

## Notice of meeting of

### Audit & Governance Committee

<b>To:</b>	Councillors B Watson (Chair), Brooks (Vice-Chair), Firth, Hyman, Scott, Vassie and Gunnell
<b>Date:</b>	Wednesday, 28 July 2010
<b>Time:</b>	5.30 pm
<b>Venue:</b>	The Guildhall, York

### AGENDA

**Note:**

**As agreed at previous meetings, the Chief Internal Auditor and District Auditor (Audit Commission) will be present in the meeting room from 5:00 pm to provide a private briefing for Members, if required.**

**1. Declarations of Interest**

At this point Members are asked to declare any personal or prejudicial interests they may have in the business on this agenda.

**2. Exclusion of Press and Public**

To consider the exclusion of the press and public from the meeting during consideration of the following:

Annex C to Agenda Item 10 (Key Corporate Risk Monitor Quarter One 2010/11) on the grounds that it contains information relating to negotiations in connection with a labour relations matter arising between the authority and employees of the authority. This information is classed as exempt under paragraph 4 of Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by The Local Government (Access to Information) (Variation) Order 2006).

**3. Minutes (Pages 3 - 8)**

To approve and sign the minutes of the meeting of the Audit & Governance Committee held on 29 June 2010.

**4. Public Participation**

At this point in the meeting members of the public who have registered their wish to speak regarding an item on the agenda or an issue within the Committee's remit can do so. The deadline for registering is **5:00 pm on Tuesday, 27 July 2010.**

**5. Forward Plan (Pages 9 - 14)**

This report presents the future plan of items expected to be presented to the Committee up to April 2011.

**6. Audit Commission Audit Progress Report 2009/10 (Pages 15 - 40)**

This report presents an update from the Audit Commission on progress in delivering the 2009/10 Audit Plan.

**7. Inspection Update**

To receive a verbal update from a representative of the Audit Commission on what has happened with Comprehensive Area Assessment (CAA), what it could be replaced with in the future, findings from the inspection work that they have done to date, and suggested areas of future focus for the Council.

**8. Council Response to the Petitions Duty in the Local Democracy, Economic Development and Construction Act 2009 (Pages 41 - 54)**

This report provides an update on how this Council intends to respond to the petitions duty in the Local Democracy, Economic Development & Construction Act 2009 (2009 Act), in particular the introduction of ePetitions and new corporate working practices surrounding the handling of all petitions received by the Council.

**9. Proposed Constitutional Change to Article 5 (Pages 55 - 62)**

This report presents a proposed change to Article 5 of the Council's Constitution, relating to the Lord Mayoralty.

**10. Key Corporate Risk Monitor One 2010/11** (Pages 63 - 96)

This report presents details of the current position on the risks associated with the Council's Key Corporate Risks, as at the end of June 2010

**11. International Financial Reporting Standards (IFRS) Update** (Pages 97 - 102)

This report provides an update on progress in implementing the statutory required changes in financial reporting from UK General Accepted Accounting Practice (GAAP) to International Financial Reporting Standards (IFRS).

**12. Scrutiny of the Treasury Management Annual Report 2009/10 and Review of Prudential Indicators** (Pages 103 - 126)

This report invites Members to scrutinise the "Treasury Management Annual report 2009/10 & Review of Prudential Indicators", in accordance with the requirements of the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance.

**13. Summary of Audit Commission National Reports** (Pages 127 - 130)

This report provides a brief overview of national reports produced by the Audit Commission from 31 January to 30 June 2010.

**14. Urgent Business**

Any other business which the Chair considers urgent under the Local Government Act 1972.

Democracy Officer:

Name: Fiona Young

Contact details:

- Telephone – (01904) 551027
- E-mail – [fiona.young@york.gov.uk](mailto:fiona.young@york.gov.uk)

For more information about any of the following please contact the Democracy Officer responsible for servicing this meeting:

- Registering to speak
- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details are set out above.

## About City of York Council Meetings

### Would you like to speak at this meeting?

If you would, you will need to:

- register by contacting the Democracy Officer (whose name and contact details can be found on the agenda for the meeting) **no later than 5.00 pm** on the last working day before the meeting;
- ensure that what you want to say speak relates to an item of business on the agenda or an issue which the committee has power to consider (speak to the Democracy Officer for advice on this);
- find out about the rules for public speaking from the Democracy Officer.

**A leaflet on public participation is available on the Council's website or from Democratic Services by telephoning York (01904) 551088**

### Further information about what's being discussed at this meeting

All the reports which Members will be considering are available for viewing online on the Council's website. Alternatively, copies of individual reports or the full agenda are available from Democratic Services. Contact the Democracy Officer whose name and contact details are given on the agenda for the meeting. **Please note a small charge may be made for full copies of the agenda requested to cover administration costs.**

### Access Arrangements

We will make every effort to make the meeting accessible to you. The meeting will usually be held in a wheelchair accessible venue with an induction hearing loop. We can provide the agenda or reports in large print, electronically (computer disk or by email), in Braille or on audio tape. Some formats will take longer than others so please give as much notice as possible (at least 48 hours for Braille or audio tape).

If you have any further access requirements such as parking close-by or a sign language interpreter then please let us know. Contact the Democracy Officer whose name and contact details are given on the order of business for the meeting.

Every effort will also be made to make information available in another language, either by providing translated information or an interpreter providing sufficient advance notice is given. Telephone York (01904) 551550 for this service.

যদি যথেষ্ট আগে থেকে জানানো হয় তাহলে অন্য কোন অর্ধাতে তথ্য জানানোর জন্য সব ধরনের চেষ্টা করা হবে, এর জন্য দরকার হলে তথ্য অনুবাদ করে দেয়া হবে অথবা একজন দোঅবী সারবরাহ করা হবে। টেলিফোন নম্বর (01904) 551 550।

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*Informacja może być dostępna w tłumaczeniu, jeśli dostaniemy zapotrzebowanie z wystarczającym wyprzedzeniem. Tel: (01904) 551 550*

### **Holding the Executive to Account**

The majority of councillors are not appointed to the Executive (38 out of 47). Any 3 non-Executive councillors can 'call-in' an item of business from a published Executive (or Executive Member Advisory Panel (EMAP)) agenda. The Executive will still discuss the 'called in' business on the published date and will set out its views for consideration by a specially convened Scrutiny Management Committee (SMC). That SMC meeting will then make its recommendations to the next scheduled Executive meeting in the following week, where a final decision on the 'called-in' business will be made.

### **Scrutiny Committees**

The purpose of all scrutiny and ad-hoc scrutiny committees appointed by the Council is to:

- Monitor the performance and effectiveness of services;
- Review existing policies and assist in the development of new ones, as necessary; and
- Monitor best value continuous service improvement plans

### **Who Gets Agenda and Reports for our Meetings?**

- Councillors get copies of all agenda and reports for the committees to which they are appointed by the Council;
- Relevant Council Officers get copies of relevant agenda and reports for the committees which they report to;
- Public libraries get copies of **all** public agenda/reports.

City of York Council

Committee Minutes

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MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	29 JUNE 2010
PRESENT	COUNCILLORS B WATSON (CHAIR), BROOKS (VICE-CHAIR), HYMAN, SCOTT, VASSIE AND GUNNELL
APOLOGIES	COUNCILLOR FIRTH
IN ATTENDANCE	COUNCILLOR GALVIN (AS CHAIR OF SMC) LYNN HUNT (AUDIT MANAGER, DISTRICT AUDIT)

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## 1. DECLARATIONS OF INTEREST

Members were invited to declare at this point any personal or prejudicial interests they might have in the business on the agenda.

Cllr Brooks declared a personal, non prejudicial interest in agenda item 6 (Annual Report of the Head of Internal Audit), as a member of the teachers' pension fund.

Cllr Hyman declared a personal, non prejudicial interest in agenda item 6, as his wife was an employee of the Council.

Cllr Scott declared a personal, non prejudicial interest in agenda item 6, as his wife was an employee of the Council's education service.

Cllr Vassie declared a personal, non prejudicial interest in agenda item 6, as his partner was a teacher.

## 2. MINUTES

RESOLVED: That the minutes of the Audit & Governance Committee meeting held on 26 April 2010 be approved and signed by the Chair as a correct record.

## 3. PUBLIC PARTICIPATION

It was reported that there had been no registrations to speak at the meeting under the Council's Public Participation Scheme.

## 4. AUDIT & GOVERNANCE COMMITTEE FORWARD PLAN TO FEBRUARY 2011

Members considered a report which presented a draft plan of items expected to be brought to the Committee up to February 2011.

It was reported that the update on the Comprehensive Area Assessment (CAA), previously scheduled for the July meeting, had been removed from the forward plan due to the recent abolition of the CAA by the new government.

RESOLVED: (i) That the Committee's forward plan for the period up to February 2011 be noted.

REASON: To ensure that the committee receives regular reports in accordance with the functions of an effective audit committee.

(ii) That an update report be scheduled on the plan to inform the Committee of any developments in respect of proposals to replace the CAA.<sup>1</sup>

REASON: To ensure that the Committee is kept informed on this matter.

Action Required

1. Schedule update report on proposals to replace the CAA PS  
on forward plan

**5. ANNUAL SCRUTINY REPORT 2009-10**

Members considered a report which presented the annual report from Scrutiny Services for the period May 2009 to May 2010. A revised version of the annual report, incorporating the introduction that was missing from the previous published version, was circulated to Members at the meeting.

The annual report was the first to incorporate information on the new cross-cutting overview and scrutiny committees. It also explained how to get involved in the scrutiny process, what to expect from overview and scrutiny in the next twelve months and how each scrutiny review carried out during the past year had supported the Council's Corporate Strategy.

The annual report had already been considered in detail by the Scrutiny Management Committee (SMC) and would be presented to Full Council on 15<sup>th</sup> July. The Chair of SMC was in attendance to answer any questions. The Audit & Governance Committee was being presented with the report in light of the fact that Overview and Scrutiny represented a key part of the Council's governance arrangements. Members drew attention to two errors in the report in respect of calling-in and Councillor Calls for Action.<sup>1</sup>

RESOLVED: That the report be noted.

REASON: To confirm that Members have satisfied themselves as to the adequacy of this part of the governance framework.

Action Required

1. Make any necessary amendments to the Annual Report DS  
before taking it to Council



**6. ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT**

Members considered a report which summarised the outcome of audit and fraud work undertaken in 2009/10 and provided an opinion on the overall adequacy and effectiveness of the Council's internal control arrangements.

The report covered the first year of the new arrangements for the provision of internal and counter fraud services by Veritau Ltd. In respect of internal audit, 94.9% of the 2009/10 internal audit plan had been delivered and actions agreed to address 100% of high priority issues identified. Counter fraud work had been undertaken in accordance with the approved plan and a summary of work completed during the year had been presented to the Committee as part of the last monitoring report on 26 April 2010. Further service developments during the year were set out in paragraphs 4 and 5 of the report.

The opinion of the Head of Internal Audit, set out in Annex 1, confirmed that the Council's internal controls provided Substantial Assurance. In giving this opinion, attention was drawn to a number of significant control weaknesses in respect of bank reconciliations, the creditor payments system and fraud awareness. Details of these, and action taken to address them, were set out in paragraph 11 of the report. A summary of breaches of financial regulations identified during audit work was provided in Annex 3. Many of these related to matters identified as part of the recent petty cash project, additional guidance on which had subsequently been issued by the Assistant Director of Customer & Business Support Services.

RESOLVED: (i) That the results of the audit and fraud work undertaken in 2009/10 be noted.

REASON: To confirm that Members have considered the implications of the audit and counter fraud findings.

(ii) That the opinion of the Head of Internal Audit on the adequacy and effectiveness of the Council's internal control environment be accepted.

REASON: To confirm that Members have considered the opinion of the Head of Internal Audit.

(iii) That the significant control weaknesses identified during the year which are relevant to the preparation of the Annual Governance Statement be noted.

REASON: To enable the Annual Governance Statement to be approved.

**7. ANNUAL GOVERNANCE STATEMENT 2009/10**

Members considered a report which invited them to examine and approve the 2009/10 Annual Governance Statement (AGS), which formed part of the Statement of Accounts for 2009/10. The AGS document was attached as Annex A to the report.

As previously reported, in order to streamline the number of improvement plans involving the same actions and outcomes, there would not be a separate plan for the AGS. Items included in the Corporate Strategy would be monitored quarterly by the Executive and items covered by Directorate Plans would be monitored by the Director of Customer & Business Support Services. The Officer Governance Group would have oversight of the AGS.

Members discussed whether the final version of the AGS, signed by the Leader and Chief Executive, adequately encompassed the Committee's comments on the draft version, as contained in Minute 81 of the meeting on 26 April 2010. Officers advised that amendments could not be made to the AGS at this stage and that if it were not approved then the Statement of Accounts could not be approved either. Cllr Watson then moved, and Cllr Scott seconded, that the AGS not be approved, as the Committee wished to remove the words '*to be recognised*' from the end of the last paragraph of section 5 of the AGS. Three Members voted for and three voted against this proposal. The Chair then used his casting vote in favour of the proposal, which was therefore declared carried.

At Members' request, Officers then contacted the Leader of Council and the Chief Executive, both of whom confirmed that they would consent to the removal of the last three words in section 5 of the AGS, as set out above. In the light of that agreement, Members re-visited their decision and

RESOLVED: (i) That the agreement of the Leader and Chief Executive to remove from the end of section 5 of the AGS the words '*to be recognised*' be noted.<sup>1</sup>

(ii) That the Annual Governance Statement for 2009/10, as so amended, and particularly the significant control issues identified in section 5, be approved.

(iii) That it is regretted that section 5 of the AGS contains no reference to the abolition of the Shadow Executive, which represents a significant change to the Council's governance processes.<sup>2</sup>

REASON: To confirm that Members have considered the effectiveness of the Council's governance framework, and in particular the significant control issues.

Action Required

1. Obtain signatures of Leader & Chief Executive to the revised AGS

PS

2. Bring this comment to the attention of the relevant parties PS

## 8. STATEMENT OF ACCOUNTS 2009-10

Members considered a report which invited them to examine and approve the Council's pre-audit Statement of Accounts for the 2009/10 financial year. A revised version of the Statement of Accounts (Annex B) published with the agenda was circulated at the meeting; this incorporated the additional information provided to Members by e-mail on 25 June 2010. *[The revised Statement of Accounts, incorporating this information and the agreed amendment to the AGS, has now been made available on the Council's website.]*

It was a statutory requirement for the Council to approve the Statement of Accounts by 30 June 2010. This function had been delegated to the Audit & Governance Committee by resolution of Full Council on 22 January 2009. The Statement had been prepared in accordance with the CIPFA Statement of Recommended Practice (SORP) 2009 and incorporated the changes in accounting treatment required by SORP 2009 and other CIPFA guidance, as set out in paragraphs 9 to 13 of the report.

