

Financial Scrutiny and Audit Committee

AGENDA

10 February 2015

2:00pm

	Page
1. To receive apologies for absence	
2. To note whether any items have been proposed as matters of urgent business	
3. To receive declarations of interest	
4. To receive and confirm the minutes of the Financial Scrutiny and Audit Committee meetings held on:	
23 September 2014 (herewith)	3 – 10
21 November 2014 (herewith)	11 – 14
5. Public Question Time	
To note whether any questions have been raised by members of the public	

FINANCIAL SCRUTINY

6. Investment Strategy Performance Six Monthly Report 2014/15	15 – 16
Report by Treasurer and Financial Adviser (herewith)	
7. Consolidated Income and Expenditure: 1 April to 30 November 2014 Actual and 2014/15 Forecast Outturn	17 – 28
Report by Head of Finance (to follow)	

AUDIT

8. Internal Audit Strategic and Annual Audit Plans 2015/16	29 – 39
Report by Head of Internal Audit Consortium (herewith)	
9. Audit Procurement	40 – 43
Report by Head of Internal Audit Consortium (herewith)	
10. External Audit	44 – 88
Report by Head of Finance (herewith)	

11.	Implementation of Internal Audit Recommendation and Summary of Progress Report by Head of Finance (herewith)	Page 89 – 94
OTHER MATTERS		
12.	National Parks UK Commercial Sponsorship Proposal Report by Chief Executive (herewith)	95 – 145
13.	To consider any other items of business which the Chairman decides should be considered as a matter of urgency pursuant to Section 100B (4) (b) of the Local Government Act 1972	
14.	To answer any formal questions of which due notice has been given	
15.	To note the date of the next meeting – Tuesday 7 July 2015 at 2.00pm at Yare House, 62-64 Thorpe Road, Norwich	
16.	Exclusion of the Public The Committee is asked to consider excluding the public from the meeting under section 100A of the Local Government Act 1972 for consideration of the item below on the grounds that it involves the likely disclosure of exempt information as defined by Paragraph 1 of Part 1 of Schedule 12A to the Act as amended, and that the public interest in maintaining the exemption outweighs the public benefit in disclosing the information	
17.	To receive and confirm the exempt minutes of the meeting held on 21 November 2014 (herewith)	

Contact officers are shown at the end of each report. Members are welcome to raise questions and make observations in advance of the meeting with the appropriate officer

Broads Authority

Financial Scrutiny and Audit Committee

Minutes of the meeting held on 23 September 2014

Present:

Mr G McGregor – Chair

Mr D Broad
Prof J A Burgess
Dr J S Johnson

In Attendance:

Mr T Adam – Head of Finance
Ms E Guds – Administrative Officer
Ms E Krelle – Financial Accountant
Ms A Long – Director of Planning and Resources
Mr J W Organ – Head of Governance and Executive Assistant

Also in Attendance:

Mr N Harris – Director, Ernst & Young
Ms E Hodds – Internal Audit Consortium Manager, Internal Audit
Ms J Penn – Treasurer and Financial Adviser
Mr D Riglar – Audit Manager, Ernst & Young

2/1 Apologies for Absence

Apologies for absence were received from Dr J Packman, Mr N Dixon and Mr P Durrant.

2/2 Matters of Urgent Business

There were no matters of urgent business.

2/3 Declarations of Interests

Members expressed declarations of interests as set out in Appendix 1 to these minutes.

2/4 To receive and confirm the minutes of the Financial Scrutiny and Audit Committee Meeting held on 8 July 2014 and 24 July 2014

Regarding minutes of the meeting held on 24 July 2014, **1/8 Strategic Response to National Park Grant Reduction – Update on Minor Organisational Restructure**, a member raised concern regarding the

Authority's intention to recruit a Solicitor and Monitoring Officer and queried whether there was a risk that the independence of the Solicitor and Monitoring Officer might be compromised by the fact that they would be reporting to the Chief Executive.

Members were assured that the line management of the Solicitor and Monitoring Officer by the Chief Executive in the other national park authorities and local authorities was the normal procedure.

The minutes of the meetings held on 8 July 2014 and 24 July 2014, following a minor amendment to formatting, were approved as a correct record and signed by the Chairman

2/5 Public Question Time

No question had been raised by members of the public.

2/6 Consolidated Income and Expenditure – 1 April to 31 July 2014 Actual and 2014/15 Forecast Outturn

The Committee received a report which provided details of the actual income and expenditure for the four month period to 31 July 2014 and a forecast of the projected expenditure at the end of the financial year (31 March 2015).

It was demonstrated that Income was slightly ahead but was expected to be in line with the total budget at year end with Private Tolls up and Hire Tolls down.

It was noted that expenditure funded from reserves was detailed in 2.3 and that, once reserves had been excluded, Operations expenditure was very much on profile but that there was an underspend on Planning and Resources budgets (as set out in 2.3 due to delayed projects and additional income) resulting in an overall favourable variance of £219,713 at the end of July.

Adjustments to the Forecast Outturn were detailed in table 3 where it was highlighted that significant movements related to cancellation of the Whitlingham Project and the movements in tolls, although the tolls adjustment offset one another.

Members were informed that the current forecast outturn position for the year suggested a deficit of £97K for the national park side and a surplus of £6K on navigation resulting in an overall deficit of £91K.

At the end of the year it was therefore anticipated that the navigation reserve balance would be restored to the recommended level of 10% of net expenditure. The impact of both the national park and navigation reserve balances was taken into account when preparing the budget and medium term financial strategy.

Members considered that the reduction in tolls in the hire boat industry was difficult to explain, especially as the revenue had increased and noted that a possible reason for the reduction could be the boating season getting shorter.

RESOLVED

that the report be noted.

2/7 Annual Governance Report 2013/14

Members received a report prepared by the External Auditors, Ernst & Young together with a draft Letter of Representation in connection with the Audit of Financial Statements for 2013/14 which was presented for consideration and approval by the Committee in order for it to be signed and sent to the External Auditors.

Members were reminded that the Authority was responsible for preparing and publishing its Statements of Accounts accompanied by the Annual Governance Statement and for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Members were informed that there were no matters arising from the specific risk-based work undertaken during the audit which needed to be reported.

The Auditors noted their thanks to officers for their cooperation and support during the audit, and the Committee was informed that an unqualified opinion and Audit Letter would be issued at the conclusion of the audit after the Statement of Accounts had been signed following the Broads Authority meeting on 26 September.

RESOLVED

- (i) that members note the Annual Governance Report 2013/14; and
- (ii) that members approve the Letter of Representation in connection with the Audit of the Financial Statements for 2013/14 to be signed by the Treasurer and Financial Adviser and the Chairman of the FSAC.

2/8 Implementation of Internal Audit Recommendations – Summary of Progress

The Committee received a report which updated them on progress in implementing Internal Audit recommendations arising out of audits carried out since 2013/14.

Members were informed that progress has been made on implementing outstanding recommendations from the previous report to Committee and no Internal Audits have been undertaken since last report.

It was reported that actions to deliver the only outstanding recommendation were underway and that this related to a review of aggregate spend with suppliers, which was underway for 2013/14 and would be undertaken annually as part of year-end work. In response to a question, members were reassured that the 36 suppliers identified for further review did not necessarily represent instances where there were issues with the procurement process, but rather the procurements were being reviewed to ensure that the optimum procurement approach had been adopted in each case.

RESOLVED

that the report be noted.

2/9 Audit Committee Self-Assessment Exercise 2014/15

Members were reminded that The Chartered Institute of Public Finance and Accountancy (CIPFA) advocated that it was good practice for Audit Committees to undertake regular self-assessments.

The Internal Audit Consortium Manager reported that it was the third time the Committee had undertaken this exercise and that the CIPFA's Audit Committee Self- Assessment Checklist focuses on six fundamental areas: Establishment, Operation & Duties; Internal Control; Financial Reporting &Regulatory Matters; Internal Audit; External Audit and Administration.

A query was raised regarding item 6.4 of the Audit Committee Self- Assessment Checklist as a member believed the question *'Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?'* should have been answered in the negative. Following a discussion, the Internal Audit Consortium Manager confirmed that she was satisfied with the answer being 'yes' as the Authority offered the mechanism for urgent business to be raised, and there had been occasions where this facility had been used in the past.

RESOLVED

that the completed Audit Committee Self- Assessment Checklist be noted.

2/10 Annual Review of Strategic Risk Register

Members received a report which appended the Authority's updated Strategic Risk Register for their comments.

It was explained that the recent Internal Audit of this area of activity had resulted in a recommendation to include an additional column to determine the risk level following the completion of all additional actions required and that this was to specifically identify those actions in future which would have a significant effect on mitigating/reducing levels of risk to allow resources to be prioritised accordingly.

Members also noted that the Risk Management arrangements for the year ending 31 March 2014 had received a good assurance.

Concern was raised regarding the process and timing involved with the proposed external consultation on the use of the National Parks name, on the basis that this could risk misrepresentation and damage to the Broads Authority's reputation. A member therefore proposed that a new category of risk (Reputational Risk) was included in the Risk Register with a risk (probability x severity) score of 4(P2S2) and that the current risk score concerning 'Ineffective Engagement with Key Partner/Stakeholders' was raised from 4 to 6 (P3S2).

The concerns and risks were discussed in full and the Committee considered that it would be premature to include the new risk and increase the current risk before the outcome of the agenda item 'Branding of the Broads' on the Broads Authority Committee Meeting was determined.

If considered necessary, the Committee would revert to reviewing the Risk Register again at the next meeting and if need be, an additional meeting could be arranged in order to reconsider the Risk Register in the light of the discussions regarding the "branding" of the Broads,

It was also considered that the proposal to shorten the timetable for the production of the Statement of Accounts, and associated earlier deadlines for External Audit work, from the accounts for 2017/18, could result in additional pressure on the Authority's limited resources, and increase the risk of misstatements in the Statement of Accounts.

RESOLVED

that the updated Strategic Risk Register be noted.

OTHER MATTERS

2/11 Procurement Strategy

Members received a report setting out details of an updated Procurement Strategy for the Authority which incorporated a number of changes in legislation and best practice not covered in the previous version. Members were made aware that although a major overhaul had taken place to make the strategy more useful and useable, most of the fundamental principles remained the same.

The key changes summarised in section 2 were highlighted to the members and the strategy had been consulted on with the Treasurer and Financial Adviser, Management Forum, Management Team and Budget Holders, with some amendments being incorporated as a result.

Following a query about whether the Committee had delegated authority to approve the Strategy, members were informed that although the draft Procurement Strategy could have been approved by officers, it was felt appropriate to present it to the Committee due to their previous scrutiny of procurement issues.

RESOLVED

that the draft Procurement Strategy be approved.

2/12 To consider any other items of business which the Chairman decides should be considered as a matter of urgency pursuant to Section 100B (4) (b) of the Local Government Act 1972

There were no further items of business which the Chairman decided should be considered as a matter of urgency pursuant to Section 100B (4) (b) of the Local Government Act.

2/13 To answer any formal questions of which due notice has been given

There were no formal questions of which due notice had been given.

2/14 Date of the next meeting

The next meeting of the Committee would be held on Tuesday 10 February 2015 at 2.00 pm at Yare House, 62-64 Thorpe Road, Norwich

2/15 Exclusion of the Public

that the public be excluded from the meeting under section 100A of the Local Government Act 1972 for consideration of the items below on the grounds that they involve the likely disclosure of exempt information as defined by Paragraphs 1 to 3 of Part 1 of Schedule 12A to the Act as amended, and that the public interest in maintaining the exemption outweighs the public benefit in disclosing the information.

2/16 Exempt minutes of the Financial Scrutiny and Audit Committee meeting held on 24 July 2014

The minutes of the meeting held on 24 July 2014 were approved as a correct record and signed by the Chairman.

2/17 Internal Audit Procurement Process – Update

Members received a report which set out details of the procurement process under the OJEU regulations which was being undertaken by South Norfolk Council to appoint a supplier for Internal Audit Services to the Internal Audit Consortium.

Members were made aware that the Internal Audit Consortium offers significant benefits to the Authority in providing a cost effective means of delivering an appropriate level of Internal Audit Activity.

Members were informed that as the procurement was still underway, no detail of specific bids was currently available, but the procurement timetable was for a decision to be made by all participating Authorities on 3 October in order to allow the contract to be awarded by South Norfolk. Therefore members were asked to delegate authority to officers to determine the preferred Internal Audit solution for the Authority, based on the final outcomes of the procurement.

RESOLVED

- (i) that the Authority subscribes to the overall outcome of the procurement process managed by South Norfolk Council; and
- (ii) that delegated authority be provided to the Head of Finance in consultation with the Management Team and the Treasurer to determine the model for delivery from the options set out in paragraph 3.1 of the report.

The meeting concluded at 3.00 pm

CHAIRMAN

APPENDIX 1

Declaration of Interests

Committee: Financial Scrutiny and Audit Committee

Date of Meeting: 31 July 2014

Name Please Print	Agenda/ Minute No(s)	Nature of Interest (Please describe the nature of the interest)	Please tick here if the interest is a Pecuniary Interest ✓
D Broad	4-17	Toll payer; Chairman of Navigation Committee; Great Yarmouth Port Consultative Committee	

Broads Authority

Special Meeting of Financial Scrutiny and Audit Committee

Minutes of the meeting held on 21 November 2014

Present:

Mr G McGregor – Chair

Mr D Broad
Prof J A Burgess
Mr P Dixon
Dr J S Johnson

In Attendance:

Mr T Adam – Head of Finance
Steve Birtles – Head of Safety Management
Ms E Guds – Administrative Officer
Ms A Long – Director of Planning and Resources
Mr J W Organ – Head of Governance and Executive Assistant
Dr J Packman – Chief Executive

3/1 Apologies for Absence

Apologies for absence were received from Mr P Durrant.

3/2 Matters of Urgent Business

An urgent matter regarding the Local Government Pay Award was raised and included on the agenda under item 3/10.

3/3 Declarations of Interests

Members expressed declarations of interests as set out in Appendix 1 to these minutes.

3/4 Public Question Time

No question had been raised by members of the public.

3/5 To consider any other items of business which the Chairman decides should be considered as a matter of urgency pursuant to Section 100B (4) (b) of the Local Government Act 1972

There were no further items of business which the Chairman decided should be considered as a matter of urgency pursuant to Section 100B (4) (b) of the Local Government Act.

3/6 To answer any formal questions of which due notice has been given

There were no formal questions of which due notice had been given.

3/7 Date of the next meeting

The next meeting of the Committee would be held on Tuesday 10 February 2015 at 2.00 pm at Yare House, 62-64 Thorpe Road, Norwich

3/8 Exclusion of the Public

RESOLVED

that the public be excluded from the meeting under section 100A of the Local Government Act 1972 for consideration of the items below on the grounds that they involve the likely disclosure of exempt information as defined by Paragraph 1 of Part 1 of Schedule 12A to the Act as amended, and that the public interest in maintaining the exemption outweighs the public benefit in disclosing the information.

3/9 Provision for Ill-health Retirement

Members received a report which provided details of an anticipated ill-health retirement.

RESOLVED

that the Committee endorsed the finalisation of a settlement agreement.

3/10 Local Government Pay Award 2014/15 to 2015/16

Members received a report which provided an update on the outcomes of the Local Government pay negotiations for 2014/15 and 2015/16. It also sought members' endorsement that such awards should be applied to all executive salaries in the intervening years between the formal more in-depth review of executive salaries conducted by the Broads Authority.

It was explained to the members that the National Joint Council (NJC) had reached an agreement which provided for a 2.2% pay award for the period 1 January 2015 to 31 March 2016 with no backdating and a one-off non-consolidated payment in December 2014 and April 2015 for all staff on salary points 5 to 49. As the Chief Executive and the Directors were above the NJC salary 49 cut-off-point, it was not considered appropriate for them to receive the non-consolidated payment.

Members were informed that the Chief Executive had authorised the NJC pay awards to be applied to the basic pay scale for Directors to maintain parity with the baseline comparator.

RESOLVED

that the Committee:

- (i) notes the outcome of the 2014/15 pay negotiations;
- (ii) agrees that the non-consolidated payment be made in full in December 2014 rather than split between December 2014 and April 2015 for staff between salary points 26 and 49;
- (iii) agrees that the non-consolidated payment is not applied to the Chief Executive or Directors, being above salary point 49;
- (iv) agrees that national pay awards be applied to the salary of the Chief Executive, in line with the approach adopted for Directors, to mitigate the impact of any pay “lag” with the national park comparator group arising between the formal reviews.

The meeting concluded at 3.55 pm

CHAIRMAN

APPENDIX 1

Declaration of Interests

Committee: Financial Scrutiny and Audit Committee

Date of Meeting: 21 November 2014

Name Please Print	Agenda/ Minute No(s)	Nature of Interest (Please describe the nature of the interest)	Please tick here if the interest is a Pecuniary Interest ✓
D Broad		Toll payer; Chairman of Navigation Committee; Great Yarmouth Port Consultative Committee	

Investment Strategy and Performance Six Monthly Report 2014/15
Report by Treasurer and Financial Adviser

Summary:	This report sets out details of the Authority's investment of surplus cash, including the investment principles adopted and performance during the six months to 30 September 2014 and includes a review of the performance in 2013/14.
Recommendation:	That the current arrangements regarding the investment of surplus cash are noted.

1 Introduction

- 1.1 It has been agreed with the Treasurer and Financial Adviser that a six monthly report on the performance of the Authority's investments will be presented to the Financial Scrutiny and Audit Committee, with a fuller 'year-end analysis' at the July meeting, and a mid-year progress report at the appropriate half year meeting.

2 Investment Principles and Performance

- 2.1 The investment of surplus cash is governed by a Service Level Agreement between the Broads Authority and Broadland District Council. The use of the Council reflects the limited treasury management knowledge and staff resources that exist within the Broads Authority.
- 2.2 Surplus cash sums are calculated by the Authority's Finance staff and transferred to Broadland's bank account. The Council then includes the investment of this cash with its own treasury management function. Cash flow requirements can result in transfers in both directions as the year progresses. The key facts for the six months to 30 September 2014 were:
- Opening balance £2.750 million.
 - Closing balance £3.750 million.
 - Highest sum £3.750 million.
 - Lowest sum £2.750 million.
- 2.3 There have been no withdrawals.

2.4 The figures for the previous year (2013/14) were:

- Opening balance £1.500 million.
- Closing balance £2.750 million.
- Highest sum £3.500 million.
- Lowest sum £1.500 million.

2.5 A transaction charge is made to cover the Council's costs involved in the administration of the investments (including bank charges for direct money transfers). For 2013/14 and 2014/15 the actual interest receivable by the Broads Authority was/is based on the actual interest received on Broadland's internal investments.

2.6 The sum paid over in 2013/14 was £19,120.44 based on internal monthly returns that ranged from 0.40% to 0.80%. Estimated interest earned for the period 1 April 2014 to 30 September 2014 is £14,146.73 based on monthly returns that ranged from 0.40% to 0.70%.

2.7 The Authority's Head of Finance also directly invested surplus funds on a fixed long term investment option during 2012/13 only. These investments matured in April 2013 and earned a sum of £18,300.

2.8 Including the relevant proportion of income from this fixed term investment, the total interest earned in 2013/14 was £21,546. Forecast interest for 2014/15 is £22,000.

2.9 Since the 2013/14 year end (31 March 2014), the Authority transferred a sum of £1,000,000 to the Council, bringing its total investment to £3,750,000. There are currently very low rates on offer for fixed term deposits, and the Authority has a greater need for cash flow flexibility having drawn down reserves in 2013/14. It is therefore not proposed to make any direct investments at present, and a larger balance will continue to be invested with the Council at this time.

2.10 It has been agreed (although Broadland's low risk appetite did mean that the Council had no exposure to Icelandic banks in 2008/09) that if the Council were to suffer credit risk exposure, any losses would be shared pro-rata between the two organisations. Broadland District Council is updating its Treasury Management Strategy but will be risk aware and ensure to the best of its ability the security of any investments from the Authority.

Background papers: None

Author: Jill Penn
Date of report: 23 January 2015

Broads Plan Objectives: None

Appendices: Nil

**Consolidated Income and Expenditure:
1 April to 30 November 2014 Actual and 2014/15 Forecast Outturn**
Report by Head of Finance

Summary: This report provides the Committee with details of the actual income and expenditure for the eight month period to 30 November 2014, and provides a forecast of the projected expenditure at the end of the financial year (31 March 2015).

Recommendation: That the report be noted.

1 Introduction

- 1.1 This financial monitoring report summarises details of the forecast outturn for the year, which provides members with a picture of expected activity for the full financial year as well as supporting proactive budget management by budget holders. This report provides details of consolidated expenditure for the whole Authority (National Park and Navigation).
- 1.2 Section 2 of this report and Appendix 1 provide details of actual income and expenditure to 30 November 2014.
- 1.3 Section 4 and Appendix 2 provide details of the forecast 2014/15 outturn (the expected actual expenditure position at the end of the financial year), compared to the latest available budget (LAB). The LAB represents the original budget for the year agreed by the Authority in March 2014, adjusted for known and approved budget changes. Further details of the LAB are set out in Section 3 below.

2 Overview of Actual Income and Expenditure

- 2.1 Within this report, actual income and expenditure is reported at summary / Directorate level, providing members with an overview of the Authority's position as set out in Table 1 below.

