

Audit Committee Agenda

18 June 2019 at 7.15pm (or upon the rising of the Joint meeting with the Governance Committee, whichever is the later)

**Marconi Room, Civic Centre,
Duke Street, Chelmsford**

Membership

Councillor D.J.R. Clark (Chairman)

and Councillors

P.H. Clark, C.L. Finnecy, J.S. Lardge, J.M.C. Raven, E.J. Sampson,
M. Sismey, N.M. Walsh and M.D. Watson

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Council staff will also be available to offer advice in the Civic Centre for up to half an hour before the start of the meeting.

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AUDIT COMMITTEE

18 June 2019

AGENDA

PART I

1. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

2. MINUTES

To consider the minutes of the meeting held on 20 March 2019.

3. PUBLIC QUESTION TIME

Any member of the public may ask a question or make a statement at this point in the meeting. Each person has two minutes and a maximum of 15 minutes is allotted to public questions/statements, which must be about matters for which the Committee is responsible. The Chairman may disallow a question if it is offensive, substantially the same as another question or requires disclosure of exempt or confidential information. If the question cannot be answered at the meeting a written response will be provided after the meeting.

4. DECLARATION OF INTERESTS

All Members are reminded that they must disclose any interests they know they have in items of business on the meeting's agenda and that they must do so at this point on the agenda or as soon as they become aware of the interest. If the interest is a Disclosable Pecuniary Interest they are also obliged to notify the Monitoring Officer within 28 days of the meeting.

5. ANNOUNCEMENTS

6. ELECTION OF VICE CHAIR

7. DIGITAL TRANSFORMATION PROGRAMME UPDATE

8. STRATEGIC HOUSING SERVICE – UPDATE ON PROGRESS WITH PROGRAMME FOR TRANSFORMATION

9. THE REVENUE OUTTURN POSITION FOR 2018/19

10. CAPITAL PROGRAMME UPDATE AND OUTTURN

11. AUDIT COMMITTEE ANNUAL REPORT 2018/19

12. AUDIT COMMITTEE TERMS OF REFERENCE

13. INTERNAL AUDIT ANNUAL REPORT 2018/19

14. REVIEW OF TRAINING TOPICS AND ROLLING PROGRAMME OF WORK

15. URGENT BUSINESS

To consider any other matter which, in the opinion of the Chairman, should be considered by reason of special circumstances (to be specified) as a matter of urgency.

PART II (EXEMPT ITEMS)

To consider whether the public (including the press) should be excluded from the meeting during consideration of the following matter, which contains exempt information within the category of Part 1 of Schedule 12A to the Act indicated

MINUTES

of the

AUDIT COMMITTEE

held on 20 March 2019 at 2pm

Present:

Councillor M.D. Watson (Chairman)

Councillors

J.E. Chandler, C. Garrett, I. Grundy, G.B.R. Knight, R.A. Ride and S.J. Robinson

1. **Apologies for Absence and Substitutions**

Apologies for absence were received from Councillors A. Chambers and J. Galley. Councillor I. Grundy was appointed as the substitute for Councillor Galley.

2. **Minutes**

The minutes of the meeting held on 12 December 2018 were agreed as a correct record and signed by the Chairman.

3. **Public Question Time**

No Public Questions were asked, or statements made.

4. **Declaration of Interests**

All Members were reminded to declare any Disclosable Pecuniary interests or other registerable interests where appropriate in any items of business on the meeting's agenda.

None were made.

5. **Announcements**

No announcements were made.

6. **Annual Audit Plan 2018/19**

The Committee considered a report presenting the Annual Audit Plan 2018/19 written by BDO, which summarised their assessment of the key risks which drove development of their effective audit for Chelmsford City Council. It also outlined BDO's planned audit strategy in response to those risks.

Members were asked to refer to the section of the report detailing the scope and materiality aspects of the Audit Plan. It was noted that the scope of the Audit was determined by the NAO's Code of Audit Practice. Members were also referred to the section detailing the fees charged which had been set by the PSAA scale fee. It was also noted that any amendments to the proposed fees would be discussed if required. Members were also informed of the Audit timeline which demonstrated the key dates across the 2018/19 Audit. The Committee also noted the five key risks detailed in the report.

The External Auditors confirmed to the Committee that the Digital Transformation Project had been identified as a use of resources audit risk. It was noted that a number of weaknesses had been identified by the predecessor auditor.

In response to a question from a Member, BDO confirmed that they had been granted access by the predecessor auditor to their files, but they were not able to make or retain copies of the information.

RESOLVED that the content of the Annual Audit Plan 2018/19 be noted.

(2.01pm to 2.15pm)

7. **Digital Programme Budget**

The Chairman informed the Committee that he had discussed the report with the Director of Corporate Services. It was noted that the requested report was not yet ready and that just supplying the figures without context would not have been beneficial for the Committee. The Chairman informed the Committee that a complete report was going to be presented at the next meeting in June. It was also noted that the delay would allow the consultants work to be considered at the same time, therefore presenting a much wider picture to the Committee in June.

Members of the Committee raised concerns regarding the lack of an update. Members asked why clarification on the costs had not been provided, that the position seemed to be the same as a while back, and whether the information on specific costs was actually available.

In response to the concerns raised, the Director of Finance stated that a future report would present in a clearer format the position of the project and where money had been spent. It was also noted that the consultants report would also be available in June which would provide further information and clarification for members.

A Member of the Committee stated that there did not seem to be anything measurable that was being provided to the Committee. It was noted that each meeting had a similar report which didn't provide meaningful financial information for the Committee to consider. It was noted that a report was requested, detailing the initial project objectives, identifying spend to date with subheadings and explaining what had been achieved from the expenditure. This report should be taken to June Audit committee even if the consultants had not finished their work.

The Chairman stated that the relevant Director and Cabinet Member would be attending the June meeting.

RESOLVED that the report be noted.

(2.16 pm to 2.25 pm)

8. **Revenue Budget Monitoring**

The Committee considered a report on the Council's revenue budgets, comparing the latest spending and income forecast by Directors as at end of February 2019 with the original budget for 2018/19, as amended by approved variations, and setting out the corrective action proposed where appropriate.

The Committee noted that at the end of February 2019 there was a projected overspend for the year of £144k. It was noted that there had been an overspend in Housing Services, but this had been due to previous changes still being implemented. It was also noted that it had been difficult to set an accurate budget for leisure due to the Riverside redevelopment but that significant improvements had been built into next year's budget. The Committee were informed of other variations and these were detailed to them for each service area.

In response to questions from the Committee it was confirmed that;

- Void periods in reletting houses were due to various issues including having to re decorate and clean properties ready for new tenants. It was noted that as CHP were now organising this, their expertise should lead to shorter void periods.
- Issues regarding rent collection were difficult to resolve due to expensive rent rates but that a debt recovery expert had recently joined the team to assist with this.
- The adverse variance on the Riverside budget was due to the difficulty in estimating how customers would respond to rebuilding the Leisure centre.
- The vacancy rate was between 2 to 3% depending on service area.
- A further report would be provided on progress in Housing Services at the June meeting.

RESOLVED that;

1. the report be noted and;
2. a further report on progress within Housing Services be provided to the June meeting.

(2.26 pm to 2.40 pm)

9. **Draft Internal Audit Plan 2019/20**

The Committee considered a report which outlined the proposed audit coverage for the year 2019/20. It was noted that the Audit Plan was risk based and had been discussed and agreed with Management Team and the Chairman of Audit Committee in February. The Committee heard that the plan had taken into account new staffing arrangements in the team along with sections of work continuing to be completed by PWC. It was noted that the help from PWC was particularly beneficial due to their specialist knowledge in certain areas.

In response to questions from the Committee it was confirmed that;

- the Riverside redevelopment was included in the planned Audit for Capital Expenditure Review
- a comprehensive audit of the GDPR implementation would be taking place and it was confirmed that further staff training had been taking place recently.
- The system for spending S106 funds would be looked at during the year to ensure that all received funds were used correctly and that the amount of funds returned to developers was minimised.

RESOLVED that the report be noted.

(2.41 pm to 2.48 pm)

10. **Internal Audit Charter 2019**

The Committee considered a report which updated members on the Internal Audit Charter for 2019. The Committee heard that there had not been any material changes to the 2019 document. In response to a question from a Member it was stated that liaison with the appropriate Cabinet Member in relation to audit work would be explored.

RESOLVED that;

1. the report be noted and;
2. liaison with the appropriate Cabinet Member in relation to audit work be explored.

(2.49 pm to 2.50 pm)

11. **Risk Management Update**

The Committee received a report which summarised the progress and outcomes from the Risk Management Refresh project so far in 2019. The Committee was informed that work had been going well so far and that a new risk template was being produced which would be detailed at the next meeting. It was also noted that work had taken place with the Digital Services Manager regarding the Council's forthcoming Cyber Risk Management Strategy.

RESOLVED that the report be noted.

(2.51pm to 2.53pm)

12. **Annual Investigations Report**

The Committee received a report which provided an update on the work of the Investigation Team in 2018/19. The Committee was informed about the work of the Council's Senior Financial Investigation Officer and provided with a summary of his role. The Committee heard that the report highlighted the past year of work and detailed the collaborative work with other local authorities that had been taking place. The Committee was informed that various costs had been received due to the work of the team and that percentages of funds claimed back for other authorities was received by the Council.

The Committee stated that the positive work of the team needed to be highlighted. The Committee agreed that there was a positive income stream from the work which needed to be promoted.

RESOLVED that the report be noted.

(2.54pm to 3.03pm)

13. **Accounting Policies for the 2018/19 Statement of Accounts**

The Committee received a report updating them on the accounting policies set to be used in the preparation of the 2018/19 Statement of Accounts.

RESOLVED that the accounting policies to be used in the preparation of the accounts be approved.

(3.04pm to 3.06pm)

14. **Review of Training Topics and Rolling Programme of Work**

The Committee considered a report regarding training for its members and the updated proposed rolling programme of work.

RESOLVED that;

1. the report be noted and;
2. reports on Digital Transformation and progress with Housing Services be added to the June 2019 meeting.

(3.06pm to 3.07pm)

15. **Urgent Business**

There were no matters of urgent business brought before the Committee.

The meeting closed at 3.07pm.

Chairman

AUDIT COMMITTEE

18 June 2019

AGENDA ITEM 7

Subject	DIGITAL TRANSFORMATION PROGRAMME
Report by	DIRECTOR OF CORPORATE SERVICES

Enquiries contact: Louise Goodwin 01245 606802 louise.goodwin@chelmsford.gov.uk

Purpose

This report arises from a request by the Committee at its meeting on 20 March 2019 that it received a report setting out the initial project objectives for the Digital Transformation Programme, identifying spend to date with subheadings and explaining what has been achieved from the expenditure.

Recommendation

That Members note the contents of this report.

Corporate Implications

Legal:	
Financial:	
Personnel:	
Risk Management:	
Equalities and Diversity:	
Health and Safety:	
IT:	
Other:	

Consultees	Director of Financial Services Chairman of Audit Committee
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Policies and Strategies

The report takes into account the following policies and strategies of the Council:

nil

1.	<u>Why did we begin the programme?</u>
1.1	Around the world, internet-based technology is changing the way companies work both operationally and more importantly to deliver an appropriate customer experience. Customers are becoming used to engaging with a company in a variety of different ways and having their enquiry resolved swiftly, with all their information immediately available to the officer who they deal with.
1.2	In many cases, it's not necessary to pick up the phone to pay a bill or solve a problem: customers expect to be able to get things done online. Increasingly, customer service teams are available through on-screen instant messaging as well as by phone or face-to-face.
1.3	Before the digital change programme started, the Council was quite old-fashioned in its use of computers. Customers <i>could</i> fill in online forms and we were logging enquiries and storing data digitally, but it was clunky and required officers to manually send information to the right place.
1.4	<p>We were using lots of different programmes which had been gathered over the years to do things like log customer complaints, report issues, pay suppliers and manage services. These systems were all provided by different external companies, meaning that they:</p> <ul style="list-style-type: none">• didn't share information – so a lot of work was being carried out twice and customers' messages were getting 'lost in the system'.• were designed around how the company thought a council should work, not tailored to us or our customers' needs.• Were limited in scope and couldn't be changed or configured to reflect our changing work processes without paying the supplier. <p>Customers and suppliers were finding the Council slow and frustrating to deal with, which was damaging our reputation.</p>
1.5	Staff who work with computers were also stuck at their desks. It was very difficult to work from home, from another office or during a site visit – something that is swiftly becoming the norm for many job roles, increasing collaboration, productivity and morale as well as helping us to recruit top candidates. The world was moving on, and we were standing still – which is not what Chelmsford usually does.

2.	<u>What is in the change programme?</u>
2.1	We may not be Google, and we don't need the extreme level of digital transformation that global companies are undergoing – but we knew that this was the right time to start using modern digital technology to update our practices, making the Council as efficient as it could be and meeting the changing expectations of our customers.
2.2	<p>The digital change programme includes:</p> <ol style="list-style-type: none"> 1. Office 365. Not just the latest version of Word and Excel – Microsoft Office 365 is radically different because you can store and edit all your documents online. This means they can be accessed from anywhere and shared with colleagues so several people can work together on a document. The platform offers access to all of the Microsoft Office applications, and Microsoft SharePoint. This means that we always have the most up to date and secure version of all applications and collaboration and flexibility becomes the norm. With SharePoint comes a powerful workflow and collaboration tool that is possible to configure without always needing external consultants. The platform offers the ability to create workflows for a huge amount of internal tasks. This has the potential to make the Council much more efficient and modern in our approach to performing many tasks. 2. Creating 'building blocks'. We knew that to get rid of all the legacy systems and create something that could be held and maintained in-house, we needed people who could code. At the start of the programme, we needed people with the skills to create new software; so we brought in a series of consultants. These consultants did the coding work for us, creating virtual 'building blocks' and training our staff in using them to build, update and maintain the new programmes we needed. 3. Sorting out the front-of-house systems. Residents use online forms and consultation platforms to engage with the Council and to report issues. These previously worked on lots of different external systems: some were clunky, all were expensive and didn't share information between each other. With the new 'building blocks', we can create new programmes which are exactly tailored to the Council's needs. If we decide to change the way a service works, or if legislation or technology changes, the programmes can be updated to work with it, because we can do this in-house. The systems all share information, helping us to help customers more quickly and reducing confusion.

	<p>4. Replacing the back-office systems. Many of our back-office systems were soon to stop being supported by the companies that made them. This is an ideal opportunity to review all of them and, where appropriate, replace them with something controlled in-house: thus greatly reducing future IT running costs and ensuring the systems meet the Council's needs. There will be less fragmented systems: the fewer systems we need to join together, the more cost-effective our software is.</p> <p>5. Defining our Digital Vision. Digital Transformation is not all about technology. Digital Transformation means transforming our organisation to operate effectively in the 'Digital Age'. This means putting change at the heart of everything we do, so that we are able to keep up with external digital change. With that in mind we have collectively come together across every service to collaboratively define our vision. We are now undertaking more focussed work around finding the opportunities for change, that will have a real impact on the customer experience and the way we deliver service.</p>
3.	<u>How much has been done?</u>
3.1	So far, the building blocks have been created and we have started to use them to build front-of-house and back-office systems. Microsoft Office 365 is now installed on all staff PCs and is already being used to hold virtual meetings, share and save documents securely from anywhere, and much more. Staff can work from home or each other's offices, increasing collaboration, productivity and work-life balance.
3.2	We anticipate that it will take until 2024 to finish replacing all the front-of-house systems and we expect the back-office systems to be complete in the following year.
3.3	The Council hasn't done something like this since the Internet first entered the workplace. At the same time as developing the software, we are speaking to the Council's services to find out what they need. In many cases, work processes have been based around using clunky software that wasn't ideally suited to our needs: so processes have been changing at the same time that the software to suit them is being developed.
3.4	In addition, a significant change is necessary in the way the council approach and deliver change. We must put change at the heart of everything we do and have a much more outward facing orientation in order that we can ensure that we do not need to undertake another programme of this size.
3.5	When the project began, it was very new to the Council. We knew what needed to change, but not all the steps that needed to be taken to make it happen. The project itself changed in scope as it progressed. Following the work of consultants, we now fully understand the scope of the project and the enormous benefits it will bring to the Council.

3.6	<p>There are 2 key objectives of the transformation project:</p> <ol style="list-style-type: none"> 1. The modernisation of the council's systems to deliver modern, appropriate services to customers 2. Changing the way the council works and thinks in order that we do not fall behind again, and continue to keep pace with external changes. In short, being more adaptive to change itself. <p>Delivering these changes, iteratively and collaboratively over the next 5 years will ensure the council can be the organisation that our residents expect and deserve us to be.</p>
3.7	<p>This programme of delivery has been supported by a number of training and development initiatives including Microsoft Buzz days which is a day of dynamic, interactive sessions that gets individuals excited about their new desktop capabilities. During each 75 minute session – which is repeated throughout the day – users are shown the latest features and how to get things done faster and more efficiently.</p>
4.	<p><u>Customer Services: A story of digital change</u></p>
4.1	<p>Digital change is a major project, as important to the service we provide our residents as a new building in the city or new vehicles for our fleet – but it's less visually noticeable when we look around the office because it's all on-screen.</p>
4.2	<p>The best way to envision the benefits of the programme is to picture our staff's day-to-day work and how it is changing.</p>
	<p>The year is 2012</p>
4.3	<p>Bob comes to work in Customer Services and logs into his PC and phone. He receives all kinds of calls: from replacement bin requests to changes of address.</p>
4.4	<p>Because every service uses different systems, he has to open over 20 windows on his screen. Some customers call with two different enquiries, and Bob has to log each one separately, clicking between windows and entering the same information twice. He can't see easily what they've called about before and they have to explain the situation again every time they call.</p>
4.5	<p>The data on these systems is controlled by the companies who made them. It isn't as secure as it could be, and Bob wonders how long the information gets stored for.</p>
4.6	<p>Upstairs, Jane works in a back-office role. Her hours are 9-5. She has a doctor's appointment near her home in Ipswich at 2pm, which takes two-and-a-half hours out of her day due to the travel time, and a meeting at 4pm. She works late to type up the notes from the meeting and falls behind on other work.</p>
	<p>Fast-forward to 2024</p>
4.7	<p>Bob comes to work and logs into his PC and Skype headset. He receives the same huge variety of calls, but now, logging and dealing with them is much easier.</p>

4.8	Thanks to the coding work that has been carried out in Microsoft Dynamics, a single programme has been created which holds all customer data. When someone calls, Bob only has to open one window and he can see exactly what problems the customer has had before, track and resolve the enquiry swiftly. The customer has a much better experience and doesn't have to wait as long in a queue, since Bob can help each customer more quickly.
4.9	With the new front-of-house systems, many customers can easily get what they want done online, so Bob and his team receive slightly less calls.
4.10	The system also safely and securely stores all customer data, and only keeps it for a limited period, which means it complies with data protection regulations.
4.11	Upstairs, Jane's colleagues in the back office Skype her to brief her on an important development. Jane is working from home this morning: she has a doctor's appointment, but this only takes an hour out of her day as she is now able to head there straight from home and then drive to her workplace for a meeting afterwards. With her laptop, she can type up notes and arrange calendar appointments during the meeting, which means she can get straight back to her other work afterwards.
5.	Financial information
5.1	Appendix 1 provides a summary of the total costs for Digital Services and the Digital Programme since the Programme's inception. Appendix 2 provides more detailed analysis of the staffing resource costs supporting each phase of the programme to date. The outputs from each of these phases are described in the timeline set out at section 6 of this report. In addition, Appendix 3 demonstrates how costs have been allocated to the constituent parts of the programme and reconciles this to the individual budget lines within the finance system.
6.	Digital Change: A Timeline
6.1	The costs indicated in the timeline below can be found in detail in the included spreadsheet, these costs include all of the work flows for each period (i.e. Productivity (Office 365), Back office (ERP) and front of office (CRM)). It is worth noting that the time scales given for each part of the timeline, do not match exactly with the quarter periods on the finance spreadsheet. There is a small description to describe how this relates to the finance spreadsheet.

