

Standards and Audit Committee

Tuesday 17 March 2020 at 7.30pm

**Committee Room
Runnymede Civic Centre, Addlestone**

Members of the Committee

Councillors M Nuti (Chairman), J Sohi (Vice-Chairman), M Adams, D Anderson-Bassey, B Clarke, M Cressey, R Edis, M Harnden, M Kusneraitis and J Wilson.

In accordance with Standing Order 29.2 any non-member of the Committee who is considering attending the meeting should first request the permission of the Chairman.

A G E N D A

Notes:

- i) Any report on the Agenda involving confidential information (as defined by section 100A(3) of the Local Government Act 1972) must be discussed in private. Any report involving exempt information (as defined by section 100I of the Local Government Act 1972), whether it appears in Part 1 or Part 2 below, may be discussed in private but only if the Committee so resolves.
- ii) The relevant "background papers" are listed after each report in Part 1. Enquiries about any of the Agenda reports and background papers should be directed in the first instance to **Miss C Pinnock, Democratic Services, Law and Governance Business Centre, Civic Centre, Station Road, Addlestone (Tel: Direct Line: 01932 425627) (email: clare.pinnock@runnymede.gov.uk)**.
- iii) Agendas and Minutes are available on a subscription basis. For details, please ring Mr B A Fleckney on 01932 425620. Agendas and Minutes for all the Council's Committees may also be viewed on www.runnymede.gov.uk.
- iv) In the unlikely event of an alarm sounding, members of the public should leave the building immediately, either using the staircase leading from the public gallery or following other instructions as appropriate.

v) **Filming, Audio-Recording, Photography, Tweeting and Blogging of Meetings**

Members of the public are permitted to film, audio record, take photographs or make use of social media (tweet/blog) at Council and Committee meetings provided that this does not disturb the business of the meeting. If you wish to film a particular meeting, please liaise with the Council Officer listed on the front of the Agenda prior to the start of the meeting so that the Chairman is aware and those attending the meeting can be made aware of any filming taking place.

Filming should be limited to the formal meeting area and not extend to those in the public seating area.

The Chairman will make the final decision on all matters of dispute in regard to the use of social media, audio-recording, photography and filming in the Committee meeting.

LIST OF MATTERS FOR CONSIDERATION

PART I

Matters in respect of which reports have been made available for public inspection

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PART II

Matters involving Exempt or Confidential Information in respect of which reports have not been made available for public inspection.

a) Exempt Items

(No items to be considered under this heading)

b) Confidential Items

(No items to be considered under this heading)

1. FIRE PRECAUTIONS

The Chairman will read the Fire Precautions, which set out the procedures to be followed in the event of fire or other emergency.

2. NOTIFICATION OF CHANGES TO COMMITTEE MEMBERSHIP

3. MINUTES

To confirm and sign the Minutes of the Committee held on 28 January 2020, as attached at Appendix 'A'.

Runnymede Borough CouncilSTANDARDS AND AUDIT COMMITTEE28 January 2020 at 7.30pm

Members of the Committee Present: Councillors M Nuti (Chairman), J Sohi (Vice-Chairman), M Adams, B Clarke, M Cressey, R Edis, M Harnden, C Howorth, M Kusneraitis and J Wilson

Members of the Committee absent: Mr M Litvak (Independent person)

468. FIRE PRECAUTIONS

The Chairman read the procedures to be followed in the event of fire or other emergency.

469. NOTIFICATION OF CHANGES TO COMMITTEE MEMBERSHIP

The Group mentioned below had notified the Chief Executive of its wish that the change listed below be made to the membership of the Committee. The change was for a fixed period ending on the day after the meeting and thereafter the Councillor removed would be reappointed.

<u>Group</u>	<u>Remove From Membership</u>	<u>Appoint Instead</u>
Conservative	Councillor D Anderson-Bassey	Councillor C Howorth

The Chief Executive had given effect to this request in accordance with Section 16(2) of the Local Government and Housing Act 1989.

470. MINUTES

The Minutes of the meeting of the Committee held on 26 November 2019 were confirmed and signed as a correct record. It was advised that the follow up report on the Local Plan would be done in quarter 4 and reported on in due course.

471. APOLOGIES FOR ABSENCE

There were no items of business for the Independent person.

472. INTERNAL AUDIT PROGRESS REPORT FOR OUTSTANDING RECOMMENDATIONS

The Committee reviewed the 7 outstanding recommendations from completed audits, and noted the written explanations provided by relevant Corporate Heads.

It was agreed to keep the follow-up report on the initial 'shallow test' audit of the DSO planned for the next year's programme.

With regard to completion of e-learning for Freedom of Information, reminders had been despatched to all staff by the relevant Officers and followed up by the Learning and Development Manager to ensure all staff completed mandatory training by the revised deadline of 31 March 2020.

Members noted that revised targets had been agreed for these and the implementation of recommendations from GDPR preparedness and Section 106 agreements.

473. INTERNAL AUDIT PROGRESS REPORT 2019/2020

The Committee noted satisfactory progress with the Internal Audit programme for 2019/2020. There were no priority 1 recommendations to report and TIAA had not been advised of any potential frauds or irregularities since the last summary report had been issued. There were 2 priority 2 recommendations to note with regard to Risk Management and Housing Enforcement both of which had attracted a 'reasonable' assurance. The Head of Housing had provided supplementary comment with regard to the latter audit confirming that anti-social behaviour cases were often very complex and that their procedures were being reviewed for consideration by the Housing Committee at a future meeting.

Commercial Rents, Commercial Property Redevelopment, Payroll and Accounts Receivable had been given 'substantial' assurance. Officers anticipated that the audits on Governance and Planning Enforcement would be completed shortly. In progress were audits on Housing Allocations and Homelessness, and Capital Accounting with a further 10 scheduled to start in February and March 2020.

There was some discussion about feedback from auditees and it was concluded that Officers disagreeing with audit findings and recommendations would be invited to the meeting in future to explain any points of difference with the auditors and for those comments to be incorporated in the audit report.

474. INTERNAL AUDIT DRAFT ANNUAL AUDIT PLAN 2020/2021 AND STRATEGY

Officers from TIAA presented the Committee with a draft document for discussion, outlining their ideas for the audit programme for 2020/2021.

The Committee was informed that TIAA's Audit Director had met each of the Council's Senior Managers/Corporate Heads and gathered feedback on which areas should be audited and what the audit's scope should cover but that he did not intend to alter the plan significantly as a result of those discussions. He did confirm however that the plan would retain flexibility and focus on the key areas as directed by the Committee who sought a more 'Member' led programme.

Members were invited to give further feedback. This included the suggestion that all SLT members have an audit of at least one of their areas every year and that the Local Plan follow up audit be brought forward.

TIAA's Audit Director was asked to consider moving the GDPR audit from Digital Services to Law and Governance and Procurement and Project Management from Law and Governance into Corporate Services. It was agreed though to keep the proposed audit on the Leisure contract in the programme.

A special meeting of the Committee was arranged for 17 March 2020 to finalise the programme. The Committee would also need to agree the revised number of 175 days in total for the audit programme by making adjustments to the planned audits. It was also agreed that Officers from BDO would present their draft Annual Audit Plan to that meeting as well.

Members wished to have an informal meeting immediately prior to the Committee meeting which Officers would arrange.

475. COMPLAINTS AND COMPLIMENTS QUARTER 3 2019/2020

The Committee reviewed the 12 complaints and 24 compliments that had been recorded on the central registers from October to 31 December 2019.

Members were advised that although no complaints had been upheld in the last quarter, it was important to extract lessons that could be learned to avoid complaints in the future. Issues highlighted the importance of clear, regular and prompt communication with complainants.

Officers were pleased to report that compliments received in Quarter 3 showed how individuals had combined efficiency with a caring and professional manner and also how well teams worked together to keep up the appearance of the borough. The DSO had received a significant number of compliments, as had staff in Safer Runnymede and Green Space; all those complimented would, as was now the practice, be thanked on behalf of the Committee personally.

Members noted those complaints and compliments relevant to equalities.

Officers advised that to comply with GDPR, compliments from before 2018 had been removed from the register but that complaints were not due to be reviewed until 2022.

In line with best practice and guidance published by the Ombudsman Officers would be reviewing the Council's 'vexatious complaints protocol' and updating the website to modernise the information given on submitting feedback to the Council.

476. COMMERCIAL SERVICES AUDITS

The Committee noted two very positive audits completed for Commercial Rents and Commercial Property Redevelopment. Neither had attracted any recommendations and Officers were commended for this.

An issue with regard to the budget for Egham Gateway was raised about which Officers would correspond separately with Members, to provide an explanatory note with regard to the budget.

477. REFERENCE FROM CORPORATE MANAGEMENT COMMITTEE

By resolution of the Committee, the press and public were excluded from the meeting during the consideration of this matter under Section 100A(4) of the Local Government Act 1972 on the grounds that the discussion would be likely to involve the disclosure of exempt information of the description specified in paragraphs 1 and 3 of Schedule 12A to Part 1 of the Act.

The Committee was asked to note a report which had been presented to the Corporate Management Committee in December 2019. That Committee had resolved that the Standards and Audit Committee should also have the report as it concerned an elected Member of the Council.

Members were advised that the Member in question had not breached the Members Code of Conduct and the events took place before he became a Councillor. The matter had been resolved satisfactorily.

478. ADDLESTONE ONE RISK REGISTER

By resolution of the Committee, the press and public were excluded from the meeting during the consideration of this matter under Section 100A(4) of the Local Government Act 1972 on the grounds that the discussion would be likely to involve the disclosure of exempt information of the description specified in paragraph 3 of Schedule 12A to Part 1 of the Act.

The Committee reviewed the risk register for Addlestone One, a project that was nearing completion with few 'live' risks.

With regard to progress with the project the Committee was informed that the retail market had slowed generally in line with national trends, but the development was let for all but one remaining unit. The residential units continued to sell well.

The forthcoming change in staffing was noted as was the importance of a detailed hand over to cover key current and future issues.

Officers confirmed that owing to the high usage of the Addlestone One car park at peak times it would be appropriate to review the fees and charges at a future meeting of the Corporate Management Committee. Officers were requested to check that the 'tap and pay' system was fully functioning and to advise Members accordingly.

479. EGHAM GATEWAY WEST RISK REGISTER

By resolution of the Committee, the press and public were excluded from the meeting during the consideration of this matter under Section 100A(4) of the Local Government Act 1972 on the grounds that the discussion would be likely to involve the disclosure of exempt information of the description specified in paragraph 3 of Schedule 12A to Part 1 of the Act.

Members noted the Risk Register for the Egham Gateway West development which was reaching a critical stage with key decisions to be made by Corporate Management Committee and full Council, if approved, in February 2020. Members were invited to an important workshop in the first week of February.

Officers confirmed the process for creation of and filtering entries in the register to focus on significant items. It was suggested that in the final column of the spreadsheet expected end dates could be added.

The most recent spreadsheet had been updated since publication of the agenda. Officers advised that the Council did have to adhere to statutory deadlines with regard to the Committee process, this necessitated an agreed 'lead in' time to receive finalised reports from originating Officers.

Officers responded to a number of technical queries about the project illustrating the importance of the handover mentioned in the previous item. In doing so the Committee thanked the Director of Commercial Services for his valued steering of the projects in his care.

