking risks in the current environment and therefore would like more involvement by their auditors. They want auditors to challenge their forward-looking plans and assumptions and comment on the financial resilience of the organisation..

The ICAEW puts forward two solutions:

Solution a) If CFO's want additional advisory work, rather than just the audit, they can separately hire consultants (either accountancy firms not providing the statutory audit or other business advisory organisations with the required competencies) to work alongside them in their financial resilience work and challenging budget assumptions.

Solution b) Wider profession (IFAC, IAASB, accountancy bodies) should consider whether audit, in its current form, is sustainable and fit for purpose. Stakeholders want greater assurance, through greater depth of testing, analysis and more detailed reporting of financial matters. It is perhaps, time to look at the wider scope of audit. For example, could there be more value in auditors providing assurance reports on key risk indicators which have a greater future-looking focus, albeit focused on historic data?

More information can be found in the link below (click on the cover page)



The expectations gap

Challenge question:

How effectively is the audit meeting client expectations?



Financial Foresight: Our sustainable solution for cash-strapped councils

Grant Thornton's new Financial Foresight platform helps provide local councils with financial sustainability.

Launched in early January, Financial Foresight is a unique platform that can help us provide financial sustainability to under-pressure local councils, using a combination of data, statistics and our expertise.

Page 39 In December 2018, the Chartered Institute of Public Finance and Accountancy (CIPFA) estimated that 15% of councils are showing signs of financial distress. If the rate at which these councils are dipping into their financial reserves continues, the National Audit Office estimates that 10% of councils will have depleted their reserves by 2021. The latest figures from our Insights and Analytics team suggest this could be closer to 20%.

Alarm bells started to chime at Somerset, Surrey, Lancashire and Birmingham councils last year. Yet it was the catastrophic near-collapse of Northamptonshire County Council - after it chose for five years not to raise council tax to cover its spiralling costs - that shone the spotlight on this widespread problem.

Unless local councils can get to grips with the situation, we'll all feel the effects of deeper cutbacks in public spending.

What's causing the problem?

After eight years of government austerity which followed the financial crash of 2008, many councils are now digging deep into their financial reserves in order to provide public services to their communities – from social care to fixing potholes in the road.

Pressure on funding is further impacted by rapidly rising costs – especially for demand-led services as populations grow and age. Within just a few years, many councils will not have any reserves left to fall back on, and some have already said they will be unable to provide any non-statutory services at this time. Overlay Brexit onto this situation, along with the anticipated financial pressures this will bring, and the outlook for local authorities is extremely challenging.

How can we help?

The investments we have made in analytics coupled with the commercial success of our CFO Insights tool has enabled us to develop credible financial forecasts for every local authority in the country. From this platform we developed Financial Foresight; a unique, forward-looking financial analytics and forecasting platform designed to support financial sustainability in local government.

Financial Foresight takes account of factors such as population growth, development forecasts and demand drivers to project local authority spend, income and operating costs. It provides a baseline view on the financial sustainability of every local authority in England and allows leaders in each authority to benchmark their own outlook against others. This will help councils move on from resilience – or just getting by – to financial sustainability.

Head of Local Government Paul Dossett said: "Through Financial Foresight and our associated strategy workshops, we can support local authorities to test and appraise a range of financial strategies and levers to develop a plan for a sustainable future. The critical importance of authorities understanding their financial resilience is only going to increase, so we're proud to be leading the market with this offering."

For more information, follow the links below:

<https://www.grantthornton.co.uk/en/insights/councils-are-at-risk-but-do-they-really-know-why/>

<https://www.grantthornton.co.uk/en/insights/from-resilience-to-financial-sustainability/>

Brexit Room - Increasing readiness and resilience within your locality

Local authorities have always navigated uncertainty and faced challenges on behalf of communities and this role has never been more important than now. Whilst the outcome of Brexit remains uncertain at a national level, it is essential for councils to set a path to ensure the continued delivery of vital services and the best possible outcomes for their local communities and economies.

Whatever happens over the coming weeks and months, it is important that councils identify key Brexit scenarios and use these to frame robust local contingency plans.

From our conversations with the sector we know that local authorities are at different stages in their preparation for this big change.

Here's a brief summary of the issues that we are seeing:

Organisations

- Engaging non-EEA nationals within the workforce to ensure they understand their residency rights and are not receiving incorrect information from other sources
- Loss of access to key EU databases on policing and trading standards and changes to data sharing arrangements
- Uncertainty around continuation of EU funding beyond 2020 and the implementation of the UK Shared Prosperity Fund.

Services and suppliers

- Engaging with key suppliers to assess their risk profiles and resilience
- Dealing with the immediate strain on key services such as social care and trading standards
- Potential disruption to live procurement activities and uncertainty around the national procurement rulebook post OJEU.

Place

- Considering scenarios for economic shock, the associated social impact in the short, medium and long-term and the potential impact on local authority financial resilience
- Potential impacts on major local employers, key infrastructure investment programmes and transport improvements
- Civil contingencies and providing reassurance and support to residents and businesses.

Our approach

The Brexit Room is a flexible and interactive half-day workshop designed to sharpen your thinking on the impact Brexit could have on:

Your organisation – including considerations on workforce, funding, and changes to legislation

Your services and suppliers – ensuring that critical services are protected and building resilience within supply chains

Your place – using our proprietary Place Analytics tools we will help you to understand potential impacts on your local communities and economy and develop a place-based response, working with partners where appropriate.

We can work with you to identify key risks and opportunities in each of these areas whilst building consensus on the priority actions to be taken forward. You will receive a concise and focused write-up of the discussion and action plan to help shape the next stages of your work on Brexit.

For more information, follow the link below:

<https://www.grantthornton.co.uk/insights/brexit-local-leadership-on-the-front-line/>

Brexit

Challenge question:

How well advanced are your authority's plans for Brexit?



Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<https://www.grantthornton.co.uk/en/insights/a-caring-society/>

<https://www.grantthornton.co.uk/en/insights/care-homes-where-are-we-now/>

<https://www.grantthornton.co.uk/en/insights/the-rise-of-local-authority-trading-companies/>

National Audit Office link

<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

Ministry of Housing, Communities and Local Government links

<https://www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing>

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf

Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>

Public Sector Audit Appointments

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

Agenda Item 8

NOT FOR PUBLICATION

Appendix A to this report is considered exempt under paragraph 3 of schedule 12A of the Local Government Act 1972 in that it concerns the financial or business affairs of the Council.

Report to: **Audit Committee**
Date: **31 January 2019**
Title: **Pensions Strategy
(Triennial Actuarial Revaluation)**
Portfolio Area: **Strategic Finance – Cllr S Wright**
Wards Affected: **ALL**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: Lisa Buckle Role: Strategic Finance Lead
(S151 Officer)

Contact: Email lisa.buckle@swdevon.gov.uk
01803 861413

Recommendations:

That the Audit Committee notes the contents of Appendix A and instructs officers to engage in early dialogue with the Devon Pension Fund and the actuaries (Barnett Waddingham), ahead of the next Triennial Pension Revaluation in 2019, to further assess the Council's options.

1 Executive summary

- 1.1 The Medium Term Financial Strategy approved at Council in September 2018 was the starting point for developing a meaningful five year strategy that has set out the strategic intention for all of the different strands of funding available to the Council. The Council is now able to rely on this to inform future decisions.
- 1.2 The Medium Term Financial Strategy for 2019/20 to 2023/24 was approved by

Council on 27th September 2018. Below is a copy of the relevant Council Minute 31.

As part of this minute, it was **RESOLVED** that:

1. the Council takes specialist pension advice on the options for the Council's Pension position (informing the actuarial valuation) with the aim of reducing the current deficit contributions, increasing affordability, whilst best managing the pension deficit. It is also recommended that the Council has early dialogue with Devon County Council and the actuaries with regards to the Council having an input into the actuarial assumptions used for the 2019 Actuarial Valuation. (NB. options will be presented to the Audit Committee meeting in January 2019 to consider);
- 1.3 Exempt Appendix A attached sets out the specialist pensions advice which has been received. This report presents options to the Council's Audit Committee to consider.
- 1.4 It is recommended that the Audit Committee notes the contents of Appendix A and instructs officers to engage in early dialogue with the Devon Pension Fund and the actuaries (Barnett Waddingham), ahead of the next Triennial Pension Revaluation in 2019, to further assess the Council's options.

2. Background

- 2.1 The Triennial Pension Revaluation informs the Council's employer pension contributions on a three yearly cycle and takes into account the assumptions used within the Triennial Revaluation e.g. life expectancy and mortality assumptions and financial assumptions such as RPI increases, CPI increases and the Discount rate.
- 2.2 Assets and liabilities are assessed by Barnett Waddingham, an independent firm of actuaries. As required under IAS (International Accounting Standard) 19, they use the projected unit method of valuation to calculate the service cost. To assess the value of the Employer's liabilities at 31 March 2018, the actuaries roll forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2016, using financial assumptions that comply with IAS19.
- 2.3 The liabilities and assets for each employer are valued and funding rates are determined in line with the Fund's Funding Strategy Statement (FSS), which is set by Devon County Council, with advice from Barnett Waddingham (actuaries) and in consultation with employers (South Hams District Council).
- 2.4 The year end pensions position of the Council is reflected within the Council's Final Accounts, which are approved annually by the Audit Committee, as set out within the Council's Constitution.

3. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Triennial Pension Revaluation informs the Council's employer pension contributions on a three yearly cycle.</p> <p>The year end pensions position of the Council is reflected within the Council's Final Accounts, which are approved annually by the Audit Committee, as set out within the Council's Constitution.</p> <p>The pensions advice states that the report is for the benefit of the client (South Hams District Council) only.</p> <p>Appendix A to this report is considered exempt under paragraph 3 of schedule 12A of the Local Government Act 1972 in that it concerns the financial or business affairs of the Council. The public interest has been assessed and it is considered that, the public interest is better served by non-disclosure to the press and public.</p>
Financial	Y	<p>The Council has taken specialist pension advice on the options for the Council's Pension position (informing the actuarial valuation), with the aim of reducing the current deficit contributions, increasing affordability, whilst best managing the pension deficit.</p> <p>This report presents options to the Council's Audit Committee to consider.</p>
Risk	Y	Risk is considered within each of the options evaluated, as set out in Exempt Appendix A.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	N/a
Safeguarding	N	N/a
Community Safety, Crime and Disorder	N	N/a
Health, Safety and Wellbeing	N	N/a
Other implications	N	none

Appendices: Exempt Appendix A – Specialist Pensions advice

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Agenda Item 9

Report to: **Audit Committee**

Date: **31 January 2019**

Title: **Update on Progress on the 2018-19
Internal Audit Plan**

Portfolio Area: **Support Services – Cllr N Hopwood**

Wards Affected: **All**

Relevant Scrutiny Committee: Overview and Scrutiny Panel

Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: **Dominic Measures** Role: **Audit Manager**
Robert Hutchins **Head of Partnership**

Contact: dominic.measures@swdevon.gov.uk **01803 861375**
Robert.hutchins@swdevon.gov.uk **01392 383000**

RECOMMENDATION

It is RECOMMENDED that the progress made against the 2018/19 internal audit plan, and any key issues arising, be approved.

1. Executive summary

The purpose of this report is to inform members of the principal activities and findings of the Council's Internal Audit team for 2018/19 to 31 December 2018, by:

- Showing the progress made by Internal Audit against the 2018/19 annual internal audit plan, as approved by this Committee in March 2018; and
- Highlighting any revisions to the 2018/19 internal audit plan;

2. Background

The Audit Committee, under its Terms of Reference contained in South Hams Council's Constitution, is required to consider the Chief Internal Auditor's audit reports, to monitor and review the internal audit programme and findings, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 require that all Authorities need to carry out an annual review of the effectiveness of their internal audit system, and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2018/19 was presented to and approved by the Audit Committee in March 2018. A Progress Report for the period from 1 April to 14 September 2018 was presented to the Audit Committee last October and this latest Progress report covers the period up until 31 December 2018. Progress has been in line with expectations. There has been slight impact due to sickness absence totalling 13 days (apportioned SHDC 10 days, WDBC 3 days) in the year to date.

In addition, the Council, in association with several partner organisations receive funding from the Rural Development Programme for England (RDPE) – Local Action 2015-2020 programme, with £1.5m awarded to the South Devon Coastal Local Action Group (LAG) and £2.0m to the Greater Dartmoor Local Enterprise Action Fund (LEAF). The Council as the Accountable Body is responsible for the legal and financial management of the grants awarded to the programmes. Each project is required to submit a grant claim on a quarterly or monthly frequency to draw down funding. 20 days were allocated to this work for the year in the 2018/19 Audit Plan. As at 31 December, 19 days have been spent and it is estimated that another 7 days, on top of that allocated in the plan, may be required for the remainder of the financial year. This will be kept under review.

In response to the possible reduction in available days it is proposed that, in consultation with the Section 151 Officer, the audit plan will be reviewed and adjusted where deemed appropriate and/or the purchase of additional audit days to cover the shortfall. Any amendments will be agreed by the Senior Leadership Team. It should be noted that the Council is able claim funding against officer time spent on administering the LAG and the LEAF and this can be used to provide some backfill to cover the estimated additional 7 days required.

The 2018/19 audit plan currently includes two audits that utilise additional Devon Audit Partnership resources. These are:

- a. Business Continuity within the Supply Chain – this audit fieldwork has been completed and a draft report issued. Responses from management on the recommendations made are awaited.
- b. Cyber Security – this audit is currently in progress.

These audits are to be funded from officer time spent on and claimed against LAG and LEAF administration in this financial year.

3. Outcomes/outputs

In carrying out systems and other reviews, Internal Audit assess whether key, and other controls are operating satisfactorily within the area under review, and an opinion on the adequacy of controls is provided to management as part of the audit report.

All final audit reports include an action plan which identifies responsible officers, and target dates to any address control issues or recommendations for efficiencies identified during each review. Implementation of action plans are reviewed during subsequent audits or as part of a specific follow-up process.

Overall, and based on work performed to date during 2018/19, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.

The 2018/19 Internal Audit Plan is attached at **Appendix A**. This has been extended to show the position for each audit as at 31 December 2018.

The reporting of individual high and medium priority recommendations is set out at **Appendix B**. This is an ongoing part of the report to advise the Audit Committee, in detail, of significant findings since the last report and confirm that the agreed action has been implemented or what progress has been made.

Appendix C provides a summary of work where the planned work is complete but no audit report produced.

Non Compliance with Contract or Financial Procedure Rules - there are no significant issues to bring to the attention of the Committee so far this year. 5 applications for exemptions to Contract / Financial Procedure Rules have been received in the year to date, all were accepted.

Irregularities

Other than the theft of money occurred at the Lower Dartmouth Ferry office in June 2018 and which was included in the last Progress Report in October, there have been no further irregularities to report. The matter was reported to the Police and Internal Audit assisted management in their investigation of this incident. This included carrying out a specific review of cash handling procedures which came up with a number of recommendations that should strengthen the controls in place. The Council has been successful in recovering the vast majority of the stolen money through its insurers.

4. Options available and consideration of risk

No alternative operation has been considered as the failure to maintain an adequate and effective system of internal audit would contravene the Accounts and Audit Regulations, 2003, 2006, 2011 and 2015.

5. Proposed Way Forward

We continue to be flexible in our approach and with the timetabling of audits to ensure that resources are assigned to specific areas of the plan to enable our work to be delivered at the most effective time for the organisation.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Accounts and Audit Regulations 2015 issued by the Secretary of State require every local authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards.</p> <p>The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting robust service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.</p>
Financial	Y	<p>There are no additional or new financial implications arising from this report. The cost of the internal audit team is in line with budget expectations.</p>

Risk	Y	The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	There are no specific equality and diversity issues arising from this report.
Safeguarding	N	There are no specific safeguarding issues arising from this report.
Community Safety, Crime and Disorder	N	There are no specific community safety, crime and disorder issues arising from this report.
Health, Safety and Wellbeing	N	There are no specific health, safety and wellbeing issues arising from this report.
Other implications	N	There are no other specific implications arising from this report.

Supporting Information

Appendices:

Appendix A: The 2018/19 Internal Audit Plan;
Appendix B: Planned Audit 2018/19 – Final Reports; and
Appendix C: Planned Audit 2018/19 – Work Complete (No Audit Report).

Background Papers:

Annual Internal Audit Plan 2018/19 as approved by the Audit Committee on 22 March 2018.