6.2	<p>PRE-RELEASE WORK 1 April 2017 – 21 January 2018 (210 days): Resource Cost: £1,410,701 (including £169,758 from the Office 365 Planning)</p> <p>Office 365:</p> <ul style="list-style-type: none"> • Engaged with staff via Buzz Day events • Planned Phase 1 with consultants • Carried out pre-switchover tests for email • Carried out test email migrations with consultants • Arranged Buzz Days for every phase to demonstrate to staff and Members how the core aspects of the platform worked. These were made available on the Intranet. <p>Creating the ‘building blocks’:</p> <ul style="list-style-type: none"> • Initial proof-of-concepts and architecture to construct the back end of the front-of-house systems. • Initial proof-of-concepts and architecture for the customer portals and online forms. • Initial builds on premises Dynamics CRM; The programme started using the on-premises software and not the cloud version as the software did not have feature parity. It became apparent during 2017 that Dynamic 365 (online version) should be used and a switch was made. • Moving online forms to new system in Dynamics CRM 365 • Engaging and consulting with service areas • The Achieve Forms (our internet based forms) platform was switched of in Feb 2018. The dynamics platform was still in development and work was required to create alternative web forms and processes to replace the Achieve system, we call this the contingency forms work.
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6.3	<p>PHASE ONE: 22 January – 15 March 2018 (39 days) Resource cost: £291,540 (Includes £62,750 from Office 365 Phase 1)</p> <p>Office 365:</p> <ul style="list-style-type: none"> • Migrated the Council's email over to the new Exchange Online • Planned Phase 2, which would involve moving files over to new servers (OneDrive and SharePoint) • Held an Office 365 Buzz Day <p>Replacing the back-office systems:</p> <ul style="list-style-type: none"> • Upgraded to a unified interface which is user-friendly • Upgraded to latest version of Dynamics CRM • Added the ability to send emails to notify staff of actions • Added the ability to capture and input data on a simple form for customer service use. This was introduced for: <ul style="list-style-type: none"> ○ Electoral service queries ○ Comments and complaints ○ Deceased notifications ○ Planning and payment notification ○ Council Tax requests ○ Customer Service Centre callbacks
6.4	<p>PHASE TWO: 16 March – 19 July 2018 (86 days) Resource cost: £355,275 (Includes £9,278 from Office 365 Phase 2)</p> <p>Office 365:</p> <ul style="list-style-type: none"> • Moved staff's personal files to OneDrive • Began moving team files to SharePoint • Planned Phase 3, which would focus on telephony. This included ordering hardware and services, procurement exercise and full evaluations. • Planned the Windows 10 and device rollout • Continued to run Buzz Days for organisational engagement. <p>Replacing more back-office systems:</p> <ul style="list-style-type: none"> • Added the ability to make bookings • Added ability to upload documents • Added ability to take a payment • Added ability to store email attachments • Added full pest control processing • Made changes requested by the service areas

6.5	<p>PHASE THREE: 20 July – 13 December 2018 Resource cost: £606,459 (Includes £61,071 from Office 365 phase 3)</p> <p>Office 365:</p> <ul style="list-style-type: none"> • Began moving telephones across to Skype • Held a Windows 10 Buzz Day • Began rolling out Windows 10 and new devices across the Council, replacing outdated PCs. <p>Sorting out the front-of-house systems:</p> <ul style="list-style-type: none"> • Released the new customer portal onto www.chelmsford.gov.uk • Customers became able to make online payments • Also added ability for customers to upload documents using the portal • Released a simple form which customers can now interact with to create a service request for: <ul style="list-style-type: none"> ○ Planning advice ○ Benefits and housing evidence uploads <p>Replacing more back-office systems:</p> <ul style="list-style-type: none"> • Created a data retention framework • Developed a framework for identifying Potentially Violent Persons and a process for this • Developed a safeguarding process • Implemented requests for changes made by service areas
6.6	<p>PHASE FOUR: 14 December 2018 – 4 March 2019 Resource cost: £200,348</p> <p>Office 365:</p> <ul style="list-style-type: none"> • Began complete Windows 10 rollout • Started SharePoint and PowerApps development for smaller services <p>Creating ‘building blocks’:</p> <ul style="list-style-type: none"> • Added the ability for customers to create a login <p>Replacing back-office systems:</p> <ul style="list-style-type: none"> • Developed a proof-of-concept for using maps within online customer requests • Made changes requested by service areas <p>Sorting out the front-of-house systems:</p> <ul style="list-style-type: none"> • Created a Contact Us process for electoral enquiries • Created a Contact Us process for Council Tax enquiries • Publish new annual price increases for services

6.7	<p>PHASE FIVE: 5 March – 27 May 2019</p> <p>Resource cost: £218,177 (Includes £55,636 Office 365 costs from Jan 2019)</p> <p>Office 365:</p> <ul style="list-style-type: none"> • Finishing Windows 10 rollout • Completing SharePoint and PowerApps development for smaller services <p>Sorting out the front-of-house systems:</p> <ul style="list-style-type: none"> • Customers now able to Report-It via a map • Created a Report-It for street cleaning • More Contact Us ability for electoral and council tax enquiries • Carried out pest control updates to suit Customer Services team
7.	<u>Conclusion</u>
7.1	<p>This report provides details of what was originally intended in terms of objectives and identifies spend to date with subheadings and seeks to explain what has been achieved so far. As previously notified to the Committee, the Council has engaged with a sector specialist consultant to both review what has been done so far and to help us to identify what the next phase should be in our business-lead transformation. Whilst this work is still underway the consultant has reviewed the work so far and has made the following comments.</p>
	<p>“The Digital Services team have successfully delivered an excellent foundation on which to build modern, progressive and futureproof services. The implementation of Office 365, SharePoint and Skype for Business are significant steps forward for the council and the collaborative and operational tools now available to the entire workforce will be invaluable as enablers for transformation going forwards. Alongside new ways of working; Office 365, SharePoint, Skype and especially MS Teams can transform the way staff interact, manage internal process and create efficiency. It is worth noting that these are building blocks that many organisations are struggling to deliver.</p>
	<p>“In addition, Dynamics 365 is now available and fully operational from a base platform perspective. Again, the significance and achievement of delivering these components should not be underestimated. These systems represent the removal of huge barriers to digital transformation and would have been necessary investments, purely from a technology perspective to protect the council from failing legacy systems, upgrade costs and maintenance in any event.</p> <p>These platforms are best in class and ensure constant access to the latest, most secure and up to date versions of all core business applications. Moving to a predominantly cloud based platform, also significantly reduces the Council’s on-premise server estate and associated costs which invariably would increase year on year as capacity, performance and costs rise.</p>

	<p>"It is my view that the council are in an extremely good position to start to work iteratively and through cross functional working to deliver meaningful transformation of services and ways of working to ensure that they remain aligned to external change moving forwards. The foundations are certainly in place to enable this to be very successful and have a significantly positive impact on the improvement and modernisation of services to the residents of Chelmsford."</p>
<p><u>List of Appendices</u></p> <p>Appendix 1 – Summary of total costs of Digital Services and the Digital Programme</p> <p>Appendix 2 – Breakdown of staffing resources</p> <p>Appendix 3 – Allocation of costs between elements and reconciliation to detailed budget lines</p>	
<p><u>Background Papers</u></p> <p>Nil.</p>	

Detailed Summary - Digital Programme and Services

Year		ACTUALS 16/17	ACTUALS 17/18	ACTUALS 18/19	ESTIMATES 19/20
1	Strategy - Staffing	£135,725	£710,466	£21,845	£23,113
CRM					
Discovery					
2	Staffing	£61,378	£401,940	£24,951	£0
3	Other	£1,296	£10,143	£735	£1,433
CRM Discovery Subtotal		£62,674	£412,083	£25,686	£1,433
Delivery					
4	Staffing	£0	£284,080	£1,025,206	£599,675
Licences					
5	Portal/Public Access	£0	£0	£0	£5,000
6	Dynamics 365	£0	£28,096	£76,073	£67,600
7	Document Virus Scan	£0	£0	£164	£15,000
8	Kingswaysoft	£0	£0	£708	£500
9	Test Automation	£0	£0	£2,786	£10,000
10	Other	£0	£0	£925	£30,000
CRM Delivery Subtotal		£0	£312,176	£1,105,863	£727,775
ERP - (Finance was never part of the original scope of the Strategy)					
11	Discovery - Staffing	£0	£66,150	£0	£0
12	Delivery	£0	£0	£0	£0
ERP Subtotal		£0	£66,150	£0	£0
Office 365					
Discovery					
13	Staffing	£57,364	£15,141	£0	£0
Licences					
14	Microsoft	£9,856	£0	£0	£0
15	Other	£1,296	£23,366	£735	£1,433
Office 365 Discovery Subtotal		£68,517	£38,507	£735	£1,433
Delivery					
16	Staffing	£0	£193,529	£119,871	£218,792
Licences					
17	Office 365	£0	£101,573	£112,978	£120,400
18	Infrastructure	£0	£22,181	£35,706	£34,200
19	Other - Data Migration	£0	£0	£21,131	£0
Office 365 Delivery Subtotal		£0	£317,283	£289,687	£373,392
BAU					
20	Staffing	£874,374	£575,450	£522,424	£500,521
21	Website	£5,091	£69,705	£18,216	£18,100
Licences					
22	Itrent	£43,539	£31,001	£36,026	£33,000
23	FIS Support	£33,620	£32,074	£30,000	£30,500
24	Civica Support	£43,086	£32,552	£61,717	£47,000
25	Revs & Bens Support	£46,104	£48,603	£47,081	£47,000
26	Telephone System	£35,126	£33,048	£33,819	£0
27	Mobile Computing	£7,123	£2,312	£0	£1,200
28	Network Equipment	£18,334	£981	£2,799	£17,500
29	Aerial Photography	£0	£0	£1,950	£0
30	Uniform	£69,723	£72,483	£79,920	£75,000
31	Microsoft	£9,891	£0	£0	£0
32	Windows 10	£0	£2,179	£26,115	£42,600
33	Licence Savings Not Achieved (SCUBA, PVM 19/20)	£0	£0	£3,094	£54,600
34	Developer	£0	£2,957	£2,337	£2,000
35	Other Licences - Paris, Salesforce, Ultra Electronics, Express, Others	£130,081	£144,925	£99,096	£54,000
36	Other - Skype (Equipment and Hosting)	£0	£21,716	£178,136	£105,000
37	Other - Azure Hosting	£0	£61,087	£108,351	£105,000
38	Other - Equipment (New and Repairs)	£34,352	£67,222	£83,426	£16,700
39	Other - Gladstone	£0	£0	£29,629	£49,400
40	Other - Consultants Fees	£48,750	£9,235	£42,185	£45,000
41	Other - Printers, Phone Rental, Internet, WAN	£102,225	£178,964	£184,136	£162,633
BAU Subtotal		£1,501,419	£1,386,496	£1,590,456	£1,297,554
Projects					
42	Forms - Staffing	£0	£180,000	£0	£0
43	Website	£0	£68,410	£18,216	£18,100
44	Other	£5,444	£5,278	£4,783	£7,801
Total		£1,773,779	£3,496,850	£3,057,270	£2,450,600

Resource Costs

Description	CRM									Office 365							
	Previous Work	Pre-First Major Release Apr 17 to Jan 18	Release1 Jan- Mar 18	Release2 Mar- Jul 18	Release3 Jul- Dec 18	Release4 Dec 18-Mar 19	Release5 Mar- May 19	Balance Yet to Use in 19/20	TOTAL	Previous Work	Planning Apr 17- Jan 18	Phase 1 Jan 18-Jun 18	Phase2 June 18-Jul 18	Phase3 Jul 18- Jan 19	Post Main Prog Jan to date	Balance Yet to Use in 19/20	TOTAL
1 Strategy - Staffing	£135,725	£589,213	£88,613	£38,679	£9,298	£4,618	£5,725	£19,275	£891,148								
CRM																	
Discovery																	
2 Staffing	£61,378	£325,341	£51,697	£24,902	£0	£19,093	£5,858	£0	£488,269								
Delivery																	
4 Staffing	£0	£184,158	£65,963	£267,164	£536,090	£176,637	£150,958	£527,993	£1,908,960								
Office 365																	
Discovery																	
13 Staffing										£57,364	£14,883	£258	£0	£0	£0	£0	£72,505
Delivery																	
16 Staffing										£0	£154,875	£62,492	£9,278	£61,071	£55,636	£188,840	£532,192
Projects																	
42 Forms - Staffing	£0	£142,230	£22,518	£15,252	£0	£0	£0	£0	£180,000								
Total	£197,103	£1,240,943	£228,790	£345,997	£545,388	£200,348	£162,541	£547,268	£3,468,378	£57,364	£169,758	£62,750	£9,278	£61,071	£55,636	£188,840	£604,697

Glossary

Strategy - Defining our Digital Vision

CRM - Creating the building blocks and Sorting out the front-of-house systems

ERP - Replacing the back office systems

BAU - Business as usual

The balance yet to use for Office 365 will be spent on Sharepoint Development and Skype for Meeting Rooms

Summary - Digital Programme

Year	ACTUALS 16/17	ACTUALS 17/18	ESTIMATES 18/19	ESTIMATES 19/20
CRM				
Discovery				
Staffing	£61,378	£216,485	£24,951	£0
CRM Discovery Subtotal	£61,378	£216,485	£24,951	£0
Delivery				
Staffing	£0	£284,080	£697,042	£237,440
Licences				
Portal/Public Access	£0	£0	£0	£5,000
Dynamics 365	£0	£28,096	£76,073	£67,600
Document Virus Scan	£0	£0	£164	£15,000
Kingswaysoft	£0	£0	£708	£500
Test Automation	£0	£0	£2,786	£10,000
Other	£0	£0	£925	£30,000
CRM Delivery Subtotal	£0	£312,176	£777,698	£365,540
ERP				
Discovery - Staffing	£0	£66,150	£0	£0
Delivery	£0	£0	£0	£0
ERP Subtotal	£0	£66,150	£0	£0
Office 365				
Discovery				
Staffing	£57,364	£14,625	£0	£0
Licences				
Microsoft	£9,856	£0	£0	£0
Other	£0	£13,222	£0	£0
Office 365 Discovery Subtotal	£67,220	£27,847	£0	£0
Delivery				
Staffing	£0	£0	£0	£59,360
Licences				
Office 365	£0	£94,638	£112,978	£120,400
Infrastructure	£0	£22,181	£35,706	£34,200
Other - Data Migration	£0	£0	£21,131	£0
Office 365 Delivery Subtotal	£0	£116,819	£169,816	£213,960
BAU				
Staffing	£0	£9,802	£31,130	£20,000
Website	£5,091	£69,705	£18,216	£18,100
Licences				
Microsoft	£9,891	£0	£0	£0
Windows 10	£0	£2,179	£26,115	£42,600
Licence Savings Not Achieved (SCUBA, PVM 19/20)	£0	£0	£3,094	-£106,100
Developer	£0	£2,957	£2,337	£2,000
Other Licences - Paris, Salesforce, Ultra Electronics, Express, Others	£0	£1,229	£0	£0
Other - Skype (Equipment and Hosting)	£0	£21,716	£178,136	£105,000
Other - Azure Hosting	£0	£61,087	£108,351	£105,000
BAU Subtotal	£14,982	£168,675	£367,379	£186,600
Strategy	£135,725	£691,595	£0	£0
Projects				
Forms	£0	£180,000	£0	£0
Website	£0	£68,410	£18,216	£18,100
Other	£0	£1,393	£1,647	£4,400
Total	£279,305	£1,849,550	£1,359,707	£788,600

Detail

Code	Description	ACTUALS 16/17	ACTUALS 17/18	ESTIMATES 18/19	ESTIMATES 19/20
05140-0700-0	SALARIES	£0	£0	£49,903	£296,800
05140-0706-0	SICKNESS	£0	£0	£95	
05140-0729-0	AGENCY STAFF	£251,567	£1,452,935	£671,995	£0
05140-0950-0	TRAINING	£0	£5,637	£31,130	£20,000
05140-0950-051300	TRAINING - WEBSITE	£0	£8,330	£0	£0
05140-2010-051314	NEW EQUIPMENT - TELEPHONE SYSTEM ONE OFF	£0	£21,716	£70,479	£0
05140-2180-0	PRINTING & STATIONERY	£0	£898	£0	£0
05141-2410-0	INSURANCE PREMIUMS	£0	£0	£4,191	£4,400
05140-2470-0	LICENCES	£9,891	£1,229	£3,094	-£106,100
05140-2470-051300	LICENCES - WEBSITE	£0	£28,247	£36,432	£36,200
05140-2470-051312	LICENCES - PORTAL/PUBLIC ACCESS	£0	£0	£0	£5,000
05140-2470-051316	LICENCES - WINDOWS 10 ANNUAL SUB	£0	£2,179	£26,115	£42,600
05140-2470-051317	LICENCES - MICROSOFT LICENSES	£9,856	£147,872	£0	£0
05140-2470-051356	LICENCES - OFFICE 365	£0	£0	£112,978	£120,400
05140-2470-051357	LICENCES - DYNAMICS 365	£0	£0	£76,073	£67,600
05140-2470-051358	LICENCES - DEVELOPER	£0	£0	£2,337	£2,000
05140-2470-051359	LICENCES - INFRASTRUCTURE	£0	£0	£35,706	£34,200
05140-2470-051360	LICENCES - DOCUMENT VIRUS SCAN	£0	£0	£164	£15,000
05140-2470-051361	LICENCES - KINGSWAYSOFT	£0	£0	£708	£500
05140-5171-0	CATERING	£0	£495	£0	£0
05140-5570-0	CONSULTANTS FEES	£2,900	£13,222	-£2,544	£0
05140-5717-0	SYSTEM SUPPORT	£0	£0	£4,350	£0
05140-5718-051300	HOST SYSTEM SERVICE - WEBSITE	£5,091	£5,460	£0	£0
05140-5718-051314	HOST SYSTEM SERVICE - TELEPHONE SYSTEM ONGOING	£0	£0	£107,658	£105,000
05140-5718-051315	AZURE COSTS	£0	£61,087	£104,001	£105,000
		£279,305	£1,749,306	£1,334,864	£748,600
05141-2470-051352	LICENCES - TEST AUTOMATION	£0	£0	£2,786	£10,000
05141-5570-051300	CONSULTANTS FEES - WEBSITE	£0	£100,244	£0	£0
05141-5570-051355	CONSULTANTS FEES - DATA MIGRATION	£0	£0	£22,056	£30,000
		£0	£100,244	£24,843	£40,000
Totals		£279,305	£1,849,550	£1,359,707	£788,600

Summary - Digital Services

Year	ACTUALS 16/17	ACTUALS 17/18	ESTIMATES 18/19	ESTIMATES 19/20
CRM				
Discovery				
Staffing	£0	£185,456	£0	£0
Other	£1,296	£10,143	£735	£1,433
CRM Discovery Subtotal	£1,296	£195,599	£735	£1,433
Delivery				
Staffing	£0	£0	£328,164	£362,235
CRM Delivery Subtotal	£0	£0	£328,164	£362,235
ERP				
Discovery	£0	£0	£0	£0
Delivery	£0	£0	£0	£0
ERP Subtotal	£0	£0	£0	£0
Office 365				
Discovery				
Staffing	£0	£516	£0	£0
Other	£1,296	£10,144	£735	£1,433
Office 365 Discovery Subtotal	£1,296	£10,660	£735	£1,433
Delivery				
Staffing	£0	£193,529	£119,871	£159,432
Licences				
Office 365	£0	£6,935	£0	£0
Other	£0	£0	£0	£0
Office 365 Delivery Subtotal	£0	£200,464	£119,871	£159,432
BAU				
Staffing	£874,374	£565,648	£491,295	£480,521
Licences				
Itrent	£43,539	£31,001	£36,026	£33,000
FIS Support	£33,620	£32,074	£30,000	£30,500
Civica Support	£43,086	£32,552	£61,717	£47,000
Revs & Bens Support	£46,104	£48,603	£47,081	£47,000
Telephone System	£35,126	£33,048	£33,819	£0
Mobile Computing	£7,123	£2,312	£0	£1,200
Network Equipment	£18,334	£981	£2,799	£17,500
Aerial Photography	£0	£0	£1,950	£0
Uniform	£69,723	£72,483	£79,920	£75,000
Licence Savings - Retirement of Systems	£0	£0	£0	£51,500
Other Licences - Paris, Salesforce, Ultra Electronics, Express, Others	£130,081	£143,696	£99,096	£54,000
Other - Gladstone	£0	£0	£29,629	£49,400
Other - Equipment (New and Repairs)	£34,352	£67,222	£83,426	£16,700
Other - Consultants Fees	£48,750	£9,235	£42,185	£45,000
Other - Equipment, Printers, Phone Rental, Internet, WAN	£102,225	£178,964	£184,136	£162,633
BAU Subtotal	£1,486,438	£1,217,821	£1,223,078	£1,110,954
Strategy - Staffing	£0	£18,870	£21,845	£23,113
Other	£5,444	£3,886	£3,136	£3,401
Total	£1,494,474	£1,647,300	£1,697,563	£1,662,000

Detail

Code	Description	ACTUALS 16/17	ACTUALS 17/18	ESTIMATES 18/19	ESTIMATES 19/20
05125-0700-0	SALARIES	£719,398	£806,417	£909,784	£1,012,000
05125-0701-0	EFFICIENCY PAYMENT	£6,957	£0	£0	£0
05125-0705-0	HONORARIUM	£15,428	£16,306	£2,630	£0
05125-0706-0	SICKNESS	£9,818	£6,198	£6,398	£0
05125-0707-0	STANDBY	£1,126	£1,032	£1,012	£2,000
05125-0708-0	FIRST AID	£120	£129	£130	£100
05125-0710-0	ADDITIONAL HOURS / OVERTIME	£14,928	£12,457	£16,127	£10,600
05125-0711-0	REDUNDANCY/LIEU OF NOTICE/COMPROMISE	£98,678	£109,415	£7,500	£0
05125-0727-0	GENERAL - OTHER PAYMENTS	£3,277	£7,981	£2,710	£0
05125-0729-0	AGENCY STAFF	£0	£0	£2,130	£0
05125-0760-0	HEALTHCARE COSTS	£2,336	£0	£100	£500
05125-0770-0	CLASS 1A NI	£671	£695	£120	£100
05125-0910-0	STAFF ADVERTISING	£220	£0	£1,248	£0
05125-0950-0	TRAINING	£1,417	£3,388	£11,286	£0
05125-2010-0	NEW EQUIP & FURN & MATERIALS	£6,787	£24,437	£48,550	£2,100
05125-2020-0	REP & MAINT - EQUIP/FURN/MATS	£0	£0	£34,876	£14,600
05125-2180-0	PRINTING AND STATIONERY	£1,210	£2,796	£2,846	£2,900
05125-2200-0	PUBLICATIONS	£16	£0	£0	£0
05125-2220-0	POSTAGES	£681	£174	£27	£100
05125-2270-0	MOBILE PHONES	£72	£311	£2,501	£3,300
05125-2280-0	SUBSIST ALLOWANCES-EXC CONFERENCES	£1,430	£580	£161	£500
05125-2410-0	INSURANCES - PREMIUMS	£7,953	£8,779	£9,243	£9,600
05125-2420-0	SUBSCRIPTIONS	£15,321	£6,822	£5,431	£7,500
05125-2460-0	MISCELLANEOUS	£2,887	£1,238	£38	£400
05125-2464-0	STRATEGY DEVELOPMENT	£0	£25	£0	£0
05125-2470-0	LICENCES	£704	£5,813	£0	£0
05125-2470-051317	MICROSOFT LICENCES	£0	£1,122	£0	£0
05125-2525-0	PRINTER RUNNING COSTS	£32,218	£38,420	£38,098	£25,700
05125-3420-0	RAIL/BUS FARES	£2,076	£1,545	£1,112	£2,800
05125-3460-0	CAR MILEAGE - OTHER	£383	£601	£931	£1,000
05125-3480-0	CONTRIBUTION - CAR LEASE SCHEME	£3,440	£0	£0	£0
05125-3490-0	MILEAGE - CAR LEASE SCHEME	£157	£0	£0	£0
05125-5570-0	CONSULTANTS FEES	£48,750	£27,706	£0	£0
05125-5724-0	SOFTWARE LICENCES	£102	£21	£0	£0
05125-5725-0	WIDE AREA NETWORK	£1,106	£0	£0	£0
05125-5730-0	LEGAL FEES AND EXPENSES	£350	£0	£300	£0
05125-5910-0	CREDIT CARD PURCHASES	£2,839	£7,574	£0	£0
05125-9110-0	GOVERNMENT GRANTS DIRECT	£0	£0	£11,286	£0
05125-9410-0	CHARGES FOR SERVICES	£43,634	£28,364	£41,015	£41,200
	TOTAL	£957,611	£1,063,270	£1,052,911	£1,054,600
05129-2010-0	NEW EQUIP & FURN & MATERIALS	£2,216	£3,878	£0	£0
05129-2010-051367	NEW EQUIP & FURN & MATERIALS - GLADSTONE	£0	£0	£0	£5,200
05129-2020-0	REP & MAINT - EQUIP/FURN/MATS	£4,740	£11,030	£0	£0
05129-2270-0	MOBILE PHONES	£0	£152	£0	£0
05129-2280-0	SUBSIST ALLOWANCES-EXC CONFERENCES	£15	£0	£0	£0
05129-2310-051367	TRAINING EXPENSES - GLADSTONE	£0	£0	£9,394	£0
05129-2460-0	MISCELLANEOUS	£0	£503	£20	£0
05129-2470-0	LICENCES	£3,007	£1,333	£0	£0
05129-2520-0	SOFTWARE	£0	£10,014	£0	£0
05129-2525-0	PRINTER RUNNING COSTS	£94	£0	£0	£0
05129-2620-0	RECHARGES - COMPUTER EQUIPMENT BID	£791	£1,920	£834	£0
05129-5330-0	SECURITY SERVICES	£2,387	£0	£0	£0
05129-5570-0	CONSULTANTS FEES	£0	£0	£42,185	£45,000
05129-5718-051367	HOSTING - GLADSTONE	£0	£0	£7,053	£12,600
05129-5720-0	SYSTEMS DEVELOPMENT / SUPPORT	£0	£24,195	£0	£0
05129-5724-0	SOFTWARE LICENCES	£62,987	£71,671	£61,607	£54,000
05129-5724-008001	SOFTWARE LICENCES - ITRENT	£43,539	£31,001	£36,026	£33,000
05129-5724-051303	SOFTWARE LICENCES - MOBILE COMPUTING	£0	£0	£0	£1,200
05129-5724-051307	SOFTWARE LICENCES - NETWORK EQUIPMENT	£0	£0	£2,799	£17,500
05129-5724-051362	SOFTWARE LICENCES - ARCGIS	£0	£0	£2,999	£40,000
05129-5724-051364	SOFTWARE LICENCES - UNIFORM	£69,723	£72,483	£79,920	£75,000
05129-5724-051365	SOFTWARE LICENCES - OTHER SERVICES	£0	£0	£37,488	£0
05129-5724-051367	SOFTWARE LICENCES - GLADSTONE	£0	£0	£13,183	£31,600
05129-5726-0	TOTAL/TASK SUPPORT	£33,620	£32,074	£30,000	£30,500
05129-5727-0	CIVICA SUPPORT	£43,086	£32,552	£61,717	£47,000
05129-5728-0	REVS&BENS SUPPORT	£46,104	£48,603	£47,081	£47,000
	TOTAL	£312,309	£341,411	£432,306	£439,600