Table 1 – Actual Consolidated I&E by Directorate to 30 November 2014

	Profiled Latest Available Budget	Actual Income and Expenditure	Actual Variance
Income	(5,385,861)	(5,370,732)	(15,129)
Operations	1,905,174	2,044,582	(139,408)
Planning and Resources	2,030,326	1,813,722	216,604
Chief Executive	271,026	269,047	1,979
Projects, Corporate Items and Contributions from Earmarked Reserves	0	(98,247)	98,247
Net (Surplus) / Deficit	(1,179,335)	(1,341,628)	162,293

- 2.2 Core income is slightly behind the profiled budget as at the end of month eight, due to Private Tolls being significantly ahead of profile, but offset by Hire Tolls which are behind profile. At the end of the financial year it is currently anticipated that the net position on Tolls will be broadly in line with the total budget (with Private Tolls up and Hire Tolls down), and this position has been reflected in forecast outturn figures.
- 2.3 A net £98,247 of expenditure has been funded from reserves at the end of November, including the Authority's new Fen Harvester, the second replacement wherry, the Planning Inspectorate Site Specific Policy inspection activity, works to Mutford Lock, 2013/14 SDF grant payments, PRISMA works and the proceeds from the sale of the Thurne launch. Once this expenditure has been accounted for, the Operations revenue budget has moved into an overspend position when compared to the profiled budget. There is in particular now an overspend of approximately £48,000 in the Equipment, Vehicles and Vessels budget due mainly to timing differences in repairs and maintenance expenditure. A replacement pool vehicle for Construction and Maintenance, budgeted for in July, has been received in September. Excluding the use of reserves for the purchase of the Fen Harvester, there is an overspend of approximately £7,000 in Land Management at this point which is also due to timing differences.
- 2.4 However the underspend within Planning and Resources persist due to:
- Project expenditure behind profile, including within the main project budget and also Biodiversity Strategy. Some of these will relate to timing differences;
 - The cancellation of the Whitlingham development project;
 - An underspend within Finance budgets in respect of reduced insurance billing and the £10,000 contribution to joint National Park sponsorship work which has not yet been made;
 - Outstanding insurance and legal billing; and

- Significant success in securing additional income including planning fee income, strategy and projects grant and partnership income, and additional Visitor Centre / Yacht Station income.

2.5 Some of these variances will persist to the end of the year and have been reflected in forecast outturns as set out in Table 3. As a result of the above variances, the overall position as at 30 November 2014 is a favourable variance of £162,293 or 13.76% difference from the profiled LAB.

2.6 The charts at Appendix 1 provide a visual overview of actual income and expenditure compared with both the original budget and the LAB.

3 Latest Available Budget

3.1 The Authority's income and expenditure is being monitored against a latest available budget (LAB) in 2014/15. The LAB is based on the original budget for the year, with adjustments for known and approved budget changes such as carry-forwards and budget virements. Details of the movements from the original budget are set out in Appendix 2.

3.2 The use of the LAB format ensures that there is better visibility of budgets, providing members with clearer information about approved changes to the original budget and minimising the risk of distortions arising from approved in-year changes to the budget. The LAB facilitates scrutiny of budget management in that members are able to distinguish between planned budget changes and unplanned outturn variances.

3.3 Changes to the original consolidated budget for the year are set out in Table 2 below.

Table 2 – Adjustments to Consolidated LAB

	Ref	£
Original budget 2014/15 – deficit	21/03/14 Item 17 (BA)	15,495
Approved budget carry-forwards	11/07/14 Item 14 (BA)	94,237
Additional budget approved in-year for Stakeholder surveys	11/07/14 Item 13 (BA)	37,355
Additional budget approved in-year for National Park sponsorship work	11/07/14 Item 18 (BA)	10,000
LAB at 30 November 2014 – deficit		157,087

3.4 Taking account of the budget adjustments, the LAB therefore provides for a consolidated deficit of £157,087 in 2014/15 as at 30 November 2014.

4 Overview of Forecast Outturn 2014/15

- 4.1 Budget holders have been asked to comment on the expected expenditure at the end of the financial year in respect of all the budget lines for which they are responsible. These forecast outturn figures should be seen as estimates and they will be refined and clarified through the financial year.
- 4.2 As at the end of November 2014, the forecast outturn indicates:
- Income is expected to be broadly in line with budget, with total forecast income of £6,230,307.
 - Total expenditure is forecast to be £6,341,290.
 - The resulting deficit for the year is forecast to be £110,984.
- 4.3 Full details of the forecast outturn are set out in Appendix 2.
- 4.4 The forecast outturn expenditure takes account of adjustments to the LAB and in addition reflects the changes shown in Table 3. The forecast outturn anticipates a lower deficit than the £157,087 allowed for in the LAB.

Table 3 – Adjustments to Forecast Outturn

Item	£
Forecast outturn deficit reported to Financial Scrutiny and Audit Committee 23 September 2014	91,350
Adjustments reported to Broads Authority 21 November 2014	44,462
Adjustments reported to Broads Authority 23 January 2015	(12,484)
Increase forecast Hire Craft Toll income	(559)
Decrease forecast Private Craft Toll income	4,213
Increase forecast expenditure for NPS asset management costs	7,000
Decrease forecast expenditure to reflect actual Insurance costs	(15,000)
Decrease forecast expenditure to reflect new photocopying contract	(8,000)
Forecast outturn deficit as at 30 November 2014	110,984

5 Reserves

- 5.1 The Authority's earmarked reserves were rationalised in 2013/14 into a smaller number of reserves. Navigation reserve balances continue to be maintained separately from national park reserves. The balance of earmarked reserves at the end of November 2014 is shown in Table 4 below.

Table 4 – Consolidated Earmarked Reserves

	Balance at 1 April 2014	In-year movements	Current reserve balance
	£	£	£
Property	(568,100)	(8,567)	(576,667)
Plant, Vessels and Equipment	(217,282)	6,035	(211,247)
Premises	(138,723)	(15,000)	(153,723)
Planning Delivery Grant	(454,172)	87,673	(366,499)
Sustainable Development Fund	(65,664)	28,040	(37,624)
Mobile Phone Upgrade	(7,567)	3,190	(4,377)
Upper Thurne Enhancement	(81,768)	9,847	(71,921)
Section 106	(12,069)	(24,464)	(36,533)
PRISMA	(244,954)	167,147	(77,807)
Total	(1,790,299)	253,901	(1,536,398)

5.2 £828,549 of the current reserve balance relates to navigation reserves.

5.3 The STEP reserve has been closed following the end of the project. Members will note that there is currently a debit balance within the PRISMA reserve. This relates to an outstanding claim amount.

6 Summary

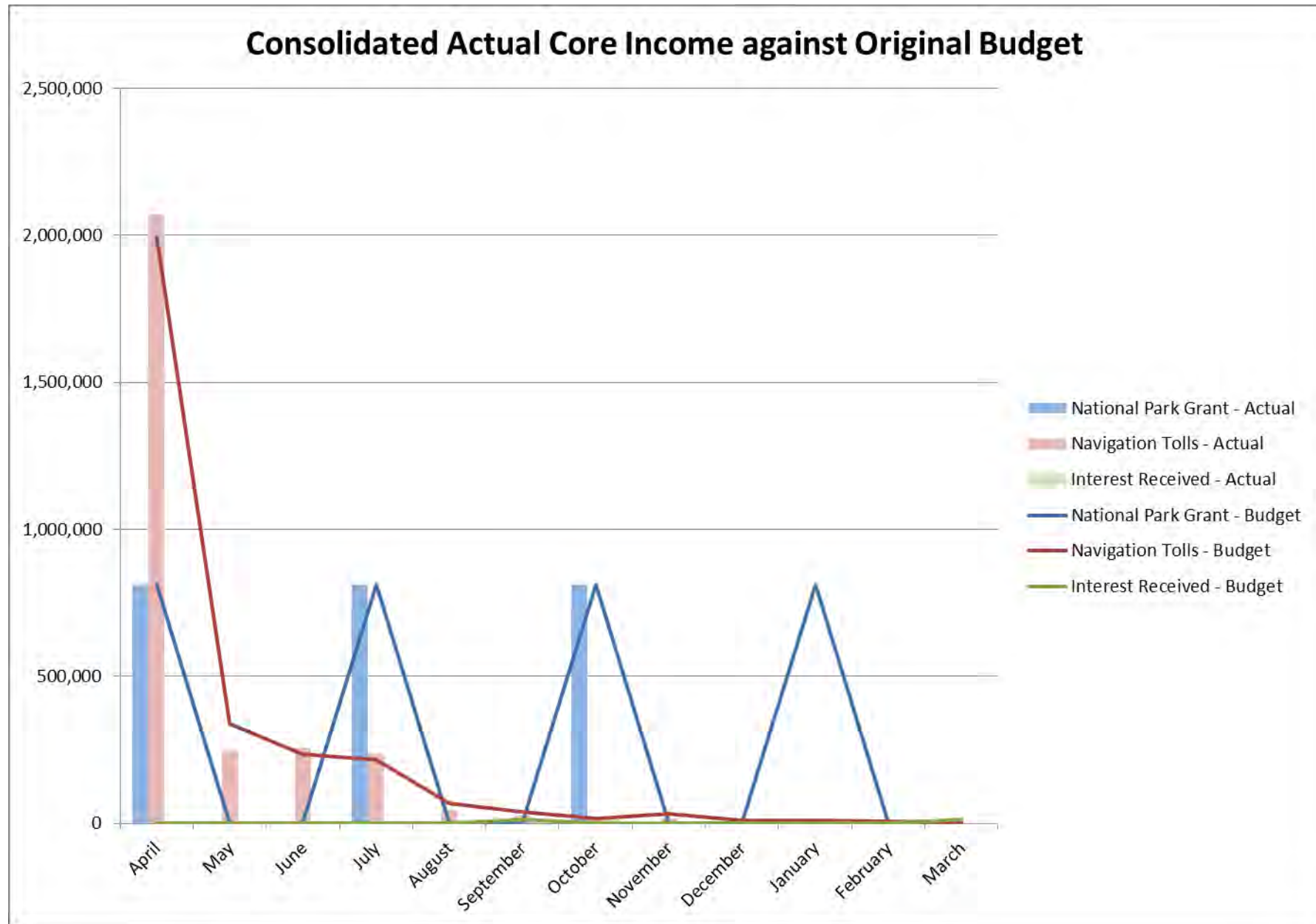
6.1 The current forecast outturn position for the year suggests a deficit of £91,977 for the national park side and a deficit of £19,006 on navigation resulting in an overall deficit of £110,984 within the consolidated budget, which would indicate a general fund reserve balance of approximately £707,000 and a navigation reserve balance of approximately £271,000 at the end of 2014/15. This will mean that the navigation reserve will fall slightly below the recommended level of 10% of net expenditure during 2014/15. The impact of both the national park and navigation reserve balances have been taken into account when preparing the budget and medium term financial strategy.

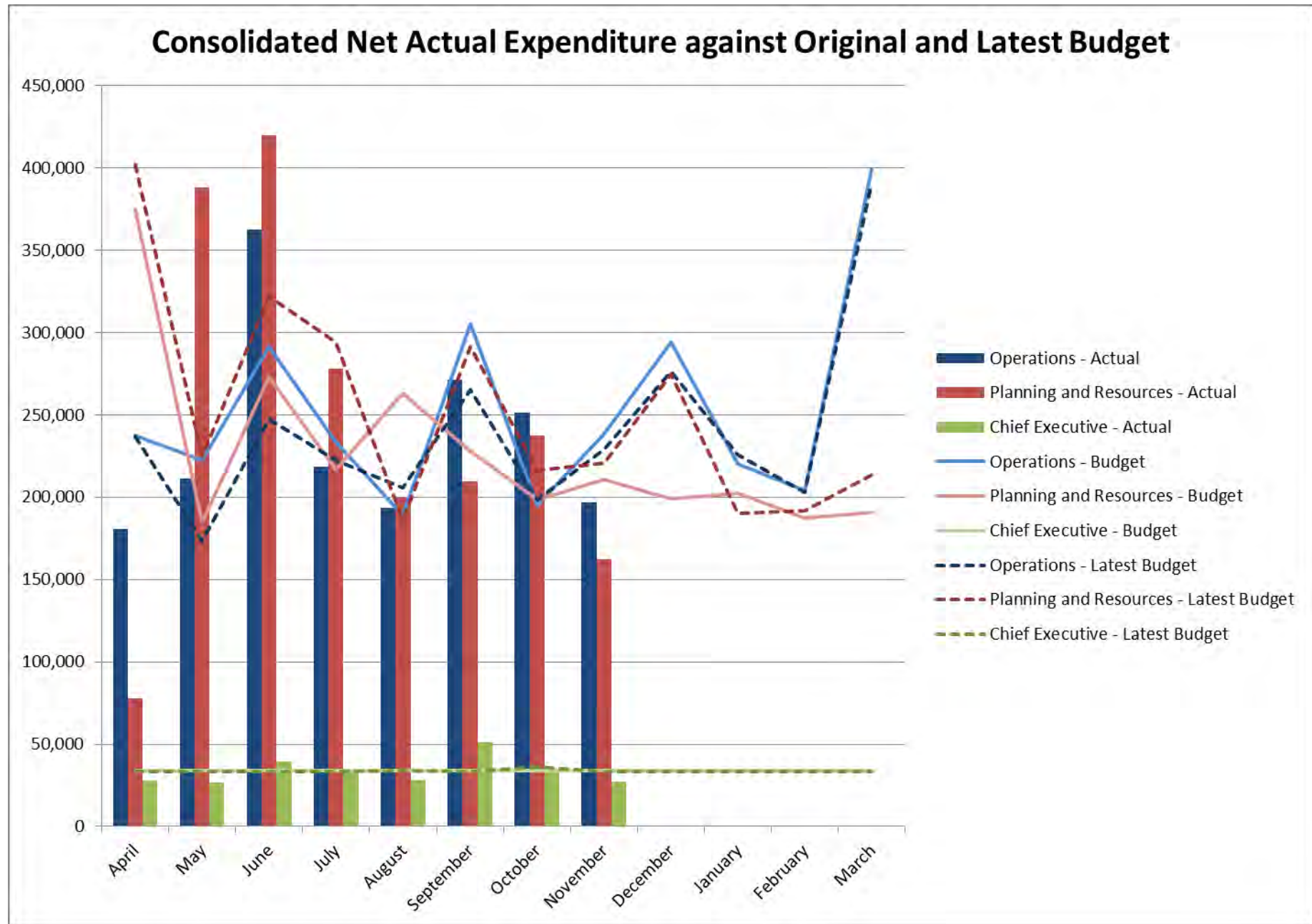
Background papers: None

Author: Emma Krelle
Date of report: 27 January 2015
Broads Plan Objectives: None

Appendices: APPENDIX 1 – Consolidated Actual Income and Expenditure Charts to 30 November 2014

APPENDIX 2: Financial Monitor: Consolidated Income and Expenditure 2014/15





To 30 November 2014

Budget Holder

(All)

Row Labels	Values				
	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Income	(6,242,264)		(6,242,264)	(6,230,307)	(11,958)
National Park Grant	(3,245,393)		(3,245,393)	(3,245,393)	0
Income	(3,245,393)		(3,245,393)	(3,245,393)	0
Hire Craft Tolls	(1,118,300)		(1,118,300)	(1,072,855)	(45,445)
Income	(1,118,300)		(1,118,300)	(1,072,855)	(45,445)
Private Craft Tolls	(1,792,100)		(1,792,100)	(1,833,587)	41,487
Income	(1,792,100)		(1,792,100)	(1,833,587)	41,487
Short Visit Tolls	(37,721)		(37,721)	(37,721)	0
Income	(37,721)		(37,721)	(37,721)	0
Other Toll Income	(18,750)		(18,750)	(18,750)	0
Income	(18,750)		(18,750)	(18,750)	0
Interest	(30,000)		(30,000)	(22,000)	(8,000)
Income	(30,000)		(30,000)	(22,000)	(8,000)
Operations	3,030,715	30,113	3,060,828	3,099,418	(38,590)
Construction and Maintenance Salaries	1,074,770		1,074,770	1,065,359	9,411
Salaries	1,074,770		1,074,770	1,065,359	9,411
Expenditure			0		0
Equipment, Vehicles & Vessels	405,000	(17,450)	387,550	387,550	0
Income			0		0
Expenditure	405,000	(17,450)	387,550	387,550	0
Water Management	67,500	14,350	81,850	80,535	1,315
Income	0		0	(1,315)	1,315
Expenditure	67,500	14,350	81,850	81,850	0
Land Management	(41,000)	14,850	(26,150)	(36,650)	10,500

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Income	(90,000)		(90,000)	(100,500)	10,500
Expenditure	49,000	14,850	63,850	63,850	0
Practical Maintenance	339,035	7,170	346,205	346,527	(322)
Income	(7,000)		(7,000)	(8,700)	1,700
Expenditure	346,035	7,170	353,205	355,227	(2,022)
Ranger Services	663,010		663,010	696,340	(33,330)
Income	(35,000)		(35,000)	(35,000)	0
Salaries	580,010		580,010	613,340	(33,330)
Expenditure	118,000		118,000	118,000	0
Pension Payments			0		0
Safety	76,900		76,900	76,542	358
Income	(9,000)		(9,000)	(9,000)	0
Salaries	51,900		51,900	51,542	358
Expenditure	34,000		34,000	34,000	0
Asset Management	104,650		104,650	123,912	(19,262)
Income	(1,000)		(1,000)	(1,000)	0
Salaries	37,900		37,900	37,662	238
Expenditure	67,750		67,750	87,250	(19,500)
Volunteers	61,340		61,340	61,373	(33)
Income	(1,000)		(1,000)	(1,000)	0
Salaries	42,340		42,340	42,373	(33)
Expenditure	20,000		20,000	20,000	0
Premises	151,970	11,193	163,163	171,030	(7,867)
Income	(11,200)		(11,200)	(3,333)	(7,867)
Expenditure	163,170	11,193	174,363	174,363	0
Operations Management and Administration	127,540		127,540	126,900	640
Income			0		0
Salaries	115,040		115,040	114,400	640
Expenditure	12,500		12,500	12,500	0

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Planning and Resources	2,729,004	111,479	2,840,484	2,715,550	124,934
Development Management	224,910		224,910	221,499	3,411
Income	(60,000)		(60,000)	(60,000)	0
Salaries	259,910		259,910	255,699	4,211
Expenditure	25,000		25,000	25,800	(800)
Pension Payments			0		0
Strategy and Projects Salaries	231,575	8,546	240,121	209,837	30,284
Income	(27,500)		(27,500)	(39,000)	11,500
Salaries	249,075	8,546	257,621	238,837	18,784
Expenditure	10,000		10,000	10,000	0
Biodiversity Strategy	35,000	42,298	77,298	77,298	0
Income			0		0
Expenditure	35,000	42,298	77,298	77,298	0
Strategy and Projects	84,900	2,020	86,920	86,453	467
Income			0		0
Salaries	44,900		44,900	44,433	467
Expenditure	40,000	2,020	42,020	42,020	0
Waterways and Recreation Strategy	84,920		84,920	78,618	6,302
Salaries	69,920		69,920	63,618	6,302
Expenditure	15,000		15,000	15,000	0
Project Funding	101,780	46,615	148,395	148,023	372
Income	(19,000)		(19,000)	(19,000)	0
Salaries	41,780		41,780	41,408	372
Expenditure	79,000	46,615	125,615	125,615	0
Pension Payments			0		0
Partnerships / HLF	50,000		50,000	0	50,000
Expenditure	50,000		50,000	0	50,000
SDF	12,000		12,000	12,000	0
Expenditure	12,000		12,000	12,000	0

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Finance and Insurance	336,569	10,000	346,569	327,632	18,937
Income			0		0
Salaries	133,970		133,970	130,033	3,937
Expenditure	202,599	10,000	212,599	197,599	15,000
Communications	316,260		316,260	318,598	(2,338)
Income			0		0
Salaries	241,260		241,260	243,598	(2,338)
Expenditure	75,000		75,000	75,000	0
Visitor Centres and Yacht Stations	235,660	2,000	237,660	222,236	15,424
Income	(213,000)		(213,000)	(213,000)	0
Salaries	317,660		317,660	302,236	15,424
Expenditure	131,000	2,000	133,000	133,000	0
Collection of Tolls	113,660		113,660	113,192	468
Salaries	100,960		100,960	100,492	468
Expenditure	12,700		12,700	12,700	0
ICT	267,820		267,820	272,142	(4,322)
Income			0		0
Salaries	127,120		127,120	131,442	(4,322)
Expenditure	140,700		140,700	140,700	0
Legal	120,000		120,000	120,000	0
Income			0		0
Expenditure	120,000		120,000	120,000	0
Premises - Head Office	240,000		240,000	240,000	0
Expenditure	240,000		240,000	240,000	0
Planning and Resources Management and Administration	273,950		273,950	268,021	5,929
Income			0		0
Salaries	146,750		146,750	148,821	(2,071)
Expenditure	127,200		127,200	119,200	8,000
Chief Executive	405,040		405,040	433,210	(28,170)

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Human Resources	133,140		133,140	158,206	(25,066)
Salaries	73,140		73,140	98,206	(25,066)
Expenditure	60,000		60,000	60,000	0
Governance	170,410		170,410	165,659	4,751
Income			0		0
Salaries	109,210		109,210	104,459	4,751
Expenditure	61,200		61,200	61,200	0
Chief Executive	101,490		101,490	102,233	(743)
Salaries	101,490		101,490	102,233	(743)
Expenditure			0		0
Legal	0		0	7,112	(7,112)
Salaries	0		0	7,112	(7,112)
Projects and Corporate Items	93,000		93,000	93,113	(113)
PRISMA	0		0	113	(113)
Income			0		0
Salaries	10,410		10,410	10,523	(113)
Expenditure	(10,410)		(10,410)	(10,410)	0
STEP			0		0
Expenditure			0		0
Corporate Items	93,000		93,000	93,000	0
Pension Payments	93,000		93,000	93,000	0
Contributions from Earmarked Reserves			0		0
Earmarked Reserves			0		0
Expenditure			0		0
Grand Total	15,495	141,592	157,087	110,984	46,103

Financial Scrutiny and Audit Committee

10 February 2015

Agenda Item No 8

Internal Audit Strategic and Annual Plans 2015/16

Summary: This report provides an overview of the stages followed prior to the formulation of the Strategic Internal Audit Plan for 2015/16 to 2017/18 and the Annual Internal Audit Plan for 2015/16.