Appendix A

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Issued in draft	Management comments received	Final	Opinion				Comments
						High Standard	Good Standard	Improvements Required	Fundamental Weaknesses	
2017/18 Plan										
Housing Benefit		■	■	■	■		■			Summary presented to Audit Committee in October 2018
2018/19 Plan										
MAIN FINANCIAL SYSTEMS										
Main Accounting System (inc budgetary control)	20									
Creditor (Payments)	15	■								
Debtors (Income Collection)	15									
Payroll	15									
Business Rates	15	■	■					■		
Council Tax	15	■	■					■		
Housing Benefits	15									
Treasury Management	10	■	■				■			
Main Financial Systems	120									

Appendix A

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Issued in draft	Management comments received	Final	Opinion				Comments
						High Standard	Good Standard	Improvements Required	Fundamental Weaknesses	
CUSTOMER FIRST										
Planning (Applications) – (Completion of 17/18 audit)	10	■	■	■	■			■		Summary presented to Audit Committee in October 2018
Housing - Homelessness	10	■	■	■	■		■			Summary in Appendix B below
Section 106 agreements (follow up)	5	■	■	■	■			■		Summary presented to Audit Committee in October 2018
Environmental Services – Food Safety – Progress with Food Standards Agency Action Plan	5	■	■	■	■		■			Summary in Appendix B below
Asset Management (deferred from 17/18)	5									
Customer First	35									
STRATEGY & COMMISSIONING										
Performance Management (KPI's & data quality) (deferred from 17/18)	15									

Appendix A

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Issued in draft	Management comments received	Final	Opinion				Comments
						High Standard	Good Standard	Improvements Required	Fundamental Weaknesses	
Risk Management Follow-Up (deferred from 17/18)	10									
Administration of Member Expenses (deferred from 17/18)	6	■	■	■	■		■			Summary in Appendix B below
Procurement – Waste and Front Line Services	15	■								Audit presence during the procurement & mobilisation phases of the Frontline Waste Services contract
Commercialisation strategy	10									
Contract Management Strategy and Process	10	■								
Contract Management – Leisure Contract	10	■	■	■	■		■			Summary in Appendix B below
Business Continuity within the Supply Chain	8	■	■					■		
Health & Safety Further Follow-Up	3	■	■	■	■			■		Summary presented to Audit Committee in October 2018
Strategy and Commissioning	87									

Appendix A

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Issued in draft	Management comments received	Final	Opinion				Comments
						High Standard	Good Standard	Improvements Required	Fundamental Weaknesses	
SUPPORT SERVICES										
ICT Audit – Incident Management	25	■	■	■	■		■			Summary presented to Audit Committee in October 2018
ICT Audit – Change Management Follow-up		■	■	■	■			■		Summary presented to Audit Committee in October 2018
ICT Audit Asset Control		■	■	■	■			■		Summary in Appendix B below
Corporate Information Management (GDPR compliance)	10									
Cyber Security	6	■								
Business Continuity Follow-Up (inc BCP exercises)	5									
Comments and Complaints	10	■	■							
Review of Financial Regulations	5	■	■	■	■	■				Summary presented to Audit Committee in October 2018.
Cash Collection	3									
Support Services	69									

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Planned Audit 2018/19 – Final Reports

As at 31st December 2018, 15 final reports have been issued in respect of 2018/19 work. Eight of these, together with one report finalised in the current year in respect of the 2017/18 audit plan, were reported to the Audit Committee in October. Final reports issued since 14th September 2018 are included below.

Subject	Audit Findings	Management Response
Housing - Homelessness	<p>Audit Opinion - Good Standard</p> <p>Conclusions</p> <p>Recent changes to homelessness legislation do not represent a significant change for South Hams or West Devon Councils, as the focus has always been on homelessness prevention due to limited temporary accommodation being available in which to place those whom the Councils have a statutory duty to house.</p> <p>Processes and procedures are in place to manage homelessness applications, as well as the resultant Relief of Prevention Duty, where this is determined as applicable. We confirmed that these are in line with current legislation and best practice.</p> <p>There are also procedures in place to administer the payment of rent on behalf of clients for whom a Relief Duty exists, as well as the recovery of related costs from either the client or via housing benefit as appropriate.</p> <p>However, there are several areas where action could be taken to strengthen controls and gain efficiencies, including:</p> <ol style="list-style-type: none"> 1. Completing the planned review of Homelessness-related policies, to ensure that they reflect current legislation; 2. Reviewing the Risk Assessments, both within “Jigsaw”, the dedicated software used to record and manage homelessness applications and referrals, and within separate referral documents, to ensure that officers do not need to duplicate these; 	<ol style="list-style-type: none"> 1. Agreed, existing housing option policies will be reviewed to ensure that the current legislation is adequately reflected. 2. Agreed, Officers now only complete the risk assessment within Jigsaw and share this with partner organisations, except in those cases where the partner requires that their own version of the risk assessment be completed. 3. Agreed. <ol style="list-style-type: none"> a. All relevant staff have been trained in the completion of the Homelessness Case Level Information Collection (H-CLIC) report fields; b. The Jigsaw checklists have been purged of unnecessary fields and customised; c. The software supplier to remove duplicate fields; d. The first H-CLIC upload, which has a built in check to identify errors, has been completed for each Council and both were error free. e. Statutory letter templates have been improved and the process simplified, so that they are all downloaded and uploaded in the same way. f. All Housing officers have been trained in the completion of statutory letters and as many missing ones as possible have been located and attached to the relevant cases on Jigsaw.

Subject	Audit Findings	Management Response
	<ul style="list-style-type: none"> 3. Addressing several issues regarding the consistent completion of fields within Jigsaw, which will contribute to both completeness of records and efficiency of processing; 4. Review of the recharging of WDBC clients for temporary accommodation costs where appropriate; 5. Re-introduction of the review of Deposit Guarantees, in order to monitor the potential liability to the Council; and 6. Reviewing how Rent Deposits and Rents in Advance are recorded, to allow the payment and recovery of these to be more readily monitored. 	<ul style="list-style-type: none"> 4. Agreed in principle. Systems are now in place which will allow customers to be recharged for the cost of temporary accommodation within West Devon. But, due to limited staff resource, officers are currently considering the balance between the costs of administering such recharges versus the value of contributions received. Following a review of the 2018/19 workload, it may be that recharges are made for that temporary accommodation owned by WDBC (currently one property), with a view to bringing in recharges for privately-owned temporary accommodation used by the Council in the future, as staff resource allows. 5. Agreed in principle. However, there is insufficient staff resource to contact landlords to confirm whether or not tenants are still present. The risk to the Council that the total value of DGBs issued at any one time would all be claimed in full in one year is felt to be very low, particularly when compared to the diversion of staff resource which would be required to contact all landlords individually. It is written into the DGB contracts that landlords must advise the Council when a tenant vacates the accommodation. Also they must make any claim against the bond within 21 days of the termination of the tenancy. 6. Disagreed. Given the limited staff resource, it is felt more important to successfully prevent homelessness, than to maintain records which duplicate information available from other sources. The majority of Rent in Advance/Rent Deposits are provided as grants and so recovery would not be sought. In the few cases where a loan is made, the Accountants are able to provide Housing staff of the financial position and any debt recovery is carried out by Support Services.

Subject	Audit Findings	Management Response
<p>Environmental Services Food Safety – Progress with Food Standards Agency Action Plan</p>	<p>Audit Opinion - Good Standard</p> <p>Conclusions</p> <p>The Food Safety team have made notable improvements in the delivery of the food safety service since our previous audit of 2015/16. Whilst many of the recommendations we made have been implemented, and most of the recommended actions identified by the FSA in their 2017 audit have been completed, some remain outstanding, largely due to other work pressures. The majority are of relatively low priority, with the most significant being:</p> <ol style="list-style-type: none"> 1. The continued need to monitor the timeliness of food business interventions, to ensure that these are carried out within the target dates, as far as possible; 2. Processes and procedures should continue to be reviewed, in order that the food safety service is not delivered at the expense of other areas of responsibility; 3. The Business Development Team should be reminded of the importance of seeking an acceptable mobile software solution in order to gain efficiencies; and 4. The Database Procedure needs to be formally documented, to include the management of records on Civica APP, and brought to the attention of all relevant staff. 	<ol style="list-style-type: none"> 1. Agreed. Efforts are made to ensure that interventions are completed on a timely basis, but, with limited staff resource, it is unlikely that this will be achieved for 100% of the annual programme. There is a need to be pragmatic, and although the team have been asked to clear older cases, there remains a need to prioritise high risk premises. Also, the geography of West Devon in particular, means that there will always be a need to amalgamate visits which are relatively close together, and so some visits will be completed early and others late. Without this approach a disproportionate amount of officer time would be spent travelling, further reducing the time available to be spent on completing interventions. 2. The Food Hygiene Inspection Procedure (FS004) to be updated, to incorporate the currently separate guidance on Emergency Prohibition Notices, Voluntary Closures, Approvals etc, in order that these are all available in a single document; and the Infectious Disease and Foodborne Illness Procedure (FS011) to be updated with reference to Campylobacter and those changes of responsibility under the new Memorandum of Agreement with Public Health England. In addition, Locality Officers are asked to advise the Food Safety team of any food businesses which appear to open, close or change hands, which they may observe in the course of their duties. 3. The Business Development Team has continued to work on a mobile solution and have been liaising with the Senior Specialist – Environmental Health (KP) regarding the population of forms within Civica APP from the mobile devices. Completion has been reliant on ICT and the Business Development Team completing testing and security checks. Trials of the

Subject	Audit Findings	Management Response
		<p>solution started in December with only limited functionality but this is seen as a big step forward that will increase the speed that visits are put onto the system by case management. Further progress with improving the populating of information from mobile to back office is dependent on ICT resources.</p> <p>4. Agreed. The Database Procedure will include:</p> <ol style="list-style-type: none"> a. Closure of records and how this should be done where a premises has more than one facet associated with it; b. Setting up of new records for each different owner of a premises; and c. How and when "F-codes", (used to define inspection and visit types), should be removed. <p>A copy of the Database Procedure will be made available to all relevant staff and training provided as necessary.</p>
<p>Environmental Services – Enforcement Process (Fly Tipping, Abandoned Vehicles etc)</p>	<p>Audit Opinion - Good Standard</p> <p>Conclusions</p> <p>Using the systems and processes provided, the Councils are undertaking their duties with regard to environmental enforcement. In general our review of records has confirmed that cases are supported by the required information.</p> <p>We have however highlighted that the customer experience on reporting issues online, both at the beginning and end of the process, could be improved to enable better interaction and more efficient direct automated processing and self-service. Weaknesses highlighted with the system included:</p> <ul style="list-style-type: none"> • No recording of data protection requirements for data use; • No online information to users on other reported cases resulting in duplicated reporting; 	<ul style="list-style-type: none"> • It is recognised that work needs to be completed on a robust method of informing those who report incidents on how information they provide is used and stored by the Councils, including online forms. • Officers are to discuss improving the customer experience. Reliance is placed on the systems available and development by the software supplier and ICT. This will be raised further with ICT and business development team. Additional information will also be considered for the website. • It is agreed there is a need to review processes and where possible reduce duplication. The Councils are limited by the functionality of W2 and need to complete the supporting records. It will require

Subject	Audit Findings	Management Response
	<ul style="list-style-type: none"> • No direct self-service system for customers; • Data held in numerous systems, rather than a single database, resulting in incomplete records and a duplication of work; • Reliance on manual data input and handling rather than automated processing; and • Limited automated customer replies and information on progress and closing of cases. <p>Examination of a number of other local authority websites indicated that customers elsewhere have a more interactive, self-serve type connection and that other Councils published more information for customers, for example a comprehensive table of reported issues, such as abandoned cars or lost dogs, and other associated performance information relating to environment enforcement services.</p> <p>One of the authorities' goals is to reduce the number of reported incidents and especially lessen the duplication of reported cases. Currently the software and systems used do not reduce the duplicated reporting and manual input of data.</p> <p>The Councils are committed to reducing the number of reported offences and proactively targeting 'hotspots', where work can be undertaken such as visible patrols. Staff have also suggested that additional training might be appropriate to aid in undertaking more vigorous investigations and related prosecutions.</p> <p>It may be beneficial to include more procedure and legal information for customers, such as how to identify abandoned vehicles, information relating to Council policies and legislation and especially surrounding how the authorities will undertake prosecutions and recovery of debts.</p> <p>The Councils could do more to promote the work they currently do on issues such as fly tipping and dog fouling. The information relating to fly tipping, such as the videos on South Hams website, should also be updated for West Devon. Services should promote and publish data/information on the work they do, such as inspections and patrols undertaken or other related enforcement. There are plans to use the enforcement and locality officers, who will be Accredited officers, to undertake a more formal approach to patrols and enforcement. Where possible information obtained from the various services should be actively shared and the data, such as the number of fines issued or active patrols, made available to the public and members.</p>	<p>significant work to understand the processes and although this is needed, will require additional resources so will have to be done in the new year.</p> <ul style="list-style-type: none"> • There are limited resources available to undertake performance reviews but it is agreed that this should be completed to enable accurate target and performance setting. • There are plans to review the level of investigations undertaken by the Councils as currently there are limited resources within the service and potentially across the authorities. This is a long term plan and so will be scheduled for next year. • The provision of more procedure and legal information for customers will be reviewed and actioned where appropriate. The website information is usually updated by Communications and so enforcement services will liaise with them. The improvements to reporting will be raised with ICT. There is limited information produced on the service performance and this will have to be considered whether appropriate to include as public information given the limited resources available to produce this volume of information. • Agreed, the Councils need to be better at sharing knowledge and resources and this has already been discussed with the Localities Team Leader. Further work will be undertaken in association with Localities when there is the opportunity and resources in the new year.

Subject	Audit Findings	Management Response
<p>Depots & Stores Follow-Up (S.Hams)</p>	<p>Previous Audit Opinion - Improvements Required</p> <p>Updated Audit Opinion – Improvements Required</p> <p>Conclusions</p> <p>Security</p> <p>Leading up to our last audit review there were a number of break-ins at the Council’s depots and additional work was required to improve the security. Additional security measures, such as improved gates, have been implemented, which have enhanced the security but while completing this audit another theft was reported at Ivybridge depot. Further security measures have again been implemented following the latest theft. However, large scale changes, such as improved perimeter fencing, may have to wait until a decision is made on the future role and use of the depots. Investing in CCTV is also currently deemed to be an expense that will not provide the most effective return on investment.</p> <p>Stock System</p> <p>Stock controls are reliant on the Concerto software and there have been limited developments since our last audit Management are aware that this will require significant investment in the related systems, and so we have repeated the points raised with the understanding that the Senior Specialist, Maintenance and Facilities Management (ST) has been tasked to develop the system further.</p> <p>A summary of the issues surrounding the stock system are;</p> <ul style="list-style-type: none"> • It is not able to provide adequate stock control, • It is not auditable for standard stock use such as deliveries, issues, movement, adjustments etc., • It does not provide adequate protection to officers who are responsible for stock control and is unable to assist in providing a clear separation of duties and identification of transactions, • There are insufficient reports to clearly support areas such as stock movement and closing stock analysis and other exception analysis such as higher than 	<p>Security</p> <p>As has been previously highlighted, until a decision is made regarding the resources required under the waste procurement contract it is unclear the future roles and requirements of the depots and so additional changes are limited.</p> <p>However, steps have been taken to limit the potential opportunities for theft, such as improved security and pre-emptive measures, and this will continue.</p> <p>Stock System</p> <p>The Council has met with Concerto and plans are in place to improve the software, currently this is in conjunction with work required by the grounds maintenance team. If this does not progress Concerto will be contacted again to determine if improvements to the stores system could be undertaken independently. Officers will liaise with Internal Audit as necessary.</p> <p>Action will be taken to address system issues relating to cost reports. The monthly costing analysis is now completed promptly and supplied to the Specialist accountants. Reviews are undertaken of the costs analysis.</p> <p>The current manual processing of monthly data is operating effectively and the time required to produce</p>