05130-2010-0	NEW EQUIP & FURN & MATERIALS	£4,624	£6,812	£0	£0
05130-2020-0	REP & MAINT - EQUIP/FURN/MATS	£15,985	£21,065	£0	£0
05130-2020-051304	REP & MAINT - TELECOMS SYSTEMS	£35,126	£33,048	£33,819	£51,500
05130-2020-051309	REP & MAINT - CORPORATE MIGRATION INCENTIVE	£0	£0	-£2,513	£0
05130-2230-0	TELEPHONE RENTALS - OFFICERS	£0	£1,948	£686	£0
05130-2250-0	OTHER TEL - LINE RENTAL	£16,593	£22,207	£85,588	£17,400
05130-2260-0	OTHER TELEPHONES - CALLS	£13,661	£2,806	£6,126	£13,000
05130-2270-0	MOBILE PHONES	£4,076	£2,802	£0	£0
05130-2460-0	MISCELLANEOUS	£2,508	£8,143	£188	£1,000
05130-5570-0	CONSULTANTS FEES	£0	£0	£0	£0
05130-5719-0	MAINTENANCE CONTRACTS	£6,438	£850	£10,506	£13,600
05130-5722-0	DISASTER SERVICE PROVIDER	£0	£0	£0	£1,000
05130-5723-0	INTERNET	£10,042	£34,437	£26,714	£15,000
05130-5724-0	SOFTWARE LICENCES	£64,087	£60,657	£0	£0
05130-5724-051303	SOFTWARE LICENCES - MOBILE COMPUTING	£7,123	£2,312	£0	£0
05130-5724-051307	SOFTWARE LICENCES - NETWORK EQUIPMENT	£18,334	£981	£0	£0
05130-5725-0	WIDE AREA NETWORK	£29,833	£44,550	£51,231	£55,300
05130-9230-0	CONTRIBUTIONS FROM OTHER LOCAL AUTHORITY	-£3,875	£0	£0	£0
	TOTAL	£224,555	£242,619	£212,346	£167,800
	GRAND TOTAL	£1,494,474	£1,647,300	£1,697,563	£1,662,000

AUDIT COMMITTEE

18 June 2019

AGENDA ITEM 8

Subject	Strategic Housing Service – Update on progress with Programme for Transformation
Report by	DIRECTOR OF FINANCIAL SERVICES

Enquiries contact: Paul Gayler – Strategic Housing Services Manager
Paul.gayler@chelmsford.gov.uk
 01245 606375

Purpose

This report is presented in response to the request from this Committee for a further report on progress within Housing Services to be provided to its June meeting.

Recommendation(s)

That Members note the contents of this report.

Corporate Implications

Legal:	One of the main reasons for the transformation of the Housing Service was to ensure that the Council can comply with its legal duties in particular under the Housing Act 1996 Part VI (Allocation of Housing) and Pt VII (Homelessness) and the Homelessness Reduction Act 2018
Financial:	There has been additional cost, reviewing and transforming the Service with the intention to create a stable workforce, with better performance and improvement to its ability to manage future costs.
Personnel:	The Transformation Programme involved a complete restructure of the Service that affected all staff.
Risk Management:	New posts and roles has meant staff have now been appointed with clearer responsibilities that will improve risk management including a stronger focus on understanding housing need to improve the Council's ability to anticipate rather than respond to future demands on the Service.
Health and Safety:	As a result of the restructure the Service has improved its management of Health and Safety.

IT:	Additional bespoke systems have been purchased to improve the management of temporary accommodation
Other:	Reputation – by improving the capacity and capability of the Service to meet its strategic as well as legal objectives, it is now better placed to give advice, support and influence others, improving the reputation of the Council to customers, voluntary and statutory organisations.

Consultees	None
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Policies and Strategies

The report takes into account the following policies and strategies of the Council:

Homelessness Strategy – current and draft
Tenancy Strategy
Housing Allocation policy
Housing Strategy – proposed for 2019/20

1.	<u>Introduction</u>
1.1	The Service was subject of an independent, external review in September 2017 which highlighted a wide range of issues including a lack of leadership, vision and strategic planning within the Service, ineffective controls and lack of capacity for financial and performance management, limited engagement with external partners and poor levels of performance and morale.
1.2	In response to these issues a Transformation Programme was put in place in the autumn of 2017 and an interim Transformation Team appointed to support an extensive overhaul of the Service. This included identifying new systems to support the financial management of temporary accommodation and proposals for a new structure, beginning with the appointment of a Strategic Housing Services Manager in June 2018 who took over responsibility for the implementation of the restructure and the completion of the Transformation Programme. A summary of the progress under the key areas for improvement is provided below.
2.	<u>Restructure</u>
2.1	The previous structure was described as ‘traditional and outmoded’, providing a responsive rather than strategic service that was less efficient than it should have been with no capacity to implement and maintain necessary improvements. A new structure was agreed early 2018/19 by which time the Service was reliant on a number of temporary and interim staff which was increasing costs and reducing the aim of having a stable and effective team. The process of restructuring the Service began with staff consultations in August 2018.
2.2	With one exception, all existing posts were deleted, new posts created with revised Job Descriptions and Accountability Statements and recruitment of existing staff took place from September through to October 2018. Posts that remained vacant were then advertised externally and the final appointment was made in April 2019.

	Update on Restructure
2.3	The planned completion date of March 2019 has been met with only one exception which has now been completed. From June 2019 the Service will no longer be routinely reliant on temporary staff and will have a team with a good balance between pre-existing staff and those who are new with considerable experience from working in other organisations. There is also a good mix of age and experience with opportunities for progression that will improve resilience and succession planning. Morale is difficult to quantify but feedback from staff has been very positive, motivation and commitment to continuous improvement is evident in staff meetings and one-to-ones and also reflected in a reduction in days lost due to illness from 4.74 per month in January 2018 to 0.41 by January 2019.
2.4	Officers will continue to keep the structure of the Service under review, some minor changes may be necessary in the future following planned Business Process Reviews of various functions within the Service, but it is clearly evident that the aim of having a settled and stable team is being achieved.
3.	<u>Performance</u>
3.1	Since April 2018, the Service has monitored its performance against a number of Key Performance Indicators which cover financial management, performance management and some other indicators such as staff sickness. This has helped embed a culture of continuous improvement, addressing the problems identified in 2017 and ensuring that all staff are involved and understand how their role contributes towards the overall aims of the Service and the Council.
3.2	Where performance has fallen short of meeting targets that were set, officers now have a greater sense of responsibility and understanding which in turn has led to them being more involved in problem-solving and supporting managers to help overcome barriers to improved performance.
	Update on Performance
3.3	The Service has been successful in reducing the use of temporary accommodation by about 20% over the last year but has failed to meet the challenging target of 250 households in temporary accommodation by March 2019. To put into wider context, this has been during a period when many other housing authorities have seen an increase in homelessness and the use and cost of temporary accommodation, but we shall still aim to continue to reduce the need for temporary accommodation throughout the current year with the aim of being within the national average.
3.4	Levels of accepted homelessness has reduced due in part to the implementation of the Homelessness Reduction Act and the ability of the Service to respond to these changes. There has also been a trend of corresponding increase in the proportion of cases where homelessness has been prevented or relieved.
3.5	The management of temporary accommodation is shared with CHP, the Council retaining responsibility for the charging and collection of rent whilst day-to-day housing management functions are contracted to CHP with a monthly report against a number of targets. Generally, there has been improvement across most areas that have been monitored, resulting in a higher percentage of rent now being collected, lower levels of tenant debt and a reduction in the amount of arrears that have been written off in 2018/19 compared to the previous year.

3.6	In reviewing the previous year's performance, it is clear that in some cases our ability to meet planned targets is limited by a number of external factors such as local rent levels and the availability of affordable housing. Consequently, for this year the Service will also be monitoring some Key Indicators, this will help put performance into context and also improve the Service's ability to identify trends and take a more strategic and proactive approach in the future. Overall there is an improvement in performance across most areas and a very clear culture within the Service of performance management that did not exist previously.
4.	<u>Budget Control</u>
4.1	Following the restructure, managers now have clearer responsibility and accountability for the management of budgets relevant to their teams. The overspend last year was mainly the result of a higher level of void properties, resulting in a lower level of income from leased properties against which payments still had to be made to landlords. The initial projection at the start of the year was for a lower level of turnover (and therefore voids) and did not anticipate the number of properties that required asbestos surveys. This may be a reflection of the observation made in the external review of the Service about the lack of understanding and ability to plan for the need for resources in the past.
	Update on Budget Control
4.2	Following the restructure, all managers in the Service now have responsibility for their own cost centres and carry out a monthly review of spend against budget. This year there will also be a quarterly review of the overall Service costs which is something that did not happen routinely before.
4.3	The management of void properties is something that officers have already identified as an area for improvement and a Void Reduction Programme is part of the Service Plan for this year and will also be reflected in the renewed contract for the management of temporary accommodation. Officers were disappointed not to have been able to end the year within planned budget levels but now have a better understanding of what drives costs and what measures are needed to reduce the risk of overspending in the future.
5.	<u>Partnership Working</u>
5.1	The scale and pace of change has meant that in some ways engagement with partners had to be suspended but with the completion of the restructure there is now more opportunity to work with partners which is vital, especially for a stock transfer housing authority, in meeting some of our statutory duties. The need to work with partners is now elevated as a consequence of the Homelessness Reduction Act which requires local housing authorities to consider the need for support as well as accommodation for some people and the new requirement to include rough sleepers as a distinctive part of our Homelessness Strategy.
	Update on Partnership Working
5.2	The Service has prioritised working with others to help meet the housing need of those who are sleeping rough in response to the government's Rough Sleeping Strategy (August 2018) and has been successful in developing links with other neighbouring districts and securing funding to develop and expand services with funding from the Ministry of Housing, Communities and Local Government.

5.3	The Service is now far more involved with other partners and is playing a much greater role supporting Essex County Council and other districts with the Essex Vision project to adopt a whole systems approach to reducing homelessness.
5.4	There is more engagement with local housing associations, in particular CHP with joint work being planned to identify more ways of working to pool expertise and resources to understand and meet local housing need. There is a considerable amount of work still to do building links and developing partnership working but staff within the Service have recognised already the improvement in the level of engagement with other agencies and the benefits this has to those we are working with.
6.	<u>Conclusion</u>
6.1	The Service has made considerable progress over the last year and has successfully completed all of the main objectives that were set as part of the Transformation Programme and now has a stable and motivated team in place.
6.2	In order to maintain the momentum of continuous improvement, a Service Plan has been introduced, replacing the action plan from last year and this will include a comprehensive review of key processes and procedures. Together with the adoption of a new Homelessness Strategy and the development of a new Housing Strategy, the Service will move on from the process of restructuring to one of embedding performance with its operational functions and improving its strategic role with external partners to meet local housing need.

List of Appendices

Nil

Background Papers

Nil

AUDIT COMMITTEE

18th June 2019

AGENDA ITEM 9

Subject	THE REVENUE OUTTURN POSITION FOR 2018/19
Report by	DIRECTOR OF FINANCIAL SERVICES

Enquiries contact: Zuzana Clarke Tel (01245) 606324, Fax (01245) 606476
Email zuzana.clarke@chelmsford.gov.uk

Purpose

This report is for noting and informs Members of the revenue outturn position for 2018/19.

Recommendation(s)

1. It is recommended that the revenue outturn position for 2018/19 be noted.

Corporate Implications

Legal:	None
Financial:	To report the final outturn position of our finances for 2018/19
Personnel:	None
Risk Management:	None
Equalities and Diversity:	None
Health and Safety:	None
IT:	None
Other:	None

Consultees

Procurement, Risk and Insurance Manager

Policies and Strategies

The report takes into account the following policies and strategies of the Council:

None directly relevant

1 Background

This report sets out the outturn position in respect of revenue expenditure for the financial year 2018/19, and presents information relating to the outturn of the General Fund for the financial year ended 31st March 2019.

Revenue expenditure is expenditure incurred in the day to day running of a business (not in creating capital assets) that you charge to the revenue account (in our case the General Fund) as soon as you incur it. By doing so, you are using the matching principle to link the costs to income generated in the same accounting period. There are two types of revenue expenditure: -

Maintaining a revenue generating asset. This includes repair and maintenance expenses, because they are incurred to support current operations, and do not extend the life of an asset or improve it.

Generating revenue. This is all the day-to-day costs needed to operate a business, such as sales, rent, office supplies, and energy costs.

The Accounts and Audit regulations were amended and reissued in 2015. We are required to present the Statement of Accounts along with the External Auditors' report to the July meeting of this Committee.

This report shows the movements in the General Fund balance and highlights the main variances against the original budget amended by approved variations. Members will note from the report that the overall position shows an increase to the anticipated level of cost of £556k for the year at the controllable service expenditure level. This is made up of a number of items which are shown in **Appendix A** with more detail for variations shown in **Appendix B**.

There are a number of significant adverse variations at controllable level for which there is commentary below:

- Insurance Claims £300k Overspend. The Council's revenue budget does not include at a service level estimates of claims likely to be paid. Previous attempts have shown it impossible to predict the timing of payments with sufficient accuracy to include annual estimates in service budgets, instead potential claims are funded from an Insurance Reserve at the end of the year. The Insurance Reserve is reviewed as part of the annual budget process and sufficient funding is contained within the reserve to cover estimated claims over the coming years.
- Total costs for Recycling and Waste Services are higher than the budget set, which reflects the growth in the city and improvements in recycling rates. Of the £312k overspend some £167k relates to insurance claims which if excluded the overspend drops to £145k. The Service has benefitted from a temporary arrangement whereby the City Council was sorting recycling materials for a fee on behalf another authority, which provided a £96k net benefit.
- Housing Services underwent a major restructure last autumn and implemented a new housing rent system in April 2018. It has not been possible in that time to resolve all the issues the restructure was intended to achieve, so there are several adverse variations (overall £217k); rent collections are below target and the Private Sector Leasing (PSL)

properties have longer than expected void (not occupied) periods. Actions have been taken to alleviate these issues; the transfer from accountancy of a highly experienced debt collection/recovery officer and new arrangements with CHP who manage the PSL properties to improve the management of void periods. It should be noted that the numbers in Temporary accommodation have fallen from 313 in April 2018 to 277 in April and is expected to fall further, however the budget assumed a faster decline which is discussed below in Other General Fund Items (Temporary Accommodation Subsidy Loss).

- Service income (mainly fees and charges) was lower than budgeted and particularly so for Planning and Building control fees (£186k). This is felt to be a result of slow down in the construction trade.
- Adverse variances for income generation (£143k) and costs (£31k) at the Council's Hylands venue.
- Property income overall is broadly at the budgeted level but £200k of additional income was from a new purchase which was not known at the time the budget was set. This is mostly offset by lower than expected income from High Chelmer shopping centre.

Other General Funds Items. **Appendix A** shows a number of variances which are not categorised as controllable service expenditure, the significant items are discussed below:

- Temporary Accommodation Subsidy Loss is the cost to the Council of placing households in temporary accommodation as the Government only partially funds the households housing benefit. A mix of a slower reduction than expected in households in temporary accommodation and a number of large households being difficult to rehouse has led to a £154k adverse variance.
- A £69k underspend on other budgets is solely a result of variations in Housing Benefit funding from Government (not related to Temporary accommodation). In broad terms the process of paying Housing Benefit to residents inevitably leads to times when claimants have not updated their information with the Council and benefit may be overpaid. The Government funding scheme can reward or penalise local authorities for overpayment recovery from claimants. Clearly this is a volatile and difficult activity to predict.
- Revenue Funding of Capital expenditure. To fund the Council's capital programme short term income such as New Homes Bonus is saved in the Chelmsford Development Reserve, additionally an annual revenue contribution of £1.7m is made into the Asset Replacement Reserve to fund short life capital equipment. When needed funding is taken from the reserves to finance the Revenue Funding of Capital expenditure budget. The Council's capital programme for 2018/19 was increased after the budget was set due to the purchase of an additional investment property. A £809k higher revenue funding contribution was therefore made in 2018/19 which enabled the Council to remain debt free in 2018/19.
- Other Grants income is higher than budgeted as Government has altered Business Rate reliefs given to Businesses. The loss of business rate income to the Council is funded from grants and has proved difficult to forecast and has given rise to the budget variance.
- For the last two years the Council has benefited from an increase in Business Rates income which the Council gets to keep a share of. In 2018/19 the Council joined the Essex Business Rates pool, further increasing income we were able to keep by reducing the amount of levy

that we need to pay to the Government on income collected. The level of Business Rates income that we retain is subject to appeals from businesses against their rateable value and can be affected by adverse changes in economy. The Government's intention is to review the Business rates retention scheme for 2020/21, potentially resetting the baselines and removing the current benefit of additional income collected. The overall net gain was some £1.861m which was below the projected income of £2.032m.

Directors will be reviewing the 2018/19 outturn position as they prepare their budgets in the forthcoming budget cycle.

2 Reserves

The significant movement in earmarked reserves was due to planned funding of £11m from reserves to support capital expenditure, including the redevelopment of the Riverside Pool complex. As discussed in the Revenue Funding of Capital paragraph above an additional £0.8m funding was needed to avoid the need for borrowing in 2018/19.

A review of the balances on reserves will be addressed in the Medium-Term Financial Strategy report to be submitted to the Council in September.

Change in reserves:	<--Original Budget incl. Approved Variations-->			<---Actual Outturn--->		Variance to Budget
	Opening Balance	Budgeted (use of) / contribution to reserves	Closing Balance	Actual (use of) / contribution to reserves	Actual Closing Balance	
Leisure Support	161	-12	149	-7	154	5
Contingency	3,339	152	3,491	152	3,491	0
Chelmsford development	8,778	-8,778	0	-8,778	0	0
Future replacement of assets	2,994	-2,193	801	-2,994	0	-801
Digital Strategy reserve	652	-630	22	-576	76	54
Growth fund	97		97		97	
Insurance	941		941	-132	809	-132
Local development framework	577	-472	105	-305	272	167
Pension deficiency	138	1,052	1,190	1,025	1,163	-27
Park and Ride	183	-41	142	-5	178	36
Other minor reserves	18		18		18	0
Total Earmarked Reserves	17,878	-10,922	6,956	-11,620	6,258	-698
Business Retention reserve	37	343	380	0	37	-343
General Fund	4,734	293	5,027	-41	4,693	-334
Carry forwards	515	-410	105	-366	149	44
Total other reserves	5,249	-117	5,132	-407	4,842	-290
	23,164	-10,696	12,468	-12,027	11,137	-1,331

List of Appendices

Appendix A – The summary revenue outturn
Appendix B – Detailed revenue outturn variations

Background Papers

Nil.