Following approval, the accounts would be made available for public inspection for 20 working days from 2 August 2010. The District Auditor was required to give his opinion on the accounts as part of the Annual Governance Report to be considered by the Committee no later than 30 September 2010.

Having sought clarification from Officers on a number of points of detail in the accounts, it was

RESOLVED: (i) That the Statement of Accounts be approved. <sup>1</sup>

REASON: In accordance with statutory and constitutional requirements.

(ii) That Officers be asked to consider how information on the amount spent by the Council on consultants can be made visible in the published accounts. <sup>2</sup>

(iii) That it be recorded that this Committee: <sup>3</sup>

- a) recognises that the accounts are prepared in order to satisfy statutory requirements;
- b) notes the need for improvements in organisational leadership and cultural change, as referred to in section 5;
- c) notes that other organisations are including in their annual accounts information relating to environmental sustainability and council performance / expenditure;
- d) calls for future statements of accounts for the City of York Council to include:

- information on expenditure on energy in and across council departments
- information on energy savings and efficiencies, and
- information on expenditure and savings relating to the implementation of the Council's Sustainable Procurement Strategy and Policy.

REASON: To reflect the views expressed by the Audit & Governance Committee in their discussion on the Statement of Accounts.

Action Required

- |   |    |
|---|----|
| 1. Publish the agreed Statement of Accounts, following approval by District Auditor | KB |
| 2. Consider how to make this information available, as requested                    | KB |
| 3. Bring these comments to the attention of the appropriate parties                 | KB |

**9. RISK UPDATE - YORK SPORTS VILLAGE (YSV) SWIMMING POOL**

Members considered a report which invited them to consider and comment upon the financial risks of construction of the new York Sports Village (YSV) Swimming Pool. The Director of Facilities, University of York, was in attendance to answer questions on this matter, as requested by the Committee at their meeting on 15 February 2010.

It was reported at the meeting that the latest information on the construction of the pool was contained in a report to the Executive meeting to be held on 6 July 2010. This set out a proposal from the University of York to provide a competition standard swimming facility which would meet the required specifications and asked Members to recommend that Council approve a £3m capital grant to the project. The University had now approved its own funding contribution of £5m and had received Stage 1 approval from Sport England for external funding of £1m, which meant that the risk of failure to deliver the project had already been significantly reduced. However, delivery was still dependent upon the Council's agreement to increase its agreed capital contribution from £2m to £3m.

RESOLVED: That the update provided on risks associated with the York Sports Village Swimming Pool be noted.

REASON: To provide assurance that risks to the Council are continuously reviewed and managed.

B Watson, Chair

[The meeting started at 5.30 pm and finished at 9.00 pm].



## Agenda Item

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### **Audit and Governance Committee**

28 July 2010

Report of the Director of Customer & Business Support Services

### **Audit & Governance Committee Forward Plan to April 2011**

#### **Summary**

1. This paper presents the future plan of reports expected to be presented to the Committee to April 2011.

#### **Background**

2. There are to be six fixed meetings of the Committee in a municipal year. To assist members in their work, attached as an Annex is the indicative rolling Forward Plan for the remaining meetings to April 2011. This may be subject to change depending on key internal control and governance developments at the time. A rolling Forward Plan of the Committee will be reported at every meeting reflecting any known changes.
3. As reported at the meeting of this committee on 29 June 2010, CAA activity has been suspended by the new Government and members requested:  
  
‘That an update report be scheduled on the plan to inform the Committee of any developments in respect of proposals to replace the CAA.’
4. This report has been scheduled into the Forward Plan for September 2010 to take account of emerging national and local developments over the coming months, and there will be an update from the Audit Commission at today’s meeting to outline the current position.

#### **Consultation**

5. The Forward Plan is subject to discussion by members at each meeting, has been discussed with the Chair of the Committee and key corporate officers.

#### **Options**

6. Not relevant for the purpose of the report.

#### **Analysis**

7. Not relevant for the purpose of the report.

### **Corporate Priorities**

8. This report contributes to the overall effectiveness of the council's governance and assurance arrangements contributing to an 'Effective Organisation'.

### **Implications**

- 9.
- (a) **Financial** - There are no implications
  - (b) **Human Resources (HR)** - There are no implications
  - (c) **Equalities** - There are no implications
  - (d) **Legal** - There are no implications
  - (e) **Crime and Disorder** - There are no implications
  - (f) **Information Technology (IT)** - There are no implications
  - (g) **Property** - There are no implications

### **Risk Management**

10. By not complying with the requirements of this report, the council will fail to have in place adequate scrutiny of its internal control environment and governance arrangements, and it will also fail to properly comply with legislative and best practice requirements.

### **Recommendations**

- 11.
- (a) The Committee's Forward Plan for the period up to April 2011 be noted.

Reason

*To ensure the Committee receives regular reports in accordance with the functions of an effective audit committee.*

- (b) Members identify any further items they wish to add to the Forward Plan.

Reason

*To ensure the Committee can seek assurances on any aspect of the council's internal control environment in accordance with its roles and responsibilities.*

**Contact Details**

**Author:**

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Assistant Director (Customer Service  
& Governance)  
Telephone: 01904 551706

**Chief Officer Responsible for the report:**

Ian Floyd  
Director of Resources  
Telephone: 01904 551100

**Report Approved**



**Date** 16.7.10

**Specialist Implications Officers**

Head of Civic, Democratic & Legal Services

**Wards Affected:** Not applicable

**All**

**For further information please contact the author of the report**

**Background Papers:**

None

**Annex**

Audit & Governance Committee Forward Plan to April 2011

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## **Audit & Governance Committee Draft Forward Plan to April 2011**

Training/briefing events will be held at appropriate points in the year to support members in their role on the Committee.

- **Committee 29 September 2010**

Annual Governance Report

Annual Report of the Audit & Governance Committee

Performance Management after CAA

Risk Management Quarterly Monitoring Report

Treasury Management Qtr 1 Monitor

Follow-up of Internal and External Audit Recommendations

Internal Audit & Fraud Plan Progress Report

2010 NFI Exercise

Audit Commission national reports (if any)

Audit Commission reports as per agreed Audit Plan

Changes to the Constitution

- New Executive Arrangements

- **Committee 6 December 2010**

Annual Audit Letter – Audit Commission (if published)

Data Quality Progress Report

IFRS Update

Key Risk Update

Treasury Management Qtr 2 Monitor (and half-year update)

Internal Audit & Fraud Plan Progress Report

Audit Commission national reports summary

Audit Commission reports as per agreed Audit Plan

Changes to the Constitution (if any)

- **Committee 14 February 2011**

Update of Counter Fraud Policies

Internal Audit Plan Consultation

Audit & Fraud Risk Assessment

Risk Management Quarterly Report

Treasury Management Qtr 3 Monitor

Treasury Management Strategy

Audit Commission reports as per agreed Audit Plan

Changes to the Constitution (if any)

- **April 2011**

Review of Effectiveness of Internal Audit

Follow up of Internal and External Audit Recommendations

IFRS Update

Draft Annual Governance Statement

Internal Audit & Fraud Plan Progress Report

Approval of Internal Audit Plan

Audit Commission reports as per agreed Audit Plan

Audit Commission national reports (if any)

Changes to the Constitution (if any)



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## **Audit and Governance Committee**

28 July 2010

Report of the Assistant Director of Customer & Business Support Services  
(Customer Service & Governance)

### **Audit Commission Audit Progress Report 2009/10**

#### **Summary**

1. This report presents an update on progress in delivering the 2009/10 Audit Plan from the Council's external auditor, the Audit Commission, including any requirements from 'those charged with governance' (the Audit & Governance Committee in City of York Council)
2. It also looks at 2010/11 audit fees and other developments including recent national activity.

#### **Background**

3. The Audit Commission's 2009/10 Audit Plan was set out in the fee letter presented to the Audit and Governance Committee in June 2009. The report gives an update on the progress against that plan including:
  - Opinion on the financial statements
  - Grant claim certification
  - Use of resources and VFM conclusion
  - Compliance with international auditing standards (including assurances required from those charged with governance).
4. The report also promotes some of the national work undertaken by the Audit Commission reported over the last three months. Another item later on this agenda, captures Audit Commission reports issued since the end of January 2010 (a small number of items only are repeated).

#### **Consultation**

5. The progress report and particularly those items in paragraph 3 above have been discussed with key council officers.

### Options

6. Not relevant for the purpose of the report.

### Analysis

7. Not relevant for the purpose of the report.

### Corporate Priorities

8. This report contributes to the overall effectiveness of the council's governance and assurance arrangements contributing to an 'Effective Organisation'.

### Implications

9.
  - (a) **Financial** – The fees can be contained within the 2009/10 and 2010/11 budget for external audit fees.
  - (b) **Human Resources (HR)** - There are no implications.
  - (c) **Equalities** - There are no implications.
  - (d) **Legal** - There are no implications.
  - (e) **Crime and Disorder** - There are no implications.
  - (f) **Information Technology (IT)** - There are no implications.
  - (g) **Property** - There are no implications.

### Risk Management

10. The report outlines any risks arising from the work of the Audit Commission and the response from council officers in managing those risks.

### Recommendations

11. Members are asked to consider the content of the progress report, note its findings and matters arising.

#### Reason

*To ensure the Committee is fully aware of the current activity of the external auditors and any issues that could affect the council's system of internal control*

**Contact Details**

**Author:**

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Assistant Director of Customer &  
Business Support Services (Customer  
Service & Governance)  
Telephone: 01904 551706

**Chief Officer Responsible for the report:**

Ian Floyd  
Director of Customer & Business Support Services  
Telephone: 01904 551100

**Report Approved**



**Date** 15.7.10

**Specialist Implications Officers**

**Wards Affected:** Not applicable

**All**

**For further information please contact the author of the report**

**Background Papers:**

Audit Commission Audit Plan 2009/10 - 29 June 2009  
Audit Commission Audit Plan 2010/11 - 26 April 2010

**Annexes**

Audit Commission Audit Progress Report 2009/10

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# Audit Progress

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**York City Council**

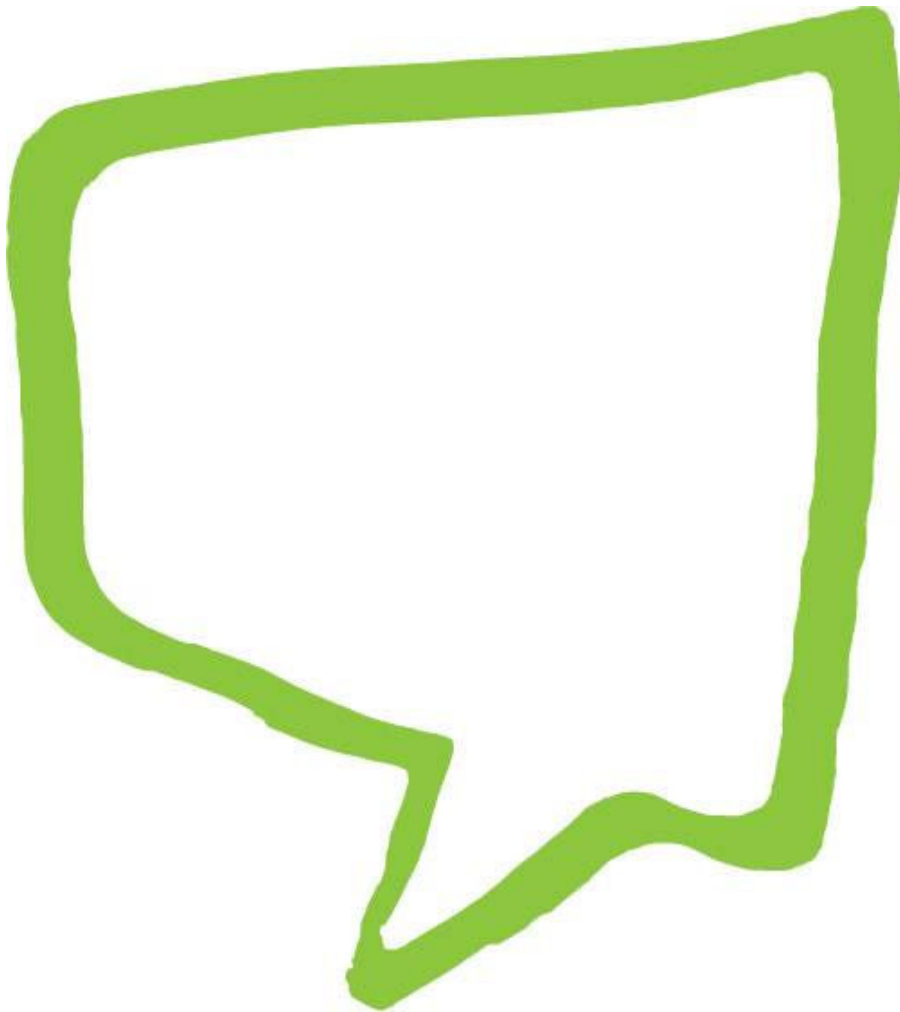
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**Audit 2009/10**

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**June 2010**

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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Introduction

- 1 The purpose of this report is to summarise:
  - progress to date on the external audit of York City Council
  - other matters of interest, including national work undertaken by the Audit Commission and forthcoming changes to the external audit regime.

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# 2009/10 Audit Progress

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## Audit plan

- 2 Our 2009/10 audit plan was set out in the fee letter we presented to the Audit and Governance Committee in May 2009. The fee for the audit was set at £248,400 and we consider that there is no need to change the fee level at this stage.