Subject	Audit Findings	Management Response
	<p>expected use,</p> <ul style="list-style-type: none"> • It is not possible to accurately compare stock movement with work and jobs that have started or are completed, • High levels of duplication of effort and manual manipulation of data prior to input into various financial systems, and • The monthly reports on use of stock are cumulative returns and it not possible to run bespoke reports based on specific periods. <p>It is essential that management have an understanding of the actual costs associated with the work or jobs that are undertaken. These costs should be comparable to actual stock used and to the actual expenditure through the general ledger. Management should undertake regular reconciliations of the actual use to the general ledger to confirm the accuracy of both.</p> <p>Currently the Concerto and Civica financial systems are separate and do not automatically share information and data. Orders and invoices are processed by the Civica system and deliveries manually input to the Concerto system. Additional costs, such as skips, which are not entered into stores, are not directly input into the Concerto system and so have to be accounted for at month or year-end through the Civica financial system.</p> <p>Fuel Stock</p> <p>The fuel system in operation does provide suitable reported data to enable reconciliation of the fuel costs and usage, by period and asset. However, the accuracy of fleet vehicle odometer readings and recording of miles per gallon needs to be reviewed and updated by management to confirm that the data recorded is accurate.</p> <p>Other</p> <p>Officers have addressed the high risk health and safety concerns related to the management and storage of gas cylinders and related stacking shelves by removing these from the depot yard.</p> <p>There are still areas relating to use of the forklift, storage of open paints and general</p>	<p>the information has been reduced. It would be difficult to align all the codes to enable direct uploading of data at present.</p> <p>We are aware that there is the potential to enable direct uploading of data to the ledger but that this would require additional resources from the related IT services. We are not sure that this would be efficient use of resources at present.</p> <p>Fuel Stock</p> <p>Efforts to ensure the Merridale system is promptly updated to show the correct odometer reading values for all vehicles are underway and planned to be completed by the end of 2018. The resulting miles per gallon figures will be regularly examined to identify unusual entries or exceptions.</p> <p>Other</p> <p>The storage of hazardous materials has been rearranged and the volumes held reduced. The required notices will be displayed.</p> <p>Improvements have been made to the loading area and</p>

Subject	Audit Findings	Management Response
	storage that we believe will be addressed in the future.	use of the forklift and this will continue to be reviewed. However, the amount of structural work that can be completed is limited and the use of the area may change with development of the waste contract.
Administration of Member Expenses	<p>Audit Opinion - Good Standard</p> <p>Conclusions</p> <p>We were able to confirm that controls over the payment of Members allowances and travel and subsistence claims are generally in place and operating as expected, subject to a degree of reliance being placed on the record keeping of Councillors with respect to those journeys for which costs are claimed, but where there may be no evidence of the meeting taking place or being attended. However, this is the same principle as applied to officers travel claims.</p> <p>No significant issues were noted, but we made a small number of recommendations of relatively low priority or else offered an opportunity to create efficiencies. These included:</p> <ol style="list-style-type: none"> 1. Aligning records and key documentation across SHDC and WDBC; 2. Ensuring that annual statistics regarding Member attendance at formal meetings and allowance and travel and subsistence payments, are published on a timely basis; and 3. Considering aligning the annual increase in the Basic Allowance with the changes to Special Responsibility Allowances, to be effective from Annual Council each year. 	<ol style="list-style-type: none"> 1. Agreed. Members' Allowance Schemes falls in the second part of the Constitution which is currently being reviewed. The two Schemes will be aligned as far as possible in terms of content, look and feel. 2. Agreed. The annual attendance statistics have been collated and just need to be checked prior to publication. Similarly figures on allowance, travel and subsistence payments made to each Member have been collated and require a final check before publication. 3. Agreed. The alignment of the annual amendment to the Basic Allowance and Special Responsibility Allowances will be introduced in 2019/20, from the May 2019 Annual Council meeting.

Subject	Audit Findings	Management Response
<p>Contract Management – Leisure Contract</p>	<p>Audit Opinion - Good Standard</p> <p>Conclusions</p> <p>Using the systems and processes provided, the Councils are undertaking their duties with regard to managing the leisure facilities through the Design, Build, Operate and Maintain (DBOM) Contract. However, our review of records has confirmed that there are gaps in the evidence to support this management and that there are potential issues to consider in future contractual payments.</p> <p>Weaknesses highlighted during the audit review are summarised below;</p> <p>Collateral Warranties</p> <p>As part of the building works undertaken at the facilities, the Council should ensure that the following conditions are met;</p> <ul style="list-style-type: none"> • That signed Collateral Warranties are received from the Building Contractor; • That the financial considerations are paid to execute the Building Contract Warranty; • That the correct insurances are in place from the Building Contractor to cover the period of works and for 12 years after service availability; and • The Council holds copies of the building contract should this be needed in the future to act upon any Warranties. <p>Insurance</p> <p>The Contractor is responsible for insuring and operating the facilities and with additional cover from the Councils. We had noticed weaknesses in managing this and these included;</p> <ul style="list-style-type: none"> • Obtaining confirmation from the Contractor that valid insurances were in place; • That the insurances obtained agreed to the Contract requirements; • That a process be in place to manage the review of Base Insurance costs by the contractor and any changes to them. Under Clause 62, such reviews are due every two years and may result in a Joint Insurance Cost Report that the 	<p>Collateral Warranties</p> <ol style="list-style-type: none"> 1. Officers will ensure that copies of the Collateral Warranties were signed and held by the Contractor. 2. The Specialist Assets will check with Legal whether payments are required to approve the Warranties. Although most of the building works have now been completed. 3. The principal contractor is Fusion and therefore the Councils need to confirm annually that their insurance is sufficient and this will be added to the yearly checklist. 4. Officers have copies of the building contracts and these will be checked and included in the leisure file. <p>Insurance</p> <p>Agreed, the Councils have confirmed that Fusion have provided the insurance certificates for the current year. Officers will also ensure that this is obtained from the Contractor annually and form part of the annual review checklist.</p> <p>The insurance levels as required under Schedule 14 of the contract will be confirmed with Legal.</p> <p>An assessment is being undertaken of the requirements</p>

Subject	Audit Findings	Management Response
	<p>Councils must agree within 15 working days; and</p> <ul style="list-style-type: none"> The lack of a Joint Insurance Account being set up as stipulated in the contract. <p>Performance Bond</p> <p>The current Performance Bond available expired on 30/04/18. The Council has not received evidence of its renewal or of a new Bond being put in place. In addition, there is the ongoing risk that reliance is placed on the Contractor being able to obtain a Bond.</p> <p>The Councils will need a business continuity plan should the contract need to be terminated or there is a failing in the Contractors performance.</p> <p>Income and Payments</p> <p>The Contractor is due to pay a Capital Finance Fee, to repay the Capital Loan of £7.8m, (£6.3m South Hams), an on-going Management Fee and potentially a share of any operating surplus, based on the agreed Contract Schedules and Payment and Performance Monitoring System. These will require varying amounts of understanding of the Contract, technical knowledge and input from relevant Council officers to ensure that the payment mechanism has been correctly applied by the contractor.</p>	<p>of the Contract and insurers on what should be insured in terms of fixture and fittings and plant. This will be confirmed with all parties by the end of the financial year.</p> <p>Clause 62 will be reviewed with assistance from the Specialist Accountant and actioned should the Councils receive a Joint Insurance Cost Report.</p> <p>The Councils will confirm with the Contractor the requirements of maintaining the joint account and this will be reviewed annually.</p> <p>Performance Bond</p> <p>Officers are currently following up the renewal of the current Performance Bond with the Contractor and this issue will also be included in the annual review checklist.</p> <p>Agreed, there will be a workshop to assess the business continuity risks in the event of contractor failure or under performance.</p> <p>Income and Payments</p> <p>Officers have the knowledge and capacity to calculate the contractor payments. The various expected payments will be added to the checklist and confirm this to the Contract Schedules.</p>

Subject	Audit Findings	Management Response
<p>ICT Audit Asset Control (Follow-Up)</p>	<p>Audit Opinion – Improvements Required</p> <p>Updated Audit Opinion – Improvements Required</p> <p>Conclusions</p> <p>Following the completion of our follow up work our audit opinion remains as Improvements Required. There has been some work to improve the recording and management of IT assets since last year, but a number of recommendations in our 2017/18 audit have not been implemented, or in some cases, were actioned, but revised procedures have not been wholly effective and require further consideration.</p> <p>It is acknowledged that for part of the intervening period, there were resource issues within the Service Desk team, due to long term sickness.</p> <p>Some of our more significant findings include:</p> <ol style="list-style-type: none"> 1. A failure of both the HR Leavers process and the more recently introduced ICT Leavers process, to routinely inform the Service Desk when an officer is leaving the Councils; 2. Inaccuracies in the IT hardware asset register; 3. The IT hardware asset register does not record data to contribute to the management of insurance cover for IT assets. 	<ol style="list-style-type: none"> 1. HR will send an e-mail to all line managers reminding them and team leaders that whenever a Council employee, for whom they are responsible, leaves, they must complete a HR Leavers Form (Parts 1 & 2) as well as an ICT Leavers Form for any individual who has been issued with IT equipment or who has access to the Councils' IT systems. 2. The Service Desk team have been reminded of the correct procedures for updating the asset register with updates to be made at the time an asset is issued or received. A document has been drawn up, recording how items should be added/edited/decommissioned on the asset register, and this has been saved to the Service Desk procedures area. This has been brought to the attention of the Service Desk team and raised at a recent team meeting. As far as an ongoing review of the asset register, it would be too time consuming to carry out a single exercise to review the entire asset register and so this is to be done over a period of time as staff have cause to seek assistance from the Service Desk and as items are brought in or issued. 3. Disagreed. The recording of purchase value against each item in the IT asset register is felt to be of limited benefit. Many individual items, such as laptops, are of lesser value than the insurance excess and so would not be claimed for in any case. Should there be a more significant loss, for example due to fire, then purchase records would be used to identify the value of any equipment to be claimed on the insurance.

Definitions of Audit Assurance Opinion Levels

High Standard

The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.

Good Standard

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

Improvements Required

In our opinion there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.

Fundamental Weaknesses Identified

The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and / or resources of the Council may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.

Planned Audit 2018/19 – Work Complete (No Audit Report)

Subject	Comments
<p>Waste Collection and Front Line Services Procurement</p>	<p>Internal Audit have provided support and challenge to the project team established to oversee the selection of a suitable contractor to undertake waste collection, street cleansing and the cleaning of public conveniences.</p> <p>Audit have attended regular Project Team meetings, was present at the receipt and opening of Detailed Solutions & Final Tenders from bidders as well as the subsequent moderation of evaluators scores. In addition, Audit has taken part in “dialogue sessions” with bidders which form part of the “Competitive Dialogue” procurement process. Audit will continue its role during the mobilisation phase until the start of the contract in April 2019.</p>
<p>System of Internal Control (SIC), and Annual Governance Statement (AGS)</p>	<p>Included within the Internal Audit Annual Report presented to the June Audit Committee was the internal audit opinion providing assurance that the Council's systems contain a satisfactory level of internal control.</p> <p>In addition, there is a requirement for the Council to prepare an AGS statement. Internal Audit provided support and challenge, as appropriate, to the Senior Leadership Team as they drafted the statement in respect of the 2017/18 financial year. The S151 Officer presented the 2017/18 AGS to the Audit Committee on 21 June 2018.</p>
<p>Exemptions to Financial Procedure Rules</p>	<p>5 applications for Contract / Financial Procedure Rules have been received in the year to date, all were accepted.</p>

Report to: **Audit Committee**
Date: **31 January 2019**
Title: **Treasury Management Mid-Year Review**
Portfolio Area: **Support Services – Cllr S Wright**
Wards Affected: **ALL**
Relevant Scrutiny Committee: Overview and Scrutiny Panel

Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: Alex Walker Role: **Finance Business Partner**

Contact: **Email alexandra.walker@swdevon.gov.uk 01803 861345**

Recommendations:
That the contents of the report are endorsed.

1. Executive summary

To date, the Council has achieved the industry benchmark. The Council has achieved a rate of return of 0.59%, against the 7 day LIBID bid rate (LIBID) of 0.59%. The Council's budget for investment interest of £123,000 for 2018/19 is expected to be above target by £70,000. This is due to a number of factors; the recent investment with the CCLA (£30,000), higher than anticipated interest rates, and improved use of fixed term deals with the banks currently on the Council's counterparty list.

2. Background

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses.

In July 2016, the Council approved to undertake prudential borrowing of up to £6.337 million for the new leisure contract (Minute 33/16), with borrowing of £5.49 million already been undertaken in May 2018.

In September 2018, the Council approved the Commercial Property Strategy, which enables the Council to borrow up to £60 million (capped at no more than £30 million before 30 April 2019).

At Council in March 2018, it was approved (Minute 74/17) that a sum of £500,000 be used to invest into the CCLA Local Authority Property Fund and £1 million into the CCLA Diversified Income Fund, with the investments being placed in May 2018.

Treasury management is defined as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The Council's Finance Procedure Rules require that a report be taken to the Audit Committee/Executive three times a year on Treasury Management. The specific reporting requirements are:

An annual treasury strategy in advance of the year (Executive 15/03/18 - E72-17)

A mid-year treasury update report (this report)

An annual review following the end of the year describing the activity compared to the strategy

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that Members be updated on treasury management activities regularly (i.e. Treasury Management Strategy Statement (TMSS), annual and midyear reports). This report therefore ensures this Council is implementing best practice in accordance with the Code.

Economic Background

The first half of 2018/19 has seen UK **economic growth** post a modest performance, but sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase **Bank Rate** on 2nd August from 0.5% to 0.75%. Although growth looks as if it will only be modest at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report forecast that growth will pick up to 1.8% in 2019, albeit there were

several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.

Some MPC members have expressed concerns about a build-up of **inflationary pressures**, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation rose unexpectedly from 2.4% in June to 2.7% in August due to increases in volatile components, but is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019. However, the MPC will need to tread cautiously before increasing Bank Rate again, especially given all the uncertainties around Brexit.

Interest Rate Forecast

The Council's treasury advisor, Link Asset Services, has provided the following forecast:

Link Asset Services Interest Rate View											
	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
3 Month LIBID	0.75%	0.80%	0.80%	0.90%	1.10%	1.10%	1.20%	1.40%	1.50%	1.60%	1.60%
6 Month LIBID	0.85%	0.90%	0.90%	1.00%	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%
12 Month LIBID	1.00%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.60%	1.70%	1.80%	1.80%
5yr PWLB Rate	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
10yr PWLB Rate	2.40%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%

The flow of generally positive economic statistics after the end of the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, to 0.75%. However, the MPC emphasised again, that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary or contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time but they declined to give a medium term forecast. We do not think that the MPC will increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. We also feel that the MPC is more likely to wait until August 2019, than May 2019, before the next increase, to be followed by further increases of 0.25% in May and November 2020 to reach 1.5%. However, the cautious pace of even these limited increases is dependent on a reasonably orderly Brexit.

Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2018/19, which includes the Annual Investment Strategy, was approved by the Council on 29/03/18 – minute 74/17 (and Executive 15/03/18 - E72-17). It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield.

The Council will also aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with highly credit rated financial institutions, using our suggested creditworthiness approach, including a minimum sovereign credit rating, and Credit Default Swap (CDS) overlay information.

Debt and Investment Position

A summary of the Council's debt and investment position as at 30 September 2018 (including forecast as at 31 March 2019) compared with 31 March 2018 is shown in the table below.

Debt & Investments	31 March 2018		30 September 2018		31 March 2019	
	Actual		Actual		Forecast	
	£'000	Rate %	£'000	Rate %	£'000	Rate %
Long Term Debt:						
PWLB	-	-	5,490	2.41*	5,490	2.41*
Total Debt	-		5,490		5,490	
Investments:						
Short term - fixed	22,600	0.32	18,800	0.59	18,000	0.59
Money Market Funds	20,140	0.26	22,590	0.52*	16,000	0.52*
CCLA Funds	-	-	1,500	3.68*	1,500	3.68*
Heritable Bank	22	-	22	-	22	-
Total Investments	42,762		42,912		35,522	
Net Borrowing Position	(42,762)		(37,422)		(30,032)	

*Average interest rate

The Council's Investments mid-way through the year are always higher than at the end of the year (at 31st March) due to the cashflow advantage that the Council benefits from part way through the year.

This is, in part, due to the timing differences between the Council collecting council tax income and paying this over to major precepting authorities such as Devon County Council, the Police and the Fire Authority.

Treasury Position as at 30 September 2018

Money Market Funds

Amount	Investment	Interest rate*
£6,000,000	Ignis Sterling Liquidity	0.52%
£6,000,000	BlackRock ICS-Inst GBP	0.54%
£6,000,000	LGIM Sterling Liquidity Fund	0.55%
£4,590,000	Deutsche Asset Management	0.46%

*Interest rate is variable

The Council currently has four Money Market Funds. The money market funds allow immediate access to the Council's funds and spreads risk as it is pooled with investments by other organisations and invested across a wide range of financial institutions.