The resulting Annual Internal Audit Plan will then serve as the work programme and initial terms of reference for the Authority's Internal Audit Services Contractor, TIAA Ltd, and provide the basis upon which the Internal Audit Consortium Manager will subsequently give and Annual Audit Opinion for 2015/16.

Recommendations:

The Committee is requested to approve:

- (i) the minor amendments to the Internal Audit Charger as noted with the report;
- (ii) the Internal Audit Strategy for 2015/16;
- (iii) the Strategic Internal Audit Plan for 2015/16 to 2017/18; and
- (iv) the Annual Internal Audit Plan for 2015/16.

The Committee is requested to note:

- (v) the Performance Management measures for the new Internal Audit Contractor.

1 Introduction

1.1 The Authority is required by the Accounts and Audit Regulations 2011 to maintain an adequate and effective system of internal audit of its accounting records and internal control systems in accordance with proper internal audit practices. Those proper practices are set out in the Public Sector Internal Audit Standards (PSIAS) which came into effect in April 2013.

1.2 The formulation of the Strategic and Annual Internal Audit Plans for 2015/16 is described in the attached report, and the resulting plans contained therein.

Background papers: Nil

Author: Emma Hodds, Internal Audit Consortium Manager
Date of report: 16 January 2015

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Strategic and Annual Internal Audit Plans 2015/16

NORFOLK INTERNAL AUDIT CONSORTIUM



BROADS AUTHORITY

STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2015/16

RESPONSIBLE OFFICER

EMMA HODDS – INTERNAL AUDIT CONSORTIUM MANAGER (IACM)

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1. INTRODUCTION

- 1.1 The Authority is required by the Accounts and Audit Regulations 2011 to maintain an adequate and effective system of internal audit of its accounting records and internal control systems in accordance with proper internal audit practices. Those proper practices are set out in the Public Sector Internal Audit Standards (PSIAS) which came into effect in April 2013.
- 1.2 The PSIAS mandate a periodic preparation of a risk-based plan, which must incorporate or be linked to a strategic high level statement on how the internal audit service will be delivered and developed in accordance with the charter and how it links to the organisational objectives and priorities, this is set out in the Internal Audit Strategy.
- 1.3 Risk is defined as 'the possibility of an event occurring that will have an impact on the achievement of objectives'. Risk can be a have a positive and negative aspect, so as well as managing things that could have an adverse impact (downside risk) it is also important to look at potential benefits (upside risk).
- 1.4 The development of a risk-based plan takes into account the organisation's risk management framework. The process identifies the assurance (and consulting) assignments for a specific period, by identifying and prioritising all those areas on which objective assurance is required. This is then also applied when carrying out individual risk based assignments to provide assurance on part of the risk management framework, including the mitigation of individual or groups of risks.
- 1.5 The following factors are also taken into account when developing the internal audit plan:
 - Any declarations of interest so as to avoid conflicts of interest;
 - The requirements of the use of specialists e.g. IT auditors;
 - Striking the right balance over the range of reviews needing to be delivered, for example systems and risk based reviews, specific key controls testing, value for money and added value reviews;
 - The relative risk maturity of the Authority;
 - Allowing contingency time to undertake ad-hoc reviews or fraud investigations as necessary;
 - The time required to carry out the audit planning process effectively as well as regular reporting to and attendance at Financial Scrutiny and Audit Committee, the development of the annual report and opinion and the Quality Assurance and Improvement Programme.
- 1.6 In accordance with best practice the Financial Scrutiny and Audit Committee should '*review and assess the annual internal audit work plan*'.

2. AUDIT CHARTER

- 2.1 The Audit Charter was developed as part of the planning process in 2014/15 and incorporated the requirements of the PSIAS. There is an obligation under the PSIAS for the Charter to be periodically reviewed and presented. This Charter will therefore be reviewed annually by the Internal Audit Consortium Manager to confirm its ongoing validity and completeness. In addition the Charter will be presented to the Head of Finance, Section 17 Officer, Senior Management and the Financial Scrutiny and Audit Committee every 2 years for review.

- 2.2 As part of the review in developing the internal audit plan for 2015/16, minor amendments were made to reflect the new contractor from 2015/16, and to reflect minor administrative changes. In addition the current Audit Charter has been reviewed by the new Contractor to ensure that this reflects the way that the company works. The only change is the introduction of formal exit meetings upon issue of the draft report, in addition to the debrief meetings that are held towards the end of the fieldwork. The use of exit meetings ensures that a robust and thorough discussion can be held on conclusion of the review and ensures that the action proposed by management to implement the recommendation(s) ensures that the risks are appropriately mitigated.
- 2.3 The Audit Charter will be further reviewed and refreshed once the new contract has been in operation for 6 months, and an updated Audit Charter will be presented to the Committee with the audit plans for 2016/17.
- 2.4 As part of the review of the Audit Charter the Code of Ethics are also reviewed by the Internal Audit Consortium Manager, and it is ensured that the Internal Audit Services contractor staff, as well as the Internal Audit Consortium Manager adhere to these, specifically with regard to; integrity, objectivity, confidentiality and competency.

3. INTERNAL AUDIT STRATEGY

- 3.1 The Strategy (**see Appendix 1**) sets out how the internal audit service will be delivered and developed in accordance with the charter and how it links to the organisational objectives and priorities. The purpose of the Internal Audit Strategy is to confirm:
- Internal Audit objective and outcomes;
 - Internal Audit Annual Planning;
 - How the annual internal audit opinion will be formed and evidenced;
 - How Internal Audit will identify and address local and national issues and risks;
 - How the service will be provided; and
 - The resources and skills required to deliver the service.

4. STRATEGIC INTERNAL AUDIT PLAN

- 4.1 The overarching objective of the Strategic Audit Plan (**see Appendix 2**) is to provide a comprehensive programme of review work over the next three years, with each year providing sufficient audit coverage to give annual opinions, which can be used to inform the organisation's Annual Governance Statement.
- 4.2 Having consulted with senior management, it has been confirmed that the Planning audit in 2015/16 is still of value, as will be the Marketing and Communications audit in 2016/17, with a focus on the impact of social media. In addition a review of external funding has been built into the plan for 2017/18 to focus on the Heritage Lottery funding for the Landscape Partnership Scheme. In addition the budget for the Key Controls and Assurance audit in 2015/16 has been increased by one day to enable a closer scrutiny of the Payroll service due to the new provision of the service. And in 2016/17 the budget for this audit has been increased by 2 days to enable scrutiny of the asset management database.

5. ANNUAL INTERNAL AUDIT PLAN

- 5.1 Having developed the Strategic Audit Plan, the Annual Audit Plan is an extract of this for the forthcoming financial year (**see Appendix 3**). This details the areas being reviewed by Internal Audit, the number of days for each review, the quarter during which the audit will take place and a brief summary / purpose of the review.
- 5.2 The Annual Audit Plan for 2015/16 totals 35 days, encompassing 4 assignments.

6. PERFORMANCE MANAGEMENT

- 6.1 The new Internal Audit Services contract includes a suite of key performance indicators (**see Appendix 4**) against which the new contractor will be reviewed on a quarterly basis. There are a total of 13 indicators, over 4 areas. From the first year of the contract records will be maintained for all 13, however performance can only be recorded on 11 of these as base line data is required for the final 2.
- 6.2 There are individual requirements for performance in relation to each indicator; however performance will be assessed on an overall basis as follows (for the first year):
- 9-11 KPIs have met target = Green Status.
 - 5-8 KPIs have met target = Amber Status.
 - 4 or below have met target = Red Status.
- Where performance is amber or red a Performance Improvement Plan will be developed and agreed with the contractor to ensure that appropriate action is taken.
- 6.3 Performance in relation to these indicators will be reported to the Committee as part of the Annual Report and Opinion, and officers will be kept up to date throughout the year.

APPENDIX 1 – INTERNAL AUDIT STRATEGY 2015/16

1. Introduction

- 1.1 The Internal Audit Strategy is a high level statement of how the internal audit service will be delivered and developed in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities. The provision of such a strategy is set out in the Public Sector Internal Audit Standards (PSIAS).
- 1.2 The purpose of the strategy is to provide a clear direction for internal audit services and creates a link between the Charter, the strategic plan and the annual plan. In particular the strategy confirms:
 - Internal Audit objective and outcomes;
 - Internal Audit Annual Planning;
 - How the annual internal audit opinion will be formed and evidenced;
 - How Internal Audit will identify and address local and national issues and risks;
 - How the service will be provided; and
 - The resources and skills required to deliver the service.

2. Internal Audit objective and outcomes

- 2.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Authority's operations. It helps the Authority accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 2.2 The outcomes of the internal audit service are detailed in the Internal Audit Charter and can be summarised as; delivering a risk based audit plan in a professional, independent manner, to provide the Authority with an opinion on the level of assurance it can place upon the internal control environment, systems of risk management and corporate governance arrangements, and to make recommendations to improve these provisions, where further development would be beneficial.
- 2.3 The reporting of the outcomes from Internal Audit is through direct reports to Senior Management in respect of the areas reviewed under their remit, in the form of an audit report. The Financial Scrutiny and Audit Committee, Head of Finance and the Section 17 Officer also receive:
 - The Audit Plans report, which is based on a risk assessment of the Authority and forms the next financial years plan of work; and
 - The Annual Report and Opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control, which incorporates the outcome of each audit completed within the financial year.

3. Internal Audit Planning

- 3.1 In preparing the Internal Audit Plans, both strategic and annual, awareness of local and national issues and risk is maintained, as explained in section 5.
- 3.2 An annual audit needs assessment has historically been developed in relation to the service areas under review as part of the planning process. Seven key risk factors were identified which were then applied to potential audit areas and their impact on the Authority, these are;

materiality (value), materiality (volume), significance, complexity, change, inherent risk and profile. These risk factors were then weighted to produce a risk score, which translates into very high, high, medium and low, which in turn indicates the frequency of review.

- 3.3 The above outcomes are reviewed each year to ensure that the initial risk assessment applied to each area is correct. Also now in addition the previous assurance ratings applied to the area are also considered in deciding upon the frequency of review, as are current developments and changes within service areas to ensure that value is added through each internal audit review, and to enable a true risk based approach.
- 3.4 Going forwards the IT element of the plans will now be discussed and agreed at the same time as the overall plans. This was historically completed as a separate review by the contractor and resulted in additional reporting to the Financial Scrutiny and Audit Committee. However in order to be more efficient and to also ensure that all planning considerations can be taken into account at the same time, this will now form part of the normal planning process. The new contract does not start until 1 April 2015; therefore the IT audits currently reflected in the plan are draft and will be discussed in detail early in April between the Internal Audit Consortium Manager, Head of IT and Collector of Tolls and the IT Audit Manager to ensure that IT audit meets the requirements of the Authority.
- 3.5 The outcomes of the awareness of risks and issues, and the risk assessment of the Authority then formulate a Strategic Internal Audit plan, and the resulting Annual Internal Audit Plan. Consultation with the (previous) Head of Finance and the Section 17 Officer took place in December 2014 to review the draft plans and ensure that coverage was appropriate for the Authority. Current and future developments, changes, risks and areas of concerns were discussed and the plan amended accordingly to take these into account.
- 3.6 The resulting draft Strategic and Annual Internal Audit Plans were then discussed with and approved by Management Team prior to these being brought to the Financial Scrutiny and Audit Committee. In addition External Audit has also been provided with early sight of the plans.

4. Internal Audit Annual Opinion

- 4.1 The annual opinion provides Senior Management and the Financial Scrutiny and Audit Committee with an assessment of the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 4.2 The opinion is based upon:
 - The summary of the internal audit work carried out;
 - The follow up of management action taken to ensure implementation of agreed action as at financial year end;
 - Any reliance placed upon third party assurances;
 - Any issues that are deemed particularly relevant to the Annual Governance Statement (AGS);
 - The Annual Review of the Effectiveness of Internal Audit, which includes; the level of compliance with the PSIAS and the results of any quality assurance and improvement programme, the outcomes of the performance indicators and the degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit.
- 4.3 In order to achieve the above Internal Audit operates within the PSIAS and uses a risk based approach to audit planning and to each audit assignment undertaken. The control

environment for each audit area reviewed is assessed for its adequacy and effectiveness of the controls and an assurance rating applied.

5. Local and National Issues and Risks

- 5.1 The annual audit planning process ensures that new or emerging risks are identified and considered at a local level. This strategy ensures that the planning process is all encompassing and reviews the records held by the Authority in respect of risks and issue logs and registers, reports that are taken through the Authority Committee meetings, a review of the audit needs assessment retained by Internal Audit and through discussions with Senior Management.
- 5.2 Awareness of national issues is maintained through the contract in place with the external contractor through regular “horizon scanning” updates being provided, and annually a particular focus provided on issues to be considered during the planning process. Membership and subscription to professional bodies such as the Institute of Internal Auditors and the CIPFA on-line query service, liaison with External Audit, and networking with colleagues through the Norfolk Chief Internal Auditors Group, all help to ensure developments are noted and incorporated where appropriate.

6. Provision of the Service

- 6.1 The Role of the Head of Internal Audit and contract management is provided by South Norfolk Council (the Internal Audit Consortium Manager) to; Breckland, Broadland, North Norfolk and South Norfolk District Councils, Great Yarmouth Borough Council and The Broads Authority. All Authorities are bound by a Partnership Agreement.
- 6.2 The delivery of the audit plans for each Authority is provided by an external audit contractor, who reports directly to the Internal Audit Consortium Manager. The current contract is with TIAA Ltd, and commences on 1 April 2015, for an initial period of 5 years.

7. Resources and Skills

- 7.1 Through utilising an external audit contractor the risk based audit plan can be developed without having to take into account the existing resources, as you would with an in-house team, thus ensuring that audit coverage for the year is appropriate to the Authority needs and not tied to a particular resource.
- 7.2 That said the external contractor does supply a core team of staff to deliver the audit plan, and these staff bring with them considerable public sector knowledge and experience. These core staff can be supplemented with additional staff should the audit plan require it, and in addition specialists, e.g. computer auditors, contract auditor, fraud specialists, can be drafted in to assist in completing the plan and focusing on particular areas of specialism.
- 7.3 All audit professionals are encouraged to continually develop their skills and knowledge through various training routes; formal courses of study, in-house training, seminars and webinars. As part of the contract with TIAA Ltd the contractor needs to ensure that each member of staff completes a day's training per quarter.

APPENDIX 2 – STRATEGIC INTERNAL AUDIT PLAN 2015/16

Audit Area	Last review & assurance	Associated Risk	2015/16	2016/17	2017/18
Annual Opinion audits					
Corporate Governance and Risk Management	Annual review	High	5	5	5
Key Control and Assurance	Annual review	High	16	17	15
Service area audits					
Planning	2011/12 - Adequate	Medium	7		
Marketing and Communication	Not previously reviewed	Medium		7	
External Funding	Not previously reviewed	High			8
ICT Audits					
IT audits to be confirmed			7		
IT audits to be confirmed				7	
IT audits to be confirmed					7
Total number of days			35	36	35

Computer Audit Needs Assessment - no longer a requirement under the new contract. IT audit planning is now part of strategic planning undertaken by the Internal Audit Consortium Manager. IT coverage will be reviewed early in 2015/16 and audits confirmed with management and the new contractor.

Audits Previously undertaken		
Service area audits		
Partnership Working	2009/10	Limited
Fens Ecological Project	2009/10	Adequate
Planning	2011/12	Adequate
Procurement	2013/14	Adequate
Consultation Activities and partnership provisions	2014/15	TBC
IT Audits		
Disaster Recovery	2008/09	Limited
IT Governance and Strategy	2010/11	Adequate
Toll Income Application Review	2011/12	Limited
Network Security	2013/14	Limited
End User Controls	2014/15	Adequate

APPENDIX 3 – ANNUAL INTENAL AUDIT PLAN 2015/16

Audit Area	No. of days	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Summary / purpose of audit
Annual Opinion audits						
Corporate Governance and Risk Management	5	5				The audit will focus on the Corporate Governance and Risk Management arrangements for 2014/15 and will inform aspects of the Annual Governance Statement 2014/15.
Key Control and Assurance	16				16	The budget for this audit is usually 15 days however it has been increased for 2015/16 to include specific review of the new Payroll provision arrangements.
Service Area audits						
Planning	7		7			This area was last audited in 2011/12 where the scope included a review of planning applications, enforcement and appeals. Focus this year needs to be on validation and consultation.
ICT Audits						
IT audits to be confirmed	7			7		Discussions will be had with the Head of IT in April 2015 to confirm where focus is required and will be of most use in 2015/16. The reserve list currently includes; Virus protection/spyware, Data Back Up & Data Centre, Email & Exchange and Document Management.
Total number of days	35	5	7	7	16	

APPENDIX 4 – PERFORMANCE INDICATORS

Area / Indicator	Target
<u>Audit Committee / Senior Management</u>	
1. Audit Committee Satisfaction – measured annually	Adequate
2. Chief Finance Officer Satisfaction – measured quarterly	Good
<u>Internal Audit Process</u>	
3. Each quarters audits completed to draft report within 10 working days of the end of the quarter	100%
4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter	100%
5. An audit file supporting each review and showing clear evidence of quality control review shall be completed prior to the issue of the draft report (a sample of these will be subject to quality review by the Contract Manager)	100%
6. Compliance with Public Sector Internal Audit Standards	Full
7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received.	100%
<u>Clients</u>	
8. Average feedback score received from key clients (auditees)	Adequate
9. Percentage of recommendations accepted by management	90%
<u>Innovations and Capabilities</u>	
10. Percentage of qualified (including experienced) staff working on the contract each quarter	60%
11. Number of training hours per member of staff completed per quarter	1 day
12. Number of high and medium priority recommendations made per quarter	To decrease over the life of the contract (from year 2)
13. Number of audits which are considered to add value	To increase over the life of the contact (from year 2)

Audit Procurement
Report by Internal Audit

Summary:	This report provides an overview of the stages followed, and the outcomes of, the recent procurement exercise for Internal Audit Services across the Norfolk Internal Audit Consortium. The Consortium exists of Breckland, Broadland, Norfolk Norfolk and South Norfolk District Council, Great Yarmouth Borough Council and the Broads Authority.
Recommendation:	That the report be noted.

1 Introduction

- 1.1 The Financial Scrutiny and Audit Committee received a report from the (previous) Head of Finance at the September meeting which asked the Committee to confirm that the Authority subscribes to the overall outcome of the procurement process managed by South Norfolk Council and provides delegated authority to the Head of Finance, in consultation with the Management Team and the Treasurer, to identify the preferred model for service delivery.
- 1.2 The attached report provides a summary of the process followed, the service delivery model which was chosen by all members of the Consortium and an introduction to the new contractor; TIAA Ltd.

Background papers:	Nil
Author:	Emma Hodds, Internal Audit Consortium Manager
Date of report:	20 January 2015
Broads Plan Objectives:	Non
Appendices:	APPENDIX 1 - Audit Procurement

NORFOLK INTERNAL AUDIT CONSORTIUM



THE BROADS AUTHORITY

AUDIT PROCUREMENT

RESPONSIBLE OFFICER

EMMA HODDS – INTERNAL AUDIT CONSORTIUM MANAGER (IACM)

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1. INTRODUCTION

- 1.1 The Norfolk Internal Audit Consortium consists of South Norfolk, Breckland, Broadland and North Norfolk District Councils, Gt Yarmouth Borough Council and the Broads Authority. The role of the Head of Internal Audit and the contract management is currently provided by South Norfolk Council via a group agreement.
- 1.2 The current contract with Mazars Public Sector Internal Audit Services expires on 31 March 2015, and the Consortium has recently been through a OJEU procurement exercise to procure a new contract.

2. BACKGROUND TO PROCUREMENT PROCESS

- 2.1 South Norfolk Council, as the contracting authority, has managed the Procurement process on behalf of the Consortium. The services being contracted relate to internal audit services to fulfil each member Authority's statutory responsibilities under the relevant legislation, including the Accounts and Audit Regulations 2011.
- 2.2 The Procurement was also developed to offer all members of the Consortium two options on service delivery. The first option was a fully outsourced service, with the Head of Internal Audit role undertaken by the Contractor as well as the delivery of the annual Internal Audit work plan, and the contract management element undertaken by the individual Authority. The second option, as currently provided, was for the Head of Internal Audit role and contract management (Interface Services) to be provided by South Norfolk Council, and the delivery of the annual Internal Audit work plan by the successful bidder. Bidders were requested to submit tenders for both options.
- 2.3 An OJEU tender, utilising the competitive dialogue route, was undertaken due to the value of the work to be contracted. A PIN (Prior Information Notice) was issued and soft market testing took place prior to tender documents being issued and formal tenders being submitted.
- 2.4 Tenders were evaluated for quality (60%) and price (40%) via the consideration of method statements and bill of quantities respectively.
- 2.5 Three suppliers submitted final bids and the contract has now been awarded to TIAA Ltd based on the above assessment and their submission of the most economically advantageous tender overall.
- 2.6 The new contract will commence on 1 April 2015 and is for five years, with an option to extend by two years or one plus one.
- 2.7 In addition, all current members of the Consortium have decided to stay with the current "Interface Service" approach, with the Head of Internal Audit role and contract management provided by South Norfolk Council. In conjunction with the Legal Team a Partnership Agreement will now be drawn up binding the delivery of this service from South Norfolk Council to the aforementioned authorities.