Appendix A

Revenue Monitoring (Outturn 2018/19)	Original Budget	Original Budget incl. Approved Variations	Outturn	Variation to Original Budget incl. approved variations
	£'000	£'000	£'000	£'000
Chief Executive	272	388	392	4
Corporate Management & DRM	-460	-329	-397	-68
Corporate Services				0
Corporate Services & Information Technology	6,876	7,735	7,776	41
Theatres & Special Events	192	406	310	-96
Museums & Cultural Partnership	637	694	684	-10
Financial Services				0
Financial Services(HB, Revenues,Property and Financial Support & Strategic Housing	-1,201	-1,062	-1,081	-19
	1,177	1,706	1,923	217
Sustainable Communities				0
Planning & Building Control Services	1,496	1,830	1,735	-95
Parking Services	-4,939	-5,090	-5,104	-14
Public Places				0
Parks & Cemetery Services	1,366	1,457	1,611	154
Recycling & Waste Services	4,988	5,082	5,394	312
Public Health & Protection Services	1,627	1,567	1,480	-87
Building Services	1,879	1,963	1,785	-178
Leisure Services	677	1,567	1,962	395
Controllable Service Expenditure	14,587	17,914	18,470	556
Other General Fund Items				
-Temporary Accommodation Subsidy Loss	1,252	750	904	154
- Other budgets	-481	-430	-499	-69
- Interest and investments Income	-539	-699	-790	-91
- Revenue Funding of Capital	14,217	14,217	15,026	809
- Other Grants (including New Homes Bonus)	-3,224	-3,224	-3,423	-199
- Business Rate Retention Scheme	-1,169	-2,032	-1,861	171
- Use of Carry Forward Reserves	-114	-410	-366	44
Earmarked Reserves				0
- Business Rates Retention Scheme Reserve	843	343	0	-343
- Contributions to / -use of Other Earmarked reserves	-9,648	-10,922	-11,620	-698
Net Expenditure	15,724	15,507	15,841	334
Contribution to / -from Balances	76	293	-41	-334
Budget Requirement	15,800	15,800	15,800	0
Other Items				
Baseline Retained Business Rates	-3,278	-3,278	-3,278	0
Council Tax (Surplus)/Deficit	-138	-138	-138	0
	-3,416	-3,416	-3,416	0
Council Tax Requirement	12,384	12,384	12,384	0

* Use of reserves is expressed as a negative number and contribution to reserves is expressed as a positive number

Appendix B																
Variation statement			<-----Corporate Services----->			<---Financial Services--->		<-----Sustainable----->		<-----Public Places----->						
	Chief Executive	CM & DRM	Corporate Services & Digital Services	Theatres & Special Events	Museums & Cultural Partnership	Financial Services	Strategic Housing	Planning & Building Control Services	Parking Services	Parks & Cemetery Services	Recycling & Waste Services	Public Health & Protection Services	Building Services	Leisure Service	Interest Income & Uncontrollable items	OUTTURN TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employee Variations																
Digital staffing variations			-79													-79
Employees Variation (Vacancies, Agency etc)	-1		84	22	-19	-4	-68	-35	12	-64	228	-102	35	-32		56
Total Employees Variation	-1	0	5	22	-19	-4	-68	-35	12	-64	228	-102	35	-32	0	-23
Other Expenditure Variations																
NNDR						33			36							69
Utilities				-1	2				16	29	1		14	-39		22
Building & Grounds Maintenance				2	-17	39			-41	14	6		-126	35		-88
Insurance Claims (cost not budgeted)			1	1	10					78	167	12		31		300
Hylands events costs														31		31
Repairs & new equipment				-13					-9	12	-31					-41
Diversion costs to Recycling sorter											166					166
Vehicle Fleet Costs										21	175					196
Supplies and Services			31	-23	-15	18		-19		15	-38	-37				-68
Crime & Disorder expenditure due to less contributions												-76				-76
Temporary Accommodation & Homelessness Prevention								397								397
Local Development Framework								-92								-92
Digital Expenditure			37													37
Other	5		1	-9	-5	15	7	-52	-38	9	35	11	-41	-4		-66
Other Total Controllable Expenditure Variance	5	0	70	-43	-25	105	404	-163	-36	178	481	-90	-153	54	0	787
Income Variations																
Property Income from new property acquisition						-200										-200
Other Property Rental Income (including meeting rooms)						255				-8			-59			188
Temporary Accommodation & Homelessness Prevention							-66									-66
Service Income				-76	34			186		77	-83			70		208
Riverside Income lower than expected														98		98
Reimbursement of diversion costs to Recycling sorter											-262					-262
ECC Council Tax Sharing Agreement Income & Government Grants		-55				-146	-53	-86								-340
Effect of lower attendance at Hylands Festival														43		43
Hylands Weddings / Corporate / Private & Sales														143		143
Crime & Disorder contribution												76				76
Other		-13	-34	1		-29		3	10	-29	-52	29	-1	19		-96
Income Variation Total	0	-68	-34	-75	34	-120	-119	103	10	40	-397	105	-60	373	0	-208
Total Controllable Expenditure Variance	4	-68	41	-96	-10	-19	217	-95	-14	154	312	-87	-178	395	0	556
Other General Fund Items																
HB Subsidy Temporary Accommodation Loss							154									154
Other - Hb Subsidy - Overpayments Subsidy Received & other HB						-69										-69
Higher yield on Investment leading to higher expected interest income						-91										-91
Revenue Funding of Capital															809	809
Other Grants (including New Homes Bonus)															-199	-199
Projected additional uncertain Business Rates income															171	171
-Increased Use/+ less Use of Carry Forward Reserves															44	44
Transfer to Reserves Business Rate Retention Scheme															-343	-343
Contributions to / -use of Other Earmarked reserves															-698	-698
Other General Fund Items	0	0	0	0	0	-160	154	0	0	0	0	0	0	0	-216	-222
Net Variations (+adverse/-beneficial) funded from General Balance	4	-68	41	-96	-10	-179	371	-95	-14	154	312	-87	-178	395	-216	334
Items - should be considered with associated income and expenditure																

AUDIT COMMITTEE
18th June 2019
AGENDA ITEM No.10

Subject:	CAPITAL PROGRAMME UPDATE AND OUTTURN
Report by:	DIRECTOR OF FINANCIAL SERVICES

Enquiries contact: Sue Jones, Tel (01245) 606519
Email sue.jones@chelmsford.gov.uk

Purpose

The purpose of this report is to provides updates to the following:-

Capital schemes - to compare the latest spending forecast by Directors on Capital Schemes with the approved estimates and report on the progress of schemes.

Asset Replacement Programme - to compare the outturn against the approved estimate for 2018/19 and the latest spending forecast by Directors with the approved estimate for 2019/20.

Recommendation(s)

1. It is recommended that the report be noted, and
2. Any comments passed on to Cabinet.

Corporate Implications

Legal:	None
Financial:	To be incorporated in the closure of accounts
Human Resources:	None
Risk Management:	Interest earnings understated and budget reductions made when not necessary. Damage to reputation
Equalities and Diversity:	None
Health and Safety:	None
IT:	None
Other:	None

Consultees:	All directors and cost centre managers
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<p>Policies and Strategies</p> <p>The report takes into account the following policies and strategies of the Council:</p> <p>Capital Strategy</p>
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1 Background

The Council has a long-established process of preparing formal monitoring reports comparing its forecast expenditure and income with the approved estimate and reporting these to Management Team. These reports are also supplied to Cabinet Members.

2 Introduction

There are two types of expenditure; capital and revenue.

Capital Expenditure relates to the acquisition or enhancement of assets which have a useful life, in excess of 12 months, are charged to the Council's balance sheet and shown as fixed assets (a fixed asset being an item that can be in use for more than one year). To be an enhancement the expenditure on the asset must either lengthen substantially the useful life of the asset, increase substantially the open market value or increase substantially the extent to which the Council can use the asset.

Revenue costs are ongoing. They are incurred to run an asset or to provide a service.

3 Capital Programme

The capital programme is split between larger schemes (works, improvements and refurbishments) and an asset replacement programme.

Services submit bids annually for schemes to be added to the capital programme. The schemes should add value to the organisation, provide revenue savings or additional income, move forward the Corporate Plan objectives or have statutory health and safety implications.

The asset replacement programme is required to maintain the existing level of service delivery by ensuring there is provision to replace items of equipment and vehicles on a regular basis. Approval of individual items is on an annual basis.

4 Capital Reporting

A 'Capital Programme Update' report is taken to Cabinet/Council in January/February and a 'Capital Programme Update and Outturn' report is taken to Cabinet/Council in June/July each year. Additional reports may be taken to Cabinet as required throughout the year.

It is important to closely monitor capital expenditure as this allows judgements to be made on the Council's cash investments. If a large scheme is likely to be delayed this will provide an opportunity to invest the money until it is required, therefore increasing interest earnings.

5 Methods of Approval

New schemes submitted by services are recommended by Cabinet in January and approved by Council in February each year.

During the year, approval can be sought for further schemes or extensions to existing ones, via supplementary approval or the use of urgency letters depending upon the level of expenditure required. An urgency letter authorises the Leader of the Council and Chief Executive to incur additional expenditure in extraordinary circumstances.

When schemes are approved, they are added to the capital programme and monitored throughout the year.

The budgets shown in this report were approved at the February Council and also include any additional schemes or increased scheme costs approved since that date by delegation.

6 Capital Schemes (Appendix 1)

6.1 Monitoring Against Latest Approved Budget - Council February 2019 and Previous Audit Committee Report 12th December 2018

Appendix 1, Table 1 gives the overall capital spend information as at the end of March 2019 and the latest forecast expenditure for the ongoing scheme costs, £90.763m. It identifies the variances in total individual scheme costs as a net decrease of £109k. Approval will need to be obtained for those ongoing schemes where an increase in budget is required.

6.2 **Appendix 1, Table 1** details the new schemes approved since the last report made to Audit Committee in December 2018. It also shows where existing schemes have had increases to their approved budgets. **Table 2 of Appendix 1** shows there has been £13.885m approved for 20 new schemes and a net additional £4.675m approved for variations in costs to existing schemes. The majority of this variation, is due to the following additional costs being approved for existing schemes - £45k increase in fees for consultants for the Land at Wharf Road, £150k for the Indoor Market refurbishment and £4.5m for Riverside Ice and Leisure Centre Redevelopment.

Following these approved variations, there is an additional net favourable variation, a decrease of £109k or 0.1%, currently forecast against the approved capital scheme costs. This variation is mainly explained by the following:-

Reductions in costs on completed schemes £69k, a reduction in the budget and scheme scope for Wayfinding Signs £155k, as Essex County Council have been unable to provide match funding and £23k footpath scheme at Hylands has been removed as the S106 funding has been redirected towards the Hylands' Pleasure Garden Pond scheme

Increases in the cost of schemes, £25k reported against Mill Yard, although it is hoped that the final account will be negotiated to a lower settlement figure.

New schemes, an amount of £112k for new schemes which have been put forward from the CIL report taken to Cabinet in October 2018 and previously included as Revenue spend.

The table below provides a summary of the net £109k variation.

Approved Budget	£90.872m
Proposed Increases in Scheme Costs Requires Approval	£0.026m
Proposed New Scheme Requires Approval	£0.112m
Proposed Reductions in Scheme Costs	-£0.247m
Total Proposed Budget	£90.763m

6.3 **Appendix 2** provides narratives for those variances in excess of £25k, against the Latest Approved Budget.

6.4 Progress Report for Those Areas of Risk Previously Identified and Reported

The schemes shown below were previously identified as areas where either costs may change or completion dates would not be achieved. Previously reported information on risks are shown in *italics* any updates are in **bold**:-

6.4.1 Flood Alleviation Scheme – *“This scheme has been delayed whilst the Environment Agency secures the necessary land access to allow the main construction works to take place. Once this is satisfactorily resolved, the construction works associated with the Flood Alleviation Scheme are scheduled for implementation in 2015”.*

“This scheme has been further delayed due to legal issues and is very unlikely to be completed until 2016/17.”

“Although the results of the court case between the EA and a third party was upheld in favour of the EA there is still no confirmed dates for the delivery of this scheme.”

“Advised by project manager that the works will not be carried out until 2017/18.”

“No change as still awaiting the outcome of the appeal court hearing. The spend has been rephased to 2018/19.”

“Project manager has advised that the EA have estimated a start date for the scheme as September 2019. The budget for the scheme has been split across the financial years 2019/20 and 2020/21. As the start date is only an estimate there is the potential for this scheme to be further delayed”.

“The EA are refreshing the business case, this is due by February 2019. Assuming this confirms the scheme is still viable, then the construction could start in 2019/20 and complete in 2020/21.”

Update - The Environment Agency (EA) is reviewing the flood modelling and business case for the scheme and will conclude this work by the end of the calendar year. As the business case has been delayed there is further risk that the scheme would not complete in 2020/21.

- 6.4.2 Riverside Ice and Leisure Centre Scheme – *“The scheme costs and timings are currently being reassessed and there is potential for some of this budget to be delayed until 2016/17 and uncertainty around the costs of the enabling phases of the scheme. A further report will be taken to Cabinet/Council.”*

“A report was taken to Cabinet on the 16th June 2016 which provided an update on current progress and agreed further resources and appropriate delegations to enable the project to progress in accordance with the agreed programme.”

“A report was taken to Cabinet on the 18th October 2016 which provided an update on the current progress and agreed further resources and delegations to enable the appointment of the main contractor.”

“A report was taken to Cabinet April 2017 which approved up to £1m to be used for early orders and early works to enable the scheme to complete on time. A further report is being prepared for Council in July 2017.”

“A further £500k was approved via urgency in June 2017 for further early orders and early works to enable the scheme to complete on time. This had to be agreed before the report was taken to Council in July. The July Council report approved an overall scheme cost of £35.216m and provided for delegation to the Director of Community Services, Director of Financial Services in conjunction with their relevant Cabinet Members to progress the scheme and award the main contract. A further update report was taken to Council in December 2017 providing an update on progress and approved budget for the scheme”.

“An additional £250k was approved by Council in February 2018 for the café fit out. This was approved to hopefully attract more businesses to submit tenders for the operation of the café, as the lack of capital investment was considered to be a barrier, resulting in an improved financial return for the Council.”

“Currently, for the contracted works, there has been an agreed extension of time granted of 3 weeks. Due to the scale and nature of the Riverside site there is the risk that there may be further delays and increases in cost”.

“Currently there has been an agreed extension of time granted for the contracted works of 3 weeks 4 days. However, the contractor has applied for a further extension of time, part of which is likely to be allowable under the terms of the contract. It is also anticipated that additional costs will be claimed by the contractor in respect of groundworks, asbestos removal, steelwork and cladding, a significant proportion of which may be valid. Negotiations over these claims are ongoing so a likely final scheme cost cannot, as yet, be given. However, additional budget provision in the order of £4m or 11%, will probably need to be allowed for. Once these additional costs are more clearly quantified, they will be subject to Cabinet and full Council approval alongside the budget setting process, in January and February 2019.”

Update – At Council in February 2019 an additional £4.5m was approved to be added to the budget for the Riverside Project. Since this date, negotiations have taken place with the main contractor to agree a guaranteed completion date and this was embodied in a deed of variation to the contract setting out the parameters for the completion of works. It is anticipated that the works will now be completed within the approved budget. The Centre is due to re-open to the public on Monday 10th June 2019.

- 6.4.3 Public Realm Mill Yard – *“This scheme is being funded by a LEP grant. Currently there are no signed agreements by the parties involved which will enable this scheme to progress and there are date restrictions for the use of the grant. There is a risk that if this scheme does not progress that the cost of the design works would fall to CCC to be funded by S106 rather than the LEP.”*

“The funding agreement is still being negotiated with ECC as South East Local Enterprise Agency (SELEP) Accountable body. A clause in the agreement will provide certainty to CCC that there will be no repayment of LEP grant should the scheme terminate. The final designs, budget and works programme are still all to be confirmed”.

“The funding agreement has been completed and signed and £3m LEP funding has been secured. There are conditions attached to this grant one of which is a completion date of the works covered by the grant of the 31st March 2018. Additional funding of the scheme has been secured, S106 £800k and CIL £400k. Once approved this will increase the budget for Mill Yard to £4.3m. A works agreement needs to be in place before the construction commences and the tenders are currently being evaluated for the construction costs of the scheme.”

“The works agreement is now in place, the tenders have been evaluated and an order has been raised for the main contract works. The approved budget available for the scheme is £4.3m. There is a risk that this scheme may not complete by the 31st March 2018.”

“The scheme is now scheduled to complete August 2018. The extended period of work has led to an increased cost but this is still within the approved budget”.

“The project is nearing completion and should be completed in December 2018. The delays have been as a result of the complexity of the project alongside and within the context of a busy rail station environment. The project will be delivered within the approved budget.”

Update – Practical completion of the scheme was the 4th April 2019. The cost of the scheme is reported as £25k over budget due to a higher than estimated forecast of costs submitted by the contractor. Following practical completion, the contractors have 3 calendar months to submit their final account to the City Council. The City Council’s Employers Agent will review the final account submitted by the contractor and provide advice to the Council as to the legitimacy of any claims over and above the contract sum. It is hoped that the final account will be settled at a lower figure.

6.4.4 Homelessness Initiatives – *“The scheme delivery of the modular units initiative may be delayed due to planning and site constraints.”*

“The scheme delivery of the modular units is progressing but delivery is dependent upon Planning and Procurement. The Planning application has been submitted for three sites and invitations to tender will be going out soon. The approximate cost is £3m which is partly funded from the housing enabling money. The balance of funding will be requested once figures are known.”

“Due to planning issues one of the sites has been withdrawn so the scheme is progressing with 2 sites which will deliver 18 units. A provider for the units has been selected and we are currently out to tender for groundworks. Completion is estimated to be September 2017. Groundworks will be reliant upon ground conditions and these are currently being investigated. The cost of the scheme should reduce based on the loss of one of the sites and an update will be provided once there is more certainty around the cost of the foundations and groundworks.”

Delays in the modular housing project have been experienced due to manufacturing issues with suppliers. The first set of 9 units have been delivered to the site in Fox Crescent, with the Beeches Road units due to arrive in early December. However, there are a number of weeks of finishing works to complete installation of the units, test services and complete hard and soft landscaping before occupation. It is anticipated that the two sites should be completed and occupied early in the new calendar year. This will deliver two sites of 9 units each for temporary accommodation use; 10 family units and 8 single units.”

“There have been additional complications with the contractor which has further delayed the works. They are now scheduled to complete by the end of June 2018, subject to utility companies completing their scheduled works”.

“Following issues with the water supplies, Beeches Road was handed over to the Council and occupied at the start of October 2018. Unfortunately, damage was detected to the mains water connection on Fox Crescent, which has taken several weeks to trace and has now been repaired. Connection was made by the water utility company in late November, with an expectation that Fox Crescent can be occupied by the end of 2018. Whilst there are some final costs outstanding, it is anticipated that the final cost of the scheme will be approximately £2.375m. There is also an additional £95k contribution for Community Infrastructure Levy (CIL). A detailed report is included elsewhere on the agenda.”

Update – Reports were taken to Cabinet and Audit Committee in December 2018 which provided detailed information on this scheme. In early February the groundworks’ contractor responsible for finishing works on Beeches Road went into administration prior to completing the project. The Council therefore had to appoint new contractors to finish various outstanding works on site. Scheduling these works led to further delays to completion. Occupation of Fox Crescent was finally achieved on the week commencing 22nd April 2019. Despite the additional problems, the costs of appointing new contractors to undertake works were funded from the retentions held against the failed groundworker. The report taken to Audit Committee in December 2018 provided details of the cost of the scheme. The cost was forecast as £2.438m including the £95k CIL contribution and the completed scheme cost is reported as £2.455m. The unallocated budget of £567k is available to redirect to future projects.

- 6.4.5 Museum HLF Improvements – *“This scheme was approved by Council in February 2017 and was dependent upon a grant being received from the Heritage Lottery Fund. The outcome of the grant application will not be known until the end of June 2017. Should the application for the grant be unsuccessful a further review will be required to ascertain which works will still need to be carried out in order to keep the museum operational”.*

“The HLF bid was successful and a further report was taken to Cabinet in September to authorise the delegation of the appointment of the contractors to the Director of Community Services after consultation with the Museum Board”.

“This scheme is progressing and the contract for the works was awarded in April 2018. The café operator procurement process is underway and is due to be awarded at the end of October 2018”.

“The contract for the museum displays is still to be tendered. This delay is due to changes which have been made to the designs, late improvements to the digital offer (at the request of the HLF) and a review to ensure the most effective procurement process is used. It is hoped that this will be tendered by the middle of June 2018”.

“The scheme is still forecast to be within budget (with a contingency still remaining). However, until display tenders are received, there remains a risk with the cost. Progress is actively monitored by the Museum Project Board”.

The café is on schedule to be ready for a soft public launch at the end of February 2019. However, the museum displays will not be completed on time and the opening is now scheduled for May 2019”.

“Since the last update the café procurement process has been completed and officers are in the process of awarding the contract to the preferred supplier. The café is on schedule to be ready for a soft launch opening by the end of February 2019. The main contract building works will be completed by the end of November 2018.”

“The contract for the museum displays has also been tendered and the procurement process complete with the contract being award to The Hub. Value engineering was required to meet the new budget estimate for the works. This was met, although did not allow for a contingency, which would be deemed sensible to include for these works. An additional £55k contingency has been included. Officers are currently working at a detailed level with the contractor to determine their programme of works, along with understanding the detailed requirement of the work of the curatorial team who will be repopulating the new galleries with objects from the museum collection. It is anticipated that there will be a combination of soft launch opening, invite only openings, and a grand opening in June/July 2019. The scheme is currently forecast as £100k or 5% over budget. This forecast includes a £55k contingency which may not be required. It should be noted that additional requirements not costed in the original specification, are included within the forecast for the displays.”

Update – The project is moving into its final phase, ready for an opening to the public on 20th July 2019. Most of the snagging by the major sub-contractors has been completed, and the Council curators are now installing objects in the new display cases. The final account with the main building contractor is still being negotiated. A number of variations to the display contract have been approved by the Director and Portfolio Holder with funding coming from the approved contingency. Although the museum reopens this summer the whole project includes a 3 year activity plan and employment of an Activity & Outreach Officer so that the whole project does not complete until January 2021.

- 6.4.6 Community Flood Improvements – *“There is uncertainty in relation to when these works will be completed as progression of the works is outside the control of CCC. The works are to a community soak away located at Telford Place and Chinery Close”*

“The Project Officer has confirmed that most of the legal issues have now been resolved and the works should complete in 2018/19”.

“It is anticipated that the tender will be issued this financial year, but completion of the works may not be until 2019/20.”

Update – This scheme has been further delayed as residents still need to sign the easement for the works. Once this happens the tender process will start, and it is anticipated that the works will be completed during Autumn/Winter 2019. If this project is further delayed there is a risk that the funding may have to be returned to Essex County Council.

- 6.4.7 Public Realm Wayfinding Signs Phase 2 – *“The scheme has been deferred to 2019/20 as it is unlikely that the required funding from ECC will be secured. This scheme will not progress if there is no funding.”*

“If the contribution from ECC is not received, the scheme would need be reduced from £310k to £155k. A CIL contribution of £78k towards the remaining cost of £155k has been approved”

Update – The contribution has not been received from ECC and therefore the scope and budget for the scheme has been reduced to £155k.

- 6.4.8 CIL Grant Sutherland Lodge Refurbishment – *“A meeting is being requested with NHS England. Currently the Council has assumed the grant is still being awarded for the project”.*

“NHS England has confirmed that investment in this surgery remains a priority for them. They are developing the project design further, before requesting the draw-down of this funding from the City Council.”

Update – NHS England is in the process of preparing the full business, project programme and works contract/costs in relation to the surgery improvements and this is estimated to be concluded later in 2019. Once received and reviewed, and provided that it is acceptable to the City Council, a funding agreement will be put in place.

- 6.4.9 **Additional areas of Risk Identified**

No additional areas of risk have been identified.

7 Asset Replacement Programme (Appendix 3)

- 7.1 The Asset Replacement Programme, although forecast over a number of years, is only approved on an annual basis at February Council. Due to the long delivery lead in times for some of the more specialist vehicles and equipment, a decision may be taken to approve certain budgets earlier in the process to allow for orders to be raised.

- 7.2 **Appendix 3, Table 1** details asset replacements included since the last report made to Audit Committee in December 2018, £150k for 3 new schemes - £13k for a replacement canopy for the recycling bays at Freighter House, £125k for Empty Homes and £12k for Healthy Home Loans. It also shows where previously approved asset replacements have had variations to their approved budgets, a £76k net reduction. £104k for Disabled Facility Grants (DFG's) and £28k net increase for other smaller variations. **Table 2 in Appendix 3** provides a summary of these changes.