Fixed Term Deposits

Counterparty	Fixed to	£	Interest Rate
Nationwide BS	08/10/2018	5,000,000	0.73%
Nationwide BS	09/12/2018	1,000,000	0.60%
Lloyds Bank	04/07/2019	5,000,000	1.00%
Lloyds Bank	02/08/2019	1,000,000	1.00%
Barclays Bank	05/11/2018	2,500,000	0.69%
Barclays Bank	19/03/2019	3,500,000	0.80%
Debt Management Office (See Note * below)	19/10/2018	800,000	0.51%

* Note

This investment was taken out on 17th September (when the direct debit income from council tax and business rates was received) and was for a short term period of one month. The current counter-party limits were already reached for Barclays, Nationwide and Lloyds. The investment was structured to mature on the day that the precepts were due to be paid to the major precepting authorities.

The Council's current counterparty limit is £6 million (£7 million for Lloyds plc).

Fixed Term Deposits – Forward Deals

Amount	Investment	Interest rate	Date Invested	No of Days
£2,500,000	Barclays Bank	0.85%	05/11/2018	182
£5,000,000	Nationwide BS	0.72%	09/10/2018	182
£1,000,000	Nationwide BS	0.77%	19/12/2018	182
£3,800,000	Debt Management Office	0.50%	02/01/2018	19

CCLA Funds

Amount	Investment	Dividend Yield
£500,000	CCLA – Property Fund	4.27%
£1,000,000	CCLA - Diversified Income Fund (Class 2)	3.09%

Performance Assessment and Proposed Way Forward

The Council's budget for investment interest of £123,000 for 2018/19 is expected to be above target by £70,000. This is due to a number of factors; the recent investment with the CCLA (£30,000), higher than anticipated interest rates, and improved use of fixed term deals with the banks currently on the Council's counterparty list.

Industry performance is judged and monitored by reference to a standard benchmark; this is the 7 day London Interbank Bid Rate (LIBID). The Council achieved the average weighted LIBID rate at the end of September of 0.59%.

The Treasury Management Strategy is risk averse with no investments allowed for a period of more than a year and very high credit rating are required, together with a limit of £6m per counterparty. This has resulted in only a small number of institutions in which we can invest (see Appendix A).

Compliance with Treasury Limits and Prudential Indicators

During the financial year the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Policy Statement and annual Treasury Strategy Statement. The Council's Prudential Indicators for 2018/19 are detailed and shown in Appendix B.

3. Outcomes/outputs

Over the last 2 years the Council's investment interest has achieved or exceeded the industry benchmark due to better use of fixed term investments and Money Market Funds.

4. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	Statutory powers are provided by the Local Government Act 1972 Section 151 and the Local Government Act 2003
Financial	Y	To date, the Council has achieved a rate of return of 0.59%, against the 7 day LIBID bid rate (LIBID) of 0.59%. The Council's budget for investment income of £123,000 for 2018/19 is expected to be above target by £70,000.
Risk	Y	<p>The security risk is the risk of failure of a counterparty. The liquidity risk is that there are liquidity constraints that affect the interest rate performance. The yield risk is regarding the volatility of interest rates/inflation.</p> <p>The Council has adopted the CIPFA Code Of Practice for Treasury Management and produces an Annual Treasury Management Strategy and Investment Strategy in accordance with CIPFA guidelines.</p> <p>The Council engages a Treasury Management advisor and a prudent view is always taken regarding future interest rate movements. Investment interest income is reported quarterly to SLT and the Executive.</p>
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	N/A

Safeguarding	N	N/A
Community Safety, Crime and Disorder	N	N/A
Health, Safety and Wellbeing	N	N/A
Other implications	N	None

Supporting Information

Appendices:

Appendix A – Lending list as at 30 September 2018

Appendix B – Prudential and Treasury Indicators 2018/19

Background Papers:

Annual treasury strategy in advance of the year (Executive 15/03/18 - E72-17)

APPENDIX A

Counterparty as at 28th September 2018		Fitch Rating				Moody's Ratings				S&P Ratings		Suggested Duration	
		Long Term	Short Term	Viability	Support	Long Term	Short Term	Long Term	Short Term				
United Kingdom												Y - 60 mths	
	Collateralised LA Deposit*											Y - 60 mths	
	Debt Management Office											Y - 60 mths	
	Multilateral Development Banks											Y - 60 mths	
	Supranationals											Y - 60 mths	
	UK Gilts											Y - 60 mths	
Banks	Abbey National Treasury Services PLC	SB	A	F1		1	SB	Aa3	P-1			R - 6 mths	
	Bank of Scotland PLC (RFB)	SB	A+	F1	a	5	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths
	Barclays Bank PLC (NRFB)	PW	A	F1	a	5	SB	A2	P-1	SB	A	A-1	R - 6 mths
	Barclays Bank UK PLC (RFB)	PW	A	F1	a	1	SB	A1	P-1	SB	A	A-1	R - 6 mths
	Close Brothers Ltd	SB	A	F1	a	5	SB	Aa3	P-1				R - 6 mths
	Goldman Sachs International Bank	SB	A	F1		1	NO	A1	P-1	SB	A+	A-1	R - 6 mths
	HSBC Bank PLC (NRFB)	SB	AA-	F1+	a+	1	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths
	HSBC UK Bank PLC (RFB)	SB	AA-	F1+	a	1				SB	AA-	A-1+	O - 12 mths
	Lloyds Bank Corporate Markets Plc (NRFB)	SB	A	F1		1	SB	A1	P-1	SB	A	A-1	R - 6 mths
	Lloyds Bank Plc (RFB)	SB	A+	F1	a	5	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths
	Santander UK PLC	PW	A	F1	a	2	SB	Aa3	P-1	SB	A	A-1	R - 6 mths
	Standard Chartered Bank	SB	A+	F1	a	5	SB	A1	P-1	SB	A	A-1	R - 6 mths
	Sumitomo Mitsui Banking Corporation Europe Ltd	SB	A	F1		1	SB	A1	P-1	PO	A	A-1	R - 6 mths
UBS Ltd.	SB	AA-	F1+		1	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	
Building Societies	Coventry Building Society	SB	A	F1	a	5	SB	A2	P-1				R - 6 mths
	Leeds Building Society	SB	A-	F1	a-	5	SB	A3	P-2				G - 100 days
	Nationwide Building Society	SB	A	F1	a	5	SB	Aa3	P-1	PO	A	A-1	R - 6 mths
	Skipton Building Society	SB	A-	F1	a-	5	PO	Baa1	P-2				G - 100 days
	Yorkshire Building Society	SB	A-	F1	a-	5	SB	A3	P-2				G - 100 days
Nationalised and Part Nationalised Banks	National Westminster Bank PLC	PO	A-	F2	bbb+	5	PO	A1	P-1	PO	A-	A-2	B - 12 mths
	Royal Bank of Scotland Group Plc	PO	BBB+	F2	bbb+	5	PO	Baa2	P-2	PO	BBB-	A-3	B - 12 mths
	The Royal Bank of Scotland Plc	PO	A-	F2	bbb+	5	PO	A1	P-1	PO	A-	A-2	B - 12 mths

Key	
Watches and Outlooks	Duration
SB Stable Outlook	Yellow - Y 60 Months
NO Negative Outlook	Blue - B 12 Months
NW Negative Watch	Orange - O 12 Months
PO Positive Outlook	Red - R 6 Months
PW Positive Watch	Green - G 100 Days
EO Evolving Outlook	
EW Evolving Watch	

APPENDIX B

PRUDENTIAL INDICATORS

THE CAPITAL PRUDENTIAL INDICATORS

The Council's capital expenditure plans are the key driver of treasury management activity. The outputs of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members to overview and confirm capital expenditure plans.

Capital Expenditure.

This prudential Indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

Capital Expenditure	2017/18	2018/19	2018/19
	Actual £000	Original Estimate £000	Revised Estimate £000
Total	4,179	7,492	8,932

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital Expenditure	2017/18	2018/19	2018/19
	Actual £000	Original Estimate £000	Revised Estimate £000
Total	4,179	7,492	8,932
Financed by:			
Capital receipts	1,212	1,111	852
Capital grants	1,079	700	700
Reserves	1,144	326	1,556
New Homes Bonus		418	30
S106			272
Net financing need for the year	744	4,937	5,522

Nb. Please note that the original estimate for 2018-19 represents the approved capital programme for that year. However, the revised estimate includes not only expenditure on projects within that capital programme, but also expenditure on schemes carried forward from previous capital programmes.

The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). It is essentially a measure of the Council's underlying need to borrow if the figure is greater than zero.

In July 2016 (Minute 33/16) the Council agreed to undertake prudential borrowing of up to £6.337 million for the new leisure contract, with borrowing of £5.49 million already undertaken in May 2018.

	2018/19	2018/19
	Original Estimate £000	Revised Estimate £000
Total CFR	5,797	6,168
Movement in CFR	4,857	5,522
Explained by:		
Minimum Revenue Provision	(40)	0
Change in underlying need to borrow	4,897	5,522

For capital expenditure incurred since 1.4.2008, MRP is charged using the Asset Life method – based on the estimated life of the asset (For the Leisure investment, MRP will be charged over the 25 years – therefore 4% per annum). MRP will be charged in the year following the asset becoming operational. For the Leisure investment this will be 2019/20 and therefore no MRP has been included in the revised estimate.

Minimum Revenue Provision (MRP)

The MRP Policy Statement aims to ensure that the provision for the repayment of borrowing which financed the acquisition of an asset should be made over a period bearing some relation to that over which the asset continues to provide a service.

The MRP policy adopted is as below:-

Borrowing	MRP Methodology
Leisure Investment	<p>Asset Life Method MRP is charged using the Asset Life method – based on the estimated life of the asset. (For the Leisure investment, MRP will be charged over the 25 years – therefore 4% per annum).</p> <p>This option provides for a reduction in the borrowing need over approximately the asset's life.</p>

Debt Rescheduling

The Council has not undertaken any debt rescheduling during the first six months of 2018/19 and there are no current opportunities for debt rescheduling.

AFFORDABILITY PRUDENTIAL INDICATORS

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the receipt of net investment income against the net revenue stream. It is calculated by dividing investment income and interest received by the Council's Net Budget Requirement.

The financing costs were increased in the 2018/19 original estimate to reflect the cost of borrowing for the Leisure investment.

	2017/18	2018/19	2018/19
	Actual	Original Estimate	Revised Estimate
Ratio of net investment income to net revenue stream. (Surplus)	(1.7)%	1.0%	(1.4)%

TREASURY INDICATORS: LIMITS TO BORROWING ACTIVITY

(as per the 2018-19 Treasury Management Strategy approved by Council in March 2018)

The Operational Boundary – This is the limit beyond which external debt is not normally expected to exceed. This is the maximum level of external debt for cash flow purposes.

Operational Boundary	2017/18	2018/19	2019/20	2020/21
	£	£	£	£
Borrowing	5,000,000	9,000,000	10,000,000	10,000,000
Other long term liabilities	-	-	-	-
Total	5,000,000	9,000,000	10,000,000	10,000,000

The Authorised Limit for External Debt – A further key prudential indicator represents a control on the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This provides headroom over and above the operational boundary for unusual cash movements. This is the maximum amount of money that the Council could afford to borrow.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been exercised.

Authorised limit	2017/18	2018/19	2019/20	2020/21
	£	£	£	£
Borrowing	10,000,000	14,000,000	15,000,000	15,000,000
Other long term liabilities	-	-	-	-
Total	10,000,000	14,000,000	15,000,000	15,000,000

South Hams District Council's current level of external borrowing is £5.49 million.

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Report to: **Audit Committee**
Date: **31 January 2019**
Title: **Review of the Council's Constitution: Rules of Procedure and Scheme of Members' Allowances**
Portfolio Area: **Support Services**
Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **N/A**

Date next steps can be taken: **The Committee recommendations will be presented to the Council meeting on 21 February 2019**

Author: **Kathy Trant** Role: **Specialist – Democratic Services**

Contact: kathryn.trant@swdevon.gov.uk

RECOMMENDATION

That the Audit Committee RECOMMEND to Council that the amendments to Part 4 (Rules of Procedure) and Part 6 (Scheme of Members' Allowances) of the South Hams District Council Constitution (as summarised in paragraph 2.5 of the report and fully outlined at Appendix A) be approved and formally adopted.

1. Executive summary

1.1 The Council is required to formally adopt its Constitution.

1.2 The Audit Committee is responsible for '*maintaining an overview of the Council's Constitution*' and for making any necessary recommendations to the Council.

1.3 This report seeks to ensure that Parts 4: 'Rules of Procedure' and 6: 'Scheme of Members Allowances' of the Constitution are amended to reflect the changes that have either occurred in the Council over the previous year, or to implement any necessary changes to ensure that it is up to date, lawful and reflects the Council's current practices and priorities.

2. Background

2.1 In order that the Audit Committee can make informed recommendations to the Council on the adoption of the Constitution, the Committee is required to undertake regular reviews;

2.2 Changes to the Constitution are made throughout the year by the Council and through its consideration of recommendations arising from Committee minutes and are effective from the date of approval (unless otherwise agreed by Council). Examples over the past year include:

- Updates to the Scheme of Delegation, including the approved decision making functions for 'Development on Council Owned Land' and 'Commercial Property Acquisitions in the South Hams';
- Revisions to the Development Management Committee Public Participation Scheme;
- Adoption of the Discretionary Powers contained within the Animal Welfare Act 2006 and the Animal Welfare (Licensing of Activities Involving Animals) (England) Regulations 2018 (NB. including a new Sub-Committee structure to consider objections to conditions on an Animal Licence);
- The establishment of an Affordable Housing Delivery Working Group; and
- Approval of a revised Planning Scheme of Delegation.

2.3 In addition, the Monitoring Officer has delegated authority to make minor (or legal) amendments to the Constitution during the course of the year. The changes that have been made under these powers this year mainly relate to minor amendments to officer job titles and format and style;

2.4 Members will recall that the first part of the Review (Parts 1, 2, 3 and 5) was approved by the Council at its annual meeting on 17 May 2018 (Minute 17/18 refers) and this report presents the second part of the Review that focuses on Part 4 (Rules of Procedure) and Part 6 (Scheme of Members' Allowances). The intention is for the Committee to review these Parts before then making its recommendations to the Council.

2.5 Whilst the proposed changes are not extensive (and are fully outlined at Appendix A), the key amendments to the Rules of Procedure are summarised as follows:-

- That, for meetings of the Executive, the latest version of the Executive Forward Plan be included as a standing agenda item;
- A proposal to increase the quorum of the Licensing Committee from six to seven Members;
- The addition of specific Procedure Rules to underpin the Scrutiny Code of Conduct Hearing Panel; and

- Changes to the Access to Information Procedure Rules to reflect the fact that the Council membership now operates a 'paperless agenda' way of working.

2.6 Since there are no proposed revisions to the Council Procedure Rules at this time, these have not been appended to this report;

2.7 In respect of Part 6: 'Scheme of Members Allowances', the Committee will be aware that any significant changes to the Scheme are required to be considered in the first instance by the Independent Remuneration Panel. Following the recent Internal Audit review into the Scheme, the wording related to the time period for claims and payments was found to be somewhat ambiguous. As a result a minor amendment to clarify this point has been made and is illustrated at Appendix B.

2.8 During this review, officers have once again consulted with the Chairman of the Overview and Scrutiny Panel and are again very grateful for his invaluable input and feedback in producing this revised draft.

3. Outcomes/outputs

3.1 The Council is required to have an up to date Constitution which reflects the law, its working practices together with best practice to ensure that it delivers efficient services and lawful decisions. The Constitution is a living document and changes are made throughout the year when necessary.