Chairman

(The meeting ended at 8.35pm)

4. APOLOGIES FOR ABSENCE

5. DECLARATIONS OF INTEREST

If Members have an interest in an item please record the interest on the form circulated with this Agenda and hand it to the Legal Representative or Democratic Services Officer at the start of the meeting. A supply of the form will also be available from the Democratic Services Officer at meetings.

Members are advised to contact the Council's Legal section prior to the meeting if they wish to seek advice on a potential interest.

Members are reminded that a non pecuniary interest includes their appointment by the Council as the Council's representative to an outside body and that this should be declared. Membership of an outside body in their private capacity as a director, trustee, committee member or in another position of influence thereon should be regarded as a disclosable pecuniary interest, as should an appointment to an outside body by the Council as a trustee.

Members who have previously declared interests which are recorded in the Minutes to be considered at this meeting need not repeat the declaration when attending the meeting. Members need take no further action unless the item in which they have an interest becomes the subject of debate, in which event the Member must leave the room if the interest is a disclosable pecuniary interest or if the interest could reasonably be regarded as so significant as to prejudice the Member's judgement of the public interest.

6. INTERNAL AUDIT DRAFT ANNUAL AUDIT PLAN 2020/2021 AND STRATEGY (TIAA, CHRIS HARRIS)

Synopsis of report:

To update Members on the latest draft of the Annual Internal Audit Plan for 2020/2021 following discussions between TIAA and the Senior Leadership Team, the Assistant Chief Executive and Members of this Committee and to seek approval thereof.

Recommendation(s):

that the Internal Audit Annual Programme for 2020/2021, as attached at Appendix 'B', be approved

1. Context of report

1.1 Attached at Appendix 'B' is the draft Internal Audit Plan for 2020/2021.

2. Report

2.1 The report was submitted as a discussion draft at two previous meetings of this Committee to encourage feedback and suggestions on the type of work that the Committee would like TIAA to undertake in 2020/21.

- 2.2 The framework of the rolling strategic plan over a four year period (2019 – 2023) is also presented.
- 2.3 The final audit programme has been the subject of discussion amongst the Corporate Leadership Team and with a number of Members of the Committee and TIAA's Audit Director.

3. **Resource implications**

- 3.1 The audit service is budgeted for in the Council's annual budgets, with a small contingency to cover unforeseen audits.

4. **Legal and Equality implications**

- 4.1 None.

(To Resolve)

Background papers

Relevant Internal Audit working files and reports

Runnymede Borough Council

Audit Strategy and Annual Internal Audit Plan
2020/21

Standards and Audit Committee

17 March 2020

February 2020

Overview

2020/21 Audit planning process

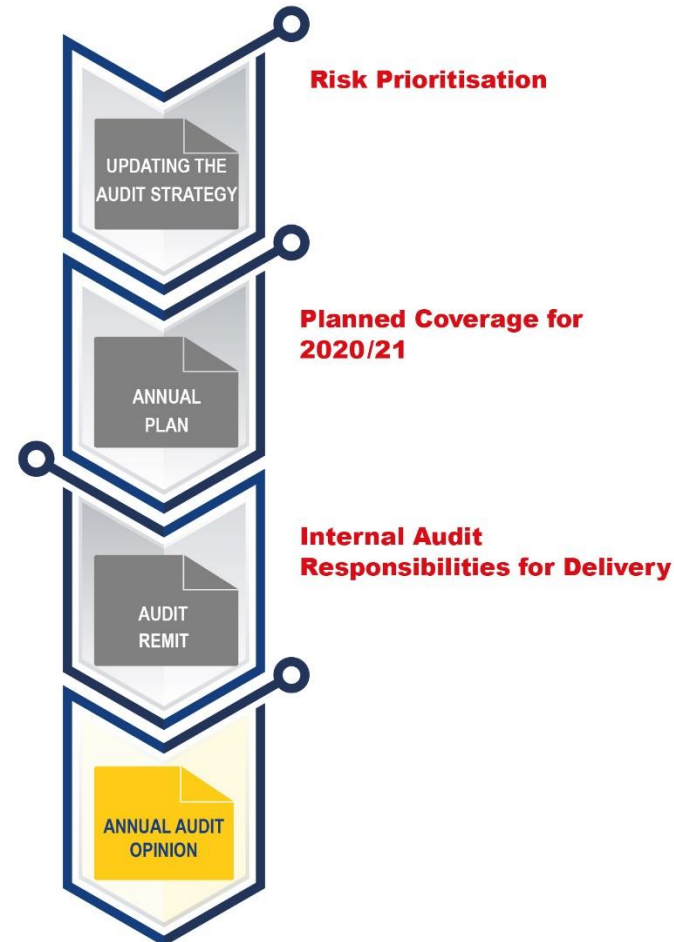
Introduction

The Audit Plan for 2020/21 has been informed by a risk assessment carried out across all our clients (with members and senior management) and by an updated audit risk assessment to ensure that planned coverage for the year is focussed on the key audit risks, and that the coverage will enable a robust annual Head of Internal Audit Opinion to be provided.

Key Emerging Themes

This year will be another challenging year for local authority organisations in terms of income, regulation and also the pressures on service delivery. We have identified a number of key areas which require consideration when planning internal audit coverage.

- Senior Officer Restructure – we are aware of the restructure to the senior management team and the risks that may flow from both the cultural change and the need for good communication between the Heads of Service
- Brexit – Governance and Risk Registers need to be stress-tested against continuing uncertainty, which may have knock-on impacts on recruitment and retention of staff and on procurement and suppliers.
- Transformation and Strategic Change – development of new internal systems and processes will impact on the capacity and capability of resources to develop working practices and drive efficiencies.
- Staff Changes – the staff changes that have/are occurring will impact on the infrastructure to support them, including service delivery, recruitment, learning and development, IT support and customer care.
- Collaborations – consideration to collaborations to provide smarter more cost effective delivery of services.



Adequacy of the planned audit coverage

The Fundamental reviews identified in the audit plan for 2020/21 support the Head of Audit’s annual opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control as required by TIAA’s charter. The Organisational reviews have been identified from your assurance framework, risk registers and key emerging themes.

Internal Audit Plan

Audit Strategy Methodology

We adopt a proprietary risk based approach (GUARD) to determining your audit needs each year, which includes reviewing your risk register and risk management framework, previous internal audit work for the organisation, external audit recommendations together with key corporate documentation such as your business and corporate plan, standing orders, and financial regulations. The Audit Strategy is based predominantly on our understanding of the inherent risks facing the Council and those within the sector and has been developed with senior management and the Standards and Audit Committee.

Risk Prioritisation

Each year an updated risk assessment is carried out to ensure the Audit Strategy remains fully aligned with the key risks facing the Council. The resultant changes for 2020/21 which underpin your Audit Plan is set out at Annex A.

Audit Strategy and Annual Plan

Following the risk prioritisation review, the Audit Strategy has been updated (Annex B) and the Annual Plan (Annex C) sets out the reviews that will be carried out, the planned times and the scopes for each of these reviews.

The Annual Plan will be subject to ongoing review and could change as the risks change for the organisation, and will be formally reviewed with senior management and the Standards and Audit Committee mid-way through the financial year or should a significant issue arise.

The overall agreed time for the delivery of the Annual Plan includes: research, preparation and issue of terms of reference, production and review of working papers and reports and site work. The Annual Plan has been prepared on the assumption that the expected controls will be in place.

The total number of days required to deliver the Audit Plan is as agreed in the contract between TIAA and the Council. Where additional work is required days and the aggregate day rate will be agreed in advance and will be clearly set out in the terms of reference.

Audit Remit

The Audit Remit (Annex D) formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within the Council and defines the scope of internal audit activities.

Reporting

Assignment Reports: A separate report will be prepared for each review carried out. Each report will be prepared in accordance with the arrangements contained in the Terms of Reference agreed with TIAA and which accord with the requirements of TIAA's audit charter and the IIA UK & Ireland standards.

Progress Reports: Progress reports will be prepared for each Standards and Audit Committee meeting. Each report will detail progress achieved to date against the agreed annual plan.

Annual Report: An Annual Report will be prepared for each year in accordance with the requirements set out in TIAA's audit charter and the IIA UK & Ireland standards. The Annual Report will include our opinion of the overall adequacy and effectiveness of the Council's governance, risk management and operational control processes.

Other Briefings: During the year Client Briefing Notes, benchmarking and lessons learned digests will be provided. These are designed to keep the organisation abreast of in-year developments which may impact on the governance, risk and control assurance framework.

Assurance Mapping

For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks will be provided. The assurance mapping process is set out in Annex E.

Liaison with the External Auditor

We will liaise with the External Auditor, as required. Any matters in the areas included in the Annual Plan that are identified by the external auditor in their audit management letters will be included in the scope of the appropriate review.

Performance

The following Performance Targets will be used to measure the performance of internal audit in delivering the Annual Plan:

Area	Performance Measure	Target
Achievement of the plan	Completion of planned audits.	100%
	Audits completed in time allocation.	100%
Reports Issued	Draft report issued within 10 working days of exit meeting.	95%
	Final report issued within 10 working days of receipt of responses.	95%
Professional Standards	Compliance with TIAA's audit charter and the IIA UK & Ireland Standards.	100%

Conflict of Interest

We are not aware of any conflicts of interest and should any arise we will manage them in line with TIAA's audit charter and the IIA UK & Ireland standards, the Council's requirements and TIAA's internal policies.

Limitations and Responsibility

Substantive testing will only be carried out where a review assesses the internal controls to be providing 'limited' or 'no' assurance with the prior approval of the Council and additional time will be required to carry out such testing. the Council is responsible for taking appropriate action to establish whether any loss or impropriety has arisen as a result of the control weaknesses.

Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.

The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.

Reliance will be placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

The matters raised in the audit reports will be only those that come to the attention of the auditor during the course of the internal audit reviews and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. The audit reports are prepared solely for management's use and are not prepared for any other purpose.

Standards and Audit Committee Responsibility

It is the responsibility of the Standards and Audit Committee to determine that the number of audit days to be provided and the planned audit coverage are sufficient to meet the Committee's requirements and the areas selected for review are appropriate to provide assurance against the key risks within the organisation.

Release of Report

The table below sets out the history of this plan.

Date plan issued:	20 February 2020
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Changes for 2020/21

In addition to the core audit work required to underpin the Head of Audit Annual Opinion (governance, risk management, core financial systems, network controls, follow up etc.) a GUARD assessment of key risks has been completed, to identify those that are most relevant to the organisation and where internal audit assurance would be best focussed. These are summarised below.