7.3 Outturn Against Latest Approved Budgets

Appendix 3 shows that the variation is a net reduction of £490k, or 11.6% for 2018/19 compared to the approved budget of £4.237m. Details are shown below.

Approved Budget 2018/19	£4.237m
Proposed Change in scheme phasing	-£0.488m
Variation in Asset Replacement Cost	-£0.002m
Total Forecast Outturn 2018/19	£3.747m

7.4 **Appendix 3, Table 1 and 2** show that the forecast budget for 2019/20 asset replacements is £4.192m compared to the approved budget of £3.700m. This is a net increase of £0.455m and is mainly due to the asset replacements being delayed from 2018/19 until 2019/20 as shown in the table below.

Approved Budget 2019/20	£3.700m
Change in scheme phasing from 2018/19	£0.485m
Forecast Variation in Price requires approval	-£0.030m
Proposed new spend requires approval	£0.037m
Total Proposed Budget 2019/20	£4.192m

7.5 **Appendix 4** provides narratives for those variances in excess of £25k for 2018/19 and 2019/20 against the Latest Approved Budget.

7.6 Approval will need to be obtained for those replacements where an increase in budget is required.

7.7 Areas of Risk

The following replacements were previously identified as areas where either costs may change or completion dates would not be achieved. Previously reported information on risks are shown in *Italics*, updates are shown in **bold**:-

2018/19 Asset Replacement Programme

7.7.1 CCTV Replacement Equipment – *“Due to the procurement exercise being undertaken there is a possibility that this may need to be rephased into 2016/17”.*

“This risk still exists. There is also uncertainty in relation to the budget required and although this has been increased on the monitoring there is a possibility that this increase may not be required.”

“The budget has been increased to £301k and rephased to 2016/17”

“The Service Manager has reported that phase one of the works to the control centre have been completed and his intention is to complete the scheme by the 31st March 2017. Invitations to tender for the works are scheduled for January.”

“£97,000 of this budget has been rephased to 2017/18.”

“The cost has reduced by £36k and is now being reported as not completing until 2018/19. £26k of the underspend has been earmarked to fund an increased cost for replacement cameras forecast in 2018/19.”

“The service is still preparing the specification in order to go out to tender for the works. The tender will also include the CCTV replacements within the car parks. It is unlikely that any tender will be awarded before September 2018”.

“The Specification is still not completed. There will be a joint procurement with Maldon District Council and it is looking unlikely that these schemes will be completed this financial year.”

Update – The budget has been rephased to 2019/20 with the works scheduled to complete by the end of December 2019. The specification is currently with legal and it is anticipated the tender process will commence in July 2019.

7.7.2 Mandatory Disabled Facility Grants (DFG) and Healthy Home Loans (HHL) – *“A new initiative was agreed in February 2016 whereby an initial pot of £750k was set aside for Housing Standards initiatives which included these two schemes. This ‘pot’ is a one off sum and funding will be recycled back into it over future years from repayments and paybacks from Housing Standard initiatives. The initial pot will also be topped up each year by any grant funding received for DFG’s.”*

“In 2016/17 and 2017/18 the amount of grant awarded to fund the DFG applications was in excess of the spend and CCC are currently holding £356k grant from prior years. For information ECC will need to give approval to use prior year grant allocations. For 2018/19 a grant of £900k has been awarded. This allocation is higher than the award made in previous years. Based on the service being unable to use the full grant in the previous two years there is a risk that an underspend against the grant may occur again. Discussions are underway with ECC as to how any underspend of the grant can be used for projects that assist people remaining independent in their own home rather than returning the unspent grant. CCC is currently working through a joint memorandum of understanding with ECC through which the DFG funding is allocated with the other Essex local authorities to broaden the application of the better care fund, to support, in particular, means by which people can have adaptations made to their homes more quickly to shorten their stay in hospital; provide improvements to their homes to reduce the risk of them being admitted to hospital and help with end of life care needs at home. This would not previously have been funded through the DFG”.

“The estimated end of year spend remains at £650k. The amount of grant awarded in 2018/19 to fund the DFG applications, £900k, will be in excess of the forecast spend. However, the memorandum of understanding between Essex Local Authorities and Essex County Council is proving successful and has allowed the Council to increase the variety of essential support to residents. CCC are reviewing new initiatives with local authorities across Essex which could be funded from the DFG if the grant conditions are met. If no new initiatives are introduced which can be funded from the DFG grant, then there is the risk that this budget may underspend.”

Update – The final outturn for 2018/19 was £546k and the unspent grant was £364k. The total unspent grant held since 2016/17 is £720k. Chelmsford has been awarded a grant of £971k for 2019/20 with a current forecast spend of £600k. The service is currently adopting a new discretionary policy which will add to the current Healthy Home Loans and it is their intention that funding from the DFG grant will be used towards these costs. Another restriction on the use of this grant is that any spend must meet the capital definition. The risk remains that the spend on DFG could be lower than the forecast £600k budget, if this is the case there will be a further amount of under-utilised grant.

- 7.7.3 Vehicle Prices – “Prices are continually reviewed and often the reviews result in an increase in acquisition price for the vehicles and plant required.”

Update – Service managers continue to review prices and variations are reported.

- 7.7.4 Digital Services Replacement Programme –

“A Digital Transformation Programme was approved by Council in May 2017. The current proposed ICT replacement spend for 2018/19 will need to be constantly reviewed in line with this strategy.”

“There is still uncertainty around how the organisation will look moving forward, in relation to accommodation and home working and until this has been agreed it is difficult to predict the direction and level of spend required for future ICT replacements”.

“An additional £150k has been approved for mobile devices (laptops and tablets) as replacements for some staff as opposed to the usual desktop replacement. There may be a risk that some of the budgets in 2018/19 could be deferred to 2019/20 or may not be required, as a revenue option such as leasing might be preferred for the delivery of the service”

Update – There is still uncertainty in relation to whether costs will be capital or revenue and therefore the capital budget may be lower than currently forecast. The uncertainty is in relation to procurement decisions which will be made based on choosing the best option for the Council. For example, replacement printers are in the current capital forecast and this budget is based on an outright purchase of the printers. There are alternative options for service delivery such as a charge per click basis and this would result in a revenue cost rather than capital as the Council would not own the equipment.

- 7.7.5 Riverside Plant – *“There is a forecast £46k budget for replacement LED lighting in the ice rink. Due to the current development works there is a risk that the replacement lighting will not be able to be scheduled into the programme until 2019/20.”*

Update – The budget has been rephased to 2019/20.

- 7.7.6 Bus Shelters – *“Project Officers are currently investigating an alternative supplier for the shelters as the preferred supplier has gone into administration. This will delay the works from November 2018, but hopefully it should be possible to complete before the end of the financial year but there is a risk that this will not be achieved.”*

Update – The budget has been rephased to 2019/20 and the service manager has reported that there may be an increase in the scheme cost due to additional requirements having to be met for UKPower Network.

7.8 Additional Areas of Risk Identified

No additional areas of risk have been identified.

8 Conclusion

- 8.1 The Capital Schemes are forecast to spend £109k or 0.1% less than the latest approved budget. There are risks associated with this forecast detailed in section 6.5 of this report.
- 8.2 The 2018/19 Asset Replacement Schemes have underspent against the approved budget by a net £490k or 11.6%. The £488k variation, due to the realignment of budgets into 2019/20 and later years, is a favourable position for the Council as the spend has been delayed.

- 8.3 The 2019/20 Asset Replacement Schemes are currently forecast as £4.192m. This is an increase of £455k against the approved budget. The majority of this increase is due to the realignment of budgets into 2019/20 detailed in paragraph 8.2. above.
- 8.4 Directors should continue to ensure that schemes are closely monitored and variations to cost and phasing of spends are reported immediately. Orders which have been raised on the financial system should be regularly reviewed.
- 8.5 It is recommended that the report be noted. If the expenditure is incurred in line with the current phasing of the schemes, then the variations compared to the proposed budgets should be minimal.

List of Appendices

Appendix 1 Capital Schemes - For each capital scheme, a comparison of the latest approved estimate with the Directors of Service forecast for the scheme and Comparison to Variations Reported to Audit Committee in December 2018.

Appendix 2 Capital Schemes Major Projected Variations Narratives.

Appendix 3 Asset Replacement Schemes for 2018/19, a comparison of the outturn to approved estimate.

Also, Asset Replacement schemes for 2019/20, a comparison of the latest approved estimate against the Directors of Service forecast.

Appendix 4 Asset Replacement Schemes Major Variations Narratives for 2018/19 and 2019/20.

Background Papers

Nil.

		CAPITAL SCHEMES	VARIATION IN TOTAL CAPITAL SCHEME COSTS							
		TABLE I								
			Latest Approved Budget - Approved Council February 2019 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval				
Spend to 31st March 2019			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Previously Reported to Audit Committee December 2018	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s		SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s	£000s		
		Director of Corporate Services								
1,887	1	Museum Heritage Lottery Fund (HLF) Works	1,990	86	2,076		2,076	2,099	No	Approved at Council February 2017. Scheme cost reviewed in line with HLF award and split of expenditure between capital and revenue has changed, therefore amount available as capital has reduced. Report taken to September 2017 Cabinet. Additional PM salaries approved July 2018 £29k. Latest forecast cost reported to Museum Project Board October 2018 includes £55k contingency.
	2	Museum Oaklands Park External Works and Signage	71		71		71	New	Yes	Supplementary estimate approved for new scheme 29/4/19.
		Director of Financial Services								
3,538	3	Acq. Land Wharf Road and Future Development	5,000	-414	4,586	-250	4,336	4,541	In Negotiations	Approved Council July 2016.
989	4	Enabling Lockside Growth Area	450	4,050	4,500		4,500	4,500	In Negotiations	Report taken to Cabinet in March 2018 for £4.5m recommended to go on for Council approval. Urgency approval has been granted for £450k. Scheme approved by Council July 2018.
2,455	5	Homelessness Initiatives - Modular Housing	2,319	703	3,022	-567	2,455	2,455	Completed	Approved at Council February 2016. Additional \$106 received and allocated towards this budget.
	5a	Homelessness Initiatives - unallocated			0	567	567	567	Under Review	Unspent budget following the completion of the Modular Unit schemes
672	6	Acquisition of Property for Future Development	631	44	675	-3	672	675	Completed	Approved Urgency letter May 2018. Additional £44k approved by Council in July 2018 for SDLT and Fees
	7	Investment for Future Development	940		940		940	940	Under Review	Approved at Cabinet June 2018
8,763	8	Acquisition 1 Springfield Lyons Way - Visteon 2	8,815		8,815	-52	8,763	New	Completed	£8.815m Budget approved via Urgency letter December 2018
	9	Acquisition of Land adjacent to Waveney Drive	11		11		11	New	Yes	Supplementary estimate approved March 2019
	10	Galleywood Hall Development Industrial Units	1,200		1,200		1,200	New	Under Review	Approved at Council February 2019
	11	Bridge Repairs	300		300		300	New	Yes	Approved at Council February 2019
	12	Land Acquisition Cemetery/Crematorium	1,800		1,800		1,800	New	Under Review	Approved at Council February 2019
		Director of Public Places								
81	13	Cemetery North Car Park, Drive and Entrance	82		82	-1	81	82	Completed	Approved at Council February 2017. This scheme will not be completed until 2018/19. This decision has been taken so that further disruption to services at the Crematorium are avoided and the works scheduled for completion at the same time as maintenance works to the cremators.
64	14	Coval Lane Shower Refurbishment	62	2	64		64	64	Completed	Approved at Council February 2017. To be reviewed before committing to works. Works commenced October 2017.
44	15	Coval Lane Toilet Refurbishment	42	2	44		44	44	Completed	Approved at Council February 2017. To be reviewed before committing to works. Works commenced October 2017.
38	16	Mayor's Parlour Refurbishment	49	-2	47	-7	40	47	Completed	Approved supplementary estimate February 2018.
	17	Coval Lane Window Replacement	250		250		250	New	Yes	£250k approved Council February 2019.
146	18	Community Safety Partnership Hub	171		171		171	171	Yes	Approved supplementary estimate May 2018.
	19	Community Flood Improvements	184		184		184	184	Under Review	Capital grant received to enable the works to be completed. The budget will be included for approval with the Capital report being taken to June Cabinet 2017. Scheme approved at June Cabinet and included in approved programme.
	20	Legionella Safety Works Showers and Changing Rooms Various	94		94		94	New	Yes	£94k approved Council February 2019

TABLE I										
		Latest Approved Budget - Approved Council February 2019 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval					
Spend to 31st March 2019		Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Previously Reported to Audit Committee December 2018	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
£000s	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s	£000s			
	21 Hylands Park North Kiosk Toilet Refurbishment	60		60	-23	60	New	Yes	£60k approved Council February 2019	
	22 Hylands Estate Structural Work to Pleasure Garden Pond	147		147		147	New	Yes	£147k approved Council February 2019	
11	23 S106 Allotments Avon Road	10		10		11	10	Completed	Approved delegation S106 report taken to Council in July 2017. Schemes fully funded by S106.	
186	24 S106 Parks and Open Spaces	271		271		248	271	Yes	Approved delegation S106 report taken to Council in July. Schemes fully funded by S106. £23k scheme removed as funding being used for 22 above.	
7	25 CIL Landscape Enhancement Scheme Chignal Road	11		11		11	11	Yes	CIL funding approved October 2018 scheme approved February 2019 Council	
98	26 Chelmsford Indoor Market Refurbishment	500	200	700		700	550	No	Approved supplementary estimate February 2018. Scheme design is still to be finalised. Additional supplementary estimate approved for £200k December 2018 in order to implement the preferred design with suspended ceiling.	
32,089	27 Riverside Ice and Leisure Centre Scheme	950	39,016	39,966		39,966	35,466	Under Review	£700,000 approved Council July 2015. £60,000 budget vired to fund conversion of outdoor pool to car park. £180K approved April Cabinet for Project Manager and a further £945K approved June Cabinet for the design to RIBA stage 7. £400K approved at October 2016 Cabinet for early enabling works (main contractor). Additional £1m approved Cabinet April 2017 for early works. Additional early works required a further £500k, approved in June. £250k approved for Cafe fit out at Council February 2018. Full scheme cost approved at July 2018 Council as £35.216m. Additional £4.5m approved at February 2019 Council.	
	28 Riverside Changing Places Grant - Sensory Equipment	55		55		55	New	Yes	ECC have awarded a £40k grant for installation of sensory equipment in the new pool facility. A £15k grant was received in 2017/18 and will be used to purchase dryside changing equipment.	
35	29 Dovedales - Grant for Works	21	14	35		35	35	Completed	£21,000 approved via Supplementary estimate October 2017 for replacement sports hall floor 50% contribution. £24k approved at Council 2018 for grant towards replacing radiant heating. Cost of works reduced budget adjusted.	
	30 Dovedales - Grant for Works 2019/20	32		32		32	New	Yes	Approved at Council February 2019 contribution towards new studio	
21	31 CSAC Grandstand Repairs	26		26	-5	21	26	Completed	£26k approved at Council February 2018.	
	32 SWFLC Wet Changing Rooms Upgrade Phase 2	104		104		104	New	Yes	£104k approved at Council February 2019	
	33 CSAC Refurbishment of Changing Room	42		42		42	New	Yes	£42k approved at Council February 2019	
53	34 Hylands House External Redecoration	48	5	53		53	53	Completed	Approved Council February 2018. Additional budget approved at Council February 2019.	
	35 Hylands House Refurbishment First Floor Accommodation	174		174		174	New	Yes	£174k approved at Council February 2019 3 year programme for refurbishment	
	Director of Sustainable Communities									
1,667	36 Flood Alleviation Scheme	6,100	400	6,500		6,500	6,500	Under Review	Increased cost of scheme from EA now capped at £6.5 million approved Cabinet July 2013	
1,697	37 City Centre Public Realm Work - Half Moon Square	250	1,448	1,698		1,697	1,698	Completed	Additional budget £120,000 approved by Cabinet September 2014 to cover the cost of preliminary works. £1.2m approved at February Council for the works to Half Moon Square. Further £275,000 approved by Cabinet October 2015. The cost of these works are to be funded by S106. Project Manager still to provide details of final cost of scheme. There are still outstanding works to be completed. An additional budget was approved at July Council for £67k to be funded from S106. The scheme is complete.	

TABLE I										
		Latest Approved Budget - Approved Council February 2019 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval					
Spend to 31st March 2019		Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Previously Reported to Audit Committee December 2018	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
£000s	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s	£000s			
154	38 Public Realm Wayfinding Signs	50	104	154	-155	154	154	Completed	£102,000 supplementary estimate approved April 2016. This additional cost will be funded by £52,000 ECC and £50,000 S106.	
	39 Public Realm Wayfinding Signs Phase 2	310		310		155	310	Unspecified	Approved at Council February 2018. Two year programme to go ahead only if funding is secured from ECC and CIL. CIL funding of £78k approved January 2019, funding not secured from ECC therefore scheme reduced.	
4,325	40 Public Realm Mill Yard Works	34	4,266	4,300		4,325	4,300	Completed	A budget of £101,000 was approved for the design of this scheme via Director of Sustainable Communities delegated authority. An additional £138,000 was approved via supplementary estimate December 2015. At February 2016 Council a further £2,661,000 was approved for this scheme to progress. This scheme will progress on the basis of no cost to CCC with the funding coming from LEP. An additional £900K was approved at Council February 2017. This increase is to be entirely funded from LEP and S106. There is also an additional £400k funding from CIL which has been approved by Council in July 2017 and £100K S106. This additional £500k funding spend has brought the budget for the scheme to £4.3m. This scheme was programmed to complete by the end of March 2018. The majority of the works are now complete but the site has not been handed back to Abellio Greater Anglia. The scheme is complete but negotiations are currently being undertaken with the contractor to agree the final cost of the works.	
432	41 Public Realm Bell Meadow	410	22	432	25	432	432	Completed	Approved at Cabinet October 2015. This scheme will be funded by the use of S106. Additional budget approved Council February 2019.	
	42 Public Realm Tindal Square Design	160		160		160	160	No	Approved at Council February 2018. The design works will not be completed until 2019/20.	
4	43 Public Realm City Centre Greening/Tree Planting	115		115		115	115	Yes	Approved at Council February 2018. Three year programme.	
100	44 LHP Contribution to ECC Match Funding Highways Schemes	100		100	250	100	New	Completed	Approved via supplementary estimate March 2019	
	45 HIF Bid Link Road design			0		250	No	Unspecified	Virement from 3 above sum allocated for HIF bid design works	
1,650	46 S106 Beaulieu Park Station	100	1,550	1,650		1,650	1,650	Unspecified	Scheme approved for £100,000 via Director of Sustainable Communities delegated authority. £1,550,000 approved at Council February 2016. The expenditure on this scheme will be funded by S106.	
674	47 S106 Beaulieu Park Station 2nd Phase	2,917		2,917	112	2,917	2,917	Unspecified	£2.917m approved at February Council 2018. The expenditure on this scheme will be funded by S106.	
29	48 S106 Public Art Mill Yard	70		70		70	70	Yes	£70k approved via delegation March 2018. Expenditure to be funded by S106.	
338	49 S106 Beaulieu Sports Facility	477		477		477	New	Unspecified	£477k approved by Cabinet in January 2019 with delegation to spend further S106 contributions when received.	
	50 S106 Public Art Bond Street	44		44	112	44	New	Yes	Approved by delegation February 2019.	
	51 S106 Stonebridge Illuminations	37		37		37	New	Yes	Approved by delegation April 2019.	
112	52 CIL REFCUS Schemes 18/19			0		112	No	Completed	Various schemes approved July 2018. Revenue Expenditure Funded by Capital Under Statute (REFCUS)	
	52a CIL REFCUS Schemes 19/20	72		72	112	72	New	Yes	Scheme approved April 2019 £72k. Revenue Expenditure Funded by Capital Under Statute (REFCUS)	
	53 CIL Sutherland Lodge Refurbishment	525		525		525	525	Under Review	Approved Council July 2017.	
	54 CIL North Avenue Youth Centre Grant	41		41		41	41	Yes	Approved CIL funding April 2018.	
100	55 CIL Langton Avenue Community Centre	100		100		100	100	Completed	Approved CIL funding April 2018.	