4. Options available and consideration of risk

4.1 The options are limited as the Council has a statutory duty to adopt its Constitution annually and to review that document to ensure that it is fit for purpose and reflects both statutory requirements and the Council's working practices;

4.2 If the Council does not review the Constitution there is a risk that the Council may make unlawful decisions with a consequent risk of challenge;

4.3 Senior Officers have been consulted on the Constitution and any necessary amendments incorporated.

5. Proposed Way Forward

5.1 The Audit Committee is asked to review these parts of the Constitution and make any necessary recommendations to Council in order that the Constitution can be adopted in time for the May 2019 local elections.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Local Government Act 2000 requires the Council

		to have (and to maintain) a Constitution. The Monitoring Officer must review the Constitution annually and make recommendations to the Audit Committee, who in turn must recommend its adoption to full Council. Only the Council can approve and adopt the Council's Constitution.
Financial	N	There are no financial implications to this report
Risk	Y	There is a risk arising from a failure to review the Constitution and approve the necessary changes because it may lead to unlawful decisions being taken by the Council. By undertaking an annual review of the Constitution the Council mitigates this risk by ensuring that the Constitution is up to date and reflects current practice and law.
Comprehensive Impact Assessment Implications		
Equality and Diversity		None arising from this report
Safeguarding		n/a
Community Safety, Crime and Disorder		n/a
Health, Safety and Wellbeing		n/a
Other implications		n/a

Supporting Information

Appendices:

- A: Revised Draft Procedure Rules; and
- B: Revised Scheme of Members' Allowances.

Background Documents:

Constitution Reviews 2017 and 2018 (Part 1).



Part 4

Access to Information Procedure Rules

Access to Information Procedure Rules

1. SCOPE

These rules apply to all meetings of the Council and its various bodies (together called meetings).

~~2. ADDITIONAL RIGHTS TO INFORMATION~~

~~These rules do not affect any more specific rights to information contained elsewhere in this Constitution or the law.~~

3. RIGHTS TO ATTEND MEETINGS

Members of the public may attend formal meetings ~~which are open to the public~~ **all meetings** of the Council and its Committees (subject only to the exceptions in these rules).

4. NOTICES OF MEETING

The Council will give at least five clear working days notice of any meeting by posting details of the meeting ~~at its offices at Follaton House, Plymouth Road, Totnes, Devon and~~ on its website.

5. ACCESS TO AGENDA AND REPORTS BEFORE THE MEETING

The Council will make copies of the agenda and reports of meetings open to the public available for inspection at the designated office at least five clear working days before the meeting. If an item is added to the agenda later, ~~the revised agenda or where reports are prepared after the summons has been sent out,~~ the designated officer shall make each such report available to the public as soon as the report is completed by uploading onto the Council website. ~~The report will also be sent to councillors and will be open to inspection for the time the item was added to the agenda.~~

6. SUPPLY OF COPIES

The Council will supply copies of:

(a) any agenda and reports which are open to public inspection;

~~(b) any further statements or particulars necessary to indicate the nature of the items in the agenda; and~~

(c) if the Head of Paid Service or the Monitoring Officer thinks fit, copies of any other documents supplied to councillors in connection with an item to any person on payment of a charge for postage and any other costs.

7. ACCESS TO MINUTES etc AFTER THE MEETING

The Council will make available copies of the following for **six years** after a meeting:

- (a) the minutes of the meeting, [or records of decisions taken], together with reasons, for all meetings of the Executive, excluding any part of the minutes of proceedings when the meeting was not open to the public or which in the opinion of the Monitoring Officer is likely to disclose exempt or confidential information;
- (b) summary of any proceedings not open to the public where the minutes open to inspection would not provide a reasonably fair and coherent record;
- (c) the agenda for the meeting; and
- (d) reports relating to items when the meeting was open to the public.

8. BACKGROUND PAPERS

8.1 List of background papers

The relevant report author will set out in every report a list of those documents (called background papers) relating to the subject matter of the report which in his/her opinion:

- (a) disclose any facts or matters on which the report or an important part of the report is based; and
- (b) which have been relied on to a material extent in preparing the report but does not include published works or those which disclose exempt or confidential information.

8.2 Public inspection of background papers

The Council will make available for public inspection for **six** ~~four~~ years after the date of the meeting, one copy of each of the documents on the list of background papers.

Comment [KT1]: I know I am creating work but should we not have a copy of all background documents, or at least an index of background documents/links?

~~9. SUMMARY OF PUBLIC'S RIGHTS~~

~~A written summary of the public's rights to attend meetings and to inspect and copy documents must be kept at and available to the public at Follaton House, Plymouth Road, Totnes, Devon.~~

10. EXCLUSION OF ACCESS BY THE PUBLIC TO MEETINGS

10.1 Confidential information – requirement to exclude public

The public must be excluded from meetings whenever it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed.

10.2 Exempt information – discretion to exclude public

The public may be excluded from meetings whenever it is likely in view of the nature of the business to be transacted or the nature of the proceedings that exempt information would be disclosed.

~~Where the meeting will determine any person's civil rights or obligations, or adversely affect their possessions, Article 6 of the Human Rights Act 1998 establishes a presumption that the meeting will be held in public unless a private hearing is necessary for one of the reasons specified in Article 6.~~

10.3 Meaning of confidential information

Confidential information means information given to the Council by a Government Department on terms which forbid its public disclosure or information which cannot be publicly disclosed by Court Order.

10.4 Meaning of exempt information

Exempt information means information falling within the following categories (as defined by Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006) and the Standards Committee (England) Regulations 2008):

1. Information relating to any individual;
2. Information which is likely to reveal the identity of an individual;
3. Information relating to the financial or business affairs of any particular person (including the authority holding that information);
4. Information relating to any consultations or negotiations, or contemplated consultations or negotiations in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the Authority;
5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings;

6. Information which reveals that the authority proposes:-
 - a) to give under any enactment a notice under or by virtue of which requirements are imposed on a person or
 - b) to make an order or direction under any enactment;
7. Information relating to any action taken, or to be taken, in connection with the prevention, investigation or prosecution of crime.
 - (a) Information which is subject to any obligation of confidentiality;
 - (b) Information which relates in any way to matters concerning national security;
 - (c) Information presented to a Standards Committee or to a Sub-Committee of a Standards Committee set up to consider any matter under regulations 13 or 16 to 20 of the Standards Committee (England) Regulations 2008, or referred under section 58(1)(c) of the Local Government Act 2000.

Note: Information falling within paragraph 10.4 (3) above is not exempt information by virtue of that paragraph if it is required to be registered under:

the Companies Act 1985;
the Friendly Societies Act 1974;
the Friendly Societies Act 1992;
the Industrial and Provident Societies Acts 1965 to 1978;
the Building Societies Act 1986; or
the Charities Act 1993.

- (d) Information falling within any of paragraphs 1-7 is not exempt by virtue of that paragraph if it relates to proposed development for which the local planning authority can grant itself planning permission under Regulation 3 of the Town and Country Planning General Regulations 1992.

Information which

- (i) falls within any of paragraphs 1 to 7 above and
- (ii) is not prevented from being exempt by virtue of sub paragraphs (a) or (b) above,

is exempt information if and so long as, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

NB: Where the meeting will determine any person's civil rights or obligations, or adversely affect their possessions, Article 6 of the Human Rights Act 1998 establishes a presumption that the meeting will be held in public unless a private hearing is necessary for one of the reasons specified in Article 6.

11. EXCLUSION OF ACCESS BY THE PUBLIC TO REPORTS

If the Monitoring Officer thinks fit, the Council may exclude access by the public to reports which in his or her opinion relate to items during which, in accordance with Rule 10, the meeting is likely not to be open to the public. Such reports will be marked “Not for publication” together with the category of information likely to be disclosed.

12. APPLICATION OF RULES TO THE EXECUTIVE

Rules 13 – 24 apply to the Executive. If the Executive meets to take a key decision then it must also comply with Rules 1 – 11 unless Rule 15 (general exception) or Rule 16 (special urgency) apply. A key decision is as defined in Article 11.03 of this Constitution.

If the Executive meets to discuss a key decision to be taken collectively, with an officer present, within 28 days of the date according to the forward plan by which it is to be decided, then it must also comply with Rules 1 – 11 unless Rule 15 (general exception) or Rule 16 (special urgency) apply. A key decision is as defined in Article 11.03 of this Constitution. This requirement does not include meetings, whose sole purpose is for officers to brief councillors.

Comment [KT2]:

13. PROCEDURE BEFORE TAKING KEY DECISIONS

Subject to Rule 15 (general exception) and Rule 16 (special urgency), a key decision may not be taken unless:

- (a) a notice (called here a forward plan) has been published in connection with the matter in question;
- (b) at least 3 clear working days have elapsed since the publication of the forward plan; and
- (c) where the decision is to be taken at a meeting of the Executive, notice of the meeting has been given in accordance with Rule 4 (notice of meetings).

14. THE FORWARD PLAN

14.1 Period of forward plan

Forward plans will be prepared by the Leader of the Council to cover a period of four months, ~~beginning with the first day of any month~~. They will be updated on a ~~regular-monthly~~ basis and a new forward plan produced ~~at least~~

~~28~~14 days prior to the first day upon which the forward plan will come into effect.

14.2 Contents of forward plan

The forward plan will contain matters which the Leader of the Council has reason to believe will be subject of a key decision to be taken by the Executive, officers, or under joint arrangements in the course of the discharge of an executive function during the period covered by the plan. It will describe the following particulars in so far as the information is available or might reasonably be obtained:

- (a) the matter in respect of which a decision is to be made;
- (b) where the decision taker is an individual, his/her name and title, if any and where the decision taker is a body, its name and details of membership;
- (c) the date on which, or the period within which, the decision will be taken;
- (d) the identity of the principal groups whom the decision taker proposes to consult before taking the decision;

~~14.2 Contents of forward plan~~

- (e) the means by which any such consultation is proposed to be undertaken;
- (f) the steps any person might take who wishes to make representations to the Executive or decision taker about the matter in respect of which the decision is to be made, and the date by which those steps must be taken; and
- (g) a list of the documents submitted to the decision taker for consideration in relation to the matter.

14.3 Publication of forward plan

Each forward plan must be published on the Council website and the document to be published shall state:

- (a) that key decisions are to be taken on behalf of the Council;
- (b) that a forward plan containing particulars of the matters on which decisions are to be taken will be prepared on a monthly basis;
- (c) that the plan will contain details of the key decisions to be made for the four month period following its publication;
- (d) that each plan will be available for inspection at reasonable hours free of charge at the Council's offices;

(e) that each plan will contain a list of the documents submitted to the decision takers for consideration in relation to the key decisions on the plan;

- (f) the address from which, subject to any prohibition or restriction on their disclosure, copies of, or extracts from, any document listed in the forward plan is available;
- (g) that other documents may be submitted to decision takers;
- (h) the procedure for requesting details of documents (if any) as they become available; and
- (i) the dates on each month in the following year on which each forward plan will be published and available to the public at the Council's offices.

Exempt information need not be included in a forward plan and confidential information cannot be included. In the case of doubt the advice of the Monitoring Officer should be sought.

15. GENERAL EXCEPTION

If a matter which is likely to be a key decision has not been included in the forward plan, then subject to Rule 16 (special urgency), the decision may still be taken if:

- (a) the decision must be taken by such a date that it is impracticable to defer the decision until it has been included in the next forward plan and until the start of the first month to which the next forward plan relates;
- (b) the Monitoring Officer~~Head of Paid Service~~ has informed the Chairman of the Overview & Scrutiny Panel, or if there is no such person, each Member of Overview & Scrutiny in writing, by notice, of the matter to which the decision is to be made;
- (c) the Monitoring Officer~~Head of Paid Service~~ has made copies of that notice available to the public ~~at the offices of the Council~~; and (although not sure what the notice is)
- (d) at least **three clear working days** have elapsed since the Head of Paid Service complied with (a) and (b).

Where such a decision is taken collectively, it must be taken in public.

16. SPECIAL URGENCY

If by virtue of the date by which a decision must be taken Rule 15 (general exception) cannot be followed, then the decision can only be taken if the decision taker (if an individual) or the chairman of the body making the decision, obtains the agreement of the Chairman of the Overview and Scrutiny Panel that the taking of the decision cannot be reasonably deferred. If there is no Chairman of the Overview and Scrutiny Panel, or if he/she is unable to act, then the agreement of the Chairman of the Council, or in his/her absence the Vice Chairman of the Council will suffice.

17. REPORT TO COUNCIL

17.1 When the Overview & Scrutiny Panel can require a report

If the Overview and Scrutiny Panel thinks that a key decision has been taken which was not:

- (a) included in the forward plan; or
- (b) the subject of the general exception procedure; or
- (c) the subject of an agreement with the Chairman of Overview and Scrutiny Panel or the Chairman/Vice Chairman of the Council under Rule 16;

The Overview and Scrutiny Panel may require the Executive to submit a report to the Council within such reasonable time as the body specifies. The power to require a report rests with the Overview and Scrutiny Panel, but is also delegated to the Head of Paid Service, who shall require such a report on behalf of the body when so requested by the Chairman of the Council or any ~~four~~ **five** ~~councillors~~. Alternatively the requirement may be raised by resolution passed at a meeting of the Overview and Scrutiny Panel.

Comment [KT3]: Four members to bring in line with Call In procedures

17.2 Executive's report to Council

The Executive will prepare a report for submission to the next available meeting of the Council. However, if the next meeting of the Council is within seven days of receipt of the written notice, or the resolution of a Overview and Scrutiny Panel, then the report may be submitted to the meeting after that. The report to Council will set out particulars of the decision, the individual or body making the decision, and if the Leader of the Council is of the opinion that it was not a key decision the reasons for that opinion.

17.3 Quarterly reports on special urgency decisions

In any event the Leader of the Council will submit quarterly reports to the Council on the executive decisions taken in the circumstances set out in Rule 16 (special urgency) in the preceding three months. The report will include the number of decisions so taken and a summary of the matters in respect of which those decisions were taken.

18. RECORD OF DECISIONS

After any meeting of the Executive ~~the Monitoring Officer (or Democratic Services Manager in his/her absence) will produce~~ a record of every decision taken at that meeting will be produced as a set of minutes, as soon as practicable and no later than 48 hours after the meeting. *The record will include a statement*

of the reasons for each decision and any alternative options considered and rejected at that meeting.

Comment [KT4]: Check legislation

19. EXECUTIVE MEETINGS RELATING TO MATTERS WHICH ARE NOT KEY DECISIONS

All meetings of the Executive will be held in public except when a motion is approved to considering exempt or confidential items.

20. OFFICERS

The Head of Paid Service, the Section 151 Officer and the Monitoring Officer and their nominees are entitled to attend any meeting of the Executive.

21. DECISIONS BY INDIVIDUALS

21.1 Record of key individual decision

As soon as reasonably practicable after a key decision has been taken by an officer, he/she will prepare, ~~or instruct the Monitoring Officer (or Democratic Services Manager in his/her absence)~~ ~~to prepare~~ a record of the decision, a statement of the reasons for it and any alternative options considered and rejected. This does not require the disclosure of exempt or confidential information.

Comment [KT5]: Forward Plan has been revamped for 2019. Greater focus on what is/not key decision. Dem Services will look to roll out this element in the New Year.

22. SCRUTINY'S ACCESS TO DOCUMENTS

22.1 Rights to copies

Subject to Rule 22.2 below, the Overview and Scrutiny Panel will be entitled to copies of any document which is in the possession or control of the Executive and which contains material relating to any business transacted at a meeting of the Executive.

22.2 Limit on rights

The Overview & Scrutiny Panel will not be entitled to:

- (a) any document that is in draft form;
- (b) any part of a document that contains exempt or confidential information, unless in the opinion of the Monitoring Officer that information is relevant to an action or decision they are reviewing or scrutinising or intend to scrutinise.

23. ADDITIONAL RIGHTS OF ACCESS FOR COUNCILLORS

23.1 Material relating to key decisions

All ~~members~~councillors of the Council will be entitled to inspect any document ~~(except those available only in draft form)~~ in the possession ~~or under the control~~ of the Executive which relates to any key decision unless:

- it is only available in draft form
- it contains exempt information ~~falling within the categories of exempt information shown above,~~ (with the exception of paragraph 3 (except to the extent that it relates to terms proposed by or to the authority in the course of negotiations for a contract) ~~and~~ paragraph ~~(6)~~.)

Comment [KT6]: Reworded for clarity

23.2 Nature of rights

These rights of a councillor are additional to any other right he/she may have.



Part 4

Executive Procedure Rules

Executive Procedure Rules

1. HOW DOES THE EXECUTIVE OPERATE?

1.1 Who may make executive decisions?

1.1.1 The role, form, and composition of the Executive are as laid out in Article 6 of the Council's Constitution.

1.1.2 Executive functions may be discharged by:

- i) the Executive as a whole;
- ii) an individual Member of the Executive;
- iii) a committee of the Executive;
- iv) an officer; or
- v) another local authority, whether under joint arrangements or otherwise.

in accordance with the list maintained by the Leader under **Article 6.8**.