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## Opinion on the financial statements

- 3 We have identified and tested all of the Council's key financial systems, as shown in Appendix 1. The key issue arising from this work was that bank reconciliations had not been undertaken regularly throughout the year, although we are pleased to note this matter appears to have now been resolved.
- 4 Our work identified a small number of minor weaknesses in internal control, which Internal Audit has agreed to follow up as part of its ongoing work programme.
- 5 We have assessed the Council's overall control environment, including ICT and risk management arrangements. We have confirmed that Internal Audit continue to meet CIPFA standards, and have drafted a protocol to govern our liaison arrangements. This should help build upon what is already a very good working relationship, to deliver a more efficient, streamlined audit process.
- 6 So as to maintain an up to date assessment of business and audit risk, we continue to track progress on major initiatives such as More For York, office relocation and the waste PFI. We have also:
  - held regular meetings with Council officers and Internal Audit
  - reviewed minutes, agenda papers and website information
  - observed a number of Council meetings
- 7 We issued our Opinion Audit Plan, which sets out a testing strategy for the annual statement of accounts, in February 2010 and will begin detailed work on the statements following their approval on 29 June 2010. In the meantime, we continue to:
  - progress early work on investments and capital accounting
  - liaise with the Council's Chief Accountant on current technical issues.
- 8 We have agreed with officers that the detailed working papers that support the financial statements will be made available by 26 July 2010, and that we will endeavour to complete our work by 17 September 2010, well ahead of the deadline date of 30 September.
- 9 Our formal notice of audit has been issued, and arrangements made for members of the public to inspect the accounts and, if they wish, make representations to the District Auditor.

### Grant claim certification

- 10 Unlike audit, which is charged for on a fixed fee basis, grant claim fees depend upon time taken to complete the work. Fees for grant claims work were £54,806 in 2008/09.
- 11 We are currently planning our grant claims certification work for 2009/10, with the objective of minimising audit fees incurred, and ensuring that all claims are completed, audited and submitted to grant paying agencies on time.
- 12 To this end we are hoping to agree a protocol with officers which will clearly establish:
  - a list of the claims to be audited
  - lead officer contacts
  - working paper requirements
  - audit submission dates

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### Use of resources and VFM conclusion

- 13 The Audit Commission wrote to all chief executives at the end of May 2010 to let them know how the Commission proposes to bring work on CAA to a conclusion in the light of the new government's recent announcements. Use of resources assessment forms a part of both our audit and CAA.
- 14 We will continue to deliver the audit in line with the statutory Code of Audit Practice under which we are required to give a value for money conclusion. We need to complete such work as necessary to give this conclusion, and in practice we will be able to discharge this responsibility by:
  - using work completed to date for the use of resources assessment
  - testing a small sample of performance indicators.
- 15 We will report back to the Council on any significant findings but will **not** now be reporting a published score for the use of resources.
- 16 The Commission has already announced that it is reviewing the approach that auditors will take in future to the value for money conclusion from 2010/11.

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### Compliance with international auditing standards

- 17 In order to comply with the international auditing standards, we must gain an understanding of:
  - How management exercise key governance processes in relation to:
    - undertaking an assessment of the risk that the financial statements may be materially mis-stated due to fraud;
    - identifying and responding to risks of fraud in the organisation;
    - communication to employees of views on business practice and ethical behaviour; and

- communication to those charged with governance the processes for identifying and responding to fraud.
  - How those charged with governance oversee management processes to identify and respond to the risk of fraud and possible breaches of internal control.
  - Whether management or those charged with governance have knowledge of any actual, suspected or alleged frauds.
  - How management, and those charged with governance, obtain assurance that all relevant laws and regulations have been complied with.
  - How management has satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements.
- 18** We will therefore be seeking written assurances from you on these matters. This is in addition to the formal letter of representation from management in relation to the assertions in the financial statements, which we have received in previous years.
- 19** To assist with this we have provided:
- examples of assurance letters from similar organisations in Appendices 2 and 3
  - a template letter of representation in Appendix 4.

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# 2010/11 Audit Planning

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## 2010/11 audit fee

- 20** The Audit Commission sets a scale fee for each audit. This is the fee required by auditors to carry out the work necessary to meet their statutory responsibilities under the Audit Commission Act in accordance with the Code. It represents the Commission's best estimate of the fee required to complete an audit where the audited body
- has no specific local audit risks and a sound control environment
  - provides the auditor with complete and materially accurate financial statements and supporting working papers within agreed timeframes.
- 21** We discussed our proposed fee of £248,900 with the Audit and Governance Committee in April 2010. This is just below the scale fee for a unitary authority of York's size, but will need to be revisited following recent developments on use of resources and value for money.
- 22** In recognition of the additional costs involved in auditing the transition to IFRS, the Commission has also recently issued a rebate to local authorities. The rebate to York City Council was £1,300.

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# Other developments and national publications

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## Introduction

- 23** This section of the report promotes some of the national work undertaken by the Audit Commission over the last three months. It highlights various areas of interest, some of which may prompt further consideration by officers and/or members. Where relevant, specific references to the position at the Council are included. The full reports can be found on the Commission's website at:  
<http://www.audit-commission.gov.uk/localgov/Pages/default.aspx>

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## Surviving the crunch

- 24** This report is the third in a series of publications looking at the impact of the credit crunch and subsequent recession on local authorities.
- 25** It says that councils must think bigger and act quicker to reduce costs, or funding cuts will cause more damage to services and jobs than is necessary. Most councils have been cushioned from the worst of the recession because the government stuck to its three-year funding settlement, but this ends in 2011. On average, councils receive two-thirds of their income from grants.
- 26** Even though the timing and extent of cuts in government support are unclear, the report says that councils must prepare now for leaner times. The sooner they get clarity the better. The best-prepared councils are taking action now to preserve services in the years ahead, but others have yet to make any financial plans beyond 2011.

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## International Financial reporting Standards - accounting for non current assets

- 27** This is the second in the Audit Commission's series of technical briefing papers and looks at the potential issues arising from introducing International Financial Reporting Standards (IFRS) for accounting for non-current assets, formerly referred to as fixed assets.
- 28** The paper considers significant aspects of the accounting requirements as set out in the standards, and it also provides practical examples to help explain potential issues local government bodies may experience when implementing the standards. The paper considers the following issues:
- potential reclassification implications (IFRS 5 and IAS 40);
  - valuation of property, plant and equipment (IAS16);
  - componentisation (IAS16);

## Other developments and national publications

- impairment of assets (IAS36);
- intangible assets (IAS38); and
- government and non-government grants (IAS20).

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### The National Fraud Initiative

- 29** This report summarises the results of the Audit Commission's latest UK-wide antifraud programme. It helped trace £215m in fraud, overpayments and errors in 2008/09.
- 30** More than £183 million pounds was traced by bodies in England. The programme has helped detect £664m, since the initiative started in 1996.
- 31** The figure for 2008/09 represents a 54 per cent increase on the figure of £140 million identified in the 2006/07 National Fraud Initiative (NFI) exercise, reflecting well on the bodies that followed up effectively the matches given to them.
- 32** The report includes examples and case studies of identified fraud. For example, Salford City Council identified someone who had been receiving the single person discount since 2001. Their partner, who should not have been disregarded for council tax purposes, had lived with them throughout the period. The discount amounted to £2,200 which the council is now seeking to recover. Through this and similar cases, the Council expects to raise an extra £1 million in council tax.
- 33** The report is supported by a number of case studies of successful outcomes, a quick-read summary document and a checklist for council members.

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### A review of collaborative procurement across the public sector

- 34** The National Audit Office and the Audit Commission have jointly produced this review. It draws on Audit Commission research in local government, carried out during the autumn of 2009.
- 35** The review finds that although collaborative procurement has the potential to improve value for money, the public sector procurement landscape is fragmented, with no overall governance. Consequently, public bodies are incurring unnecessary administration costs by duplicating procurement activity, and they are paying a wide range of prices for the same commodities, even within existing collaborative arrangements.
- 36** It recommends that, given the size of public sector procurement spend and the potential to significantly improve value for money, public bodies should work together much more effectively than they currently do. And there should be a clear framework to coordinate public sector procurement activity.

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### Improving Children's Trusts

- 37** This resource pack is a voluntary, online self-evaluation tool to help children's trust boards to improve governance and value for money. Studies by the Audit Commission and others have found more work is still needed to ensure there are effective

arrangements for leadership, commissioning, performance management and managing resources.

- 38** The self-assessment provides opportunities for the partnership to discuss current arrangements. It sets standards for performance with explanations of why these are important and it signposts further information and guidance. Completion of the self-assessment generates an action plan to help the children's trust board set its own agenda for improvement.
- 39** The resource pack builds on the self-assessment from *Are We There Yet? Improving Governance and Resource Management in Children's Trusts*. It takes into account the changes introduced by the 2010 statutory guidance in *Children's Trusts: Cooperation Arrangements Including the Children's Trust Board and the Children and Young People's Plan*.
- 40** This resource pack is designed to be used at board, executive or sub-group level. It is for all children's trust partnerships including:
- members of children's trust board;
  - elected lead members for children's services;
  - directors of children's services;
  - senior officers who are members of any children's trust executive and board subgroups; and
  - commissioners and joint commissioners of children's services

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#### VFM in SEND/AEN for Children's Trusts

- 41** This is a voluntary, online self-evaluation tool to help children's trusts to improve value for money in the provision they make for children and young people with special educational needs and disabilities (SEND) and additional educational needs (AEN).
- 42** The self-assessment provides opportunities for discussion amongst decision makers about current practice. It sets standards for performance with explanations of why these are important and it sign-posts further information and guidance. Completion of the self-assessment generates an action plan to help your children's trust set its own agenda for improvement.
- 43** The Audit Commission has identified five areas where children's trusts can improve value for money:
- Needs – local SEND and AEN needs are accurately identified.
  - Strategy – coherent plans are driving improvement.
  - Finance – available resources are used to best effect.
  - Provision – interventions and services effectively support needs.
  - Outcomes – evaluation confirms that provision makes a positive difference
- 44** This resource pack is for all those with responsibility for managing resources in children's trusts, including:



## Other developments and national publications

- members of the children's trust board;
- elected members, especially lead members for children and young people and chairs of relevant scrutiny panels;
- directors of children's services;
- officers with senior responsibility for SEND and AEN;
- officers with senior responsibility for services for disabled children;
- staff with senior responsibility for children's services in primary care trusts;
- children's services finance officers;
- commissioners and joint commissioners of children's services; and
- head teachers with wider area responsibility for SEND and AEN decision-making – for example through their membership of a schools forum.

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## Good practices and case studies to learn from

**45** Examples of notable practice in local government and other sectors, identified from use of resources work by auditors as well as from national studies, are also on the website.

# Appendix 1 - Testing on financial systems

**Table 1 Testing plan for key financial systems**

<b>System identified</b>	<b>Tested in 2009/10?</b>
Main accounting system	Yes
Accounts payable	Yes
Accounts receivable	Yes
Payroll	Yes
Cash collection	Yes
Council Tax	No - system remains unchanged and no significant weaknesses identified, so guidance states we can rely on work undertaken in 2008/09
NNDR	No - system remains unchanged and no significant weaknesses identified, so guidance states we can rely on work undertaken in 2008/09
Housing Rents	No - system remains unchanged and no significant weaknesses identified, so guidance states we can rely on work undertaken in 2007/08
Housing Repairs	Yes
Housing and Council Tax benefits	Yes
Delegated schools budgets	No - system remains unchanged and no significant weaknesses identified, so guidance states we can rely on work undertaken in 2008/09
Care payments	Yes
Loans and borrowing	No - system remains unchanged and no significant weaknesses identified, so guidance states we can rely on work undertaken in 2008/09

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## Appendix 2 - assurances from management

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### STATEMENT OF MANAGEMENT PROCESSES FOR DISCHARGING RESPONSIBILITIES

Responsibility for preventing and detecting fraud is identified by the International Standard for Auditing (UK and Ireland) 240 as resting with the management of xxxxxxx and 'those charged with governance', i.e. xxxxxx Committee. This statement covers management's processes for discharging its responsibilities.

The International Standards for Auditing views fraud as either:

- the intentional misappropriation of assets (cash, property, etc), or,
- the intentional manipulation or misstatement of the financial statements.

Management discharges its responsibilities via systems of internal control, including Standing Orders and Standing Financial Instructions, Standards of Business conduct and via disciplinary procedures, where fraud is highlighted as a dismissible event. The organisation also has in place a Fraud Response Plan which clearly outlines to staff the commitment to elimination of fraud and the steps that they should take in the event of fraud being suspected.

The organisation commissions local counter fraud specialists from xxxxxxxxx(Internal Audit Services) to undertake an annual counter fraud plan of work on its behalf. The Director of Finance meets on a regular basis with the counter fraud specialists to discuss progress.

The counter fraud plan covers the following main areas:-

- creating an anti-fraud culture,
- deterrence,
- prevention,
- detection,
- investigation
- sanction,
- redress.

All reported cases of suspected fraud are investigated by the local counter fraud specialists. During 2009/10 management received x allegations of alleged fraud which resulted in x formal investigations and the following outcomes:  
xx.

The organisation ensures compliance with laws / regulations via usage of its Standing Orders and Standing Financial Instructions. Compliance is monitored by the Head of Governance and by engaging external legal consultants when appropriate.

In terms of financial misstatement, management commissions internal auditors from xxxxx Internal Audit Services to report on financial accounting and financial management systems as part of its annual internal audit plan. The assurance gained contributes to the preparation of the Statement on Internal Control.

The Audit Committee receives assurance from management through:-

- receipt and approval of the annual counter fraud plan,
- receipt of update reports from the local counter fraud specialists at xxxxx Committee meetings,
- receipt of the annual counter fraud report,
- receipt of internal audit reports on the financial accounting and financial management systems of the organisation

Signed by the Director of Finance on behalf of all Executive Directors

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# Appendix 3 - assurances from those charged with governance

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## Statement from Those Charged with Governance

Responsibility for preventing and detecting fraud is identified by the International Standard for Auditing (UK and Ireland) 240 as resting with the management and 'those charged with governance', i.e. the xxxxx Committee. A similar standard (ISA 250) requires the organisation to ensure its operations are conducted in accordance with existing laws and regulations and also assigns responsibility for the prevention and detection of non compliance. This statement covers the role of the xxxxx Committee in discharging its responsibilities.

### ISA 240 Fraud

The International Standards for Auditing views fraud as either:

- the intentional misappropriation of assets (cash, property, etc), or,
- the intentional manipulation or misstatement of the financial statements.

Management discharges its responsibilities via systems of internal control, including Standing Orders and Standing Financial Instructions, Standards of Business conduct and via disciplinary procedures where fraud is highlighted as a dismissible event. The organisation also has in place a Fraud Response Plan which clearly outlines to staff the commitment to the elimination of fraud and the steps that they should take in the event of fraud being suspected.