		TABLE 1										
		Latest Approved Budget - Approved Council February 2019 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval							
Spend to 31st March 2019			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Previously Reported to Audit Committee December 2018	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative		
£000s		SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s	£000s				
	56	CIL St Andrew's Scout Hut Building	80		80		80	80	Yes	CIL funding approved Cabinet October 2018 scheme to be included in capital programme approved by February Council 2019.		
7	57	High Chelmer Multi Storey Car park (HCMSCP) Movement Joints	105		105		105	105	No	Approved at Council February 2017. Scheme will not complete until September 2018 as there have been other priorities. These works are now being carried out with the drainage works and should be completed by 31/3/19.		
6	58	HCMSCP Drainage Improvements	31		31		31	31	No	Approved at Council February 2018.		
99	59	HCMSCP Guard Rails	96	3	99		99	96	Completed	Approved at Council February 2017.		
49	60	Enabling Role - Housing	3,841	-3,604	237		237	237	Under review	Budget reduced as vired to fund temporary accommodation - see scheme no. 5. The remaining balance is for a previously agreed payment to CHP. It is not anticipated that this budget will be spent until 2020/21.		
62,627		Grand Total	42,977	47,895	90,872	-109	90,763	72,312				
					Net Variation	-109						
		TABLE 2										
		Summary of Changes Since Previous Audit Committee Report December 2018										
								£000's				
		Previously reported to Audit Committee December 2018						72,312				
		New Schemes Approved						13,885				
		Supplementary Estimates Approved for Existing Schemes						4,675				
		Total Approved Budget						90,872				
		Latest Forecast Variations shown above (Increased Budgets Require Approval)						-109				
		Latest Forecast Budget May 2019						90,763				

[illegible]

CAPITAL ASSET ROLLING/REPLACEMENT PROGRAMME																	
TABLE I																	
2018/19										2019/20							
2018/19 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE VARIATIONS FROM LATEST APPROVED ESTIMATE										2019/20 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE PROJECTED VARIATIONS FROM LATEST APPROVED PROGRAMME AND REQUESTS FOR NEW BUDGETS							
VARIATION FROM 2018/19 BUDGET ONLY										2019/20 BUDGET							
Analysis of Variations										Variations							
Spent to 31/03/19	CAPITAL ASSET REPLACEMENT PROGRAMME	Original Approved Estimates for 2018/19	Additional/ Reduced (-) Approved Budget	Reason for Change - see Key Below	Latest Approved Estimates for 2018/19	Change in Scheme Phasing	More/Less (-) Than Approved Budgets	Variance for 2018/19 Additional Budget	Outturn 2018/19	Original Approved Estimate 2019/20	Additional/ Reduced (-) Approved Budget	Reason for Change - see key below	Latest Approved Estimate for 2019/20	Re phasing from 2018/19 - Requires Approval	More/Less(-) Than Approved Budgets - More Requires Approval	New Budget Asset Replacements Requires Approval	Total Proposed Budget Requirement for 2019/20
£000's	SCHEME DESCRIPTION	£000s	£000s		£000s	£000s	£000s	£000s	£000s		£000s		£000s	£000s	£000s	£000s	£000s
	Director of Corporate Services																
489	1 Digital Services Replacement Programme	583	-60	SEN, PV, PH	523	-25	-9	-34	489	443	249	PH,PV	692	25	-78		639
25	2 Leisure Management System	35			35	-10		-10	25				0	10			10
1	3 Theatres' Fire Alarm Replacement	75	-65	PH	10	-9		-9	1		65	PH	65	9	13		87
35	4 Theatres' Equipment	35			35			0	35				0				0
2	5 Oaklands Museum Security Upgrades	2			2			0	2				0				0
	Director of Financial Services																
	No Schemes	0			0			0	0				0				0
	Director of Public Places																
41	6 CCTV Replacement Equipment	107	-66	PH, PV	41			0	41	15	50	PH	65				65
8	7 CCTV Replacement Cameras	66	-50	PH	16	-8		-8	8		50	PH	50	8			58
	8 CCTV Forest Drive CIL	15		PH	15	-15		-15	0				0	15			15
165	9 Crematorium Equipment	171	-6	PH	165			0	165		6	PH	6				6
13	10 Columbarium	13			13			0	13				0				0
3	11 Civic Centre Alarm	150	-150	PH	0	3		3	3		150	PH	150	-3	46		193
	12 Civic Centre Boiler Flues				0			0	0	32			32				32
	13 Civic Centre Building Management System				0			0	0	50			50				50
	14 Dovedales Replacement Equipment	5	-5	PH	0			0	0		5	PH	5				5
	15 Riverside Replacement Equipment	30			30	-30		-30	0				0	30			30
184	16 Riverside Ice Rink Barrier	180	20	PV	200	-16		-16	184				0	16			16
15	17 CSAC Replacement Equipment	15			15			0	15	24			24				24
33	18 CSAC Track Refurbishment	38		PV	38		-5	-5	33	29			29				29
4	19 SWFLC Replacement Programme	5		PV	5		-1	-1	4	5			5				5
8	20 CSAC Plant Replacement	15	3	PV	18	-10		-10	8				0	10	1		11
5	21 SWFLC Plant Replacement	21	-14	PH	7	-2		-2	5		14	PH	14	2			16
	22 Riverside Plant Replacement	36	10	PV	46	-44	-2	-46	0				0	44			44
9	23 Hylands House Heating and M and E	10		PV	10		-1	-1	9				0				0
	24 Hylands Pavilion Audio Visual Equipment				0			0	0	57			57				57
195	25 Play Area Replacements	191	4	PV	195			0	195	247			247				247
14	26 Parks and Sports Grounds Heating Systems	17			17	-3		-3	14				0				0
	27 Sports Equipment, floodlights, Irrigation	0			0			0	0	10			10				10
48	28 Outdoor Gyms	55		PV	55		-7	-7	48				0				0
124	29 Parks Replacement Vehicles and Equipment	364	-193	PH, PV	171	-47		-47	124	164	209	PH,PV	373	47			420
	30 PHPS Vehicles - Litter Control Van				0			0	0	24			24				24
5	31 Freighter House Plant	20		PV	20	-10	-5	-15	5	58			58	10			68
	32 Freighter House Canopy Recycling Bays	0	13	SEN	13	-13		-13	0				0	13			13
3	33 Scootas for the Disabled	0	3	SEN	3			0	3				0				0
34	Retail Market Intruder Alarm	0			0			0	0	13			13				13
35	Retail Market LED Lighting	0			0			0	0	16			16				16
36	Bus Shelters	0	50	SEN, PH	50	-50		-50	0		30		30	50			80

Reasons for Variations Greater Than £25,000 in Asset Replacement Programme							
Scheme Description	Latest Approved Budget £000's	Estimated Budget Required £000's	Variation £000's	Variation Type	Percentage Change	Reason	
2018/19							
Director of Corporate Services							
I Digital Services Replacement Programme	523	489	-34	Underspend/Rephasing of spend	-6.50%	£9k saving on server replacements. £28k rephased to 2019/20 the unspent budget on the replacement desktop and laptops. £3k brought forward from the transformation hardware budget in 2019/20 as additional spend in 2018/19.	
Director of Public Places							
15 Riverside Replacement Equipment	30	0	-30	Rephasing of spend	-100.00%	Budget rephased to 2019/20 as equipment delivery delayed due to the later date for the completion of Riverside redevelopment works.	
22 Riverside Plant Replacement	46	0	-46	Rephasing of spend	-100.00%	Budget rephased to 2019/20 as works to replace the LED lighting in the ice rink have been delayed due to the later completion date for the Riverside redevelopment works.	
29 Parks Replacement Vehicles	171	124	-47	Rephasing of spend	-27.49%	Service Manager has rephased a further £47k for the acquisition of various vehicles and plant to 2019/20 as delivery has been delayed until April.	
36 Bus Shelters	50	0	-50	Rephasing of spend	-100.00%	There has been a delay in procuring the bus shelters as the original company ceased trading. The work will not be completed until 2019/20.	
43 Food Waste Collection Vehicles	199	0	-199	Rephasing of Spend	-100.00%	These vehicles did not achieve the agreed delivery date and therefore the budget has been rephased to 2019/20.	
46 Disabled Facility Grants	650	546	-104	Underspend	-16.00%	There is always a difficulty in determining the spend against this budget as it is driven by referrals through Essex County Council. In order to facilitate the spending of the grant in future years, a contribution has been made to ECC from the 2018/19 budget for an additional Occupational Therapist to process applications.	
47 PLACE Funding (Empty Homes)	0	125	125	Underspend	100.00%	The Council acts as bank to a consortium of Councils and therefore it is not always known when there may be a request for funding.	
2019/20							
Director of Corporate Services							
I Digital Services Replacement Programme	692	639	-53	Underspend/Rephasing of spend	-7.66%	£25k rephased from 2018/19 see above for details and £78k removed from the budget for the replacement Financial Information System (FIS) as the spend for the licences has been recategorised as revenue.	
Director of Public Places							
11 Civic Centre Alarm	150	193	43	Overspend	28.67%	Service Manager has advised that the cost of the works is likely to increase.	
11 Riverside Replacement Equipment	0	30	30	Rephasing of spend	100.00%	Details as above	
22 Riverside Plant Replacement	0	44	44	Rephasing of spend	100.00%	Details as above	
29 Parks Replacement Vehicles	373	420	47	Rephasing of spend	12.60%	Details as above	
36 Bus Shelters	30	80	50	Rephasing of spend	166.67%	Details as above	
43 Food Waste Collection Vehicles	0	199	199	Rephasing of Spend	100.00%	Details as above	
47 PLACE Funding (Empty Homes)	0	25	25	Underspend	100.00%	The Council acts as bank to a consortium of Councils and therefore it is not always known when there may be a request for funding. However we have been advised that Hertsmere Council may be proceeding with a scheme which will require funding	

AUDIT COMMITTEE

18th June 2019

AGENDA ITEM 11

Subject	Audit Committee Annual Report 2018/19
Report by	DIRECTOR OF FINANCIAL SERVICES

Enquiries contact: Elizabeth Brooks, Audit Services Manager

elizabeth.brooks@chelmsford.gov.uk

Purpose

This report summarises the work that Audit Committee has undertaken during the financial year 2018/19 in line with CIPFA Guidance for Audit Committees 2018.

Recommendation(s)

1. Audit Committee are requested to note and agree the content of the 2018/19 Annual Report.

Corporate Implications

Legal:	<p>The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015).</p> <p>A number of recent legislative changes have emphasised the importance of the audit committee. Key developments include:</p> <ul style="list-style-type: none"> • the new Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) • updates to the PSIAS in 2016 and 2017 • the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)
Financial:	N/a
Personnel:	N/a
Risk Management:	The role of the Audit Committee in relation to risk management covers: assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and

	accountability for risks; keeping up to date with the risk profile and the effectiveness of risk management actions and; monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management.
Equalities and Diversity:	N/a
Health and Safety:	N/a
IT:	N/a
Other:	n/a

Consultees	Alison Chessell, Procurement and Risk Services Manager Councillor Clark, Chair of the Audit Committee
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Policies and Strategies

The report takes into account the following policies and strategies of the Council:

n/a

1.	<u>Introduction</u>
1.1	Audit Committees are a key component of the Council's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
1.2	The purpose of an audit committee is to provide those charged with governance in the Council independent assurance on the adequacy of the Council's risk management framework, internal control environment and the integrity of the financial reporting and governance process. By overseeing both internal and external audit, it makes an important contribution to ensuring that effective management arrangements are in place.
1.3	The recently published CIPFA document "Audit Committees: Practical Guidance for Local Authorities (2018)", outlines the core functions of the Audit Committee and advises how Audit Committees should demonstrate their independence and effectiveness. Part of this includes reporting regularly on their work, and at least annually reporting an assessment of their performance.
1.4	The attached report provides highlights from 2018/19 which outlines how the Audit Committee have discharged these responsibilities.
2.	<u>Conclusion</u>
2.1	The Audit Committee Annual Report 2018/19 is attached for Audit Committee to note and agree

List of Appendices

- Audit Committee Annual Report 2018/19

Background Papers

Nil

Audit Committee

Annual Report

2018/19

Introduction from the Chair of Audit Committee

I am pleased to present the Annual Report of the Audit Committee which outlines the Committee's work and achievements over the year ending 31st March 2019.

I hope that this Annual Report helps to demonstrate to the City's residents and the Council's other stakeholders the role that is carried out by the Audit Committee and the contribution that it makes to the Council's overall governance. All meetings are open to Members of the public.

To provide ongoing assurance over the Council's internal controls and systems, the Committee was attended during 2018/19 by the Audit Services Manager, Elizabeth Brooks, the Director of Finance, Amanda Fahey, the Procurement and Risk Services Manager, Alison Chessell, and the Accountancy Services Manager, Phil Reeves, as well as representatives from the Council's External Auditors. Other Council officers also attended Audit Committee during the year as requested.

I would like to express my thanks to those officers and Members who have supported the work of this Committee by presenting and discussing reports.

Cllr Dan Clark

June 2019

1. Overview

- 1.1. Audit Committees are a key component of the Council's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
- 1.2. The purpose of an Audit Committee is to provide those charged with governance in the Council, independent assurance on the adequacy of the Council's risk management framework, internal control environment and the integrity of the financial reporting and governance processes. By overseeing both Internal and External Audit, it makes an important contribution to ensuring that effective management arrangements are in place.
- 1.3. A number of recent legislative changes have emphasised the importance of the Audit Committee. Key developments include:
 - the new Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016)
 - updates to the Public Sector Internal Audit Standards (PSIAS) in 2016 and 2017
 - the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).
- 1.4. To this end, the Council's Audit Committee is an important source of assurance regarding the Council's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance.
- 1.5. As outlined in the CIPFA publication "Audit Committees: Practical Guidance for Local Authorities (2018)", the core functions of the Audit Committee are to:
 - Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the Council's objectives.
 - In relation to the Council's Internal Audit functions:
 - Oversee its independence, objectivity, performance and professionalism,
 - Support the effectiveness of the Internal Audit process
 - Promote the effective use of Internal Audit within the assurance framework.
 - Consider the effectiveness of the authority's risk management arrangements and the control environments. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues.
 - Monitor the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the authority's exposure to the risk of fraud and corruption.

- Consider the reports and recommendations of External Audit, and other inspection agencies where applicable, and their implications for governance, risk management or control.
- Support effective relationships between External Audit and Internal Audit, inspections agencies and other relevant bodies and encourage the active promotion of the value of the audit process.
- Review the financial statements, External Auditor's opinion and reports to Members, and monitor management actions in response to the issues raised by External Audit.

1.6. In addition, the CIPFA guidance advises that all Audit Committees should demonstrate their independence and effectiveness by:

- Acting as the principal non-executive advisory function supporting those charged with governance
- Being independent of both the executive and scrutiny functions
- Having clear rights of access to other committees e.g. Governance Committee
- Being properly accountable to Full Council
- Meeting regularly (at least four times a year) and have a clear policy on those items to be considered in private and considered in public
- Being able to meet privately and separately with the External Auditor and with the Audit Services Manager
- Including as regular attendees, the Director of Finance or substitute, the Audit Services Manager, and the appointed External Auditor.
- Reporting regularly on their work, and at least annually reporting an assessment of their performance. An annual public report should demonstrate how the committee has discharged its responsibilities.

2. Membership and Effectiveness

- 2.1. There were five meetings of the Committee during 2018/19 and details of the Committee's Membership are attached at Appendix A. The Audit Committee does not have any independent Members.
- 2.2. The work programme is based around the Committee's Terms of Reference, along with items requested during the year, and is reviewed at each Committee meeting. A list of the items that have been considered by the Committee is attached at Appendix B to the report.
- 2.3. The Committee is well supported by the Director of Finance (Section 151 Officer), Audit Services Manager, the Procurement and Risk Services Manager, the Accountancy Services Manager and External Audit (BDO from September 2018).
- 2.4. The Committee's Terms of Reference has been updated and refreshed in line with CIPFA guidance: Audit Committees (2018) and this is attached at Appendix C.

- 2.5. The agendas for the Committee's meetings are published on the Council's website not later than five clear days before the date of each meeting. The minutes of each meeting are also published on the website as soon as possible after each meeting has taken place. The agendas for meetings may be accessed from: Committees and Panels - Chelmsford City Council.

3. Good Governance and the Annual Governance Statement

- 3.1. Governance is defined in Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) as follows: *Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.*
- 3.2. As outlined in CIPFA publication "Audit Committees: Practical Guidance for Local Authorities (2018)", the overall aim of good governance is to ensure that:
- resources are directed in accordance with agreed policy and according to priorities
 - there is sound and inclusive decision making
 - there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 3.3. Good governance is ultimately the responsibility of the governing body, as well as those with leadership roles and statutory responsibilities in the organisation, including the Chief Executive, the Director of Finance and the Monitoring Officer. In Local Government, the governing body is the Full Council. The Audit Committee should play a key role in supporting the discharge of these responsibilities by providing a high-level focus on audit, assurance and reporting.
- 3.4. The Council's Annual Governance Statement (AGS) forms part of the Council's Statement of Accounts and its purpose is to provide assurance regarding the Council's governance arrangements and the extent to which the Council complies with its Local Code of Corporate Governance.
- 3.5. The Audit Committee reviewed the Annual Governance Statement for 2017/18 jointly with Governance Committee in June 2018. Progress on outstanding governance issues from 2017/18 were noted along with areas identified for 2018/19, such as Riverside, Digital Transformation, Local Plan, Housing Transformation and Museum redevelopment.

4. Internal Audit

- 4.1. The original audit plan for 2018/19 was approved by Audit Committee in March 2018.
- 4.2. During 2018/19, Audit Committee received several reports from Internal Audit, updating them on Internal Audit progress against the plan and high-risk issues identified. This included Internal Audit's Annual Report for 2017/18 which

provided an overall annual opinion of “moderate” assurance and the Interim Annual Report 2018/19.

4.3. The Audit Committee approved the Internal Audit Charter in March 2019.

4.4. Public Sector Internal Audit Standards

4.4.1. The Public Sector Internal Audit Standards (PSIAS) requires an External Quality Assessment (EQA) to be carried out at least once every five years by a qualified independent assessor from outside the organisation. In September 2018, the Audit Committee received the outcome of Internal Audit’s EQA undertaken by an independent assessor, Gateway Assurance.

4.4.2. The assessment noted that:

- The Internal Audit provision within Chelmsford City Council complies with the expectations of the PSIAS.
- Following significant changes to the Internal Audit section during 2017/18, the team responded well to the introduction of the PSIAS by introducing new practices and a risk-based approach to its work and were increasingly working to a common methodology for delivery of Internal Audit services that is consistent with the international professional standards and those within the UK public sector.
- The service does adopt a risk-based approach through the development of its own risk assessment at a strategic planning level, and at an assignment level through recognition of risks which are agreed and documented in consultation with auditees; the terms of reference is considered to be a strength.
- It is hoped that the anticipated development of wider Council risk management, aligned with the new Corporate Plan, will further allow the enhancement of the recognition of risk as a basis for Internal Audit work. In this respect, it has been recommended that future opinions and recommendations relate directly to agreed risk definitions within the Council, once established. In addition, increasing transparency within the Council regarding the inherent risks being faced, and upon those controls in place and assurances available, would allow Internal Audit to clearly define risks and key mitigating controls and therefore provide a robust basis for communication with managers and with other assurance providers.

4.4.3. Findings and recommendations were raised by the assessor and the action plan was presented to Audit Committee in September 2018. A follow up of Internal Audit’s progress against the action plan will be presented to Audit Committee in September 2019.

5. Risk Management

- 5.1. The role of the Council's Risk Management function is to assist the Council to identify, understand and manage risks to its objectives. In January 2019, the Council initiated a project to refresh its risk management framework.
- 5.2. Audit Committee received a presentation on the proposed approach to the risk management framework in December 2018, that included the secondment of an officer from Internal Audit to Risk.
- 5.3. In March 2019, a further update on the project was provided. The initial phase of the project has focussed on: project planning and resources; familiarisation with and housekeeping on Pentana, the Council's Risk and Performance Management System; consultation with current Pentana users; consultation with Internal Audit and specialist risk functions across the Council (including Information Governance and Business Continuity Planning); and development of a revised Risk Management Strategy for the Council for 2019-20.
- 5.4. Additional (originally unplanned) duties have included: development and maintenance of the Council's UK Exit Impact Log (referred to in the Cabinet report of 5th March 2019); and involvement in the early scoping for the Council's forthcoming Cyber Risk Management Strategy.
- 5.5. Further activities scheduled until the end of the first project quarter (to 31 March 2019) included further consultation with Management Team on a revised Risk Management Strategy and the form and content of the Council's new Principal Risk Register
- 5.6. Audit Committee will receive risk management updates biannually during 2019/20.

6. Countering Fraud and Corruption

- 6.1. The Fraud Investigations Annual Report was presented to Audit Committee in March 2019, which also set out the Corporate Fraud Team's strategy and approach:
 - To provide an efficient and effective Counter Fraud resource that supports the Council's Anti-Fraud and Corruption Strategy by carrying out a planned programme of work to help prevent and detect fraud and provide resources to investigate suspected fraud cases. The team provides resources for the prevention and detection of fraud across all areas of Council services. The Council believes that this level of staffing is commensurate with the levels of risk.
 - To contribute to the commitment of keeping Council Tax low by preventing and detecting frauds which deliberately target and affect the Authority's tax base.
 - To ensure that the Council adopts an innovative approach to the delivery of its services and that they are not comprised by fraud and corruption.

- 6.2. The Committee were also informed about the work of the Council's Senior Financial Investigation Officer and were provided with a summary of his role and the past year of work, including the collaborative work with other local authorities. The Committee were informed that various costs had been received due to the work of the team and that percentages of funds claimed back for other authorities was received by the Council.

7. External Audit and Financial Reporting

- 7.1. The outgoing External Auditors (Ernst and Young) presented their Audit Results Report 2017/18 in July 2018 to Audit Committee in accordance with the provisions of the International Standard on Auditing (ISA) 260. The report covered two key areas, namely the Accounts for 2017/18 and the Value for Money conclusion. Audit Committee were advised that the External Auditors found no significant weaknesses or material errors that had not been adjusted in the accounts. This meant that the Council's Accounts met the statutory requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice. The Audit Committee approved the 2017/18 Statement of Accounts on 17th July 2018.
- 7.2. Audit Committee were, however, advised that based on their findings, the External Auditors issued a qualified Value for Money conclusion relating to the Digital Transformation Programme. They also reviewed another of the Council's major projects, the Riverside Leisure Redevelopment and concluded that the Council's arrangements for the management of that project were adequate and were therefore satisfied that the weaknesses identified in relation to the Digital Transformation Programme were not reflective of wider governance weaknesses in the Council.
- 7.3. The External Auditors are also required to produce an Annual Audit Letter that sets out their findings on the Council's Financial Statements and whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Audit Committee received this Letter in September 2018 which reflected the above conclusions.
- 7.4. In September 2018, the Council's External Auditors changed to BDO. In March 2019, BDO presented their 2018/19 Annual Audit Plan to Audit Committee summarising their assessment of the key risks driving the development of an effective audit for Chelmsford City Council and outlined their planned audit strategy in response to those risks.

8. Digital Strategy

- 8.1. Updates on the Council's progress in its Digital Strategy (Digital Transformation Programme), as one of the Council's key risks, have been provided to Audit Committee during 2018/19 by the Director of Corporate Services and Digital Services Manager.
- 8.2. The Audit Committee have requested further financial information in relation to the Programme which will be presented in June 2019.

9. Housing Transformation and Modular Units

9.1. Updates on the Council's Housing Transformation and Modular Units have been provided to Audit Committee during 2018/19 by the Director of Finance.

10. Training and Development

10.1. Training and development has been provided to Members of the Audit Committee since its inception. In recent years Members have received training on final accounts, benefit fraud, the role of the Audit Committee, Local Government finance changes, External Audit, IT risks, local authority accounts, governance and risk management and fraud and irregularities.

