Slough
Borough Council

Taking pride in our communities and town

Date of issue: Wednesday, 2 December 2015

MEETING:	**AUDIT AND CORPORATE GOVERNANCE COMMITTEE** (Councillors Chohan (Chair), Matloob (Vice-Chair), Ajaib, Amarpreet Dhaliwal, Mansoor, Nazir and Sandhu) **CO-OPTED INDEPENDENT MEMBERS:** Graham Davies, Ajay Kwatra, Ronald Roberts and Alan Sunderland.
DATE AND TIME:	THURSDAY, 10TH DECEMBER, 2015 AT 6.30 PM
VENUE:	VENUS SUITE 2, ST MARTINS PLACE, 51 BATH ROAD, SLOUGH, BERKSHIRE, SL1 3UF
DEMOCRATIC SERVICES OFFICER: **(for all enquiries)**	SHABANA KAUSER 01753 787503

NOTICE OF MEETING

You are requested to attend the above Meeting at the time and date indicated to deal with the business set out in the following agenda.

RUTH BAGLEY
Chief Executive

AGENDA

PART I

AGENDA ITEM	REPORT TITLE	PAGE	WARD
	Apologies for absence.		

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forest

AGENDA ITEM	REPORT TITLE	PAGE	WARD
1.	Declarations of Interest		

All Members who believe they have a Disclosable Pecuniary or other Pecuniary or non pecuniary Interest in any matter to be considered at the meeting must declare that interest and, having regard to the circumstances described in Section 3 paragraphs 3.25 – 3.27 of the Councillors' Code of Conduct, leave the meeting while the matter is discussed, save for exercising any right to speak in accordance with Paragraph 3.28 of the Code.

The Chair will ask Members to confirm that they do not have a declarable interest.

All Members making a declaration will be required to complete a Declaration of Interests at Meetings form detailing the nature of their interest.

AGENDA ITEM	REPORT TITLE	PAGE	WARD
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3.	Appointment of Monitoring Officer	7 - 8	All
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5.	Local Government Governance Review 2015	71 - 106	All
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7.	Date of Next Meeting - 10 March 2016		-

Press and Public

You are welcome to attend this meeting which is open to the press and public, as an observer. You will however be asked to leave before the Committee considers any items in the Part II agenda. Please contact the Democratic Services Officer shown above for further details.

The Council allows the filming, recording and photographing at its meetings that are open to the public. Anyone proposing to film, record or take photographs of a meeting is requested to advise the Democratic Services Officer before the start of the meeting. Filming or recording must be overt and persons filming should not move around the meeting room whilst filming nor should they obstruct proceedings or the public from viewing the meeting. The use of flash photography, additional lighting or any non hand held devices, including tripods, will not be allowed unless this has been discussed with the Democratic Services Officer.

sustainable forest

Audit and Corporate Governance Committee – Meeting held on Thursday, 24th September, 2015.

Present:-   Councillors Chohan (Chair), Matloob (Vice-Chair), Amarpreet Dhaliwal, Mansoor (from 7.22pm) and Sandhu

Co-opted Independent Members:-   Alan Sunderland, Ronald Roberts

Independent Person:-   Dr Louis Lee

Representatives of the Parish Councils:-   Parish Councillor Muhammad Jarral

Apologies for Absence:-   Councillors Ajaib and Nazir, Mr Davies and Mr Kwatra

PART 1

13.   Declarations of Interest

None.

14.   Minutes of the Last Meeting held on 8th July 2015

Resolved -   That the minutes of the last meeting held on 8th July 2015 be approved as a correct record.

15.   Audit and Risk Management Update: Quarter 1 2015/16

The Assistant Director Finance & Audit introduced a report which summarised internal audit issues, counter fraud activity and the Council's Risk Register, and sought Member's comments.

Internal Audit Q1 2015-16 Progress Report

Members were informed that that the overall Internal Audit reports continued to be finalised at a more appropriate rate than in the previous financial year. Of the 2014-15 internal audits, three remained outstanding fort the Council:

- Procurement
- Arvato Performance Management
- Educational Services – Contract Management Arrangements

71% of the internal audit recommendations due by 31st July 2015 had been implemented. 4% of recommendations were listed as 'no progress', mainly the Data Quality: Performance Indicators within Contracts audit. Chalvey Early Years nursery and Khalsa Primary School had not yet responded to the recommendations, and were deemed as high risk.

However, all school reports had been received on time, and the budget setting audit had been assessed as green for the second year in succession.

Fraud Update

It was noted that no fraud activity in excess of £10,000 had been recorded in the first quarter of 2015/16. A report on the revised Corporate Anti-Fraud policy would be brought to a future meeting of the Committee.

Corporate Risk Register

The current corporate risk register at Appendix B to the report was noted. Some minor changes since the previous meeting had been made, though these were not substantive.

Contract Management

Roger Parkin, Director of Customer and Community Services, introduced a report on the Council's Contract Management, requested by Members at the previous meeting.

70% of the Council's expenditure was through contracts, with most of the key contracts due for renewal within the next 18 months. It was therefore a focus for the Council to ensure that errors in the existing contracts, and management of those contracts, were not repeated when recommissioning the service contracts.

Previously, contracts were largely self-monitoring, which proved difficult to manage due to a lack of performance indicators and an inability to challenge should services not meet the expected standards. In addition, staff had not recognised the management of these contracts as a key part of their job, and staff had not been sufficiently trained to properly manage the contract.

The Council had now employed Local Partnerships to deliver contract management and value for money training. In addition, contract managers would be full time and dedicated to that specific task. Staff who were not felt to have the requisite aptitude would be moved elsewhere. All contracts were being brought into one area, to be reviewed by a group of contract managers reporting to the Director, to provide visibility and oversight of performance. A change order notice would also need to be approved at Director level, whenever a change to a contract was sought.

Newly commissioned contracts would have increased performance reporting tools and the Council would have increased power to challenge moving forward, e.g. a refusal to settle bills should issues raised not be addressed. An exception to this would be the Children's Services contract. As the contract was a result of an intervention, the Council's legal capacities were limited, and an external agency, Sharpe Pritchard, was being used to drive up efficiencies and improvements.

All new contracts would be tendered for in line with the 5 Year Plan, supported by the Legal and Finance teams, and would be focussed on the outcomes required by the Plan. Contracts would be designed to include clauses to drive down, rather than increase, costs over the term of the contract.

Members sought clarity regarding the regularity of contract reviews by Baker Tilly. It was confirmed that not all contracts were reviewed on an annual basis. A risk-based plan was in effect that prioritised reviews for higher value contracts to provide assurance. A specialist contract risk team was also in place that provided mechanisms for oversight in lieu of annual reviews.

The Committee requested that regular updates on Contract Management be brought to future meetings. Information requested for inclusion in the report included a roadmap detailing the approach taken confirming what would be achieved, how it would be achieved, and what measures and controls were being put into place to provide assurance and governance. It was agreed that the Assistant Director, Finance and Audit, would liaise with the Chair to determine which meeting the next report would be brought to.

Resolved –

(a) That the Internal Audit update for Quarter 1 2015/16, Counter Fraud Activity and Council's Risk Register be noted.

(b) That the report on Contract Management be noted, and that a further update be brought to a future meeting of the Committee.

16. **External Auditors Annual Audit Report**

The Assistant Director: Finance & Audit introduced a report, the purpose of which was to provide Members with the opportunity to receive and question the Council's external auditors concerning the audit of the 201-15 Financial Statements, and to then approve the financial statements.

The Council's overall financial position was set out, showing a small underspend of £250K whilst delivering savings of £12.5m. There was a £2m shift in the amount of Business Rates debit that could be collected during the year, and if the business rates were to shrink in the future, the Council's longer term income would decrease.

There was no change to the general Fund Balance, leaving a balance of £8.1m as of 31 March 2015. This was in excess of the £3.7m minimum of non-ringfenced reserves for use in emergencies.

The external auditor, Mr Grant of BDO LLP, presented his report on the financial statements which set out the findings of the external audit to date.

Members were informed that, subject to satisfactory completion of the outstanding audit work, BDO would be issuing an unqualified opinion on the financial statements for the year ended 31 March 2015.

Due to Ofsted's report on the Children's Social Care Services, and the resulting decision by the Secretary of State for Education to direct the Council to transfer the service to a new organisation, the value for money conclusion would be qualified opinion.

Three material errors had been identified, however these were technical in nature and did not affect the bottom line. The Council had agreed to amend these errors in the revised financial statements. Financial resilience had been recognised as a risk area, but the Council had adequate reserves, and the medium term financial plan was balanced.

It was confirmed that progress had been made in reducing the number of weaknesses identified in the report, in comparison to the previous year. There were less material/non-fundamental errors found, and the standard of draft accounts were greatly improved. Thusly, the opinion could be delivered in a timely fashion. However, some issues remained, particularly relating to schools, though this was an issue common to many Local Authorities.

Members requested further detail regarding the issues relating to schools. It was confirmed that the majority of issues were a result of internal processes needing improvement, certain schools not being on the Council's finance system which made reconciling information difficult, and the fact that some schools were struggling to manage the data requested.

To address these issues, the Council would be visiting other BDO clients in order to review how they managed those issues, to improve internal processes as part of a best practice initiative. In addition, there was a move to a new finance system (Agresso), which would highlight further improvements, while staff would be sent to the schools to help them declare their information properly. Members requested that the Committee be notified of any issues relating to schools early, so that it could help these to be addressed. In addition, it was requested that the Education and Children's Services Scrutiny Panel be asked to help, due to their links with the schools.

Members sought clarity regarding the under spending within the Capital Programme. Members were informed that this was part of balancing the budget, with some areas underspending, and some overspending. Housing development funding was expected to see much larger levels of expenditure in future years, with proposals to buy sites at Ledgers Road and Wexham Nursery to be developed through the Slough Regeneration Project.

Resolved –   (a) That the External Auditors Annual Audit Report be noted.
                 (b) That the Financial Statements 2014/15 be approved.

17.   Financial Statements 2014/15

The item was considered together with the External Auditors Annual Audit Report.

18.   Review of Whistleblowing and Anti-Fraud Policies

Joseph Holmes, Assistant Director: Finance and Audit, introduced a report informing the Committee that the Whistleblowing and Anti-Fraud polices were being reviewed, following an audit of the Corporate Fraud team by Baker Tilly in 2014/15. It was confirmed that once the new policies had been drafted and reviewed, they would be brought to the Committee for consideration and comments.

Resolved -   That the report informing the Committee that the Whistleblowing and Anti-Fraud policies were being reviewed was noted.

19.   Members Attendance Record

The Member's Attendance record was noted.

20.   Date of Next Meeting - 10th December 2015

The date of the next meeting was confirmed as Thursday, 10th December 2015.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 7.57 pm)

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SLOUGH BOROUGH COUNCIL

REPORT TO: Audit & Corporate Governance Committee **DATE:**10th December 2015

CONTACT OFFICER: Gurpreet Anand
(For all enquiries)   (01753)785285

WARD(S):   All

PART I
FOR INFORMATION

APPOINTMENT OF MONITORING OFFICER

1   **Purpose of Report**

This report seeks to inform the Committee of the appointment of the Council's Monitoring Officer.

2   **Recommendation**

That the appointment of Gurpreet Anand, Assistant Director, Procurement and Commercial Services, as the Council's Monitoring Officer with effect from 25th November 2015, be noted.

3   **Community Strategy Priorities**

The Monitoring Officer, along with the Head of Paid Service and the Section 151 Officer combine to form the Council's Statutory Officer functions. These roles are key to ensuring lawfulness, fairness, probity and general good governance that support the council in achieving its aims. It is important that they work effectively together yet maintain appropriate independence and that the roles are undertaken by adequately skilled and experienced staff supported by appropriate resources.

4   **Other Implications**

(a) Financial

None.

(b) Human Rights Act and Other Legal Implications

The appointment of a Monitoring Officer is a statutory requirement under Section 5, Local Government & Housing Act 1989.

5   **Supporting Information**

5.1   Following the restructuring of the Chief Executive's Directorate the Council, at its meeting on 22nd September 2015, appointed Linda Walker as an interim Monitoring Officer pending a permanent appointment to the role.

5.2   The Council's Monitoring Officer has a number of functions which are defined within the Council's constitution. These include; ensuring lawfulness and fairness of decision making, supporting the Audit and Corporate Governance Committee, receiving reports, conducting investigations, ensuring access to information, advising whether executive decisions are within the budget and policy framework and maintaining the Constitution.

5.3   The Council, at its meeting on 24th November 2015, appointed Gurpreet Anand, the Assistant Director, Procurement and Commercial Services as the Council's Monitoring Officer with effect from 25th November 2015.

5.3   Linda Walker will conclude matters that she is currently dealing with and support the new Monitoring Officer in his new role to the end of December 2015.

6   **Background Papers**

None

SLOUGH BOROUGH COUNCIL

REPORT TO: **Audit & Risk Committee**   **DATE: 10ᵗʰ December 2015**

CONTACT OFFICER: Joseph Holmes; Assistant Director, Audit & Finance
(For all enquiries)   (01753) 875368

WARD(S):   **All**

PART I
FOR DECISION

Audit & Risk Management Update – Quarter 2 2015-16

1   Purpose of Report

The purpose of this report is to:

- Report to members on the progress against the 2015/16 Internal Audit Plan up to Quarter 2
- Report to members on the progress of the implementation of Internal Audit recommendations
- Report to members the Council's latest counter-fraud activity
- Report to members the Council's Risk Register
- Request that members approve the Anti Fraud & Corruption policy

2   Recommendation

That Audit & Risk Committee is requested to comment on and note the reports.

3   Sustainable Community Strategy Priorities

The actions contained within the attached reports are designed to improve the governance of the organisation and will contribute to all of the emerging Community Strategy Priorities

Priorities:
- *Economy and Skills*
- *Health and Wellbeing*
- *Regeneration and Environment*
- *Housing*
- *Safer Communities*

4   Other Implications

4.1   Financial

None other than those detailed in the internal audit reports

4.2   Risk Management

This report concerns risk management across the Council

4.3   Human Rights Act and Other Legal Implications

          n/a

4.4   *Equalities Impact Assessment*

          There is no identified need for an EIA

5   Supporting Information

5.1   Overview

5.1.1   Baker Tilley have completed a number of audits from their work during the first
          quarter of 2015-16.

5.1.2   The overall Internal audit reports have continued to be finalised at an effective
          rate. Of the 2014-15 internal audits, four remain in draft and RSM are working
          with the Council to finalise these shortly.

5.1.3   No reports in respect of schools remain outstanding for longer than two months.

5.1.4   The Committee were provided with an update of policies at its previous meeting
          that needed revising, as well as the latest Anti-Fraud and Corruption Policy.
          This is attached in Appendix C for the Committee's review and approval.

5.1.5   The Corporate Risk Register has been updated to reflect the latest risks.

5.2   Internal Audit Q2 2015-16 progress report

5.2.1   The full report is attached at Appendix A.
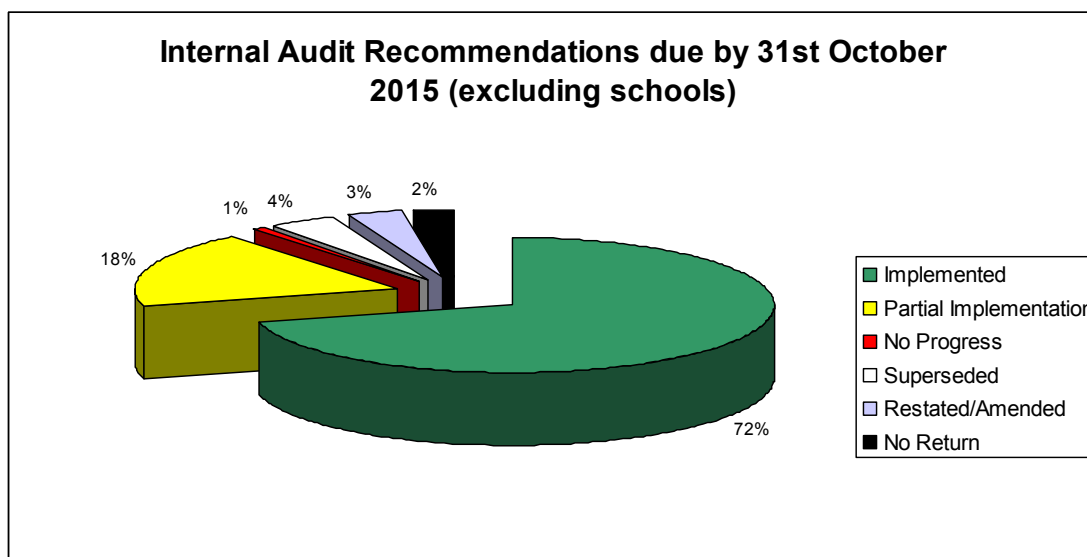
5.2.2   The internal audit plan for 2015-16 was set very much with a focus on
          addressing identified risks in the Corporate Risk Register, External audit's risk
          focus and in light of the 5YP.

5.3   Finalising Internal Audit Reports

5.3.1.1   The table below shows those Internal Audits that remain in draft and are yet to
          be finalised as at 1st November 2015.

Audit Title	Draft Issued	Responses due	Client sponsor	Rating
arvarto phase II contract Management review 25 14 15	*10 February 2015*	*24 February 2015*	*Roger Parkin*	*Advisory*
Education Services Contract Management 37 14 15	*07 May 2015*	*21 May 2015*	*Jane Wood*	*Red*
Data Protection Children's Social Care 39 14 15	*18 May 2015*	*1 June 2015*	*Krutika Pau*	*Amber Red*
Procurement 40 14 15	*21 May 2015*	*4 June 2015*	*Roger Parkin*	*Amber Red*
Chalvey Early Years Centre 5 15 16	30 July 2015	13 August 2015	Krutika Pau	Amber Red
Matrix - Agency Staff 7 15 16	06 August 2015	20 August 2015	Ruth Bagley	
Adult Safeguarding 11 15 16	25 September 2015	09 October 2015	Alana Sinclair	
Pippins School 10 14 15	25 September 2015	09 October 2015	Krutika Pau	

5.3.2 The Risk and Insurance Officer regularly monitors the progress of the implementation of "high" or "medium" recommendations made following Internal Audit reports. Below is a graph that shows the percentage of recommendations that have either been implemented, are in progress, no action has been taken, or the recommendation has been superseded.

5.3.3 Bakertilly has received assurance that the Council's Internal Audit recommendation tracking tool implemented by the Council is a useful tool for the Committee.

5.3.4 The number of implemented recommendations has stabilised at around the 70% mark, with a further 22% of recommendations either being superseded or have partial progress.

Internal Audit Recommendations due by 31st October 2015 (excluding schools)

Legend:
- Implemented
- Partial Implementation
- No Progress
- Superseded
- Restated/Amended
- No Return

5.3.5 The table below details those audits where recommendations are still outstanding or where requests for information has no been responded to.

Name of Audit	High Level rec's not Responded to	Medium Level rec's not Responded to
Corporate Reports		
Use of Agency & Workforce Planning	1	1
Lone Working Procedures	1	0
Sub Total	**2**	**1**
Schools		
Baylis Court Nursery School	0	1
Chalvey Early Years 1 14 15	2	3
Lea Nursery School	0	2
Holy Family Catholic Primary 2 14 15	0	2
Wexham 20 13.14	1	1
Our Lady of Peace Junior	0	2
Khalsa	2	3
Total	**7**	**15**

5.5   **Fraud update**

- Every year the Council is required to report all fraud activity with a value over £10,000. The Council provides this summary on a quarterly basis to the Audit & Risk Committee, see the below.

Type of Fraud	Amount	Recovery Action	Action Against Perpetrator
Benefit and Grant fraud	Grant monies unaccounted. £14,822.02p HB: £3,324.25 CTB: £1,1046.11	Joint Investigation and prosecution with Thames Valley Police	Defendant charged with Fraud 11/05/15

.

- Corporate Fraud opened 68 investigations, either individually or jointly with the DWP, Single Fraud Investigation Service (SFIS).

- Sanctions: 8 administrative penalties were issued for Council Tax Support fraud.

- From the joint investigations the DWP issued 25 administrative penalties for HB fraud, to be collected by SBC.

- SBC received £53,601.11 from the Court Service in confiscation-compensation for a previous benefit fraud conviction and financial investigation. In addition, SBC received £7,500 in costs.

- Financial investigations received three referrals for consideration of a financial investigation under The Proceeds of Crime Act 2002. A referral can be made where an independent department is considering a persecution, such as Planning or Trading Standards.

- As part of the 2014-15 internal audit plan, a review of the Council's counter-fraud arrangements is being completed. The Baker Tilly audit report was published on 09/07/15, in Q2. The report included 49 recommendations, one being high risk, relating to policy and procedure updates.

- The fraud team is reviewing National Fraud Investigation (NFI) data matches, as and when other operational commitments allow.
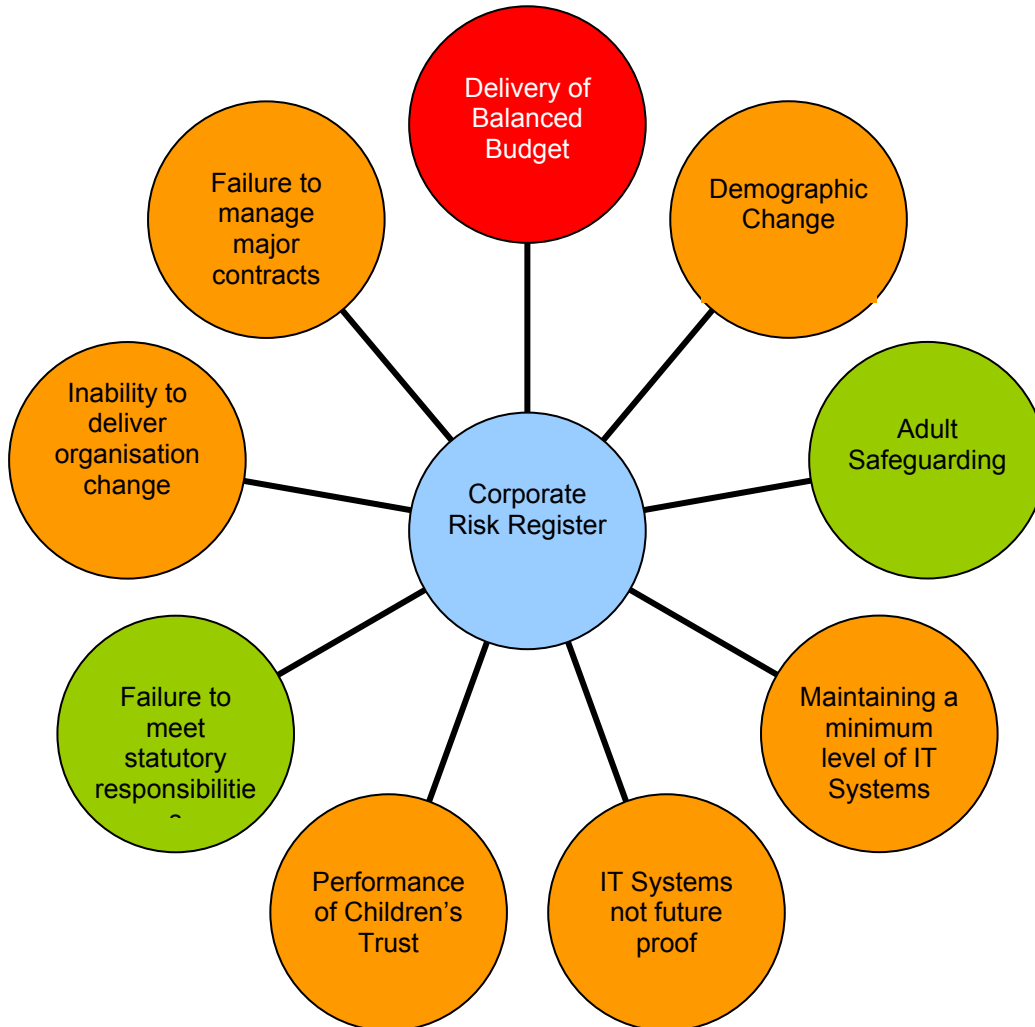
5.6   **Corporate Risk Register**

5.6.1 The Corporate Risk Register is included within appendix C. The Audit Committee are asked to review the risk register and provide any comments back through the CMT.