LINKED TO RISKS ON PAGE 1	GUARD Risk Analysis
Risk Areas	Cross Ref to Annual & Strategic Plan (Annex B, C)
<p>Strategic Governance – Restructure and Brexit – There is likely to be significant uncertainty and potential fast-emerging risks developing as a result of the UK leaving the EU in January 2020, which will not be fully understood until after the departure date. In addition, the restructure and staff changes may impact culture, communication and strategic governance of the Council.</p> <p>How we intend to review this risk: We will assess the extent of system and communication working and will have been stress-tested against this within our audit areas.</p>	<p>Year 1</p>
<p>Staff changes – the staff changes may impact on the infrastructure to support them, including, service delivery, recruitment, learning and development, IT support and customer care.</p> <p>How we intend to review the risk: We will assess the infrastructures in place and developing changes, how these are being implemented and supporting the staff changes.</p>	<p>Year 1</p>
Client Specific Risks	
<p>Transformation and Strategic Change – development of new internal systems and processes will impact on the capacity and capability of resources to develop working practices and drive efficiencies.</p>	<p>Year 1</p>

Fundamental Review Areas To support the Head of Internal Audit opinion	BAF / Risk Ref.	Type	Yr1	Yr2	Yr3
Governance					
Key governance areas will be reviewed on a rotational basis each year such as strategic planning, strategic control, performance management, overall assurance, partnership working, management of conflicts, health and safety, subsidiary governance and third party assurances.		Assurance	✓	✓	✓
Risk					
A robust risk management framework is critical to all organisations to ensure risks are effectively management and emerging risks identified our cyclical annual reviews will cover embedding risk, risk identification, risk mitigation and risk workshops.		Appraisal	✓	✓	✓
Financial systems - Cost Control and Income Maximisation					
Cost control, income maximisation and robust financial systems are essential to financial well-being of any organisation. Our reviews of key financial systems are designed to ensure compliance with IIA standards and help protect against potential frauds. We will carry out a high level review of key financial systems each year supported by a rolling programme of financial system reviews such as payments health check, income, payroll, budgetary control/management reporting, cost improvement planning and nominal ledger.		Assurance	✓	✓	✓
ICT					
We will use our risk assessment to continue to review ICT risks and controls in place within the organisation. The rolling programme of reviews will include data protection, ICT governance, ICT management and business support, application reviews, network security, data quality and cyber security. The audit areas will be reviewed as systems implementation develops.		Assurance	✓	✓	✓
Follow Up					
We will carry out a continuous follow up of internal audit recommendations utilising TIAA's recommendation tracker. Updates will be provided to each Standards and Audit Committee.		Follow Up	✓	✓	✓

Rolling Strategic Plan

Review Area	Risk Ref	Type	Prog Ref	2019/20	2020/21	21/22	22/23
Corporate Services and/or Council Wide Audit							
Risk Management		Assurance		6		6	
Commercial Property		Assurance	B000		8	8	8
Business Continuity		Assurance	B000		6		6
Data Quality (include security of data)		Assurance		6		6	
Data Protection - (Information Governance)		Assurance	B000		6		6
Commercial Rents		Assurance	G023	6	6	6	
Human Resources – Absence Management		Assurance	B000		6		6
Human Resources – Recruitment		Assurance				6	
Communications		Assurance			8		
Procurement/Contracts		Value for Money			8	6	
Project Management Toolkit		Assurance	I030		6		
Financial and Resources Audit							
Key Revenues Controls					20	20	20
Benefits and Council Tax Support		Assurance		10			
Non-Domestic Rates (NDR)		Assurance		8			
Council Tax		Assurance		8			
Key Financial Controls		Assurance			12	16	16
Accounts Payable (Creditors)		Assurance		6			
Accounts Receivable (Debtors)		Assurance		6			
Income – Cash and Bank		Assurance		6	6		
Main Accounting (General Ledger)		Assurance	G004	6	6	6	6
Payroll		Assurance	G009	8	8	8	8
Budgetary Control		Assurance	G002		6		
Capital Accounting and Asset Management		Assurance		6			6
Treasury Management		Assurance		6		6	

Review Area	Risk Ref	Type	Prog Ref	2019/20	2020/21	21/22	22/23
Insurances (include staff owned vehicles on Council business)		Assurance	B000				
Customer Services		Assurance				6	
ICT Audit							
ICT - Service Desk		Assurance					
ICT - Change Management and control		Assurance					
ICT – Strategy (include Policy and procedures)		Assurance					
ICT – Document Management System		Assurance		8			
ICT – Active Directory		Assurance					
ICT – Virtual Desktop		Assurance					
ICT – Network Security		Assurance		8			
ICT - Operations		Assurance					
ICT – Disaster Recovery		Assurance					
ICT – Cyber Security		Assurance					
ICT – Project Management		Assurance					
ICT –Mobile Device Security and Management		Assurance					
ICT – Contingency days					16	16	16
Operational Audit - Law and Governance							
Governance – Gifts and Hospitality		Assurance					6
Governance – Corporate (Constitution, Members/transparency and openness/Reporting)		Assurance		6			6
Freedom of Information		Assurance		6		6	
Data Protection - (Information Governance)		Assurance	B000		6		6
Operational Audit - Planning and Environment							
Depot – to include Commercial (Trade) Waste from 2017/18		Assurance			6	6	
Building Services		Assurance					6
Car Parking		Assurance		6			6
Development and Building Control		Assurance	B000				
Licensing		Assurance	B000				
Runnymede Travel Initiative		Assurance				6	
Planning Enforcement		Assurance	B000	6	8	6	6
Local Plan audit (Follow up)		Assurance		13	3		

Review Area	Risk Ref	Type	Prog Ref	2019/20	2020/21	21/22	22/23
Operational Audit-Housing and Community Development							
Housing Rents		Assurance	G011	6	6	6	6
Housing Allocations and Homelessness		Assurance		6			6
Housing Health and Safety		Assurance			10		
Housing Repair and Maintenance		Assurance			12		6
Housing Enforcement		Assurance		6		6	
Leisure Contract		Assurance	B000				
Community Transport		Assurance	B000		8		
Community Safety		Assurance					
Community Grants		Assurance					6
Safeguarding/Prevent		Assurance	B000		6		
Day Centres		Assurance					6
Sheltered Centres/Accommodation		Assurance				6	
Housing Section 106		Assurance		8		6	

Other							
Follow up of recommendations				15	12	12	12
Annual Report				-	-	-	-
Audit Management - to include annual plan, client liaison, Committee preparation and attendance, external audit.				-	-	-	-
Contingency				-	-	-	-
		Totals		182	205	176	172

Proposed areas for Audit – 2020/21

Quarter	Audit	Responsible Officer	Type	Days	Rationale	Prog ref
Q2	Commercial Property	John Rice	Assurance	8	<p><u>Rationale:</u> The Council have embarked on a regular investment and development programme of work throughout Runnymede. This presents a high risk for the Council in that significant sums are now to be borrowed, major contracts are to be tendered and properties either sold, rented out or leased to tenants following development.</p> <p><u>Scope:</u> The scope will include: For the development projects:</p> <ul style="list-style-type: none"> • Reviewing progress and costs against the pre-determined targets. • Examining the many change orders produced since the last audit. • Reviewing the governance and reporting arrangements. • Reviewing the payments made to the contractor and the supporting evidence. <p>For the RBC companies:</p> <ul style="list-style-type: none"> • Reviewing the governance arrangements • Reviewing decisions taken and reporting mechanisms – to include Committee papers • Reviewing Separation of Duties/Conflicts of Interest for Directors of the RBC companies <p>For Property Purchase:</p> <ul style="list-style-type: none"> • Reviewing decisions taken and reporting mechanisms – to include Committee papers • Reviewing policy and procedures • Reviewing Governance arrangements 	
Q1	Business Continuity	Sarah Walsh	Assurance	6	<p><u>Rationale:</u> Business Continuity is essential for maintaining essential services to the community and Business Continuity Plans need to be tested to confirm they are resilient and able to provide continuation of business as usual. A periodic audit will provide assurance that Services will continue as required after a disruption.</p> <p><u>Scope:</u> The review will assess the adequacy and effectiveness of the internal controls in place at the Council for managing the business continuity planning process and ensuring that the Council is resilient to disruptive events that may impact upon the organisation. The audit will focus on the following key areas:</p> <ul style="list-style-type: none"> • Business Continuity risks per the Strategic and Operational risk registers have action plans to mitigate risk; 	

Quarter	Audit	Responsible Officer	Type	Days	Rationale	Prog ref
					<ul style="list-style-type: none"> • Appropriate Corporate and Service Continuity plans are in place, which are regularly reviewed and readily accessible to staff; • Business Impact Assessments are completed on a regular basis; • Staff and additional financial resources required to execute the plans are adequate and available; • Adequate training is provided to officers to ensure they are fully aware and understand their responsibilities in the event of an incident occurring; and • Business Continuity Plans are periodically tested to ensure their effectiveness, with lessons learned being integrated into the planning process 	
Q2	Commercial Rents	John Rice	Assurance	6	<p><u>Rationale:</u> Commercial Rents are becoming a major income stream for the Council and an annual audit is required to provide assurance that all rents are collected in accordance with the rental/lease agreement</p> <p><u>Scope:</u> The review will consider the following key areas:</p> <ul style="list-style-type: none"> • How the rental arrangements with Sainsbury's at the Chertsey site are being managed following previous failure to apply a rent rise. • The current portfolio of commercially rented properties and how these are managed/verified are accurate within the Concerto system. • To establish and confirm that all commercial rents are appropriately recorded with trigger dates for rent reviews are in place. • To establish that the database of commercial properties is accurate and up to date. • To sample test a number of commercial properties to confirm that rents are paid in accordance with their agreement 	
Q2	Data Protection	Mario Leo	Assurance	6	<p><u>Rationale:</u> Failure to comply with the new General Data Protection Regulations could mean very substantial fines. An assurance audit to assess compliance with the Regulations will help to identify any weakness or omission.</p> <p><u>Scope:</u> To review compliance with the General Data Protection Regulations (GDPR).</p>	

Quarter	Audit	Responsible Officer	Type	Days	Rationale	Prog ref
					<p>The review will directly assess how compliant the Council is with the GDPR. This will include key elements such as (but not limited to):</p> <ul style="list-style-type: none"> • Privacy Impact Assessments • Data Subject rights (e.g. Right to be forgotten) • Data Classification and Asset management • Data Security • Breach Management • Governance • Consent • Data Controllers & Processors 	
Q2	HR – Absence Management	Fiona Skene	Assurance	6	<p><u>Rationale:</u> This is a periodic audit to assess the council’s resilience and control of absence.</p> <p><u>Scope:</u> The review will examine the Council's recording, monitoring and management of staff sickness absence. The audit will focus on the following key areas:</p> <ul style="list-style-type: none"> • Appropriate procedures are in place, which are readily accessible to all relevant staff; • Roles and responsibilities for managing absence are clearly defined; • Appropriate training has been carried out for line managers to ensure compliance with procedures; • Adequate records are maintained for all staff absences; • Appropriate monitoring/follow-up action is taken by HR and/or line managers; and • Appropriate management reporting is in place for staff absence 	
Q3	Revenue Services – Key Controls	Linda Norman	Assurance	20	<p><u>Rationale</u> This is a key audit risk area. The full audits for the Revenues systems will be undertaken on a systematic basis, however, to provide assurance that the key revenue systems are adequately controlled an annual audit will be undertaken selecting a number of key revenue systems.</p> <p><u>Scope</u> To assess the adequacy and effectiveness of the internal controls in place at the Council for managing the following key revenue systems.</p> <ul style="list-style-type: none"> - Council Tax 	