The organisation commissions local counter fraud specialists from xxxxxxxxxx Internal Audit Services to undertake an annual counter fraud plan of work on its behalf. The Director of Finance meets on a regular basis with the counter fraud specialists to discuss progress.

The counter fraud plan covers the following main areas:-

- creating an anti-fraud culture
- deterrence
- prevention
- detection
- investigation
- sanction

- redress

All reported cases of suspected fraud are investigated by the local counter fraud specialists. During 2009/10 management received x allegations of alleged fraud which resulted in x formal investigations and the following courses of action:

xx

In terms of financial misstatement, management commissions internal auditors from xxxxxxxxxx Internal Audit Services to report on the financial accounting and financial management systems as part of its annual internal audit plan. The assurance gained contributes to the preparation of the Statement on Internal Control.

The xxxxx Committee receives assurance from management through:-

- receipt and approval of the annual counter fraud plan
- receipt of update reports from the local counter fraud specialists at Committee meetings
- receipt of the annual counter fraud report
- receipt of internal audit reports on the financial accounting and financial management systems of the organisation

### ISA 250 (Laws and Regulations)

The organisation has developed and implemented a system of assurances based on:

- Objective setting - whereby the principal organisational objectives of the organisation are identified and assigned to each Executive Director.
- Risk Assessment - whereby each Executive Director identifies and prioritises the risks related to achieving those objectives.
- Assurance framework - this is the overarching document covering a comprehensive range of interconnecting responsibilities, processes, systems and controls which are integral to ensuring management can deliver the governance and assurance arrangements. The framework documents processes 1 and 2 above.

Responsibility for ensuring that the assurance framework processes are in place and operating is assigned to xxxxxxxxxxxxxxxxxxxxxx. This is supported by the Central Team of Directors, the Committee Structure, Audit and External Inspections, Risk Management Strategy, Risk Registers, Standing Orders and Standing Financial Instructions and Standards of Business Conduct.

Two committees are key in ensuring that operations are conducted in accordance with existing laws and regulations. The Risk and Governance Committee has terms of reference which charge the Committee with ensuring that "all systems are in place and

### Appendix 3 - assurances from those charged with governance

operating effectively for the identification, assessment and prioritisation of potential risks” and “...reporting to the Board on the systems and processes by which the organisation leads, directs and controls its functions in order to achieve organisational objectives...”.

The Audit Committee's terms of reference charge the Committee with utilising an effective assurance framework and the evidence provided by audit and other assurance functions to:

- review “the establishment and maintenance of an effective system of integrated governance, risk management and internal control across the whole of the organisation’s activities...” and
- review the adequacy of all risk and control related disclosure statements (in particular the Statement on Internal Control together with any accompanying head of internal audit opinion, external audit opinion or other independent assurances, prior to endorsement by the Board
- review the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements
- review the work of other committees within the organisation, whose work can provide relevant assurance to the Audit Committee’s own scope of work
- receive reports and positive assurances from directors and managers on the overall arrangements for governance, risk management and internal control

### Conclusion

Having reviewed the work of Internal and External Audit, the management processes and the Governance arrangements throughout the year, we are not aware of, and nothing has come to our attention of any other instances of fraud or irregularity affecting the financial statements for xxxxxxxxxxxx. We are also aware of the assurance statement provided by management which supports the conclusion we have made.

Signed on behalf of the Audit Committee  
5th June 2009

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# Appendix 4 - template letter of representation

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## Audit for the year ended 31 March 2010

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors and officials of xxxxxxxxxxxx, the following representations given to you in connection with your audit .

### Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing financial statements which comply with relevant accounting guidance, give a true and fair view of xxx's financial position and financial performance, and for making accurate representations to you.

### Uncorrected misstatements

I confirm that there are no uncorrected misstatements in the financial statements that I am aware of.

### Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by xxxxx have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all xxxxx and Committee meetings, have been made available to you.

### Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error. There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and



## Appendix 4 - template letter of representation

- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

### Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of xxxxxxx. In all material respects, the expenditure and income recognised in the financial statements has been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

xxxxxx has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

### Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For fixed asset balances, I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- that subsequent events do not require adjustment to the fair value measurement.

### Group entities

I am satisfied that all group entities have been identified and the appropriate accounting requirements applied.

### Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale and purchase commitments;
- agreements and options to buy back assets previously sold; and
- assets pledged as collateral.

### Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. We have no credit arrangements other than those already disclosed in the accounts.

**Contingent liabilities**

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. Other than those already disclosed in the financial statements:

- there is no significant pending or threatened litigation;
- there are no material commitments or contractual issues; and
- no financial guarantees have been given to third parties.

**Related party transactions**

I confirm the completeness of the information disclosed regarding the identification of related parties. The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

**Events after the reporting period**

Since the date of approval of the financial statements by xxxxxx, no additional events have occurred after the reporting period which would require additional adjustment or disclosure in the financial statements.

xxxxxxx has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

**Specific representations**

XX

I confirm that this letter has been discussed and agreed by those charged with governance on xxxxxxxxx

Signed

Name

Position

Date

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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**Audit & Governance Committee****28 July 2010**

Report of the Head of Civic, Democratic &amp; Legal Services

**Council Response to the Petitions Duty in the Local Democracy, Economic Development and Construction Act 2009****Summary**

1. This report provides an update on how this Council intends to respond to the petitions duty in the Local Democracy, Economic Development & Construction Act 2009 (2009 Act), in particular the introduction of ePetitions and new corporate working practices surrounding the handling of all petitions received by the Council.

**Background**

2. A national Citizenship Survey carried out April to December 2007 showed that petitions were the most popular and recognised form of civic action. However at that time, only one in five local authorities in England were making details about how to submit a petition publicly available. In addition, the Place Survey 2008 showed that satisfaction with the way local council's run things was low at only 45%, and the perception in communities that people could influence decisions that were affecting their local area was even lower.
3. The aim of the 2009 Act was to reinvigorate local democracy by reconnecting people with public and political decision-making, and restoring trust and confidence in local government.
4. The 2009 Act requires all principal local authorities in England to establish a scheme for handling petitions made to the authority. The scheme:
  - must be approved by a meeting of the full council before it comes into force
  - must be published on the local authority's website and by any other method appropriate for bringing it to the attention of those who live, work or study in the area
  - can be revised at any time but the revised scheme must be approved and publicised as detailed above
  - the authority must comply with its scheme

5. The 2009 Act requires petition schemes to meet some minimum standards. The Department of Communities & Local Government has therefore provided some draft statutory guidance which suggests that a petition scheme should be based on the following key principles:
  - Ensuring that local people know how to express their views
  - Local authorities will take action to respond to petitions
  - Local people know that their views have been listened to
  - Keeping prescribed requirements on councils to a minimum, and building on local authority best practice

### **City of York Council's Response to the 2009 Act**

6. In September 2009, following consultation with all Directors, the Monitoring Officer and ITT, the Audit & Governance Committee received a report detailing how petitions were currently being dealt with across the Council, which suggested a potential corporate approach for handling all petitions (both paper and ePetitions), in line with the requirements of the 2009 Act. Subsequently, it was endorsed at Full Council, that a centrally administered Corporate Petitions Register would be introduced to include an ePetitions facility implemented through the electronic Committee Management System.
7. In February 2010, the Audit & Governance Committee received a further report detailing the definition of residents able to submit petitions under the 2009 Act:

*In the Local Democracy, Economic Development & Construction Act 2009 (Chapter 2 Petitions), petitioners are defined as 'anyone who lives, works or studies in the local authority area, including under 18s'*
7. Members requested clarity on the definition of 'lives'. The dictionary definition of 'lives' is *to reside / dwell*. No further clarification has been provided within the Act.
8. The duty to produce a petitions scheme came into force **on 15 June 2010**. The e-petitions requirements are due to come into force later on **15 December 2010**. Therefore, taking into consideration all the requirements of the 2009 Act and the guidance from the Department of Communities & Local Government, a draft petitions scheme for this Council has been produced – see Annex A.

### **Consultation**

10. Having sought the views of this committee, the intention is to present the scheme to Full Council for their approval.

## **Options**

11. Having considered all of the information within this report, Members may choose to amend and/or agree the draft scheme attached at Annex A.

## **Analysis**

### 12. Receiving Petitions

Currently petitions are received by the Council via a number of routes. Some come via a ward councillor, and others come by post or are hand delivered to one of the Council office buildings. Once received, they are handled differently depending on who is dealing with it. The agreed introduction of a petitions scheme aims to standardise the council's approach to petitions.

13. In the first instance, this will require all petitions received to come to a central point within the organisation for recording and processing. This work will be administered by Democratic Services, as they are responsible for the electronic Committee Management System which the ePetition system is part of. The benefit of this approach is that all petitions and published responses to petitions could be linked to other relevant online information and existing online functions i.e. council meetings, minutes and actions arising.

### 14. Verification of Signatures

The issues around verifying signatures are common to both paper petitions and ePetitions. Each local authority can choose to verify the signatures given on a petition, but should bear in mind that a petition is not a referendum and it is impossible to be absolutely sure of the signatories identity. That said, it is expected that local authorities will remove duplications and obviously frivolous signatures. In the case of ePetitions, Members need to consider what counts as an authentic signature, e.g. it might decide that a valid email address is sufficient, a valid postcode or both.

### 15. Acknowledgement of Petitions

All petitions which meet the scheme criteria must be acknowledged within the period specified in the authority's scheme. In CYC's proposed scheme at Annex A, the specified period is 14 days.

### 16. Exclusions

Local authorities are expected to approach all petitions received positively. However, petitions which are in the opinion of the authority vexatious, abusive or otherwise inappropriate, do not qualify. In these instances, local authorities are still required to acknowledge receipt of the petition explaining why the authority will not be taking action.

17. When considering whether a petition is vexatious, an authority should use as a starting point the guidance under the Freedom of Information Act 2000, which

states that the key question is 'whether the request is likely to cause distress, disruption or irritation, without any proper or justified cause'.

18. The types of petitions which may be considered inappropriate include those relating to matters which are part of ongoing legal proceedings or which target individual members of a community. The decision on what CYC constitutes an inappropriate petition is ultimately for this authority to decide based on the circumstances of the individual case.

19. Matters Excluded by Order

In order not to duplicate procedures, the Government has excluded from the scope of the petitions duty any matter relating to:

- a planning decision, including a development plan document or the community infrastructure levy
- a licensing decision, including licensing applications under the Licensing Act 2003 and the Gambling Act 2005
- an individual or entity in respect of which that individual or entity has a right of recourse to a review or right of appeal conferred by or under any enactment

20. However, failure to deliver services in these areas remain within the scope of the duty e.g. a petition about the local authority's failure to deliver an effective service for planning applications would be within scope. When in receipt of a petition on an excluded matter, Local authorities are still required to acknowledge receipt explaining why the matter is not covered by the petition scheme.

21. Petitions Under Other Enactments

Petitions made under other enactments e.g. under the Local Government Act 2000, should be dealt with according to the procedures set out in those enactments. If such a petition fails to meet the requirements of the enactment in question, it should be addressed through the local authority's petition scheme in exactly the same manner as any other petition.

22. ePetitions

When taking a decision to host an ePetition, the Council will need to take into account all pertinent issues before publishing any information on the Council website. For example issues such as data protection, libel, equalities, and anti-discrimination legislation. If a decision is taken not to host an ePetition, the Council is required under the Act to provide the lead petitioner with reasons for this and must allow them the opportunity to amend and re-submit their petition.

23. Petition Debates

It is acknowledged that when petitions are linked with decision making, there are increased levels of empowerment. Therefore, the 2009 Act requires petitions which receive a significant level of support to be debated at a meeting



of full council. Local authorities are required to set out in their petition scheme the number of signatures needed to trigger a debate as part of the authority's response. In York it has previously been agreed that petitions signed by a 1,000 or more petitioners will automatically generate a debate at full Council, and CYC standing orders have been amended accordingly. This does not preclude the need for other forms of response as well i.e. undertaking research into the matter, meeting with petitioners etc. A full list of the possible responses is shown in Annex A.

24. Giving Evidence

A petition scheme must allow for petitions to trigger a senior member of council staff to attend a meeting of the authority's overview and scrutiny committee and answer questions about their work. It is based on the principle that local government should be as transparent as possible and that officers are accountable to members. It allows members of the local community to make use of petitions to influence the way that this scrutiny takes place. In the draft petition scheme shown at Annex A, it is suggested that Scrutiny Management Committee (SMC) deal with all such petitions. The alternative option would be to present individual petitions based on their subject matter direct to the relevant Overview & Scrutiny Committee based on their individual remits.

25. An authority's petition scheme must specify how many signatures will be needed to require an officer to attend a public meeting. A suitable threshold should be based on local circumstances and where practical, should be set low (see paragraph 8 above). In the draft petition scheme shown at Annex A, it is suggested that the threshold in York be set at 750. In addition, the Act states that the local authority must determine which of their senior officers are able to be called to account in this way and include those details in their scheme. It is suggested within the draft scheme at Annex A that the list be made up of members of the Corporate Management Team.

26. Getting Involved

The draft scheme at Annex A envisages giving lead petitioners the right to submit questions in writing up to three working days before the public meeting at which the petition is to be considered, and that those questions will be tabled at the public meeting and addressed by officers.

27. It is suggested that the right to submit questions in this ways be adopted to comply with the draft statutory guidance provided by the Department of Communities & Local Government, and this Committee is asked to give its views on this approach.

28. Petition Reviews

Lead Petitioners have the power to ask an overview and scrutiny committee to review the authority's response to their petition. The draft petition scheme shown at Annex A suggests that SMC fulfil this role. SMC would need to bear in mind the list of potential steps which could have been used to respond to the petition, to decide whether the response was adequate in proportion to the issue set out in the petition. The Council's electronic Committee Management System provides a suitable mechanism for recording how it was decided to respond to each petition, thereby limiting the number of likely appeals of this

sort. If SMC had reason to be concerned about the adequacy of the authority's response it could decide a full scrutiny review of the issues raised in the petition was required and allocate it to the relevant Overview & Scrutiny Committee.