3. THE NEW CONTRACT FROM 1 APRIL 2015

- 3.1 Although the new contract is due to start on 1 April 2015, the procurement exercise ensured that a mobilisation period was built into the contract to ensure that key stages and timescales for implementing the Contractual arrangements were confirmed. This includes how resources are to be put in place to commence services from 1 April 2015, and in

particular how the time in between the contract award and the operational Commencement Date of the Contract will be utilised to prepare for high quality service delivery from day one. The provision of this has been at no cost to the Consortium.

- 3.2 TIAA Ltd has been operating for over eighteen years and started as the internal audit services for a consortium of housing associations. Over the years the company has grown into being one of the largest specialist internal audit providers in the UK. TIAA is an employee-centred organisation with staff being the majority shareholders. The Board of the company includes a non-executive Chair and non-executive company secretary and they have adopted the public sector principles of governance and accountability. The company has a strong presence in East Anglia with an existing regional office in Ipswich.
- 3.3 TIAA Ltd has confirmed a timescale for mobilisation between November 2014 and March 2015 to ensure that they are ready to commence delivery on the first day of the contract. The detailed requirements are part of the agreed contract and delivery against these key tasks will be monitored. A key part of this will be a launch presentation at each site for officers to attend and gain an early insight into how Internal Audit will be delivered going forwards. Key improvements in service delivery will include:
- Risk Based Internal Audit Planning at a strategic level and at individual audit level
 - Audit opinions based on 4 distinct stages (the first 2 being the traditional approach and the last 2 bringing added value)
 - Strategic Direction – consideration of the extent to which process is directed by proper procedure
 - Operational Compliance – consideration of the extent to which staff comply with the procedures
 - Operational Effectiveness – consideration of the extent to which process provides efficient and effective delivery
 - Reputation Awareness – consideration of the extent to which customer / regulator requirements are met
 - Outcomes reported as a result of audit reviews will include recommendations as required, however an Operational Efficiency Action Plan is also included which sets out matters identified during the audit where there may be opportunity for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.
 - Audit software that provides an integrated solution for delivering the Internal Audit vision
- 3.4 A new approach to Internal Audit delivery will be evident from financial year 2015/16. This is starting now with the planning approach being taken by the Internal Audit Consortium Manager being much more risk focused and ensuring an element of the plan concentrates on the key risks and the corporate priorities of the Authority, with the other elements concentrating on service areas and those key systems which feed into the Statement of Accounts.

External Audit
Report by Head of Finance

Summary: This report appends:

- (i) the Annual Audit Letter for 2013/14
- (ii) the Audit Plan for the 2014/15 audit
- (iii) the Local Government Audit Committee Briefing by Ernst & Young.

Recommendation:

- (i) That the Annual Audit Letter for 2013/14 be noted.
- (ii) That the Audit Plan for the 2014/15 audit be noted.
- (iii) That the briefing, including the key questions for Audit Committees as set out on page 8, be noted.

1 Introduction

- 1.1 The Annual Audit letter for 2013/14 summarises the key issues arising from the audit. These key findings are set out on page 6 of appendix 1.
- 1.2 The Audit Plan for the 2014/15 audit by Ernst & Young is appended to this report (appendix 2). The plan sets out the work which the auditors propose to undertake for the audit of the financial statements and the value for money conclusion for 2014/15. It confirms that the proposed audit fee will be £13,943, which represents no change from the fee charged in 2013/14.
- 1.3 The Audit Director, Neil Harris, and the Audit Manager, David Riglar, will be attending the meeting to introduce the Audit Plan and answer any questions.

2 Identification of Significant Risks

- 2.1 The Audit Plan takes a risk-based approach to audit planning and identifies one significant risk in 2014/15, which relates to misstatement due to fraud and error.
- 2.2 The audit approach to these risks is set out in section two of the Audit Plan.

3 Financial Implications

- 3.1 Provision for the audit fee is included in the 2014/15 budget and will be charged in the accounts for the year.

4 Briefing Key Issues

4.1 This briefing is presented to Members as a “for information” item.

4.2 The items of relevance to the Authority are:

- The economic and sector issues update, in particular regarding contract out public services to private sector (page 2 onwards);
- The Local Governments Association funding gap (page 3)
- The update on the Future of Local Audit (page 5); and
- The key questions for the Audit Committee (page 8).

Background papers: None

Author: Emma Krelle
Date of report: 27 January 2015

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Ernst & Young Annual Audit Letter 2013/14
APPENDIX 2 – Ernst & Young Audit Plan 2014/15
APPENDIX 3 – Ernst & Young Local Government Audit Committee Briefing (November 2014)

Annual Audit Letter

Broads Authority

20 October 2014



The Members
Broads Authority
Yare House
62-64 Thorpe Road
Norwich
NR1 1RY

20 October 2014

Dear Members,

Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to the Members of Broads Authority and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to those charged with governance of Broads Authority in the 2013/14 Audit Results Report issued to the Financial Scrutiny and Audit Committee on 10 September 2014.

The matters reported here are the most significant for the Authority.

I would like to take this opportunity to thank the officers of Broads Authority for their assistance during the course of our work.

Yours faithfully



Neil Harris
Director
For and behalf of Ernst & Young LLP
Enc

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Executive summary

Our 2013/14 audit work has been undertaken in accordance with the Audit Plan we issued on 11 February 2014 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on an annual basis on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ forming an opinion on the financial statements;
- ▶ reviewing the Annual Governance Statement;
- ▶ forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Audit the financial statements of Broads Authority for the financial year ended 31 March 2014 in accordance with International Standards on Auditing (UK & Ireland)	On 26 September 2014 we issued an unqualified audit opinion in respect of the Authority.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 26 September 2014 we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Authority (the Audit Committee) communicating significant findings resulting from our audit.	On 10 September 2014 we issued our report in respect of the Authority.
Notify the NAO that the Authority is below the Whole of Government Accounts threshold and provide the supporting calculations to confirm.	We reported our findings to the National Audit Office on 25 September 2014.
Consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.	No issues to report.
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	No issues to report.

Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.

No issues to report.

Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

On 26 September 2014 we issued our audit completion certificate.

Key findings

Financial statement audit

We audited the Authority's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified audit report on 26 September 2014.

In our view, the quality of the process for producing the accounts, including the supporting working papers was good.

The main issues identified as part of our audit were:

Significant risk 1: Valuation of property, plant and equipment

The last full valuation of property, plant and equipment was 2012. This increases the risk that assets are not recorded at the correct value.

We agreed the revaluations to reports provided by the Authority's valuation expert. We assessed the qualifications, independence and scope of the Authority's valuation expert to ensure we could rely upon the valuation reports provided.

We have no issues to report from our comparison to industry trends and the accounting treatment of revaluations.

Other risk 1: Accounting for lease arrangements

The lease on Yare House included a rent free period which was not correctly accounted for in 2012/13. Officers have identified the error and made a correction in the 2013/14 accounts.

We reviewed the accounting treatment of the Yare House lease to ensure it had been correctly stated and sample tested other lease agreements to ensure the treatment was correct.

We have no issues to report from our review of lease arrangements.

Other risk 2: Risk of misstatement due to fraud and error

Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

We have designed and implemented appropriate procedures to obtain reasonable assurance as to whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. This included testing capital expenditure to ensure the nature of the costs were not revenue costs.

There were no issues arising from this work.

Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Audit Commission has determined that the scope of our work on value for money at the Authority is limited to a review of your annual governance statement (AGS) unless any specific risks are identified.

We issued an unqualified value for money conclusion on 26 September 2014. Our audit did not identify any significant matters.

Whole of government accounts

We notified the National Audit Office that the Authority is below the Whole of Government Accounts threshold. We reported that the PPE disclosures and the pension liabilities in the Authority's consolidation pack are consistent with the audited statutory accounts.

Annual governance statement

We are required to consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA / SOLACE guidance. We completed this work and did not identify any areas of concern.

Control themes and observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we communicate to those charged with governance at the Authority, as required, any significant deficiencies in internal control.

Our audit did not identify any control issues that we need to bring to your attention.

Fees update

A breakdown of our agreed fee is shown below.

	Final fee 2013/14 £	Planned fee 2013/14 £	Actual fee 2012/13 £
Total Audit Fee – Code work	13,943	13,943	13,943

We communicated our planned fee to you within our Audit Plan issued in February 2014; providing an estimated update within our Audit Results Report issued in September 2014.

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Broads Authority

Year ending 31 March 2015

Audit Plan

10 February 2015



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The Members
Broads Authority
Yare House
62-64 Thorpe Road
Norwich
NR1 1RY

10 February 2015

Email: nharris2@uk.ey.com

Dear Members

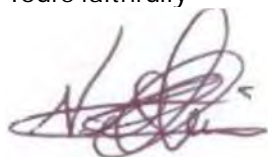
Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. The purpose of this report is to provide the Financial Scrutiny and Audit Committee with a basis to review our proposed audit approach and scope for the 2014/15 audit, in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Standing Guidance, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key risks which drive the development of an effective audit for the Broads Authority, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this report with you on 10 February 2015 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Neil Harris
Director
For and on behalf of Ernst & Young LLP
Enc

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview

1.1 Context for the audit

This audit plan covers the work that we plan to perform in order to provide you with:

- ▶ Our audit opinion on whether the financial statements of the Broads Authority give a true and fair view of the financial position as at 31 March 2015 and of the income and expenditure for the year then ended; and
- ▶ A statutory conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office ('NAO'), to the extent and in the form required by them, on your Whole of Government Accounts return.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements.
- ▶ Developments in financial reporting and auditing standards.
- ▶ The quality of systems and processes.
- ▶ Changes in the business and regulatory environment.
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter. And by focusing on the areas that matter, our feedback is more likely to be relevant to the Broads Authority.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

In part 2 and 3 of this report we provide more detail on the areas which we believe present significant risk to the financial statements audit, and outline our plans to address these risks. Details of our audit process and strategy are set out in more detail in section 4 and summarised below.

We will provide an update to the Financial Scrutiny and Audit Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2015.

1.2 Our process and strategy

- ▶ Financial Statement Audit
 - ▶ We carry out an initial assessment of materiality using the audited financial statements for 2013/14 but will update this when we receive the draft financial statements. We will report unadjusted misstatements identified except those that are “clearly trivial” to the Financial Scrutiny and Audit Committee.
 - ▶ We will seek to rely on controls where this is possible and represents the most efficient approach to our audit.
 - ▶ We are pleased to report that there are no changes proposed to the Audit Director and Audit Manager for 2014/15
- ▶ Arrangements for securing Economy, Efficiency and Effectiveness
 - ▶ We adopt an integrated audit approach such that our work on the financial statement audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness.

2. Financial statement risks

We outline below our assessment of the key strategic or operational risks and the financial statement risks facing the Broads Authority, identified through our knowledge of the entity's operations and discussion with members and officers.

At our meeting, we will seek to validate these with you. In our planning work so far, we have identified one significant financial statement risk.

Significant risks (including fraud risks)	Our audit approach
Risk of misstatement due to fraud and error	
<p>ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud. This includes consideration of the risk that management may override controls in order to manipulate the financial statements.</p> <p>Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.</p> <p>Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.</p>	<p>Based on the requirements of auditing standards our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Identifying fraud risks during the planning stages. ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks. ▶ Understanding the oversight given by those charged with governance of management's processes over fraud. ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud. ▶ Determining an appropriate strategy to address those identified risks of fraud. ▶ Performing mandatory procedures regardless of specifically identified fraud risks.

3. Economy, efficiency and effectiveness

As set out in the Audit Commission's Work Programme and Scales of Fees 2014/15: Local Government the approach to local VFM work is limited to:

- ▶ Reviewing the annual governance statement.
- ▶ Reviewing the results of the work of the Commission and other relevant regulatory bodies or inspectorates, to consider whether there is any impact on the auditor's responsibilities at the audited body.
- ▶ Undertaking other local risk-based work as appropriate, or any work mandated by the Commission.

In our planning work so far, we have not identified any significant risks which are relevant to our conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources.

However, we note the level of uncertainty relating the National Parks Grant. The Authority is likely to face further cuts to the National Parks Grant in 2015/16 and in future years. The management team are exploring different scenarios to increase income and reduce expenditure.

We will continue to monitor the Authority's arrangements throughout our audit, including achievement of the 2014/15 budget, financial planning for 2015/16 and 2016/17 and the robustness of any savings plans and future projected reserve levels.

If our assessment of risk changes based on this work, we will report this to the Financial Scrutiny and Audit Committee.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice ('the Code'), dated March 2010, our principle objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code, the Authority's:

- ▶ financial statements; and
- ▶ arrangements for securing economy, efficiency and effectiveness in its use of resources.

We issue a two-part audit report covering both of these objectives.

4.1.1 Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We will also review and report to the National Audit Office ('NAO'), to the extent and in the form required by them, on your Whole of Government Accounts return.

4.1.2 Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our conclusion, to the fullest extent possible we will place reliance on the reported results of the work of other statutory inspectorates in relation to corporate or service performance. In examining the Authority's corporate performance management and financial management arrangements we have regard to the following criteria and areas of focus specified by the Audit Commission:

- ▶ Arrangements for securing financial resilience – whether the Authority has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- ▶ Arrangements for securing economy, efficiency and effectiveness – whether the Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

4.2 Audit process overview

Our audit involves:

- ▶ Assessing the key internal controls in place and testing the operation of these controls
- ▶ Reliance on the work of other auditors where appropriate
- ▶ Reliance on the work of experts in relation to areas such as property valuations
- ▶ Substantive tests of detail of transactions and amounts

4.2.1 Processes

We plan to rely on management procedures that operate at the financial statement or transactional level.

Our initial assessment has identified the following key processes that we will test:

- ▶ Clear communication of roles and responsibilities.
- ▶ Authorisation of significant transactions.
- ▶ Procedures to prepare financial statements.
- ▶ Management's review of the entity's financial performance.

4.2.2 Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular in respect of payroll and journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests.
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Financial Scrutiny and Audit Committee.

4.2.3 Internal audit

As in prior years, we will review Internal Audit plans and the results of work undertaken. We will reflect the findings from these reports, together with reports from other work completed in the year, in our detailed audit plan, where issues are raised that could impact the year-end financial statements.

4.2.4 Use of experts

We will utilise specialist Ernst & Young resource, as necessary. Our plan currently includes the involvement of specialists in valuations to assess the valuations carried out by the Authority's Valuer.

Mandatory procedures required by auditing standards on:

- ▶ Addressing the risk of fraud and error.
- ▶ Significant disclosures included in the financial statements.
- ▶ Entity-wide controls.
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements.
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the annual governance statement.
- ▶ Reviewing and reporting on the Whole of Government accounts return, in line with the instructions issued by the NAO.
- ▶ Reviewing, and where appropriate, examining evidence that is relevant to the Authority's corporate performance management and financial management arrangements and reporting on these arrangements.

4.3 Materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We have determined that overall materiality for the financial statements of the Broads Authority is £169,860 based on 2% of gross revenue expenditure on services.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

ISA (UK & Ireland) 450 (revised) requires us to record all misstatements identified except those that are "clearly trivial". We intend to treat misstatements less than £8,493 as clearly trivial. All uncorrected misstatements found above this amount will be presented to you in our year-end audit results report.

4.4 Fees

The Audit Commission has published a scale fee for all authorities. The scale fee is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of the Broads Authority is £13,943.

4.5 Your audit team

The engagement team is led by Neil Harris who has significant experience of the Authority's audit. Neil is supported by David Riglar who is responsible for the day-to-day direction of audit work, and who is the key point of contact for the Head of Finance. Mark Russell will supervise the on-site audit team and is responsible for raising and discussing emerging issues, Mark is also a point of contact for the Head of Finance.


The audit team give valuable continuity and knowledge of the Broads.

4.1 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the whole of government accounts; and the deliverables we have agreed to provide to you through the Financial Scrutiny and Audit Committee cycle in 2015. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

We will provide a formal report to the Financial Scrutiny and Audit Committee in September 2015. From time to time matters may arise that require immediate communication with the Financial Scrutiny and Audit Committee and we will discuss them with the Financial Scrutiny and Audit Committee Chairman as appropriate.

Following the conclusion of our audit we will prepare an annual audit letter in order to communicate to the Broads Authority and external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Financial Scrutiny and Audit Committee timetable	Deliverables
High level planning	March 2014		Audit Fee letter
Risk assessment and setting of scopes	January 2015		Audit Plan
Walkthrough of routine processes and controls	February 2015		Reporting of any significant matters if required
Draft accounts	June 2015		Accounts received for audit
Year-end audit including WGA	August – September 2015		
Reporting	September 2015	September 2015	Report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources).
			Audit completion certificate
Reporting	October 2015		Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission's Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. However we have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective.

5.2.1 Self interest threats

A self interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees or agreed non-audit services.

We believe that it is appropriate for us to undertake permissible non-audit services. We will help the Authority establish policies that are in compliance with the Audit Commission's Standing Guidance if non-audit services are agreed.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard 4.

There are no other self interest threats at the date of this report.

5.2.2 Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

5.2.3 Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

5.2.4 Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

The Audit Commission's standing guidance for auditors requires confirmation, before the start of the sixth year of an individual auditor's work on an engagement, that there are no independence issues that would preclude an extension for an additional period of up to no more than two years. This is Neil Harris's sixth year on the Broads Authority audit, we have agreed with the Audit Commission that there are no independence issues that would preclude an extension for a maximum of two years.

There are no other threats at the date of this report.

5.2.5 Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Neil Harris, your audit engagement partner and the audit engagement team have not been compromised.

5.3 Other required communications

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 30 June 2014 and can be found here:

[UK 2014 Transparency Report](#)

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2014/15	Actual Fee 2013/14
	£	£
Total Audit Fee – Code work	13,943	13,943

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ We are able to place reliance, as planned, on the work of internal audit;
- ▶ The level of risk in relation to the audit of accounts is consistent with that in the prior year;
- ▶ No significant changes being made by the Audit Commission to the use of resources criteria on which our conclusion will be based;
- ▶ Our accounts opinion and use of resources conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the audited body;
- ▶ Effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with you in advance.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Financial Scrutiny and Audit Committee of audited clients. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
Significant findings from the audit <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits 	Report to those charged with governance
Misstatements <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	Report to those charged with governance
Fraud <ul style="list-style-type: none"> ▶ Enquiries of the Financial Scrutiny and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Report to those charged with governance
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Report to those charged with governance

Required communication	Reference
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Report to those charged with governance
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Financial Scrutiny and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Financial Scrutiny and Audit Committee may be aware of 	Report to those charged with governance
<p>Independence</p> <p>Communication of all significant facts and matters that bear on Ernst & Young's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Plan</p> <p>Report to those charged with governance</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Report to those charged with governance
Significant deficiencies in internal controls identified during the audit	Report to those charged with governance
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<p>Audit Plan</p> <p>Report to those charged with governance and Annual Audit Letter if considered necessary</p>

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Local Government Audit Committee Briefing

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Introduction

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving. It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business. This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.



Building a better
working world



Government and economic news

EY Item Club: Autumn 2014 Forecast

ITEM Club is the only nongovernmental economic forecasting group to use the HM Treasury model of the UK economy, independent of any political, economic or business bias. The Autumn 2014 report summarises the latest quarterly forecast and gives EY's assessment.

The ONS's recent revisions to the UK's historical economic data have given a very different perspective on the shape of the recession and subsequent recovery.

Consumer spending remains subdued by falling real wages, which has helped to keep inflation at bay. Inflation as measured by the CPI was just 1.2% in September, the lowest reading in five years and ninth successive month that it has been below 2%. Whilst falling prices for food and petrol have played a role in keeping inflation down, underlying price pressures are also well contained. Since consumer spending has been subdued, business investment has now taken over as the engine of recovery; with capital spending accounting for almost half the rise in GDP in the past year. UK GDP has been revised up, meaning it actually passed its previous high-point in 2013, and that output is now well above the 2008 peak.

This picture is more consistent with the strong growth in employment. The upward revisions to business investment have been particularly pronounced; meaning the scope for catch up is less than previously thought. Despite the growing risks and uncertainties, EY Item club is projecting GDP growth of 3.1% in 2014, followed by a slight easing to 2.4% growth in 2015 and 2.3% in 2016, and then a modest uptick in 2017.

Contracting out public services to the private sector

In the last briefing we considered the response of the House of Commons Committee of Public Accounts (the 'PAC') to evidence including the National Audit Office report 'The role of major contractors in the delivery of public services' and submissions from central government bodies.

The PAC made a range of recommendations in four key areas. In the previous briefing we looked at contract management and delivery. We will now consider Capability, Transparency and Ethical Standards.

Capability

The PAC found that, often, there is a lack of expertise within central government to extract the greatest value from contracting with private providers.

We often find that both public and private sector organisations lack clear lines of responsibility for contract management, which falls between procurement, operations and finance functions. A greater focus on contract governance would enable local authorities to ensure that accountability is clear and that experienced contract managers have the necessary training and skills for this important role.

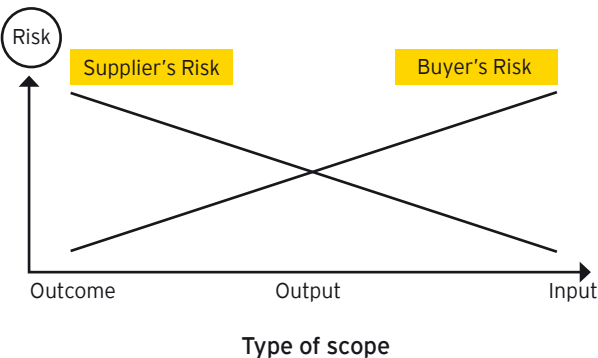
Transparency

Calls for increased transparency include recommendations that the public sector makes greater use of 'open-book' accounting. This is something we would endorse, especially where contracts are constructed around the purchase of 'inputs' such as labour on a daily or hourly rate.