Quarter	Audit	Responsible Officer	Type	Days	Rationale	Prog ref
					<ul style="list-style-type: none"> - Non- Domestic Rates - Benefits, and - Council Tax Support 	
Q3	Financial Systems – Key Controls	Paul French	Assurance	12	<p><u>Rationale</u> This is a key audit risk area. The full audits for the financial systems will be undertaken on a systematic basis, however, to provide assurance that the key financial systems are adequately controlled an annual audit will be undertaken selecting a number of key financial systems.</p> <p><u>Scope</u> To assess the adequacy and effectiveness of the internal controls in place at the Council for managing the following key financial systems.</p> <ul style="list-style-type: none"> - Accounts Receivable - Accounts Payable - Treasury Management 	
Q3	Income, Cash and Bank	Paul French	Assurance	6	<p><u>Rationale:</u> Due to the high volume of transactions and the income involved this is a high risk area and subject to an annual audit. In addition, a new software system will be in place for the 2020 21 financial year and an audit would be beneficial at this time.</p> <p><u>Scope:</u> To assess the adequacy and effectiveness of the internal controls in place at the Council for managing the Income (Cash & Bank) function. The audit will focus on the following key areas:</p> <ul style="list-style-type: none"> • Recommendations from the previous audit report have been implemented; • Adequate policies and procedures are in place and accessible to all relevant staff; • System access is restricted to authorised personnel only; • Adequate controls are in place to ensure amounts received are accurately and promptly banked; • Adequate security is in place to manage all cash received and banking arrangements; • Regular reconciliations are carried out between the cash receipting system, the general ledger and the Council's bank account; and <p>All items posted to suspense accounts are checked and regularly cleared</p>	
Q3	Payroll	Paul French	Assurance	8	<p><u>Rationale:</u> Due to the high volume of transactions and the expenditure involved this is a high risk area and subject to an annual audit.</p>	

Quarter	Audit	Responsible Officer	Type	Days	Rationale	Prog ref
					<p><u>Scope:</u> To assess the adequacy and effectiveness of the internal controls in place at the Council for managing the Payroll function. The audit will focus on the following key areas:</p> <ul style="list-style-type: none"> • Recommendations from the previous audit report have been implemented; • Adequate policies and procedures are in place and accessible to all relevant staff; • System access is restricted to authorised personnel only; • Payroll data is supported by proper documentation, properly authorised, and subject to satisfactory segregation of duties; and • Reasonableness checks and regular reconciliations are carried out. 	
Q3	Main Accounting (General Ledger)	Paul French	Assurance	6	<p><u>Rationale:</u> This is the main financial ledger and an important system for the Councils which is audited annually.</p> <p><u>Scope:</u> To assess the adequacy and effectiveness of the internal controls in place at the Councils for the financial accounting system (Integra). The review will focus on the following areas:</p> <ul style="list-style-type: none"> • Adequate policies and procedures are in place and accessible to all relevant staff; • Access to Integra is restricted to authorised personnel only and the system is appropriately backed up; • Financial information is produced which meets all legal/reporting requirements on a timely basis; • Journal entries are supported by adequate narrative, with appropriate separation of duties in place; • New ledger codes/amendments are supported by appropriate authorisation; • Suspense accounts are regularly reviewed and cleared; and • Opening balances are brought forward promptly and accurately 	
Q3	Budgetary Control	Paul French	Assurance	6	<p><u>Rationale:</u> Budgetary Control is a fundamental finance system that is audited every other year.</p> <p><u>Scope:</u> The control objectives that will be considered as part of this audit include:</p> <ul style="list-style-type: none"> • Formally approved budgets are set each year, taking into account all relevant income and expenditure • All budget adjustments (including virements) are authorised • The financial management system accurately reflects the agreed budgets • Budgets are allocated to named individuals • Budgets are adequately monitored 	

Quarter	Audit	Responsible Officer	Type	Days	Rationale	Prog ref
					<ul style="list-style-type: none"> The budget position is regularly reported Appropriate financial reserves are maintained in line with assessed risks. 	
Q1/2	ICT – TBA (Contingency)		Assurance	18	<p><u>Rationale:</u> TBA</p> <p><u>Scope:</u> TBA</p>	
Q1	Communications	Peter Le Riche	Assurance	8	<p><u>Rationale:</u> The audit will examine the level of assurance on the adequacy of the corporate framework for managing internal communications.</p> <p><u>Scope:</u> The audit will include the following key areas of activity:</p> <ul style="list-style-type: none"> Communications arrangements following the Leadership restructure The strategy and policy for communications Roles and responsibilities as supported by details in Job Descriptions Awareness and training Monitoring, reporting and review. Future vision for structure and communications (vertical and horizontal) 	
Q2	Planning Enforcement	Rachel Raynaud	Assurance	8	<p><u>Rationale:</u> This is a periodic audit to provide assurance over the Planning Enforcement process.</p> <p><u>Scope:</u> The audit will include the following keys areas of activity:</p> <ul style="list-style-type: none"> Delegation to Officers Enforcement Notices Inspections and Monitoring Appeals Data and Information Security Risk and how this is managed Member involvement in the enforcement process 	
Q1	Local Plan (follow up audit)	Rachel Raynaud	Assurance	3	<p><u>Rationale:</u> The audit undertaken in 2019 20 gave a Limited Assurance opinion. It is good practice to follow up on all Limited Audit Reports.</p> <p><u>Scope:</u> The audit will review and evidence that all recommendations made in the 2019/20 internal audit report have been actioned.</p>	

Quarter	Audit	Responsible Officer	Type	Days	Rationale	Prog ref
Q3	Housing Rents	Chris Stratford	Assurance	6	<p><u>Rationale:</u> Due to the high volume of transactions and the income involved this is a high risk area and subject to an annual audit.</p> <p><u>Scope:</u> To audit will review the following key areas:</p> <ul style="list-style-type: none"> • There are up to date documented procedures for all aspects of the rent, accessible to all staff who need them, • Recommendations from the previous audit report have been implemented, • Rents due are being collected and promptly allocated to the correct rent accounts, • Benefits awarded are being properly allocated to the correct rent accounts, • Case records provide a management trail and complete case history 	
Q1	Housing The processes for managing Health and Safety requirements within the Housing Department	Chris Stratford	Assurance	10	<p><u>Rationale:</u> The council has experienced difficulties with maintaining a fit for purpose housing stock and an independent review in to health and safety matters would be beneficial.</p> <p><u>Scope:</u> Ascertain and report on the systems and processes the council has in place to ensure compliance and provide assurance that these are designed and operating effectively in relation to health and safety and building safety compliance.</p> <p>Ascertain and report on whether the council has appropriate policy/procedures to ensure actual compliance with both statutory and regulatory health and safety requirements/best practice. This to include sample checks of Health and Safety inspections in relation to:</p> <ol style="list-style-type: none"> valid Gas certificates (LGSR) valid Fire Risk Assessments (FRAs) valid Electrical certificates valid Legionella certificates valid Asbestos certificates valid Lift inspection certificates (LOLER) 	
Q1	Housing A deep dive into maintenance and repair of the Housing stock	Chris Stratford	Assurance	12	<p><u>Rationale:</u> The council has experienced difficulties with maintaining a fit for purpose housing stock and an independent review into repair and maintenance matters would be beneficial.</p> <p><u>Scope: Procedures:</u></p> <ul style="list-style-type: none"> • The housing repair procedures have been reviewed and updated and are available to all members of staff. <p><u>Order and variation processes:</u></p>	

Quarter	Audit	Responsible Officer	Type	Days	Rationale	Prog ref
					<ul style="list-style-type: none"> Housing repair orders are fully documented from initiation to completion and approval for payment. Details of job variations and their financial variation values are recorded. Where a standard schedule of rates is not available, an agreed job price has been received and authorised in advance of an order being placed. <p><u>Inspections:</u></p> <ul style="list-style-type: none"> The system fully documents the inspection of property repairs completed by all contractors. Repair inspection targets are monitored and reported to senior management. All properties are subject to regular stock condition surveys completed by an independent property consultant. <p><u>Budget monitoring:</u></p> <ul style="list-style-type: none"> Repairs budgets are accurate, regularly reviewed and reported. Where tenants are responsible for repairs, a process and control framework is in place to charge relevant works order costs. Leaseholder service charges for repairs and maintenance, where applicable, are up to date and have been correctly charged. <p><u>Contract monitoring:</u></p> <ul style="list-style-type: none"> Effective client / contract monitoring is in place and reported, where contractors are used. <p><u>Performance indicators:</u></p> <ul style="list-style-type: none"> Monitoring of the key performance indicators for emergency and routine repairs is ongoing and regularly reported to senior management. 	
Q3	Community Transport	Darren Williams	Assurance	6	<p><u>Rationale:</u> This is an important area for the Council that receives periodic audit.</p> <p><u>Scope:</u> The audit will focus on the following key areas:</p> <ul style="list-style-type: none"> Policies and procedures are documented, subject to periodic review and readily accessible to staff; Fees and charges have been appropriately approved and are consistently applied; All income received is recorded, banked promptly, and correctly coded on the general ledger; Drivers are subject to adequate pre-employment checks and are sufficiently trained; Vehicles are adequately maintained, insured and licensed. (A review at the Depot to confirm all vehicles are fit for purpose and have the appropriate certificates/documents – MOT, Service, tax etc)) 	

Quarter	Audit	Responsible Officer	Type	Days	Rationale	Prog ref
	Safeguarding	Chris Hunt	Assurance	6	<p><u>Rationale:</u> This is an important area for the Council that receives periodic audit.</p> <p><u>Scope:</u> The audit will focus on the following key areas:</p> <ul style="list-style-type: none"> • Appropriate procedures are in place for Safeguarding, which are readily accessible as guidance to all relevant staff; • Risks are appropriately captured within service area business plans; • Enquire with staff as to their awareness of the procedure to follow in the event of a Safeguarding concern; • Evidence that a Safeguarding Team and a Safeguarding plan is in place and is monitored; • Disclosure Barring Check procedures are in place for recruitment of staff and DBS checks are recorded on the HR system ; • Evidence that Safeguarding training of all staff takes place with HR records updated; • Safeguarding training is offered to Members and completed where appropriate; and • Safeguarding is included in corporate performance reporting to senior management and Members 	
Q2/3	Depot	Peter Burke	Assurance	6	<p><u>Rationale:</u> This is a periodic audit to provide assurance over the operations at the Depot and the collection of Trade Waste.</p> <p><u>Scope:</u> The review considers the following key areas:</p> <ul style="list-style-type: none"> • Procedures and processes in place to monitor and manage the site management, • The process for paying for services and how this is evidenced and authorised, • The process for managing the quality of service and in particular the management of the depot, and • The process for managing the performance of the recycling arrangements. • An effective system of complaints monitoring exists • Stock is properly controlled • Value for Money is constantly being reviewed • The collection monies for Trade Waste is adequately controlled 	
Q1/2	Procurement	Sarah Hall	Value for Money	8	<p><u>Rationale:</u> Following interviews with Heads of Service they were concerned that the existing procurement arrangements were not providing value for money.</p>	

Quarter	Audit	Responsible Officer	Type	Days	Rationale	Prog ref
					<p><u>Scope:</u> A review of the Heads of Service requirements verses the Council procurement requirements to ascertain how procedures might be varied to provide both value for money in procurement yet demonstrating good accountability and compliance with the Councils Contracting procedures.</p>	
Q3	Project Management	Sarah Hall	Assurance	6	<p><u>Rationale:</u> Project Management is a high risk and a periodic assurance audit will help identify any weakness in the management of projects.</p> <p><u>Scope:</u> The audit will consider the following key areas: The project management framework including Project Management Toolkit, procedures/templates and guidance covering project management activities;</p> <p>Review of a sample project from the initial stages through to when the project is in progress covering:</p> <ul style="list-style-type: none"> • Project Initiation Document (PID) • Initial plan • Risk and Issues logs • Budgetary control • Quality log • Stakeholder Analysis and Communications Plan • Resource management • Approval of projects by Committee/Council • Monitoring of the operational and financial progress of projects by Project Team/Committee/Council; and <p>Escalation of project risks from individual project risk logs/registers, corporate risk register and strategic risks, as appropriate.</p>	
4/5	Follow up		Verifying recommendations are implemented	12	<p><u>Rationale:</u> This is a regular review to meet Standards and Audit reporting requirements of outstanding recommendations made from previous internal audit reports to confirm that there has been progress to implement them.</p> <p><u>Scope:</u> All outstanding recommendations are reviewed to confirm what progress has been made to implement them as agreed in the report action plan.</p>	
3/4	2020/21 Annual Plan			-	Time spent developing, consulting and reporting on the future audit plans for internal audit – included in fixed fee.	