29. Keeping Petitioners Informed

The 2009 Act states that a petition organiser should:

- receive acknowledgement when their petition is considered to be vexatious, abusive or inappropriate, explaining why the authority will not be taking action
- be informed in writing when the authority decides to say no to a petition request, giving reasons e.g. when a petition calls for something which goes against council policy
- be informed in writing when a debate will be held and with sufficient notice to enable their attendance – this notification should also be published on the authority's website
- be offered the option of presenting their petition to the Council at the beginning of the debate and answering questions put by councillors
- receive written notification of any decision pertaining to their petition – this should also be published on the authority's website

30. The proposed Petitions Scheme attached at Annex A allows for all the above communication with petition organisers. The intention would be to produce a number of letter templates for use by the scheme administrator(s), in order to standardise the council's approach.

### **Corporate Strategy**

31. The introduction of a Petitions Scheme will assist the council in making York an Inclusive City i.e. it will provide an opportunity for all citizens, regardless of race, age, disability, sexual orientation, faith or gender to feel included in the life of York by reinvigorating local democracy and reconnecting people with public and political decision-making.

### **Implications**

32. **Financial** – The Committee Management System (Modgov) will provide the corporate petitions register and provide the ePetitions facility, therefore there is no additional costs to the council of implementing the new scheme.

33. **Human Resources** – The scheme will be administered by Democratic Services with a small amount of input from Directorates.

34. **Legal** – The legal implications associated with the petitions duty of the Local Democracy, Economic Development & Construct Act 2009 are detailed in the main body of the report.

35. There are no known Equalities, Crime and Disorder, Property or Other implications associated with the recommendations in this report.

## Risk Management

36. If the Council fails to adopt a scheme it will fail in its duty to respond to the Local Democracy, Economic Development & Construct Act 2009

## Recommendations

32. Members are asked to consider and endorse:
- i) the suggested approach to allowing Lead Petitioners to submit questions in writing as detailed in paragraph 26 above
  - ii) the full Petitions Scheme at Annex A for approval by Full Council

Reason: In order to comply properly with the legal requirements for introducing this duty

## Contact Details

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**Chief Officer Responsible for the report:**

Andrew Docherty  
Head of Civic, Democratic & Legal Services

Report Approved



Date

15 June 2010

**Specialist Implications Officer(s)**

A. Docherty  
Head of Civic, Democratic & Legal Services

**Wards Affected:**

All



**For further information please contact the author of the report**

**Background Papers:**

**Annexes:**

**Annex A – Draft Petition Scheme**

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## City of York Council – Petitions Scheme

City of York Council is committed to involving local people in its decision making. It has been operating for some years a public participation scheme enabling members of the public to attend meetings and speak on an issue. Now, the Council is introducing a Petitions Scheme, providing another way in which a particular issue can be brought to attention of Councillors. One way to do this is through the Council's Petitions Scheme.

Through the Petitions Scheme, the Council is making a commitment to:

- Enable anyone who lives, work or studies in the local authority area to organise and submit a petition
- Keep petitioners informed throughout the petition process via the Council's online Petitions facility
- Respond to the concerns raised within a petition
- Organise a public debate at Full Council for those petitions containing more than 1,000 signatures
- Review its handling of a petition where a lead petitioner believes it has not been dealt with in accordance with the scheme

To support the scheme, the Council has:

- Introduced a simple registration process
- Set a low threshold on the number of petitioners to enable as many valid local opinions to be heard as possible
- Provided an ePetitions facility to enable those who want to, to create their petition on line and allow others to sign it electronically

### Understanding the Scheme

Through a few simple questions which follow, you will find out:

- How to submit a petition
- How to sign an ePetition
- What happens when the Council receives your petition
- Ways in which the Council may respond to your petition
- How to get involved when your petition is being considered
- What to do if you are not happy with that response

## What are the guidelines for submitting a petition?

Petitions can be submitted in hard copy as is currently common practice, or submitted online via the council's new [ePetitions](#) facility.

All petitions submitted to the Council must:

- Include a clear and concise statement covering the subject of the petition
- State what action the petitioners wish the council to take
- Be accompanied by contact details (including an address), for the petition organiser - this is the person we will contact to explain how we will respond to the petition. If a petition does not identify a petition organiser, we will contact the first signatory on the petition to request they act as the petition organiser
- Include the name, address (inc postcode) and signature of each person supporting the petition

If the petition applies to a planning or licensing application, is a statutory petition e.g. requesting a referendum on having an elected mayor, or on a matter where there is already an existing right of appeal, such as council tax banding and non-domestic rates, other procedures apply. If this is the case, we will write to the Lead Petitioner and provide information on the relevant procedure.

In addition, petitions which are considered to be vexatious<sup>1</sup>, abusive or otherwise inappropriate by the council's Monitoring Officer will not be accepted. If a petition does not follow the guidelines set out above, the council may decide not to do anything further with it. In that case, we will write to the petition organiser to explain the reasons.

### Paper Petitions

The Council has provided a [template](#) for paper petitions to make it easy for you. Once completed, you can hand to your local Ward Councillor, formally present it at a meeting of Full Council, or send it to:

Scrutiny Services  
City of York Council  
Guildhall  
York  
YO1 9QN

### ePetitions

E-petitions must follow the same guidelines as paper petitions - see guidelines above. The petition organiser will need to provide us with their name, postal address including postcode and email address. They will also need to decide how long their petition will be open for signatures. Most petitions run for six months, but it can be a shorter or longer timeframe, up to a maximum of 12 months.

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<sup>1</sup> Definition of 'Vexatious' - persistent and/or not reasonable i.e. where the request is likely to cause distress, disruption or irritation without any proper or justified cause

When an ePetition is created, it may take up to five working days before it is published online. This is because we have to check that the content of the petition meets the guidelines before it is made available for signature.

If we feel we cannot publish your petition for any reason, we will contact you within this time to explain. Where possible, we will offer you assistance to change and resubmit your petition. If you do not do this within 14 days, a summary of the petition and the reason why it has not been accepted will be published under the 'rejected petitions' section of the Council's ePetitions facility.

## How do I 'sign' an e-petition?

You can see all the e-petitions currently available for signature on the Council's website at [insert link](#).

To sign an e-petition you will be asked to provide your name, address and postcode (as with a paper petition), plus a valid email address. Once submitted we will send an email to the email address you have provided. This email will include a link which you must click on in order to confirm the email address is valid. Once this step is complete your 'signature' will be added to the petition.

Anyone viewing an e-petition will only be able to see the names of those who have signed - **no** contact details will be visible.

## What will the council do when it receives my petition?

In the case of a paper petition, we will:

- send an acknowledgement to the petition organiser within 14 days of receipt
- contact you to offer you assistance to change and resubmit your petition, if we feel we cannot publish your petition for any reason
- upload and publish it online so that it is visible within the petitions facility on the Council's website, except in cases where this would not be appropriate such as those relating to matters which are part of ongoing legal proceedings or which target individual members of a community

For an ePetition, we will:

- send an acknowledgement to the petition organiser within 14 days of the petition being closed to signatories

Each acknowledgement will include information on:

- when the petition organiser can expect to hear from us again
- what we plan to do with the petition – see section below on 'How will the council respond to petitions?'

## How will the council respond to my petitions?

To ensure that people know what we are doing in response to the petitions we receive the details of all the petitions submitted to us will be published on our website. Where possible we will also publish all correspondence relating to a petition online within the Councils Petitions Facility (all personal details will be removed).

Our response to a petition will depend on what a petition asks for and how many people have signed it, but may include one or more of the following:

- taking the action requested in the petition
- considering the petition at a council meeting
- holding an inquiry into the matter
- undertaking research into the matter
- holding a public meeting
- holding a consultation event
- holding a meeting with petitioners
- calling a referendum
- writing to the petition organiser setting out our views about the request in the petition
- referring the petition for consideration by the council's committee or body

We will also refer a petition to the council's relevant [partner organisation](#), if your petition is about something over which the council has no direct control e.g. the local railway or hospital, and where appropriate, may work with these partners to respond to your petition.

#### Securing a Full Council debates

If a petition contains more than 1000 signatures it will be debated by the full council, unless it is a petition asking for a senior council officer to give evidence at a public meeting. This means that the issue raised in the petition will be discussed at a meeting which all Councillors can attend. The petition organiser will be given three minutes to present the petition at the meeting and the petition, together with a report containing all the relevant information from council officers, will be discussed by Councillors for a maximum of 15 minutes.

The council will decide how to respond to the petition at this meeting. They may decide:

- to take the action the petition requests;
- not to take the action requested for reasons put forward in the debate or;
- to commission further investigation into the matter, for example by the relevant overview & scrutiny committee.
- Forward the petition to a meeting of the Executive for a decision

The petition organiser will receive written confirmation of this decision. The decision will also be published on our website within the minutes of the meeting.

#### Requesting Officer evidence

Your petition may ask for a senior council officer to give evidence at a public meeting about something for which the officer is responsible as part of their job. For example, your petition may ask a senior council officer to explain progress on an issue, or to explain the advice given to elected members to enable them to make a particular decision.



If your petition contains at least 750 signatures, the relevant senior officer will give evidence at a public meeting of the relevant committee. The following senior staff can be called to give evidence:

Kersten England – Chief Executive

Ian Floyd – Director of Customer & Business Support Services

Peter Dwyer – Director of Adults, Children & Education

Bill Woolley – Director of City Strategy

Sally Burns – Director of Communities & Neighbourhoods

For a list of the council functions that each Director is responsible for see [CYC Structure Chart](#).

You should be aware that the committee may decide that it would be more appropriate for another officer to give evidence instead of the officer named in the petition – for instance if the named officer has changed jobs.

## Getting Involved When Your Petition Is Considered

A petitioner may choose to attend the meeting to listen to the debate or register to speak via the Council's [Public Participation Scheme](#). In addition to this scheme, the petition organiser may submit specific questions in writing up to three working days before the meeting to the Council's Democratic Services team. Those questions will be tabled at the meeting, and the Committee / Executive Member will endeavour to ensure the questions are answered.

Finally, every petition organiser will receive written notification of the outcome of their petition. This will also be published online within the Council's petitions facility to ensure the full history of a petition is recorded.

### What can I do if I feel my petition has not been dealt with properly?

As a petition organiser, if you feel that we have not dealt with your petition properly, you have the right to request that the council's Scrutiny Management Committee review the steps that the council has taken in response to your petition. The committee will consider your request within 30 days of receiving it.

Should the committee determine we have not dealt with your petition adequately, it may use any of its powers to deal with the matter. These powers include

- instigating an investigation
- making recommendations to the council executive
- arranging for the matter to be considered at a meeting of the full council.

Once the review has been considered the petition organiser will be informed of the results within 5 working days. The results of the review will also be published on our website.

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## **Audit & Governance Committee**

**28 July 2010**

Report of the Head of Civic, Democratic & Legal Services

### **Proposed Constitutional Change to Article 5**

#### **Summary**

1. This report presents to the Committee a proposed constitutional change to Article 5 which relates to the Lord Mayoralty.

#### **Background**

2. In 2009/10, the Council set up the Mansion House & Mayoralty Advisory Group to look at the continuing development and maintenance of the Mansion House and raising the profile of the Mayoralty.
3. This Advisory Group has now met three times and continues its work in line with its terms of reference. One starting point for the Group in terms of raising civic profile was the current constitutional position on the of the Lord Mayor.
4. Article 5 in the Councils Constitution sets out the current constitutional role for the Lord Mayor and is attached at Annex A, for information. At its meeting in April 2010, the Advisory Group reviewed the current constitutional role and recommended some changes to the Executive, as its 'parent' body.
5. On 6 July 2010, the Executive considered the views of the Mansion House & Mayoralty Advisory Group and endorsed their proposed changes to Article 5.

#### **Consultation**

5. The Advisory Group has co-opted external organisations onto its membership to enable it seek the fullest possible range of views at this stage regarding the issues it is looking at. The Group comprises a number of former Councillors who have been Lord Mayors and/or Sheriffs, as well as existing Councillors who have assumed those roles. Since its work is primarily about how the Lord Mayoralty in York is focused, the Group did not wish to specifically consult elsewhere on proposed changes to the constitutional role of the Lord Mayor etc in York.

#### **Options**

6. Audit & Governance Committee can support, reject or propose amendments to the proposed changes to Article 5, recommended by the Advisory Group and set out in Annex B to this report. The Committee should then make an appropriate recommendation to Council.

## **Analysis**

7. The Advisory Group looked in some detail at changing the existing Article 5 in the Constitution to bring it more up to date with the manner in which Lord Mayors in York presently operate and to reflect an increased profile for future Lord Mayors and Civic Parties. The Group also wished to include a formal role for the Deputy Lord Mayor, as well as the Sherrif.
8. Annex B sets out the proposed revised Article 5 for comment by this Committee and referral to full Council for final consideration/approval.

## **Corporate Priorities**

9. The Lord Mayor and Civic Party have instrumental roles to play in promoting the ambitions of the Councils Corporate Strategy, as ambassadors for the City and the Council.
10. Specifically, the Lord Mayor offers support to cultural life in the city, to promoting inclusivity and to supporting a thriving business economy, acting as an ambassador in supporting new business economic opportunities.

## **Implications**

11. There are no known Legal, HR and financial implications associated with the recommendation within this report, other than the existing costs associated with supporting civic engagements which arise from the Lord Mayors constitutional role. Such costs are met from within existing civic hospitality budgets.

## **Risk Management**

10. There are no known risks associated with the recommendation in this report. Ultimately, if Council does not agree any changes to the current Article 5 in the Constitution, the Lord Mayor and Civic Party will continue to operate in compliance with that Article.

## **Recommendations**

11. That Audit & Governance Committee:
  - (i) endorse the proposed changes to Article 5 in the Constitution as recommended by both the Mansion House & Mayoralty Advisory Group and the Executive; and
  - (ii) recommend to full Council that the current Article 5 in the Constitution be replaced with the revised Article 5 set out at Annex B to this report.

Reason: To comply with constitutional requirements and clarify the current constitutional roles of the Lord Mayor and Civic Party.