5.6.2 Following the last quarterly review of the Corporate Risk Register the following major amendments have been made;

- The transition to the new Children's Trust has been removed from the risk register.

- A new corporate risk has been added that reflects the need to monitor the Children's Trust to ensure it delivers the required service improvements.

- The Better Care Fund risk has been amalgamated into the "Failure to deliver a Balanced Budget" risk.

5.6.2   Below is a diagram that illustrates the make up of the corporate risk register and the risk ranking

6   Comments of Other Committees

n/a

7   Conclusion

That the Audit Committee notes the latest updates from Internal Audit.

8   Appendices Attached
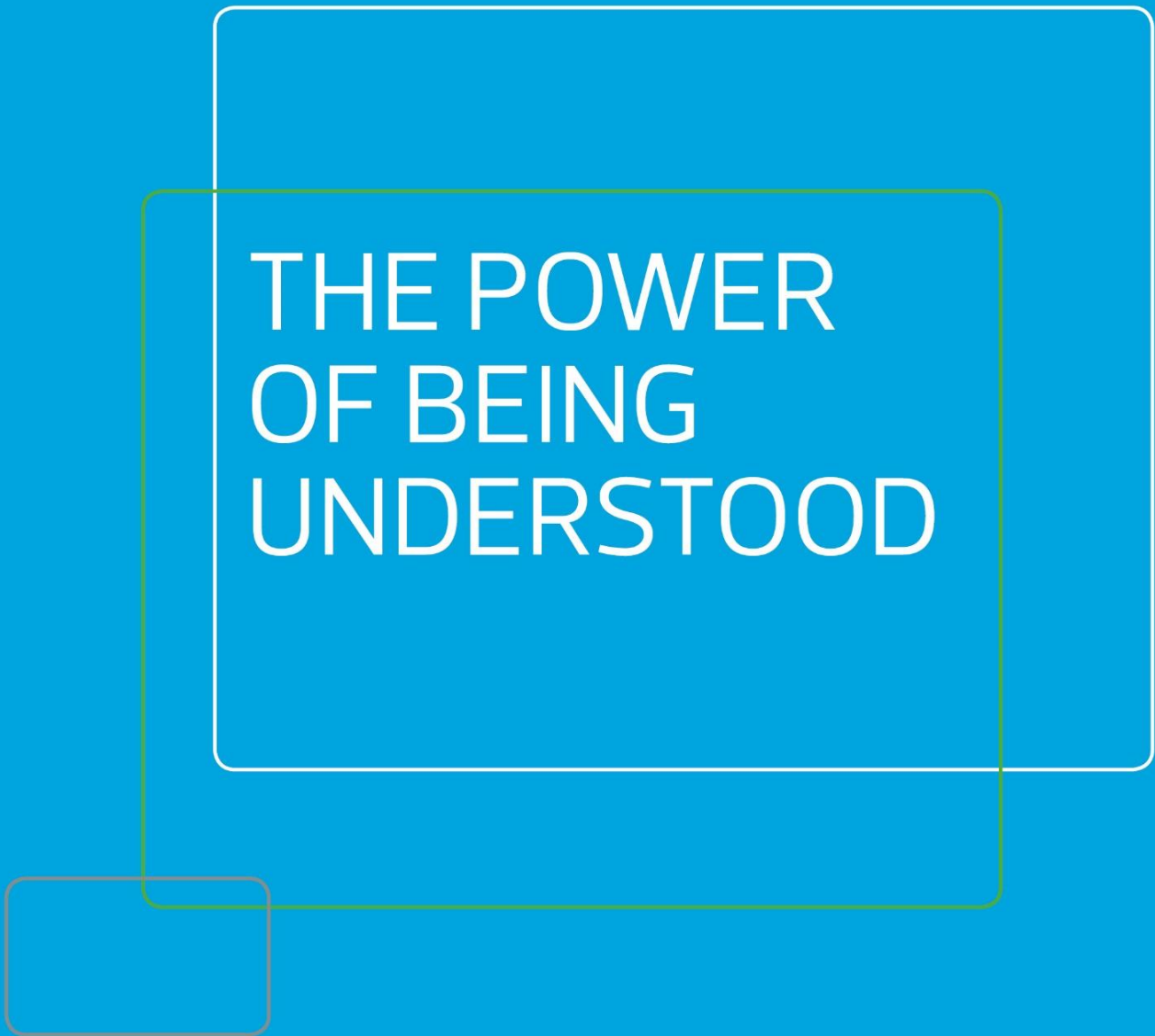
'A'   - Internal Audit Q1 2015-16 progress report
'B'   - Corporate Risk Register
'C'   -Anti Fraud & Corruption policy

9   Background Papers

Baker Tilley Audit Reports

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THE POWER OF BEING UNDERSTOOD

RSM

SLOUGH BOROUGH COUNCIL

Internal Audit Progress Report

For presentation to the Audit and Corporate Governance Committee

10 December 2015

CONTENTS

1   INTRODUCTION

The internal audit plan for 2015/16 was approved by the Audit and Corporate Governance Committee in March 2015. Below provides a summary update on progress against that plan and summarises the results of our work to date. Please see the chart below for current progress with the plan.
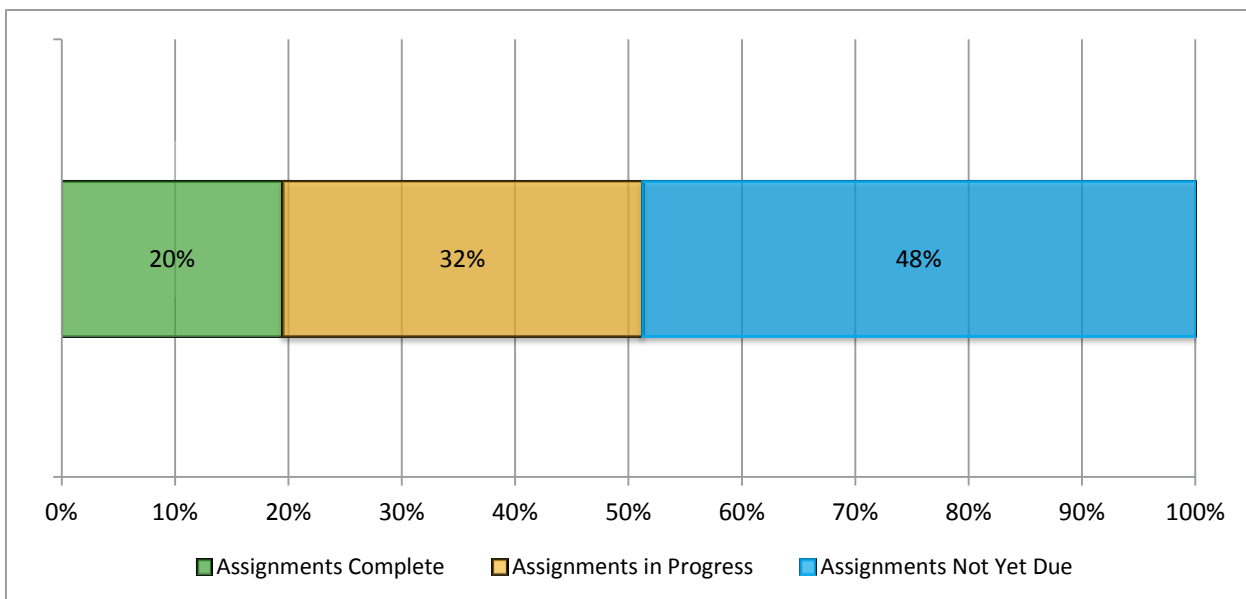
2 REPORTS CONSIDERED AT THIS AUDIT COMMITTEE

This progress report provides an update on the remaining 2014/15 audit reports and an update on progress with the 2015/16 Internal Audit Plan.

2014/15 draft reports:
The following five reports are still outstanding in draft from the 2014/15 audit plan:
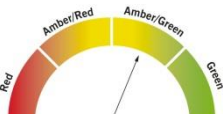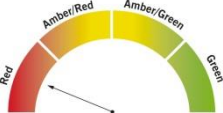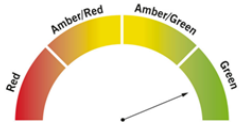
- Arvato Phase II – We are actively working with management to finalise this report.
- Arvato Performance Management - We are actively working with management to finalise this report.
- Data Protection Action – Subject Access Requests – Children's Services – we are liaising with the Interim Director of Children's Services to get this finalised.
- Educational Services – Contract Management – We are working with the Strategic Director, Wellbeing with a view to finalising this report.
- Procurement - We are actively working with management to finalise this report.

We have been chasing management responses and are working with management to finalise these reports.

2015/16 Final reports:

The internal audit plan for 2015/16 was approved by the Audit and Corporate Governance Committee in March 2015. The table below informs the Audit and Corporate Governance Committee of the six audit reports that have been finalised since the last meeting.   The Executive Summary and Key Findings of the reports finalised below are attached to this progress report (at Appendix B) where a red or amber red assurance opinion has been provided. Appendix A also contains details of the full history of the audits finalised in 2015/16 that have been presented to previous meetings.

Assignments	Status	Opinion issued	Actions agreed		
			L	M	H
2015/16 FINAL REPORTS					
Better Care Fund (6.15/16)	FINAL		0	3	3
Hire of Council Buildings (9.15/16)	FINAL		0	9	3
Commissioning (Voluntary and Community Sector) (12.15/16)	FINAL		2	3	0

Assignments	Status	Opinion issued	Actions agreed		
			L	M	H
Penwood School (2.15/16)	FINAL		2	0	0
Pippins School (10.15/16)	FINAL		3	2	0
SFVS (8.15/16)	FINAL	ADVISORY			

2015/16 draft reports:

In addition to those reports finalised above since the previous meeting, the following reports have been issued to management in draft for 2015/16:

- Chalvey Early Years Centre (5.15/16)
- Matrix – Management of Agency Staff (7.15/16)
- Adult Safeguarding (11.15/16)

3   LOOKING AHEAD

This section provides a further update on progress against the 2015/16 plan and summarises the current status of all remaining audits.

Assignment area	Timing per approved IA plan 2015/16	Status	Target Audit Committee per the IA Plan 2015/16
Chalvey Early Years Centre (5.15/16)	July 2015	Draft issued on 30 July 2015	September 2015
Matrix - Management of Agency Staff (7.15/16)	July 2015	Draft issued on 6 August 2015	September 2015
SFVS (8.15/16)	July 2015	Draft issued on 11 August 2015	September 2015
Adult Safeguarding	July 2015	Draft issued on 25 September 2015	September 2015
Schools Thematic Review	September 2015	In QA – draft report to be issued shortly.	March 2016
Cheque Payments	August 2015	In QA – draft report to be issued shortly.	March 2016
Grants	September 2015	In QA – draft report to be issued shortly.	March 2016
Recruitment	October 2015	In QA – draft report to be issued shortly.	March 2016
Wexham Secondary School	Commencing 16/11/15	Fieldwork complete – In QA	March 2016
Slough Centre Nursery	Commencing 19/11/2015	Fieldwork complete – In QA	March 2016
Council Tax	Commencing 23/11/2015	In Progress	March 2016
Housing Benefits	Commencing 27/11/2015	In Progress	March 2016
Governance	December 2015	Scope Issued	March 2016
Treasury Management	Commencing 03/12/2015	Scope Issued	March 2016
Budgetary Control and Financial Reporting	Commencing 07/12/2015	Scope Issued	March 2016
Cash Handling	Commencing 09/12/2015	Scope Issued	March 2016
Business Rates	Commencing	Scope Issued	March 2016

Assignment area	Timing per approved IA plan 2015/16	Status	Target Audit Committee per the IA Plan 2015/16
	14/12/2015		
Capital	Commencing 16/12/2015	Scope Issued	March 2016
Risk Management	Commencing 18/12/2015		March 2016
Creditors	Commencing 04/01/2016		March 2016
Implementation of the Care Act	Commencing 15/01/2016		March 2016
Debtors Management	Commencing 25/01/2016		March 2016
Rent Accounts	Commencing 25/01/2016		March 2016
General Ledger	Commencing 01/02/2016		March 2016
Payroll	Commencing 02/02/2016		March 2016
IT Strategy	Commencing in Q4		March / July 2016
IT Business Continuity and Disaster Recovery	Commencing in Q4		March / July 2016
Contract Management - Implementation of Previous Recommendations	Commencing in Q4		March / July 2016
Assets	Commencing 10/02/2016		July 2016
Follow Up	Commencing 10/02/2016		July 2016
Annual Governance Statement	Commencing 29/03/2016		July 2016

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4 OTHER MATTERS

4.1 Changes to the audit plan

There have been changes to the audit plan, please see details below: Auditable area	Reason for change
ERP Implementation	This work will be conducted in 3 stages; a transfer of balances review to provide assurance that balances have been appropriately transferred across to the new CSO; sitting on the ERP project Board to provide a 'critical friend' opinion on the progress of the project and some 'real time auditing' on the system as it being developed as required by the Council.
Contracts Lettings Assurance.	This work will be undertaken by our Contract Management Specialist Team, who have previously provided specialist input and advisory reviews in this area for the Council.

4.2 Added value work

We have undertaken the following added value work since the previous Audit Committee.

Area of work	How this has added value
Our audit of Troubled Families (May Submission) was undertaken to provide assurance that the Council had identified appropriate families for inclusion within the scheme in line with DCLG guidance.	Our audit provided the Council with assurance that the Troubled Families Team had identified appropriate families, in line with the guidance provided by DCLG for inclusion within the Troubled Families Phase I scheme. Our findings were also verified by an independent review conducted by DCLG in May 2015 whose results were consistent with our findings.
Our consultancy team has undertaken a review of the Council's contract with Slough Community Leisure to provide assurance as to the accuracy of figures used as part of the contract, which was won following a Council led Tender Exercise through the Procurement Team.	The work will provide assurance to the Council that accurate financial information is contained within the contract.
We are attending meetings of the ERP Project Board. This role is being undertaken by one of our IT specialists	Through attendance at the Project Board we will be able to provide assurance over the effectiveness of project management arrangements in respect of the ERP project implementation.

4.3 Information and briefings

The following items were highlighted as part of our information briefings since the last Audit Committee.

Key issues	Impact and actions required
Delivering good governance in local government: a framework	The Council to Note
The CIPFA / SOLACE Joint Working Group have published an updated 'Delivering Good Governance in Local Government' framework. The framework has been reviewed so that it remains appropriate as: local authorities adapt to further funding reductions; develop their own approach to governance; and to ensure it emphasises the importance of the longer term link between governance and public financial management. The consultation will remain open until 28 September 2015.	
2014 – 2020: A guide to EU funding for councils	The Council to Note
The Local Government Association has published a guide to the various EU funding grants available to local government through to 2020. The guide focuses on some of the main options available for local authorities and states that €6.9 billion of ESIF (European Structural and Investment Funds), which itself comprises four other funds including the ERDF (European Regional Development Fund), are available to England and have already been sub divided between the 39 Local Enterprise Partnerships (LEPs). The guide goes into some detail on the various routes available for local governments to obtain these funds; be it applying to UK wide managing authorities or applying to the relevant EU body itself.	
NAO short guide to its work on local authorities	The Council to Note
The National Audit Office (NAO) has published a simple guide into its work on local authorities. The guide provides information on: how local authorities are funded; the pressures facing them; staffing updates; and recent key developments. The report explores three key services provided by local authorities, notably: adult social care; child services; and economic growth, transportation and housing. The guide examines the spending cuts and their effect on the sustainability of those services provided. Details are also provided on future NAO publications which include 'Financial Sustainability of the Fire and Rescue services' (October 2015) and 'Financial Sustainability of local authorities - capital expenditure and financing' (February 2016).	
Care Act first phase reforms – local experience of implementation	
Published by the National Audit Office the reports scope is to examine the economy, efficiency, and effectiveness of local authorities' use of resources to perform their functions. The report analyses the changes brought about by the Care Act 2014 and the core duties placed upon local authorities who have responsibility for providing local care and services. The report looks at a selection of local authorities and highlights their experiences and approaches to the changes. The report also takes into account the delay in the governments cap on care costs to April 2020.	

A shared commitment, local government and the spending review

The Council to Note

The Local Government Association (LGA) has set out its preferred agenda for local government following the upcoming spending review. The LGA has used a refreshed version of its Future Funding Analysis suggesting a local government funding gap of up to £9.5 billion by 2020, whilst noting there is little scope for further efficiency savings. Some of the proposals suggested by the LGA include: that local authorities should be able to re-valuate the cost of properties; that a reform of council tax should take place; and that the 'Better Care Fund' should be expanded.

English housing survey, profile of English housing 2013
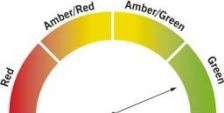
The Council to Note

The full outcomes of the 2013 English Housing Survey have been published by the Department for Communities and Local Government. The publication builds on the headline report published in February 2015 and provides a national picture of people's housing circumstances. The report is divided into three core sections: section one examines housing stock and considers how this has changed; section two focuses on amenities, services and adaptions; and section three provides analysis on property conditions. The report provides information and data relating to private rented housing, owner occupied homes, housing association and local authority social housing.

APPENDIX A: 2015/16 INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

Reports previously seen by the Audit Committee and included for information purposes only:

Assignment	Opinion issued	Actions agreed		
		L	M	H
Troubled Families (May Submission) (1.15/16)	Advisory	-		
Budget Setting including Savings Plan Development (3.15/16)	*(gauge: Amber/Green)*	0	0	1
Employment Tax Follow Up (4.15/16))	Reasonable Progress	-		
Better Care Fund (6.15/16)	*(gauge: Amber/Green)*	0	3	3
Hire of Council Buildings	*(gauge: Amber/Red)*	0	9	3
Commissioning (Voluntary and Community Sector	*(gauge: Amber/Green)*	2	3	0
Penwood School (2.15/16)	*(gauge: Green)*	2	0	0
Pippins School (10.15/16)	*(gauge: Amber/Green)*	3	2	0
SFVS (8.15/16)	ADVISORY	-		

APPENDIX B: KEY FINDINGS FROM RED AND AMBER RED RATED REPORTS

Assignment: **Hire Of Council Buildings**	Opinion:	Management Actions: 3 High 9 Medium 0 Low

The key findings from this review are as follows:

Our review identified three high and nine medium priority issues, fully detailed within the Action Plan that follows, the principal of which are:

- We identified a lack of an adequate policy framework to govern the hiring of Council buildings. An overarching policy was not in place, procedural guidance in place was not comprehensive nor did they cover the entire bookings process and there was no evidence to demonstrate the appropriate approval of the 'Terms and Conditions for the hire of community centre'. Furthermore, our sample testing identified the application of certain charging policies, however there was no evidence that these had been appropriately approved. Without an appropriately approved policy framework, the service cannot be adequately managed as there is risk that staff may follow inadequate processes which are inconsistent with wider Council policies, potentially exposing the Council to wider financial and reputational risks.
- We reviewed the approved hire charges for 2015/16 and noted that this did not cover all applicable charges recorded on the charges spreadsheet maintained by the Bookings Team. In addition, there was no evidence to demonstrate the basis for setting the charges; whether benchmarking or appropriate analysis of costs to provide the service had taken place.
- We noted that reconciliations between income received and the Artifax bookings system were not undertaken, and there was a lack of monitoring of aged debtors. The absence of these controls means that assurance cannot therefore be gained that the Council is receiving all income due from the hire of community buildings, potentially resulting in financial loss to the Council.