Government and economic news

Furthermore, we would recommend that the public sector considers whether it can purchase services based around outcomes, rather than inputs, as these can help to mitigate the buyer's risk as illustrated below:



Ethical standards

The PAC emphasised the value of effective whistleblowing policies. Our experience shows that many private sector suppliers have whistleblowing policies. However, these tend not to provide a direct link from the potential whistleblower to the public sector buyer, sometimes reducing the effectiveness of these policies.

However, in order for whistleblowing to be a truly effective contract management tool, the buyer needs to have appropriate routes to provide rights of access to a contractor's employees as well as its accounting records, plus the teams with the necessary skills and experience to investigate contract performance.

Summary

At a time when local authorities continue to look for savings, the PAC Report provides a timely reminder that effective contract management can both:

- ▶ Be a means by which savings can be achieved
- ▶ Help to improve public confidence in the use of public funds

Councils face a £5.8 billion shortfall in funding says LGA

The Local Government Association (LGA) has published its Future Funding Outlook 2014, which notes that the funding gap, created by a combination of funding cuts and spending pressures, is growing at an average rate of £2.1 billion per year. Spending on social care and waste management, both of which have significant statutory elements, is taking up an increasing proportion of the funding available to councils, which means that according to the LGA model, funding for other council services will drop by 43% in cash terms by the end of the decade. Council expenditure has fallen significantly since 2010-11 in all areas other than public transport, children's social care, adult social care and waste management and other environmental services. However, assuming consistent service levels, and taking into account cost drivers and assumed efficiency levels, the LGA model predicts that total expenditure will rise from £51.1 billion in 2013-14 to £55.7 billion in 2019-20, whereas total funding will fall by £10.6 billion when the impact of ring-fenced funding for public health is excluded. Bringing together the predicted income and expenditure trends, the LGA forecasts a gap of £12.4 billion between funding and net expenditure by 2019-20. LGA research indicates that in many authorities savings are starting to come from service reductions rather than efficiencies, and that in 2015-16, savings will be achieved more through service reductions than through efficiencies. The funding gap by the end of 2015-16 is forecast to be £5.8 billion, of which £1.9 billion relates to adult social care.



Government and economic news

Independent commission on local government finance

The Local Government Association and the Chartered Institute for Public Finance Accountancy have together established the Independent Commission on Local Government Finance, which is chaired by Darra Singh, a partner in EY's Government and Public Sector team. The Commission aims to build on the work of the LGA and CIPFA, who individually set out proposals for public service reform, and will consider five key challenges:

- ▶ Promoting economic growth and investment in infrastructure
- ▶ Ensuring sufficient housing is provided in every place
- ▶ Integrating the health and social care systems to promote independent living, including preventing unnecessary health intervention
- ▶ Achieving a welfare benefits system that promotes work and protects the vulnerable
- ▶ Supporting families and developing young lives through early intervention

The Commission aims to shape the debate on local government finance, and to influence the next government. It published an interim report in October, and its final recommendations are due out in early 2015.

The interim report contains the following key points:

- ▶ The need for reform is urgent and creates an opportunity to establish a funding system for local government which is largely self-sufficient.
- ▶ Councils have a role to play in addressing the chronic housing shortage, and should be able to borrow to invest in social housing.
- ▶ The Commission will be looking at the option of creating central funds which offer to match-fund local partnership contributions in order to support early intervention for children and families.
- ▶ Larger investment in transformation is needed for the delivery of integrated care.



Accounting, Auditing and Governance

Future of Local Audit

As part of its consultation on Local Audit Regulations associated with the Local Audit and Accountability Act, which ended on 18 July 2014, the government is proposing to bring forward the dates for the accounts to be signed and certified by the Responsible Financial Officer, then approved and published, from 30 June and 30 September respectively to 31 May and 31 July respectively. They propose that this change would take place from the 2017-18 accounts, but hope that authorities will move to the new timetable as soon as possible.

The consultation also covers collective auditor procurement by a specified person. Under the intended regulations, authorities would be able to opt in to sector-led procurement arrangements, and have an auditor appointed on their behalf, rather than appointing their own auditor locally. Under the draft regulations, the Secretary of State may specify the Appointing Person, and may specify different appointing persons for different groups or types of audited bodies.

Grant claim certification results

The Audit Commission has published a report on its findings from the 2012-13 grant claim certification process. As well as adjustments to claims worth £17.3 million, auditors issued qualification letters for 360 claims and returns. This included:

- ▶ 255 Housing Benefit subsidy claims, 78% of the total,
- ▶ 55 Teachers' Pensions returns, 36% of the total,
- ▶ 39 National Non-domestic Rates returns, 12% of the total

From 2013-14, non-domestic rates returns no longer require auditor certification. Teachers' Pensions has decided to make its own certification arrangements for 2013-14, however the Audit Commission and, after March 2015, its successor transitional body will continue to make certification arrangements for housing

benefit subsidy. Council tax benefit was replaced in 2013-14 with local authority run schemes, which do not require auditor certification. Other grant paying bodies will need to make their own assurance arrangements from 2014-15 onwards.

The purpose of qualification letters is to make a grant paying body aware of issues with a claim or return, typically issues for which it is not possible or cost-effective to quantify the full financial impact. The Department for Work and Pensions issued a subsidy circular (HB S4-2014) in May 2014, reiterating the responsibilities of local authorities to ensure their subsidy claims are:

- ▶ Completed accurately and in accordance with HB subsidy guidance and circulars
- ▶ Supported by systems of internal control, including systems of financial control and internal audit
- ▶ Completed in a timely manner
- ▶ Supported by adequate working papers
- ▶ Subject to supervision and review before completion of the authority's certificate
- ▶ Certificate given by an appropriate officer, typically the responsible finance officer

The circular also states the Department's intention to contact all local authorities whose subsidy claims have been qualified. It will require an outline of the actions taken to address the issues raised. In cases with recurrent qualification issues, the Department will also visit those authorities.

Protecting the public purse: 25 years on

Detection of fraud in England in 2013-14 by Councils and other local government bodies was at its highest level since the recording of fraud was established some 25 years ago by the Audit Commission. The total figure of £188mn was a 10 fold increase on



Accounting, Auditing and Governance

the first recorded figure in 1990. The Audit Commission was and is the sole provider of comprehensive data on all types of fraud detected by local authorities. This is due to the statutory powers the Commission has, to demand that local government bodies provide such data.

The Audit Commission's Chairman, Jeremy Newman commented: 'I urge the government to mandate the provision of fraud data from all local authorities, after the Commission's closure, to ensure that future reports are able to provide as complete and authoritative a picture of fraud detection as 'Protecting the Public Purse'. This would help preserve the high levels of transparency and accountability that English councils currently exhibit in their approach to countering fraud and prevent those councils that are not yet playing their part in the fight against fraud, from avoiding public scrutiny.'

The Audit Commission has also released a checklist for elected members, designed to help them analyse their council's results and assess how the NFI is integrated into the council's processes and counter-fraud policies. The Commission recommends that public audited bodies should consider whether it is possible to make better use of matches, and use NFI matches in conjunction with matching services from other providers. It also recommends that local authorities should ensure they retain sufficient capability to investigate non-housing benefit fraud, after the introduction of the Single Fraud Investigation Service.

The Commission's Fraud Team will be moving to CIPFA as part of the closure of the Audit Commission.

The Cabinet Office and the Audit Commission will be working together to ensure the smooth transfer of the NFI functions when the Audit Commission closes in March 2015.

Audit fees at a 25 year low as part of the Audit Commission's legacy

In its last full year of operation before being officially wound down on 31 March 2015 the Audit Commission has announced that it is reducing audit fees by approximately £30 million between 2015-2017. If the government decides to extend and lock in the 2012 and 2014 audit contracts until 2020, it is expected that the total value of savings to local government, police, fire and NHS bodies would be approximately £440mn.

Chairman of the Audit Commission, Jeremy Newman says: 'We have driven down prices for audit services, showing again that bulk procurement is the best way to maintain a competitive market and provide taxpayers with value for money. The resulting savings are part of the legacy the Commission will leave after March 2015, and will be enjoyed by local authorities and NHS bodies for years after our closure. Fees should be preserved at this level for 2016-17 and we hope the government will take the opportunity we have secured to lock in and extend the savings we have achieved up to 2020.'

In addition to the above savings, the Commission also intends to return approximately £6mn as a rebate to Local Government and NHS bodies in 2014-15

A transitional body, Public Sector Audit Appointments Limited (PSAAL), has been established by the Local Government Association to oversee the management of the Audit Commission's external audit contracts until they end in 2017 or are possibly extended until 2020. The PSAAL will be responsible for setting fees, appointing auditors and monitoring the quality of auditors' work. They will also be responsible for publishing the Commission's Value for Money Profile tool.



Regulation News

Open and Accountable Government

The government has introduced a new law allowing the press and public to film and digitally report (including tweeting and blogging) from all public meetings of local government bodies. These rules will apply to all public meetings including town and parish councils, and fire and rescue authorities. The regulations also give members of the press and public rights to see information related to significant decisions made outside meetings by officers acting under general or specific delegated powers.

Whistleblowing

The Department for Business, Innovation and Skills (BIS) has recently launched a consultation, which closed at the end of September 2014, seeking views on the practical implementation of a legal power requiring prescribed persons to report annually on whistleblowing disclosures. Because of the duty of confidentiality binding prescribed persons, and a lack of legal obligation to investigate, BIS found that whistle-blowers do not have confidence that their reports are investigated. The Department is therefore introducing a reporting requirement in order to ensure more systematic processes across prescribed bodies, and to provide greater reassurance to whistle-blowers that their reports are being

acted on. The reports would not provide specific detail enabling the whistle-blower or the organisation about which the report is made to be identified, but would contain more generic information about the number of disclosures made, and the characteristics of those disclosures, such as whether they required further investigation or referral to an alternative body.

Meanwhile, the Parliamentary Commission on Banking Standards (PCBS) has published recommendations for enhancing corporate transparency, governance and integrity. Eleven of the PCBS' recommendations relate specifically to whistleblowing. The Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) have indicated their intention to adopt all eleven and consequently we can expect change to the regulatory landscape in the near future. We also noted earlier, that whistleblowing was an area raised by the PAC, who emphasised the value of effective whistleblowing policies.

Whistleblowing is therefore clearly a key area for consideration, for both the public and private sectors.

EY has produced a whistleblowing flyer to help you to consider your whistleblowing framework's effectiveness, and whether your culture encourages employees to raise concerns.



Key Questions for the Audit Committee

What questions should the Audit Committee be asking itself?

- ▶ Do we have clear lines of responsibility for contract management?
- ▶ Have we considered whether use of outcome based contracts could mitigate our 'buyers' risk'?
- ▶ Have we responded to the questions raised in Appendix 2 of the latest NFI report?
- ▶ How effective is our whistleblowing policy?



Find out more

EY Item Club: Autumn 2014 Forecast

Find EY Item Club's Autumn 2014 forecast at:

[http://www.ey.com/Publication/vwLUAssets/EY-ITEM-Club-Autumn-Forecast-2014-full-report/\\$FILE/EY-ITEM-Club-Autumn-Forecast-2014-full-report.pdf](http://www.ey.com/Publication/vwLUAssets/EY-ITEM-Club-Autumn-Forecast-2014-full-report/$FILE/EY-ITEM-Club-Autumn-Forecast-2014-full-report.pdf)

Contracting out public services to the private sector Read the NAO report at:

<http://www.nao.org.uk/wp-content/uploads/2013/11/10296-001-BOOK-ES.pdf>

To find out how EY can help with contract management, contact a member of your engagement team.

Councils face a £5.8 billion shortfall in funding says LGA

Read the LGA's press release, on what they have termed the '£5.8bn funding black hole' at

http://www.local.gov.uk/web/guest/finance/-/journal_content/56/10180/6309034/NEWS.

Find the full report at:

<http://www.local.gov.uk/documents/10180/5854661/L14-340+Future+funding+-+initial+draft.pdf/1854420d-1ce0-49c5-8515-062dcca2c70>

Independent Commission on Local Government Finance

Read the Commission's interim report at:

http://www.localfinancecommission.org/-/media/iclgf/documents/l14536%20interim_report_web_v2.pdf

Future of Local Audit

<https://www.gov.uk/government/consultations/local-audit-regulations>

Grant Claim Certification Results

Read the full Audit Commission report at:

<http://www.audit-commission.gov.uk/wp-content/uploads/2014/06/Local-government-claims-and-returns-final-17-June-2014.pdf>

The DWP circular is also available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/309613/s4-2014.pdf



Find out more

Audit fees at a 25 year low as part of the Audit Commission's legacy

Read the full Audit Commission press release at:

<http://www.audit-commission.gov.uk/2014/10/wpsf1516pr/>

Protecting the Public Purse: 25 years on

Read the final NFI report produced by the Audit Commission before its closure in March 2015 at:

<http://www.audit-commission.gov.uk/wp-content/uploads/2014/10/Protecting-the-Public-Purse-2014-Fighting-Fraud-against-Local-Government-online.pdf>

Open and Accountable Government

The guide for press on attending and reporting meetings of local government is available at:

<https://www.gov.uk/government/publications/open-and-accountable-local-government-plain-english-guide>

Whistleblowing

Feedback from the consultation is currently being analysed. The output from the consultation when it becomes available will be accessed via:

<https://www.gov.uk/government/consultations/whistleblowing-prescribed-persons-reporting-requirements>

To download the EY flyer on whistleblowing, visit:

[http://www.ey.com/Publication/vwLUAssets/EY_-_Whistleblowing_-_change_is_coming/\\$FILE/EY-whistleblowing.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Whistleblowing_-_change_is_coming/$FILE/EY-whistleblowing.pdf)

For more information on how EY can help you enhance your existing whistleblowing framework, speak to a member of your engagement team.



About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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Implementation of Internal Audit Recommendations: Summary of Progress
Report by Head of Finance

Summary:	This report updates members on progress in implementing Internal Audit recommendations arising out of audits carried out since 2013/14.
Recommendation:	That the report be noted.

1 Introduction

- 1.1 It has been agreed that this Committee will receive a regular update of progress made in implementing Internal Audit report recommendations, focusing on outstanding recommendations and including timescales for completion of any outstanding work.
- 1.2 This report summarises the current position regarding recommendations arising out of internal audit reports which have been produced since 2013/14. It sets out in the appendix details of:
 - recommendations not yet implemented
 - recommendations not implemented at the time of the last meeting which have since been implemented
 - new recommendations since the last meeting

2 Summary of Progress

- 2.1 In the previous report to this Committee in September, one medium priority recommendation relating to Procurement policies and procedures was identified as outstanding. This has now been completed. Details of all actions taken are set out in the appendix.

3 Internal Audit Programme 2014/15

3.1 End User Controls

- 3.1.1 An audit of End User Controls was completed in December, receiving an “adequate” audit opinion with three medium and five low priority recommendations being raised.
- 3.1.2 The audit consisted of a review of the systems and controls in place on Authority issued devices such as PCs, mobile devices such as laptops and

smartphones, to mitigate the loss of these devices and the data contained on them.

3.1.3 The audit identified the following areas of weakness:

- Screensaver controls that lock a user's PC or laptop when not in use should be deployed to mitigate the risk of unauthorised access to the network and help to ensure the security of the network
- Mobile device password controls should be implemented to improve the security of the Blackberry devices and reduce the risk of unauthorised access
- Controls over USB devices needs to be introduced to protect the Authority's data and ensure the security of the network

3.1.4 A number of positive finding were identified in relation to:

- There are controls in place to help prevent non-IT users from installing unauthorised applications
- PC, laptop and mobile device procurement is controlled via a centralised IT budget that the Head of IT monitors
- Unauthorised devices cannot connect to the network and gain access to network resources
- Mobile devices (primarily Blackberry devices) are encrypted by default;
- Blackberry devices are managed by the Blackberry Enterprise Server, which allows for the remote wipe of connected devices should they be lost or stolen
- There are processes in place that effectively act as asset reviews via the use of Anti-Virus and patch management systems

3.1.5 The eight recommendations raised have been agreed and actions are identified to deliver these. Details of which are set out in the appendix.

3.2 Another audit has been undertaken since the last meeting of the Committee on the Consultation Activities and Partnership Provisions Audit. The outcomes from this will be reported to the next committee meeting. An audit of the regular annual Key Controls audit will be undertaken in quarter four.

3.3 Details of actions to date in response to outstanding recommendations are set out in the appendix.

Background papers: None

Author: Emma Krelle
Date of report: 28 January 2015

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Summary of Actions / Responses to Internal Audit Recommendations 2013/14 – 2014/15

Summary of Actions / Responses to Internal Audit Recommendations 2013/14 – 2014/15

Procurement: October 2013

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>3. Purchase Ledger Review Monitoring and reporting of data from the purchase ledger should be undertaken on a periodic basis.</p> <p>In particular, a review of aggregate supplier spending (cumulative total of >£5k), should be undertaken to determine whether correct procurement procedures have been applied. This analysis should be undertaken in line with the review of the Contracts Register to determine whether the Contracts Register includes all contracts.</p> <p>Instances of non-compliance with Contract Standing Orders should be reported to senior management and recurring issues identified to inform staff training.</p>	Medium	Head of Finance	<p>Completed. The aggregate supplier spend data for 2013/14 has been reviewed as part of year-end processes. Of the 36 suppliers identified as part of the review Management Team reviewed the procurement processes used and agreed that the procurement methods had been appropriate.</p> <p>In future an annual review of aggregate supplier spend and the contract register will be undertaken after the financial year end.</p>	<p>By 30/04/2014</p> <p>Revised Target Date: 31/10/2014</p>

Summary of Actions / Responses to Internal Audit Recommendations 2013/14 – 2014/15

End User Controls: December 2014

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>1. Screensaver configuration The Authority should deploy screensaver controls that include the following:</p> <ul style="list-style-type: none"> • The configuration of a default screensaver that cannot be changed by the user; • Implementation of an appropriate screen lock timeout, i.e. 10 minutes after inactivity, that initiates the screensaver automatically; and <p>A requirement for the user to re-enter their network password to unlock the screensaver when returning to their screens.</p>	Medium	Head of IT and Collector of Tolls	Agreed with the Head of IT and Collector of Tolls at the debrief meeting.	By 31/05/2015
<p>2. Corporate IT Group Terms of Reference The Authority should undertake a review of the Terms of Reference for the Corporate IT Group as the current document references individuals no longer with the Authority or where roles have changed. The review</p>	Low	Head of IT and Collector of Tolls	Completed. Terms of Reference Reviewed and Agreed by Corporate ICT Group on 21 January 2015.	By 31/05/2015

Summary of Actions / Responses to Internal Audit Recommendations 2013/14 – 2014/15

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
should also confirm that the group's remit continues to reflect the needs of the Authority.				
3. Formal Disposal Policy The Authority should give consideration to formally documenting an IT Disposal policy.	Low	Head of IT and Collector of Tolls	Agreed with the Head of IT and Collector of Tolls at the debrief meeting.	By 31/05/2015
4. WEEE Destruction certificates The Authority should ensure that a formal destruction certificate matching the receipts when items are collected, is received for every WEEE consignment.	Low	Head of IT and Collector of Tolls	Completed - Destruction certificates obtained for equipment recycled in 2014.	By 31/05/2015
5. Laptop hardware encryption The Authority should give consideration to deploying hardware encryption to every laptop under its control.	Low	Head of IT and Collector of Tolls	Agreed with the Head of IT and Collector of Tolls at the debrief meeting.	By 31/05/2015
6. Blackberry device password controls The Authority should ensure that appropriate mobile device password controls are implemented as part of the deployment of Blackberry Enterprise Server (BES) version 12.	Medium	Head of IT and Collector of Tolls	Agreed with the Head of IT and Collector of Tolls at the debrief meeting.	By 31/05/2015

Summary of Actions / Responses to Internal Audit Recommendations 2013/14 – 2014/15

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>7. USB device controls Recommendation - The Authority should ensure that appropriate controls over USB devices are implemented when Windows Server 2008 is deployed. Such controls could include the following:</p> <ul style="list-style-type: none"> • Restrict usage to specific, Authority approved, devices only; • Restrict the ability to copy data to, or from, devices not permitted by the Authority; and • Ensure that appropriate Anti-Virus/Malware scanning is initiated on reading the device's data. 	Medium	Head of IT and Collector of Tolls	Agreed with the Head of IT and Collector of Tolls at the debrief meeting.	By 31/05/2015
<p>8. Asset tags The Authority should initiate a process whereby all devices under its control are asset tagged and recorded within an appropriate asset register.</p>	Low	Head of IT and Collector of Tolls	Agreed with the Head of IT and Collector of Tolls at the debrief meeting.	By 31/05/2015

National Parks UK Commercial Sponsorship Proposal

Report by Chief Executive

Summary: This report seeks the views of the Financial Scrutiny and Audit Committee on the establishment of a new Company Ltd by Guarantee (CLG).

Recommendation: To confirm the in principle decision by the Broads Authority:

- (i) that the establishment of a new Company Ltd by Guarantee, the 'National Park Partnerships Limited' to oversee the development of commercial sponsorship on behalf of the National Park Authorities and the Broads Authority be endorsed;
- (ii) that the Authority should become a signatory to the Members Agreement which binds all 15 UK National Park Authorities; and
- (iii) that a budget provision be made in 2015/16 for the potential second payment of £10,000.