**Contact Details**

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**Chief Officer Responsible for the report:**

Andrew Docherty  
Head of Civic, Democratic & Legal Services

**Report Approved**



**Date**

12 July 2010

**Specialist Implications Officer(s) - None**

**Wards Affected:**

**All**



For further information please contact the author of the report

**Background Papers:** None

**Annexes:**

**Annex A** – Current Article 5

**Annex B** – Proposed Revised Article 5

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## Annex A

### Article 5 of the Constitution

#### The Lord Mayor of York, The Sheriff of York and Chairing The Council

##### Role and function of the Lord Mayor

- 1 The Lord Mayor will be elected by the Council at its annual meeting. The Lord Mayor (and, in his/her absence, the Deputy Lord Mayor) will have the following responsibilities:

##### **Ceremonial Role**

- i. to maintain the historical and ceremonial traditions of the office of Lord Mayor;
- ii. to promote the City locally, nationally and internationally;
- iii. to participate in, and help initiate, activities that enhance the economic, social, cultural and environmental well-being of the City and its residents;
- iv. to act as patron/president to local organisations;
- v. to act as the host to official visitors to the City;
- vi. to attend annual civic events and local community activities;
- vii. to represent the City at ceremonial events;
- viii. to act as the City's representative on other occasions as determined by Council;
- ix. to act as guardian to the Mansion House; and
- x. to carry out all duties in a manner appropriate to the status and traditions of the office.

##### **Chairing the Council Meeting**

- i. to uphold and promote the purposes of the Constitution, and to interpret the Constitution when necessary;
- ii. to preside over meetings of the Council so that its business can be carried out efficiently and with regard to the rights of Councillors and the interests of the community;
- iii. to ensure that the Council meeting is a forum for the debate of matters of concern to the local community and a place at which Members who are not on the Executive are able to hold the Executive to account; and
- iv. to promote public involvement in the Council's activities.

## Role and function of the Sheriff of York

- 2 The Sheriff of York will be elected by the Council at its annual meeting. The Sheriff of York will have the following responsibilities:

### **Role and Responsibilities**

- i. to support the Lord Mayor in his/her duties and activities;
- ii. to undertake ceremonial activities as required;
- iii. to act as patron/president to local organisations;
- iv. to maintain the historical and ceremonial traditions of Sheriff;
- v. to carry out other duties as deemed appropriate by the Council, consistent with the traditions of the office; and
- vi. to carry out all duties in a manner appropriate to the traditions and status of the office.



## Proposed Revisions to Article 5 of the Constitution

### The Lord Mayor of York, The Sheriff of York and Chairing the Council

#### Role and function of the Lord Mayor

- 1 The Lord Mayor will be elected by the Council at its Annual Meeting, from amongst serving Councillors. The Lord Mayor must have 5 years service as an elected Councillor. Upon election, the Lord Mayor will have the following responsibilities:

To **act as an ambassador** for the City locally, nationally and internationally, as its elected First Citizen, by;

- i. upholding the historical and ceremonial traditions of the Office of Lord Mayor;
- ii. attending and supporting civic events and community activities which demonstrate the first citizens commitment to the Council's Corporate Strategy;
- iii. actively promoting and supporting local business and economic activity in the City
- iv. actively promoting and supporting local tourism
- v. carry out any duties in support of the specific objectives set for the Year of Office;
- vi. becoming patron/president to local organisations;
- vii. being the ceremonial host to official visitors and dignitaries to the City;
- viii. representing the City at ceremonial events;
- ix. respecting the privilege of residency in the Mansion House and access to the civic collection, whilst holding office ;
- x. actively promoting and supporting the Mansion House as a cultural, business and community venue for the City
- xi. representing the City on other occasions as determined by Council;
- xii. chairing and presiding over meetings of Full Council, upholding, promoting and interpreting the Constitution as necessary, in accordance with the Standing Orders for Council meetings.
- xii. carrying out all duties in a manner appropriate to the status and traditions of the Office.

## 2. Role and function of the Sheriff of York

The Sheriff of York will be elected by the Council at its Annual Meeting. The Sheriff of York will have the following responsibilities, **acting as an ambassador** for the City locally, nationally and internationally, supporting its elected First Citizen, the Lord Mayor;

- i. to support the Lord Mayor in his/her duties and activities;
- ii. to undertake ceremonial activities as required;
- iii. to act as patron/president to local organisations;
- iv. to maintain the historical and ceremonial traditions of Sheriff;
- v. to carry out other duties as deemed appropriate by the Council, consistent with the traditions of the office; and
- vi. to carry out all duties in a manner appropriate to the traditions and status of the office.

## 3. Role and function of the Deputy Lord Mayor

The Deputy Lord Mayor will normally be elected by the Council at its Annual Meeting . The Deputy Lord Mayor is the outgoing Lord Mayor and fulfils the following duties, as required by the absence of the Lord Mayor or Sheriff, on occasion:

- i. to support the Lord Mayor in attending civic functions when the Lord Mayor or Sheriff are unable to attend;
- ii. to chair full council meetings in the absence of the Lord Mayor
- iii. to chair the pre-council seminar;
- iv. to carry out all duties in a manner appropriate to the traditions and status of the office.

**More detailed examples of day to day operational duties of the Lord Mayor and Civic Party, based on these constitutional roles, are set out in the 'Civic Guide', copies of which are received by the Civic Party every year.**



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**Audit & Governance Committee****28 July 2010**

Report of the Assistant Director CBSS (Customer Service &amp; Governance)

**Key Corporate Risk Monitor One 2010/11****Summary**

1. The purpose of this paper is to present to Audit & Governance Committee (A&G) the current position of the risks associated with the Key Corporate Risks (KCRs) as at the end of June 2010.

**Background**

2. The KCRs are reported to both Audit & Governance Committee (A&G) and CMT on a quarterly basis as part of the council's overall governance arrangements. The KCRs are regularly reviewed at Corporate Leadership Group (approximately every two years) and on an ongoing basis as part of the quarterly monitoring sessions at A&G and CMT.
3. CMT as part of this process have identified the requirement to add a new KCR in respect of the current Government spending policy and this has been included at Annex B along with comments on the current key risk position at paragraph 5. The inclusion of this new risk allows for the removal of KCR 0012 (Effects of the Economic Downturn). A further new risk has also been highlighted in relation to corporate performance and this is set out in more detail at paragraph 7.

**Monitor One**

4. Annex A provides a new summary sheet, which highlights the changes in the risks reported under each of the KCR focus areas since the last monitor. The position of the KCRs as at the end of June 2010 are set out at Annex B and confidential Annex C of this report. The monitor is complete in terms of accurately reflecting the information recorded in the council's risk register (Magique) however, there is an on-going requirement for risk owners to ensure their risks are accurate, complete and up-to-date.
5. Whilst A&G can review the monitor (Annex B & C) in its entirety the 5 Critical risks and an update on the administrative accommodation

planning risk are set out below with the risk owners up to date views on the situation:

### **KCR 0003 Waste Management Strategy Partnership**

#### Termination of the project

*"The City of York Council and North Yorkshire County Council will be presenting a report to Members in September / October which will provide Members with the opportunity to award a contract to build a facility that can deal with the authorities waste over the next 25 years. At this point it will be possible to review the status of this particular risk."*

### **KCR 0016 Capital Programme**

#### Failure to deliver York Sports Village

*"The York Sports Village project has now been approved by the both the University and the Council's Executive. It is intended that the project starts on site in early 2011. This is subject to full Council agreeing the allocation of an additional £1m of capital to the project in order to complete the necessary funding package. Principal risks remaining will then be associated with i) obtaining planning approval, and ii) meeting the external funding body's criteria in order that the £1m of external funding allocated to the project in principle can be released."*

#### Failure to obtain funding for Access York Phase 1

*'The delivery risk for the Access York Phase 1 project has been elevated to critical because of the suspension of the government's transport major scheme procedure. The other key risks such as planning consent and land purchase have all been resolved satisfactorily but the availability of the principal funding source, confirmed by the previous administration in March, is now more uncertain. Approximately 90% of the funding (£22.9m) was expected to be provided by the Department for Transport. Their budgets are expected to be reduced and the distribution of the remaining funding focussed onto coalition priorities. It is not expected that the situation will become clearer until after the Comprehensive Spending Review in October and the publication of the new major scheme guidance which may be even later in the year. As the Park & Ride project is relatively low cost, excellent value for money with low deliverability risk and good sustainability credentials it is anticipated that the scheme will still be a priority when the government's review is complete. Alternative funding sources for the project are being investigated but are unlikely to be available at the low match funding levels needed.'*

Administrative Accommodation Planning risk

*"Although the council planning committee has approved the YILLP planning application, it has done so with conditions, and an objection by the Victoria Society, (a statutory consultee) has resulted in the referral of the listed building consent to the Secretary of State. Consequently the risk has reduced, (we know what conditions have to be addressed and how to address them, and the belief is that approval will be confirmed by the Secretary of State). Therefore the overall net risk score has been reduced to 17. (i.e the chance is now remote but the consequence would still be serious)."*

**KCR 0019 Safeguarding**

Safeguarding

*"In common with every other local authority this risk remains a constant. The controls in place are regularly reviewed and updated in line with emerging national guidance. Measures to review and strengthen the controls in place to manage this risk in the next quarter include, participation in an IDEA Peer Review of our Local Safeguarding arrangements, implementation of our local action plan following the recent unannounced inspection of our contact, referral and assessment service, implementation of a new supervision policy for all children's social care workers involved in child protection activity and improved case file auditing arrangements"*

**KCR 0022 Government Spending Policy**

Financial Pressures

*"Reductions of approximately 25% in government department budgets are expected over the next 4 years. The Council needs a structured and strategic approach to deliver savings through the More for York programme to ensure that any change to service provision is aligned to the Council's key priorities"*

6. The other key changes to note since the last monitor include:
  - i. KCR 0003 - one new risk has been added 'termination of the project' as set out at paragraph 5 above.
  - ii. KCR 0008 - removal of CAA and UoR following the election of a new government and the announcement on 27 May from the Audit Commission that all work in this area was to stop with immediate effect.
  - iii. KCR 0020 - the risks around the new KCR on climate change are currently being worked on and should be available at monitor 2.
  - iv. KCR 0010 – The Emergency Planning critical risk in relation to responding to multiple incidents has been reviewed and

removed following the approval on 19 May 2010 of a new corporate business continuity plan and strategy.

7. A new KCR has been suggested, by the Office of the Chief Executive, in relation to the Corporate Performance Management Framework. This would replace the CAA and UoR risk (KCR 0008) and the description provided is 'The council has a duty to provide value for money services to meet the needs of the citizens in York and to be accountable to local people where this is not achieved. Failure to effectively manage the council's performance could impact adversely on the council's reputation both at a local and national level. As such the council's corporate performance management framework must be robust and provide a level of assurance, which enables both officers and Elected Members to make informed decisions in relation to service delivery'.
8. More detailed information can be provided by the appropriate risk owner from the relevant directorate, if it is required, in relation to any of the above risks or any others contained within the monitor.

### **Climate Change**

9. At A&G on 26 April 2010 members recommended to Executive the approval of the Climate Change KCR and requested a more detailed report at this session of A&G. A paper looking at the initial findings from the York Local Climate Impact Profile Study is attached at Annex D.

### **Fairness & Inclusion**

- 10 The councils definition of 'fairness and inclusion is about treating people according to their needs to achieve fair results across the full range of services and employment opportunities offered by the council, its partners, outside organisations that work for it, and organisations that the council gives grants to'. To achieve this the council has launched a three year strategy (July 2009 – July 2012). A&G are asked to consider a more detailed report from the officers concerned at the next A&G meeting in November to provide assurance that the risk of failing to deliver this policy is been properly managed.

### **Directorate High & Critical Risks**

11. In terms of high and critical directorate risks there are none requiring escalation to CMT for this monitor.

### **Options**

12. Not applicable.

## Corporate Strategy

13. The effective consideration and management of risk within all of the council's business processes will contribute to achieving an 'Effective Organisation' and aid the successful delivery of each theme within the Corporate Strategy.

## Implications

- (a) **Financial** - There are no implications
- (b) **Human Resources (HR)** - There are no implications
- (c) **Equalities** - There are no implications
- (d) **Legal** - There are no implications
- (e) **Crime and Disorder** - There are no implications
- (f) **Information Technology (IT)** - There are no implications
- (g) **Property** - There are no implications

## Risk Management

14. In compliance with the council's Risk Management strategy, there are no risks directly associated with the recommendations of this report. The activity resulting from this report will contribute to improving the council's internal control environment.

## Recommendations

15. Audit and Governance committee are asked to :
- a. consider, comment and agree on the risks set out at Annex B, confidential Annex C and paragraph 5 of this report;  
  
Reason  
*To provide assurance that risks to the council are continuously reviewed and updated.*
  - b. recommend that the Economic Downturn (KCR 0012) is replaced with the Government spending policy (KCR 0022) and a new Corporate Performance risk (paragraph 3 & 7) is added to the KCR's and sent for onward approval by the Executive;  
  
Reason  
*To provide assurance that key risks are being regularly reviewed and updated to reflect the constantly changing environment in which the council operates.*

- c. approve a more detailed risk report in respect of Fairness and Inclusion is brought to A&G in September 2010 (paragraph 10).

Reason

*To provide assurance that key corporate strategy is being delivered and embedded across the organisation .*



**Contact Details**

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**Chief Officer Responsible for the report:**

Pauline Stuchfield  
Assistant Director of Customer Service &  
Governance

**Report Approved**

**Date** 16.7.10

**Specialist Implications Officer(s)** Not applicable

**Wards Affected** Not applicable

**All**

**For further information please contact the author of the report**

**Background Papers**

Key Corporate Risk Monitor Four 2009/10.