High and Medium Risk Management Actions:	Date	Responsible Officer
The Facilities Contracts Manager will liaise with Finance to request a monthly Oracle generated report showing income from the hire of community centres. This is will be reconciled to the Artifax system on a monthly basis by the Bookings and Events Coordinator. The reconciliation will then be independently reviewed by the Facilities Contracts Manager. Evidence of each monthly reconciliation will be retained. (High)	Immediate	Jamila Ibrahim – Facilities Contracts Manager
The Head of Facilities Management will liaise with Finance to ensure that Aged Debt reports are received on a monthly basis. These will be reviewed by the Bookings Team to ensure that, where debts are outstanding, action is taken to suspend bookings until these have been cleared. Where a customer's bookings have been suspended, this will be recorded on the Artifax system and the Bookings Team will liaise with the Debt Recovery	Immediate	Charan Dhillon – Head of Facilities Management

Team to confirm whether debts have been settled before taking any further bookings. A spreadsheet will be maintained on a monthly basis to record such customers and when debts have been settled. (High)		
The Bookings Team will seek payment of the outstanding invoices 700211926 and 700218300 for customer 30434 and suspend further bookings until the debt has been cleared. (High)	Immediate	Jamila Ibrahim – Facilities Contracts Manager
An overarching policy governing the hire of council buildings will be developed and implemented to provide a robust framework for managing the service. The 'Terms and Conditions (T&Cs) for the hire of community centres' will also be reviewed to ensure that it is fit for purpose. The overarching policy, with the T&Cs appended, will be subject to the Council's policy scrutiny and approval process comprising; • Corporate Management Team (CMT); • Overview and Scrutiny Committee; • Cabinet; • Full Council. The policy and T&Cs (as an appendix) will be reviewed by CMT annually thereafter; and any changes will require CMT approval. Version control will be included within the policy to record approval and review details, as well as next review date.	30 November 2015	Jamila Ibrahim – Facilities Contracts Manager Charan Dhillon – Head of Facilities Management
The policy / procedural documents related to community centres currently on the intranet will be removed and replaced by the overarching policy once this has been approved.	30 November 2015	Jamila Ibrahim – Facilities Contracts Manager
A procedure manual will be developed covering the end-to-end bookings process and use of the Artifax system in order to provide guidance to staff involved in the bookings process. The manual will be reviewed annually to ensure it remains up-to-date and reflective of processes, and will record last and next review date.	30 November 2015	Jamila Ibrahim – Facilities Contracts Manager
The Facilities and Contracts Manager will liaise with the Council's Legal department to obtain a copy of the agreement with Slough CVS to confirm the terms of the agreement, and that the agreement has been duly signed by both parties and is still in date.	Immediate	Jamila Ibrahim – Facilities Contracts Manager
Going forward, the setting of the charges for the hire of community centres will be based on an appropriate benchmark, and evidence will be retained to demonstrate analysis undertaken. We will ensure that the list of charges presented for approval is comprehensive and covers all applicable charges for all the community	31 December 2015	Jamila Ibrahim – Facilities Contracts Manager Charan Dhillon – Head of

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centres.		Facilities Management
The charges spreadsheet will be updated to reflect only approved policies in relation to the hire of community centres.	30 November 2015	Jamila Ibrahim – Facilities Contracts Manager
The Facilities and Contracts Manager will liaise with the Young People's Service and the Council's Legal department to seek assurance that an agreement is in place with YES Group and obtain a copy to confirm the terms of the agreement, and that the agreement has been duly signed by both parties and is still in date.	Immediate	Jamila Ibrahim – Facilities Contracts Manager
The Bookings Team will ensure that booking contracts and Terms and Conditions are signed and returned prior to commencement of hires, and signed copies for all bookings as well as copies of all other agreements in place relating to the use of the Council's community centres will be retained electronically in a central repository.	Immediate	Bookings Team
The Bookings and Events Coordinator will undertake a reconciliation of deposits received for regular hirers and going forward, any deposits received will be recorded on the Artifax system and a spreadsheet will be maintained to record deposits received, the date received and when these were returned.	Immediate	Ishrat Fatima – Booking and Events Coordinator

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Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating

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Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0021	Failure to Deliver Balanced Budget	Overspending in Children's Social Care. Failure to manage key outsourced contracts such as Amey, avarto and Cambridge Education Inappropriate budgetary monitoring Failure to manage the cost of projects In year reduction in Central Govt funding, (Public Health). This does not leave enough time to reorganise services The Council works with many key strategic partners all of whom have their own agendas and limited access to budgets	Qualified external audit opinion Increased Central Government pressure Damage to reputation Reduction in local Public Health services Lack of joined up working with NHS, leading to greater inefficiencies Lack of assistance and co-operation between public bodies and the Council increases public service risks NHS may feel that the Council is using the "pooled budget" arrangement to mitigate the effect of Council budget reductions and the NHS may reduce its contribution to the Better Care Fund creating further budget pressures.	24 - Very High	The use of a timetable to produce both management information which is reported throughout the organisation and also to budget holders. A timetable has been produced and communicated to relevant staff, and is being complied with; The accurateness of budgetary information reported to management; The monitoring and reporting of budgets and investigation and explanation of variances where significant variances exist between planned and actual expenditure/income; we also considered the timeliness of information reported to management; The involvement of Budget Holders in regular reviews of financial performance and how the Finance Team liaise with Budget Holders Whether a programme of training has been established for Budget Holders across the organisation; The appropriateness of budget virements	15 - Very High	**Outcome Based Budgeting to match financial resources to the 5YP, and encourage innovation and new strategies** Joseph Holmes 31/03/2016 **Monthly Budget Monitoring reported to CMT and C&D** Joseph Holmes 31/03/2016 **Medium Term Financial Strategy** Joseph Holmes **Ensuring adequate levels of financial reserves in line with the s151 officer's guidance** Joseph Holmes 31/03/2016 **Continue to monitor the progress of BCF projects and BCF Risk Register** Alan Sinclair 31/03/2016	8 - Medium

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Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
					completed in 2014/15 and whether these are compliant with Financial Procedure Rules; The consistency in the message and information reported to Directorate meetings and CMT; The establishment of a dedicated savings programme which has received approval at an appropriate level of Senior Management; The reporting to Senior Management on the progress of saving scheme and whether these are delivering the targets as proposed or where delays or issues that have arisen, these have been acknowledged and actions taken to improve performance. 2014/15 Budgetary Control Audit Report = Amber/Green Better Care Fund agreed. Better Care Fund allocation agreed			

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Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
					Pooled budget agreement signed off Terms of Reference, Risk register and Project Risk register created for Better Care Fund The development of an action plan to address			

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Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
					the issues raised by the LGA peer review report and embed transformation within the financial processes.			
ORG0031	Detrimental impact on Finance and Resources due to demographic change	Transient nature of Sloughs population means it is difficult to predict the level of services and amenities required. Increase in older people population children and young people's population working through the system risk of new migration	Pressure on services offered by the Council Increased demand for waste disposal Increased demand for school places Possible rise in extremism Increased demands on Adult Social Care, Children and Families, and Housing	9 - High	Waste Strategy to deal with current levels and increases in waste disposal Benefits caseloads monitoring Housing Performance Information As of September 2015 there are projected to be sufficient school places going forward	9 - High	**Re Procurement to be led by Waste Strategy & Contracts Manager to incorporate issues identified.** Nick Hannon 30/09/2015 **Working Group to assess the possible impact of Syrian Refugees** Krutika Pau	6 - Medium

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Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0035	Failure to protect adult social care users from physical, emotional or financial abuse	Poorly trained staff or lack of training for staff provided by agencies Lack of robust multi-agency policies and procedures that are in line with national guidance, and no checks that these are being followed. The Care Act place new responsibilities with regard to Safeguarding Lack of resource to undertake the work to identify and protect vulnerable adults at risk. Lack of engagement and involvement with agencies such as the NHS, Police and Voluntary Sector organisations Poor Quality commissioning of services. Lack of monitoring of Personal Budgets provided to service users	Damage to reputation. Criticism from regulatory bodies such as the Care Quality Commission	12 - High	Safeguarding Action plan Business Plan for 2015/16 with 10 objectives Care Governance Group, which includes the NHS asses the quality of Care Homes and Domiciliary Care providers on a RAG basis. Where providers are rated as RED clients are withdrawn. AMBER rated providers are kept under review Practice guidance for staff updated Feb 2015 Safeguarding Adult Workforce Development Strategy 2014-2017	6 - Medium	**Safeguarding Annual Business Plan Review** Alan Sinclair 31/03/2016 **Monitoring through Safeguarding Board involving key partners, Police and NHS** Alan Sinclair 31/03/2016	6 - Medium

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Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0042	Failure to maintain a minimum level of service due to a major system failure	Lack of Business Continuity Plans and effective communication to all staff. No dedicated resource for Business Continuity Management. Lack of business premises in the event of an incident. Lack of staff to manage the Business Continuity Management. Lack of access to key systems.	The Council or its outsourced contractors are unable to provide an expected level of service. Negative publicity and possibly to put vulnerable service users at risk Appropriate and timely responses to incidents such as RTA's, flooding etc are not guaranteed	12 - High	A Business Continuity Working group has been set up with representatives of all departments. This group is used to inform the plans. Provision of new Disaster Recovery capacity for the Council is included as a Project under the Transactional Services Phase 2 Service Improvement Plan. It has been provisionally costed by arvato and is funded from a capital bid All BIA's have been reviewed. Key service criteria been established for IT and accommodation, key suppliers identified We have shared our plans with Avarto Resource identified as Business Continuity officer Alternative premises being provided by avarto	9 - High	**Identification of realistic Recovery time Objectives** Simon Pallett 31/03/2016 **Implementation of Disaster recovery Capacity** Simon Pallett 31/03/2016 **2015/16 Internal Audit on Business Continuity** 30/10/2015	8 - Medium

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Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0043	Systems that are not robust or effective enough to met the requirement of the modern digital age	Obsolete IT programs still in use. Comprehensive Disaster Recovery Plan is not in place for all IT systems and associated programs. There are a number of bespoke Information Technology systems that require specialist niche skills to support and that are unable/costly to interface with each other. The Council's Storage Area Network (SAN) is approaching full capacity due to an extraordinary growth in storage of data. The Council needs to procure a new SAN in order to cope with future demand. The Council's capacity to rollout Document Image Processing, (DIP) in support of the Accommodation Strategy is diminished due to this lack of storage space.	Information Commissioner may criticise and possibly impose fine Increased vulnerability to staff and clients in relation to IT programs. Increased risk of a loss of data as a result of cyber attacks Damage to reputation	12 - High	Mandatory Information Security E-Learning module completed by all staff (SBC & avarto) and Members and includes an annual refresher IT infrastructure improvement plan in place. avarto responsibility to upgrade systems and server network. Governance board established monthly meeting to be held to review progress. The IT Strategy (incorporating IT Governance) was approved by CMT. There is a draft 2015-2018 Strategy that was as reported to CMT in Jan 2015 IT Governance Board reviews, prioritise and control the size of the program Responsibility for delivery of service to avarto ensuring required service is fully defined and KPIs set to measure performance. Key policies updated and distributed Governance Board now created	9 - High	**IT Strategy being reviewed as part of to ensure that it reflects digital advances** Roger Parkin 31/12/2015 **Implementation of IT support for Smart and Flexi working** Roger Parkin 31/03/2016 **IT refresh continuing** Roger Parkin 31/03/2016 **IGel replacement of Citrix environment** Roger Parkin 31/03/2016 **Migrating to Windows 7** Roger Parkin 31/12/2015 **New Risk Management Software being procured.** Phil Brown 31/12/2015	6 - Medium

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Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
					Interim SAN now commissioned and implemented IT Strategy signed and being reviewed to ensure that it aligns with digital advances ERP Solution has been procured and is being implemented Cyber policies distributed to staff Key Performance Indicators, for service area to be baselined 1st year. Monitoring tools to be implemented as phase 2 activity.			

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Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0044	Failure of CSO to delivery required improvements	The new CSO fails to have effective leadership to deliver the required improvements in the service. The Council has only limited control over the activities of the Trust, and has to rely on the Trust to provide assurance of service delivery and service improvements.	Reputational damage Diversion of capacity and resources Further intervention from the Secretary of State	16 - Very High	Contract between the Council and the Trust that contains a governance schedule and a performance framework. Monthly Strategic Monitoring meetings that's the Director of Children's Services and the Chair of Board and Chief Executive of the Trust 34 KPI's that are reported monthly to give assurance that statutory duties are being performed and that the required improvements are being made. This is also an opportunity for the Trust to give qualitative information This monthly meeting also gives the opportunity for other departments of the Council to advise the Trust of any actions that may affect the Trust. The Trust report to their board who report to the Secretary of State quarterly. A Partnership Board has been created to discuss the issues that affect the enterprise.	9 - High	**Creation of a client side team - Internal mechanism around D CS role** Krutika Pau 31/03/2016	9 - High

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Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
					Reports are made to associated boards There are escalation processes that have been created to be used to address performance and service improvements			

Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0037	Failure to meet statutory responsibilities	The Government has introduced a raft of Welfare Reforms Including universal credit, limiting benefit paid to allow for one bedroom per person in a household Impact of Governments reforms to Adult Social Care through Care Act 2014 and through the direction of the Better Care Fund Universal Credit for the more basic cases goes live in September 2015 in Slough Increase in Housing demand Reduction in grant to deliver mandatory outcomes	The current welfare reforms could lead to increased levels of poverty and debt amongst those claiming benefits tempting hard pressed families to go "loan sharks" increasing the spiral of poverty. It could also lead to increased levels of Housing Rent debt as benefit is paid to the claimant rather than the landlord. The reforms may also lead to London Borough's placing homeless people in Slough, thus reducing the capacity for Sloughs own homeless persons, an increase in bed and Breakfast accommodation costs, and overcrowding in cheaper but smaller properties. There is thought to be an increased risk of fraud with the introduction of the universal credit IT system Increased pressure on the Welfare Rights section. Increased number of social care users and associated costs to the Council Increased pressure on Housing, Children and Families and Public Health Possibility of insufficient school places in the future	12 - High	Pro Active measure by Welfare Unit Universal Credit workshop	8 - Medium	**Care Act review of implementation as part of ASC reform program** Alan Sinclair 31/03/2019	8 - Medium

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Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0039	Failure to manage major contracts to obtain expected outcomes	Internal audits completed in 2013/14 identified that there are weaknesses in the Councils contract management arrangements. As a result some contracts are not adequately performance managed Lack of experienced contract managers The Cambridge Education contract has only one year to ago and there is a possibility that Cambridge education may pay less attention to the contract than previously	Financial overspends Poor performance by contractors Lack of quality in relation to services provided Increased possibility of fraud and corruption	16 - Very High	Actions identified from previous internal audit reports have been implemented, improving the control framework. Dedicated contract managers in place for Council's main contracts. Copies of all major contracts held in electronic and hard copy KPIs in place for major contracts. Director has regular meetings with Contract Managers Contract Management training provide by LG Futures Asst Director Commissioning and procurement has been appointed	9 - High	**Tri-partite meetings with CSO and Cambridge to ensure that service meets the needs of SBC** Krutika Pau 31/03/2016	9 - High
ORG0041	Inability to deliver the required organisational and operational changes	Lack of sufficient staff/resources Lack of accountability for effecting changes Lack of plan to deliver required change	Inability to meet the financial challenges from the Government and changing expectations from the 5 year plan. Work related consequences: Stress related illnesses/behaviours Resentment Departure of best talent Poor performance Failures of judgement	15 - Very High	Clearly articulated 5 year plan and outcomes focus Increased collection rates and tax bases mitigate some of the financial pressures	12 - High	**Effective workforce strategy and action plan articulated across the organisation** CMTMembers 31/03/2015 **Assess the capacity for both normal operations and carrying key organisational change initiatives** CMTMembers 31/03/2015	12 - High

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SLOUGH BOROUGH COUNCIL

ANTI-FRAUD AND CORRUPTION POLICY AND STRATEGY

1

Links and Dependencies
Council Constitution
Part 5.7 Anti Fraud and Corruption Strategy
Part 5.6 Whistleblowing Policy
Employee Code of Conduct
Disciplinary Procedures
Sanctions Policy
Anti-money Laundering Policy
Anti-bribery Policy
Slough Safer Partnership
Local Government Transparency Code 2014
UK Anti Corruption Strategy 2014
Fighting Fraud Locally Strategy
Regulatory Enforcement Policy 2015

Related Forms
Simple Fraud Referral Form
Financial Investigation Referral Form

2

3

Anti-fraud Policy Statement

1.1 Slough Borough Council operates a 'zero tolerance' approach towards fraud and corruption and we will use the full range of sanctions available against any individual or organisation found to be committing fraud. Every pound taken by theft or fraud reduces our ability to provide services to the people who need them the most.

1.2 We want to protect against, detect and respond to fraud and corruption in order to protect the interests of our clients, partners, employees and other stakeholders while retaining a high ethical standing within the community.

1.3 This policy applies to all parts of the Council and to all our employees, volunteers, contractors and consultants in relation to their work with/for us. We rely on the support of staff, businesses and the community to deliver the services we provide to people in need. Loss of confidence in the Council as a result of fraud or corruption could have an adverse impact on our funding and investment in the area, leading to a more severe impact on the services we deliver than the initial theft.

1.4 We expect all our Councillors, employees, consultants, contractors, partner organisations and service users, to be honest, and to give us any help, information and support we need to deal with fraud and corruption. In return, we will:
- Take appropriate measures to prevent and deter fraud;
- Introduce and maintain procedures to detect fraud;
- Encourage employees to report any suspicions of fraud;
- Provide resources to train our staff about fraud risk and investigate fraud;
- Take appropriate disciplinary, civil or criminal proceedings; and
- Report suspected fraud to the police and all relevant organisations.

1.5 It is in everyone's interests to prevent fraud and corruption from happening. Report any suspected incident immediately to your manager and the Risk & Assurance Managemer (unless you suspect your manager may be involved). This strategy and response plan sets out what we mean by fraud; how we tackle fraud; what you should do if you suspect fraud; and how we will respond.

	If you have any concerns about fraud, we want to know:
SPEAK OUT ABOUT FRAUD	☎ **Call free and in confidence: 01753 787876** @ **Email:** www.slough.gov.uk/benefits-and-money/form-to-report-fraud.aspx ✉ **Write to: Slough Borough Council, Corporate Fraud and Investigations Team, St Martins Place, 51 Bath Road, Slough, SL1 3UF**

2. Definition of Fraud – what we want to know about

2.1 The **Fraud Act 2006** introduced the first legal definitions of fraud, which are used for the criminal prosecution of fraud offences. **Corruption** is defined as: 'The offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person.'

2.2 The following are some examples of fraud or corruption, which you may come across:
- Providing false identity or right to remain/work documents, references, or any other information when applying for a job;
- Making false claims for expenses, overtime, flexitime, or any other allowance;
- Not declaring a conflict of interest e.g. owning properties which are leased to us, or receiving benefits from us; you or your family owning companies which we do business with; or working for organisations which receive grant funding from us;
- Allocating housing, or any other benefits, to people who are not entitled to them;
- Misusing Blue Badges, residential, business or any other parking permits;
- Fraudulently claiming any benefits we the DWP or HMRC provide, including housing benefits, working/child tax credits, disability benefits, and council tax benefits;
- Fraudulently making, or exaggerating, an insurance claim against the Council;
- Using our vehicles, IT equipment, offices/buildings, stocks, materials, or any other resources for personal use, or to run a private business;
- Stealing money, materials or other resources from us, our partners, or our clients;
- Raising orders, or submitting invoices for payment when the work hasn't been done;
- Working for another organisation, running a business, or being self-employed during contracted hours, including working whilst off sick;
- Accepting gifts or hospitality from contractors, or organisations who are bidding for work, or who we have contracts with, or who receive grants from us.

2.3 The above list cannot cover every example of fraud or corruption. If you have any questions, please contact the Risk & Assurance Manager for further advice.

3. Responsibilities

3.1 We expect all individuals, groups and organisations that receive services from, or provide services on behalf of the Council to be honest in their dealings with us and our clients and customers.

3.2 We expect our Councillors and employees, including any temporary, agency and consultancy resources, to lead by example in preventing, deterring and advising of suspected fraud and corruption and these responsibilities are summarised below:

Individual/Group	Role/Responsibility

6

Individual/Group	Role/Responsibility
Committees	• Approving and monitoring corporate counter-fraud policies. • Reviewing reports relating to fraud risks and investigations from internal and external auditors.
Directors/ Assistant Directors/ Programme Managers/ Heads of Service	• Introducing and maintaining effective controls to prevent fraud or corruption from happening in their service area, or service plan. • Notifying all suspected fraud or corruption incidents within their service area/ programme to the Monitoring Officer. • Approving follow up action to be taken in response to actual incidents of fraud or corruption.
Risk & Assurance	• Consulting with Directors/Assistant Directors about the best course of action when suspected fraud or corruption incidents are raised. • Allocating an investigator, consulting with appropriate senior managers and HR personnel at agreed stages during any investigation into fraud or corruption, and completing the investigation within agreed timescales. • Notifying the police, and other organisations, as appropriate • Facilitating fraud and corruption awareness training. • Providing regular reports to the Audit Committee on fraud, pro-active and responsive investigations. • Providing advice and guidance on internal controls to prevent fraud or corruption. • Undertaking pro-active projects to identify possible fraud or corruption.
Employees and Members	• Complying with the Council's Codes of Conduct and Constitution. • Informing their manager, or Assistant Director and Risk and Assurance Manager of any suspected fraud or corruption incidents.

4. **Our approach to preventing, detecting and investigating fraud and corruption**
   We have aligned our fraud prevention and detection approach to the government's recommended 'acknowledge, prevent, pursue' strategy in their **Fighting Fraud Locally** publication and the Chartered Institute of Public Finance and Accountancy's 2014 'Managing the Risk of Fraud and Corruption' Code of Practice.

4.1 **Preventing fraud and corruption**
   We want to try and prevent fraud and corruption from happening in the first place. In order to do this our strategy includes:
   • Undertaking a regular assessment of the fraud risks faced by the Council and ensuring our managers and counter-fraud teams carry out checks on high risk areas;

- Completing pre-employment screening of our staff (including volunteers, contractors and consultants) and confirming their right to remain and work in the UK, where appropriate;
- Requiring staff to declare potential conflicts of interest; and any gifts offered and accepted;
- Scanning and verifying identity documents of all applicants for housing and other benefits;
- Making sure quotes and tenders from contractors are opened by different employees to those who asked for the quotes; and
- Controlling our IT systems e.g. to ensure that individual employees aren't responsible for setting up and authorising payments.

4.2 Detecting and investigating fraud and corruption

As well as having systems in place to prevent fraud, we have procedures that detect and investigate fraud effectively which include:

- Fraud reporting mechanisms such as the confidential Freephone telephone number, PO Box address and email facility;
- Whistleblowing, Anti-Money Laundering and Anti-bribery policies in place, together with our complaints process, and regular reviews of personnel and financial information e.g. on Right to Buy applications;
- An annual counter-fraud plan which includes projects to look at high risk and high spend areas;
- Undertaking regular data matching and analysis of information held on our systems to identify e.g. fraud in housing tenancies, payroll and pensions, Blue Badges, benefits, planning applications and payments to suppliers;
- Sharing information on identified frauds and risks with other local authorities and agencies, including the police and the Home Office visa and immigration services;
- Joint working with the Department for Work and Pensions (DWP), in accordance with National and Local Service level agreements, regarding benefit fraud and associated fraud arising from the same set of circumstances.
- Receiving regular data analysis and fraud information alerts from the National Anti-Fraud Network;
- Having a dedicated and suitably trained counter-fraud and financial investigation team in place, with links to the police and other enforcement agencies, to investigate allegations of fraud and undertake prosecutions.

4.3 You should read our anti-fraud and corruption strategy in conjunction with our **Fraud Response Plan** (Appendix 1) which sets out how we will tackle the risk of fraud and investigate allegations of fraud; and the Council's **Whistleblowing Policy** (Part 5.6 of the SBC Constitution), which is intended to encourage and enable employees to raise serious concerns.

4.4 We will use all sanctions available to us to deal with anyone committing fraud or corruption, including referring cases to the police, offering a simple caution, prosecuting offenders and seeking recovery of monies and/or other assets obtained

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by fraud or corruption. Our **Sanctions Policy** is attached (Appendix 2), which describes the process in more detail.

4.5 We also need to have arrangements in place where any instances of suspected money laundering or bribery are reported. Our **Anti-money Laundering Policy** (Appendix 3) explains what money laundering is, and what we do to manage the risks associated with crime and money laundering. Our **Anti-bribery Policy** (Appendix 4) explains the legal position for the Council and employees; and how to report any concerns.

4.6 This strategy is aligned with the Council's Code of conduct and HR policies, which require employees to declare any potential conflicts and any gifts or hospitality offered. The strategy is also consistent with the Council's IT Security Policies.

5. Monitoring

5.1 This policy and the appendices will be monitored and reviewed on an annual basis. We will consult with all the relevant services areas to ensure that all relevant legal, financial and personnel issues are included in the review processes.

5.2 The Council's s151 Officer has overall responsibility for the Corporate Fraud and InvestigationsTeam and this policy, it will be presented to him/her for his/her approval when any review takes place.

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Appendix 1 - Fraud Response Plan

1. Why we have a Fraud Response Plan

1.1 Lots of reports in the media suggest that fraud is on the increase. Despite this, fraud is not usually an everyday occurrence and most people are surprised to discover a potential fraud issue. Knowing what to do and taking the right steps when the fraud is discovered can make or break any investigation.

1.2 Having a structured response plan helps everyone to handle any fraud issues in the same way and avoid potential problems like: inadvertently tipping off the suspect, enabling them to destroy incriminating evidence; failing to keep the matter confidential; and taking inappropriate action caused by having insufficient information.

1.3 A Fraud Response Plan ensures that incidents are handled in a systematic and efficient manner, not only to conclude a successful investigation, but also to show that the organisation acted in an effective and lawful manner; and that it does not tolerate fraud.

2. What you should do if you suspect fraud or corruption

2.1 Our employees and councillors are often the first to realise when things may be going wrong, or fraud and corruption may be taking place. However, they may think that they would not be supported if they raised their concerns, or they may even be afraid of being harassed or bullied. In these circumstances, an individual may feel it would be easier to ignore their concerns, rather than report it. We want to tell you that this isn't the case.