1 The National Parks UK Commercial Sponsorship Proposal was considered by the Broads Authority on 23 January 2015. The Authority resolved the following recommendations:

- (i) *That in principle the Authority endorses the establishment of a new Company Limited by Guarantee (CLG), 'National Park Partnerships Limited' to oversee the development of commercial sponsorship on behalf of the National Park Authorities and the Broads Authority in the UK subject to scrutiny by the Financial Scrutiny and Audit Committee.*
- (ii) *That, subject to the scrutiny of the details by the Financial Scrutiny and Audit Committee, the Authority should become a signatory to the Members' Agreement, which binds all 14 of the UK National Park Authorities and the Broads Authority in respect of the new Company Limited by Guarantee.*
- (iii) *That subject to the above, approval be given for the Authority to sign the agreement with Dartmoor National Park Authority in respect of the equal distribution of licence fees from use of the Britain's Breathing Spaces brand;*
- (iv) *That the initial investment of £10,000 in the development of a commercial sponsorship company on behalf of the fifteen UK National Park (Authorities) for which provision has already been made in the*

2014/15 budget be approved and provision be made in 2015/16 for the potential need for a second payment of £10,000.

- 2** The report to the Broads Authority is attached at Appendix 1 and the views of the Committee are sought.

Background papers: None

Author: Regina Green
Date of report: 27 January 2015

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Report to Broads Authority on 23 January 2015

Broads Authority
23 January 2015
Agenda Item No 13

National Parks UK Commercial Sponsorship Proposal
Report by Chief Executive

Summary: The purpose of this report is to update members on the National Parks UK proposal and seek the Authority's endorsement for the establishment of a new company, called National Park Partnerships Limited, to take forward the joint commercial sponsorship initiative for the fifteen National Parks in the UK.

Recommendation: That the Authority :

- (i) endorses the establishment of a new Company Limited by Guarantee (CLG), 'National Park Partnerships Limited' to oversee the development of commercial sponsorship on behalf of the National Park Authorities and the Broads Authority in the UK;
- (ii) confirms this decision, agrees that the Authority should become a signatory to the Members' Agreement, which binds all 14 of the UK National Park Authorities and the Broads Authority in respect of the new Company Limited by Guarantee;
- (iii) Gives approval for the Authority to sign the agreement with Dartmoor National Park Authority in respect of the equal distribution of licence fees from use of the Britain's Breathing Spaces brand; and
- (iv) Approves the initial investment of £10,000 in the development of a commercial sponsorship company on behalf of the fifteen UK National Parks for which provision has already been made in the 2014/15 budget and makes provision in 2015/16 for the potential need for a second payment of £10,000.

1 Background

- 1.1 Following significant reductions in National Park Grant in recent years, Government is encouraging National Park Authorities¹ (NPAs) in England to look at other sources of income including commercial sponsorship/income from business.

¹ References to the UK's National Parks and National Park Authorities includes the Broads and the Broads Authority in this document

- 1.2 The experience from other national parks seeking commercial sponsorship from business is that it can be time consuming, that sponsors may consider specific projects but are unlikely to contribute to core costs and that there is greater potential if all NPAs collaborate to make the most of the 'brand' at a national level.
- 1.3 Following the delivery of the Merrell and Airwick sponsorships over recent years, it is recognised that interest in 'UK National Parks Britain's Breathing Spaces' brand is growing. The fifteen Chief Executives of National Parks UK met in January 2014 to consider income generation and sponsorship potential for the UK National Parks. The outcome of these discussions was to take forward a significant proposal on commercial opportunities relating to brand equity, including cash sponsorships. Members have been kept alerted to the progress of these discussions and they have now reached a point where there is a clear proposal for the Authority to consider. £3,000 of income to the Authority from the Airwick relationship has been invested in the proposal and a further £3,000 is being used to create a sensory garden at How Hill.
- 1.4 In June 2014 the Chairs of the National Parks UK considered initial proposals and authorised that additional work be undertaken across a number of work streams to further develop the proposals and had a further update at a video conference on 15 December 2014. The National Parks Minister, Lord de Mauley, is aware of the proposal.
- 1.5 Further development work has been taken forward in five key areas namely:
- Business Case
 - Business Model & Structure
 - Ethics & Sponsorship Policy
 - Branding & Proposition
 - Packages & Prospectus

2 Business Case

- 2.1 The development of the Business Case has been informed by the work of an external advisor, Matt Keatley, who has worked on commercial sponsorship with a wide variety of organisations, and also by benchmarking levels of sponsorship being achieved by other organisations within the environment/heritage sector both within the UK and internationally.
- 2.2 The income and expenditure budget for the first 5 years shows that the business should be self-funding and generating increasing levels of funding for NPA projects by Year 2 onwards, profits of some £1.5million should be achievable by Year 4.
- 2.3 Total costs in Year 1 would be £114,500. Positive cash balances would be maintained in the first year by the introduction of £120,000 from NPAs, equivalent to £8,000 for each NPA, with a payback on this investment achievable by month 7 of Year 2. It is recommended that to allow a small contingency, each National Park Authority contributes £10,000 in Year 1 and allocates a further £10,000 within their medium term budget plan to allow for

further investment in the project to facilitate the future success of the proposal should delays occur in the early years. Additional investment beyond Year 1 will only be recommended if the potential income assumptions remain sound but require more time and hence additional working capital to progress.

2.4 Sensitivity analysis has indicated that the business case is sensitive to a number of factors including:

- The number of sponsors that can be secured and the level of contributions achieved from each sponsor. However, there is a significant safety net between the projected profit levels and the minimum required to cover operational costs.
- The timing of receipts. Should income be significantly delayed beyond the projected timings, there will be a need for increased contributions from NPAs and a delayed payback on the investment.
- Given the projected levels of income, the budget is not particularly sensitive to overhead costs but close monitoring will be essential, particularly in the early years, to validate assumptions. The level of sponsor support costs, referred to as “Marketing Rights Activation” is to a certain extent unknown and close monitoring will be required to ensure that profitability and hence funds available for NPA projects are not limited by a tendency to over service sponsor needs, particularly in the early years.

3 Business Model and Structure

3.1 In considering a suitable Business Model and Structure to take forward a significant growth in commercial sponsorship, as set out in the Business Case, two possible options have been explored:

- Establish a sub group to oversee corporate sponsorship as part of an incorporated National Parks UK (NPUK).
- Establish a separate legal entity, by and on behalf of all NPAs in the UK, to take forward the corporate sponsorship (and potentially wider fundraising work) on behalf of the UK’s National Park Authorities.

3.2 To achieve the ambition it is considered appropriate to establish a new organisation specifically for this purpose. It is preferred to create a structure that is fit for purpose in terms of being able to establish the relationships with sponsors that will be required, to act swiftly and make decisions on behalf of all member National Park Authorities. The current NPUK decision-making process is not always fit-for-purpose in a commercial context due to the private sector’s need for speed, flexibility and responsiveness.

3.3 It is therefore proposed to establish a Company Limited by Guarantee (CLG) called ‘National Park Partnerships Limited’. The legal structure of a CLG is one with which NPAs are familiar. It is the agreed method of incorporation for NPUK and is the current legal structure of National Parks England (NPE).

- 3.4 NPUK will continue with its existing governance framework and work programme (including member induction and training and sharing of best practice), with the new organisation focusing on sponsorship and fund raising.
- 3.5 National Parks UK has taken legal advice on the structure of the new company from solicitors Ward Hathaway. It is proposed the membership of the company will be limited to one representative from each of the fifteen National Park Authorities in the UK. A Board, with a Chair, will be appointed/ recruited to oversee the work of new company. The new company, whilst being owned by NPAs, should be able to work quickly and be business like. It should therefore have the autonomy to make decisions to deliver its business plan, whilst still delivering within the context set by NPAs.
- 3.6 Membership of the Board will be by appointment by the wider membership (i.e. the fifteen UK National Parks). It is proposed that NPA representatives should always be in the majority on the Board and that initially the Board will comprise of seven Members with four NPA and three external members.
- 3.7 A separate Members Agreement is proposed in order to set out the terms of how the members will work together and to list matters requiring the members consent in respect of the operation of the sponsorship company. A copy of the Memorandum and Articles of Association is contained in the Appendix.

4 Branding and Proposition

- 4.1 National Parks in the UK currently use the 'Britain's Breathing Spaces' brand. This brand has featured in both the Merrell and Airwick initiatives and has recently been trademarked by Dartmoor NPA on behalf of all fifteen UK National Parks.
- 4.2 NPUK has previously undertaken work on brand essence. However, a separate piece of work was commissioned to help inform further development of the brand for commercial use. This has concluded that in time a refresh of the brand is appropriate. However it has been agreed that this work should not prevent the proposal from moving forward now.
- 4.3 It is proposed that Dartmoor NPA will grant a licence to the new sponsorship company for the use of the 'Britain's Breathing Spaces' brand for sponsorship purposes and will extract in return a licence fee related to a percentage of sponsorship monies received (currently proposed as 95%). An additional agreement will be required between Dartmoor NPA and the other fourteen NPAs in order to ensure an equal distribution of licence fees from the new company.

5 Ethics and Sponsorship Policy

- 5.1 A draft ethics policy has been prepared which has brought together the existing approaches of a number of National Park Authorities (most notably Loch Lomond and the Trossachs) and a couple of private companies (most notably British Airways).

- 5.2 The key question for NPAs is 'what will or will not be accepted as sponsorship'?. The proposed policy does not aim to exclude any potential sponsors from the outset but rather will seek to consider each sponsorship opportunity on its own merits using an ethical 'check-list' for guidance.

6 Benefits and Implications

- 6.1 Based on projected income and expenditure figures the Broads Authority could receive a net contribution of approximately £15,000 by Year 2 (2015/16) and a contribution of up to £95,000 per annum thereafter if all sponsorship targets are achieved.
- 6.2 It is important to note that agreeing to the national level sponsorship proposals does not hinder the right of individual National Park Authorities to undertake local sponsorships, giving, joint-ventures or any commercial activity of a local nature unless, of course, such activity directly contravenes national level partnership agreements (existing or proposed). Members will be aware of that a Sponsorship Policy was agreed at the last meeting and the Authority is taking forward one particular opportunity.

7 Risks

- 7.1 A risk assessment of the proposal has been undertaken as part of the Business Case. The main risks are:
- Not all 15 NPAs can agree to a suitable structure and framework (*initiative does not move forward*)
 - Insufficient start-up funding to bring company into operation (*company ineffective*)
 - Failure to attract sponsors and thus revenue to meet costs after year 1 (*initial investment lost*)
 - Failure of the company to achieve appropriate or effective marketing rights activation (*loss of sponsors and reputation for delivery*)
 - Commercial sponsors default on payments (*financial loss*)
 - Reputation damage from entering sponsorship alliances which reflect poorly on national park purposes (*loss of public confidence/trust*)
 - NPAs in England, in the absence of the Power of Competence, are relying on implied powers in respect of their statutory purposes to undertake commercial sponsorship activities (*third party legal challenge stalls the initiative*)

8 Timescale and Next Steps

- 8.1 Following approval by the 15 UK NPAs an external expert or agency will be recruited to drive forward this agenda initially under the leadership of NPUK. Some initial discussions have already been held with a number of potential national level sponsors and it is therefore intended to establish the company as soon as possible after agreement in order to be in a position to move

forward these discussions. It is anticipated that this will begin after 15 December 2014 with a 'go live' date in early 2015.

9 Financial Implications

- 9.1 Each of the fifteen authorities is being asked to commit an initial £10,000 to the enterprise with the possibility of an additional £10,000 required in the second year. Given the scale of the potential benefits this cooperative venture with its limited risks seems a worthwhile project. Provision has been made in the 2014/15 budget for the initial payment and it would be prudent to make provision for a potential contribution in the second year in next year's budget.

10 Conclusion

- 10.1 National Parks face an extremely challenging period of sustained budget decline which is severely impacting on the Authority's ability to deliver our core purposes. Having reviewed and evaluated the potential opportunities for commercial sponsorship of National Parks at a UK level it is considered appropriate to support this initiative.

Background papers: None

Author: John Packman
Date of report: 7 January 2015

Broads Plan Objectives: None

Appendices: APPENDIX - Memorandum and Articles of Association

The Companies Act 2006
Private Company Limited by Guarantee

Memorandum of Association
of
XXCompanyNameXX

Each subscriber to this memorandum of association wishes to form a company under the Companies Act 2006 and agrees to become a member of the company.

Name of each subscriber

Authentication by each subscriber

XXSubscriber1XX
XXSubscriber2XX
XXSubscriber3XX
XXSubscriber4XX
XXSubscriber5XX
XXSubscriber6XX
XXSubscriber7XX
XXSubscriber8XX
XXSubscriber9XX
XXSubscriber10XX

Dated: XXTodayXX

The Companies Act 2006

Private Company Limited by Guarantee

Articles of Association

Of

XXCompanyNameXX

(Adopted on the incorporation of the Company)



Newcastle | Leeds | Manchester

Sandgate House, 102 Quayside, Newcastle upon Tyne NE1 3DX
Tel: +44 (0) 191 204 4000

1. **Defined terms**

1.1. In these Articles the following expressions have the following meanings, unless the context requires otherwise:

"Articles"	the Company's articles of association;
"Associated Company"	in respect of a company: <ul style="list-style-type: none">(a) any body corporate of which that company is a Subsidiary;(b) any company that is a Subsidiary of that company;(c) any company that is a Subsidiary of any body corporate of which the company is also a Subsidiary; and(d) any company which is a trustee of an occupational pensions scheme (as defined by section 235(6) of the Companies Act 2006);
"Bankruptcy"	includes, without limitation, individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy;
"Chairperson"	has the meaning given in Article 12;
"Chairperson of the Meeting"	has the meaning given in Article 31;
"Companies Acts"	the Companies Acts (as defined in section 2 of the Companies Act 2006), insofar as they apply to the Company;
"Director"	a director for the time being of the Company, and includes any person occupying the position of director, by whatever name called;
"Distribution"	has the meaning given in section 829 of the Companies Act 2006;
"Document"	includes, unless otherwise specified, any document sent or supplied in Electronic Form;
"Electronic Form"	has the meaning given in section 1168 of the Companies Act 2006;
"Independent Director"	Means a Director appointed pursuant to Article 18.1.2 and reference herein to

	"Independent Directors" shall be construed accordingly;
"Member"	has the meaning given in section 112 of the Companies Act 2006;
"National Park Authority Director"	means a Director appointed pursuant to Article 18.1.1 and reference herein to "National Park Authority Directors" shall be construed accordingly;
"Ordinary Resolution"	has the meaning given in section 282 of the Companies Act 2006;
"Participate"	in relation to a Directors' meeting, has the meaning given in Article 10;
"Proxy Notice"	has the meaning given in Article 37;
"Relevant Loss"	any loss or liability which has been or may be incurred by a Relevant Officer in connection with that Director's duties or powers in relation to the Company, any Associated Company, or any pension fund or employees' share scheme of the Company or an Associated Company;
"Relevant Officer"	any director or officer or former director or officer of the Company or an Associated Company but excluding in each case any person engaged by the Company (or the relevant Associated Company) as auditor (whether or not he is also a director or officer of that Company) to the extent that he acts in his capacity as auditor
"Special Resolution"	has the meaning given in section 283 of the Companies Act 2006;
"Subsidiary"	has the meaning given in section 1159 of the Companies Act 2006 (and reference to "Subsidiaries" shall be construed accordingly); and
"Writing"	the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in Electronic Form or otherwise.

1.2. Any reference in these Articles to a "general meeting" means a general meeting of the Company's members duly convened and held in accordance with these Articles and the Companies Act 2006.

1.3. Unless the context otherwise requires, other words or expressions contained in

these Articles bear the same meaning as in the Companies Act 2006 as in force on the date when these Articles become binding on the Company.

- 1.4. No regulations contained in any statute or subordinate legislation, including but not limited to the regulations contained in the Model Articles for Private Companies Limited by Guarantee in Schedule 2 of the Companies (Model Articles) Regulations 2008 (SI 2008/3229), shall apply as regulations or articles of association of the Company.

2. Liability of Members

- 2.1. The liability of the Members is limited to £1, being the amount that each Member undertakes to contribute to the assets of the Company in the event of it being wound up while he is a Member or within one (1) year after he ceases to be a Member, for:

- 2.1.1. payment of the Company's debts and liabilities contracted before he ceases to be a Member;

- 2.1.2. payment of the costs, charges and expenses of winding up; and

- 2.1.3. adjustment of the rights of the contributories among themselves.

3. Directors' general authority

Subject to the Articles, the Directors are responsible for the management of the Company's business, for which purpose they may exercise all the powers of the Company.

4. Members' reserve power

The Members may, by Special Resolution, direct the Directors to take, or refrain from taking, specified action. No such Special Resolution invalidates anything which the Directors have done before the passing of the resolution.

5. Directors may delegate

- 5.1. Subject to the Articles, the Directors may delegate any of the powers which are conferred on them under the Articles:

- 5.1.1. to such person or committee;

- 5.1.2. by such means (including by power of attorney);

- 5.1.3. to such an extent;

- 5.1.4. in relation to such matters or territories; and

- 5.1.5. on such terms and conditions;

as they think fit.

- 5.2. If the Directors so specify, any such delegation may authorise further delegation of the Directors' powers by any person to whom they are delegated.

- 5.3. The Directors may revoke any delegation in whole or part, or alter its terms and

conditions.

6. **Committees**

- 6.1. Subject to Article 5, committees to which the Directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the Articles which govern the taking of decisions by Directors.
- 6.2. The Directors may make rules of procedure for all or any committees, which prevail over rules derived from the Articles if they are not consistent with them.

7. **Directors to take decisions collectively**

The general rule about decision-making by Directors is that any decision of the Directors must be either a majority decision at a meeting or a decision taken in accordance with Article 8.

8. **Unanimous decisions of Directors**

- 8.1. A decision of the Directors is taken in accordance with this Article when all eligible Directors indicate to each other by any means that they share a common view on a matter. Such a decision may take the form of a resolution in Writing, copies of which have been signed by each eligible Director or to which each eligible Director has otherwise indicated agreement in Writing.
- 8.2. References in this Article 8 to eligible Directors are to Directors who would have been entitled to vote on the matter had it been proposed as a resolution at a Directors' meeting.
- 8.3. A decision may not be taken in accordance with this Article 8 if the eligible Directors would not have formed a quorum at such a meeting.

9. **Calling a Directors' meeting**

- 9.1. Any Director may call a Directors' meeting by giving notice of the meeting to the Directors or by authorising the Company secretary (if any) to give such notice.
- 9.2. Notice of any Directors' meeting must indicate:
 - 9.2.1. its proposed date and time;
 - 9.2.2. where it is to take place; and
 - 9.2.3. if it is anticipated that Directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.
- 9.3. Notice of a Directors' meeting (containing the information set out in Article 9.2) must be given to each Director, but need not be in Writing.
- 9.4. Notice of a Directors' meeting need not be given to Directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the Company not more than seven (7) days after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

10. **Participation in Directors' meetings**

- 10.1. Subject to the Articles, Directors "Participate" in a Directors' meeting, or part of a Directors' meeting, when:
- 10.1.1. the meeting has been called and takes place in accordance with the Articles; and
 - 10.1.2. they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.
- 10.2. In determining whether Directors are participating in a Directors' meeting, it is irrelevant where any Director is or how they communicate with each other.
- 10.3. If all the Directors Participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

11. **Quorum for Directors' meetings**

- 11.1. At a Directors' meeting, unless a quorum is Participating, no proposal is to be voted on, except a proposal to call another meeting.
- 11.2. Subject to Article 11.3, the quorum for Directors' meetings may be fixed from time to time by a decision of the Directors, and unless otherwise fixed shall be:
- 11.2.1. any two (2) National Park Directors; and
 - 11.2.2. one (1) Independent Director.
- 11.3. For the period of 12 months commencing on the date of adoption of these Articles, the quorum for Directors' meetings may be fixed from time to time by a decision of the Directors, and unless otherwise fixed shall be:
- 11.3.1. any three (3) National Park Directors; and
 - 11.3.2. any two (2) Independent Directors.
- 11.4. If the total number of Directors for the time being is less than the quorum required, the Directors must not take any decision other than a decision:
- 11.4.1. to appoint further Directors; or
 - 11.4.2. to call a general meeting so as to enable the Members to appoint further Directors.

12. **Chairing of Directors' meetings**

- 12.1. The Directors may appoint a Director to chair their meetings. The person so appointed for the time being is known as the "Chairperson" and shall, subject to Article 12.2 below, hold such role for a fixed term of four (4) years, following which each Director shall automatically be deemed to have resigned from the position of Chairperson with immediate effect.
- 12.2. The Directors may by way of unanimous decision terminate the Chairperson's appointment at any time.

- 12.3. If the Chairperson is not Participating in a Directors' meeting within ten (10) minutes of the time at which it was to start, the Participating Directors must appoint one of themselves to chair it.

13. **Casting vote at Director's meetings**

- 13.1. If the numbers of votes for and against a proposal at a Director's meeting are equal, the Chairperson or other Director chairing the meeting has a casting vote.
- 13.2. Article 13.1 does not apply if, in accordance with the Articles, the Chairperson or other Director is not to be counted as participating in the decision-making process for quorum or voting purposes.
- 13.3. In the event that the circumstances set out in Article 13.1 arise, the Directors may resolve to appoint a temporary Chairperson for the purposes of exercising the Chairperson's casting vote only.