**Annexes**

Annex A – KCR summary page

Annex B – Key Corporate Risk Monitor

Annex C – Key Corporate Risk Monitor (confidential risks)

Annex D – Climate Change Paper

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	New (first time reported)	Increased	Stayed the same	Decreased	Removed (no longer reported)	Total
KCR 0003 Waste PFI	★ 1	↑ 0	= 3	↓ 1	× 0	5
KCR 0008 CAA & UoR	★ 0	↑ 0	= 0	↓ 0	× 4	0
KCR 0010 Emergency Planning & BC	★ 1	↑ 0	= 1	↓ 0	× 1	2
KCR 0012 Economic Downturn	★ 0	↑ 0	= 0	↓ 0	× 2	0
KCR 0014 Equal Pay	★ 0	↑ 0	= 1	↓ 0	× 1	1
KCR 0015 Fairness & Inclusion	★ 4	↑ 0	= 0	↓ 0	× 2	4
KCR 0016 Capital Programme	★ 3	↑ 1	= 2	↓ 1	× 1	7
KCR 0017 More for York	★ 0	↑ 0	= 5	↓ 1	× 1	6
KCR 0018 Ageing Population	★ 0	↑ 0	= 1	↓ 1	× 0	2
KCR 0019 Safeguarding	★ 0	↑ 0	= 3	↓ 0	× 0	3
KCR 0020 Climate Change	★ N/a	↑ N/a	= N/a	↓ N/a	× N/a	N/a
KCR 0020 Performance Framework	★ N/a	↑ N/a	= N/a	↓ N/a	× N/a	N/a
KCR 0022 Financial Pressures	★ 6	↑ 0	= 0	↓ 0	× 0	6

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**KCR 0003 Waste management strategy partnership**

Corporate Lead Bill Woolley

*Financial penalties of failing to manage satisfactory partnership solution to waste agenda. Partnership solution with NYCC introduces risks to the programme from CYC perspective (control, breakdown of effective working, governance etc). Project risks of the partnership have been identified and are being managed by NYCC as the lead body*

**City Strategy****Waste Management Strategy Partnership****Project terminated**

Risk Owner: Bill Woolley

**Critical****22**

Cause *The project could be deemed unacceptable by Council Executives.*

Consequence *This would leave the Council exposed to increasing landfill costs, including landfill tax and trading scheme penalties. If only one council rejects the other may be liable for procurement costs.*

**Controls**

Communication Strategy

**Owner**

Bill Woolley

**Actions**

Communications prepared to state case for solution – explain that doing nothing is not an option

**Target Date**

30/06/2010

**Revised Date**

30/09/2010

**Project delays**

Risk Owner: Bill Woolley

**High****20**

Cause *Failure to communicate to stakeholders regarding the benefits and requirement for a treatment site.  
Failure to secure and/or demonstrate adequate consultation.  
Stakeholder issues arise to do with planning and design, due to negative perception of treatment plants and technologies.*

Consequence *This could result in judicial review, objections of planning permission, protests, public enquiry and significant delays to the project and increase costs.*

**Controls**

Communication Strategy

Public Consultation

Communication Plan

Work with bidders and NYCC planners

Project programme includes time for planning debate

Work to ensure the site is deliverable

Early feasibility study to be carried out to identify possible areas of concern

**Owner**

Bill Woolley

Bill Woolley

Bill Woolley

Bill Woolley

Bill Woolley

Bill Woolley

Bill Woolley

**Actions**

Work with planning department

**Target Date**

31/08/2010

**Revised Date**

31/12/2010

Consultation to be completed as statutory consultation on planning

31/08/2010

31/12/2010

**Failure to secure planning consent**

Risk Owner: Bill Woolley

High

19

Cause Failure to secure planning consent on any of the selected sites. If there is not enough preparation to ensure the site is the most appropriate and all the required testing has been complete. Environmental Impact assessments etc.

Consequence This could result in non-delivery of project.

**Controls**

- Identification of suitable alternative sites
- Environment Impact Assessment
- Participants working closely with planning department re design and site plan
- Council engagement with statutory consultees
- Engagement with Government Office
- Requirement of bidders to demonstrate how they plan to ensure planning success
- Post preferred bidder to work closely with participant through planning - commu

**Owner**

- Bill Woolley
- Bill Woolley
- Bill Woolley
- Bill Woolley
- Bill Woolley
- Bill Woolley
- Bill Woolley

**Actions**

Support provided to NYCC in terms of peer review of planning process

**Target Date**

31/12/2010

**Revised Date**

**Solution is unaffordable**

Risk Owner: Bill Woolley

High

19

Cause The Government have imposed penalties designed to reduce the amount of BMW going to landfill and these penalties are prohibitive and the Council cannot achieve the reduction in BMW to landfill without a disposal facility. Inability to obtain agreement with Treasury/DEFRA resulting in failure to get Final Business Case approval.

Consequence The cost of this facility highly significant but lower than the penalties. The Government has contributed £65m through PFI credits towards these costs, however, the likely net impact is still highly significant to the Council. Should the Council fail to set the monies aside to deal with it. The potential loss of PFI credits means additional cost to the council.

**Controls**

- Highlighted as a budget requirement as part of the MTFs.
- The Council has signed up to closing the affordability gap

**Owner**

- Bill Woolley
- Bill Woolley

**Potential challenge of the procurement process**

Risk Owner: Bill Woolley

Medium

13

Cause If the losing bidder deems the evaluation has been inappropriate

Consequence The Council could be sued and incur costs and therefore may not be able to award the contract.

**Controls**

- Auditable trails of documentation

**Owner**

- Bill Woolley

## KCR 0010 Emergency Planning & Business Continuity

Corporate Lead Bill Woolley

*Business Continuity: The Council has a statutory duty to have plans in place to ensure the delivery of its critical services continues throughout any disruption to itself or the community. Emergency Planning: The Council, as a Category 1 responder to critical incidents, has a duty to maintain both generic and specific plans to respond to the major risks facing its community.*

### City Strategy

#### Inability to respond to and assist in the recovery of city of York after a major incident

Risk Owner: Richard Wood

High

18

Cause Under the Civil Contingencies Act, as a local authority, it is the role of City of York Council to support the emergency services in the case of a major emergency and to provide aid and assistance and advice to the general public.

Consequence Emergency services may not be completely supported which could hinder the promptness of their response, the speed of recovery of the city, and vulnerable people within the city may be put at risk.

#### Controls

Emergency Plans for the city  
Emergency manuals  
Exercising of the plans  
Officers on-call  
Plans and manuals updated quarterly (particularly contacts)  
CYC Emergency Handbook

#### Owner

Richard Wood  
Richard Wood  
Richard Wood  
Richard Wood  
Richard Wood  
John Wray

#### Inability to continue to deliver services following a business disruption event

Risk Owner: Richard Wood

High

16

Cause If group and directorate plans are not developed, adopted and embedded at both levels this could result in an inability to continue to deliver services following a business disruption event. the result could be further risk to customers and the community and resultant criticism.

Consequence Reputational and potentially litigation and breach of statutory duty leading to censure of Council.

#### Controls

BC working group  
Progress reports to CMT  
Timetable for driving forward BC in the Council

#### Owner

John Wray  
John Wray  
John Wray

**KCR 0015 Fairness & Inclusion**

Corporate Lead Sally Burns

*The refreshed corporate Fairness and Inclusion Strategy and Single Equality Scheme were approved by the Executive in December 2010. This updates the council's fairness and inclusion commitment and action. It also ensures that we meet current statutory duties arising from equality legislation and provides the framework for the development of fair and inclusive service delivery and employment practice in the council. As a result of the introduction of the Single Equality Act 2010, the strategy and scheme w*

**Communities & Neighbourhoods****Failure to deliver a fair, inclusive and customer-focused organisation will not be realised**

Risk Owner: Sally Burns

**High****20**

Cause *The action plan in the corporate Single Equality Scheme is not implemented because of lack of prioritisation, adequate resources and understanding of the issues.*

Consequence *Customers receive poor quality unfair, and possibly discriminatory, services and staff satisfaction declines due to poor quality employment practices. The council's reputation as a service deliverer and employer declines. We do not meet recognised standards of excellence in services and employment.*

**Actions****Target Date****Revised Date**

Implementation of directorate equality schemes and monitoring at Directorate Management Teams  
 Equalities Impact Assessments undertaken and resulting actions implemented  
 Staff & member training  
 Implementation of the corporate equality system and standards

31/03/2011  
 31/03/2011  
 31/03/2011  
 31/03/2011

**Vulnerable people cannot access our services and employment opportunities**

Risk Owner: Angela Wilkinson

**High****20**

Cause *Lack of understanding of the needs of vulnerable people and the barriers they face when they try to access our services.*

Consequence *Vulnerable customers are excluded from services we provide. We can face legal challenges.*

**Actions****Target Date****Revised Date**

Complete and implement Equalities Impact Assessments  
 Equalities Impact Assessments undertaken and resulting action plans incorporated into all Human Resources practices

31/03/2011  
 31/03/2011

**We do not provide fair and inclusive customer-focused services**

Risk Owner: Corporate Management Team

**High****20**

Cause *Lack of understanding of the needs of vulnerable customers resulting in lack of remedial action to meet their needs.*

Consequence *Vulnerable customers are excluded from services we provide. Our reputation as a quality service provider is reduced. We can face legal challenges.*

**Actions****Target Date****Revised Date**

Complete and implement Equalities Impact Assessments in all service areas

31/03/2011



**Vulnerable staff are bullied harassed and feel excluded**

Risk Owner: Corporate Management Team

High

20

Cause *Lack of understanding of the needs of vulnerable staff resulting in lack of remedial action to meet their needs.*

Consequence *Staff survey results are poor. Vulnerable staff's health is affected negatively or/and they leave. Our reputation as a good employer is reduced. We can face legal challenges.*

**Actions**

Implementation of Workforce Plan

**Target Date**

31/03/2011

**Revised Date**

## KCR 0016 Capital Programme

Corporate Lead Bill Woolley

*The Capital Programme delivers a number of capital schemes that directly contribute to the achievement of the Corporate Strategy. All capital schemes are included into the Capital Programme via the annual capital budget process which allocates resources to the projects that facilitate with service delivery and contribute toward the Corporate Strategy. Currently the Capital Programme contains 85 projects over a 5 year period with a budget of over £206m.*

### City Strategy

#### City Development and Transport

#### Transport Capital Programme

#### Failure to obtain funding for Access York Phase 1

Risk Owner: Tony Clarke

Critical

23

Cause If the DfT or CYC funding was not available

Consequence Project would not proceed

#### Controls

Regional Funding Allocation confirmed available.  
Follow DfT procedures to obtain main funding.  
Follow CYC CRAM procedures for local contribution.

#### Owner

Tony Clarke  
Tony Clarke  
Tony Clarke

#### Actions

Confirm CYC funding through CRAM process  
Progress scheme once new guidance and results of spending review published in Autumn 2010

#### Target Date

31/03/2009  
31/03/2011

#### Revised Date

31/03/2011

### Communities & Neighbourhoods

#### Failure to deliver York Sports Village by 2011

Risk Owner: Charlie Croft

Critical

21

Cause The University has not yet set a start date for the construction of the pool.

Consequence Delivery of the University Pool is dependent on York University obtaining planning permission & completing the process of applying for external funding.

#### Controls

Supporting the University in the development scheme  
Supporting the University in their approach for external funding

#### Owner

Charlie Croft  
Charlie Croft

#### Actions

Work with the University to develop the scheme.  
Support the University to complete their funding application.

#### Target Date

31/03/2011  
31/03/2011

#### Revised Date

### Adults, Children & Education

**Failure to deliver LCCS school modernisation strategy**

Risk Owner: Pete Dwyer

Medium

13

Cause *Late delivery or failure of significant capital projects include: New Manor School (creative and media extension to 2010), Joseph Rowntree (remaining demolition of old building), Rawcliffe and Clifton Primary schools and English Martyrs and Our Lady's primary school merger, and Knavesmire Children's Centre (nearing completion), Further projects subject to DCSF funding.*

Consequence *Late delivery of large scale capital projects may lead to reputational damage, financial loss and difficulties with school admissions and accommodating children.*

**Controls**

Extensive project management

Regular reporting to Members

**Owner**

Maggie Tansley

Kevin Hall

**City Strategy****Administration & Accommodation Review****Failure to achieve planning approval**

Risk Owner: Ian Asher

High

17

Cause *Developer solution fails to take into consideration the local planning conditions for the site they have selected. (massing, height, access, materials etc.)*

*Sufficient strength of feeling from third party objections.*

*Failure to achieve listed buildign consent.*

Consequence *Delays and consequent costs incurred (lease extensions, re-negotiations) on the project if permission is refused. Developer terminates agreement. Recommencement or abolition of the procurement process.*

**Controls**

Staged design development, meetings and approvals

Development of a realistic design brief

Planning policy

**Owner**

Maria Wood

Ian Asher

Ian Asher

### Failure of the organisation to implement the corporate transformational change agenda reflected in the new HQ design brief

Risk Owner: Maria Wood

Medium

14

Cause The organisation does not effectively coordinate and implement the transformational change agenda.

Consequence The Council will fail to achieve the operational efficiencies and improvements in customer service provision, anticipated in the business case. The project will deliver a new head quarters building that the organisation is unable to use to its maximum potential.

#### Controls

Integration with the More for York Programme

#### Owner

Maria Wood

#### Actions

Presentation to More for York Project Board

#### Target Date

02/07/2010

#### Revised Date

Ensure agendas and reports for M4Y project boards are available to the accommodation project.

27/08/2010

Preperation of toolkit

29/10/2010

## City Strategy

### Community Stadium

#### Capital Funding Gap

Risk Owner: Tim Atkins

High

19

Cause Partner contributions, potential for enabling development disposal values, land values and external funding contributions are variables that are not possible to clearly define at this stage in the project. The impact this has on the viability of the project is significant. The role of external funding agencies is also important. Due to the changing nature of the funds and their timescales, there is always a significant risk that criteria will change and funds levels reduce

Consequence There may not be the capital available to build the stadium development

#### Controls

External Funding Assessments

Assessment of the potential for enabling development

Flexible Cost Model and business case

#### Owner

Sarah Milton

Tim Atkins

Tim Atkins

## Timescales: Planning Application called in

Risk Owner: Tim Atkins

High

19

Cause The Planning Application is called in

Consequence Project is delayed by up to 16 months

#### Controls

Undertaking discussions with Government Office

#### Owner

Tim Atkins

**KCR 0017 More for York**

Corporate Lead Tracey Carter

*The efficiency programme contains a number of projects that, if delivered successfully, will produce millions of pounds of cashable efficiency savings which will support the council's budget, keep council taxes low, improve the quality of services and make them more efficient. The council has set aside an invest to save fund and is also going to work with private sector partner to drive through the change required to deliver these projects. Not delivering this programme of efficiencies will lead to further*

**Office of the Chief Executive****More for York****Programme - Lack of required in-house skills and knowledge**

Risk Owner: Stewart Halliday

**High****19**

Cause *The programme may not have the required in house skills and knowledge at the relevant time as a result of inadequate resource planning.*

Consequence *A lack of in-house skills and knowledge may result in possible reductions in benefits and/or effective implementation of changes.*

**Controls**

Ongoing review of resource management  
 Monthly workstream review meetings  
 Programme resources supplemented by external expertise where necessary

**Owner**

Stewart Halliday  
 Stewart Halliday and Phil Davids  
 Stewart Halliday

**Actions**

Review of training requirements for programme staff  
 Initiate internal training courses in lean methodology for CYC staff.  
 Development of an in-house business analysis essentials course.