2.2 Our 'Whistleblowing' Policy is in place to encourage and enable individuals to raise legitimate concerns, rather than overlooking a problem. The policy applies to all Slough Borough employees, staff of Council contractors, agency staff and trainees.

2.3 If you suspect fraud or corruption, you should raise your concern with your line manager. Failing that, you should approach your head of service, or Assistant Director. If you can't raise your concern within your own service area, you should approach the Risk and Assurance Manager.

2.4 We want to encourage any member of the public, or a partner organisation, who suspects fraud and corruption to contact the Council's Head of Audit and Risk Management in the first instance.

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2.5 **Remember:** tell some-one, don't keep it to yourself; make a note of anything which made you think a fraud was happening; keep things confidential initially; do not confront the suspect(s); only take away any evidence if there is any risk that it will be destroyed or thrown away. **Leave the investigation to the Corporate Fraud and Investigations team**

3. How will allegations of fraud or corruption be dealt with by the council?
Although we can't say how each individual case is dealt with, the following process is outlined as a general guide.

Fraud happens (or is suspected) by an employee
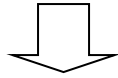
Issue(s) raised with a line manager, Director/Assistant Director
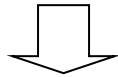
Referral made to Corporate Fraud and Investigations management (first stage for the public)
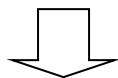
Risk assessment and initial fact finding review takes place by **Corporate Fraud and Investigations management**

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Criminal offences suspected	**No criminal issues identified**
Case conference is held with investigator, the 151 Officer and or the Monitoring officer, to agree the next steps. Formal investigation commences – *a referral to the police may be made at this stage*.	Case closed, or referred for management disciplinary investigation.
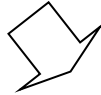
Investigator (or investigation team) is allocated to undertake the work and report within agreed timescales (if appropriate)
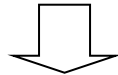
A case file is prepared and presented to the 151 Officer for consideration of a prosecution. A separate report including any recommended changes to controls is prepared, as required. Alternative sanctions may apply, in accordance with SBC sanctions policy.
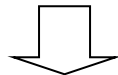
The file is presented to Legal services or the delegated provider, to review and issue proceedings where appropriate
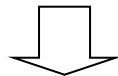
Disciplinary action taken where appropriate
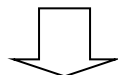
Loss recovery procedures started where appropriate, including financial investigation and confiscation, following conviction.

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4. Proactive exercise

4.1 The Corporate Fraud and Investigations Team will work closely with Internal Audit, Risk Management and internal departments, and utilise data from external agencies, such as the DWP, CIPFA and the National Fraud Initiative (NFI) to identity fraud trends and risks. On identification of a specific risk, the Corporate Fraud and Investigation Team will conduct proactive fraud review, to assess if any criminal offences are identified or if the area is susceptible to fraud. Identified areas for review in 2015/16 include:

- **Housing procurement;**
- **Qualifications for senior management;**
- **Insurance requirements of temporary or contract staff; and**
- **Contract management**

4.2 The above list may be altered on identification of different risks or other competing priorities.

4.3 The Corporate Fraud and Investigations Team will also engage in proactive data matching, where appropriate, focusing on specific areas of SBC business to identify fraud. For 2015/16, collaboration with Housing is planned to establish suspected tenancy Fraud, a proposal is in place to use an external third party data-matching expert. The results will be reviewed by Housing officers. If criminal offences are suspected a referral will be made to Corporate Fraud and Investigations.

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Appendix 2 - Sanctions Policy

1. Policy Statement

1.1 We will use the full range of sanctions available to us, including, simple caution criminal prosecution, civil recovery, internal disciplinary procedures and referral to regulatory bodies in order to deter fraud, bribery and corruption.

1.2 Slough Borough Council Legal Services (or our designated legal service provider, in accordance with the scheme of delegation) and or the Crown Prosecution Service will be used to undertake prosecutions; and we will refer all relevant cases to the appropriate professional bodies and other law enforcement agencies. We will assist external organisations if they decide to bring their own prosecution cases.

1.3 Our fraud and corruption strategy states that we will seek the full range of sanctions against anyone found to have committed fraud against the Council: and they will apply to any fraud committed either, against the Council or, against money or services for which the Council has responsibility.

2. Deciding what sanction to apply

2.1 We have a range of sanctions that we can use, including internal disciplinary procedures, simple cautions and criminal and civil prosecutions; and we have this policy to make sure that we apply all available sanctions:

- consistently;
- efficiently;
- robustly; and
- in a transparent manner.

2.2 In some cases, we may apply more than one sanction e.g. if a member of staff has stolen money from us, we may take internal disciplinary proceedings, refer the matter to the police, and undertake civil recovery procedures.

2.3 We may decide to pursue a criminal prosecution in some cases; these will be reserved for the most serious. SBC has the power to undertake prosecutions using our Legal Services (or our designated legal services provider).Alternatively, where the Council has jointly investigated any offence with an external investigative body, such as the Police or The Department for Work and Pensions (DWP), the most appropriate prosecuting agency will be selected. This is likely to be Crown Prosecution Service (CPS); moreover, the CPS has the authority to assume any prosecution instituted in England and Wales.

2.4 All cases, which are considered for prosecution, will apply the CPS "Full code Test". The test has two elements, firstly the 'Evidential Test'; and secondly the 'Public Interest Test'. The Full Code Test is set out in the Code for Crown Prosecutors 2013 and further information is available at:

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https://www.cps.gov.uk/publications/code_for_crown_prosecutors/codetest.html

- **Evidential Test -** The investigator will consider the following questions in assessing whether there is sufficient evidence to prosecute the case: Can the evidence be used in court? Is the evidence reliable? Is the evidence credible?

- **Public Interest Test -** If the Evidential Test has been met, the investigator will then consider whether or not a prosecution would be in the public interest. Each case will be assessed on its own merits and a review will include: How serious the offence is; the level of culpability of the suspect; the circumstances of and the harm caused to the victim; if the suspect was under the age of 18 at the time of the offence; the impact on the community; whether prosecution is a proportionate response; and whether sources of information require protecting.

2.5 Prosecution may not always be appropriate, alternative out-of-court disposals include:
- Simple cautions; or
- penalties relating to benefits or council tax provided by enabling legislation.

Where an out-of-court disposal is considered, SBC undertake to apply:

- the appropriate evidential standard and admission of guilt, where required;
- that the public interest would be properly served by such a disposal; and
- apply the disposal no greater than 6 months after the completion of the investigation, unless exceptional circumstances apply.

3. Types of fraud and the possible sanctions

3.1 <u>Employees, Councillors, Teachers, School Staff</u>
If we find that any of our staff or councillors have attempted or committed fraud, or been involved in corruption, we will undertake disciplinary action. If we identify that the Council has suffered any financial loss, we will seek to recover losses, through either civil proceedings, and or criminal prosecutions and the associated application of asset recovery proceedings, under any relevant legislation; including The Proceeds of Crime Act 2002. Where staff are members of professional bodies, or have to comply with national codes of conduct (teachers, social care staff etc), we will refer any cases of fraud and corruption to these bodies.

3.2 <u>Benefit Fraud</u>
The DWP is responsible for investigating housing benefits fraud, but the Council is still responsible for registering, assessing and paying for some DWP benefits and social fund payments. SBC is wholly responsible for council tax registration, discounts and exemptions. Available sanctions include.

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- Simple cautions for any council tax related fraud or attempt.
- Criminal prosecution for any council tax related fraud or attempt.
- Administrative penalties - S11 Council Tax Reductions Scheme Regulations 2013.
- Civil penalties for council tax registration, discounts and exemptions - Regulation 14(2) and Schedules 2-3 of the Local Government Finance Act 1992.
- Civil penalties for housing benefit overpayments, categorized as claimant error - The Social Security (Civil Penalties) Regs 2012 SI 2012/ 1990.
- A de minimis overpayment of £50 is required before any of the above sanctions are considered.

3.3 Housing and Right to Buy Fraud

In all cases where anyone has fraudulently applied for Right to Buy, housing support, or a tenancy from the Council, we will always seek recovery of the property and any financial losses. Where we identify a criminal attempt or offence has been committed, we will use any relevant legislation, including the Social Housing Fraud Act 2013, to prosecute and recover any criminal proceeds. As an alternative to prosecution, SBC may offer any suspected defendant a simple caution.

3.4 Other fraud

There are a number of other areas, including but not restricted to: insurance claims, direct care payments, grants to organisations, exemptions and reliefs from non-domestic rate payments, and applications for financial and other assistance where theft and fraud may occur. We will always seek to recover any money lost and consider a caution, criminal or civil prosecution. Where an external organisation is involved, we will make a referral to any relevant governing body such as the Law Society, Charities Commission, or the Registrar of Companies.

4. **Proceeds of Crime Act 2002**

4.1 The Proceeds of Crime Act 2002 (POCA) was put in place to demonstrate that crime does not pay. We will use POCA (and its predecessor legislation, such as the Criminal Justice Act 1988 (as amended)) wherever we can, to obtain confiscation orders, including compensation, as well as recovery of the full overpayment of benefits. We will use our own Accredited Financial Investigators (AFI) or those employed by an external partner, such as the police or DWP.

4.2 All monies recovered using POCA or predecessor legislation (excluding compensation), will be distributed by the Home Office to SBC under the "Asset Recovery Incentivisation Scheme" (ARIS). The ARIS scheme apportions funds in the following way:
- 50% to HM Treasury;
- 18.75% to the investigating body;
- 18.75% to the prosecuting authority; and
- 12.5% to Her Majesty's Court Service.

4.3 All monies recovered through ARIS will be used to fund further crime reduction initiatives.

5.   Monitoring

5.1 The Council's Section 151 Officer is responsible for the maintenance and operation of the SBC Corporate Fraud Team and this policy. The S151 Officer will liaise with The Monitoring Officer and the Risk and Assurance Manager when the policy is subject to review in order to ensure all relevant employment requirements are taken into account.

Appendix 3 - **ANTI-MONEY LAUNDERING POLICY**

1. What is money laundering?

1.1 Money laundering is the term used for several offences involving the proceeds of crime, or terrorism. This includes possessing, or in any way dealing with, or concealing, or converting the proceeds of any crime, as well as funds likely to be used for terrorism and the proceeds of terrorism. Money laundering is used to describe the activities of criminals who convert the proceeds of crime into legitimate activities, with the intention of hiding the true sources of their income.

1.2 In relation to the Council, money laundering would be the attempt to conduct legitimate business with the Council e.g. buying/leasing property, or paying for goods and services using assets or money derived from the proceeds of crime or terrorism.

1.3 This policy applies to all employees and councillors and sets out the legal requirements relating to money laundering, including how to respond if anyone suspects that money to pay for property, goods, or services comes from criminal, or terrorist activities.

2. Laws covering money laundering

2.1 Legislation has shifted the burden for identifying acts of money laundering from police and government agencies to organisations and their employees. The principal legislation and regulation relating to money laundering are: the Proceeds of Crime Act 2002 (POCA), the Terrorism Act 2000 (TA), and the Money Laundering Regulations 2007.

2.2 There are two main types of offences, which may be committed:

- Money laundering offences; and
- Failure to report money-laundering offences.

2.3 The main types of money laundering offences are:
- acquiring, using, or possessing criminal property;
- handling the proceeds of crimes, such as theft, fraud and tax evasion;
- investing the proceeds of crime in other financial products;
- being knowingly involved, in any way, with criminal or terrorist property;
- entering into arrangements to facilitate laundering criminal or terrorist property;
- transferring criminal property
- failing to report a suspicion that money laundering offences are taking place; and,
- 'tipping off' someone who is, or is suspected of being, involved in money laundering, in such a way as to reduce the likelihood of being investigated, or prejudicing an investigation.

2.4 Depending on the severity of the suspected offence, the Magistrates' Court can issue fines of up to £5,000, or sentences of up to 6 months in prison (or both), and, in the Crown Court, fines are unlimited, and sentences of up to 14 years may be handed down.

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3. The obligations of the Council

3.1 The main requirements of the legislation are as follows.

- To appoint a Money Laundering Reporting Officer (MLRO);
- Maintain client identification procedures in certain circumstances;
- Adapt a risk based approach to prevent money laundering;
- Implement a procedure to enable suspicions to be reported; and
- Maintain record keeping procedures.

3.2 The Council's MLRO is the Monitoring Officer. In the absence of the designated MLRO, the Risk and Assurance Manager should be contacted.

3.3 The Council has developed formal client identification procedures, which must be followed when Council land or property is being sold. These require individuals (and companies) to provide proof of identity, current address and provenance for the derivation of funds used in any proposed transaction. If satisfactory evidence is not obtained, the transaction must not be progressed and guidance should be sought from the MLRO. All records maintained in respect of suspected money laundering activity must comply with the Data Protection Act.

4. Examples of potential money laundering situations

4.1 It is not possible to provide a definitive list of possible situations involving money laundering; or how to decide whether to report suspicions to the MLRO. However, the following are risk factors, which may, either individually or cumulatively, suggest possible money laundering activity:

- Payment of a substantial sum of money in cash (over £10,000), either in a single transaction, or a number of smaller transactions which total more than £10,000;
- Payment of cash sums where cash is not the usual means of payment;
- A new customer, or use of a new/shell company, with no financial history;
- A customer who refuses to provide requested information without a reasonable explanation;
- Concerns about the honesty, integrity, location, or identity of a customer;
- Unnecessarily complex transactions e.g. routing or receipt of funds from third parties, or through third party accounts;
- Involvement of an unconnected third party without any reasonable explanation;
- Overpayments by a customer, or payments of deposits subsequently requested back;
- Absence of an obvious legitimate source of funds;
- Purchase of assets beyond known sources of legitimate funds;
- Movement of funds overseas, particularly involving a higher risk country, or tax haven;
- The cancellation, or reversal, of a previous transaction;
- Requests for the release of customer account details, other than in the normal course of business;
- Transactions at substantially above or below current market values;

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- Poor business or financial records;
- A similar previous transaction (completed or requested) from the same customer;
- An inability to trace the customer, or organisation;
- Individuals or companies that are insolvent but have funds.

5. Reporting procedure

5.1 If you have any questions or doubts about an individual, company, or transaction that you have been dealing with, then it is important to get advice from the MLRO, or Risk and Assurance Manager as soon as possible – **do not delay reporting your concerns, as this may make you subject to criminal prosecution**.

5.2 Your report to the MLRO should include as much details as possible, including:

- Full details of the people involved e.g. name, address, company name, directorships, contact details etc;
- Full details of their (and your) involvement;
- The type(s) of money laundering activity suspected;
- The date(s) of the suspected money laundering activity, including whether the transactions have happened, are ongoing, or are imminent;
- Where they took place;
- How they were undertaken (cash payment, bank transfer etc);
- The (likely) amount of money or assets involved;
- Why, exactly, you are suspicious.

5.3 Your report should also provide the MLRO with copies of any related supporting documentation. If you are acting in a legal capacity and consider that legal professional privilege may apply, you should set this out in the report to the MLRO and state why. The MLRO will determine whether the information should be exempt from any reports to the National Crime Agency (NCA).

5.4 Once you have reported your concerns to the MLRO, you <u>must not</u> undertake any further enquiries into the matter. The MLRO will refer the matter on to the NCA, if required, in order for them to undertake further investigation. No further action must be taken in relation to the transaction(s) until either the MLRO, or NCA, has given their consent in writing.

5.5 You should not voice any suspicions to the person(s) who you suspect of money laundering; or make any reference on IT systems, or client/hard copy files that you have reported your concerns to the MLRO. If an individual requests access to information, any notes will need to be disclosed, which may "tip them off" and may make you liable for prosecution.

5.6 A record will be maintained, including details of the customer due diligence, which will be kept for five years after the end of the business relationship; together with a record of the

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transactions also kept for five years. Guidance on performing the required due diligence checks can be obtained from the Head of Audit and Risk Management.

6. Review of disclosures by the MLRO

6.1   When the MLRO receives a report of suspected money laundering, they will review the information and any other relevant information, including:

- Reviewing any other transactions patterns and volumes;
- The length of any business relationship involved;
- The number of any one-off transactions and any linked one-off transactions;
- Any identification evidence held.

6.2   The MLRO will complete their review, which may include speaking to the person who made the referral, in order to determine whether there is sufficient evidence of actual/suspected money laundering and whether there are reasonable grounds to know (or suspect) that this is the case. The MLRO will then determine whether the NCA needs to be involved and their consent obtained for a transaction to proceed. In these circumstances, the transaction must not proceed until the NCA consent has been formally received (or if no consent has been received from the NCA after 7 working days).

6.3   If the MLRO concludes that there are no reasonable grounds to suspect money laundering, they will record their decision on the report and give their consent to proceed with the transaction.

6.4   In cases where legal professional privilege may apply, the MLRO will liaise with the Council's s151 Officer to decide whether there is a reasonable reason for not reporting the matter to the NCA.

7. Additional requirements for Finance and Legal employees

7.1 In addition to the reporting procedure in Section 5 above, employees providing certain finance and legal services must also comply with 'due diligence' requirements:

Simplified due diligence. Required when there is low risk of money laundering e.g. new business with a company; when checks on company and director registration details would represent sufficient due diligence.

Enhanced due diligence. Required when there is a higher risk of money laundering e.g. an asset purchase beyond the purchasers known legitimate means or remote transactions where the customer is not present to be identified.

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If satisfactory evidence cannot be provided, then the transaction cannot proceed.

7.2 Customer identification processes must be undertaken when the Council:

- Forms a business partnership with a customer;
- Undertakes a one-off transaction relating to property or debt of more than £10,000;
- Undertakes a series of linked transactions involving total payment of more than £10,000;
- Knows, or suspects, that a transaction or a linked series of transactions involves money laundering.

7.3 Customer identification must be completed before any business is undertaken with the individual in relation to accountancy, procurement, audit and legal services with a financial or real estate transaction. In order to complete customer identification the following processes should be undertaken:

- Identify the person who wants to form the business relationship or complete the transaction;
- Verify their identity using independent sources of information;
- Identify who benefits from the transaction;
- Monitor transactions to make sure that they are consistent with what is understood about the individual or country;
- Understand the source of their funds;
- Ensure there is a logical reason why they would want to do business with the Council.

8. Training

8.1 The MLRO and Head of Legal Services will ensure that training on the law relating to money laundering and the Council's procedures is provided to all relevant employees on a regular and ongoing basis.

9. Monitoring

9.1 The Council's Monitoring Officer is responsible for the maintenance and operation of this policy. The Councils monitoring Officer will liaise with The s151 Officer and The Head of Human Resources when the policy is subject to review in order to ensure all relevant employment requirements are taken into account.

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Appendix 4 - **Anti-Bribery Policy**

1. Policy Statement

1.1 The Bribery Act 2010 made bribery a criminal offence. Slough Borough council and everyone employed by us, including members, temporary and agency staff, consultants and contractors, will not pay bribes or offer improper inducements to anyone for any purpose. We do not accept bribes or improper inducements.

1.2 To use a third party to channel bribes to others is also a criminal offence. We do not and will not engage indirectly in, or otherwise encourage, bribery.
The council is committed to the prevention, deterrence and detection of bribery. We have zero tolerance towards bribery.

2. What is bribery?

2.1 Bribery is the offering, promising or giving of a financial or other advantages designed to induce an individual to take an improper decision or action. These inducements can take many forms including offering cash, holidays, event tickets, meals. Decisions could relate to recruitment, the award of contracts, planning consents and other awards.

2.2 Bribery definition:

- Any person (P) offers, promises or gives a financial or other advantage to another, intending the advantage to:
  - Induce another to perform a function improperly; or
  - To reward another for improper performance of said function.

2.3 Examples:
- A building contractor makes an offer to renovate a private dwelling at below market rates (either directly or indirectly) to a decision maker for a tender committee, in order to influence the outcome in favour of his company.

  Or

- A developer makes a payment (either directly or indirectly) to a local government officer capable of influencing a tender process, in order to influence the outcome in favour of his organisation.

2.4 There are four key offences under the 2010 Act:
- bribing another person (section 1);
- accepting a bribe (section 2);
- bribing a foreign official (section 6); and
- failing to prevent bribery (section 7).

2.5 Failure by a commercial organisation to prevent bribery is a corporate offence. For the purposes of the Bribery Act 2010, the council is classed as a 'commercial organisation'. The

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Act also introduces an offence of bribing a foreign official. Individuals found guilty of an offence may be imprisoned for a maximum term of ten years and face an unlimited fine.

3. Scope of the policy

3.1 This policy provides a coherent and consistent framework to enable all our employees to understand and implement arrangements to enable compliance with the Act. In conjunction with related policies and key documents, it will also enable employees to identify and effectively report a potential breach.

3.2 This policy applies to all of our activities and staff including all permanent, temporary and agency staff, contractors, agents, members (including independent members), volunteers and consultants. For our partners, joint ventures and suppliers, we will encourage the adoption of policies consistent with the principles set out in this policy.

4. Our Commitment to Anti-Bribery

4.1 In order to comply with the Bribery Act, we will:
- Set out a clear anti-bribery policy and keep it up to date;
- Maintain appropriate procedures to prevent bribery;
- Undertake anti-bribery risk assessments where appropriate;
- Make all employees aware of their responsibilities to comply with this policy at all times;
- Maintain appropriate gifts and hospitality procedures;
- Encourage employees to report any suspicions of bribery;
- Investigate instances of alleged bribery and assist the police and other authorities in their investigations; and
- Take a robust line against anyone found to have breached this policy or to have committed or facilitated bribery.

4.2 As part of our commitment to comply with the Bribery Act, it will be considered unacceptable to:
- give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given;
- give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to 'facilitate' or expedite a routine procedure;
- accept payment from a third party that you know, or suspect, is offered with the expectation that it will obtain a business advantage for them;
- accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided in return;
- retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy; and
- engage in activity in breach of this policy.

5. Contracts and failure to prevent bribery

5.1 Under the Public Contracts Regulations, a company is automatically barred from competing for public contracts where it is convicted of a corruption offence. Companies that are convicted of failing to prevent bribery are not automatically barred from participating in

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tenders for public contracts. We have the discretion to exclude organisations convicted of this offence and you should get advice from our Procurement team on this issue.

6. Raising a concern

6.1 We want everyone who has any concerns to be able to report these effectively. Our Whistleblowing policy sets out how to do this, including making an anonymous referral.

7. Monitoring

7.1 The Council's Monitoring Officer, is responsible for the maintenance and operation of this policy. The Monitoring Officer will liaise with the Head of Human Resources when the policy is subject to review in order to ensure all relevant employment requirements are taken into account.