14. **Directors' interests in transactions and other arrangements**

- 14.1. Subject to sections 177(5) and 177(6) and sections 182(5) and 182(6) of the Companies Act 2006 and provided he has declared the nature and extent of his interest in accordance with the requirements of the Companies Act 2006, a Director who is in any way, whether directly or indirectly, interested in an existing or proposed transaction or arrangement with the Company:
- 14.1.1. may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise (directly or indirectly) interested;
- 14.1.2. shall be an eligible Director for the purposes of any proposed decision of the Directors (or committee of Directors) in respect of such contract or proposed contract in which he is interested;
- 14.1.3. shall be entitled to vote at a meeting of Directors (or of a committee of the Directors) or participate in any unanimous decision, in respect of such contract or proposed contract in which he is interested;
- 14.1.4. may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director;
- 14.1.5. may be a Director or other officer of, or employed by, or a party to a transaction or arrangement with, or otherwise interested in, any body corporate in which the Company is otherwise (directly or indirectly) interested; and
- 14.1.6. shall not, save as he may otherwise agree, be accountable to the Company for any benefit which he (or a person connected with him (as defined in section 252 of the Companies Act 2006) derives from any such contract, transaction or arrangement or from any such office or employment or from any interest in any such body corporate and no such contract, transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit nor shall the receipt of any such remuneration or other benefit constitute a breach of his duty under section 176 of the Companies Act 2006.

- 14.2. For the purpose of this Article 14, references to proposed decisions and decision-making processes include any Directors' meeting or part of a Directors' meeting.
- 14.3. Subject to this Article 14, if a question arises at a meeting of Directors or of a committee of Directors as to the right of a Director to Participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the Chairperson whose ruling in relation to any Director other than the Chairperson is to be final and conclusive.
- 14.4. If any question as to the right to Participate in the meeting (or part of the meeting) should arise in respect of the Chairperson, the question is to be decided by a decision of the Directors at that meeting, for which purpose the Chairperson is not to be counted as Participating in the meeting (or that part of the meeting) for voting or quorum purposes.
- 14.5. The Directors may by way of a resolution of the Board (or by way of a written policy approved by a resolution of the Board) from time to time, dis-apply all or part of the provisions of this clause 14, where the Board are of the view that the nature and extent of a Director's interest so declared is (in the sole discretion of the Board and taking into account such matters as it feels relevant) so significant that it would be in the best interests of the Company for such Director to be prevented from doing, or having the benefit of, any or all of the matters described in 14.1.1 to 14.1.6 in relation to that particular conflict of interest.

15. **Directors' conflicts of interest**

- 15.1. For the purposes of section 175 of the Companies Act 2006, the Directors may authorise any matter which:
- 15.1.1. would or could be a breach of a Director's duty under that section; or
 - 15.1.2. could result in a breach of a Director's duty under that section.
- 15.2. For the authorisation of a matter (pursuant to the authority in Article 15.1), to be effective:
- 15.2.1. the matter in question must be proposed for consideration at a Director's meeting, or for the authorisation of the Directors by resolution in Writing, in accordance with Article 8 or in any other way that the Directors may decide;
 - 15.2.2. any quorum requirement at a Director's meeting when the matter is considered must be met without counting the Director in question and any other interested Director (the "Interested Directors"); and
 - 15.2.3. the matter must be agreed without the Interested Directors voting, or would have been agreed if the votes of the Interested Directors had not been counted.
- 15.3. Any matter authorised under Article 15.1 will be subject to any conditions or limitations decided on by the Directors in accordance with Article 15.2. The Directors can decide the conditions or limitations at the time authorisation is given, or later on, and can end at any time. A Director must comply with any obligations the Directors impose on him after a matter has been authorised.

- 15.4. Any matter authorised under Article 15.1 will include any existing or potential conflict of interest which is reasonable to expect will arise out of the authorised matter.
- 15.5. The Director shall not be required to disclose any confidential information obtained in relation to the relevant matter which has been authorised under Article 15.1 (other than through his position as a Director of the Company) to the Company or to use or apply it in performing his duties as a Director if to do so would result in a breach of duty or obligation of confidence owed by him in relation to or in connection with that matter.
- 15.6. Where a matter is authorised in accordance with Article 15.1, the Director will not infringe any duty to the Company by virtue of sections 171 to 177 of the Companies Act 2006 provided he acts in accordance with any terms, limits and conditions imposed in respect of the authorisation.
- 15.7. A Director is not accountable to the Company for any benefit he receives (or a person connected with them receives) as a result of anything the Directors have authorised under Article 15.1. No contract, transaction or arrangement relating to any matter authorised by the Director under Article 15.1 can be set aside because of any Director's interest or benefit.
- 15.8. A Director, notwithstanding his office or the existence of an actual or potential conflict with the interests of the Company, may be a member, director or officer or otherwise employed or engaged by a Member from time to time (a "**Member Interest**") and the Director in question shall be entitled to be counted in the quorum for, and to attend, any meeting or part of a meeting of the Directors or a committee of the Directors of which any matter which is or may be relevant to the Member Interest may be discussed, and to vote on any resolution of the Directors or a committee of the Directors relating to such matter and any board or committee papers relating to such matter shall be provided to the Directors in question at the same time as the other Directors.

16. **Records of decisions to be kept**

The Directors must ensure that the Company keeps a record, in Writing of every unanimous or majority decision taken by the Directors.

17. **Directors' discretion to make further rules**

Subject to the Articles, the Directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to Directors.

18. **Methods of appointing Directors**

- 18.1. The Directors of the Company shall be appointed by way of the following methods:

- 18.1.1. a person nominated and whose appointment is approved by the Members by Ordinary Resolution (each a "**National Park Authority Director**"); or
- 18.1.2. a person recruited through an open recruitment process, such process to be determined and agreed by the Directors from time to time (each

Director so appointed being an "**Independent Director**") and whose appointment is approved by the Members by Ordinary Resolution.

- 18.2. Subject to Article 18.3, the Company shall at all times have at least three (3) and no more than seven (7) Directors of which there shall always be one (1) more National Park Authority Director than the total number of Independent Directors.
- 18.3. During the period of 12 months commencing on the date on which these Articles are adopted, the minimum number of Directors shall be increased to five (5) and the limit on the number of Directors set out in Article 18.2 shall be increased to nine (9) Directors of which there shall always be at least one (1) more National Park Authority Director than the total number of Independent Directors and no more than two (2).
- 18.4. Each Director appointed pursuant to this Article 18 shall, subject to these Articles and the Companies Act, for a fixed term of four (4) years, following which each Director shall automatically be deemed to have resigned with immediate effect.
- 18.5. Any person who has previously served a term of office as a Director shall be eligible for re-appointment as a Director, provided always that no person shall be appointed to the position of Director for a period of more than eight (8) years (in aggregate and whether continuous or not).

19. **Termination of Director's appointment**

- 19.1. A person ceases to be a Director as soon as:
 - 19.1.1. that person ceases to be a Director by virtue of any provision of the Companies Act 2006 or is prohibited from being a Director by law;
 - 19.1.2. a Bankruptcy order is made against that person;
 - 19.1.3. a composition is made with that person's creditors generally in satisfaction of that person's debts;
 - 19.1.4. a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a Director and may remain so for more than two (2) months;
 - 19.1.5. notification is received by the Company from the Director that the Director is resigning from office, and such resignation has taken effect in accordance with its terms; or
 - 19.1.6. that person's term of office expires pursuant to Article 18.4; or
 - 19.1.7. at least two thirds of the Members agree in writing to remove that Director with immediate effect; or
 - 19.1.8. that person fails to attend more than three consecutive meetings of the Directors without the consent of the Directors; or
 - 19.1.9. that person ceases to be an officer, employee or an authorised representative of a Member.

20. **Directors' remuneration**

- 20.1. Directors may undertake any services for the Company that the Directors decide.
- 20.2. Independent Directors (but not National Park Authority Directors) are entitled to such remuneration:
- 20.2.1. as the Members decide by Ordinary Resolution, to the extent such remuneration relates to their services to the Company as an Independent Director; and
 - 20.2.2. as the Directors decide, to the extent such remuneration relates to any other service which they undertake for the Company.
- 20.3. Subject to the Articles, an Independent Director's remuneration may:
- 20.3.1. take any form; and
 - 20.3.2. include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that Independent Director.
- 20.4. Unless the Members (in the circumstances set out in Article 23.2.1) or the Directors (in the circumstances set out in Article 23.2.2) decide otherwise, an Independent Directors' remuneration accrues from day to day and Independent Directors are not accountable to the Company for any remuneration which they receive as Independent Directors or other officers or employees of the Company's Subsidiaries or of any other body corporate in which the Company is interested.

21. **Directors' expenses**

- 21.1. The Company may pay any reasonable expenses which the Directors properly incur in connection with their attendance at:
- 21.1.1. meetings of Directors or committees of Directors;
 - 21.1.2. general meetings; or
 - 21.1.3. separate meetings of the holders of debentures of the Company, or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Company.

22. **Secretary**

The Directors may appoint any person who is willing to act as secretary for such term, at such remuneration and upon such conditions as they may think fit and from time to time remove such person and, if the Directors so decide, appoint a replacement in each case by a decision of the Directors.

23. **Applications for Membership**

- 23.1. No person shall become a Member of the Company unless:
- 23.1.1. that person is a duly registered member of [INSERT NAME AND COMPANY NUMBER OF NPUK];

23.1.2. that person has completed an application for membership in a form approved by the Directors; and

23.1.3. the Directors have approved the application.

24. **Termination of Membership**

24.1. A Member may withdraw from membership of the Company by giving thirty (30) days' notice to the Company in Writing.

24.2. Membership is non transferable.

24.3. A person's membership terminates immediately when:

24.3.1. a resolution is passed by the members or creditors of that person, or an order is made by a court or other competent body or person instituting a process that shall lead to that person being wound up and its assets being distributed among that person's creditors, members or other contributors; or

24.3.2. a receiver, administrator or administrative receiver is appointed over the whole or any part of the assets of that person or the making of any arrangement with the creditors of that person for the affairs, business and property of that person to be managed by a supervisor; or

24.3.3. subject to Article 24.4 below, that person ceases to be a duly registered member of [INSERT NAME AND COMPANY NUMBER OF NPUK].

24.4. Article 24.3.3 shall only apply where, and for so long as, the company referred to therein is duly registered as an active company at Companies House.

25. **Distributions**

25.1. Subject to the Companies Act 2006, the Directors may decide to make and pay Distributions to the Members from time to time.

25.2. Where a sum which is a Distribution is payable to a Member, it must be paid by one or more of the following means:

25.2.1. transfer to a bank or building society account specified by the Member either in Writing or as the Directors may otherwise decide;

25.2.2. sending a cheque made payable to the Member by post to the Member at the Member's registered address or as the Directors may otherwise decide; or

25.2.3. any other means of payment as the Directors agree with the Member either in Writing or by such other means as the Directors decide.

26. **No interest on distributions**

26.1. The Company may not pay interest on any Distribution payable to a Member unless otherwise provided by the provisions of another agreement between the Members and the Company.

26.2. All Distributions which are:

- 26.2.1. payable to a Member; and
 - 26.2.2. unclaimed after having been declared or become payable, may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed.
- 26.3. The payment of any Distribution by the Company into a separate account does not make the Company a trustee in respect of it.
- 26.4. If:
- 26.4.1. twelve years have passed from the date on which the Distribution became due for payment; and
 - 26.4.2. the Member in question has not claimed it,
- then that Member is no longer entitled to that sum and it ceases to remain owing by the Company.

27. **Non-cash distributions**

The Company may, by Ordinary Resolution on the recommendation of the Directors, decide to pay all or part of a Distribution payable to a Member by transferring non-cash assets of equivalent value.

28. **Waiver of distributions**

A Member may waive their entitlement to a Distribution payable to it by giving the Company notice in Writing to that effect.

29. **Attendance and speaking at general meetings**

- 29.1. A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.
- 29.2. A person is able to exercise the right to vote at a general meeting when:
 - 29.2.1. that person is able to vote, during the meeting, on resolutions put to the vote at the meeting; and
 - 29.2.2. that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.
- 29.3. The Directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.
- 29.4. In determining attendance at a general meeting, it is immaterial whether any two (2) or more Members attending it are in the same place as each other.
- 29.5. Two (2) or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise

them.

30. **Quorum for general meetings**

30.1. No business other than the appointment of the Chairperson of the Meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum.

30.2. The quorum for a general meeting shall be any [six (6)] Members.

31. **Chairing general meetings**

31.1. If the Directors have appointed a Chairperson, the Chairperson shall chair general meetings if present and willing to do so.

31.2. If the Directors have not appointed a Chairperson, or if the Chairperson is unwilling to chair the meeting or is not present within ten (10) minutes of the time at which a meeting was due to start:

31.2.1. the Directors present; or

31.2.2. (if no Directors are present), the meeting, must appoint a Director or Member to chair the meeting, and the appointment of the Chairperson of the Meeting must be the first business of the meeting.

31.3. The person chairing a meeting in accordance with this Article is referred to as "the Chairperson of the Meeting".

32. **Attendance and speaking by Directors and non-Members**

32.1. Directors may attend and speak at general meetings, whether or not they are Members.

32.2. The Chairperson of the Meeting may permit other persons who are not:

32.2.1. Members of the Company; or

32.2.2. otherwise entitled to exercise the rights of Members in relation to general meetings, to attend and speak at a general meeting.

33. **Adjournment of general meetings**

33.1. If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the Chairperson of the Meeting must adjourn it.

33.2. The Chairperson of the Meeting may adjourn a general meeting at which a quorum is present if:

33.2.1. the meeting consents to an adjournment; or

33.2.2. it appears to the Chairperson of the Meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.

- 33.3. The Chairperson of the Meeting must adjourn a general meeting if directed to do so by the meeting.
- 33.4. When adjourning a general meeting, the Chairperson of the Meeting must:
- 33.4.1. either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the Directors; and
 - 33.4.2. have regard to any directions as to the time and place of any adjournment which have been given by the meeting.
- 33.5. If the continuation of an adjourned meeting is to take place more than fourteen (14) days after it was adjourned, the Company must give at least seven (7) clear days' notice of it (that is, excluding the day of the adjourned meeting and the day on which the notice is given):
- 33.5.1. to the same persons to whom notice of the Company's general meetings is required to be given; and
 - 33.5.2. containing the same information which such notice is required to contain.
- 33.6. No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.
34. **Voting: general**
- 34.1. A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the Articles.
- 34.2. On any resolution put to the Members at a general meeting or by way of a written resolution under the procedure set out in the Companies Act 2006 each Member shall have one vote.
35. **Errors and disputes during general meetings**
- 35.1. No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.
- 35.2. Any such objection must be referred to the Chairperson of the Meeting, whose decision is final.
36. **Poll votes**
- 36.1. A poll on a resolution may be demanded:
- 36.1.1. in advance of the general meeting where it is to be put to the vote; or
 - 36.1.2. at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.
- 36.2. A poll may be demanded by:

- 36.2.1. the Chairperson of the Meeting;
 - 36.2.2. the Directors;
 - 36.2.3. two (2) or more persons having the right to vote on the resolution; or
 - 36.2.4. a person or persons representing not less than one tenth of the total voting rights of all the Members having the right to vote on the resolution.
- 36.3. A demand for a poll may be withdrawn if:
- 36.3.1. the poll has not yet been taken; and
 - 36.3.2. the Chairperson of the Meeting consents to the withdrawal.
- 36.4. Polls must be taken immediately and in such manner as the Chairperson of the Meeting directs.

37. Content of Proxy Notices

- 37.1. Proxies may only validly be appointed by a notice in Writing (a "Proxy Notice") which:
- 37.1.1. states the name and address of the Member appointing the proxy;
 - 37.1.2. identifies the person appointed to be that Member's proxy and the general meeting in relation to which that person is appointed;
 - 37.1.3. is signed by or on behalf of the Member appointing the proxy, or is authenticated in such manner as the Directors may determine; and
 - 37.1.4. is delivered to the Company not less than forty eight (48) hours before the time appointed for holding the meeting (or adjourned meeting) at which the right to vote is to be exercised and in accordance with any instructions contained in the notice of the general meeting (or adjourned meeting) to which they relate.
- 37.2. The Company may require Proxy Notices to be delivered in a particular form, and may specify different forms for different purposes.
- 37.3. Proxy Notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.
- 37.4. Unless a Proxy Notice indicates otherwise, it must be treated as:
- 37.4.1. allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting; and
 - 37.4.2. appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

38. Delivery of Proxy Notices

- 38.1. A person who is entitled to attend, speak or vote (either on a show of hands or on

a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid Proxy Notice has been delivered to the Company by or on behalf of that person.

- 38.2. An appointment under a Proxy Notice may be revoked by delivering to the Company a notice in Writing given by or on behalf of the person by whom or on whose behalf the Proxy Notice was given.
- 38.3. A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.
- 38.4. If a Proxy Notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf.

39. **Amendments to resolutions**

- 39.1. An Ordinary Resolution to be proposed at a general meeting may be amended by Ordinary Resolution if:
 - 39.1.1. notice of the proposed amendment is given to the Company in Writing by a person entitled to vote at the general meeting at which it is to be proposed not less than forty eight (48) hours before the meeting is to take place (or such later time as the Chairperson of the Meeting may determine); and
 - 39.1.2. the proposed amendment does not, in the reasonable opinion of the Chairperson of the Meeting, materially alter the scope of the resolution.
- 39.2. A Special Resolution to be proposed at a general meeting may be amended by Ordinary Resolution, if:
 - 39.2.1. the Chairperson of the Meeting proposes the amendment at the general meeting at which the resolution is to be proposed; and
 - 39.2.2. the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.
- 39.3. If the Chairperson of the Meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the Chairperson's error does not invalidate the vote on that resolution.

40. **Means of communication to be used**

- 40.1. Subject to the Articles, anything sent or supplied by or to the Company under the Articles may be sent or supplied in any way in which the Companies Act 2006 provides for Documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the Company.
- 40.2. Subject to the Articles, any notice or Document to be sent or supplied to a Director in connection with the taking of decisions by Directors may also be sent or supplied by the means by which that Director has asked to be sent or supplied with such notices or Documents for the time being.
- 40.3. A Director may agree with the Company that notices or Documents sent to that

Director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than forty eight (48) hours.

41. **Company seals**

- 41.1. Any common seal may only be used by the authority of the Directors.
- 41.2. The Directors may decide by what means and in what form any common seal is to be used.
- 41.3. Unless otherwise decided by the Directors, if the Company has a common seal and it is affixed to a Document, the Document must also be signed by at least one (1) authorised person in the presence of a witness who attests the signature.
- 41.4. For the purposes of this Article 41, an authorised person is:
 - 41.4.1. any Director of the Company;
 - 41.4.2. the Company secretary (if any); or
 - 41.4.3. any person authorised by the Directors for the purpose of signing Documents to which the common seal is applied.

42. **No right to inspect accounts and other records**

Except as provided by law or authorised by the Directors or an Ordinary Resolution of the Company, no person is entitled to inspect any of the Company's accounting or other records or Documents merely by virtue of being a Member.

43. **Provision for employees on cessation of business**

The Directors may decide to make provision for the benefit of persons employed or formerly employed by the Company or any of its Subsidiaries (other than a Director or former Director or shadow Director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company or that Subsidiary.

44. **Indemnity**

- 44.1. Without prejudice to any indemnity to which a Relevant Officer is otherwise entitled:
 - 44.1.1. each Relevant Officer shall be indemnified out of the Company's assets against all costs, charges, losses, expenses and liabilities incurred by him as a Relevant Officer:
 - 44.1.1.1. in the actual or purported execution and/or discharge of his duties, or in relation to them; and
 - 44.1.1.2. in relation to the Company's (or any Associated Company's) activities as trustee of an occupational pension scheme (as defined in section 235(6) of the Act),

- 44.1.2. including (in each case) any liability incurred by him in defending any civil or criminal proceedings, subject always to judgment being given in his favour or his acquittal or the proceedings against him being otherwise disposed of without any finding or admission of any material breach of duty on his part or in connection with any application in which the court grants him, in his capacity as a Relevant Officer, relief from liability for negligence, default, breach of duty or breach of trust in relation to the Company's (or any Associated Company's) affairs; and
 - 44.1.3. the Company may provide any Relevant Officer with funds to meet expenditure incurred or to be incurred by him in connection with any proceedings or application referred to in Article 47.1.1 and otherwise may take any action to enable any such Relevant Officer to avoid incurring such expenditure.
- 44.2. This Article 47 does not authorise any indemnity which would be prohibited or rendered void by any provision of the Act or by any other provision of law.

45. **Insurance**

The Directors may decide to purchase and maintain insurance, at the expense of the Company, for the benefit of any Relevant Officer in respect of any Relevant Loss.

Dated

2015

National Park Partnerships Limited

and

Those persons listed at Schedule 1

Members' Agreement

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This Deed is dated

2015

Between

- (1) **National Park Partnerships Limited**, a company limited by guarantee incorporated and registered in England and Wales with company number [INSERT COMPANY NUMBER] of [REGISTERED OFFICE ADDRESS] (the "**Company**"); and
- (2) **Those persons** whose details are listed at Schedule 1 (each a "**Member**" and together the "**Members**").

(each a "**party**" and together the "**parties**")

Background:

- (A) The Company is a company limited by guarantee and the liability of each of the Members is limited to £1.00.
- (B) The Parties have agreed to enter into this agreement for the purpose of regulating the exercise of their rights in relation to the Company and for the purpose of certain commitments set out in this agreement.

NOW IT IS HEREBY AGREED as follows:-

1. **Interpretation**

- 1.1. The following definitions shall apply in this agreement.