Quarter	Audit	Responsible Officer	Type	Days	Rationale	Prog ref
3/4	Strategic Plan			-		
4/5	2018/19 Annual Report			-	Time spent on producing and reporting upon the annual assurance report. Included in fixed fee.	
1-4	Management, QA and Support			-	This time includes attendance at Standards and Audit Committee meetings, liaison meetings and overall contract management. Included in fixed fee.	
			Total days	215		

The approval total audit days for internal audit are 175. Approval will therefore be required to any variation to this number, however, the Head of Audit will look to prioritise work through the year and as required lower priority audits will be deferred to a later period to keep within the budgeted days.

A small fixed fee applies to the Audit Planning, Management, Quality review and general audit support to this contract

Role

The main objective of the internal audit activity carried out by TIAA is to provide, in an economical, efficient and timely manner, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control. TIAA is responsible for giving assurance to the Council on the adequacy and effectiveness of the Council’s risk management, control and governance processes.

Scope

All the Council’s activities fall within the remit of TIAA. TIAA may consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that the Council’s management has taken the necessary steps to achieve these objectives and manage the associated risks. It is not within the remit of TIAA to question the appropriateness of policy decisions. However, TIAA is required to examine the arrangements by which such decisions are made, monitored and reviewed.

TIAA may also conduct any special reviews requested by the Standards and Audit Committee or the nominated officer (being the post responsible for the day to day liaison with the TIAA), provided such reviews do not compromise the audit service’s objectivity or independence, or the achievement of the approved audit plan.

Access

TIAA has unrestricted access to all documents, records, assets, personnel and premises of the Council and is authorised to obtain such information and explanations as they consider necessary to form their opinion. The collection of data for this purpose will be carried out in a manner prescribed by TIAA’s professional standards, Information Security and Information Governance policies.

Standards and Approach

TIAA’s work will be performed with due professional care, in accordance with the requirements of the Chartered Institute of Internal Auditors – UK & Ireland standards.

Independence

TIAA has no executive role, nor does it have any responsibility for the development, implementation or operation of systems. However, it may provide independent and objective advice on risk management, control, governance processes and related

matters, subject to resource constraints. For day to day administrative purposes only, TIAA reports to a nominated officer within the Council and the reporting arrangements

must take account of the nature of audit work undertaken. TIAA has a right of direct access to the chair of the Standards and Audit Committee and the responsible accounting officer (being the post charged with financial responsibility).

To preserve the objectivity and impartiality of TIAA’s professional judgement, responsibility for implementing audit recommendations rests with the Council’s management.

Consultancy activities are only undertaken with distinct regard for potential conflict of interest. In this role we will act in an advisory capacity and the nature and scope of the work will be agreed in advance and strictly adhered to.

Irregularities, Including Fraud and Corruption

TIAA will without delay report to the appropriate regulator, serious weaknesses, significant fraud, major accounting and other breakdowns subject to the requirements of the Proceeds of Crime Act 2003.

TIAA will be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered so that TIAA can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. The role of TIAA is not to investigate the irregularity unless commissioned to do so.

Corporate Assurance Risks

We consider four corporate assurance risks; directed; compliance; operational and reputational, and tailor the objectives of the audit accordingly. For all types of audit we also take into account value for money considerations and any linkages to the organisational Assurance Framework. The outcomes of our work on these corporate assurance risks informs both the individual assignment assurance assessment and also the annual assurance opinion statement. Detailed explanations of these assurance assessments are set out in full in each audit report.

Assurance Assessment Gradings

We use four levels of assurance assessment: substantial; reasonable, limited and no. Detailed explanations of these assurance assessments are set out in full in each audit report.

LEVELS OF ASSURANCE PROVIDED

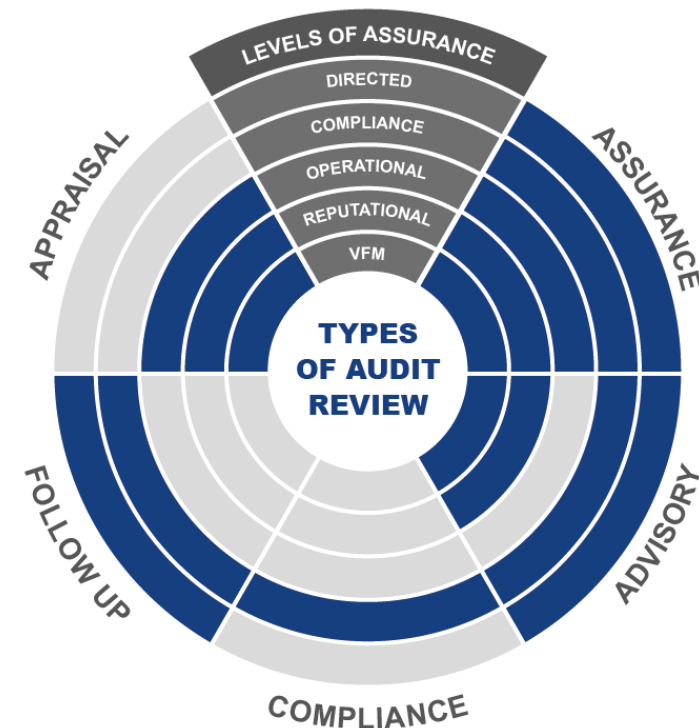


Benchmarking

Where a similar review is carried out at a number of our clients we will subsequent to the completion of the review at each of the clients we will where relevant provide a benchmarking and lessons learned digest. This digest will include Operational Effectiveness Matters for the Council to consider.

Types of Audit Review

The Annual Plan includes a range of types of audit review. The different types of review focus on one or more of the corporate assurance risks. This approach enables more in-depth work to be carried out in the individual assignments than would be possible if all four assurance risks were considered in every review. The suite of audit reviews and how they individually and collectively enable us to inform our overall opinion on the adequacy and effectiveness of the governance, risk and control arrangements is set out in the assurance mapping diagram.



7. NATIONAL AUDIT OFFICE (NAO)– REPORT ON ‘LOCAL AUTHORITY INVESTMENT IN COMMERCIAL PROPERTY’ (ASSISTANT CHIEF EXECUTIVE, PETER MCKENZIE)

Synopsis of report:

The full NAO report has been circulated separately, electronically to all elected Members together with this covering report for information.

Recommendation(s):

To consider the report and make any comments or recommendations the Committee thinks necessary to the Corporate Management Committee on its regeneration Strategy.

1. Context of report

- 1.1 The NAO is independent of government and the civil service, the Controller and Auditor General is an officer of the House of Commons and leads the NAO.
- 1.2 The report “examines whether the framework overseen by the Ministry of Housing, Communities & Local Government (MHCLG) allows for the management of risks to the financial sustainability of local authorities from investment in commercial property.”
- 1.3 The NAO interviewed a wide range of stakeholders, including a number of Section 151 Officers. Runnymede Borough Council received an invitation to provide evidence. The Council’s Director of Commercial Services, John Rice, his Deputy, Vince Sibley and the S151 Officer, Peter McKenzie, met with auditors from the NAO for an afternoon to provide evidence and explain the Council’s financial, regeneration and investment strategies. Before publication of the report the NAO officers sent the Council’s S151 an embargoed advance copy and extracts of the report which mentioned Runnymede BC. Attached at Appendix ‘C’ are the highlights which mention Runnymede.
- 1.4 The report is 82 pages long and has been circulated to all Members separately as a PDF document with a copy of this report. The first 14 pages of the report provide a summary and give Members some key facts on national spending and borrowing.
- 1.5 This report has also been sent to the NAO to ensure nothing paraphrased here contradicts their meaning.

2. Report - Runnymede Borough Council regeneration strategies

- 2.1 Page 9 paragraph 17 states that a small group of district councils (8.5% of all districts) have been most active in acquiring commercial property. It is assumed Runnymede is included in that group.
- 2.2 This group saw their external debt increase by £88.8m between 2015/2016 and 2018/2019, with debt as a percentage of spending power rising from 3% to 756%.

- 2.3 To put those figures into context, spending power is defined by MHCLG as the funding provided by central government and the council tax proceeds. As Runnymede has one of the lowest tax rates in England, no RSG (Revenue Support Grant) and of the £59m we collect in business rates we retain £2m, our spending power is low. The MTFS (Medium Term Financial Strategy) assumes retained rates will fall to £1 following the “fair funding review” which is due this summer, 2020. The table below illustrates the difference between the Council’s debt and spending power.

	2013/14	2019/20	Increase
	£'000	£'000	£'000
Borrowing	0	480,336	480,336
RSG	4,081	0	-4,081
Council tax	4,807	5,499	692
Retained rates	0	1,963	1,963
New homes bonus	1,062	1,146	84
	9,950	8,608	-1,342

- 2.4 Clearly, with a spending power totalling £8.6m and reducing and limited income from fees and charges (many of which are prescribed by government), we could not fund all of our projects etc. without a commercial investment strategy. The funding of the Addlestone One regeneration scheme, Egham Orbit leisure centre, and the Egham Gateway West development, with committed capital expenditure of £89m to the end of 2019, are examples of projects which could not be completed without a commercial investment strategy. There is still £70m to fund in 2020/2021 and 2021/2022 to complete Egham Gateway.
- 2.5 Attached at Appendix ‘D’ is the executive summary of the Council’s Medium Term Financial Strategy provided to all Members in January 2020. A significant part of the briefing note covers the Council’s approach to regeneration, funding plans, risk management, risk mitigation and the ability to repay debt without the need to re-finance debt from its MRP policy.
- 2.6 As interest rates have increased following the PWLB’s decision to add a further 1% to the rates set, the cost of regeneration schemes may increase. In part, this has been mitigated by the Council entering into a loan agreement with a private sector institution to be drawn down in May 2021, again at a fixed rate of interest which is below the PWLB annuity rate by 0.2%, as at 21 February 2020.
- 2.7 To complete its regeneration objectives, where over £9m in funding has been committed, properties are acquired and demolished to allow the scheme to progress (which includes 201 new dwelling of mixed tenure), the Council has agreed a further borrowing approval of £100m for 2020/2021.

3. Conclusions

- 3.1 The NAO report highlights that 80% of the cumulative spend between 2016/2017 and 2018/2019 is accounted for by 49 local authorities with 105 spending £10 million or more. Clearly Runnymede is one of those councils

as it plans to fund its regeneration strategy by acquiring up to £500million of commercial assets by March 2021 (the borrowing will be less than £500m).