Comment [KT1]: Check no.

1.1.3 In the absence of the Leader, the Deputy Leader may exercise the powers of the Leader set out in this Constitution.

1.2 Delegation by the Leader

1.2.1 At the annual meeting of the Council, the Leader will present to the Council a written record of the delegations made by him or her for inclusion in the Council's scheme of delegation under Part 3 of this **Constitution**.

Comment [KT2]: But only if Leader has decided to so exercise his discretion

1.2.2 The document presented by the Leader will contain the following information about executive functions in relation to the coming year:

the names, **addresses**, and wards of the people appointed to the Executive by the Leader;

The extent of any authority delegated to executive members individually, including details of the limitation of their authority;

The terms of reference and constitution of such executive committees as the Leader appoints and the names of executive members appointed to them;

The nature and extent of any delegation of executive functions to any other authority or joint arrangements and the names of those executive members appointed to any joint committee for the coming year; and

The nature and extent of any delegation to officers with details of any limitation on that delegation, and the title of the officer to whom the delegation is made.

1.3 Sub-delegation of executive functions

- 1.3.1 Where the Executive, a committee of the Executive or an individual member of the Executive is responsible for an executive function, they may delegate further within joint arrangements or to an officer ~~or of another local authority~~.
- 1.3.2 Unless the Council directs otherwise, if the Leader delegates functions to the Executive, then the Executive may delegate further to a committee of the Executive or to an officer.
- 1.3.3 Unless the Leader directs otherwise, a committee of the Executive to whom functions have been delegated by the Leader may delegate further to an officer.
- 1.3.4 Even where executive functions have been delegated, that fact does not prevent the discharge of delegated functions by the person or body who delegated.

1.4 The Council's scheme of delegation and executive functions

- 1.4.1 The Council's scheme of delegation will be subject to adoption by the Council and may be amended only by the Council. It will contain the details required in Article 6 and set out in Part 3 of this Constitution.
- 1.4.2 The Leader may amend the scheme of delegation relating to executive functions at any time during the year. To do so, the Leader must give written notice to the Monitoring Officer and to the person, body or committee concerned setting out -
 - the extent of the amendment to the scheme of delegation
 - whether it entails the withdrawal of delegations from any person or body
- 1.4.3 The Monitoring Officer will present a report to the next ordinary meeting of the Council setting out the changes made by the Leader.
- 1.4.4 Where the Leader seeks to withdraw delegation from a committee, notice will be deemed to have been served on the committee when it is served on its chairman.

Comment [KT3]: Check no.

1.5 Conflicts of Interest

- 1.5.1 Where the Leader of the Council has a conflict of interest this should be dealt with as set out in the Council's Members' Code of Conduct in Part 5 of this Constitution.
- 1.5.2 If every Member of the Executive has a conflict of interest this should be dealt with as set out in the Council's Members' Code of Conduct in Part 5 of this Constitution.
- 1.5.3 If the exercise of an executive function has been delegated to a committee of the executive, an individual member or an officer, and should a conflict of interest arise, then the function will be exercised in

the first instance by the Executive and otherwise as set out in the Council's Members' Code of Conduct in Part 5 of this Constitution.

1.6 **Executive meetings – when and where?**

- 1.6.1 The Executive will meet at least ~~8~~¹⁰ times per year at times to be agreed by the Leader of the Council. In addition, the Leader of the Council may also arrange other meetings at his/her discretion.
- 1.6.2 The Head of Paid Service may also call for additional meetings at his or her discretion with the approval of the Leader of the Council or in his or her absence the Deputy Leader of the Council
- 1.6.3 The Monitoring Officer and/or the Section 151 Officer may call an additional meeting if either believes it is necessary so to do in order to fulfil their statutory duties.
- 1.6.4 In other circumstances where any of the Head of Paid Service, Section 151 Officer and Monitoring Officer are of the opinion that a meeting of the Executive needs to be called to consider a matter that requires a decision he/she will have the right to call such a meeting.
- 1.6.5 The Executive shall meet at the Council's main offices or another location to be agreed by the Leader of the Council.

1.7 **Public or private meetings of the Executive?**

- 1.7.1 The Executive will normally meet in public in line with the principles set out in Article ~~(1)~~. The exception will be when considering exempt or confidential items.
- 1.7.2 It may also choose to meet on occasion in informal sessions and those sessions may be in private.

Comment [KT4]: Check

1.8 **Quorum**

- 1.8.1 The number of Members of the Executive shall be up to six including the Leader of the Council and Deputy Leader of the Council.
- 1.8.2 The quorum for a meeting of the Executive shall be 50% of the total membership (including the Leader of the Council or Deputy Leader of the Council).
- 1.8.3 In the event that both the Leader and the Deputy Leader of the Council are prevented from attending a meeting of the Executive, in circumstances which any two of the statutory officers consider to be exceptional, the quorum at a meeting of the Executive will be 50% plus one of the Executive membership.
- 1.8.4 The quorum at a meeting of a committee of the executive shall be ~~one quarter of the members or two~~ ^{one} members.

1.9 How are decisions to be taken by the Executive?

- 1.9.1 Executive decisions which are to be taken by the Executive as a whole will be taken at a meeting convened in accordance with the Access to Information Rules in Part 4 of the Constitution.
- 1.9.2 Where decisions are taken by a Committee of the Executive, the rules applying to Executive decisions taken by them, shall be the same as those applying to those taken by the Executive as a whole.
- 1.9.3 Where decisions are taken by an individual Member of the Executive, they shall not come into effect until recorded in writing and submitted to the Monitoring Officer in accordance with Rule 18 of the Access to Information Rules (in Part 4 of this Constitution).
- 1.9.4 Where a decision relates to an Executive Members local ward, that Member may take part in the discussion, but will abstain from any vote on the item.

2. HOW ARE EXECUTIVE MEETINGS CONDUCTED?

2.1 Who presides?

If the Leader of the Council is present he/she will preside. In his/her absence, then the Deputy Leader of the Council shall preside. In the exceptional circumstances contemplated in paragraph 1.8 (Quorum) then a person appointed to do so by those present at the meeting will preside.

2.2 Who may attend?

- 2.2.1 All district councillors can attend meetings of the Executive or a committee of the Executive.
- 2.2.2 The press and public can attend meetings of the Executive or a committee of the Executive subject to the Access to Information Procedure Rules.
- 2.2.3 On occasion the Executive may wish to meet informally for discussion purposes only and those informal sessions will be held in private. Informal sessions will not constitute meetings of the Executive.
- 2.2.4 The Executive will actively encourage wherever possible the involvement of the specific expertise or knowledge of other district councillors as part of the deliberations of the Executive whether those deliberations are at meetings of the Executive or a committee of the Executive or at informal sessions.

2.3 Who may speak and vote?

2.3.1 All district councillors can attend and speak, subject to ~~adherence to the Council Rules of Debate prior notification being given to the Leader of the Council (or the Deputy Leader of the Council, if s/he is chairing).~~ Only Executive Members may vote.

2.3.2 Members of the public may speak only to ask questions at the start of the meeting in accordance with Article 3 of the Council's Constitution and the guidance currently in place.

2.4 What business?

At each meeting of the Executive, the following business will be conducted:

- i) consideration of the minutes of the last meeting;
- ii) declarations of interest, if any;
- iii) public questions;
- iv) the Executive Forward **Plan**;
- v) matters referred to the Executive (whether by Scrutiny or by the Council) for reconsideration by the Executive in accordance with the provisions contained in the Overview and Scrutiny Procedure Rules or the Budget and Policy Framework Procedure Rules set out in Part 4 of this Constitution;
- vi) consideration of reports from any non-executive body of the Council; and
- vii) matters set out in the agenda for the meeting. The agenda shall indicate which matters are key decisions and which are not in accordance with the Access to Information Procedure rules set out in Part 4 of this Constitution.

Comment [KT5]: This will be included on future Executive agendas

2.5 Consultation

2.5.1 All reports to the Executive from any Member of the Executive or an officer on proposals relating to the budget and policy framework must contain details of the nature and extent of consultation with stakeholders and relevant non-executive bodies of the Council, and the outcome of that consultation.

~~2.5.2~~ Reports about other matters will set out the details and outcome of consultation as appropriate. The level of consultation required will be appropriate to the nature of the matter under consideration.

2.6 Who can put items on the Executive agenda?

2.6.1 The Leader of the Council will decide upon the schedule for the meetings of the Executive. He/she may put on the agenda of any Executive meeting any matter which he/she wishes, whether or not authority has been delegated to the Executive, or officer or another local authority in respect of that matter. The Monitoring Officer will comply with the Leader of the Council's requests in this respect.

2.6 Who can put items on the Executive agenda? (cont'd)

- 2.6.2 Any Member of the Executive may require the Monitoring Officer to make sure that an item is placed on the agenda of the next available meeting of the Executive for consideration. If he/she receives such a request the Monitoring Officer will comply.
- 2.6.3 Full Council may require any item to be placed on the agenda of the next reasonably available meeting of the Executive.
- 2.6.4 There will be a standing item on the agenda of each meeting of the Executive for matters referred by the Overview & Scrutiny Panel but aside from this the amount of business which can reasonably be dealt with at any one meeting of the Executive shall be within the discretion of the Leader of the Council.
- 2.6.5 Any Member of the Council may ask the Leader of the Council to put an item on the agenda of an Executive meeting for consideration, and if the Leader of the Council agrees the item will be considered at the next reasonably available meeting of the Executive. The notice of the meeting will give the name of the Councillor who asked for the item to be considered.
- 2.6.6 The Head of Paid Service, or any Senior Officer may include an item for consideration on the agenda of an Executive meeting. In addition, the Monitoring Officer and the Section 151 Officer may put an item on the agenda if either believes it is necessary to do so to carry out his or her statutory duties.



South Hams
District Council

Part 4 Rules for Other Bodies of the Council

Rules for other Bodies of the Council

1. AUDIT COMMITTEE

1.1 Membership

The Audit Committee shall have five Councillors. Members of the Executive will not be permitted to be Members of the Audit Committee.

1.2 Quorum

The Quorum shall be three Councillors.

1.3 Meetings

The Committee shall normally meet at least four times per year.

2. DEVELOPMENT MANAGEMENT COMMITTEE

2.1 Membership

The Development Management Committee shall have twelve Councillors.

2.2 Training

- a. All Members will be expected to attend planning training refresher sessions as and when they are provided;
- b. Newly elected Members will have to attend appropriate induction Planning Training before they can take part in the planning decision making process;
- c. Repeat sessions will be held in conjunction with West Devon Borough Council to provide additional opportunities for Members to meet the requirement to attend the induction training;
- d. If they so wish, re-elected Members will be welcome to attend the induction sessions.

2.3 Quorum

The Quorum shall, ~~for the time being~~, be seven councillors adjusted annually if necessary.

Comment [KT1]: Should we include a note about training here too, as for DM? s151 Officer does arrange TM specific training sessions and annual Audit Cttee workshops

2. DEVELOPMENT MANAGEMENT COMMITTEE (cont'd)

2.4 Rules of Debate

The Rules of Debate, as outlined under Council Procedure Rule 12, apply with one exception. The exception is as follows:-

In the event of a Member wishing to propose a motion which is contrary to the case officer recommendation, the Member must give their reasons for this proposal at the time of making it.

2.5 Voting

In view of the quasi – judicial nature of much of the business of the Committee there is a general obligation for Councillors to remain for the whole of the debate or to have participated in any previous consideration on any particular application and certainly to refrain from voting if either of these essential requirements have not been achieved.

In very exceptional circumstances, however, such as the length of time which has elapsed from the presentation of the original application to the Committee or for the purpose of ensuring that the meeting remains quorate, it may be prudent to allow Members to participate in consideration of an application on its return to the Committee regardless of earlier attendance. In any event, the final decision resides with the Chairman, following consultation with the Council's Legal Officer and Member Support Officer in attendance. At the meeting the Chairman will advise Members of the Committee if it is decided that the general obligation is not to be applied with reasons for his/her decision.

2.6 Meetings

The Development Management Committee shall normally meet every four weeks.

Comment [KT2]: I would like to remove this section. If an application is presented back after a period of time, the case officer re-presents so that those in the room have all the facts prior to making a decision.

3. LICENSING COMMITTEE

3.1 Membership

The Licensing Committee shall have twelve councillors. Continued membership of the Committee is dependent upon a Member achieving a minimum threshold of attendance of 80% at training events held specifically for members of the Licensing Committee during the municipal year.

Comment [KT3]: We suggest amending this to mirror the DM section above – agreed?

3.2 Quorum

The Quorum shall be ~~seven~~ six including the Chairman and/or Vice Chairman.

3.3 Meetings

The Licensing Committee shall meet at least annually and on further occasions if required.

4. LICENSING SUB-COMMITTEES

Licensing Sub-Committees shall be established to hear applications under the Licensing Act 2003.

4.1 Membership

Each Licensing Sub-Committee shall have three councillors, drawn from the Licensing Committee. Local Members will not be appointed onto a sub-committee to consider any applications which are located within their local ward.

4.2 Quorum

The Quorum shall be three councillors.

4.3 Meetings

The Licensing Sub-Committees meet as required.

1. Licensing Sub-Committees shall be established to hear applications under the Gambling Act 2005.

4.1 Membership

Each Licensing Sub-Committee shall have three councillors, drawn from the Development Management & Licensing Committee. Local Members will not be appointed onto a sub- committee to consider any applications which are located within their local ward.

4.2 Quorum

The Quorum shall be three councillors.

4.3 Meetings

The Licensing Sub-Committees meet as required.

2. Licensing Sub-Committees shall be established to hear applications under the Taxi Licensing Legislation.

4.1 Membership

Each Licensing Sub-Committee shall have three councillors, drawn from the Development Management & Licensing Committee.

4.2 Quorum

The Quorum shall be three councillors.

4.3 Meetings

The Licensing Sub-Committees meet as required.

5. COUNCIL TAX SETTING PANEL

5.1 Membership

The Council Tax Setting Panel shall consist of four Members and comprises:-

- Chairman of Council
- Leader of the Council
- Chairman of the Overview & Scrutiny Panel
- Leader of the Opposition

5.2 Meetings

The Council Tax Setting Panel shall meet annually, following the Council's agreement of the budget for the forthcoming municipal year and notification from Devon County Council, the Devon and Cornwall Police Authority, Devon and Somerset Fire and Rescue Service, the Dartmoor National Park Authority and each Parish/Town Council of their individual precepting requirements.

6. SALCOMBE HARBOUR BOARD

6.1 Establishment of the Board

- a. The functions of the Council conferred under the Pier and Harbour Order (Salcombe) Confirmation Act 1954 shall be reserved to the Council under section 13 of the Local Government Act 2000 and Regulation 3 of the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (as amended).
- b. That the discharge of these functions within any policy and budget approved by Council be delegated as set out in the Delegation Scheme.

6.2 Membership of the Board

- a. The Board shall consist of up to ten Members - four Members of South Hams District Council, and the remainder Co-opted Members. Each Member, as far as it is achievable, will be appointed on a 'fit for purpose basis' through assessment of each nominee's skills, knowledge, experience and commitment on matters such as the following:-
 - Knowledge of port/marine or other nautical experience
 - General finance/business knowledge
 - Understanding of harbour users
 - Awareness of environmental issues
 - Aspects relating to tourism, leisure and marketing
 - Knowledge or interest in the local and/or the wider community
- b. All co-opted Members will be bound by the Council's Member Code of Conduct and sign the declaration of acceptance of office as required by law in any event.
- c. The Chairman of the Board shall be a Council Member.
- d. All Members shall have full voting rights on all matters before the Board.
- e. In the event that a Board Member does not attend any meetings of the Board for a period of six months from the date of his or her last attendance, that Member ceases to be a Board Member, unless within the period of absence the Council gives approval for this absence. If proved to be mitigating circumstances, and a Board Member is unable to fulfil their duties for a prolonged period of time, the Council may appoint a person qualified within the criteria set out ~~in paragraph B1~~ above to sit on the Harbour Board during that period of absence only.

6. SALCOMBE HARBOUR BOARD (cont'd)

6.3 Appointments Process District Council Members

~~b. Following district wide elections, expressions of interest will be invited from all Members, with interviews being held for all four positions.~~

a. Members of the Council shall be appointed to the Board at the first annual meeting of Council following a District Council election for a four year term.