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LOCAL GOVERNMENT GOVERNANCE REVIEW 2015

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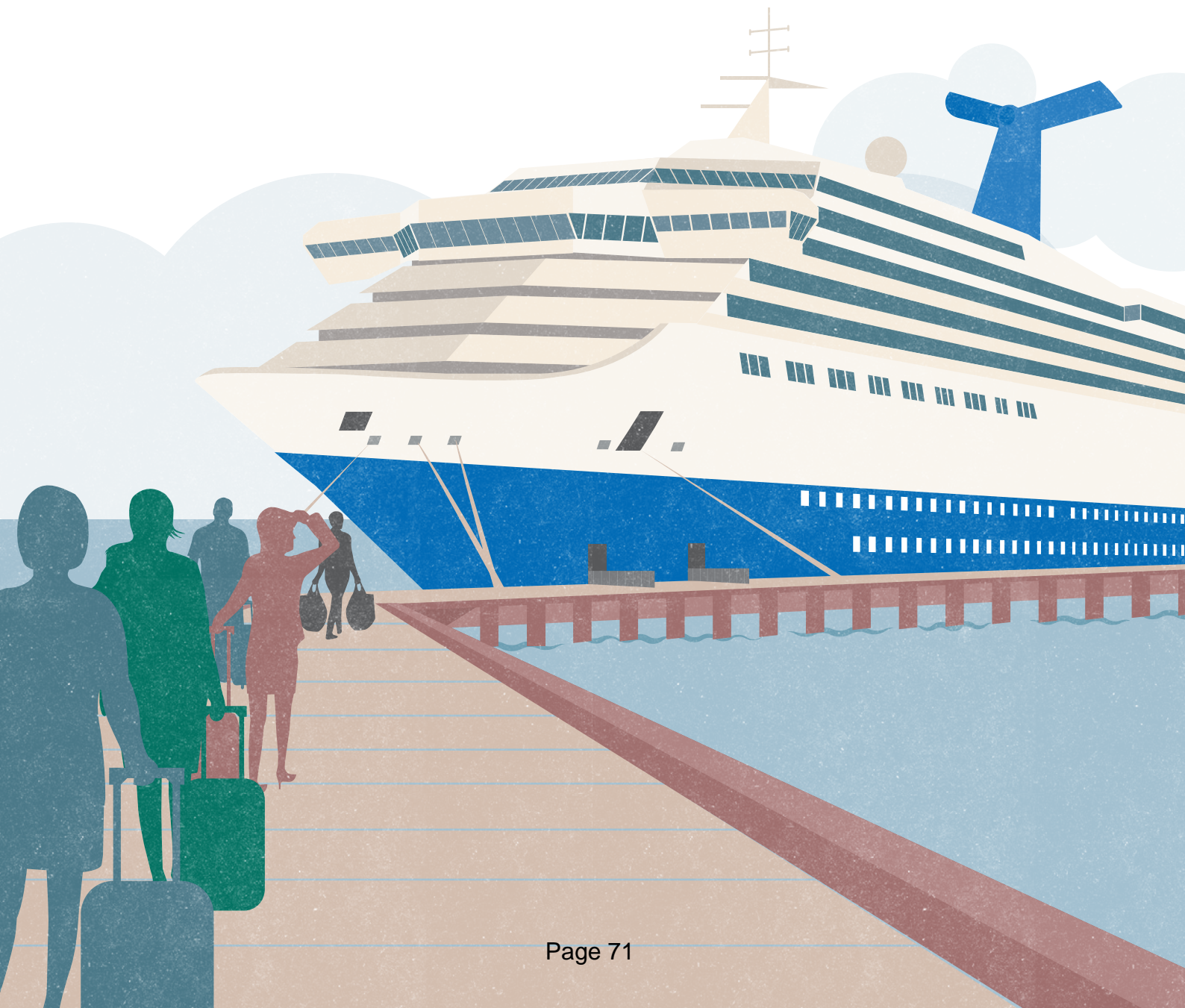
Key highlights

ENGAGING MEMBERS

90% are satisfied that their organisation supports risk taking

46% consider backbench members have no real influence over decisions

43% think scrutiny committees are not effective

ENGAGING PARTNERS

59% say the transition to PCCs has not had a positive impact

42% cannot see any difference to local healthcare governance from councils' new public health role

84% are using or considering alternative delivery models

43% do not feel scrutiny of service quality is sufficiently challenging

89% say their organisation is open to all options for service delivery

ENGAGING THE PUBLIC

70% say the public are involved in designing future scope and delivery of services

51% say members do not adequately reflect local population

30% of cabinet positions are held by women

4 page increase on average length of annual financial statements

2 page increase on average annual governance statements

Contents

Methodology

This report is based on:

- a review of the 2013/14 annual governance statements and accounts of 140 English councils, fire and rescue authorities and police bodies
- responses from over 100 senior council officers and members to our survey on governance in their organisations, partnerships and communications with stakeholders
- a range of case studies illustrating good or interesting practice.

Executive summary

Paul Dossett
Head of Local Government, Grant Thornton

Welcome to Grant Thornton's fourth annual review of governance in local government. This report is part of a broader review of UK governance practice and complements other similar reviews on the FTSE 350, the NHS and the social housing and charity sectors.

The challenges faced by local authorities continue to intensify. Austerity and central government funding reductions are combining with demographic pressures and technological change to create a potential threat to the long-term sustainability of some organisations in the sector. In this context, the task of maintaining good and effective governance is becoming ever more complex, and at the same time increasingly important.

As highlighted in our recent report 'Rising to the challenge', local government has withstood these challenges and shown a commendable capacity to innovate in the face of increased financial pressures, particularly through new delivery models for services. Governance needs to keep pace with these changes, ensuring that authorities' goals are achieved, and values maintained, regardless of who is contracted to deliver the service. In this regard, scrutiny, with its remit to look beyond day-to-day business to question the purpose and value of activities, needs to play its full part.

At the same time, structural change may well be looming in the wake of the Scottish devolution vote and the increasing demand to reallocate power from the centre to the localities. Local authorities need to show they are equipped to take on this challenge. The need for effective governance to support sound decision making, prevent things going wrong and resolve problems when they occur, has never been greater.

Recent high-profile examples of governance failures in local government show that good reputations can be easily lost. Against this background, we have focused this year's review on three key areas:

- **governance of the organisation**: ensuring internal governance arrangements are robust, with effective scrutiny to hold the executive to account while managing risks and encouraging innovation
- **governance in working with others**: implementing robust and proportionate governance arrangements for alternative service delivery models, along with new responsibilities involving cross-sector working, such as public health
- **governance of stakeholder relationships**: engaging with stakeholders to inform and assure them about service performance, financial affairs and governance arrangements.

Governance of the organisation

Governance arrangements that promote rather than inhibit a dynamic and flexible approach to service delivery are vital to success in the current local government environment. Our national survey of more than 100 senior local authority leaders asked if respondents thought their organisations had effective leadership which fostered a positive culture that embraced rather than stifled risk. More than 90% agreed, but when asked if there was consensus among members about their organisation's appetite for risk-taking, over a third disagreed. The great majority believe that members understand the financial impact of not managing key risks, but the level of disagreement has increased on last year, from 12% to 16%.

Typically, our respondents express a high level of confidence when asked about the strength of their risk management arrangements. This year is no exception, with over 90% satisfied, although some concerns were expressed about the realism and transparency of reporting on risks. With regard to independent assurance about their overall governance, most respondents said this was provided by external audit, with internal audit a fairly distant second. This is a worrying response, as we would expect internal audit to be (and to be seen to be) the primary source of independent assurance over governance arrangements – the 'third line of defence' after operational and risk management. Local government internal audit departments may need to consider whether their work in this sphere is covering the right areas and having sufficient impact.

Recent years have seen a number of authorities choosing to operate without a chief executive, both to save money and as part of transformation initiatives. Ten per cent of our respondents indicated that their organisation had done this, generally with no negative impact on their governance arrangements. Another current trend was reflected by the fact that 6% of respondents confirmed that their organisation has returned to the committee system and a further 12% saying it is being considered, mainly to involve more members in the decision-making process.

The main area of concern highlighted by this year's governance survey is the level of dissatisfaction with the scrutiny process. Almost half of our respondents do not feel that the cabinet and scrutiny system provided all members with the opportunity to have real influence over council decisions, a worrying indication of the potential disengagement of many members from council governance.

A similar proportion also have concerns about the effectiveness of scrutiny committees at challenging the way that councils do things. Councils vary widely in their level of scrutiny activity, with some having several committees meeting frequently, and others having only one, which might meet just once a year. Some have rejected the cabinet and scrutiny model altogether and moved back to the committee system. Councils need to think seriously about whether this is a missed opportunity to provide robust questioning of how and why they do things, across the increasingly complex series of partnerships, alliances and contracts that now characterise their operations.

The main area of concern highlighted by this year's governance survey is the level of dissatisfaction with the scrutiny process.

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Governance in working with others

The importance of alternative delivery models (ADMs) to local authorities as an avenue for both cost savings and innovation is ever more apparent. By far the majority of our survey respondents agree that their organisation is open to all available options when deciding how services are delivered. A large majority also confirm that their organisation has entered into ADMs or is considering doing so.

There is an urgent need for scrutiny to exercise good governance over the complex array of partnerships in which local authorities are now involved. Boundary issues notwithstanding, by 'shining a light' on contracted-out activities and joint operations or ventures, scrutiny committees can bring a new level of transparency and accountability to these areas. Of concern, however, is that well over 40% of our survey respondents consider that scrutiny of service quality, including outsourced services, has not been sufficiently proactive. Again, this is an area where councils appear to be missing the opportunity to make scrutiny an essential and dynamic part of governance.

Within the local government sector, an important change has been seen in the relationship with police bodies following the election of Police and Crime Commissioners (PCCs) in November 2012. Over half of those surveyed are not satisfied that this transition has had a positive impact on local partnership working arrangements, consistent with last year's findings. This perception does not, however, appear to be shared by respondents from police bodies. Clearly this needs to be an area of focus for the sector going forward.

The Health and Social Care Act 2012 gave many councils a new duty to promote the health of their population, taking on a number of functions previously undertaken by the NHS. On the evidence of our survey, this new role has not yet had a significant impact for many authorities, with over 40% unable to confirm a genuine difference in how healthcare is governed and delivered. That said, 12% agree strongly that it has made a difference – a potentially encouraging sign at this relatively early stage in the Act's implementation. Although it would appear that most health and wellbeing boards have been successful in securing the engagement of all key local organisations, including healthcare providers, 25% of respondents say this is not the case. This may well continue given the lack of emphasis given to them in NHS England's 'NHS five year forward view' of October 2013, about which the Society of Local Authority Chief Executives (SOLACE) has expressed its disappointment.

In the fire sector, Sir Ken Knight's review 'Facing the future' (May 2013) placed the spotlight on the need to consider authority mergers and increased collaboration with other emergency services. However, on the evidence of our survey, mergers are not yet on the agenda of many fire and rescue authorities. Conversely, collaboration is a high priority according to a large majority of respondents whose authorities are already in such arrangements or actively working on them.

There is an urgent need for scrutiny to exercise good governance over the complex array of partnerships in which local authorities are now involved. Boundary issues notwithstanding, by 'shining a light' on contracted-out activities and joint operations or ventures, scrutiny committees can bring a new level of transparency and accountability to these areas.

Governance of stakeholder relations

We continue to look for evidence of willingness on the part of local authorities to use alternative methods of engagement with the public, and have again been surprised to find that over a third of our respondents consider their bodies to have done little on this front. There was, however, a marked appreciation of the need to use modern technology as a platform for exploring alternative channels of communication, with over 90% confirming their organisation is active in this area.

Despite the work that a number of local authorities are doing with the public on 'co-production', almost a third of respondents do not think their organisation actively involves service users in designing the future scope and delivery of its services. In our view, this is both a missed opportunity and an increasingly untenable position for any local public sector body.

In our 2014 review we argued that annual reports were a possible route for more meaningful engagement on governance matters. The majority of this year's survey respondents also agree that annual reports are a good way to promote local accountability. However, from a sample of more than 130 councils, only 12% published a report.

Annual accounts continue to present a challenge in terms of accessibility to the general public – and therefore also raise issues of accountability and transparency. The majority of our respondents do not think external readers could understand their accounts.

This may be exacerbated by the average length of the accounts increasing by 4% in 2013/14 according to our research, although around a quarter did show evidence of significant 'de-cluttering'. Annual governance statements (AGSs) grew even further, by 18% on average. This may reflect the increased number of risks being reported, a significant element of which are financial risks.

The diversity agenda continues to challenge the sector. Only 30% of local authority cabinet positions are held by women which, while ahead of the boards of UK FTSE 100 and 250 companies, and on a par with charities, lags behind the NHS. Also, over half of our survey respondents say that members do not adequately reflect the demographic profile of the local population. The sector should continue its efforts to address these areas.

Conclusion

For local government, the task of maintaining effective governance over its operations becomes ever more complex. Local authorities need to ensure their core objectives and values are fulfilled through many other agencies. This implies a greater role for scrutiny and a need to make sure local public sector bodies' arrangements are as transparent as possible to stakeholders. Now more than ever, local authorities need to ensure that their associates – members, partners and stakeholders – are all on board with their governance.
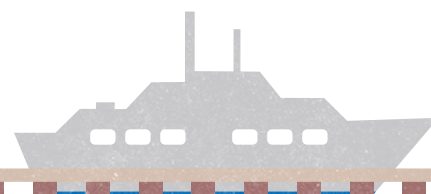
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Governance of the organisation

Good governance in local government relies on effective engagement with elected members. Our findings show this needs to improve.

As the impact of austerity deepens, strong and effective governance becomes more important. Local authorities remain under pressure to deliver the quality services expected by the public while coping with escalating financial constraints. To achieve this, while maintaining internal stability and clarity of purpose, they need good governance that fully engages members.

Risk leadership and management

Our 2014 review discussed how risk leadership is an essential conduit to a positive and innovative culture. We return to the theme this year, as we still believe that organisations' governance arrangements can promote a dynamic and flexible approach to the challenges they face.

Our survey asked respondents if they thought their organisations had this kind of risk leadership. Over 90% said they had effective leadership that fostered a positive culture that encouraged risk and innovation. This is very encouraging and is consistent with the views of respondents to last year's survey. Another key element of risk leadership is an understanding of financial risks. Eighty four per cent of respondents agree that members understand the financial consequences

of failure to manage key risks, compared with 88% last year.

However, there continue to be concerns about elected members' grasp of the importance of risk leadership. We asked if there is consensus among members about their organisation's appetite for risk taking, a question we also asked last year. In common with the responses we received then, a significant proportion of our survey continues to disagree: 34% this year compared with 41% in 2014. Managers need consistent guidance on risk appetite from the top of the organisation, something clearly lacking in a significant proportion of authorities.

Survey respondents are generally satisfied that their organisation's risk management arrangements capture and fully address all its key risks, with 91% believing this is the case. This is consistent with the level of confidence found in our past two reviews. Those who did not agree had the following concerns:

- risk assessments may not be sufficiently realistic or reported openly and honestly, due to worries about how this will be perceived
- members may not be adequately appraised of risks and rewards

to enable decision making based on full knowledge, with concerns about information being restricted to a 'select few'. This is possibly a reflection of increasing dissatisfaction with the cabinet approach which we will discuss later in this chapter

- more focus is needed on mitigation and implementation of action, and a better assessment of risk appetite – the latter concern being consistent with the above findings about members' clarity about organisations' tolerance of risk.

Although these are the views of a minority, they reflect the ever-present danger that risk management operates in letter but not in spirit, with risk registers dutifully prepared, updated and circulated while the 'real' discussion of risks goes on elsewhere. Local authorities need to continue to move towards greater transparency and more effective engagement of members in risk management, to ensure it is more than a 'paper exercise'.

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THERE IS CONSENSUS ACROSS MEMBERS ABOUT THE ORGANISATION'S APPETITE FOR RISK TAKING

8%

2012/13
Strongly agree

0   10   20   30   40   50   60   70

8%

2013/14
Strongly agree

0   10   20   30   40   50   60   70

51%

2012/13
Tend to agree

0   10   20   30   40   50   60   70

57%

2013/14
Tend to agree

0   10   20   30   40   50   60   70

41%

2012/13
Tend to disagree

0   10   20   30   40   50   60   70

31%

2013/14
Tend to disagree

0   10   20   30   40   50   60   70

0%

2012/13
Strongly disagree

0   10   20   30   40   50   60   70

4%

2013/14
Strongly disagree

0   10   20   30   40   50   60   70
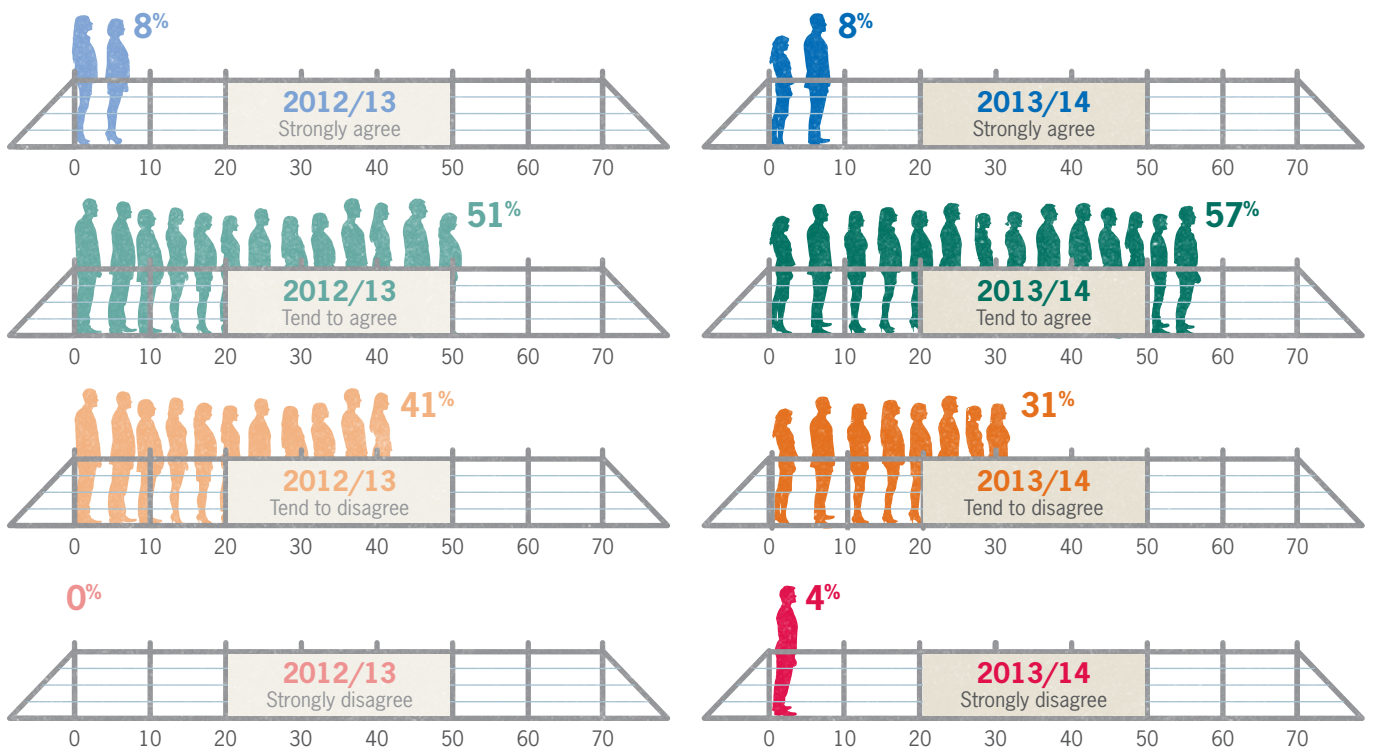
Questions for members to ask officers about risk management

At committee level

1 Does the risk register cover all our key opportunities as well as threats?

2 Would frontline staff agree with the corporate risk register?

3 How confident are managers about managing the risk of service failures?

4 How are we managing the safeguarding of compliance risks?

5 Did our last report from a regulator include any surprises, and if so, what action has been taken?

At department level

1 Can you explain how risk management works in your department?

2 How is the risk management process and register used in day-to-day management?

3 Is the risk management process and register regarded as useful – or bureaucratic?

4 How do you escalate risks from your department to the corporate risk register?

5 Are the things that worry those at the front line consistent with what appears on the risk register?

Source: Grant Thornton Local Government Governance Reviews, 2013 and 2014

Getting governance right

Organisations rightly invest considerable time in setting up their governance arrangements. The complexity can be daunting, particularly when coupled with the pressure of budget reductions and the challenges of entering into ADMs, and local government bodies need to be assured that they have got their arrangements right. We asked our survey respondents if their organisation receives independent assurance on its governance arrangements. An overwhelming majority of 92% confirm that they do, and that such assurance is most frequently provided by external audit, followed by internal audit and inspectors or regulators.

The reliance on external audit for assurance on governance is an understandable response, but caution should be exercised due to the limited nature of that assurance. External audit is required under the Audit Commission Code of Audit Practice to review governance arrangements as part of its assessment to support the annual 'value for money' conclusion. However, external auditors are not required to carry out a detailed review unless an organisation is assessed as presenting a high risk in this area.

Local government bodies may wish to consider an independent assessment of the robustness of their governance arrangements which goes into greater depth than that required for 'value for money' purposes. Our survey response shows that internal auditors are already doing this at a number of authorities, but it may be appropriate to seek assurance from an external source from time to time.

Who drives good governance?

Once again this year, we asked respondents to list the three people most responsible for driving good governance. Again, the clear first choices are the chief executive or equivalent, the director of finance and the monitoring officer. Respondents continue to give little weight to the role of members (leader, chair, audit committee chair) in setting a 'tone from the top' for good governance; this remains a concern. As members are accountable to the public in a far more immediate way than officers, auditors and regulators, it is essential that they are perceived to play an active role in ensuring their organisations are well governed.

WHO PROVIDES INDEPENDENT ASSURANCE ON AUTHORITIES' GOVERNANCE ARRANGEMENTS?
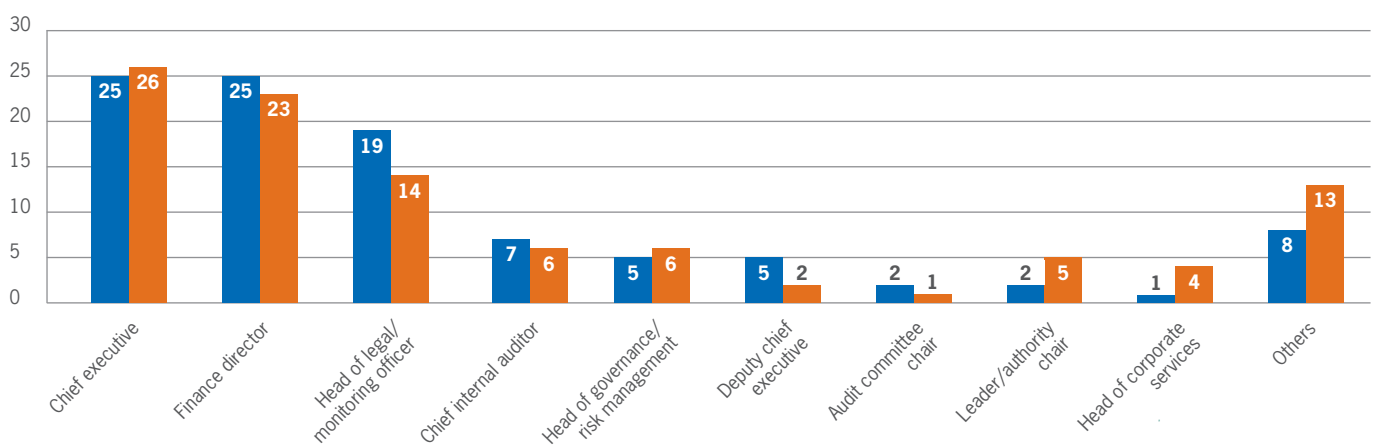
44% External audit

23% Internal audit

8% Inspectors/regulators

7% LGA Peer reviews

5% Other

4% Authority staff

4% Audit committee

3% Standards committee

2% Partners

Is your chief executive really necessary?