- 3.2 The NAO report was published on 11 February 2020. Within a week, financial journals and blogs are passing comment. Appendix 'E' is extracted from an online magazine "Room 151" which quotes from the NAO report with quotes from various interested parties.
- 3.3 In part 4 of the report (page 62), the NAO have said "recent developments in commercial property investment raise fundamental questions about aspects of the prudential framework and its fitness for purpose in the current legal and financial context."
- 3.4 The NAO expect that their report will be considered by the Public Accounts Committee (PAC) of the House of Commons in April or May of this year. It is not clear if local authorities or associations (Local Government Association, Society of District Council Treasurers, CIPFA, etc), will be called to give evidence alongside MHCLG or HM Treasury. It is anticipated the PAC will make recommendations to government before parliament reaches the summer recess.
- 3.5 The government announced in February 2020 that MHCLG and HM Treasury would work together on a review of the PWLB which will cover "rates and flexibilities that local authorities have". This included the unexpected 1% rate increase applied in October 2019.
- 3.6 The Council's S151 Officer does expect more developments in the current financial year regarding the Prudential Code and Members will be updated as the regime develops.

(For information)

Background papers

NAO, MTFs, Capital strategy working files



PROVISIONAL AUDIT FINDINGS

JANUARY, 2020

Ministry of Housing, Communities and Local Government

Local authority investment in commercial property

This document is the property of the National Audit Office. The document has been prepared as the basis for an official Report to be presented to Parliament in due course. It is supplied in confidence solely for the purpose of verifying the accuracy and completeness of the information contained in it and to obtain views on the provisional conclusions reached. It contains information which has been obtained by the National Audit Office under statutory powers solely to discharge statutory functions.

Neither the document nor any of its contents should be disclosed to any other person unless such disclosure is authorised by the National Audit Office. The document must be safeguarded at all times to prevent publication or other improper use of its contents. Unauthorised disclosure may result in legal proceedings.

Named references in the report

Named references are paragraphs where Runnymede is mentioned by name. The text of the full paragraph is included in the left-hand column (for context). We would be grateful if you would check the elements relating to you for factual accuracy. If you feel changes are required, we would be grateful if alternative material could be provided. For ease, we suggest using comments.

In case it is useful, the right-hand column details the interviews or documents relating to your authority that we have drawn on.

	Named references	Sources
2.14	<p>Local authorities can acquire commercial property for yield, to support regeneration or otherwise benefit the local area, or for a mix of these factors. In our case study and workshop conversations securing income was cited as a predominant but by no means the only reason. For instance:</p> <p>[Other authorities] established commercial property acquisition funds with the sole objective of generating yield. The bulk of acquisitions are outside their boundaries.</p> <p>[Other authority] <u>and Runnymede councils both told us they have acquired property both within and outside their areas primarily for yield. This income is used both to support their general funds and to fund new regeneration and housing projects.</u></p> <p>[Other authority] has pursued an acquisition programme aimed at generating £X million annually for its general fund. It has combined this objective with local place-shaping objectives by buying property wholly in area.</p> <p>[Other authority] bought its local shopping centre to ensure that the authority can deliver its place-shaping agenda. This acquisition makes only a minimal contribution to the general fund in the medium-term.</p>	Interview
2.21	<p><u>In general, authorities we spoke to were aiming to make a contribution to their budget gap through commercial property investment rather than seeing it as the sole solution. However, two of our case study authorities, Runnymede and [other authority] councils, said that their property investments to date had allowed them to address their initial objective of offsetting their funding reductions and stabilising their finances. Subsequent investment in commercial property has been to generate yield to fund additional local priorities and grow their service provision. This model was unusual amongst authorities we spoke to, and may reflect the fact that these two authorities have relatively large commercial property portfolios compared to other authorities.</u></p>	Interview
3.32	<p>Authorities we spoke to in our case studies and workshops were confident that they had taken appropriate steps to minimise and mitigate risks from property acquisitions:</p> <ul style="list-style-type: none"> • <u>Accessing appropriate skills and expertise. Authorities with larger portfolios, such as Runnymede, had often recruited individuals with specialist experience.</u> <p>[cont. below]</p>	Interview

Unnamed references in the report

Unnamed references are parts of the report that do not name your authority but rely, in part, on information gathered in our interviews with you (all such statements draw on evidence from multiple authorities, and we will be clearing the evidence of other authorities with them separately). While your authority is not recognisable in these cases please confirm that the relevant statement (identified by underlining) is accurate in relation to your authority.

In case it is useful, the right-hand column details the interviews or documents relating to your authority that we have drawn on.

	Unnamed references (underlined)	Sources
2.17	<p><u>A consistent theme amongst our case study authorities and in our workshops was that where authorities were acquiring commercial property in order to secure yield, this was driven by a desire to respond to grant funding lost since 2010-11.</u> Offsetting funding reductions was also a common theme in the capital strategies we reviewed. All local authorities had seen a real terms reduction in their spending power from 2010-11 to 2018-19. Some single and upper tier authorities we spoke to also mentioned service pressures as a reason for pursuing yield.</p>	Interview
2.23	<p>Yield may also have been an objective in the X% of spend from 2016-17 to 2018-19 that was within authorities' areas. <u>Many of the case study authorities we spoke to were clear that while their in-area investments were often intended to contribute to policy objectives such as place-shaping, they were also designed to generate income for their general funds.</u> The strategies we reviewed from non-case study authorities also contained examples where yield was clearly one of the objectives for in-area investments.</p>	Interview
2.26	<p>Of the X authorities that acquired properties from 2016-17 to 2018-19 X% acquired properties out-of-area. On average, these authorities tended to have spent more on property acquisition compared to those that invested solely in-area. These authorities also demonstrated a wider sectoral diversification in their acquisitions relative to those buying solely in-area. <u>In our case study and workshops, out-of-area acquisitions were generally seen as important in mitigating risk, such as the possibility of a downturn in the local economy or general decline in a locally dominant sector.</u></p>	Interview
3.2	<p><u>Some authorities we spoke to said that the bulk of their investment had been financed by external borrowing.</u> Some case study authorities have internally borrowed from their cash balances. Only one case study authority had been able to spend on commercial property without any borrowing support to date, by using historic capital receipts from the transfer of its housing stock. When we reviewed a sample of strategies of authorities that have been, or are planning to be, particularly active these gave a similar picture. All had used, or were planning to use, prudential borrowing to at least partly finance their commercial property acquisitions.</p>	Interview

<p>3.6</p>	<p><u>Case study and other discussions highlighted current low interest rates as important in supporting commercial property investment.</u> The Public Works Loan Board (PWLB) is a key source of finance. The interest rate for 50-year maturity loans fell from X% in September 2013 to X% in September 2019 (monthly averages).</p>	<p>Interview</p>
<p>3.30</p>	<p><u>Among authorities we spoke to, primarily during case study visits, there were examples of authorities taking action to avoid competing with other authorities. But it was more common for authorities to report that inter-authority co-ordination was absent or limited.</u></p>	<p>Interview</p>
<p>3.32</p>	<p>Authorities we spoke to in our case studies and workshops were confident that they had taken appropriate steps to minimise and mitigate risks from property acquisitions:</p> <ul style="list-style-type: none"> • <u>Accessing appropriate skills and expertise. Authorities with larger portfolios, such as [other authority], had often recruited individuals with specialist experience.</u> • <u>Undertaking appropriate due diligence for each acquisition drawing on a wide range of information and external expertise.</u> • <u>Managing property risks by diversifying portfolios, which could be in terms of property type, location, lease length or yield.</u> Geographic diversity also reduces the risk that were an in-area tenant to fail, the authority would lose both rent and business rates. • Establishing contingency funds to deal with falls in rental income or unexpected additional costs. [Other authority] for instance put the equivalent of 0.25% of its portfolio value into a reserve annually. 	<p>Interview NB: We have underlined the activities discussed most fully in our interview. We are not implying you have not undertaken the other activities.</p>
<p>4.23</p>	<p>Both the Department and CIPFA's immediate changes stressed that investment solely for yield should not be supported by external borrowing. Our case study and workshop discussions and our review of a sample of capital strategies identified a range of responses including:</p> <ul style="list-style-type: none"> • explicitly acting against or not in full accordance with the codes or guidance, after giving them consideration; • changing behaviour with the effect of bringing it into accordance with the Department or CIPFA's interpretation of the codes or guidance; and • stating or implying they are acting in accordance with the codes or guidance, while it is not clear in our view that they always interpret the codes or guidance in the way that the Department or CIPFA intend.¹ <p><u>Some case study authorities and workshop participants mentioned their own legal advice that they felt supported their interpretation of permissible behaviour.</u></p> <p>¹ This does not imply a judgement about the legality or appropriateness of any of the approaches taken in these responses, as the Department or CIPFA's intentions are not definitive of either point.</p>	<p>Interview</p>

4.31	Investments out of area are more difficult to justify as providing benefits to the authority beyond yield. <u>Some authorities that we spoke to said that the changes effectively restricted property investment to within their boundaries, or economic area, unless it can be funded without borrowing.</u> This interpretation has influenced some authorities: [other authority] has paused their investment programme which was based solely on out-of-area investments, and [other authority] has restricted their investments to within their functional economic area.	Interview
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Medium Term Financial Strategy 2019/20 to 2023/24 - General Fund Summary

	Estimate 2019/20	Probable 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24
	£'000	£'000	£'000	£'000	£'000	£'000
Base Budget 2019/20 agreed by Council Feb 2019	(9,356)	(9,356)	(9,356)	(9,356)	(9,356)	(9,356)
Estimates in 2019/20 MTFS subject to further approval	577					
Budget Adjustments	0	2,491	3,457	1,369	(1,194)	(2,022)
Growth estimates in MTFS subject to further approval			1,278	1,058	1,047	1,047
Reductions to existing budgets and above growth requests			(1,200)	(1,200)	(1,200)	(1,200)
Adjusted base budget A	(8,779)	(6,865)	(5,821)	(8,129)	(10,703)	(11,531)
Accounting adjustments:						
- Reversal of depreciation charges	(2,640)	(2,640)	(2,640)	(2,640)	(2,640)	(2,640)
- Capital charge to HRA	(43)	(43)	(43)	(43)	(43)	(43)
- Revenue contributions to Capital expenditure	235	235	0	0	0	0
Transfers to/from reserves:						
- Business Rates Equalisation reserve	(2,296)	0	0	0	0	0
- Equipment repairs and renewals reserve	1,000	1,000	1,000	750	750	750
- Property repairs and renewals reserve	500	1,750	750	500	500	500
- Investment Property income equalisation reserve	0	1,750	750	500	500	500
Treasury and Financing						
- Investment Income	(246)	(339)	(371)	(482)	(696)	(1,039)
- Interest on loans to RBC companies	(1,414)	(1,420)	(1,571)	(1,820)	(2,374)	(2,374)
- Dividend income	(6)	(2)	(2)	(2)	(2)	(2)
- Capital Financing	14,535	11,598	14,466	17,013	17,946	18,038
- Minimum Revenue Provision (MRP)	4,576	3,777	4,097	4,793	5,017	5,217
Government Grants (Non-Service Specific)						
- New Homes Bonus	(1,146)	(1,146)	(1,658)	(780)	(748)	(184)
- Other grants	0	(17)	0	0	0	0
Budget requirement B	4,276	7,638	8,957	9,660	7,507	7,192
Funded by:						
- Revenue support grant	0	0	0	0	0	0
- Business rates retention scheme	(1,963)	(3,600)	(3,700)	(1,700)	(1,400)	(1,100)
- Share of Council Tax surplus for prior years	(150)	(150)	0	0	0	0
- Share of Business Rates surplus for prior years	2,296	0	0	0	0	0
Sub total of government funding C	183	(3,750)	(3,700)	(1,700)	(1,400)	(1,100)
Net demand (B less C)	4,459	3,888	5,257	7,960	6,107	6,092
Tax base - Band D equivalent numbers	33,410	33,410	34,099	34,249	34,399	34,549
Band D tax per year	164.59	164.59	169.59	174.59	179.59	184.59
Council tax income D	(5,499)	(5,499)	(5,783)	(5,980)	(6,178)	(6,377)
Use of / (contribution to) Working Balance	(1,040)	(1,611)	(526)	1,980	(71)	(285)
General Fund Balance		5,489	6,015	4,035	4,106	4,391
Over / (Under) minimum balance level of £2.969m		2,520	3,046	1,066	1,137	1,422

The government's spending watchdog has urged the government to review the regime governing councils' capital spending, concluding that their activity in the commercial property market raises questions about whether it is still fit for purpose.

