



**PERFORMANCE OVERVIEW**

**AUDIT COMMITTEE MEETING DATE**

**2019/20**

**15 January 2020**

**CLASSIFICATION:**

**Open**

**WARD(S) AFFECTED**

**All Wards**

**Ian Williams, Group Director Finance and Corporate Resources**

## **1. GROUP DIRECTOR'S INTRODUCTION**

- 1.1. This overview provides an updated set of reports that were selected to be reviewed by the Audit Committee on a regular basis as part of the Committee's overview of the Council's performance. It provides an updated set of key performance indicators along with an update on risk management with a Corporate Scorecard (summarising the highest risks to the organisation as a whole), and some accompanying commentary on the Council's risk approach.
- 1.2. The report also sets out the latest capital programme monitoring with some enhanced analysis of the variances to budget. Further enhancements to this section of the report are anticipated over future reports as discussed at previous Audit Committees, specifically in relation to the financing of the programme.

## **2. RECOMMENDATION(S)**

### **2.1 The Audit Committee is recommended to:**

- **Consider the performance indicators presented in Appendix 1, the Risk Management Scorecard in Appendix 2 and the current capital monitoring update in Appendix 3 (all attached to this report).**

## **3. REASONS FOR DECISION**

- 3.1 The Audit Committee are deemed to be "those charged with governance" in respect of the Council's annual statement of accounts, treasury management strategy and other financial matters. As such, the Committee have asked for more overview of the Council's performance and risk management in order that they can be assured that value for money is being achieved and that they can fulfil their governance role in the widest sense.

## **4. BACKGROUND**

### **4.1 Policy Context**

The review of performance and the risks arising from the delivery of the capital programme are key areas for consideration of the Audit Committee in order for them to fulfil their overall governance role.

## **4.2 Equality Impact Assessment**

This report does not require an equality impact assessment.

## **4.3. Sustainability**

Not Applicable.

## **4.4 Consultations**

The Chair of the Audit Committee has been consulted along with the Head of Business Intelligence and Members Services, Cabinet Member for Finance and the Group Director of Finance & Corporate Resources.

## **4.5 Risk Assessment**

Not applicable

## **4.6 PERFORMANCE INDICATORS**

4.6.1 Audit Committee have over several meetings discussed their requirement to be able to consider the performance of the Council on an ongoing basis. This leads on from the role of the Committee to approve the annual accounts of the authority, agree and monitor treasury management strategy and to keep under review risk management across the Council.

4.6.2 A set of high level indicators have been developed and agreed by Committee. The attached report (Appendix 1) is a summary of the Indicators which were agreed. Consideration of these will help to strengthen the governance role of the Committee in its wider sense.

## **4.7 CAPITAL PROGRAMME MONITORING**

4.7.1 As part of the regular review of treasury management activity and approval of the annual Treasury Management Strategy, Audit Committee have sight of the capital financing requirement (underlying requirement to borrow) of the authority on an ongoing basis.

- 4.7.2 It has been noted by the Committee that the Council has moved from a debt free position to a substantial external borrowing position over the last few years, mainly due to the delivery of an ambitious capital programme that requires forward funding, pending future sales of private residential units on completion of regeneration and other mixed use development schemes.
- 4.7.3 Such a change brings additional risk to the delivery of the programme as well as potential impact on the finances of the Council. This risk arises mainly from two issues – potential volatility of the housing market affecting sales volume and value going forward, and increasing building costs as a result of the weaker GBP against other major currencies.
- 4.7.4 Audit Committee already receive quarterly updates on treasury management activity, including an overview of the level of investments and borrowing that have been undertaken by the Council to manage its cash flow position and ensure sufficient resources are available to meet the capital expenditure plans.
- 4.7.5 This reporting is now enhanced in this report to include an update on the main areas of the capital programme via inclusion of capital extract from the latest Overall Financial Position (OFP) Report to Cabinet. Work is underway that will enable us in future to supplement this with the latest forecast capital financing summary, thus allowing further insight into capital resources available to the Council and more detailed review of actual borrowing required.
- 4.7.6 It should be noted that the capital monitoring report to Cabinet and hence to Audit Committee now includes more discrete data regarding the actual delivery of the capital programme. This is in recognition that the previous reporting focused on the financial elements (i.e., actual outturn compared to budget expenditure) but did not give too much indication of progress of the schemes, although the RAG rating of individual schemes is intended to give a high level indication of this.
- 4.7.7 An extract from the latest OFP regarding the capital monitoring information is attached as **Appendix 3** to this report for information.

## 4.8 RISK MANAGEMENT

- 4.8.1 Audit Committee have over several meetings discussed their requirement to be able to also consider the wider picture of risk management within the Council on an ongoing basis. In addition to the Directorate and Corporate registers reviewed at Committee

meetings, it was felt some additional information and commentary would be helpful in painting a fuller picture and also increasing levels of assurance regarding how risks are identified and managed. At each meeting, an updated scorecard of the Corporate Risks will be presented, and this will form the main part **Appendix 2**. This will ensure a continual overview is supplied of the Council's strategic risks.

- 4.8.2 In order to provide some more information on project risk management, an appendix has also been included on the Britannia project which serves as a clear example of a more detailed project register. (**Appendix 4**)

#### 4.9 **CIPFA FINANCIAL MODEL**

CIPFA have also recently released a new code, the Financial Management Code (the Code), again partly in response to the financial issues that arose at Northamptonshire County Council. It sets out a range of measures and actions that should be in place in an authority to ensure stronger financial stewardship.

- 4.9.1 The brief at Appendix 5 provides a top level summary of the requirements of the code which must be followed from the April 2021, with the 20/21 financial year to be used as a measure of where the authority currently sits against its requirements. The detailed guidance notes in support of the Code are to be published in January 2020 and the Council will carry out a detailed analysis of the requirements and the Council's current standing against those in order that any gaps can be filled and current processes enhanced to ensure that the requirements are fully met by April 2021.

### 5. **COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES**

- 5.1 The contents of this report are a result of a number of discussions with the Chair and members of the Audit Committee regarding future enhanced performance reporting in order to strengthen the governance role of the Committee.
- 5.2 Officers will continue to work with the Chair and members of the Audit Committee, in conjunction with the Cabinet Member for Finance and the Head of Business Intelligence and Members Services, in order to enhance the reporting offer to ensure that it provides the strategic overview of Council performance and risk that the Committee require.

### 6. **COMMENTS OF THE DIRECTOR, LEGAL**

- 6.1 The Council has a general duty as a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness under the Local Government Act 1999, section 3.
- 6.2 The Audit Committee has the responsibility to consider the Council's arrangements to secure value for money and review the assurances and assessments on the effectiveness of these arrangements. This Report is part of those arrangements.

## APPENDICES

Appendix 1 - Performance Indicators

Appendix 2 - Corporate Risk Scorecard

Appendix 3 - Extract from OFP re Capital Monitoring

Appendix 4 – Brit Risk Register

Appendix 4 - CIPFA Financial Model

## BACKGROUND PAPERS

None

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