A significant development in recent years has been that of authorities choosing to operate without a chief executive, often as a cost-saving measure, but sometimes as part of a transformation initiative involving alternative management models. In our survey, 7% of respondents indicate that their organisation has made this choice. All but one respondent asserts that this has had no negative impact on governance arrangements.

Removing the chief executive post is more common in district councils than in upper tier authorities, although a few of the latter have gone down this route.

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WHO IS RESPONSIBLE FOR DRIVING GOOD GOVERNANCE AT YOUR ORGANISATION? (%)   ● 2013/14   ● 2012/13

Category	2013/14	2012/13
Chief executive	25	26
Finance director	25	23
Head of legal/monitoring officer	19	14
Chief internal auditor	7	6
Head of governance/risk management	5	6
Deputy chief executive	5	2
Audit committee chair	2	1
Leader/authority chair	2	5
Head of corporate services	1	4
Others	8	13

Case studies – Alternatives to a chief executive

Sharing an executive director saves £80,000 per year

South Hams District and West Devon Borough Councils have had a shared management structure for a number of years. Since March 2014 the councils have been piloting an executive director model across their shared services arrangement, appointing their two current corporate directors to jointly lead the authorities; a move estimated to save approximately £80,000 a year. One director is responsible for service delivery and the other for strategy and commissioning as well as taking the head of paid service role.

The separation of the strategy and commissioning function from delivery is seen as a key element. It is intended to provide flexibility for the future, allowing for potential growth in the number of partner commissioners and service providers. A process of evolution is envisaged: as the model embeds new ways of working, and as alternative service models are explored, the senior management team, along with the rest of the organisation, will split between commissioning and delivery.

Joint managing directors foster collaboration

West Lancashire Borough Council decided three years ago to abandon the chief executive role and appoint joint managing directors. These directors share the chief executive responsibilities, one taking on the statutory designation of head of paid service, the other that of monitoring officer and returning officer. These duties are performed alongside their existing operational responsibilities – one leading on community services and street scene, the other heading up planning services, housing and regeneration.

The main aim of the move was to reduce top management costs without affecting efficiency. The change has fostered a collaborative approach internally, which has in turn engendered a flexible and positive attitude towards external partnerships, seen by the council as essential in the current financial climate.

Strategic decisions are also reached collaboratively, by the managing directors and their teams. The model brings the leader's role to the fore, positioning it as the 'dynamic public face of the council'.

Some councils have opted to share their chief executive, a move that was encouraged by the Secretary of State for Communities and Local Government at an early stage of his tenure. While successful in the main, this has had a mixed track record, with a number of councils choosing to reverse the arrangement fairly shortly after introducing it. For example, the London Borough of Barking and Dagenham recently terminated its sharing arrangement with Thurrock District Council.

The challenges to making a success of initiatives involving the removal or sharing of the chief executive post can be significant:

- Transformation projects involving shared management and services can involve significant upfront costs before long-term savings and service improvements emerge. Reducing top-level leadership by sharing the chief executive role from the start may prove too much for some councils
- Political divisions can complicate the picture, with one party pushing through merged arrangements against the will of the opposition, bringing the risk of instability if one party is committed to reversing the merger
- Sustained strategic focus is essential for such initiatives to succeed. Councils without a chief executive need to ensure there is clarity as to where this focus is going to come from; 'joint' chief executives need to recognise that their role has changed and reduce their involvement in detailed day-to-day matters
- Individual councils can have very different cultures and this needs to be recognised and addressed from the outset, along with maintaining staff morale where there are apprehensions about the changes

Local authorities therefore need to be clear about both the advantages and disadvantages of opting for alternatives to the 'traditional' chief executive. They must ensure that any such move is a clear fit for their circumstances and that it will preserve strong management and good governance.
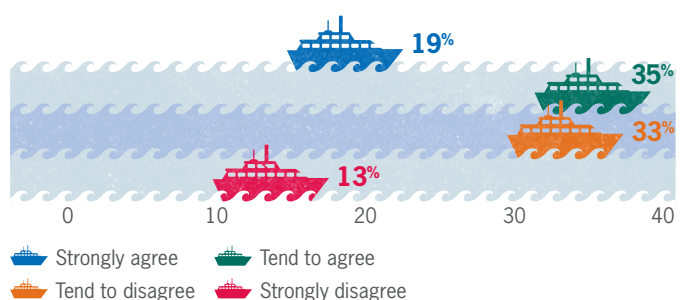
Scrutiny

The introduction of scrutiny committees in councils, to provide a non-partisan forum for members not involved in executive decisions taken by the cabinet, has had mixed success. In theory these committees offer a valuable 'check' to the executive. Potentially, they can also offer a fresh perspective by taking both a long-term view of strategic issues and 'deep dives' into vital areas of council operations.

In reviewing the level of scrutiny activity at more than 100 councils in the year to 30 September 2014, we found practice varied widely. While councils had an average of three scrutiny committees, the number of committees ranged from 10 to one. These met on average 17 times a year, with a range from 66 meetings to just one. To gain a sense of their potential impact, we noted that on average scrutiny committees made 31 recommendations. This also ranged widely, from more than 100 to just one.

We asked our survey respondents if they agreed that the cabinet and scrutiny system provides all members with the opportunity to have real influence over council decisions. Almost half disagreed – a notable level of uncertainty about the value of this approach to governance, and a worrying indication of the potential disengagement of many members from council governance.

THE CABINET AND SCRUTINY SYSTEM PROVIDES ALL MEMBERS WITH THE OPPORTUNITY TO HAVE REAL INFLUENCE OVER COUNCIL DECISIONS

19%
35%
33%
13%

0   10   20   30   40

Strongly agree   Tend to agree
Tend to disagree   Strongly disagree

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We also asked for views on the effectiveness of scrutiny committees at challenging the way councils do things. Here 43% of our survey could not agree that they were effective.

OUR SCRUTINY COMMITTEES ARE EFFECTIVE AT CHALLENGING THE WAY WE DO THINGS

- Strongly agree — 12%
- Tend to agree — 45%
- Tend to disagree — 31%
- Strongly disagree — 12%
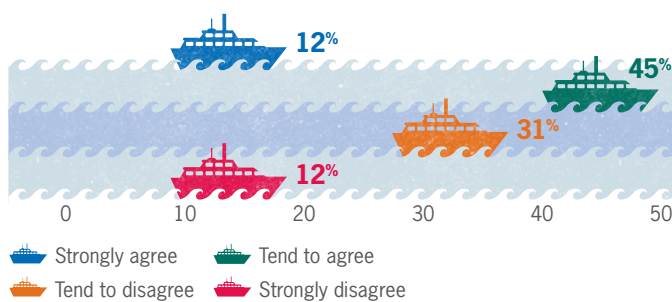
In another significant trend, councils are turning away from the cabinet model and returning to the committee approach to governance. This is reflected in our survey results, with 6% of respondents confirming that their organisation has made this change and a further 12% saying it is being considered. The main reasons given for this were to involve more (or all) members in the decision-making process, to increase accountability and transparency and to reduce bureaucracy.

It remains to be seen whether these aims will be achieved. Clearly there has been dissatisfaction among those members who are not part of the 'inner circle' that cabinet government tends to involve. Participation in the scrutiny role does not seem to provide some members with the sense of purpose found in the direct oversight of services via committees.

On the basis of our survey results, returning to the committee system may seem an obvious step in maximising members' opportunities to have a positive impact on running their councils. However, this may also represent a significant missed opportunity. Another current trend, towards

43% of our survey do not agree that scrutiny committees are effective at challenging the way their councils do things.

increased devolution – spurred on by the 2014 Scottish referendum results and the increasing profile of the London mayor – may not sit well with an 'old-style' committee approach. Increased local powers may best be exercised through accountable individuals rather than committees. Authorities may wish to consider whether it would be better to work harder to make scrutiny a more effective counterweight to the local executive, rather than take what appears to be a backward step.

One area where scrutiny can play a particularly effective role is in bringing an alternative perspective on budget proposals. The process of budget preparation can be intense for those immediately involved, including cabinet portfolio holders. Scrutiny committee members, with no specific 'stake' in the proposals, can bring valuable insight and help ensure the process is as transparent as possible, as the following case studies illustrate.

The Centre for Public Scrutiny/Grant Thornton guide 'Raising the Stakes' offers practical advice to council officers and members about how scrutiny can add value to financial planning and financial management.

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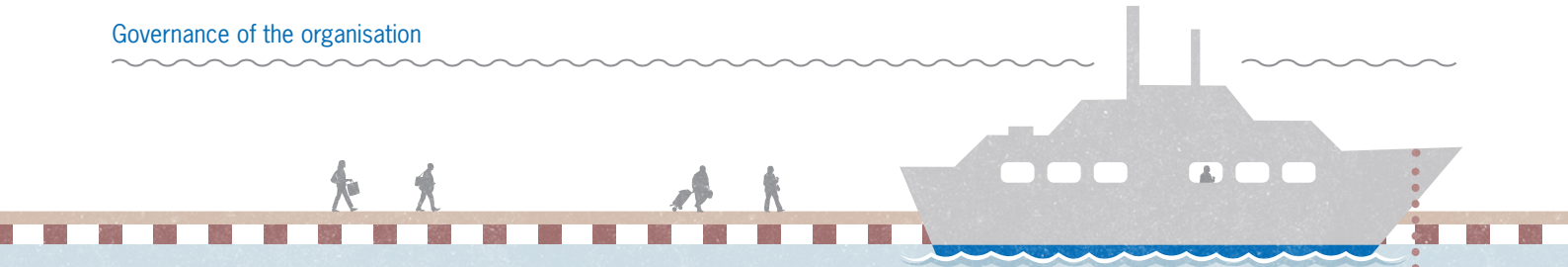
Case studies – financial scrutiny

Opening up the budget-setting process

Following local elections in May 2013, Buckinghamshire County Council established a select committee model to perform its scrutiny functions. The principal objectives of this exercise were to:

- examine whether cabinet produced a balanced budget that supported the council's strategic plan priorities
- provide a second opinion and make evidence-based recommendations for strengthening the proposals.

The select committee's wide-ranging recommendations include:

- improving the budget-setting process, focusing on the transparency and accessibility of the budget
- devolving further competencies to parish and town councils
- exploring further joint-working opportunities with partners such as district councils.

As well as scrutinising the council's budget proposals, a key aim of the select committee is to open up the budget-setting process by raising its profile and making it more accessible to members of the public. The finance, performance and resources select committee holds sessions with each cabinet member to question them on their draft spending plans and portfolio priorities. The leader of the council is questioned on the overall policy direction of the council, the leader's portfolio and on issues arising during the budget scrutiny process.

The select committee also engages with external witnesses from the local business, voluntary and community sectors. These external witnesses are invaluable in explaining the specific impacts of various budget proposals.

Making budget monitoring more effective

St Helens Metropolitan Borough Council has set up an audit and financial monitoring overview and scrutiny panel, which receives regular reports on financial and service performance throughout the year. This complements the scrutiny of the annual budget carried out by the council's overview and scrutiny commission, by reviewing delivery of the budget and service outcomes.

The panel meets eight times a year. Quarterly corporate financial reports provide an update on the council's financial position covering revenue and capital, reserves and balances and treasury management activity. Budget and performance reports present key financial results in a narrative format alongside a performance summary that covers key performance indicators with actions to address any reported issues. Each meeting also considers the most recent internal audit reports.

Members' general understanding of financial information and its readability have been identified as key barriers to effective financial scrutiny, so a training programme for panel members has been developed to tackle this. This training has now been extended to all members of the council.

The establishment of the panel, and the contextual nature of the financial information it receives, has given members a much deeper understanding of the climate in which it operates.

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Governance in working with others

The local government sector has to navigate an increasingly complex network of partnerships. Its governance arrangements have only partially adapted to this.

Local authorities have responded positively to reduced national funding brought by austerity, through improved efficiency, innovation and alternative delivery models (ADMs) to deliver public services. This chapter revisits this important area, along with the new challenges faced by local authorities through their public health responsibilities, the continuing impact of police reform and the pressure now placed on fire and rescue services to realise efficiencies through mergers and collaborations.
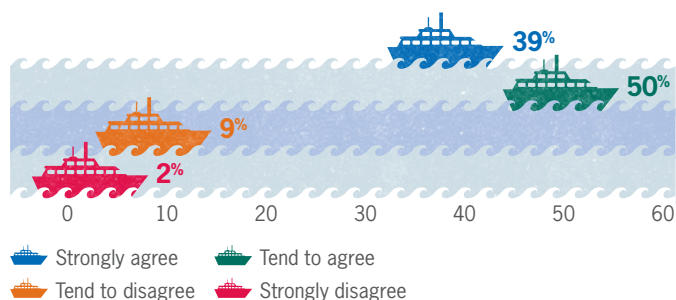
Alternative delivery models

Local authorities have developed a wide range of ADMs in recent years, and governance issues relating to them was a major theme of our previous local government governance review, 'Working in tandem' (2014).
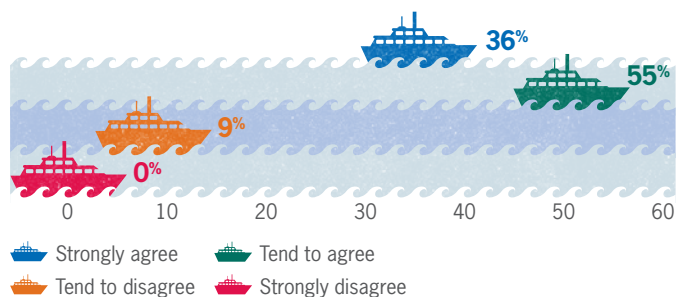
Our survey responses confirm the continuing importance of ADMs. A majority of respondents (89%) agree that their organisation is open to all available options when deciding how services will be delivered. A large majority, 84%, also confirm that their organisation has entered into ADMs or is considering doing so.

Most are also confident in their organisation's governance arrangements for ADMs, with 91% expressing satisfaction.
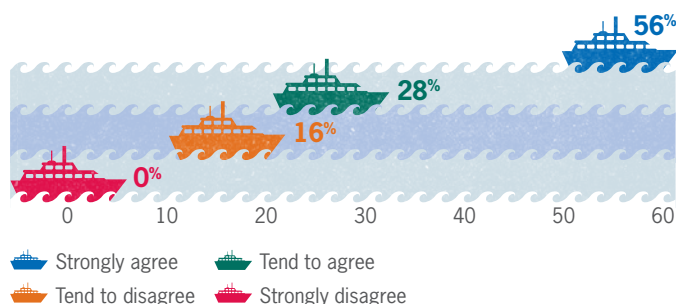
MY ORGANISATION IS OPEN TO ALL AVAILABLE OPTIONS WHEN DECIDING HOW SERVICES WILL BE DELIVERED

39%
50%
9%
2%

0   10   20   30   40   50   60

■ Strongly agree   ■ Tend to agree
■ Tend to disagree   ■ Strongly disagree

WE HAVE ADEQUATE GOVERNANCE OVER OUR ALTERNATIVE DELIVERY ARRANGEMENTS

36%
55%
9%
0%

0   10   20   30   40   50   60

■ Strongly agree   ■ Tend to agree
■ Tend to disagree   ■ Strongly disagree

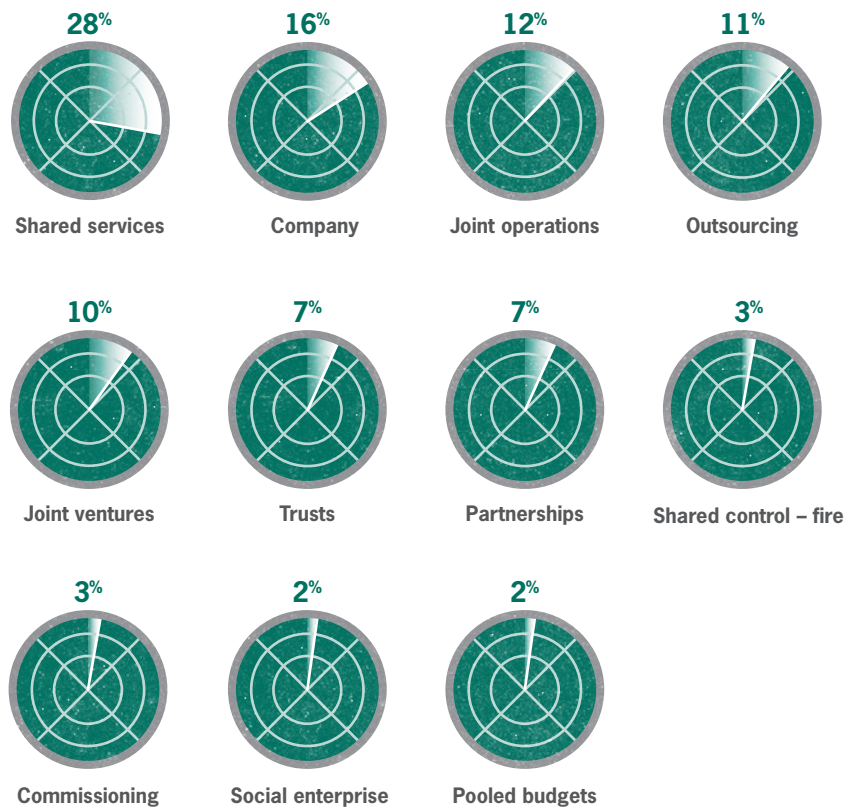**OUR ORGANISATION HAS ENTERED INTO AN ALTERNATIVE DELIVERY ARRANGEMENT SUCH AS A JOINT VENTURE OR JOINT COMPANY WITH ANOTHER AUTHORITY**

56%
28%
16%
0%

0   10   20   30   40   50   60

■ Strongly agree   ■ Tend to agree
■ Tend to disagree   ■ Strongly disagree

Grant Thornton's recent report 'Responding to the challenge: alternative delivery models in local government' (January 2014) discusses the main ADMs available and aims to assist authorities as they develop their options and implement innovation strategies. All local authorities are keenly aware of the need to continue to make major savings over the medium term, and it is unlikely this can be achieved without greater innovation and further use of alternative delivery models.

We asked our respondents to indicate the types of ADMs their authority had established. The 'traditional route' of shared services was the most frequently cited at 28%, but the combined total of companies and joint ventures now matches this. Outsourcing accounted for a further 12%, clear evidence that local authorities are now highly committed to new ways of procuring and delivering services.

MOST FREQUENTLY CITED TYPES OF ESTABLISHED ALTERNATIVE DELIVERY MODELS

28%	16%	12%	11%
Shared services	Company	Joint operations	Outsourcing

10%	7%	7%	3%
Joint ventures	Trusts	Partnerships	Shared control – fire

3%	2%	2%	
Commissioning	Social enterprise	Pooled budgets	

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Case studies

A 'true partnership' to deliver revenues and benefits services

Wychavon, Malvern Hills and Worcester City Councils have set up a strategic partnership with Civica for the provision of revenues and benefits services. With universal credit due to be introduced during the next few years, these councils' existing shared service (set up in 2007) faced the prospect of a significantly reduced workload.

The councils recognised that although they were providing high quality tradable services, they were not skilled or experienced at taking these to market. By contrast, the private sector lacked the councils' trained staff and experience but did have marketing expertise and commercial contacts. The South Worcestershire Shared Services Joint Committee concluded that its ambitions for the service in the new climate could best be achieved through growing the partnership with an established private sector provider.

The intention from the outset was to establish a 'true partnership', with Civica, rather than a 'simple outsource model'. The joint committee believes this is critically important in helping the councils achieve their wider aims for the service.

Governance arrangements for the service, considered to have worked well since its inception, have continued unchanged with the partnership reporting to the joint committee.

Securing new income streams

South Hams District and West Devon Borough Councils recently decided to create a wholly owned trading company to generate new income. The aim is to shift the culture of the organisations towards a more innovative approach, recognising the need to both reduce costs and secure additional income streams.

Governance arrangements stipulate that directors of the company will be responsible for managing its affairs and ensuring a profitable trading environment. As its directors will have a duty to act in the company's best interests, council members will be made aware that potential conflicts of interest may arise when carrying out these two roles.

The arrangements also require that, where business decisions fall outside the powers of the company directors, such decisions must be referred to the councils' appropriate decision-making body.

A better deal for children

Achieving for Children (AfC) is a social enterprise company created by the Royal Borough of Kingston upon Thames and the London Borough of Richmond upon Thames to provide their children's services. AfC was set up as a community interest company limited by guarantee, jointly owned by the two local authorities. The company started trading from 1 April 2014.

The key aim in establishing the company is to safeguard quality services. A joint committee has been set up by the two local authorities, which retain ultimate control and responsibility for major policy and other decisions. The day-to-day running of the company is delegated to a joint management team appointed by the board. This consists of executive and non-executive directors, appointed by the two councils, and non-executive independent directors, who are independent of the councils and the company.

Scrutinising ADMs

As local authorities increasingly outsource services in order to make savings and encourage innovative delivery, they also need to scrutinise the governance of these arrangements more closely. Although there may be limits to the evidence that scrutiny committees have access to, due to contract terms, their oversight of contracted-out activities and joint operations or ventures can bring a level of transparency and accountability that could otherwise be lacking. However, scrutiny of service quality, including of those activities that have been outsourced, is an area that many of our survey respondents find to be lacking. Forty three per cent of respondents do not consider that their scrutiny committees have been proactive in this area.

It could be argued that service quality is scrutinised effectively by other dedicated committees. Wherever this scrutiny happens, when assessing services delivered through ADMs, members should ask the questions listed below.

OUR SCRUTINY COMMITTEES HAVE BEEN PROACTIVE IN REVIEWING SERVICE QUALITY, INCLUDING OUTSOURCED SERVICES
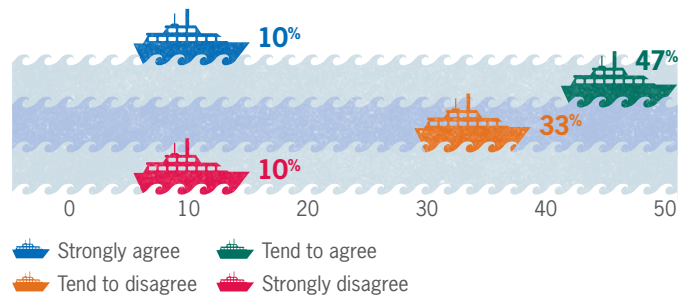
- Strongly agree
- Tend to agree
- Tend to disagree
- Strongly disagree

As local authorities increasingly outsource services in order to make savings and encourage innovative delivery, they also need to scrutinise the governance of these arrangements more closely.

Ten questions members should ask about ADMs

1. Is there a common understanding between all parties to your main ADMs on the risks they face and how these will be managed?

2. Are all roles and responsibilities within the ADM clearly set out, assigned and accepted, both individually and collectively?

3. Is it clear which party carries the lead responsibility for which key risk, and is this incorporated in agreements or contracts?

4. Is a joint risk register in place for your organisation's main ADMs and is this regularly reviewed at joint risk meetings?

5. Have you reviewed the processes for day-to-day management of risks in your ADMs?

6. Are you satisfied they are robust and all parties are fully engaged?

7. Are you confident your governance arrangements would identify a potential service failure within your ADMs before it happened?