The National Audit Office today published its report into the practice of councils using cheap borrowing from the Public Works Loan Board to undertake revenue-raising real estate deals.

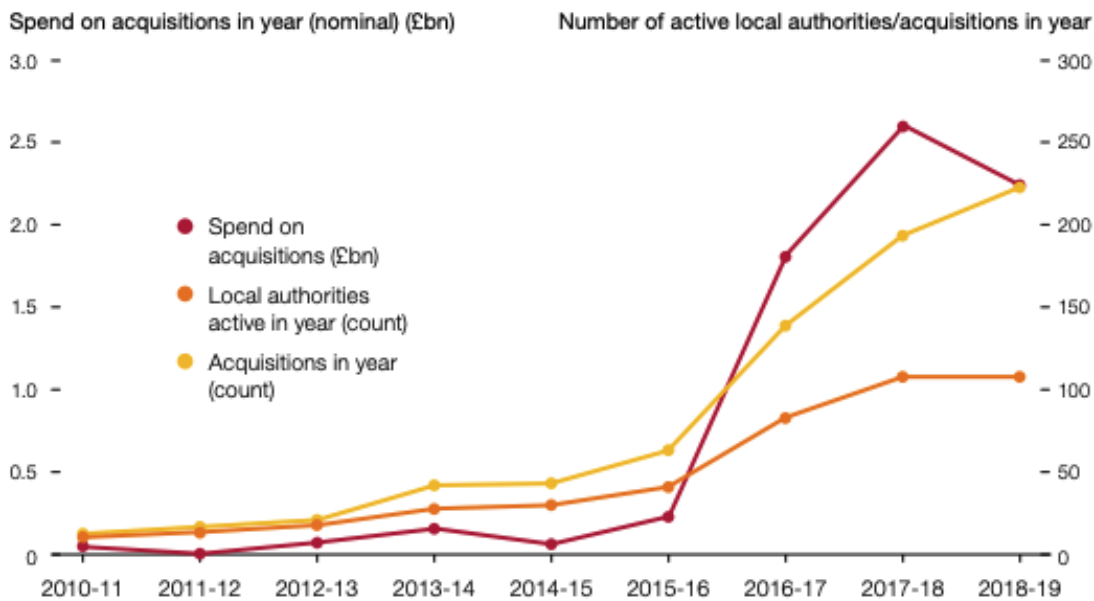
The report said that the recent trend for such activity raises "fundamental questions" about aspects of the prudential framework, which was introduced in 2004 to give councils greater freedom over their capital spending.

According to the NAO report: "When the framework was created, borrowing was intended primarily to be used to support service provision directly rather than to generate income.

"The capacity of an authority to borrow was restricted by the affordability of the resulting debt costs given their income from local tax and government grants.

"Now, where borrowing (non-housing revenue account) is frequently for property purchases that generate a return that meets the debt costs, the duty to set an affordable limit for borrowing, which lies at the heart of the framework, is no longer a constraint in the same way."

Thus, it said, the duty to consider affordability underpinning the framework "is no longer effective in constraining each authority's overall borrowing by keeping it linked to their ability to fund borrowing costs from government grant or local tax".



Spending by local authorities on commercial property – image by NAO

It pointed to some authorities which it said were taking on general fund debt “in high multiples of core spending power and view it as affordable because of the income their commercial property investments generate”.

The permissive nature of the framework is now being tested by council activity, the NAO said.

“The experiences of recent years have shown that in the context of sustained financial pressure, some authorities, perhaps inadvertently, will test the limits of compliance,” the report said.

“The position set out in this report raises questions about the extent to which the department (Ministry of Housing, Communities and Local Government) and HM Treasury can rely on the prudential framework in its present form to support value-for-money decision-making in the current legal and financial context.”

To address the issue, the MHCLG, working with the Chartered Institute of Public Finance and Accountancy, “should review the prudential framework, its oversight and intervention arrangements, and underpinning data to ensure they remain fit for purpose in the context of an increase in local authority commercial activity”, the report said.

This review should examine whether “varying interpretations of the authorities’ borrowing and investment powers in the sector are having an impact on the resilience of the prudential arrangements”, it said.

The NAO also said that the nature of the framework means it can be slow to change, and questioned the impact of [revisions to the investment code](#) and guidance introduced in 2018.

It said that “levels of commercial property acquisition remained largely unchanged up to September 2019, 18 months after the first elements of the new guidance came into force and six months after the last elements came into force”.

However, it said that although the scale of investments made outside a local authority’s own area had stayed roughly stable, “these acquisitions are now more likely to be in-region rather than out of region”.

To protect against risks to future value for money, the MHCLG should “strengthen framework oversight and develop methods for more timely, flexible and targeted intervention when required”, the NAO said.

Responses to the NAO report from the sector

“Councils are responsible for managing their finances and must properly consider the risks and opportunities when they make commercial decisions. We will carefully consider this report in our work as stewards of the local government finance system.”

MHCLG spokesperson

“While the avoidance of all risk is neither appropriate nor possible, councils should have regard to the CIPFA Prudential Code to ensure they do not take on an inappropriate amount of risk when exercising their powers. There remains a question for the sector about what happens in the few cases where councils do not have regard to the code, which the government will likely address at some point.”

CIPFA chief executive Rob Whiteman

“To address funding cuts and future funding uncertainty, it is right that district councils seek new sources of revenue to plug funding gaps through prudent investments that manage risk, protect local services on behalf of their taxpayers and help achieve the wider ambitions for their places. Unless districts secure alternative sources of revenue, essential services that our local communities rely on face being cut back or stopped altogether.”

Sharon Taylor, District Councils’ Network finance spokesperson

“When making investments, councils follow the strict rules and assessments to ensure they invest wisely and manage the risk of their investments appropriately.”

Richard Watts, chair of the Local Government Association’s resources board

“Given local authorities have faced such big cuts, it understandable that many might take part in risky investments to get more money in. However, a fourteen-fold increase in spend on commercial property

raises serious alarm bells. Most of these acquisitions by value are being made by a small number of authorities, and activity is concentrated in the South East. The department needs to take stock and ensure that there is protection for local taxpayers from local authorities acting as investment bankers.”

Meg Hillier MP, chair elect of the Committee of Public Accounts:

Key report data

- The NAO estimated that councils spent £6.6bn on commercial property between 2016/17 to 2018/19 – 14.4 times higher than the preceding three years;
- A maximum of £6.0 billion (91.2%) and a minimum of £2.5 billion (38.5%) of this was funded through prudential borrowing;
- 80% of the total spending was made by just 49 local authorities;
- Authorities in the South East accounted for 52.9% of acquisitions by value over the three years;
- 105 authorities (29.8%) spent at least £10m on commercial property over the period;
- 47.9% of all acquisitions by value in 2018-19 were outside local authorities’ own boundaries.

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**8. ACTION PLAN – IMPROVING THE HOUSING MAINTENANCE SERVICE
(HOUSING, CHRIS STRATFORD)**

Synopsis of report:

To provide an updated position relating to the comprehensive action plan to deliver the necessary continued improvements to the Housing Maintenance service.

To provide the Standards and Audit Committee with clear objectives and necessary timelines to complete key tasks, which will enable the Council to achieve compliance, good practice, resource management, and opportunities to approve new asset management and HRA Business Plans.

Recommendation(s):

that the Committee notes the continued progress made against key action plan objectives.

1. Context of report

- 1.1 The Housing Committee received a report at its meeting in November 2019, which provided details relating to the action taken by the Housing Regulator in respect of identified breaches regarding the Homes Standard.
- 1.2 The Regulator has published a notice indicating the breaches that RBC now needs to take action to improve and achieve full regulatory compliance. This requirement involves the Council working with the Regulator through planned contact meetings, the first of which was completed on 11th December 2019 and a further meeting is likely to take place in March 2020. The Regulator had requested an action plan be produced to capture critical work commitments and objectives.
- 1.3 The updated action plan is attached at Appendix 'F' to this report and presented to the Standards and Audit Committee to consider and note.
- 1.4 It should be noted that progress has continued to be made in getting the stock condition data loaded onto the Council's existing asset management system (SAM) and it is expected by the time this Committee meets on 17th March, that initial outputs relating to investment needs and priorities will have been extracted. Members will be updated at the meeting as to any preliminary findings and conclusions reached, following this initial data download.

2. Report

- 2.1 Members are referred to the Appendix for the details relating to the latest action plan details, resource needs, timelines, and updated costs to achieve each of the key objectives.
- 2.2 The HRA budget approved by the Housing Committee at its last meeting provided the best indication of resource needs, but following the detailed review of the stock condition outputs, and major schemes such as Surrey

Towers refurbishment proposals and Parkside the HRA will need to be adjusted further as and when final costs and proposals are confirmed.

3. Policy framework implications

- 3.1 Updating the improvement plan, and the core pieces of work and objectives contained within the plan identify those elements of work critical to move closer to a compliant housing services, a sustainable and deliverable Asset Management Plan, and a revised HRA Business Plan. These are not only core service and policy objectives for the Council, but essential elements required by the Regulator.

4. Resource implications

- 4.1 Resource requirements where possible have already been built into the 2020/2021 HRA budget, but further detailed reports will be necessary to seek Member approval to additional resource needs for those major schemes such as Surrey Towers and the Parkside development, along with those resources to support the new Asset Management Plan.

5. Legal implications

- 5.1 The powers of the Regulator of Social Housing, including to serve notices on Registered Providers, derive from the Housing and Regeneration Act 2008. The Notice published by the Regulator on 30th October 2019 details the statutory fire and electrical safety standards giving rise to the authority's breach of the Home Standard.
- 5.2 Progressing the Action Plan has not revealed any further statutory, regulatory or compliance issues, but the position will be kept under review.
- 5.3 Any procurement issues arising will be referred to the Procurement Team, who will ensure that the processes adopted are compliant with the law and Contract Standing Orders.

6. Equality implications

- 6.1 There are no new Equality issues or impacts that need to be considered in noting the recommendations of this report. Any equality implications or considerations will be evaluated as detailed reports come forward.

7. Environment, Sustainability and Biodiversity implications

- 7.1 No Environment, Sustainability and Biodiversity implications have been identified at this time.

8. Conclusions

- 8.1 This is the first of a series reports which will update Members regarding progress or otherwise on completing key tasks regarding the improvement plan objectives.