In the event of a casual vacancy arising during the four year term, the District Council Member who was felt during the recruitment process to be the next most 'fit for purpose' Member to serve on the Board should be recommended for appointment. (In the event of there being no other 'fit for purpose' Members serving on the Council, expressions of interest will be invited from all Members within interviews then taking place).

~~b. Following district wide elections, expressions of interest will be invited from all Members, with interviews being held for all four positions.~~

~~h. The Appointments Panel for District Council Members will consist of a nominated District Councillor from the majority party, a nominated District councillor from the minority parties collectively and an independent external technical advisor with a thorough understanding of harbour/port governance issues. After the first round of appointments to the new Board, and during their term, the Appointments Panel will also include either the Chairman of the Harbour Board or another Board Member.~~

Appointments Process Co-opted Members

- c. Co-opted members shall be appointed to the Board at the first annual meeting following a recruitment, interview and appointment process for a three year term. In the event of a casual vacancy arising before the next scheduled recruitment process, the person who was felt during the recruitment process to be the next most 'fit for purpose' to serve on the Board shall be recommended for appointment.
- d. In order to stagger the appointments process to maintain some continuity of Board membership, the first term shall be divided so that two co-opted Members sit for two years only and the remainder of co-opted Members sit for the standard three year term. Following this initial staggering, terms will remain at three years from appointment.
- e. A co-opted Member may be appointed to a second three year term without recourse to open competition, subject to the agreement of both the Chairman and the Member, and the Board's assessment that the Member has performed satisfactorily during the first term.
- f. Reappointment for a third term shall be regarded as the exception and involve competition with other candidates.
- g. The appointment of co-opted Members shall follow the Nolan model.
- ~~h. The Appointments Panel will consist of a nominated District Councillor from the majority party, a nominated District councillor from the minority parties collectively and an independent external technical advisor with a thorough understanding of harbour/port governance issues. After the first round of appointments to the new Board, and during their term, the Appointments Panel will also include either the Chairman of the Harbour Board or another Board Member.~~

6. SALCOMBE HARBOUR BOARD (cont'd)

6.4 Meetings

- a. The Board shall meet at least six times a year.
- b. The quorum for meetings of the Board shall be four provided that two Members of the Council and two other Board Members are present.
- c. Meetings will commence late afternoon to allow for public involvement.
- d. Meetings are to be structured to enable a 15 minute public questions time at the commencement of the meeting.
- e. The Board shall consider the following business:-

Consideration of the minutes of the previous meeting
Declaration of interest, if any.
Public questions and comments
Feedback from recognised Harbour Community Forums
The business otherwise set out on the agenda for the meeting
Matters for future consideration

~~f. An Annual General Meeting of the Board will take place during the year. In addition to those items of the ordinary Board meetings and those items set out in the Council's constitution, the annual meeting will receive the annual statement of accounts and the annual statement of service delivery.~~

6.5 Recognised Community Forums

- a. The ensure that the Harbour Board has strong and direct links with both harbour users, local communities and other external organisations with an interest in the Salcombe-Kingsbridge Estuary, a formal consultation mechanism has been set up. Five not-for-profit community groups have registered their interest to work with the Council in relation to its future Harbour activities:

The Salcombe Kingsbridge Estuary Association
The Salcombe Kingsbridge Estuary Conservation Forum
The Kingsbridge Estuary Boat Club
South Devon and Channel Shellfishermen
Kingsbridge and Salcombe Marine Business Forum
East Portlemouth Parish Council

- b. The ~~six~~five groups are recognised as 'Harbour Community Forums' and form part of a formal consultation mechanism for the Harbour Board.
- c. That the list of ~~six~~five groups is not exhaustive and it is anticipated that further community groups be recognised and added as time progresses.

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Part 4 Overview & Scrutiny Procedure Rules

Overview & Scrutiny Procedure Rules

5.0 Principles of Scrutiny

South Hams District Council aims to have a scrutiny function which adheres to the Centre for Public Scrutiny's four principles of good public scrutiny, as set out below:

- Provides critical challenge to Executive policy makers and decision makers;
- Enables the voice and concerns of the public to be heard;
- Is carried out by 'independent minded governors' who lead and own the scrutiny role; and
- Drives improvement in public services.

5.1 Terms of reference

The Council will appoint an Overview & Scrutiny Panel. The functions of the Panel are outlined in Part 3 (Delegations Scheme).

5.2 Officers

The Overview & Scrutiny Panel will have administrative support and be able to call on other relevant officer support and external expertise where necessary.

5.3 Annual Report

The Overview & Scrutiny Panel must report annually to full Council on its workings and make recommendations for future work programmes and amended working methods if appropriate.

Code of Conduct Hearing Panels

The Overview and Scrutiny Panel will have responsibility for appointing a Code of Conduct Panel which will have a specific role in the determination of Member Code of Conduct Complaints (including Town and Parish Council Members) in accordance with the Council's adopted procedure for dealing with Code of Conduct complaints.

4.1 Membership

The Code of Conduct Panel shall consist of three Members, with a fourth Member being appointed in a substitute capacity.

4.2 Quorum

The Quorum shall be three councillors.

4.3 Meetings

The Code of Conduct Hearings Panel will be convened as necessary

4.4 Training

Code of Conduct Hearing Panel members must have received appropriate training as agreed by the Monitoring officer before they can determine Code of Conduct complaints

1. General arrangements

1.1 The Council will have one Overview & Scrutiny Panel as set out in Article 5 ~~and will appoint to it as it considers appropriate from time to time.~~

1.2 The Overview & Scrutiny Panel may appoint ~~Task and Finish Groups which will be time limited. It will appoint members to the Task and Finish Groups from the Panel or any Members with the appropriate knowledge or expertise which can assist with the relevant topic. It may also co-opt Non Voting Members from the general public who may have specialist knowledge of the subject under consideration to help inform the group working groups (or Task and Finish Groups) which shall be time limited.~~

1.3 The number of Members of the Overview & Scrutiny Panel shall be determined at the annual council meeting.

1.4 The Overview & Scrutiny Panel shall be convened in conformity with the Council's Procedure Rules and the Access to Information Rules. ~~Task and Finish Working~~ groups will meet informally, to help inform the Scrutiny process and may submit reports to the Scrutiny Panel.

2. Functions

The functions of the Panel are outlined at Part 3: Delegation Scheme. Notably, these functions include responsibility for the standards regime in accordance with the Localism Act.

3. Who may sit on the Scrutiny Panel?

All councillors, except Members of the Executive and the Development Management Committee, are eligible to sit on the Overview & Scrutiny Panel which will comprise 13 Members.

4. Co-optees

The Overview & Scrutiny Panel shall be entitled to co-opt up to two people at any time (including members of the public), ~~to sit on Task and Finish Groups.~~ The appointment of Co-optees shall be time limited and at the discretion of the Overview & Scrutiny Panel. Co-optees will not be able to vote.

5. Overview & Scrutiny Panel Meetings

5.1 There shall be at least eight ordinary meetings of the Overview & Scrutiny Panel in each year. This will not prevent the ability to convene additional meetings and other informal sessions as necessary to deliver the pre-agreed work programme. However, the frequency and number of meetings and informal sessions shall not overstretch the resource of the Council. Meetings shall be called by the Head of Paid Service ~~in consultation with the Chairman of the Overview and Scrutiny Panel.-~~

5.2 An extraordinary meeting of the Overview & Scrutiny Panel may also be called by the Chairman of the Panel, by any four members of the

Panel or by the Monitoring Officer if he/she considers it necessary or appropriate.

5.3 Cancellation of any meeting shall be with the agreement of the Chairman.

6. Quorum

6.1 The quorum for the Overview & Scrutiny Panel shall be seven.

6.2 During any meeting, if the Chairman counts the number of Members present and declares that there is not a quorum present, then the meeting will adjourn immediately. Any remaining business will be considered at a time and date fixed by the Chairman. If he/she does not fix a date, the remaining business will be considered at the next ordinary meeting.

7. Who chairs meetings?

The Chairman and Vice-Chairman of the Overview & Scrutiny Panel shall be appointed by the Council. Without limiting the discretion of the Council, consideration shall be given to the selection of a Chairman on ability and expertise without reference to party political affiliation.

8. Production of Work Programmes

The Scrutiny function will, early in each Municipal Year, produce a work programme for the Overview & Scrutiny Panel for that year. The Panel will keep the work programme under review during the course of the year. The work programme will be devised having regard to the resources available, time constraints of Members and officers and the interests of the local community.

The views of all non-Executive Members will be taken into account when agreeing the work programme, including the views of the Members who are not Members of the largest political group on the Council. Executive Members may also be consulted on issues included within the work programme.

In determining which matters to review, regard will be given to the Policy Development and Review Programme, the Executive Forward Plan, other reports and any other relevant persons or bodies.

The Work Programme must be flexible enough to take account of changing circumstances throughout the Municipal Year. This flexibility will also allow for those recently implemented decisions of the Executive to be monitored and scrutinised.

All Members of the Council will have access to the published Executive Forward Plan. The Overview & Scrutiny Panel will be entitled to give its views to the Executive as part of the consultation process in relation to any key decision even where an item has not been the subject of detailed consideration by the Overview & Scrutiny Panel during a scrutiny review.

Any Council Member, officer or member of the public can request that consideration be given to an agenda item being scheduled on to the work

programme for the Overview and Scrutiny Panel through the completion of a Scrutiny Proposal Form (as attached at Appendix A).

In the first instance, completed Proposal Forms must be submitted to the Democratic Services – Senior Specialist. Once received, completed Forms will be considered by a Panel comprising of the Head of Paid Service and the Chairman and Vice-Chairman of the Overview and Scrutiny Panel., and the lead O&S officer.

9. **Agenda items: Scrutiny**

~~Any Council Member, officer or member of the public can request that consideration be given to an agenda item being scheduled on to the work~~

~~programme for the Overview and Scrutiny Panel through the completion of a Scrutiny Proposal Form (as attached at Appendix A).~~

~~In the first instance, completed Proposal Forms must be submitted to the Democratic Services – Senior Specialist. Once received, completed Forms will be considered by a Panel comprising of the Head of Paid Service and the Chairman and Vice-Chairman of the Overview and Scrutiny Panel.~~

~~The Panel will consider a completed Form within 7 working days of its receipt.~~

~~In the event of the Panel not being able to reach a consensus view on the merits of a Proposal Form, the decision will ultimately rest with the Chairman of the Overview and Scrutiny Panel.~~

~~The Democratic Services – Senior Specialist will advise the author of the Form whether or not their potential agenda item will be considered by the Overview and Scrutiny Panel. If an item has been agreed for future consideration, it will be scheduled on to the first reasonable available agenda thereafter.~~

~~The Overview & Scrutiny Panel shall also respond, as soon as its work programme permits, to requests from the Council and, if it considers it appropriate, the Executive to review particular areas of Council activity. Where it does so, the Overview & Scrutiny Panel shall report its findings and any recommendations back to the Executive and/or Council. The Council and/or the Executive shall consider the report of the Overview & Scrutiny Panel within one month of it being submitted to the Head of Paid Service or at the next available meeting thereafter.~~

10. Policy review and development

10.1 The role of the Overview & Scrutiny Panel, in relation to the development of the Council's budget and policy framework, is set out in detail in the Budget and Policy Framework Procedure Rules.

10.2 In relation to the development of the Council's approach to other matters not forming part of its policy and budget framework, the Overview & Scrutiny Panel may make proposals to the Executive for developments in so far as they relate to matters within their terms of reference.

10.3 The Overview & Scrutiny Panel may hold enquiries and investigate the available options for future direction in policy development and may appoint advisors and assessors to assist them in this process. They may go on site visits, conduct public surveys, hold public meetings, commission research, and do all other things that they reasonably consider necessary to inform their deliberations. ~~They may ask witnesses to attend to address them on any matter under consideration and may pay to any advisors, assessors and witnesses a reasonable fee and expenses for doing so.~~

11. Reports on policy proposals

11.1 Once it has formed recommendations on proposals for policy development, the Overview & Scrutiny Panel will prepare a formal report and submit it ~~to the Head of Paid Service~~ for consideration by the

Executive, or to the Council as appropriate (e.g. if the recommendation would require a departure from or a change to the agreed budget and policy framework).

~~11.2 If the Overview & Scrutiny Panel cannot agree on one single final report to the Council or Executive as appropriate, then up to one minority report may be prepared and submitted for consideration by the Council or Executive with the majority report.~~

11.3 The Council or Executive shall consider such report(s) of the Scrutiny Panel within two months of being submitted to the Head of Paid Service.

12. Rights of Scrutiny Members to documents

12.1 In addition to their rights as Councillors, Members of the Overview & Scrutiny Panel have the additional right to documents, and to notice of meetings as set out in the Access to Information Procedure Rules in Part 4 of this Constitution.

12.2 Nothing in this paragraph prevents more detailed liaison between the Executive and Scrutiny as appropriate depending on the particular matter under consideration.

13. Councillors and Officers giving account

13.1 The Overview & Scrutiny Panel may scrutinise and review decisions made or actions taken in connection with the discharge of any Council functions. As well as reviewing documentation in fulfilling the scrutiny role, it may require a Member of the Executive, assisted by the Head of Paid Service and/or any senior officer, to attend before it to explain in relation to matters within their remit:

- i) any particular decision or series of decisions which have either been taken already or are to be taken in due course;
- ii) the extent to which the actions taken implement Council policy; or iii) their performance,

and it is the duty of those persons to attend if so required.

13.2 Where any councillor or officer is required to attend the Scrutiny Panel under this provision, the Chairman will inform the Head of Paid Service. The Head of Paid Service shall inform the councillor or officer in writing giving at least five working days notice of the meeting at which he/she is required to attend. The notice will state the nature of the item on which he/she is required to attend to give account and whether any papers are required to be produced. Where the account to be given to the Scrutiny Panel will require the production of a report, then the councillor or officer concerned will be given sufficient notice to allow for preparation of that documentation.

13.3 Where, in exceptional circumstances, the councillor or officer is unable to attend on the required date, then the Scrutiny Panel shall in consultation with the councillor or officer arrange an alternative date for attendance.

13.4 A Member of Council (who is not a Member of the Panel) may attend and partake, subject to prior notice being given to the respective Chairman.

14. **Attendance by others**

14.1 The Overview & Scrutiny Panel may also invite people, other than those people referred to in paragraph 16 above, to address them, discuss issues of local concern and/or answer questions. It may, for example, wish to hear from residents, stakeholders and councillors and officers in other parts of the public sector and shall invite such people to attend.

14.2 Members of the public may make written submissions on agenda items under consideration by 5.00 pm three working days before the meeting (ie the Monday before a Thursday meeting). The Chairman can subsequently choose to invite the person.

15. **Call-in**

Call-in by the Overview & Scrutiny Panel should only be used in exceptional circumstances. These are where non-Executive Members have evidence which suggests that the Executive did not take a decision in accordance with the principles set out in Article 11 (Decision Making).

- (a) The operation of the provisions relating to call-in and urgency shall be monitored regularly, and a report submitted to Council with proposals for review if necessary.
- (b) The process begins with the distribution of the Executive agenda which will give all councillors the opportunity to examine items for discussion and clarify issues before meetings.
- (c) When a decision is made by the Executive, or a key decision is made by an officer with delegated authority from the Executive, or under joint arrangements, the decision shall be published, including where possible by electronic means and shall be available at the main offices of the Council normally within three working days of being made. Decisions will be ~~published~~sent to all councillors within the same timescale.
- (d) The decisions will indicate the date on which decisions will come into effect unless:
 - i) called-in;
 - ii) they are adjudged to be not in accordance with the Council policy or budget framework (see Policy and Budget Framework Procedure Rules – paragraphs 3, 4 and 5) and the decision falls to be referred to Council or is urgent and otherwise satisfies paragraph 4 of the Policy and Budget Framework Procedure Rules or where paragraph 7 of those Rules has been triggered.