"Act"	the Companies Act 2006;
"Articles"	the new articles of association of the Company in the agreed form to be adopted on or prior to Completion, as set out at Schedule 2;
"Board"	the board of directors of the Company as constituted from time to time;
"Business"	the operation of a commercial enterprise to do any such things which are calculated to facilitate, be conducive or incidental to the accomplishment of the Members' statutory purposes as set out in the National Parks and Access to the Countryside Act 1949 and the National Parks (Scotland) Act 2000 (both as amended from time to time) or which are expressly or impliedly permitted functions conferred on the Members by legislation;
"Business Day"	any day (other than a Saturday, Sunday or public holiday in the United Kingdom) on which clearing banks in the City of London are generally open for business;
"Business Plan"	an annual business plan for the Company

	prepared by the Board in respect of the Financial Year to which it relates;
"Completion"	the completion of the transactions in accordance with clause 3;
"Completion Date"	the date hereof or such other date for Completion as may be agreed between the Parties in writing;
"Confidential Information"	information of a confidential nature, the disclosure of which would constitute an actionable breach of confidence, commercially sensitive information, trade secrets and all personal data and sensitive personal data as defined in sections 1 and 2 of the Data Protection Act 1998.
"Deed of Adherence"	a deed of adherence substantially in the form set out in Schedule 5;
"Director"	a director of the Company;
"Distribution"	has the meaning given in section 829 of the Act;
"Electronic form"	has the meaning given in section 1168 of the Act;
"Encumbrance"	any interest or equity of any person (including any right to acquire, option, right of pre-emption, any agreement in respect of voting rights or commitment to give or create voting rights) or any mortgage, charge, pledge, lien, assignment, hypothecation, security, title retention or any other security agreement or arrangement;
"Financial Year"	in relation to the Company, means its accounting reference period, as may be amended from time to time in accordance with the Act;
"Licence"	the agreement granting a perpetual licence of the Trademark to the Company, to be entered into by the Company and Dartmoor National Park Authority on the Completion Date, in agreed form;
"Member"	a person entered into the Company's register of members from time to time (and reference herein to " Members " shall be construed accordingly);
"Member Consent"	Members for the time being not less than 75% of the total number of Members (excluding, where relevant, a Member who is the subject of a particular Member Consent);
"Reserved Matters"	means the matters set out in Schedule 3 (and reference to a " Reserved Matter " herein shall be construed accordingly)
"Trademark"	the trade mark(s) set out in Schedule 4, including

the listed registrations and applications and any registrations which may be granted pursuant to such applications.

- 1.2. Clause, Schedule and paragraph headings do not affect the interpretation of this agreement.
- 1.3. A reference to a clause or a Schedule is a reference to a clause of, or Schedule to, this agreement. A reference to a paragraph is to a paragraph of the relevant Schedule.
- 1.4. A "person" includes a natural person, a corporate or unincorporated body (whether or not having a separate legal personality).
- 1.5. Unless the context otherwise requires, words in the singular include the plural and in the plural include the singular.
- 1.6. Unless the context otherwise requires, a reference to one gender includes a reference to the other genders.
- 1.7. A reference to a particular statute, statutory provision or subordinate legislation is a reference to it as it is in force from time to time taking account of any amendment or re-enactment and includes any statute, statutory provision or subordinate legislation which it amends or re-enacts and subordinate legislation for the time being in force made under it provided that, as between the parties, no such amendment or re-enactment shall apply for the purposes of this agreement to the extent that it would impose any new or extended obligation, liability or restriction on, or otherwise adversely affect the rights of, any party.
- 1.8. Documents in agreed form are documents in the form agreed by the parties to this agreement and initialled by them or on their behalf for identification.
- 1.9. A reference in this agreement to a document is a reference to the document whether in paper or Electronic Form.
- 1.10. Unless otherwise expressly provided in this agreement, reference to "writing" or "written" includes email but not faxes.
- 1.11. Where the words "include(s)", "including" or "in particular" are used in this agreement, they are deemed to have the words "without limitation" following them.
- 1.12. Any obligation in this agreement on a person not to do something includes an obligation not to agree or allow that thing to be done.
- 1.13. Where the context permits, "other" and "otherwise" are illustrative and shall not limit the sense of the words preceding them.
- 1.14. References to times of day are, unless the context requires otherwise, to British Standard time and references to a day are to a period of 24 hours running from midnight on the previous day.
- 1.15. Unless the context otherwise requires, words and expressions defined in the Articles shall have the same meaning when used in this agreement.
- 1.16. A reference in this agreement to an English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any

legal concept or thing shall, insofar as it relates or applies to Members which are National Park authorities in terms of the National Parks (Scotland) Act 2000, be deemed to include a reference to the equivalent or approximate legal term under Scots law.

- 1.17. A reference in this agreement to a Business Day shall, insofar as it relates or applies to Members which are National Park authorities in terms of the National Parks (Scotland) Act 2000, include a reference to any day (other than a Saturday, Sunday or public holiday in Scotland) on which clearing banks in Glasgow are generally open for business.

2. Business of the Company

- 2.1. The business of the Company shall be the Business.
- 2.2. Each Member shall promote (so far as is lawfully and reasonably possible in the exercise of his rights and powers as a Member of the Company) the success of and develop the Business for the benefit of its Members as a whole.

3. Completion

- 3.1. Completion shall take place on the Completion Date at the Company's registered office or such other location as the Parties may agree in writing.
- 3.2. At Completion, the Company shall (and each Member shall procure that the Company shall):
 - 3.2.1. each Member shall pay £10,000 (ten thousand pounds sterling) by way of a BACs or electronic transfer to a bank account nominated by the Company for receipt of the same;
 - 3.2.2. adopt the Articles; and
 - 3.2.3. Dartmoor National Park Authority and the Company shall execute the Licence pursuant to which Dartmoor National Park Authority shall grant a licence of the Trademark to the Company in accordance with the terms thereof.

- 3.3. Within the period of six calendar months commencing on the Completion Date, the Company shall (and the Members shall procure that the Company shall) adopt the Business Plan for the Financial Year in which the Company is formed, in agreed form.

4. Member undertakings

- 4.1. Each Member shall, for as long as they remain a Member, procure (so far as is lawfully possible in the exercise of their rights and powers as a Member of the Company) that the Company shall not take any of the actions set out in Schedule 3 (the "**Reserved Matters**") without first obtaining Member Consent.
- 4.2. Each Member shall, for as long as they remain a Member, act at all times in good faith in the exercise of their rights and powers as a Member of the Company, to ensure that each Member benefits equally from the Business.

5. **Distribution Policy**

- 5.1. Subject to the requirements of the Act, and unless the parties agree otherwise in relation to any particular Financial Year, the parties shall procure that the Company shall make a cash distribution of at least 95% of the profit of the Company in relation to each Financial Year but after making all necessary, reasonable and prudent provisions and reserves for taxation, as shown in the accounts for that year and having first paid any and all royalty payments payable under the Licence from time to time.
- 5.2. Any cash distribution made by the Company shall be divided amongst the Members in equal proportions.

6. **Termination**

- 6.1. This agreement shall terminate:
- 6.1.1. when a resolution is passed by the members or creditors of the Company, or an order is made by a court or other competent body or person instituting a process that shall lead to the Company being wound up and its assets being distributed among the Company's creditors, members or other contributors; or
 - 6.1.2. the appointment of a receiver, administrator or administrative receiver over the whole or any part of the assets of the Company or the making of any arrangement with the creditors of the Company for the affairs, business and property of the Company to be managed by a supervisor; or
 - 6.1.3. when, as a result of the retirement or removal of Members made in accordance with this agreement or the Articles, only one person remains as a Member of the Company.
- 6.2. Termination of this agreement shall not affect any rights, remedies, obligations or liabilities of any of the parties that have accrued up to the date of termination, including the right to claims damages in respect of any breach of the agreement which existed at or before the date of completion.
- 6.3. Where, following an event referred to in clause 6.1.1, the Company is to be wound up and its assets distributed, the parties shall agree a suitable basis for dealing with the interests and assets of the Company and shall endeavour to ensure that, before dissolution:
- 6.3.1. all existing contracts of the Company are performed to the extent that there are sufficient resources;
 - 6.3.2. the Company shall not enter into any new contractual obligations; and
 - 6.3.3. the Company's assets are distributed as soon as practical.

7. **Status of this agreement**

- 7.1. Each Member shall, to the extent that he is able to do so, exercise his voting rights and other powers of control lawfully available to him to procure that the provisions of this agreement are properly and promptly observed and given full force and effect according to the spirit and intention of the agreement.

7.2. If there is an inconsistency between any of the provisions of this agreement and the provisions of the Articles, the provisions of this agreement shall prevail as between the parties.

7.3. Each Member shall, when necessary, exercise his powers of voting and any other rights and powers lawfully available to him as a Member of the Company to amend, waive or suspend a conflicting provision in the Articles to the extent necessary to permit the Company and its Business to be administered as provided in this agreement.

8. **No partnership or agency**

Nothing in this agreement is intended to, or shall be deemed to, establish any partnership or joint venture between the parties or constitute any party the agent of another party.

9. **Confidentiality**

9.1. The parties acknowledge that each Member is either a public authority under section 84 of the Freedom of Information Act 2000 ("FOIA") or a Scottish public authority under section 73 of the Freedom of Information (Scotland) Act 2002 ("FOISA") and that each Member is subject to either the Environmental Information Regulations 2004 ("EIR") or the Environmental Information (Scotland) Regulations 2004 ("EISR") (the FOIA, FOISA, EIR and EISR together being "Freedom of Information Legislation").

9.2. Each party ("receiving party") receiving Confidential Information of another party ("disclosing party") shall:

9.2.1. treat all Confidential Information belonging to the disclosing party as confidential and safeguard it accordingly;

9.2.2. not disclose any Confidential Information belonging to the disclosing party to any other person without the prior written consent of the disclosing party, except to the extent necessary for the purpose of exercising or performing its rights and obligations under this agreement.

9.3. Clause 9.2 shall not apply to any Confidential Information:

9.3.1. which is or becomes public knowledge (otherwise than by breach of this clause or through act or default on the part of the receiving party or the receiving party's agents or employees);

9.3.2. which the receiving party lawfully obtained from a third party who:

9.3.2.1. lawfully acquired it;

9.3.2.2. did not derive it directly or indirectly from the disclosing party; and

9.3.2.3. is under no obligation restricting its disclosure;

9.3.3. which the receiving party can prove by documentary evidence was developed independently by an agent or employee of the receiving party without access to the disclosing party's Confidential Information; or

9.3.4. which is required or permitted to be disclosed pursuant to a statutory, legal or parliamentary right or obligation placed upon the party making the disclosure, including any requirements for disclosure pursuant to Freedom of Information Legislation, or otherwise in accordance with a court order, or the recommendation, notice or decision of a competent authority.

9.4. The provisions of this clause 9 shall continue following expiry or termination for any reason of this agreement without limit in time.

10. **Inadequacy of damages**

Without prejudice to any other rights or remedies that a party may have, each party acknowledges and agrees that damages alone would not be an adequate remedy for any breach of the terms of clause 9 by that party. Accordingly, each other party shall be entitled to the remedies of injunction, specific performance or other equitable relief for any threatened or actual breach of the terms of clause 9 of this agreement.

11. **Notices**

11.1. A notice given to a party under or in connection with this agreement shall be in writing and shall be delivered by hand or sent by pre-paid first-class post, recorded delivery or special delivery in each case to that party's registered office address (or to such other address as that party may notify to the other party in accordance with this agreement).

11.2. Delivery of a notice is deemed to have taken place (provided that all other requirements in this clause 11 have been satisfied) if delivered by hand, at the time the notice is left at the address, or if sent by post on the second Business Day after posting unless, in each case, such deemed receipt would occur outside business hours (meaning 9.00 am to 5.30 pm Monday to Friday on a day that is not a public holiday in the place of deemed receipt), in which case deemed receipt will occur at 9.00 am on the day when business next starts in the place of deemed receipt (and, for the purposes of this clause 11, all references to time are to local time in the place of receipt).

11.3. This clause 11 does not apply to the service of any proceedings or other documents in any legal action.

12. **Severance**

If any provision or part-provision of this agreement is or becomes invalid, illegal or unenforceable, it shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision or part-provision shall be deemed deleted. Any modification to or deletion of a provision or part-provision under this clause shall not affect the validity and enforceability of the rest of this agreement.

13. **Variation and waiver**

13.1. No variation of this agreement shall be effective unless it is in writing and signed by or on behalf of each party for the time being.

13.2. A waiver of any right or remedy under this agreement or by law is only effective if it is given in writing and is signed by the party waiving such right or remedy. Any

such waiver shall apply only to the circumstances for which it is given and shall not be deemed a waiver of any subsequent breach or default.

- 13.3. A failure or delay by any party to exercise any right or remedy provided under this agreement or by law shall not constitute a waiver of that or any other right or remedy, nor shall it prevent or restrict any further exercise of that or any other right or remedy.
- 13.4. No single or partial exercise of any right or remedy provided under this agreement or by law shall prevent or restrict the further exercise of that or any other right or remedy.
- 13.5. A party that waives a right or remedy provided under this agreement or by law in relation to one person, or takes or fails to take any action against that person, does not affect its rights or remedies in relation to any other person.

14. **Assignment and other dealings**

- 14.1. No party shall assign, transfer, mortgage, charge, subcontract, declare a trust over or deal in any other manner with any or all of his rights and obligations under this agreement (or any other document referred to in it) without Member Consent (such consent not to be unreasonably withheld or delayed).
- 14.2. Each party confirms that he is acting on his own behalf and not for the benefit of any other person.

15. **Costs and expenses**

Except as expressly provided in this agreement, each party shall pay its own costs and expenses incurred in connection with the negotiation, preparation and execution of this agreement (and any documents referred to in it).

16. **Entire agreement**

- 16.1. This agreement (together with the documents referred to in it) constitute the entire agreement between the parties and supersede and extinguish all previous discussions, correspondence, negotiations, drafts, agreements, promises, assurances, warranties, representations, arrangements and understandings between them, whether written or oral, relating to their subject matter.
- 16.2. Each party acknowledges that in entering into this agreement (and any documents referred to in it), he does not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this agreement or those documents.
- 16.3. Nothing in this clause shall limit or exclude any liability for fraud.

17. **Third party rights**

- 17.1. A person who is not a party to this agreement shall not have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this agreement.
- 17.2. The rights of the parties to terminate, rescind or agree any variation, waiver or settlement under this agreement are not subject to the consent of any other person.

18. **Counterparts**

- 18.1. This agreement may be executed in any number of counterparts, each of which when executed and delivered shall constitute a duplicate original, but all the counterparts shall together constitute the one agreement.
- 18.2. No counterpart shall be effective until each party has executed at least one counterpart.

19. **Governing law and jurisdiction**

- 19.1. This agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales.
- 19.2. Each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this agreement or its subject matter or formation (including non-contractual disputes or claims).

This deed has been entered into on the date stated at the beginning of it.

Schedule 1 – Parties

Name of Member	Member's Principal Office Address
Brecon Beacons National Park Authority	Plas y Ffynnon Cambrian Way Brecon LD3 7HP
The Broads Authority	Yare House 62-64 Thorpe Road Norwich NR1 1RY
The Cairngorms National Park Authority	14 The Square Grantown on Spey PH26 3HG
Dartmoor National Park Authority	Parke Bovey Tracey Newton Abbot Devon TQ13 9JQ
Exmoor National Park Authority	Exmoor House, Dulverton, Somerset, TA22 9HL
Lake District National Park Authority	Murley Moss Oxenholme Road Kendal LA9 7RL
Loch Lomond and The Trossachs National Park Authority	Loch Lomond & The Trossachs National Park Headquarters Carrochan Carrochan Road Balloch G83 8EG
New Forest National Park Authority	New Forest National Park Authority Lymington Town Hall Avenue Road Lymington SO41 9ZG
Northumberland National Park Authority	Eastburn, South Park, Hexham, Northumberland NE46 1BS

North York Moors National Park Authority	The Old Vicarage, Bondgate, Helmsley, York, North Yorkshire YO62 5BP
Peak District National Park Authority	Aldern House, Baslow Road, Bakewell, Derbyshire DE45 1AE
Pembrokeshire Coast National Park Authority	National Park Offices Llanion Park Pembroke Dock Pembrokeshire SA72 6DY
Snowdonia National Park Authority	National Park Office Penrhyndeudraeth Gwynedd LL48 6LF
South Downs National Park Authority	South Downs Centre North Street Midhurst West Sussex GU29 9DH
Yorkshire Dales National Park Authority	Yoredale Bainbridge Leyburn North Yorkshire DL8 3EL

Schedule 2 – New Articles of Association

Schedule 3 - Matters requiring Member Consent

1. Except as provided in clause 7.3, vary in any respect its Articles.
2. Permit the registration of any person as a Member of the Company other than in accordance with this agreement or the Articles.
3. Alter the name of the Company or registered office of the Company.
4. Change the nature of its Business or enter into any new business which is neither ancillary nor incidental to the Business.
5. Adopt or amend its Business Plan in respect of each Financial Year.
6. Enter into any arrangement, contract or transaction:
 - 6.1. which is outside the normal course of the Business; or
 - 6.2. which is otherwise than on arm's length terms.
7. Create or grant any Encumbrance over the whole or any part of the Business, its undertaking or assets from time to time.
8. Incur any borrowings from time to time other than from its bankers in the ordinary and usual course of business, or issue any loan capital.
9. Make any loan (otherwise than by way of deposit with a bank or other institution the normal business of which includes the acceptance of deposits) or grant any credit (other than in the normal course of trading) or give any guarantee (other than in the normal course of trading) or indemnity.
10. Amalgamate or merge with any other company or business undertaking, form or acquire any subsidiary, directly or indirectly acquire shares in any other company or directly or indirectly participate in any partnership or joint venture.
11. Pass any resolution for its winding up or present any petition for its administration (unless it has become insolvent).

Schedule 4 – Trademark

Country	Mark	Registration No.	Date of Registration	Classes
United Kingdom	Britain's Breathing Spaces	UK00003034874	01 August 2014	3, 4, 5, 11, 25, 28, 30, 41.
EU	Britain's Breathing Spaces	EU012428884	7 May 2014	3, 4, 5, 11, 25, 28, 30, 41.

Schedule 5 – Deed of Adherence

THIS DEED OF ADHERENCE is made the [] day of [] by [] of [] (hereinafter called the "**Covenantor**")

SUPPLEMENTAL to a members' agreement dated [] and made between [] (the "**Members' Agreement**")

WITNESSETH as follows:

1. The Covenantor hereby confirms that [he] [it] has been supplied with a copy of the Members' Agreement and hereby covenants with each of the parties to the Members' Agreement from time to time to observe, perform and be bound by all the terms of the Members' Agreement which are capable of applying to the Covenantor and which have not been performed at the date hereof to the intent and effect that the Covenantor shall be deemed with effect from the date on which the Covenantor is registered as a member of the Company to be a party to the Members' Agreement and to be a Member (as defined in the Members' Agreement).
2. This Deed shall be governed by and construed in accordance with the laws of England and Wales.

EXECUTED as a deed the day and year first before written.

SIGNED AS A DEED (but not
delivered until the date hereof)
[NAME OF COMPANY] acting by a
director in the presence of:-

)
)
.....
Director

Witness Signature:

Witness Name:

Address:

Occupation:

**THE SEAL of Brecon Beacons
National Park Authority** was
hereunto affixed in the presence
of:-

)
)
)

.....

[INSERT NAME], a duly authorised
signatory.

**THE SEAL of The Broads
Authorirty** was hereunto affixed in
the presence of:-

)
)
)

.....

[INSERT NAME], a duly authorised
signatory.

**THE SEAL of The Cairngorms
National Park Authority** was
hereunto affixed in the presence
of:-

)
)
)

.....

[INSERT NAME], a duly authorised
signatory.

**THE SEAL of Dartmoor National
Park Authority** was hereunto
affixed in the presence of:-

)
)
)

.....

[INSERT NAME], a duly authorised
signatory.

**THE SEAL of Exmoor National
Park Authority** was hereunto
affixed in the presence of:-

)
)
)

.....

[INSERT NAME], a duly authorised
signatory.

THE SEAL of Lake District)
National Park Authority was)
hereunto affixed in the presence)
of:-

.....

[INSERT NAME], a duly authorised
signatory.

THE SEAL of Loch Lomond and)
The Trossachs National Park)
Authority was hereunto affixed in)
the presence of:-

.....

[INSERT NAME], a duly authorised
signatory.

THE SEAL of New Forest)
National Park Authority was)
hereunto affixed in the presence)
of:-

.....

[INSERT NAME], a duly authorised
signatory.

THE SEAL of Northumberland)
National Park Authority was)
hereunto affixed in the presence)
of:-

.....

[INSERT NAME], a duly authorised
signatory.

THE SEAL of North York Moors)
National Park Authority was)
hereunto affixed in the presence)
of:-

.....

[INSERT NAME], a duly authorised
signatory.

THE SEAL of Peak District)
National Park Authority was)
hereunto affixed in the presence)
of:-

.....

[INSERT NAME], a duly authorised
signatory.

THE SEAL of Pembrokeshire)
Coast National Park Authority)
was hereunto affixed in the)
presence of:-

.....

[INSERT NAME], a duly authorised
signatory.

THE SEAL of Snowdonia)
National Park Authority was)
hereunto affixed in the presence)
of:-

.....

[INSERT NAME], a duly authorised
signatory.

THE SEAL of South Downs)
National Park Authority was)
hereunto affixed in the presence)

of:-

.....

[INSERT NAME], a duly authorised
signatory.

THE SEAL of Yorkshire Dales)
National Park Authority was)
hereunto affixed in the presence)
of:-

.....

[INSERT NAME], a duly authorised
signatory.