8. Do you have clear plans about what action should be taken if alternative delivery arrangements fail?

9. Do you understand the financial consequences of the failure to manage the key risks of your main alternative delivery arrangements?

10. Are you satisfied with the quality of financial and performance reporting on ADMs? How could it be improved?

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One criticism sometimes made of scrutiny is that it can be 'tokenistic', with reports that present a sanitised or pre-agreed account of the issues, and committee discussions drifting into party politics, dissipating the focus. A solution to this may be the Centre for Public Scrutiny's proposal for local public accounts committees, if they were to emulate the impact and generally non-partisan approach of their equivalent at national level.

Local public accounts committees

The Centre for Public Scrutiny (CfPS) has advocated the introduction of independent local public accounts committees (PACs), which would have the power to scrutinise all public expenditure in a local area, subject to a number of necessary exceptions such as defence and security. The CfPS suggests local PACs should have:

- right of access to any papers or information held by anybody involved in delivering public services and to require representatives to attend meetings to give evidence

- an 'enter and view' power over any organisation delivering publicly funded services. This would involve a right to access real-time management information, and to directly access and talk to managers and service users, similar to powers already held by local Healthwatch organisations

- the ability to use this evidence to make recommendations to any local public service commissioner or provider to which they would be obliged to respond. The local PAC would have the right to refer any refusal to implement a recommendation they regard as crucial for good governance and value for money to the national PAC for determination or further investigation.

Source: 'A local public accounts committee for every place: a proposal from CfPS', CfPS, December 2015.

One criticism sometimes made of scrutiny is that it can be 'tokenistic', with reports that present a sanitised or pre-agreed account of the issues, and committee discussions drifting into party politics, dissipating the focus.

Police and crime commissioners

The election of PCCs in November 2012 introduced a new model of governance and accountability in England and Wales. Police authorities were replaced by two separate entities, with chief constables and PCCs being given equal status as 'corporations sole'.
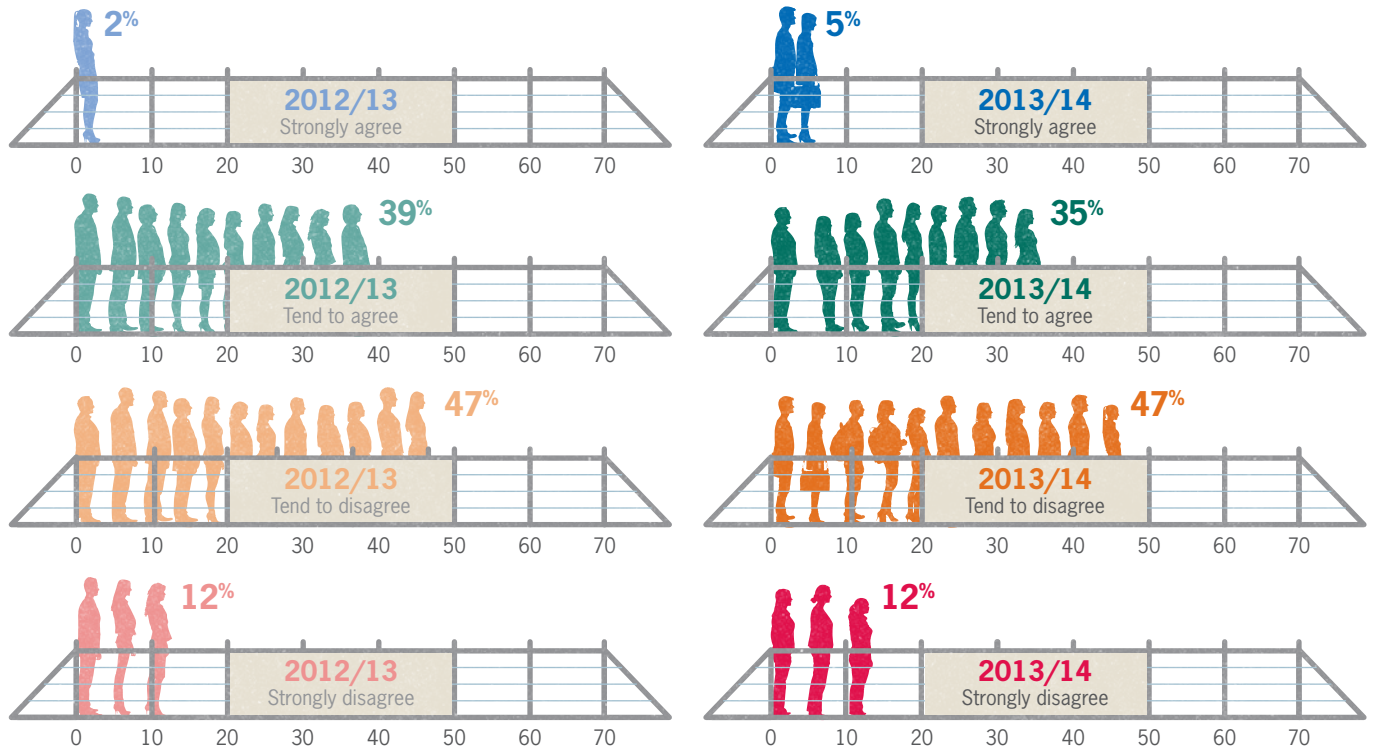
In both this and last year's surveys we asked if respondents agreed that this transition had a positive impact on local partnership working arrangements. On both occasions the majority disagreed.

This contrasts with the response to a related question in our survey of police bodies for our report 'Police reform: a developing picture' (April 2014), in which 78% of respondents felt the creation of the office of the PCC had had a positive impact on the local police force's pre-existing collaborative and partnership working arrangements. Clearly police bodies see potential here, and there remains scope for that potential to be realised, including winning over local partners.

THE TRANSITION FROM POLICE AUTHORITIES TO PCCs HAS HAD A POSITIVE IMPACT ON LOCAL PARTNERSHIP WORKING ARRANGEMENTS

2% — 2012/13 Strongly agree
5% — 2013/14 Strongly agree
39% — 2012/13 Tend to agree
35% — 2013/14 Tend to agree
47% — 2012/13 Tend to disagree
47% — 2013/14 Tend to disagree
12% — 2012/13 Strongly disagree
12% — 2013/14 Strongly disagree

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Setting up and managing successful partnerships

- **Leadership and vision**: Senior officers need to be clear about what the partnership aims to achieve, and to communicate this vision effectively to staff, partners and other stakeholders.

- **Test the business case**: Any partnership should be supported by a business case that sets out the expected costs, benefits and risks. Where arrangements are already in place, consider revisiting the business case to ensure benefits are being delivered as envisaged.

- **Set clear objectives and report on performance**: There should be a succinct list of clear, outcome-focused objectives for all partnership arrangements. Performance against these should be measured and reported regularly, with clear responsibility for actions to address any underperformance.

- **Get governance right**: There needs to be clear accountability for the performance of partnerships. Decision-making processes should be streamlined to allow speedy resolution of operational issues, while giving time for adequate debate between all partners. Shared mechanisms such as joint assurance frameworks and risk registers can help partners to develop effective governance arrangements.

- **Build flexibility into the model**: The demands placed on public services are changing all the time, so partnership arrangements need to adapt in the same way. Depending on the type of arrangement, partners may wish to: agree periodic break points and build these into agreements; set milestones at which they will refresh the business case; and revisit objectives and performance measures as part of the annual budget-setting cycle.

Source: 'Police reform: a developing picture', Grant Thornton, April 2014
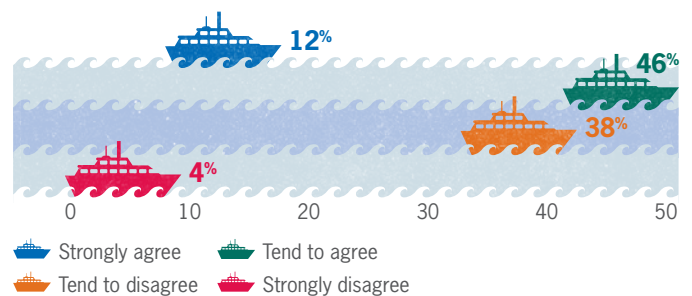
Public health

The Health and Social Care Act 2012 gave upper-tier and unitary councils a new duty to promote the health of their population, assuming a number of functions previously undertaken by the NHS. District councils are also expected to make significant contributions to local health and wellbeing strategies.

The act aimed to secure improvements to public health by requiring councils to put local health issues into their policies and decisions. The health and wellbeing boards (HWBs) brought in by the act lead the development of joint strategic needs assessments and joint health and wellbeing strategies, with the aim of integrating local commissioning strategies and ensuring a community-wide approach to promoting and protecting public health and wellbeing.

On the evidence of our survey, this new role has yet to have a significant impact on local healthcare for many authorities. Over 40% have not noticed a difference in how healthcare is governed and delivered in their area, although 12% agree strongly that it has, which is arguably an encouraging sign at this relatively early stage.

The Department of Health has identified 14 'pioneer' sites[1] where local areas are demonstrating the use of ambitious and innovative approaches to joined-up care, and we recommend local authorities review these for their own potential application.

THE COUNCIL'S NEW ROLE IN LOCAL PUBLIC HEALTH ARRANGEMENTS HAS MADE A GENUINE DIFFERENCE TO HOW HEALTHCARE IS GOVERNED AND DELIVERED IN OUR AREA

12%

46%

38%

4%

| 0 | 10 | 20 | 30 | 40 | 50 |

- Strongly agree
- Tend to agree
- Tend to disagree
- Strongly disagree

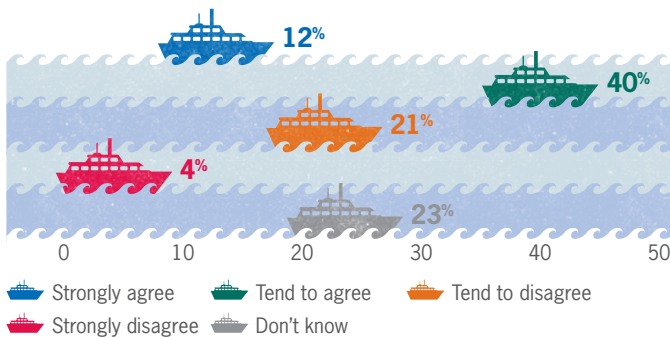[1] http://www.england.nhs.uk/2013/11/01/interg-care-pioneers/

One key area where HWBs have a role is in governance arrangements for the Better Care Fund (BCF) introduced by the government in June 2013, in England.

We also asked council respondents if HWBs had secured the engagement of all key local organisations, including healthcare providers. A reasonable majority of 62% agreed, but 25% did not (and 23% did not know).

OUR HEALTH AND WELLBEING BOARD HAS SECURED THE ENGAGEMENT OF ALL ORGANISATIONS IN THE LOCAL HEALTH ECONOMY, INCLUDING THE MAIN HEALTHCARE PROVIDERS

12%
40%
21%
4%
23%

0   10   20   30   40   50

Strongly agree   Tend to agree   Tend to disagree
Strongly disagree   Don't know

This indicates a considerable level of disquiet about the effectiveness of HWBs, a key plank of the recent reforms. At present this looks set to continue. In response to NHS England's 'NHS five year forward view', which only referred briefly to HWBs, the SOLACE said it was disappointed not to see more support for them as a vital lever to drive holistic, place-based health and care reform.

One key area where HWBs have a role is in governance arrangements for the Better Care Fund (BCF) introduced by the government in June 2013, in England. This represents a significant opportunity to drive forward integrated care, by encouraging health and social care services to work together. The aim is to stimulate transformation in existing care service delivery, to improve health and social care outcomes and to provide cost-effective care by commissioning according to local needs.

As highlighted in Grant Thornton's review 'Pulling together the Better Care Fund' (September 2014), HWBs have a key role in ensuring that robust governance arrangements are in place as part of approving the BCF plans and by monitoring outcomes and ensuring remedial action is taken where required. The review noted three areas where, based on Grant Thornton's local reviews of planning for the introduction of the BCF, the majority of HWBs need to take action. HWBs need to:

- understand their role and responsibilities, to enable them to be focused, effective and purposeful
- establish who is responsible for managing risk and performance managing the BCF outcomes
- ensure that NHS providers are fully engaged and aware of the planned changes, if the BCFs are to achieve their agreed objectives.

There is no doubt, however, that local authorities and the NHS can – and should – work effectively together, particularly in the provision of health and social care.
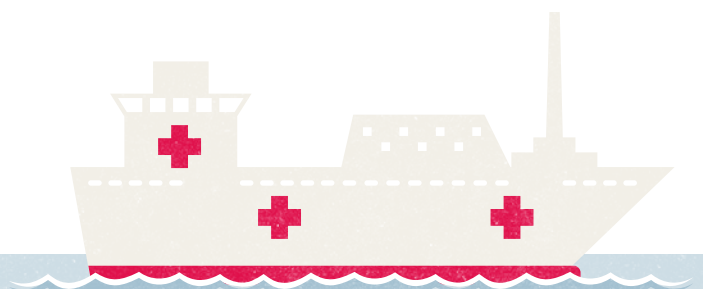
Case studies

Pioneers reduce hospital admissions

Greenwich was one of 14 'pioneer' sites selected by the NHS to lead the way in delivering better joined-up health and social care. The Royal Borough of Greenwich and NHS Greenwich clinical commissioning groups (CCGs) decided to focus on establishing multidisciplinary teams to deal with emergencies arising within the community which require a response within 24 hours. The joint emergency team (JET) has succeeded in reducing hospital admissions and delayed discharges for patients aged over 65, leading to significant social care budget savings.

To ensure effective governance across such a wide-ranging group with differing internal priorities, the focus was on achieving health and social care integration at both strategic and operational levels, without requiring partners to change their own governance arrangements. The health and wellbeing board has a strategic oversight role, while at operational level an integrated care system project board oversees delivery and implementation.

Reducing health inequalities

South Ribble Borough Council's scrutiny committee has a track record of scrutinising health provision and championing local health issues. In 2013 the committee carried out a review of health inequalities.

The review set out to audit what existing work was being done to improve life expectancy in South Ribble, to consider the factors that contribute to health inequalities, and look at what can be done to improve life expectancy and quality of life in the borough.

The committee concluded that local authorities across the three tiers were the major players in public health and must take the lead. It made 13 recommendations requiring further engagement of the council with local CCGs, the county council's public health function and children's trust and the health and wellbeing board.

Following this, in 2014, the committee worked with Lancashire County Council's health scrutiny committee and the Centre for Public Scrutiny to pilot a review on how the NHS Healthcheck scheme is working.

Fire and rescue services

The 2013 'Facing the future'[2] report by Sir Ken Knight highlighted changes in the demand for fire and rescue services and the need to modernise the service and make efficiency savings. One of the main conclusions from the report was that the current system of 46 local fire authorities in England "does not make for a sensible delivery model".

Grant Thornton's report 'Fire and rescue collaboration' (Spring 2014) discusses the issues surrounding mergers and collaboration with other emergency services. The report highlights lessons from previous successful and abandoned mergers, potential ways of joint working and how to manage a merger or collaboration project successfully.

Mergers are not yet on the agenda of many fire and rescue authorities, according to our survey. Only 20% of respondents confirm that their organisation has implemented a merger or is actively working on merger plans for implementation in the next 24 months. Conversely, collaboration is a high priority, with 91% indicating that their authority has implemented collaborative working or is actively working on new collaborative working arrangements with other emergency services and fire authorities for implementation in the coming year.

Collaboration on fire sector procurement

Procurement is one area where collaboration between fire and rescue authorities can prove particularly effective.

The key messages to emerge from a Grant Thornton round table discussion involving leading figures in the service were:

- collaborative procurement can streamline services and save money in a time of austerity. Product specialists could drive innovation within the sector

- significant barriers to establishing collaborative procurement across the fire service need to be tackled. Some authorities fear losing their identity and 'brand'. Procurement specialists do not feel consistently valued or part of the solution to driving efficiency

- a cultural shift within the fire service is needed to make real progress with collaborative procurement. Chief fire officers and members have an important role to play in setting the right tone for their organisations. A greater focus is needed on developing a forward-looking approach to enable the service to become a more sophisticated buyer.

Source: 'Better collaborative procurement in the fire sector', Grant Thornton, November 2014.

Governance of stakeholder relationships

Good governance in local government involves meaningful engagement with all the sector's stakeholders. Local authorities have yet to make the best of their opportunities to do this in the 'digital' age.

Local authorities need both to meet their statutory duty to inform the general public and other stakeholders about their finance and governance and to make a genuine connection with local people in response to the increasing prominence of the localism agenda.
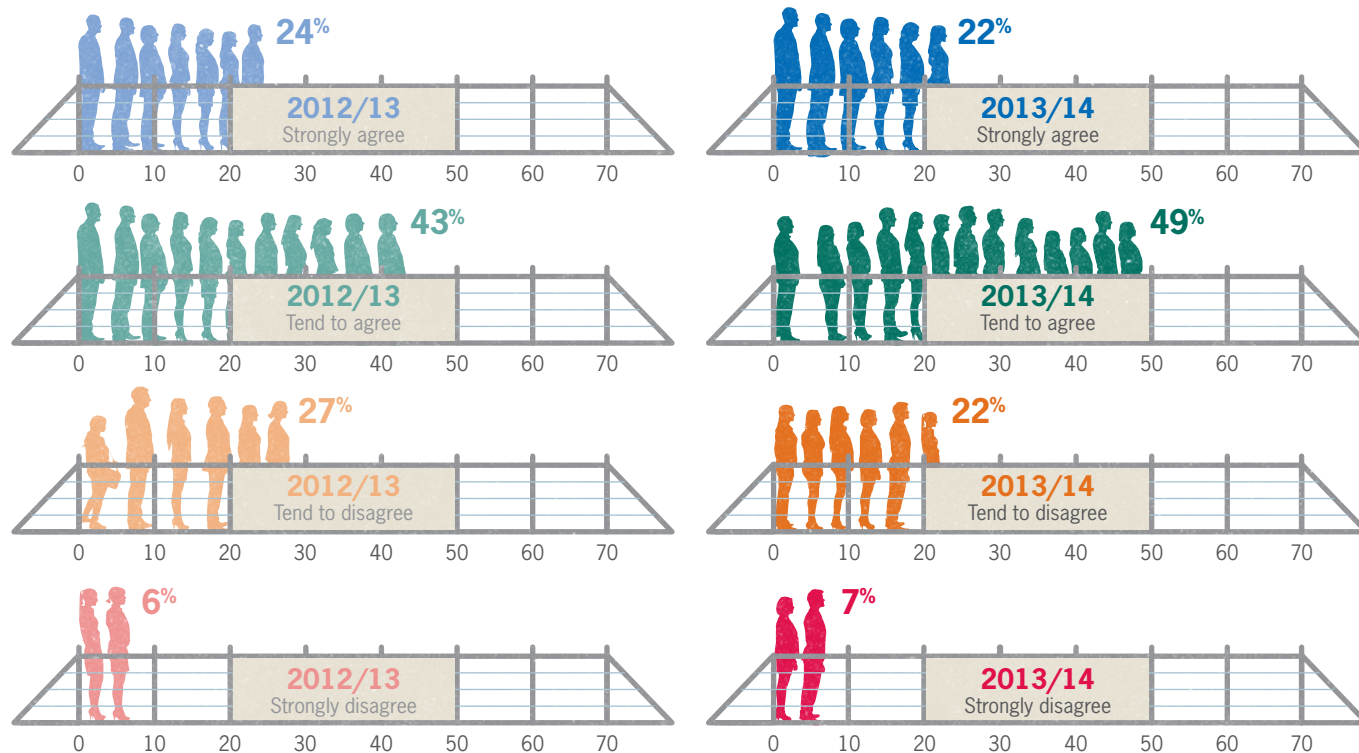
Engaging with stakeholders

Modern technology presents local authorities with a range of options to make their communication and engagement with

stakeholders meaningful and effective. In our 2014 survey we looked for evidence of councils, fire authorities and police bodies actively engaging with the public about what information they want on the quality of services, finance and governance.

We raised the issue again this year. Most respondents said their organisations do this but, as with last year, around a third feel there has been little or no engagement on these areas.

WE HAVE ENGAGED WITH THE PUBLIC ON WHAT INFORMATION THEY WANT ON THE QUALITY OF SERVICES, FINANCES AND GOVERNANCE OF THE ORGANISATION

24% 2012/13 Strongly agree

22% 2013/14 Strongly agree

43% 2012/13 Tend to agree

49% 2013/14 Tend to agree

27% 2012/13 Tend to disagree

22% 2013/14 Tend to disagree

6% 2012/13 Strongly disagree
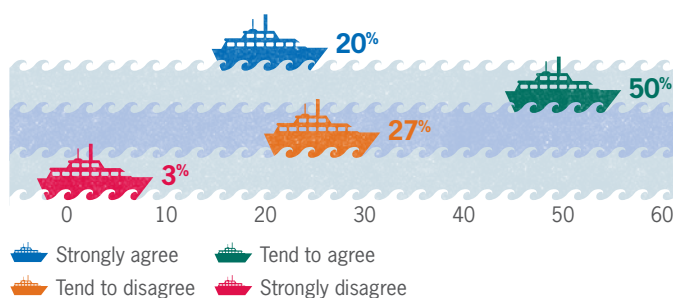
7% 2013/14 Strongly disagree

This continues to be a surprising response. The increasing demand for transparency in public authorities' dealings with stakeholders does not seem to have translated, for a significant minority of our surveyed organisations, so far as finding out what the public want to know and how it should be presented.

Another key component in securing active and meaningful engagement with stakeholders is to involve service users in shaping how authorities do things. Encouragingly, a majority (70%) of respondents were positive on this, and a number of authorities are currently forging ahead with 'co-production' initiatives. However, this still leaves almost a third of respondents unable to agree that their organisation actively involves service users in designing the future scope and delivery of its services.
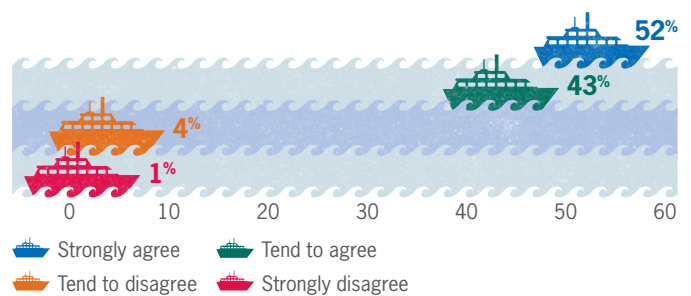
SERVICE USERS ARE ACTIVELY INVOLVED IN DESIGNING THE FUTURE SCOPE AND DELIVERY OF OUR SERVICES

20%
50%
27%
3%

0 10 20 30 40 50 60

- Strongly agree
- Tend to agree
- Tend to disagree
- Strongly disagree

Another key component in securing active and meaningful engagement with stakeholders is to involve service users in shaping how authorities do things.

Local authorities need to use all options enabled by technology to communicate with the public. Almost 95% of respondents said their organisation proactively explores alternative channels of communication, for example: enhancing their website based on user feedback; using social media; introducing integrated reporting; and creating alternative face-to-face contact mechanisms.