Background papers

Housing Committee report proposing the Improvement Plan objectives January 2020
Draft Voluntary Undertaking provided to the Housing Committee January 2020

Housing Repairs and Maintenance Service Improvement Plan

Issues Raised	Comments	Proposed Actions	Timescales	Resources	Finance Budgets
Secure longer-term contract for Technical Services Manager post, secure recruitment of Compliance Manager, and develop J/D and person specification for PM roles.	Revised J/D for Head of Housing Technical Services completed and submitted to HR Advertisement for Compliance Manager re-drafted. PM roles to be developed following Surrey Towers Housing Committee consideration on preferred scheme.	Secure position of Interim post holder for Technical Service Manager post completed until March 2020, complete recruitment to permanent position March 20. Compliance Manager role to be advertised March 2020.	Head of Housing Technical Service role to be filled by March 2020	HRA budget amended as part of budget process. costs being met from approved maintenance budget.	Costs included in HRA as part of budget process.
Secure the appointment of a new Corporate Head of Housing.	Initial work and liaison with Executive Search practice completed. Revised J/D and person specification completed and submitted to HR	Advertise and interview candidates	Complete all tasks and appoint new Corporate Head March 2020.	Resources reviewed considering final salary and interim costs up to commencement of new candidate and any handover arrangements.	Budget requirements included as part of the 20/21 budget setting process within the HRA.
Awaiting final submission of HQN report on sustainable delivery options for Programmed works.	Revised draft of HQN report due Feb 2020.	Consider final HQN report. Discuss implications of report at Task Force, and report to Housing Committee/CMC.	March 2020 Housing Committee or CMC dependent on final report from HQN being approved	Revenue and capital Resources to be assessed depending on HQN outcomes.	Costs to be met from capital budgets and HRA as required.

Housing Repairs and Maintenance Service Improvement Plan

Lack of Stock Condition data to enable confidence around programmed works planning and activity.	Stock Condition surveys underway and some 2,850 homes surveyed. Further 150 homes to input. extraction from Northgate commencing end of Feb 2020	Complete survey works as a priority. Recruited new surveying resource, and complete inputting of surveying data	Surveys completed Feb 2020, Data input end Feb and extraction commencing end Feb 2020. Financial impacts to be discussed with Finance prior to drafting of Asset Management plan	Costs for this included in HRA Maintenance Budget.	Costs Associated with completing this task met from HRA budget.
Non-compliance Notice issued by the Regulator identified FRA works, and Electrical certification. Work plans need to secure compliance within the next 12 months.	Revised plan for electrical certification across all stock to achieve compliance within 12 months negotiated with new contractor. Temporary Tracker system for works ordered around FRA reporting put in place.	Monitoring critical work streams to deliver full compliance in respect of electrical certification and FRA works as required.	Electrical certification increased inspection regime underway and contract management underway. Critical challenge around property access reviewed. Tracking and work orders to complete necessary FRA job requests underway and being monitored. Second contractor employed to speed up process.	Increased contractor resources secured. Additional costs for increased number of inspections required, along with additional unplanned activities around FRA works to be met from HRA resources.	Additional planned works for electrical inspections and certification will be required. Currently estimated at £130k. Additional resources for FRA activity estimated £250k budget and approved for 2020/21.
FRA type 4 assessment identified for Surrey and now completed by Todds.	Likely outcome additional urgent FRA works required to ensure improved fire integrity of building.	AECOM fire engineers reviewing the Todds' FRA report	Fire engineers from AECOM advised RBC need to review Todds' report and challenge suitability	Costs for type 4 works confirmed £5,500 additional costs for more detailed report likely.	Initial works subject to finally agreed FRA type 4 assessment and specification. Costs of new survey to be included in Surrey Towers report.

Housing Repairs and Maintenance Service Improvement Plan

<p>Concern around ability to complete all the Housing contract procurement needs through existing housing and procurement resource capabilities.</p>	<p>Likely procurement plan as currently conceived will not be achieved. Need to review processes and available options to achieve original contract renewal objectives.</p>	<p>Early meeting between Procurement and Housing officers to review challenges and issues completed and work plan for external support agreed</p>	<p>Agreement reached to use Madlins external consultancy to prepare contract specifications and all IT documentation for some 20 plus contracts. Key programmed works contract docs to be prepared to allow tender by Feb 2020 total fees £42k. All others completed by April 2020 for tendering purposes. Remaining contracts to be delivered by procurement team in 2020/21 financial year.</p>	<p>No new resources required by Procurement or Housing as key resources to be provided by consultancy. Commenced support activities Dec 2019 and costs be met from the approved Housing Maintenance Budget.</p>	<p>Costs to be met from approved Maintenance Budget, any new ongoing costs to be met via HRA budget approved for 2020/21.</p>
<p>No effective I/T solution in place to manage compliant work activity or track progress.</p>	<p>High risk associated with missing compliant work activity, or ordering critical works as required due to lack of I/T prompt and management process.</p>	<p>DOH and Technical Services Manager reviewed system options which do not impact on Corp I/T procurement timelines.</p>	<p>Identified cloud based annual renewal contract for H&S and compliance I/T solution. Business case went to Transformation Board end Jan 2020</p>	<p>Transformation Board supported Business Case to acquire new system March 2020 and implement I/T solutions for compliance from April 2020.</p>	<p>Costs after initial up-front costs £8k, then annual costs of £6k. Report for virement of funds to deliver this project on agenda for Housing Committee tonight 11th March 2020.</p>
<p>One-off H&S Audit carried out during 2019,</p>	<p>Risks associated with not completing recommendations and</p>	<p>Full report received and progress made in implementing recommendations.</p>	<p>Review of progress required end Jan 2020, and new Audit to be commissioned June 2020.</p>	<p>New resources to pay for second independent audit to</p>	<p>Likely costs of new second independent H&S Audit and report</p>

Housing Repairs and Maintenance Service Improvement Plan

recommendations implemented.	completing the next audit review high.			be met from housing Maintenance budget.	are estimated to be £10k.
No Asset Management Plan in place and requirement for new HRA Business Plan requirement once outputs from the stock condition survey have been evaluated.	No work preparation for these critical elements of planned works and liabilities against the HRA can commence until Stock Condition Survey work completed and outputs from Northgate confirmed.	Work on the Asset Management Plan will commence as a priority along with revised HRA Business Plan from April 2020.	Work on initial Asset Management plan to commence April 2020, and HRA business Plan June 2020. Likely completion of work on both plans September 2020. Recommendations and reports required to Housing Committee.	Both revenue and capital resources will need to be substantially revised as a result of new Asset Management plan. Some initial outputs and investment needs verbal update to March 2020 Housing Committee.	Not possible at this stage to confirm capital and revenue impacts of new Asset Management Plan. These are however likely to be substantial as life cycle adjustments will be necessary as well as new unplanned works. Reports to Housing Committee to be submitted ASAP after strategies developed.
Surrey Towers has time expired elements to major parts of the building including the roof. A significant refurbishment of the building is required.	Report submitted to Housing Committee and subsequently the Surrey Towers WG has secured funding for AECOM to complete initial technical appraisal works.	Consultants procured through SCAPE framework.	Works to complete consultancy element of the refurbishment options commenced 28 Nov. Full report initially for the Surrey Towers WG to consider ahead of Housing Committee to be completed late Feb 2020.	Initial resources approved by Housing Committee and Full Council approved. £350k for consultancy services.	Not possible to confirm costs of preferred refurbishment scheme but initial estimates in the range £9m to £12m. Report to a special Housing Committee or CMC will be required. March 2020.

Housing Repairs and Maintenance Service Improvement Plan

Regulator has indicated a requirement to monitor and meet with Officers following the Regulator's Notice	Report submitted to Housing Committee Nov 2019 confirming serving of Notice and Non-Compliant areas.	Initial contact with Regulator made during November.	Meeting with Regulator completed 11 December. Subsequently Voluntary Arrangement proposal made to regulator Jan 2020	No additional resources required beyond those indicated above at this stage.	Awaiting Regulator comments re Voluntary Arrangement made Feb 2020 Rework required. Underway.
There is insufficient KPI data and information being provided to Members to enable recognition of inadequate service and compliant failures.	Initial work completed to review KPI data provided to Housing Committee to improve monitoring process Jan 2020.	Further adjustments to be made to extend reporting to all Housing Service Areas. Review Progress March 2020.	Full review of all KPI information completed and Maintenance reporting to be further improved for the March 2020 meeting of Housing Committee. Full suite of new KPI data for all Service Areas by spring 2020.	No additional resources required but adjustments to data gathering and reporting arrangement required.	None at this stage.
Audley and Southam Houses Fire Protection enhancements have been identified as priority works given current design challenges.	Initial work to a small number of properties undertaken as pilot works to improve fire protection within individual structures.	New specification and contract for works being developed to complete full enhancement of fire protection works to all properties as urgent priority.	Work contract and specification currently being prepared and urgent procurement necessary to ensure works completed ASAP.	Costs of works following pilot which includes element of asbestos removal estimated at £140K. This can be met from existing approved Maintenance Budget and leaseholder contributions.	Resources required to complete all works to be met from HRA budget 2020/21.
It is necessary to review the policy for the fitting of approved window restrictors to blocks of flats within the Borough.	Initial inspections and works focused on Surrey Towers. Further inspections will be necessary to enable restrictors to be fitted	Initial contact made with specialist local and regional Companies able to survey and where appropriate install approved window	Works to Commence 2020 along with advisory letter and notices to all existing and new tenants of flats above G/F. Timeline to complete all surveys and	Initial installations and survey costs to be met from the approved Maintenance Housing Budgets. Initial costs estimated for works	None at present and any increase in budgetary requirements will need to be approved by this Committee at the appropriate time.

Housing Repairs and Maintenance Service Improvement Plan

	to all blocks of flats across Borough.	restrictors to all accommodation above G/F.	works to be agreed with contractor appointed.	£100k. This will be refined shortly.	
It has been identified that there is presently insufficient resource to manage HRA responsibilities for those trees situated on HRA land. This potentially creates a high-risk profile and liability should any incident occur in respect of a member of the public or tenant of the Council	Initial inspections and tree management plan to be developed to mitigate risk and liability profile. The necessary 'mapping' of trees ahead of the management strategy being developed.	Initial discussions with Community Development have taken place to review current capacity to effectively identify and manage trees on HRA land has established resource and I/T capacity deficiencies.	Agreement with Community Development that identification of necessary I/T infrastructure and resource needs required to be deployed to improve HRA understanding of its exposure to risks in relation to tree and their management has been undertaken.	Initial purchase of a 'stand-alone' software package to assist with the plotting and management of trees on HRA land has been identified. Resource requirements to provide more intensive management of trees to be agreed. Implementation plan to then be developed and reports developed.	Initial financial needs for new IT infrastructure supported by Transformation Board.

9. EXCLUSION OF PRESS AND PUBLIC

If the Committee is minded to consider any of the foregoing reports in private, it is the

OFFICERS' RECOMMENDATION that -

the press and public be excluded from the meeting during discussion of the relevant report under Section 100A(4) of the Local Government Act 1972 on the grounds that the report in question would be likely to involve disclosure of exempt information of the description specified in the relevant paragraph(s) of Part 1 of Schedule 12A of the Act.

(To resolve)

Part II

Matters involving Exempt or Confidential Information in respect of which reports have not been made available for public inspection.

a) Exempt Items **Para**

(No items to be considered under this heading)

b) Confidential Items

(No items to be considered under this heading)