10.2. In addition to normal Member involvement, Members also volunteer to specialise in particular activity areas as follows:

Area of knowledge	Officer Contact
Financial Planning	Amanda Fahey
Risk Management and Pentana	Alison Chessell
Insurance	Alison Chessell
Procurement	Alison Chessell
Investigations	Alison Chessell
Revenue Accounting	Phil Reeves
Financial Rules	Phil Reeves
Treasury Management	Phil Reeves
Capital Accounting	Sue Jones
Annual Accounts	Zuzana Clarke
Annual Governance Statement	Zuzana Clarke
Internal Audit	Elizabeth Brooks
External Audit	External Audit

Membership of Audit Committee 2018/19

Councillor Malcolm Watson – Chair

Councillor Stephen Robinson – Vice Chair

Councillor Alan Chambers

Councillor Jenny Chandler

Councillor John Galley

Councillor Christine Garrett

Councillor Barry Knight

Councillor Ray Ride

Audit Committee Work Programme 2018/19

June 2018

- Revenue Monitoring Outturn
- Capital Programme Update and Outturn
- Audit Committee Annual Report 2017/18
- Internal Audit Annual Report 2017/18
- Audit Committee Terms of Reference
- (joint with Governance Committee) Review of Annual Governance Statement

July 2018

- Digital Transformation Update
- External Audit Results Report 2017/18
- Update on Housing Services and Modular Units

September 2018

- Digital Transformation Update
- Revenue Budget Monitoring
- External Audit Annual Audit Letter
- Internal Audit External Quality Assessment

December 2018

- Digital Transformation Update
- Update on Housing Services and Modular Units
- Capital Programme Update and Monitoring
- External Audit Certification of Claim and Returns Annual Report
- Risk Management Update
- Internal Audit Interim Annual Report 2018/19
- Music Festival at Hylands Park

March 2019

- Digital Transformation Update
- External Audit Annual Audit Plan 2018/19
- Revenue Budget Monitoring
- Internal Audit Plan 2019/20
- Internal Audit Charter
- Risk Management Update
- Annual Investigations Report
- Accounting Policies for 2018/19 Statement of Accounts

Audit Committee Terms of Reference

Statement of Purpose

1. Our Audit Committee is a key component of Chelmsford City Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
2. The purpose of our Audit Committee is to provide independent assurance to the Members (and others charged with governance in Chelmsford City Council e.g. Governance Committee) of the adequacy of the risk management framework and the internal control environment. It provides independent review of Chelmsford City Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees Internal Audit and External Audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, Risk and Control

3. To review the Council's corporate governance arrangements against the 'Good Governance Framework' including the ethical framework and consider the Local Code of Governance.
4. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
5. To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
6. To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
7. To monitor the effective development and operation of risk management in the Council.
8. To monitor progress in addressing risk-related issues reported to the Audit Committee.
9. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
10. To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
11. To monitor the counter-fraud strategy, actions and resources.
12. To review the governance and assurance arrangements for significant partnerships or collaborations

Internal Audit

13. To approve the Internal Audit Charter.
14. To review proposals made in relation to the appointment of external providers of Internal Audit services and to make recommendations.
15. To approve the risk-based Internal Audit plan, including Internal Audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
16. To approve significant interim changes to the risk-based Internal Audit plan and resource requirements.

17. To make appropriate enquiries of both management and the Audit Services Manager to determine if there are any inappropriate scope or resource limitations.
18. To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Audit Services Manager. To approve and periodically review safeguards to limit such impairments.
19. To consider reports from the Audit Services Manager on Internal Audit's performance during the year, including the performance of external providers of Internal Audit services. These will include:
 - a) Updates on the work of Internal Audit including key findings, issues of concern and action in hand as a result of Internal Audit work
 - b) Regular reports on the results of the Quality Assurance and Improvement Programme
 - c) Reports on instances where the Internal Audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether non-conformance is significant enough that it must be included in the Annual Governance Statement.
20. To consider the Audit Services Manager's annual report:
 - a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of Internal Audit.
 - b) The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the Audit Committee in reviewing the Annual Governance Statement.
21. To consider summaries of specific Internal Audit reports as requested.
22. To receive reports outlining the action taken where the Audit Services Manager has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
23. To contribute to the Quality Assurance and Improvement Programme and in particular to the external quality assessment of Internal Audit that takes place at least once every five years.
24. To consider a report on the effectiveness of Internal Audit to support the Annual Governance Statement as required to do so by the Account and Audit Regulations (Regulation 6) which requires an annual review of the effectiveness of the Council's system of Internal Audit. The findings of the review of the effectiveness must be considered as part of the Audit Committee's view of the system of internal control.
25. To provide free and unfettered access to the Audit Committee Chair for the Audit Services Manager, including the opportunity for a private meeting with the Audit Committee.

External Audit

26. To support the independence of External Audit through consideration of the External Auditor's annual assessment of its independence and review of any issues raised by the PSAA.
27. To consider the External Auditor's annual letter, relevant reports, and the report to those charged with governance.
28. To consider specific reports as agreed with the External Auditor
29. To comment on the scope and depth of External Audit work and to ensure it gives value for money
30. To commission work from Internal and External Audit.
31. To advise and recommend on the effectiveness of relationships between External and Internal Audit and other inspection agencies or relevant bodies.

Financial Reporting

32. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statement or from the audit that need to be brought to the attention of the Council.
33. To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability Arrangements

34. To report to those charged with governance on the Audit Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangement, and internal and External Audit functions.
35. To report to Full Council on a regular basis the Audit Committee's performance in relation to the terms of reference and effectiveness of the Audit Committee in meeting its purpose.
36. To publish an annual report on the work of the Audit Committee.

AUDIT COMMITTEE
18th June 2019

AGENDA ITEM 12

Subject	Audit Committee Terms of Reference 2019
Report by	DIRECTOR OF FINANCIAL SERVICES

Enquiries contact: Elizabeth Brooks, Audit Services Manager
elizabeth.brooks@chelmsford.gov.uk

Purpose

This report outlines revised Terms of Reference for the Audit Committee in line with the recently published CIPFA document "Audit Committees: Practical Guidance for Local Authorities (2018)".

Recommendation(s)

1. Audit Committee are requested to note and agree the Terms of Reference for 2019.

Corporate Implications

Legal:	<p>The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015).</p> <p>A number of recent legislative changes have emphasised the importance of the audit committee. Key developments include:</p> <ul style="list-style-type: none"> • the new Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) • updates to the PSIAS in 2016 and 2017 • the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)
Financial:	None
Personnel:	None
Risk Management:	The scope of Internal Audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management and outside parties (e.g. External Audit) on the

	adequacy and effectiveness of governance, risk management, and control process for Chelmsford City Council.
Equalities and Diversity:	None
Health and Safety:	None
IT:	None
Other:	None

Consultees	Chair of the Audit Committee
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Policies and Strategies

The report takes into account the following policies and strategies of the Council:

n/a

1. Introduction

- 1.1 Audit Committees are a key component of the Council's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management
- 1.2 The purpose of an audit committee is to provide those charged with governance in the Council independent assurance on the adequacy of the Council's risk management framework, internal control environment and the integrity of the financial reporting and governance process. By overseeing both internal and external audit, it makes an important contribution to ensuring that effective management arrangements are in place.
- 1.3 The recently published CIPFA document "Audit Committees: Practical Guidance for Local Authorities (2018)", outlines the core functions of the Audit Committee and advises how Audit Committees should demonstrate their independence and effectiveness. To this end, the publication provides a recommended template for Audit Committees to adopt to ensure they are performing at an optimal level.

2. Conclusion

- 2.1 The Audit Committee Terms of Reference, which is in line with best practice, is attached for Audit Committee to note and agree. There are no material changes from 2018.

List of Appendices

- Audit Committee Terms of Reference

Background Papers

Nil

Audit Committee

Terms of Reference

Statement of Purpose

1. Our Audit Committee is a key component of Chelmsford City Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
2. The purpose of our Audit Committee is to provide independent assurance to the Members (and others charged with governance in Chelmsford City Council e.g. Governance Committee) of the adequacy of the risk management framework and the internal control environment. It provides independent review of Chelmsford City Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees Internal Audit and External Audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, Risk and Control

3. To review the Council's corporate governance arrangements against the 'Good Governance Framework' including the ethical framework and consider the Local Code of Governance.
4. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
5. To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
6. To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
7. To monitor the effective development and operation of risk management in the Council.
8. To monitor progress in addressing risk-related issues reported to the Audit Committee.
9. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
10. To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.

11. To monitor the counter-fraud strategy, actions and resources.
12. To review the governance and assurance arrangements for significant partnerships or collaborations

Internal Audit

13. To approve the Internal Audit Charter.
14. To review proposals made in relation to the appointment of external providers of Internal Audit services and to make recommendations.
15. To approve the risk-based Internal Audit plan, including Internal Audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
16. To approve significant interim changes to the risk-based Internal Audit plan and resource requirements.
17. To make appropriate enquiries of both management and the Audit Services Manager to determine if there are any inappropriate scope or resource limitations.
18. To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Audit Services Manager. To approve and periodically review safeguards to limit such impairments.
19. To consider reports from the Audit Services Manager on Internal Audit's performance during the year, including the performance of external providers of Internal Audit services. These will include:
 - a) Updates on the work of Internal Audit including key findings, issues of concern and action in hand as a result of Internal Audit work
 - b) Regular reports on the results of the Quality Assurance and Improvement Programme
 - c) Reports on instances where the Internal Audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether non-conformance is significant enough that it must be included in the Annual Governance Statement.
20. To consider the Audit Services Manager's annual report:
 - a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of Internal Audit.
 - b) The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the Audit Committee in reviewing the Annual Governance Statement.
21. To consider summaries of specific Internal Audit reports as requested.
22. To receive reports outlining the action taken where the Audit Services Manager has concluded that management has accepted a level of risk that may be

unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

23. To contribute to the Quality Assurance and Improvement Programme and in particular to the external quality assessment of Internal Audit that takes place at least once every five years.
24. To consider a report on the effectiveness of Internal Audit to support the Annual Governance Statement as required to do so by the Account and Audit Regulations (Regulation 6) which requires an annual review of the effectiveness of the Council's system of Internal Audit. The findings of the review of the effectiveness must be considered as part of the Audit Committee's view of the system of internal control.
25. To provide free and unfettered access to the Audit Committee Chair for the Audit Services Manager, including the opportunity for a private meeting with the Audit Committee.

External Audit

26. To support the independence of External Audit through consideration of the External Auditor's annual assessment of its independence and review of any issues raised by the PSAA.
27. To consider the External Auditor's annual letter, relevant reports, and the report to those charged with governance.
28. To consider specific reports as agreed with the External Auditor
29. To comment on the scope and depth of External Audit work and to ensure it gives value for money
30. To commission work from Internal and External Audit.
31. To advise and recommend on the effectiveness of relationships between External and Internal Audit and other inspection agencies or relevant bodies.

Financial Reporting

32. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statement or from the audit that need to be brought to the attention of the Council.
33. To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability Arrangements

34. To report to those charged with governance on the Audit Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangement, and internal and External Audit functions.

35. To report to Full Council on a regular basis the Audit Committee's performance in relation to the terms of reference and effectiveness of the Audit Committee in meeting its purpose.
36. To publish an annual report on the work of the Audit Committee.

AUDIT COMMITTEE

18th June 2019

AGENDA ITEM 13

Subject	Internal Audit Annual Report 2018/19
Report by	DIRECTOR OF FINANCIAL SERVICES

Enquiries contact: Elizabeth Brooks, Audit Services Manager

elizabeth.brooks@chelmsford.gov.uk

Purpose

This report summarises the work that Internal Audit has undertaken during the financial year 2018/19, identifies the key themes that we have identified across the Council and also highlights how responsive management have been in implementing recommendations. We have also undertaken a review of the effectiveness of Internal Audit and provided an update on progress against our IA Strategy.

Recommendation(s)

1. Audit Committee are requested to note the content of the 2018/19 Annual Report, including the Annual Opinion and the basis on which this opinion is based.

Corporate Implications

Legal:	<p>The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015).</p> <p>As well as Public Sector Internal Audit Standards (PSIAS), the Internal Audit section will govern itself by adherence to mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing and the Definition of Internal Auditing. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of Internal Auditing and for evaluating the effectiveness of Internal Audit's performance</p>
Financial:	n/a
Personnel:	n/a

Risk Management:	The scope of Internal Audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management and outside parties (e.g. External Audit) on the adequacy and effectiveness of governance, risk management, and control process for Chelmsford City Council.
Equalities and Diversity:	n/a
Health and Safety:	n/a
IT:	n/a
Other:	n/a

Consultees	Procurement and Risk Services Manager Management Team received the Internal Audit Annual Report 2018/19 on 22 nd May 2019.
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Policies and Strategies

The report takes into account the following policies and strategies of the Council:

n/a

1. Introduction

- 1.1 The provision of a continuous internal audit service assists the Council in providing assurance on the control environment that support the delivery of the Council's strategy.
- 1.2 The Internal Audit Annual Plan for 2018/19 was approved by Audit Committee in March 2018. This report summarises the work that Internal Audit has undertaken during the financial year 2018/19, identifies the key themes that we have identified across the Council and also highlights how responsive management have been in implementing recommendations. We have also undertaken a review of the effectiveness of Internal Audit and provided an update on progress against our IA Strategy.
- 1.3 The Public Sector Internal Audit Standards (PSIAS) require that the Audit Services Manager provides an annual audit opinion and report that can be used by the organisation to inform its governance statement in respect of the adequacy and effectiveness of the organisation's framework of internal control, risk management and governance.

2. Conclusion

- 2.1 Audit Committee are requested to note the content of the 2018/19 Annual Report, including the Annual Opinion and the basis on which this opinion is based.

List of Appendices

- Internal Audit Annual Report 2018/19

Background Papers

Nil



Internal Audit

Annual Report

2018-19

1. Introduction

1.1. Purpose of this report

- 1.1.1. This report summarises the work that Internal Audit has undertaken during the financial year 2018/19 and provides details on the high risk and priority issues which could impact on the effectiveness of the internal control environment, risk management and governance arrangements across the Council.

1.2. The Role of Internal Audit

- 1.2.1. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The purpose of Chelmsford City Council's Internal Audit section is to provide independent, objective assurance and consulting services to the Council (via the Audit Committee, Chief Executive, Section 151 Officer, External Audit and senior managers), relating to these arrangements, which are designed to add value and improve the Council's operations. The Council's response to Internal Audit activity should lead to the strengthening of the control environment.
- 1.2.2. Each year, we seek to adapt and enhance our audit approach in order to take in to account the Council's risk profile and changes in the system of internal control. This ensures that our work remains focused on the areas of high risk and seeks to avoid duplication of effort, where there are other sources of assurance in operation, for example, External Audit.
- 1.2.3. Internal Audit remains free from all conditions that threaten the ability of the Council's Internal Auditors to carry out their responsibilities in an unbiased manner, including matter of audit selection, scope, procedures, frequency, timing and report content. If the Audit Services Manager determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties. This has not arisen for 2018/19. The Council's Internal Auditors also maintain an unbiased mental attitude that allows them to perform engagements objectively. Internal Auditors have had no direct operational responsibility or authority over any of the activities audited.
- 1.2.4. Our Internal Audit Charter was presented to Senior Management and Audit Committee in March 2019 and will continue to be updated and appended to the annual Internal Audit Plan each year.

1.3. Overview of the Internal Audit Approach

- 1.3.1. The Public Sector Internal Audit Standards (PSIAS) require that the Audit Services Manager provides an annual audit opinion and a report that can be used by the organisation to inform its governance statement in respect of the overall adequacy and effectiveness of the organisation's framework of governance, risk management and internal control.
- 1.3.2. This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations set out in Appendix C. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.
- 1.3.3. Internal audit work was performed in accordance with the Council's Internal Audit methodology which is in conformance with the PSIAS.
- 1.3.4. The responsibility for fraud investigation and the position of Senior Financial Investigations Officer, as well as the responsibility for risk management and the position of Risk Manager, is under the remit of the Procurement and Risk Services Manager at Chelmsford City Council. The Audit Services Manager and Procurement and Risk Services Manager work closely with one another to share risk information and align approaches to provide combined assurance to the Council.

1.4. Overview of work done in the year

- 1.4.1. The original audit plan for 2018/19 was approved by Audit Committee in March 2018. The Internal Audit Team was made up of the following resources during 2018/19: 1.0 FTE Audit Services Manager; one Senior Auditor (0.8 FTE) - seconded to the Council's Risk Management Project as Risk Manager from January 2019; one Senior Auditor - returned from maternity leave in January 2019 on a 0.5 FTE basis; the remaining Senior Auditor (1.0 FTE) joined the team in January 2019. The Internal Audit team has also been supported by a co-sourcing agreement with PWC, delivering 90 days internal audit work.
- 1.4.2. Internal Audit has communicated closely with senior management and the Audit Committee to ensure that audit reviews undertaken represent a focus on high risk areas, in the light of new and ongoing developments, to ensure the most appropriate use of our resources.
- 1.4.3. The final number of projects delivered in 2018/19 was 24 (19 reviews and 5 formal follow ups) after taking into account reviews that were cancelled or deferred by management to 2019/20 (see Section 5). In comparison, 15 audits were completed in 2017/18.

2. Internal Audit Opinion

- 2.1. Internal Audit is satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.
- 2.2. In assessing the level of assurance to be given, the following has been considered:
- All audits undertaken in the year
 - Any follow up action taken in respects of audits from previous periods
 - The effects of any significant changes in the Council's systems or objectives
 - Any limitations which may have been placed on the scope of internal audit
 - The extent to which resource constraints may impact on the Audit Service's Manager ability to meet the full needs of the organisation
 - The results of work performed by other assurance providers, such as External Audit.

OVERALL OPINION

Moderate Assurance – overall the Council's systems for control, risk and governance are generally adequate with some improvement required to address areas of weakness and non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk. Please see our Summary of Findings in Section 3.

Internal Audit reached this conclusion because medium risk rated weaknesses identified in individual assignments are not significant in aggregate to the system of internal control, high risk rated weaknesses identified in individual assignments are isolated to specific system or processes, and none of the individual assignment reports have an overall classification of critical risk and/or no assurance. This opinion has been derived from consideration of the detail below.

An explanation of the types of opinion that may be given can be found in Appendix A.

3. Summary of Findings

3.1. Report Classification and Number of Findings

3.1.1. The table below shows the report classifications for the risk-based audits undertaken and risk and control advice provided in 2018/19.

Directorate	Substantial Assurance	Moderate Assurance	Limited Assurance	No Assurance	Control Advice Only	In Progress (due to be finalised June 2019)	Total
Cross-Cutting	-	-	3	-	-	1	4
Corporate Services	-	2	-	-	2	-	4
Finance & Housing	-	4	1	-	-	-	5
Public Places	-	2	-	-	1	-	3
Sustainable Communities	-	1	-	-	2	-	3
Total	0	9	4	0	5	1	19

3.2. Key themes identified in 2018/19

The Internal Audit Opinion considers the number of limited assurance reports issues and their overall impact on the control environment. A summary of the key issues arising from these reports is presented below, grouped into key themes.

3.2.1. Governance

The following areas are considered to be important in relation to governance arrangements across the Council. To this end, they are also highlighted as areas to address in the Council's Annual Governance Statement 2018/19.

Report	Key Issues
Digital Strategy Programme (Management Letter – indicative Limited)	<p>The objective of this audit was to review key elements of the CRM programme (as part of the wider Digital Strategy), including review of its risk management and governance arrangements. This followed from the 2017/18 value for money review of the Council's Digital Transformation Programme by the Council's External Auditors, Ernst and Young, as part of their Audit Results Report for year ended 31st March 2018, which identified weaknesses in the project management, governance, risk management, financial monitoring and reporting in the programme. As a result, a number of changes were made to the CRM part of the programme and governance arrangements.</p> <p>Internal Audit noted the efforts and improvements made by Digital Strategy and that there are reasonable controls in place relating to the governance and quality assurance aspects of the CRM Programme in its current status and size and early in its life cycle. However, there are some actions which should be taken to further strengthen these controls as the Council's wider digital programme scales. Given the significance of investment in the Digital Strategy, the findings are indicative of a 'limited assurance' opinion. The Council has subsequently engaged with an external consultant with the aim of undertaking an assessment of the Digital Strategy and it is understood that this work will cover the risks identified. Internal Audit will continue to monitor the Council's progress to ensure the risks identified are mitigated.</p>
Cyber Security (Management Letter – indicative Limited)	<p>The following high priority issues were highlighted: lack of Cyber Security Strategy and lack of formal risk management framework to identify Cyber Security risks, although it is noted that the latter is being addressed by the Council during a wider refresh of its risk management approach in 2019. A further two medium priority findings were raised for Digital Services consideration relating to IT policies and procedures and Information Security controls. Internal Audit noted that Digital Services will be revisiting all its policies and practices, which is expected to take place in 2019 once the Council has migrated fully to O365. Digital Services have also recommended that the Disaster Recovery/Business Continuity Plans are updated at this time. In addition, the Council has subsequently engaged with a Cyber Security Consultant to review policy, procedures and the cyber security strategy.</p>
Corporate Property (Management Letter – indicative Limited)	<p>Internal Audit noted that significant improvements to recordkeeping within Corporate Property are underway with the introduction of a revised asset register, a new tenancy management register, and an ongoing project to standardise and digitalise supporting documentation. A series of measures are also being taken to improve the commerciality and reduce the administrative burden of certain types of transactions with a view to improved cost recovery and freeing up staff time to work on more significant projects.</p>

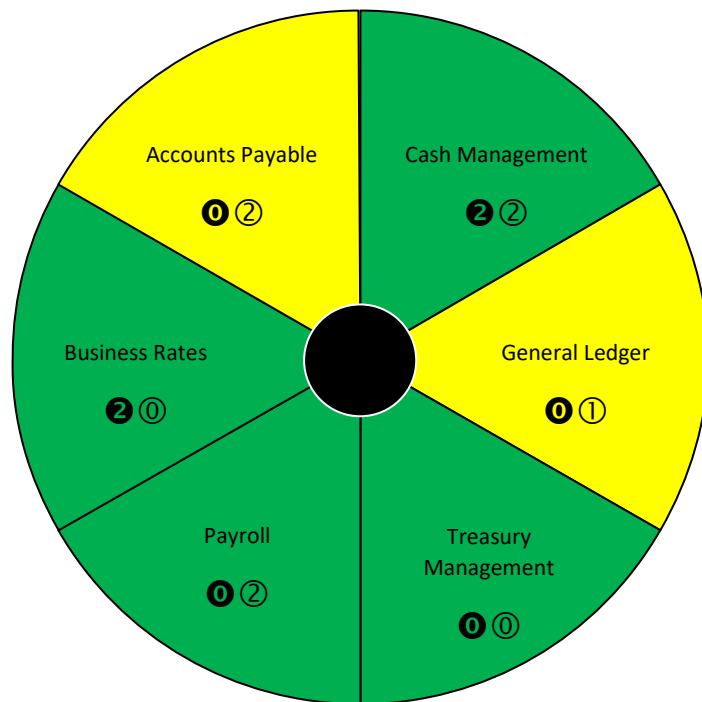
3.2.2. Bribery and Corruption

Report	Key Issues
Conflicts of Interest – Identification and Management (Limited)	<p>Two high-priority findings were noted in relation to identifying conflicts of interest before procurement exercises and the framework to proactively identify and manage wider potential bribery and corruption risks. A further seven medium-priority findings related to the governance and administration of (mostly staff) declarations. The 'limited assurance' rating arises due to the level of inherent risk associated with the potential for bribery and corruption involving staff with more significant financial or other decision-making powers. It should be noted that this opinion is based upon potential risk only due to identified weaknesses in the control framework (which are now being addressed) and that no concerns relating to actual or perceived conflicts were identified during the audit.</p>

3.3. Key Financial Systems (KFS)

3.3.1. The KFS programme is a key indicator of the overall strength of the underlying control environment. Each year Internal Audit carries out reviews of the Council's fundamental financial systems. The key financial systems reviewed during 2018/19 were: Cash Management; Accounts Payable; General Ledger, Treasury Management, Payroll and Business Rates.