WE PROACTIVELY EXPLORE AND USE ALTERNATIVE CHANNELS OF COMMUNICATION TO ENGAGE WITH THE LOCAL POPULATION

52%
43%
4%
1%

0 10 20 30 40 50 60

- Strongly agree
- Tend to agree
- Tend to disagree
- Strongly disagree

However, this may be at odds with the stakeholder experience. The public sector net services provider, 'Public-i', considered the current state of engagement through digital technology in its paper 'Digital tribes and leadership survival skills'[3] (October 2014), following discussions with bodies such as SOLACE, the Society of Information Technology Management (SOCITM), CITM and the Local Government Association (LGA). The paper comments that "many organisations may be being constrained in their pursuit of an effective digital agenda, both by a lack of clarity about [why to use digital technology] and by a lack of skills around the top table… Many leaders have not yet had time to reflect on the cultural changes that they are seeing within their communities and organisations and link these to the way in which digital tools are increasingly shaping relationships as well as transactions".

Despite the positive response to our survey, local authorities may wish to look at the quality and quantity of the technology they are using to communicate with stakeholders.

[3] http://www.public-i.info/wp-content/uploads/2014/10/Digital-Leadership-Distribution-copy07.10.14.pdf

Annual reports

In our 2014 review we argued that annual reports, which offer a more flexible, transparent and accessible way to engage with people than statutory documents such as the AGS, were a possible route for more meaningful engagement on governance.

It would appear that this is a view shared by a significant element of senior local authority staff and members. The majority (69%) of our respondents agreed that annual reports are a good way to promote local accountability, in almost the same proportion as last year.

We also asked why many local authorities do not produce an annual report. The most common explanations were the cost and organisational inertia, due to a report's non-mandatory nature and public indifference. Whatever the reasons, the fact remains that the vast majority of local authorities choose not to produce an annual report – from our sample of 120 councils, we found that only 12% published one.

Of the authorities that do produce an annual report, we assessed the extent of their reporting of key risks. We found limited reference to them, representing a missed opportunity to convey a vital message about effective governance to local stakeholders. That said, we found the level and accessibility of performance reporting to be handled reasonably well. This is encouraging and, to some extent, addresses the gap left by the lack of an annual report.

We recognise that austerity continues to put pressure on local authorities to focus on 'necessary' rather than 'desirable' uses for public money, and that annual reports could be seen as the latter. Nonetheless, annual reports are required from all NHS bodies and large private sector organisations, and local authorities should consider aligning themselves with these entities in giving an account of themselves to stakeholders. Local authorities are free to choose their own annual report format. It does not need to be lengthy or expensively produced: a '21st century' annual report could resemble an executive summary in a prominent place on the authority's website, with links to greater detail for those who need it, dovetailing with the way many people use the internet.

Annual accounts

We have previously commented on the problems that non-specialist readers can have in understanding local authority accounts. The additional length and complexity that accompanied the introduction of International Financial Reporting Standards (IFRS) is proving hard to reverse. Additionally, the numerous statutory adjustments to local authority income and expenditure statements can leave the reader wondering what the true financial position of the organisation is.

Our survey asked respondents if they are happy that external readers can understand their annual accounts. Almost half disagreed, which is understandable given our comments above. But still, the fact that key players in local authorities do not believe their accounts are readily comprehensible raises significant concerns about transparency and accountability.

I AM HAPPY THAT EXTERNAL READERS OF OUR ANNUAL ACCOUNTS CAN UNDERSTAND THEM

- Strongly agree — 12%
- Tend to agree — 40%
- Tend to disagree — 28%
- Strongly disagree — 20%
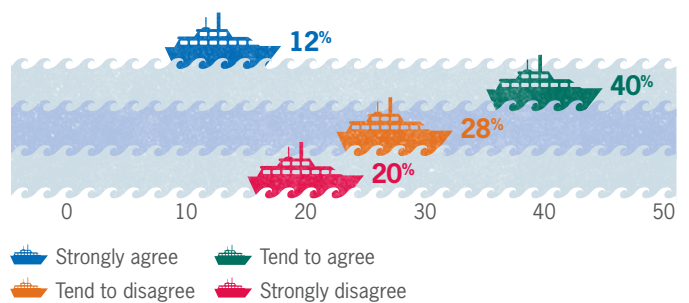
The accessibility of local government accounts has been a continuing theme of our governance reviews, and our survey results show we are not alone in our concerns. As we commented last year, perhaps the time has come for the sector to initiate a debate with accounting standards setters on the right format for their accounts. To add further weight to this, our analysis of more than 130 financial statements of councils, fire and rescue authorities and police bodies shows that, on average, the length of financial statements has increased by four pages overall.

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Financial statements have increased in length for all local authority categories

● Average number of pages | Average page increase
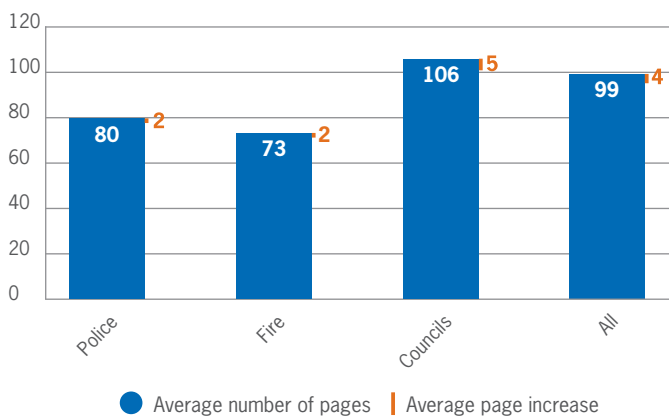
Within this, there is wide variation. Some statements have more than 200 pages, while others use well below 100, with some of this being accounted for by varying practice over the inclusion of pension fund accounts.

One of the main ways preparers of accounts can make them more accessible is by 'de-cluttering' – for example, by removing unnecessary notes, particularly those on immaterial balances. Our review of 2013/14 local authority financial statements found evidence of significant de-cluttering in about a quarter. This is in itself encouraging, but does show that much more can be done in this area.

Recent examples of de-cluttering the annual accounts

Buckinghamshire County Council and Stevenage Borough Council
… are among a number of councils that now present most of their accounting policies within the individual notes to which they relate, to aid transparency and reduce duplication

Ashford Borough Council
… reduced the number of notes in its accounts and simplified the presentation of the statutory

Plymouth City Council
… reduced the length of its accounts by 30 pages, which included removing immaterial notes and related accounting policies

Cumbria Police and Crime Commissioner/ Chief Constable
… made their accounts easier to read by removing immaterial notes and providing brief and simple explanations of key accounting concepts

West Devon Borough Council
… presented information required by IFRS, such as financial instruments and pensions disclosures, in a separate 'technical appendix' to significantly reduce the length of its main statements
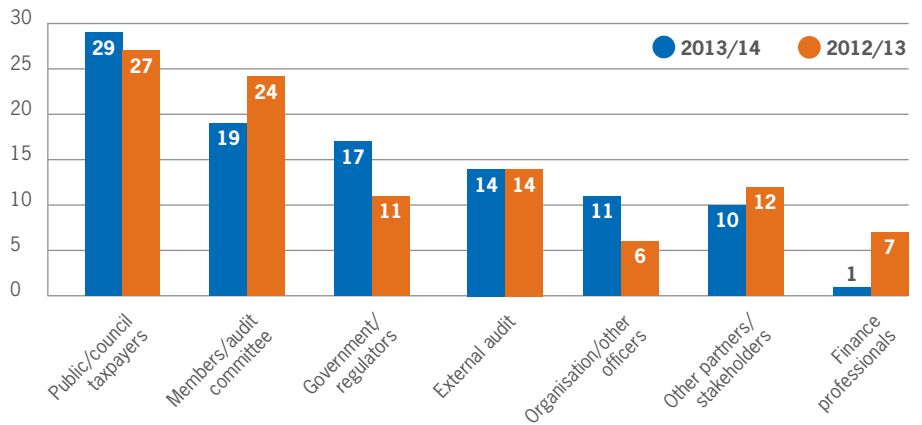
Users of the accounts

This year's survey again asked respondents who they thought the accounts were for. The public and members remain the most frequently cited stakeholders. Compared with last year, significantly fewer thought they were produced for members and audit committees, with a similar 'swing' towards the government and regulators such as the Audit Commission. When it comes to internal audiences, more thought the accounts are for the organisation and its non-finance officers rather than for the finance team.

Overall, despite the mixed messages and the continued complexity of the accounts, our respondents seem to increasingly appreciate the value of their financial statements as a tool for communicating with external stakeholders.

WHO ARE THE ACCOUNTS PRODUCED FOR? (%)

Legend: ● 2013/14 ● 2012/13

Category	2013/14	2012/13
Public/council taxpayers	29	27
Members/audit committee	19	24
Government/regulators	17	11
External audit	14	14
Organisation/other officers	11	6
Other partners/stakeholders	10	12
Finance professionals	1	7

Six ways to improve the accounts

1 **Set ambitious objectives for improvement**. These might include bringing forward deadlines (including the timing of audit committees), making the accounts shorter and clearer, reducing preparation time, minimising the impact of the audit and integrating financial accounting with financial management.

2 **Get feedback from members, non-finance managers and other stakeholders**. What do members and stakeholders think of the financial statements? How could they be made easier to understand? What training and support do members need to do their job more effectively? How would managers outside the finance department make the production process more streamlined?

3 **Carry out a debrief of 2013/14 with your auditors**. This is particularly important for those who changed auditors last year but also applies to those with long-standing relationships with their auditors. The debrief needs to be more than a cosy meeting between the chief accountant and the audit manager and should:

- be open and honest
- include the officers and auditors involved in the detailed work. These are the people who usually have the best understanding of what needs to change and will have to implement new ways of working
- challenge unnecessary content in both the accounts and the auditors' working paper requirements.

4 **Secure the commitment of other senior managers and members**. You will be able to make some improvements within the finance department but more radical change will require the support of senior managers and members. And of course, if they don't know what you are trying to do, you are less likely to get the credit when you achieve your goals.

5 **Get your project planning in place**. Delivering uncluttered accounts, earlier deadlines and a smooth audit process usually requires strong project management skills and a formal project plan. While your objectives may be ambitious, they may not all be achievable in year one. Your project plan needs to be realistic.

6 **Concentrate on doing less**. We often spend a lot of time trying to improve the way we do things, but it is often more effective to cut things out altogether. Is that immaterial disclosure really necessary? Do the auditors really need all the working papers they ask for? Why do you need such detailed information on accruals to prepare a set of financial statements?

Source: Room 151 'Improving the preparation and audit of your financial statement'

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As with the annual accounts, our review of 2013/14 local authority AGSs found an overall increase in length across councils, fire and police bodies, by two pages to an average length of 13 pages.

Here also there is a wide variation between authorities, with some councils having an AGS of more than 40 pages while some are as brief as two pages. Similarly, some fire and police bodies' AGSs weigh in at 25 pages, while the shortest are again only two pages.

This overall increase was in tandem with a rise in the number of significant risks that were included in the 2013/14 AGS compared with the previous year, up on average from four to five. Of these, typically two were financial risks, a clear indication of the pressures brought by austerity.

The AGS has increased in length
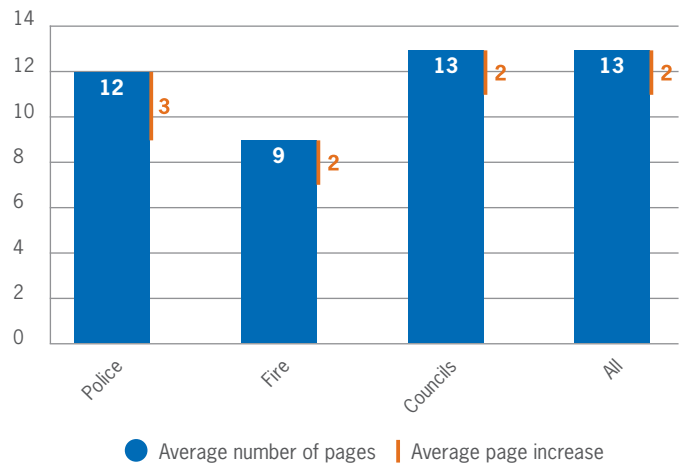
Police 12, 3
Fire 9, 2
Councils 13, 2
All 13, 2

● Average number of pages | Average page increase

There is a wide variation between authorities, with some councils having an AGS of more than 40 pages while some are as brief as two pages.

Innovation in 2013/14 AGSs

Halton Borough Council
… summarised its assurance framework in an easy-to-follow one-page flow diagram in the AGS

London Borough of Lewisham
… greatly simplified the format of its AGS, setting it out as a series of Q&As, again with use of flow diagrams to reduce text

Surrey County Council
… included the AGS in its annual report, in an accessible and brief format with useful links to key governance documents

Southwark Council
… opted for a brief AGS of only five pages, which nonetheless sets out clearly the council's assurance framework, effectiveness review and significant risks

Diversity

Grant Thornton's governance reviews have consistently highlighted the issue of female representation at the top of organisations, in both the public and private sector. This year we reviewed the membership of the equivalent of the 'board' in councils and fire and police bodies – acknowledging that for councils this is to some extent dependent on the choices made by local parties and the electorate.
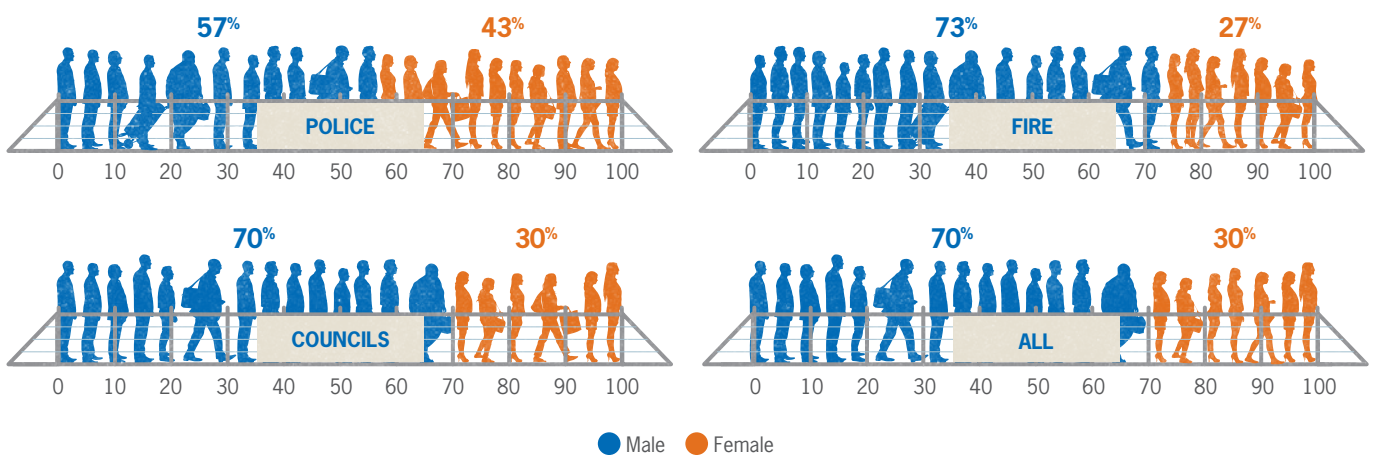
From our sample of more than 140 local authorities we found that the gender split of the main decision-making group was, on average, 70% male to 30% female.
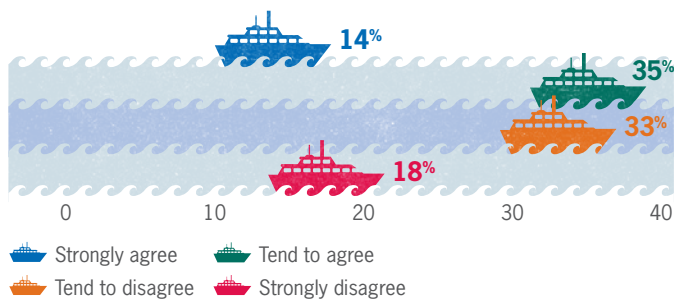
This compares well with private sector organisations. Cranfield University's 'Female FTSE board report 2013'[4], found that women accounted for only 17% of FTSE100 directorships and 13% of FTSE250 directorships as at March 2013.

These results are similar to the level we have found in the charity sector of 28% female board membership, but the sector has some way to go to match the NHS level of 40%.

Our results are broadly consistent with the Fawcett Society's report 'Sex and Power 2013 – Who runs Britain?'[5], which found that 32% of councillors in UK public institutions were female, and that women accounted for just 12.3% of council leaders in England, 13.3% of elected mayors and 14.6% of police and crime commissioners. The report called on government and political parties to take a number of actions to remove barriers to women gaining political power, including increasing the number of female candidates at all levels of election.

Women occupy a minority of positions on decision-making groups at the top of local authorities

From our sample of more than 140 local authorities we found that the gender split of the main decision-making group was, on average, 70% male to 30% female.

[4] http://www.som.cranfield.ac.uk/som/ftse
[5] http://fawcettsociety.org.uk/wp-content/uploads/2013/02/Sex-and-Power-2013-FINAL-REPORT.pdf

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Alongside the issue of gender, it has long been acknowledged by local authorities and most political groups that they should aim for the profile of representatives, elected or otherwise, to reflect the demographic profile of the local population. Our survey asked leading figures within authorities whether they thought this was the case for their members. A majority of 51% did not agree.

OUR MEMBERS REFLECT THE DEMOGRAPHIC PROFILE OF THE LOCAL POPULATION

14%
35%
33%
18%

0   10   20   30   40

Strongly agree   Tend to agree
Tend to disagree   Strongly disagree

Achieving a 'mirror image' of the local population for all the key facets of diversity such as ethnicity, age and disability is often unrealistic in practical terms. However, our survey results indicate a marked degree of concern at a senior level regarding this issue; those who exercise influence over the choice of candidates for local office would be wise to take heed.

About us

Dynamic organisations know they need to apply both reason and instinct to decision making. At Grant Thornton, this is how we advise our clients every day. We combine award-winning technical expertise with the intuition, insight and confidence gained from our extensive sector experience and a deep understanding of our clients.

Grant Thornton UK LLP is a leading business and financial adviser with client-facing offices in 24 locations nationwide. We understand regional differences and can respond to needs of local authorities. But our clients can also have confidence that our team of local government specialists is part of a firm led by more than 185 partners and employing over 4,200 professionals, providing personalised audit, tax and specialist advisory services to over 40,000 clients.

Grant Thornton has a well-established market in the public sector and has been working with local authorities for over 30 years. We are the largest employer of CIPFA members and students in the UK. Our national team of experienced local government specialists, including those who have held senior positions within the sector, provide the growing range of assurance, tax and advisory services that our clients require.

We are the leading firm in the local government audit market. We are the largest supplier of audit and related services to the Audit Commission, and count 40% of local authorities in England as external audit clients. We also audit local authorities in Wales and Scotland via framework contracts with Audit Scotland and the Wales Audit Office. We have over 180 local government and related body audit clients in the UK and over 75 local authority advisory clients. This includes London boroughs, county councils, district councils, city councils, unitary councils and metropolitan authorities, as well as fire and police authorities. This depth of experience ensures that our solutions are grounded in reality and draw on best practice. Through proactive, client-focused relationships, our teams deliver solutions in a distinctive and personal way, not pre-packaged products and services.

Our approach draws on a deep knowledge of local government combined with an understanding of wider public sector issues. This comes from working with associated delivery bodies, relevant central government departments and with private-sector organisations working in the sector. We take an active role in influencing and interpreting policy developments affecting local government and in responding to government consultation documents and their agencies.
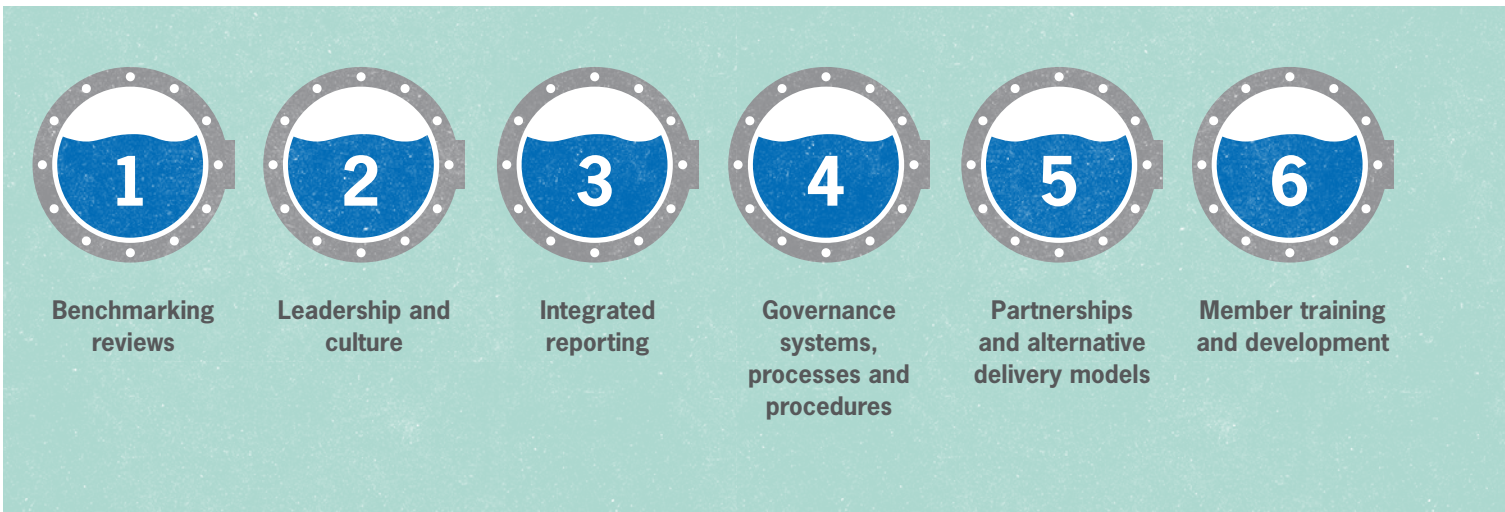
We regularly produce sector-related thought leadership reports, typically based on national studies, and client briefings on key issues. We also run seminars and events to share our thinking on local government and, more importantly, understand the challenges and issues facing our clients.

The Grant Thornton Governance Institute

Advising on governance

1	2	3	4	5	6
Benchmarking reviews	Leadership and culture	Integrated reporting	Governance systems, processes and procedures	Partnerships and alternative delivery models	Member training and development

Governance matters

Corporate Governance Review 2014

NHS Governance Review 2015

Local Government Governance Review 2015

Charities Governance Review 2015

Housing Governance Review 2015

New reports to be released Spring 2015

For further information, visit: **www.grant-thornton.co.uk/governancematters**

Contact us

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MEMBERS' ATTENDANCE RECORD 2015/16
AUDIT AND CORPORATE GOVERNANCE COMMITTEE

COUNCILLOR	10/06/15	08/07/15	24/09/15	10/12/15	10/03/16
Ajaib	P	P	Ap		
Chohan	P	P	P		
Amarpreet Dhaliwal	P	P	P		
Mansoor	Ap	P	P*		
Matloob	P	P	P		
Nazir	P	P	Ap		
Sandhu	P	P	P		
CO-OPTED INDEPENDENT MEMBER					
Graham Davies	P	P	Ap		
Ajay Kwatra	Ap	Ap	Ap		
Ronald Roberts	P	Ap	P		
Alan Sunderland	P	Ap	P		

P   = Present for whole meeting   P* = Present for part of meeting
Ap = Apologies given   Ab = Absent, no apologies given

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