- (e) A decision will normally come into force, and may then be implemented, on the expiry of five working days after the publication of the decision, unless the Scrutiny Panel objects to it and calls it in (except in cases of urgency and special urgency as defined in the Access to Information Procedure Rules).
- (f) During that period, the Head of Paid Service shall call-in a decision for the Overview & Scrutiny Panel if so requested by the Chairman or any three Members of the Panel or four other Members of the Council, and shall then notify the decision-taker of the call-in. Members who wish to call-in a decision are required to seek guidance from the Monitoring Officer on the veracity of their stated grounds for the call-in and demonstrate that they have been mindful of the advice they have received when deciding whether or not to proceed. The Head of Paid Service shall refer the matter to the next available meeting of Scrutiny.
- (g) Those councillors calling-in will need to specify the reasons for the call- in.
- (h) When the relevant Executive minutes are put before the Overview & Scrutiny Panel, together with the advice from the Monitoring Officer on the grounds for the call-in, the councillors who called in the decision shall have the right to attend and speak. The Leader of the Council and/or relevant Executive Members shall be invited to attend to explain the basis for the decision ~~but may then be asked to leave~~. They may choose also to make submissions in writing. Relevant officers shall also be invited to attend.
- (i) If, having considered the decision, the Overview & Scrutiny Panel is still concerned about it, then it may refer it back to the decision-making person or body for reconsideration setting out in writing the nature of its concerns or refer the matter to the next full Council meeting or, if urgent, to a Special Council meeting. If referred to the decision maker they shall then reconsider within a further ten working days, amending the decision or not, before adopting a final decision.
- (j) If following an objection to the decision, the Scrutiny Panel meets but does not refer the matter back to the decision-making person or body or refer it to full Council, the decision shall take effect on the date of the Scrutiny Panel meeting whichever is the earlier.
- (k) If the matter was referred to full Council and the Council does not object to a decision which has been made, then no further action is necessary and the decision will be effective in accordance with the provision below. However, if the Council does object, it has no locus to make decisions in respect of an executive decision, unless it is contrary to the policy framework, or contrary to or not wholly consistent with the budget. Unless that is the case, the Council will refer any decision to which it objects back to the decision-making person or body, together with the Council's views on the decision. That decision- making body or person shall choose whether to amend the decision or not before reaching a final decision and implementing it. Where the decision was taken by the Executive, a meeting will be convened to reconsider within fifteen working days of the Council request.

- (l) If Council does not refer the decision back to the decision-making body or person, the decision will become effective on the date of the Council meeting.
- (m) The call-in procedure set out above shall not apply where the decision being taken is urgent as defined in the Access to Information Procedure Rules. Decisions taken as a matter of urgency must be reported to the next available meeting of the Council, together with the reasons for urgency.

16. **The party whip**

There is a presumption that a party whip shall not be applied to matters considered by non-executive members when engaged in processes of the Scrutiny function.

17. **Procedure at the Overview & Scrutiny Panel**

The Overview & Scrutiny Panel shall consider the following business:

- i) Minutes of the last meeting;
- ii) Declarations of interest;
- iii) Public forum;
- iv) The most recently published Executive Forward Plan;
- v) Its future agenda items work programme;
- vi) Consideration of any matter referred to Scrutiny for a decision in relation to call in of a decision;
- vii) Updates on the progress made by working groups within its remit;
- viii) Responses of the Executive or Council where relevant to reports of the Panel;
- ix) Requests from the Executive for policy development work;
- x) The business otherwise set out on the agenda for the meeting.

18. **Conduct towards invitees to the Overview & Scrutiny Panel meetings**

18.1 Where the Overview & Scrutiny Panel conducts investigations and asks people to attend to give evidence at meetings, these are to be conducted in accordance with the following principles:

- i) That the investigation be conducted fairly and all councillors be given the opportunity to ask questions of attendees, and to contribute and speak;
- ii) That those assisting by giving evidence be treated with respect and courtesy; and
- iii) That the investigation be conducted so as to maximise the efficiency of the investigation or analysis.

18.2 Following any investigation or review, the Overview & Scrutiny Panel shall prepare a report for submission to the Executive and/or Council as appropriate, and shall make its report and findings public.

5.4 Public Forum

(a) General

Members of the public may raise issues and ask questions at meetings of the Overview & Scrutiny Panel in relation to the current agenda items (and in accordance with the O&S rules in Part 4). This session will last for up to fifteen minutes at the beginning of each meeting.

(b) Notice of Questions

An issue or question may only be raised by a member of the public provided that they have given written notice (which may be by electronic mail) to the Democratic Services Lead Specialist by 5.00 pm on the Monday prior to the relevant meeting.

(c) Scope of Questions

An issue may be rejected by the Monitoring Officer if:

- it relates to a matter within the functions of the Development Management Committee;
- it is not about a matter for which the local authority has a responsibility;
- it is offensive, frivolous or defamatory;
- it is substantially the same as a question which has previously been put in the past six months; or
- it requires the disclosure of confidential or exempt information.



South Hams
District Council

Part 6
Members' Allowances
Scheme

SOUTH HAMS DISTRICT COUNCIL

MEMBERS' ALLOWANCES SCHEME

The Council, in exercise of the powers conferred by the Local Authorities (Members' Allowances) (England) Regulations 2003, hereby makes the following scheme:-

This scheme may be cited as the South Hams District Council Scheme of Members' Allowances, and shall have effect from 1 April 2018.

1. Basic Allowance

Subject to paragraph 9, for the period 1 April 2018 to 31 March 2019, a Basic Allowance of £5,151 per annum shall be paid to each Councillor. This is intended to recognise the time commitment of Members to Council and constituency duties and costs relating to the use of the Members' home, postage, stationery and minor office equipment.

2. Special Responsibility Allowances

(a) For each year a Special Responsibility Allowance shall be paid to those Councillors who hold the special responsibilities in relation to the authority that are specified below:-

	Amount per annum (£)
(i) Leader of the Council	15,453
(ii) Deputy Leader of the Council Chairman of Development Management Committee) 7,727 each)
(iii) Other Members of the Executive	5,151 each
(iv) Vice-Chairman of the Development Management Committee	2,576
(v) Chairman of the Overview & Scrutiny Panel	5,151
(vi) Vice-Chairman of the Overview & Scrutiny Panel	2,576
(vii) Chairman of the Audit Committee	3,863
(viii) Chairman of the Licensing Committee	2,576
(ix) Chairman of Salcombe Harbour Board (to be paid from Board finances)	2,576
(x) Minority Groups allowance	(<u>£10,302</u>) x 31 number in each group
(xi) Independent Persons	500 each

(b) Allowances for Chairman and Vice-Chairman of Council:-

- | | |
|-------------------------------|-------|
| (i) Chairman of Council | 5,151 |
| (ii) Vice Chairman of Council | 1,288 |

(c) Subject to paragraph 9, the amount of each such allowance shall be the amount specified against that special responsibility in sub-paragraph (a) above. Where a Councillor is entitled to more than one Special Responsibility Allowance, only one such Allowance, equivalent to the higher entitlement, shall be paid.

3. Travelling Allowances

Those duties as set out at Schedule 1 will attract the payment of a travelling allowance at the following rates:-

- (a) The rate of travel by public transport shall not normally exceed the cheapest fare available, subject to the Senior Specialist – Democratic Services exercising discretion in the case of special visits or where business needs to be transacted on the journey.
- (b) The rates of travel by a Member's motor cycle shall be 24 pence per mile.
- (c) The rates of travel by a Member's motor vehicle (other than a motor cycle) shall be 45 pence per mile.
- (d) A supplement of 5 pence per mile for each passenger carried will also be paid.
- (e) The actual amount incurred on any tolls, ferries or parking fees, including overnight garaging shall be reimbursed.
- (f) The rates of travel by a Member's bicycle shall be 20 pence per mile.
- (g) The rate of travel by taxi-cab shall not exceed:-
- (i) in cases of urgency or where no public transport is reasonably available, the amount of the actual fare and any reasonable gratuity paid; and
 - (ii) in any other case, the amount of the fare for travel by appropriate public transport.
- (h) The rate of travel by a hired motor vehicle other than a taxi-cab shall not exceed the rate which would have been applicable had the vehicle belonged to the Member, provided that the rate may be increased at the Senior Specialist – Democratic Services discretion (as in (a) above) to an amount not exceeding the actual cost of hiring.
- (i) Where travel by air is the only effective means of travel or produces sufficient savings in time and / or other allowances, the rate shall not exceed the cheapest fare available.

In addition, Co-opted Members on the Salcombe Harbour Board and the Independent Persons are entitled to claim their travel expenses.

4. **Subsistence Allowances**

(a) Subsistence allowances may be claimed to meet the costs of meals, refreshments, accommodation etc, in connection with the performance of an approved duty as specified at Schedule 1. The rates shall not exceed:-

(i) in the case of an absence, not involving an absence overnight, from the usual place of residence:-

A. of more than 4 hours, £5.00 for breakfast;

B. of more than 4 hours, £5.00 for lunch;

C. of more than 4 hours, including the period 3.00 pm to 6.00 pm, £2.94 for tea;

D. of more than 4 hours, ending after 7.00 pm, £5.00 for an evening meal;

provided that, for meetings such as Council, Committee or other Council body meetings, meals or refreshments may be provided by the Council, including on occasions where the absence from the residence may not exceed 4 hours.

Where such meals are provided or paid for separately by the Council, the appropriate subsistence allowance shall not be paid to a Member, unless the Member has specifically indicated that he or she is unable or does not wish to take the meal provided by the Council, or otherwise where other unforeseen commitments prohibit the taking of the meal.

(ii) in the case of an absence overnight from the usual place of residence, £79.82, or, for such an absence overnight in London or an annual conference of the Local Government Association or such other association of bodies as the Secretary of State may designate, £91.04.

(b) The actual reasonable costs of meals taken on trains may be reimbursed. (This would replace the subsistence allowance for the appropriate meal period).

5. **Dependants' Carers' Allowance**

A Councillor may claim a Carers' allowance in accordance with the provisions specified at Appendix A.

6. **Renunciation**

A Councillor may by notice in writing given to the Senior Specialist – Democratic Services elect to forego any part of his entitlement to an allowance under this scheme.

7. **Part-Year Entitlements**

- (a) The provisions of this paragraph shall have effect to regulate the entitlements of a Councillor to basic and special responsibility allowances where, in the course of a year, this scheme is amended or that Councillor becomes, or ceases to be, a Councillor, or accepts or relinquishes a special responsibility in respect of which a special responsibility allowance is payable.
- (b) If an amendment to this scheme changes the amount to which a Councillor is entitled by way of a basic allowance or a special responsibility allowance, then in relation to each of the periods:-
- (i) beginning with the year and ending with the day before that on which the first amendment in that year takes effect, or
 - (ii) beginning with the day on which an amendment takes effect and ending with the day before that on which the next amendment takes effect, or (if none) with the year, the entitlement to such an allowance shall be to the payment of such part of the amount of the allowance under this scheme as it has effect during the relevant period as bears to the whole the same proportion as the number of the days in the period bears to the number of days in the year (ie a pro-rata calculation will be made).
- (c) Where the term of office of a Councillor begins or ends otherwise than at the beginning or end of a year, the entitlement of that Councillor to a basic allowance shall be to the payment to such part of the basic allowance as bears to the whole the same proportion as the number of days during which his term of office subsists bears to the number of days in that year.
- (d) Where this scheme is amended as mentioned in sub-paragraph (b), and the term of office of a period Councillor does not subsist throughout the period mentioned in sub-paragraph (b)(i), the entitlement of any such Councillor to a basic allowance shall be to the payment of such part of the basic allowance referable to each such period (ascertained in accordance with that sub-paragraph) as bears to the whole the same proportion as the number of days during which his term of office as a Councillor subsists bears to the number of days in that period.
- (e) Where a Councillor has during part of, but not throughout, a year such special responsibilities as entitle him or her to a Special Responsibility Allowance, that Councillor's entitlement shall be to payment of such part of that allowance as bears to the whole the same proportion as the number of days during which he has such special responsibilities bears to the number of days in that year.

- (f) Where a Councillor has been appointed on a temporary basis to a position which attracts a special responsibility allowance, that Councillor's entitlement shall, following a 3 month period in that position, be to payment of such part of that allowance as bears to the whole the same proportion as the number of days during which he has such special responsibilities bears to the number of days in that year. Payment to the Councillor previously entitled to the special responsibility allowance shall, at the same point, cease.
- (g) Where this scheme is amended as mentioned in sub-paragraph (b), and a Councillor has during part, but does not have throughout the whole, or any period mentioned in sub-paragraph (b)(i) of that paragraph any such special responsibilities as entitle him or her to a special responsibility allowance, that Councillor's entitlement shall be to payment of such part of the allowance referable to each such period (ascertained in accordance with that sub-paragraph) as bears to the whole the same proportion as the number of days in that period during which he or she has such special responsibilities bears to the number of days in that period.

8. Claims and Payments

- (a) **No payment will be made of any travel and subsistence claim received by Democratic Services more than three months after the meeting for which the claim is made, unless authorised** by the Senior Specialist – Democratic Services in exceptional circumstances. Members are encouraged to submit a claim every month with any such claims being accompanied by receipts.
- (b) Payments shall be made on a monthly basis along with payments for the basic and any special responsibility allowances. Such payments will be made direct to the bank or building society account of the Member's choice.
- (c) Where a payment under this scheme in respect of a basic allowance or a special responsibility allowance would result in the Councillor receiving more than the amount to which, by virtue of paragraph 8, he or she is entitled, the payment shall be restricted to such amount as will ensure that no more is paid than the amount to which he or she is entitled.

9. Suspension

If a Member is suspended or partially suspended from his responsibilities or duties as member of an authority in accordance with Part III of the Local Government Act 2000 or regulations made under that Part, the proportion of the basic allowance, any special responsibility allowance and travelling and subsistence allowance payable to him/her in respect of the period for which he is suspended or partially suspended may be withheld by the authority.

SCHEDULE 1

APPROVED DUTIES

There is specified as an approved duty for the purpose of the payment of travelling and subsistence allowances, attendance at:-

- (a) meetings of the Council, its Committees, the Executive and Overview & Scrutiny Panel, subject, in each case of attendance at any bodies of which a Councillor is not a Member, to the prior invitation of the relevant Chairman;
- (b) meetings of other bodies to which the authority makes appointments, or of any committee or sub-committee of such a body;
- (c) any other meeting the holding of which is authorised by the authority, or a committee, group of the authority, or a joint committee of the authority and one or more other authorities, or a sub-committee of such a joint committee, provided that:-
 - (i) where the authority is divided into two or more political groups, it is a meeting to which members of at least two such groups have been invited, or
 - (ii) if the authority is not so divided, it is a meeting to which the authority is a member;
- (d) the following types of meetings, provided that where the authority is divided into two or more political groups, Members of at least two such groups have been invited:-
 - (i) briefing and other meetings relating to activities of the Council or matters affecting the District;
 - (ii) meetings relating to future change in local government;
- (e) the opening of tenders in accordance with Standing Orders by the relevant nominated Members;
- (f) a meeting of any association of authorities of which the authority is a member.
- (g) a meeting of any town or parish council within their electoral ward, and of which they are not already a member.

In addition, Members may claim travelling and subsistence allowances for meetings or events not otherwise provided for in this scheme when asked in writing to attend by a member of the Senior Management Team, when such attendance is in the interests of the Council or in pursuance of its policies.

Duties excluded by these provisions are those in respect of which the Member receives remuneration otherwise than under this scheme.

For further information, please contact:-

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South Hams District Council

Dependants' Carers' Allowance

An allowance in line with the National Living Wage (£7.83 per hour) may be claimed when a carer for a dependant has been engaged to enable a councillor to carry out an approved duty (as specified in Schedule 1).

A carer will be any responsible person who does not normally live with the councillor as part of that councillor's family.

An allowance will be payable if the dependant being cared for:-

- is a child under the age of 14
- is an elderly person; or
- has a recognised physical or mental disability

who normally lives with the councillor as part of that councillor's family and should not be left unsupervised.

For meetings or duties within the Council's boundaries, the allowance will be paid for the duration of the meeting or otherwise approved duty plus an allowance for up to one hour's total travelling time before and after the meeting.

The actual cost of care will be reimbursed, up to a maximum of £7.83 per hour.

The level of allowance will be adjusted automatically in line with any adjustments made to the National Living Wage.

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Committee Meeting	Proposed workplan/timetable for South Hams District Council Audit Committee 2018/19
21 March 2019 (10.00am)	<ul style="list-style-type: none"> i) Grant Thornton – Interim Audit Report 2018/19; ii) Grant Thornton Update Report (standing agenda item); iii) Treasury Management update (for information); iv) Devon Audit Partnership Arrangements; v) 2019/20 Internal Audit Plan; vi) Draft Budget Book 2019/20; vii) Cost Methodology for Shared Services 2018/19; viii) Update on Progress on the 2018/19 Internal Audit Plan; ix) Six monthly update – Strategic Risk Assessment; x) Monitoring report on Commercial Property Portfolio; and xi) Six monthly update – Strategic Debt review.

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