3.3.2. The 2018/19 overall opinion rating for the key financial systems was 'moderate' assurance i.e. the key controls in the Council's financial systems reviewed continue to operate effectively based on the sample testing performed. The wheel below summarises the number and priority of findings; further detail can be found in Section 4. In addition, the follow ups for Income and Debtors and Petty Cash showed a good rate of implementation and positive action taken by management in response to the original reports. Petty Cash originally attracted a limited assurance rating. While some issues with petty cash were identified during the main Key Financial Systems audit and recommendations made accordingly, given the reduction of petty cash accounts to just three areas in the council and the low value of petty cash findings, this is felt to now represent a low risk to the Council.



3.4. Other Risk Areas and Sources of Assurance

3.4.1. Risk Management Framework

The role of the Council's risk management function is to assist the Council to identify, understand and manage risks to its objectives. In January 2019, the Council initiated a project to refresh its risk management framework. A revised Risk Management Strategy was presented to Management Team in April 2019 and will be recommended to Audit Committee for approval in September 2019. A new risk reporting format (including revised criteria for risk assessment) has been agreed to facilitate regular reporting of the Council's Principal Risks to Management Team and Members. As the revised framework is rolled out, Directorate risk registers will capture risks at local level.

The use of Pentana, the Council's risk and performance management system, is also being refreshed as part of the Risk Project. Following the planned relaunch of the Risk and Assessment modules, further work is being scheduled to support the roll out of Service Plans and performance indicators underpinning the new Corporate Plan.

Risk Management and Internal Audit continue to align approaches and work closely to ensure delivery of robust and consistent assurance across the Council.

3.4.2. Internal Audit View on the Risk of Fraud

Although the responsibility for fraud investigation and for the position of Senior Financial Investigations Officer transferred to the Procurement and Risk Services Manager as of 1st April 2017, it is pertinent for the Audit Services Manager to have a view on risk of fraud to the Council. The history of fraud at Chelmsford was discussed with the Senior Financial Investigations Officer and it is noted that there is a low incidence of reported fraud for an authority of this size.

The Council's most significant area for potential fraud continues to be Council Tax and Council Tax Support. Data matching exercises are regularly undertaken with a view to reducing fraud but clearly these remain high-risk areas. The Council use both the National Fraud Initiative and the Pan Essex Information Sharing project to help detect and address SPD fraud and fraud generally. In common with other districts, other areas of greater risk relate to Business Rates, the housing waiting list (Tenancy Fraud) and any income stream involving cash. There are, however, currently no large scale specific actual, suspected or alleged cases of fraud affecting the Council.

The Fraud Investigations Annual Report for 2017/18 was presented to Audit Committee in March 2019.

3.4.3. Information Security

The Council's GDPR action plan was considered as part of individual scopes in other 2018-19 reviews (e.g. Cyber Security, CCTV) with some findings identified, which will be addressed through their action plans. A wider review of the Council's compliance with GDPR is included on the audit plan for 2019/20.

3.4.4. Riverside and Museums

Internal Audit is providing control advice on new processes and procedures in May 2019 in line with opening of new centres; the capital expenditure elements of the projects will be reviewed as part of 2019/20 audit plan.

4. Results of Individual Assignments *(listed in order of priority of findings)*

Directorate	Report Title	Assurance Rating	Critical	High	Medium	Low
Cross-Cutting	Digital Strategy Programme	n/a management letter (indicative Limited)	0	4	3	0
Finance & Housing	Corporate Property	n/a management letter (indicative limited)	0	3	2	0
Cross-Cutting	Cyber Security	n/a management letter (indicative Limited)	0	2	2	0
Cross-Cutting	Conflicts of Interest	Limited	0	2	7	2
Cross-Cutting	Use of Agency Staff	TBC	TBC	TBC	TBC	TBC
Sustainable Communities	Car Parks (from 2017/18)	Moderate	0	1	2	1
Public Places	CCTV	Moderate	0	1	1	1
Public Places	Hylands House	Moderate	0	0	7	2
Finance & Housing	Housing Rents	Moderate	0	0	6	3
Corporate Services	Pre-Employment Vetting	Moderate	0	0	5	1
Finance & Housing	Procurement Cards	Moderate	0	0	3	2
Finance & Housing	Voluntary Organisations	Moderate	0	0	3	2
Corporate Services	Corporate Events	Moderate	0	0	2	2
Finance & Housing	Key Financial Systems: <ul style="list-style-type: none"> • Business Rates • Cash and Bank • General Ledger • Treasury Management • Accounts Payable • Payroll 	Overall Moderate	n/a			

Directorate	Report Title	Assurance Rating	Critical	High	Medium	Low
Corporate Services	Electoral Services	n/a - control advice	n/a	n/a	n/a	n/a
Corporate Services	Theatres	n/a - control advice	n/a	n/a	n/a	n/a
Public Places	Emergency Planning	n/a – control advice	n/a	n/a	n/a	n/a
Sustainable Communities	Community Infrastructure Levy	n/a control advice	n/a	n/a	n/a	n/a
Sustainable Communities	SEPP	n/a - the work of Internal Audit in relation to the certification solely related to the verification of figures in the accounting statements and view of supporting documentation.				

5. Deferrals/Cancellations

The original 2018-19 Audit Plan also included the following:

- **GDPR** - the Council's action plan was considered as part of individual scopes in other 2018-19 reviews (e.g. Cyber Security, CCTV). A wider review of the Council's compliance with GDPR is included on the audit plan for 2019/20.
- **GDPR (Data Protection Clauses in Contracts)** - this is currently work in progress by the Procurement and Risk Services Manager and has therefore been deferred to 2019/20 to allow for conclusion of this work.
- **Safeguarding** – deferred to 2019/20 at management request
- **Health and Safety** – superseded by wider corporate risk management work. To include in 2020/21 plan.
- **Design of Dynamics** – not applicable for 2018/19, will defer to 2019/20 if required.
- **Museums** – deferred to May 2019 at management's request (see 3.4.4 above)
- **Procurement and Supplier Management** – Procurement Cards reviewed in 2018/19 (see above); wider review of implementation of new procurement rules deferred to 2019/20 to allow time for embedding.
- **Universal Credit** - on hold due to wider national delays.
- **Temporary Accommodation** - deferred to 2019/20 at management request
- **Homelessness** - deferred to 2019/20 at management request
- **MTFS/Savings/Budgetary Control** – deferred due to resource limitations
- **Riverside** - deferred to 2019/20 at management's request (see 3.4.4 above)
- **Housing Grants and Loans** – deferred to 2019/20 at management request.
- **Fleet Management and Parks and Open Spaces** – deferred to 2019/20 due to resource limitations.
- **S106** – deferred to 2019/20 due to resource limitations

6. Management's Response to Implementing Audit Recommendations

- 6.1. A key measure of success and a strong internal control environment is timely implementation of recommendations. All planned audit work undertaken is subject to a formal follow up to ensure that all agreed actions have been implemented.
- 6.2. Performance relating to the implementation of recommendations during 2018/19 is tabled below. In summary, there was a good rate of implementation, with no critical/high priority recommendations outstanding on follow up.

Directorate	Audit Title	Original Assurance Rating	Implemented	Outcome
Corporate Services	Member and Officer Expenses	Acceptable*	Yes	In the previous report, eight recommendations (four important/high and four advisory/medium priority) were made. Our follow up audit revealed that six recommendations have been implemented, with the remaining two recommendations (one important/high and one advisory/medium) superseded. The important/high recommendation has been covered by the implementation of a separate recommendation and the advisory/medium recommendation is covered by policy already in place.
Corporate Services	Whistleblowing	Substantial	Yes	In the previous report, two recommendations (one high and one medium priority) were made. Our follow up audit revealed that both recommendations have been fully implemented.
Sustainable Communities	Local Land Charges	Substantial	Yes	In the previous report, one important/high priority recommendation was made. Our follow up audit revealed that this recommendation has been implemented and management are satisfied that any significant increase in fees cannot be justified at the present time.
Corporate Services	Commercial Hires	Moderate	Yes	In the previous report, two recommendations (one high and one medium priority) were made. Our follow up audit revealed that both recommendations have been implemented.
Corporate Services	Pre-Employment Vetting	Moderate	Yes	In the previous report, six recommendations (five medium priority and one low priority) were made. Our follow up audit revealed that the five medium priority recommendations have been fully implemented; and the remaining low risk recommendation, relating to obsolete information on the website, has been partially implemented with a revised target date of July 2019.

**Acceptable was assurance rating used prior to November 2017; current equivalent is Moderate assurance.*

The follow ups for the following previous year's audits were included as part of the scope for 2018/19 audits; no outstanding recommendations were identified:

- Corporate Events (Corporate Events)
- Income and Debtors (Key Financial Systems)
- Petty Cash (Key Financial Systems)

The following IT Audit follow ups were deferred to 2019/20 at management request due to wider digital changes. These will be followed up in Q2 2019/20.

- ICT Security of Assets; ICT Availability of Data and Infrastructure; ICT Security of Information; ICT Integrity of Data Processing

7. Review of the Effectiveness of Internal Audit

7.1. Our performance against Key Performance Indicators (KPIs) used to demonstrate the effectiveness of the internal audit function during 2018/19 is shown in the table below.

KPI	Target	Result 2018/19	Comments
Audit Plan delivered to Draft Report Stage by 31st March:	90%	94%	Internal Audit missed the 100% target by one final report relating to Use of Agency Staff which was not issued by 30 th April due to wider discussion required to agree actions.
Audit Plan delivered to final report stage by 30 th April:	100%	94%	
Completion of follow ups for applicable audit reports within financial year	100%	100%	
Audit areas where the indicative level of assurance has improved from no assurance/ limited assurance at the follow-up stage	90%	n/a	Only one report was issued with a limited assurance rating in 2017/18 – Petty Cash. The follow up for this was subsumed into the wider cash management scope for Key Financial Systems review and not subject to a separate follow up which would have formally re-assessed the indicative assurance rating. However, as outlined above, this is felt to now represent a low risk to the Council.
Customer Satisfaction results: overall average score of 4 or 3 (i.e. very good or good) each survey returned	100%	100%	Of the customer Satisfaction Surveys received, all achieved an overall score of good or very good. High scoring areas included usefulness of discussions, presentation and clarity of the report, fulfilment of scope and objectives and helpfulness and professionalism. All responses received said that Internal Audit had added value and improved the control environment. An annual satisfaction survey of Corporate Directors was also undertaken. Of the responses received, overall scoring rated IA as good.
Compliance with Public Sector Internal Audit Standards (PSIAS)	100%	100%	Internal Audit received an External Quality Assessment in July 2018, which confirmed that “the internal audit provision within Chelmsford City Council complies with the expectations of the Public Sector Internal Audit Standards”

7.2. Quality assurance and improvement programme

PSIAS require that Internal Audit develops and maintains a quality assurance and improvement programme that covers all aspects of the internal audit activity. Periodic reviews of the quality of internal audit work completed internally and the Audit Services Manager reviews all draft and final reports. Planning and delivery of the Service (including this Annual Report) has been done in conformance with the requirements of the PSIAS.

Annual Opinion Categories

The table below sets out the four types of annual opinion that Internal Audit use, along with the types of findings that may determine the annual opinion given. The Audit Services Manager will apply their judgement when determining the appropriate annual opinion so the guide given below is indicative rather definitive.

Type of Annual Opinion	When to use this type of annual opinion
Substantial	<ul style="list-style-type: none"> Generally, only low risk rated weaknesses found in individual assignments; and None of the individual assignment report have an overall report classification of either high or critical risk
Moderate	<ul style="list-style-type: none"> Medium risk rated weaknesses identified in individual assignments that are <i>not significant in aggregate</i> to the system of internal control; and/or High risk rated weaknesses identified in individual assignments that are <i>isolated</i> to specific systems or processes; and None of the individual assignment reports have an overall classification of critical risk
Limited	<ul style="list-style-type: none"> Medium risk rated weaknesses identified in individual assignments that are <i>significant in aggregate but discrete</i> parts of the system of internal control remain unaffected; and/or High risk rated weaknesses identified in individual assignments that are <i>significant in aggregate but discrete</i> parts of the system of internal control remain unaffected; and/or Critical risk rated weaknesses identified in individual assignment that are <i>not pervasive</i> to the system of internal control; and A <i>minority</i> of the individual assignment reports may have an overall report classification of either high or critical risk.
No	<ul style="list-style-type: none"> High risk rated weaknesses identified in individual assignments that <i>in aggregate are pervasive</i> to the system of internal control; and/or Critical risk rated weaknesses identified in individual assignments that are <i>pervasive</i> to the system of internal control; and/or <i>More than a minority</i> of the individual assignment reports have an overall report classification of either high or critical risk.

Key to Assurance Levels in Individual Reports

No Assurance	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.
Limited	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High priority recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.
Moderate	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High priority recommendations would need to be mitigated by significant strengths elsewhere.
Substantial	There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be advice and best practice.

Key to Risk Ratings for Individual Findings in Reports

Critical	Life-threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale and service performance. Mass strike actions etc. Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny i.e. front-page headlines, TV. Possible criminal, or high profile, civil action against the Council, Members or officers. Cessation of core activities. Strategies not consistent with government's agenda. Trends show service is degraded. Failure of major projects. Elected Members are required to intervene. Major financial loss. Significant, material increase on project budget/cost. Statutory intervention triggered. Impact across the whole Council. Critical breach in laws and regulations that could result in material fines or consequences.
High	Serious injuries or stressful experience requiring medical attention/many workdays lost. Major impact on morale and performance of staff. Significant impact on the reputation or brand of the organisation. Scrutiny required by external agencies. Unfavourable external media coverage. Noticeable impact on public opinion. Significant disruption of core activities. Key targets missed; some services compromised. Management action required to overcome medium-term difficulties. High financial loss. Significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences.
Medium	Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale and performance of staff. Moderate impact on the reputation or brand of the organisation. Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage. Significant short-term disruption of non-core activities. Standing Orders occasionally not complied with, or services do not fully meet needs. Service action will be required. Medium financial loss. Small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences.
Low	Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale. Internal review, unlikely to have impact on the corporate image. Minor impact on the reputation of the organisation. Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule. Handled within normal day to day routines. Minimal financial loss. Minimal effect on project budget/cost. Minor breach in laws and regulations with limited consequences.

Limitations and Responsibilities

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems. Internal Audit shall endeavour to plan its work so that there is a reasonable expectation of detecting significant control weaknesses and, if detected, Internal Audit shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected. Accordingly, the examinations of Internal Audit should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless Internal Audit is requested to carry out a special investigation for such activities in a particular area.

Limitations inherent to the internal auditor's work

Internal Audit work has been performed subject to the limitations outlined below:

- **Opinion**

The opinion is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence, management and the Audit Committee should be aware that the opinion may have differed if the programme of work or scope for individual reviews was extended or other relevant matters were brought to Internal Audit's attention.

- **Internal control**

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

- **Future periods**

Internal Audits assessment of controls relating to Chelmsford Council is for the period 01/04/18 to 31/03/19. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- The degree of compliance with policies and procedures may deteriorate

Audit Strategy 2018 – 2021 (2019 Update)

The Internal Audit Strategy 2018/21 was presented to Management Team and Audit Committee in March 2018, setting out specific objectives and KPIs for Internal Audit to deliver against in order to achieve its purpose and mission as outlined in the Charter.

The Annual Report demonstrates how Internal Audit have achieved its overall objective per the Strategy during 2018/19 i.e. to deliver an independent and objective PSIAS compliant risk-based audit service, on time, to a high standard, which adds value and provides robust assurance on the Council's system of internal control and management of risk at operational, strategic and Member level.

Also, as outlined in section 7, Internal Audit achieved a good rate of meeting its annual KPIs and targets during the year.

In addition to the achievement of the standard objectives and KPIs, the Strategy further outlined the objectives to achieve between 2018 and 2021:

- **Enhance the annual planning process and Council-wide risk management framework to identify the highest priority strategic, operational, financial and regulatory risks to the organisation.**

This will be achieved by:

- Collaborating closely with risk management and Council-wide managers to co-ordinate full coverage and assessment of the Council's risks and risk appetite
- Assessing Internal Audit input to Pentana to ensure that the data and information is pertinent to the assessment of the Council's risk and control framework. The Audit Services Manager will work closely with the Procurement and Risk Services Manager to agree a consistent and robust approach going forward.
- Develop an assurance map for Senior Management and the Audit Committee to ensure the Council has a structured means of identifying and mapping the main sources and types of assurance in the Council and coordinating them to best effect.

June 2019 Update

In January 2019 the Council initiated a project to refresh its risk management framework. A revised Risk Management Strategy was presented to Management Team in April 2019 and will be recommended to Audit Committee in September 2019. A new risk reporting format (including revised criteria for risk assessment) has been agreed to facilitate regular reporting of the Council's Principal Risks to Management Team and Members.

The use of Pentana (previously Covalent) is also being refreshed as part of the Risk Project. Following the planned relaunch of the Risk and Assessment modules, further work is being scheduled to support the roll out of Service Plans and performance indicators underpinning the new Corporate Plan.

Risk Management and Internal Audit continue to align approaches and work closely with one another to ensure delivery of robust and consistent assurance across the Council.

The outputs from the risk project will be utilised by Internal Audit to inform its 2020/21 plan and ensure the Council's emerging risks are considered in Internal Audit work, as well as sharing intelligence from audit work with risk to inform the Council's risk registers. In due course, the development of an assurance will be explored.

- **Ensure that Internal Audit is compliant with GDPR requirements.**
 - Implement the Document Retention policy and apply to existing paper files and computer documents.
 - Ensure adequate information sharing protocols have been implemented where audit outputs need to be shared outside of the Council e.g. audit contractor, external audit etc
 - Ensure audit staff are trained and aware of GDPR requirements in relation to own practices and within audit work.

June 2019 Update

Internal Audit's Document Retention policy has been implemented and applied to existing paper files and computer documents as part of a major data cleanse prior to migration to SharePoint. This has also been mirrored on Pentana. A review will take place annually to ensure that only documents are held per our retention policy.

Given staffing changes within the team, a review of training requirements will be undertaken to ensure all staff are trained and aware of GDPR requirements in relation to own practices and within audit work.

- **Identify the critical skill and create a training and development strategy to ensure Internal Audit delivers their mission and objectives.**

This will be achieved by:

- Performing a skills assessment to understand the necessary skills required to deliver against the potential audit activities across the Council.
- Develop a training and development programme for audit staff, which also aligns with CPD and encourages continual learning.
- Pursue a co-sourced arrangement with suitable provider that encourages a partnering and development approach.

June 2019 Update

CPD records and skills matrix are held for all members of the team. Given staffing changes within the team, a review of training/CPD requirements will be undertaken to ensure all staff are trained and aware of GDPR requirements in relation to own practices and within audit work.

The co-source arrangement with PWC will continue for 2019/20 which provides contingency for audit delivery in case of gaps in-house as well as provision of specialist skills such as IT and Cyber Security.

AUDIT COMMITTEE

18th June 2019

AGENDA ITEM 14

Subject	REVIEW OF TRAINING TOPICS AND ROLLING PROGRAMME OF WORK
Report by	DIRECTOR OF FINANCIAL SERVICES

Enquiries contact: Elizabeth Brooks, Audit Services Manager

elizabeth.brooks@chelmsford.gov.uk

Purpose

This report updates:

- the training proposed for members of this Committee; and
- the rolling programme of work for this Committee.

Recommendation(s)

- That the proposed training for 2019/20 is agreed
- That the Areas of Knowledge Member / Officer contact schedule is agreed
- That the rolling programme of work for the Committee is agreed.

Corporate Implications

Legal:	<p>The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015).</p> <p>A number of recent legislative changes have emphasised the importance of the audit committee. Key developments include:</p> <ul style="list-style-type: none"> • the new Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) • updates to the PSIAS in 2016 and 2017 <p>the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)</p>
Financial:	N/a
Personnel:	N/a
Risk Management:	<p>The role of the Audit Committee in relation to risk management covers: assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risks; keeping up to date with the risk profile and the effectiveness of risk management actions and; monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management.</p>
Equalities and Diversity:	N/a
Health and Safety:	N/a

IT:	N/a
Other:	n/a

Consultees	n/a
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Policies and Strategies n/a

1. Introduction

1.1 It is important that the Audit Committee has sufficient skills to discharge its duties. The Council provides training to Audit Committee members on key topics that form part of the duties under their Terms of Reference.

1.2 The Audit Committee also works to a standard programme of work to ensure that their work is spread evenly across meetings, as far as possible, and to ensure that core reports are produced at the appropriate time within the Council's reporting timetable.

2. Audit Committee Skills and Training

2.1 In addition to normal Member involvement, Members have previously volunteered to specialise in particular activity areas; Audit Committee are requested to consider if they would like to continue this.

Area of knowledge	Member 2019/20	Officer Contact
Financial Planning		Amanda Fahey
Risk Management and Pentana		Alison Chessell
Insurance		Alison Chessell
Procurement		Alison Chessell
Investigations		Alison Chessell
Revenue Accounting		Phil Reeves
Financial Rules		Phil Reeves
Treasury Management		Phil Reeves
Capital Accounting		Sue Jones
Annual Accounts		Zuzana Clarke
Annual Governance Statement		Zuzana Clarke
Internal Audit		Elizabeth Brooks
External Audit		External Audit

3 **Rolling Programme of Work**

3.1 Many of the reports submitted to this Committee are presented on a cyclical basis and can be timetabled for particular meetings. However, from time to time additional reports are requested which are presented to future meetings. The proposed rolling programme of work for this Committee for the next series of meetings is shown below.

24th July 2019

Sign-off 2018/19 Accounts	Director of Financial Services
International Standard on Auditing (ISA) 260 - requires the Council's External Auditors to report to those charged with governance those relevant matters arising from the audit prior to issuing the Statement of Accounts	BDO

25th September 2019

Revenue Monitoring	Director of Financial Services
External Audit Annual Audit Letter	BDO
Risk Management Update	Procurement and Risk Services Manager
Internal Audit EQA Follow Up	Audit Services Manager
Review of Training Session and Rolling Programme of Work	Audit Services Manager

18th December 2019

Certification of Claims Returns	BDO
Revenue Monitoring	Director of Financial Services
Capital Monitoring	
Internal Audit Interim Report 2019/20	Audit Services Manager
Anti-Fraud and Investigations Annual Report	Procurement and Risk Services Manager
Review of Training Session and Rolling Programme of Work	Audit Services Manager

18th March 2020

External Audit Annual Audit Plan 2019/20	BDO
Revenue Monitoring	Director of Financial Services
Internal Audit Plan 2020/21	Audit Services Manager
Internal Audit Charter 2020	
Risk Management Update	Procurement and Risk Services Manager
Review of Training Session and Rolling Programme of Work	Audit Services Manager

List of Appendices

Nil

Background Papers

Nil