**Target Date****Revised Date**

21/07/2010  
 01/09/2010  
 30/09/2010

**Programme - Non-achievement of identified savings**

Risk Owner: Ian Floyd

**High****19**

Cause *Risk that identified savings may not be achieved as a result of ineffective or inadequate programme management, benefits realisation and monitoring.*

Consequence *Not achieving target efficiencies could result in an adverse effect on operational budgets.*

**Controls**

Constant monitoring of workstream progress  
 Early capture of risks and issues  
 Escalation of issues to programme management  
 Budget realisation monitoring  
 Clear escalation route for savings issues  
 Clear savings sign-off process

**Owner**

Programme Office and Ross Brc  
 Chris May  
 Phil Davidson  
 Ross Brown  
 Ross Brown  
 Ross Brown

**Actions**

Regular review of at risk savings  
 Review of programme issue log  
 Updated savings profiles produced fortnightly  
 Review of work to identify further stretch savings

**Target Date****Revised Date**

16/07/2010  
 16/07/2010  
 23/07/2010  
 26/07/2010

**Programme - Cultural resistance to changes proposed by the programme**

Risk Owner: Stewart Halliday

High

19

Cause *The programme may encounter cultural resistance to change in business areas.*Consequence *This may impact the effectiveness of the programme - delaying changes and impacting the realisation of identified benefits.***Controls**

Programme of organisational culture change initiated throughout CYC  
 Yoreka - staff suggestion scheme  
 Engagement strategy incorporating leadership teams, members and staff

**Owner**

Charlotte Jennings  
 Charlotte Jennings  
 Charlotte Jennings

**Actions**

Introduction of a Staff Suggestion Scheme - initially introduced on paper  
 Yoreka - CMT sign-off on plan to broaden scheme to serve as a vehicle for all internal staff communications  
 Yoreka directorate champions to be appointed  
 Planning for staff events

**Target Date****Revised Date**

01/06/2010  
 30/07/2010  
 30/08/2010  
 30/09/2010

**HR - HR and Payroll System efficiency targets may not be achieved**

Risk Owner: Angela Wilkinson

High

18

Cause *Possible further delay to the HR and Payroll System implementation.*Consequence *This may make it difficult to achieve the efficiencies associated with improved payroll processing.***Controls**

Timely delivery of the Midland contract.  
 Ensure that the Midland contract allows for future efficiencies to be made.

**Owner**

Will Boardman  
 Will Boardman

**Actions**

Resolve outstanding contract clauses

**Target Date****Revised Date**

16/07/2010

**Neighbourhood Services - ineffective communication of Waste Round changes**

Risk Owner: Dave Atkinson / NS DMT

High

18

Cause *Risk that changes to waste rounds are not handled or communicated in an appropriate way due to inadequate communications planning and monitoring.*Consequence *Inappropriate handling and communication of changes could lead to a potential problem with staff and customers.***Controls**

Ensure sensitivity in the communication of the changes in rounds and terms and  
 Clear communications with customers  
 Weekly meetings with refuse crews

**Owner**

Dave Atkinson  
 Dave Atkinson  
 Waste Services Manager

**Actions**

Targeted communications campaign  
 Quality assurance user groups

**Target Date****Revised Date**

30/09/2010  
 30/09/2010

**Programme - Ineffective communications with staff**

Risk Owner: Stewart Halliday

Medium

14

Cause Failure to communicate effectively to staff impacted by the programme due to limited or ineffective communications plans, procedures and monitoring.

Consequence Ineffective communications may cause an adverse effect on staff morale and thereby reduce the programme's ability to achieve the identified savings and efficiency targets.

**Controls**

Workstream communication plans  
 Regular weekly or fortnightly staff updates  
 Programme Communications Group  
 Regular Comms updates to CMT  
 Ongoing union engagement at programme level  
 Ongoing close union involvement at Directorate level

**Owner**

Charlotte Jennings  
 More for York workstream leads  
 Charlotte Jennings  
 Charlotte Jennings  
 Stewart Halliday  
 More for York workstream leads

**Actions**

Workstream comms plans transferred to consistent template  
 Approval for new comms governance arrangements by CMT  
 Re-draft of the programme communications plan  
 Next communications update to CMT  
 More for York newsletter to be distributed to all staff

**Target Date****Revised Date**

09/07/2010  
 30/07/2010  
 06/08/2010  
 06/08/2010  
 31/08/2010

## KCR 0018 Impact of an Ageing Population

Corporate Lead Pete Dwyer

*This is a long term piece of work which has been initiated by a scoping report to CMT. The next stage is to set up agreed actions for 10/11 and beyond following a workshop with senior managers across the council and an appraisal of the key issues.*

### ACE - Adults

#### Increasing social care support costs

Risk Owner: Graham Terry

High

20

Cause *If we do not involve older people in the design and delivery of services such as health, social care, housing and other services and deliver the changes required to manage demand and create efficiencies/savings.*

Consequence *The rising demographic for social care support projections show that the costs could increase by £12m by 2020. This would happen if the council does not respond and change the way it delivers its services. We will lose the opportunity to have an inclusive design that supports older people's quality of life in the city.*

#### Actions

Enter into a more formal partnership with York Older People's Assembly

Target Date

Revised Date

31/10/2010

#### Inability to understand and respond to the demands of an Ageing Population

Risk Owner: Graham Terry

High

18

Cause *If the Ageing Population Review fails to be given the necessary priority corporately, including required resources for it to be carried out during 2010.*

Consequence *We may not understand the extent and scale of the changes required to be made to our services to meet the ageing populations changing demands. This could lead to reputational damage and affect our CAA rating, especially if older people become disengaged with the council and broader social issues.*

#### Controls

Prioritisation of work following CLG and support from the Chief Executive

Owner

Graham Terry

#### Actions

Consultation with stakeholders to formulate corporate action plan

Target Date

Revised Date

31/10/2010



## KCR 0019 Safeguarding

Corporate Lead    Pete Dwyer

*Ensuring that our children and young people in the city are safe and protected has to be a key priority for any authority. This involves not simply ensuring effective interventions into family life but the creation of protective arenas of safety which for example include safe recruitment practice. The individual, organisational and reputational implications of ineffective safeguarding practice are acute*

### Adults, Children & Education

#### Serious injury or death occurs where there is or should have been some safeguarding involvement

Risk Owner: Eoin Rush

Critical

22

Cause Evidence that multi agency procedures were not properly implemented

Consequence Serious case review which would put into the public domain the short comings of any services that were involved

#### Controls

Monitoring of referral arrangements

Safeguarding Children Board Professional Practice Monitoring Group establish

Review of local Authority referral assessment arrangements

Implementation of comprehensive safeguarding children training programme

Routine Case File Auditing

#### Owner

Eoin Rush

Eoin Rush

Eoin Rush

Eoin Rush

Eoin Rush

#### Inability to retain and support experienced safeguarding practitioners in front line social care teams

Risk Owner: Eoin Rush

High

18

Cause This can result because the job is becoming less attractive.

Consequence This can result in inexperienced/agency staff being used who don't have the same level of experience or expertise, or level of commitment.

#### Controls

Substantial workforce development programme

Comprehensive Service Structure review to ensure resilience and flexibility of w

#### Owner

Eoin Rush

Eoin Rush

#### Schools and other childcare settings do not provide arenas of safety

Risk Owner: Eoin Rush

High

18

Cause If the Safeguarding Board does not provide adequate and sufficient support and advice to these institutions.

Consequence Children and young people may be put at risk and are not identified and brought to the attention of social care teams.

#### Controls

Advice and support provided by the Safeguarding Children Board

Dedicated post to provide support and advice about safeguarding issues

#### Owner

Eoin Rush

Eoin Rush

## KCR 0022 Financial Pressures

Corporate Lead Ian Floyd

*Reductions of approximately 25% in government department budgets are expected over the next 4 years. The Council needs a structured and strategic approach to deliver savings through the more for york programme to ensure that any change to service provision is aligned to the Council's key priorities.*

### Customer & Business Support Services

#### Inability to achieve funding reduction savings for 2010/11

Risk Owner: Keith Best

High

19

Cause 2010/11 in year budget reductions totaling £3.16m announced in June may not be achievable at such short notice because some spend is already committed or budgets relate to statutory services

Consequence This could result in a 2010/11 overspend.

#### Controls

Identify budget reductions at the earliest opportunity

#### Owner

Keith Best

Regular monitoring of the financial position through in year monitoring

Keith Best

#### Requirement to reduce budgets by approximately 25% over the next 4 years

Risk Owner: Keith Best

High

19

Cause Reductions of approximately 25% in government department budgets are expected over the next 4 years

Consequence The council may have to reduce or stop service provision for non statutory services or increase eligibility criteria for statutory services

#### Controls

Long term financial planning to identify funding gaps

#### Owner

Keith Best

Identify savings required

Keith Best

Initiate targeted service reviews delivered through the More for York programme

Keith Best

Promote a challenge system amongst officers to identify savings or areas for re

Keith Best

#### Insufficient time to take action to reduce budgets in a strategic and targeted method

Risk Owner: Keith Best

High

19

Cause A funding reduction in excess of the current forecast could result in insufficient time to take action to reduce budgets in a strategic and targeted method

Consequence This could result in an additional untargeted blanket % cut across all services if not properly planned as well as service provision which is not aligned to corporate priorities

#### Controls

Long term financial planning to identify funding gaps

#### Owner

Keith Best

Identify potential savings in excess of current target

Keith Best

Medium term planning based on modeling and sensitivity analysis updated on a

Keith Best

**Savings identified beyond 2011/12 are not achieved**

Risk Owner: Keith Best

High

19

Cause Some service specific savings proposals may be politically sensitive and alternative savings may need to be identified or the savings are not achieved according to More for York programme timetable

Consequence This could result in an additional untargeted blanket % cut across all services if not properly planned as well as service provision which is not aligned to corporate priorities

**Controls**

Regular communication and consultation  
Regular monitoring of progress by More for York programme  
Identify potential savings in excess of current target

**Owner**

Keith Best  
Keith Best  
Keith Best

**Customer & Business Support Services****Corporate Finance****Increase in the value of employer's contribution to LGPS due to effects of economic downturn**

Risk Owner: Louise Dixon

Medium

13

Cause A fall in investment returns due to the volatility of the market due to the credit crunch. This could take effect from 1st April 2011.

Consequence At a rough estimate, a 1% increase in the contribution rate is upwards of £700k p.a. so there could be some substantial costs to meet at a time when government funding and council tax income are both under pressure. The Fund's actuary has estimated that an increase of 1-2% per annum may be required over the 3 year period from 2011/12, although the government may "relax" current valuation methodology to lessen the impact.

**Controls**

Increase in employer contributions built in to 2010-11 Medium Term Financial P

**Owner**

Louise Dixon

**City Strategy****City Development and Transport****Reduced levels of economic development due to less investment of national & regional transport infrastructure**

Risk Owner: Richard Wood

High

19

Cause The financial impact of the economic downturn will almost certainly result in a reduction in investment in regional and national air services, rail network and long distance buses.

Consequence This could mean that there is less investment available for supporting infrastructure affecting the future economic prosperity of the city.

**Controls**

Lobbying for sustainable levels of investment and funding  
Review policy setting  
Access York Phase 1 Dft Funding through RTB  
A19 Roundabout Extension, funding from RTB Top-up  
Cycling City Dft funding through Cycle England  
Access York Phase 2 DaST Connectivity Study with Leeds City Region  
LTP 3 Consultation

**Owner**

Richard Wood  
Richard Wood  
Richard Wood  
Richard Wood  
Richard Wood  
Richard Wood  
Richard Wood

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By virtue of paragraph(s) 4 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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## Audit & Governance Committee

28<sup>th</sup> July 2010

Report of the Director of City Strategy

### Tackling Climate Change – A corporate response

#### Summary

1. Tackling climate change and the risks associated to a changing climate change need to be embedded into the risk management processes of CYC. Tackling climate change will require reducing greenhouse gas emissions across York and will also mean preparing and adapting the city for the likely impacts associated to climate change.

#### Background

##### Citywide approaches to tackle climate change

2. In September 2007 the Executive of the City of York Council agreed a city wide Climate Change Strategy to be developed in partnership with the Without Walls Partnership (WoW). This was a direct response to adopting a city wide approach to climate change.
3. As outlined in the Executive report of 8th June 2010, a consultation draft of a Climate Change Framework 2010-2015 (CCF) and a Climate Change Action Plan 2010 – 2013 (CCAP) have been approved for public consultation. These documents commit York to reducing citywide carbon dioxide emissions by 40% by 2020 and 80% by 2050.
4. Under the current LAA, NI 186 (Per capita CO<sub>2</sub> emissions in the LA area) CYC and WoW have committed to reducing Per capita CO<sub>2</sub> emissions in York by 12% from 2009/10 – 2011/12. To date just under a 10% reduction has been achieved (\* Please note this data is collected nationally and issued to all local authorities annually. The data is 2 years out of date. For more details visit <http://www.decc.gov.uk/en/content/cms/statistics/indicators/ni186/ni186.aspx>)
5. Under the current LAA, NI 188 (adapting to climate change) CYC and WoW have achieved level one of four levels for progress towards adapting the city to a changing climate.
6. As highlighted in a CMT report 7<sup>th</sup> April 2010 (Climate Change Adaptation Study and NI 188 Update) we now are beginning to understand the likely vulnerability of York to a changing climate and the impacts and consequences that may affect the city and CYC in the future.

### **Internal CYC approaches**

7. In 2008, CYC committed to reducing its own carbon dioxide emissions from its estate and fleet by 25% by 2013. This is being delivered through a carbon management programme, led by the Sustainability team.
8. In conjunction with paragraph 3 above, the sustainability team have led the development of the city-wide climate change framework and action plan. A CYC version of this will be adapted as part of a new refreshed environmental sustainability strategy.
9. To date the sustainability team have also led the city's response to NI 188 and led the development of a local climate impact profile for York. This looks at past, current and future vulnerability of York in terms of weather and the predicted likely changes in climate as a result of climate change. A summary the likely impacts and consequences are detailed in Annex a.
10. climate change is not managed through the risk process for the city or CYC. Tackling climate change and the risks associated to a changing climate change need to be embedded into CYC processes in 2 distinct ways:
  - a. failure to reduce greenhouse gas emissions across York
  - b. failure to prepare and adapt the city for the likely impacts associated to climate change.
11. As highlighted in the climate change adaptation CMT report 7<sup>th</sup> April 2010, and as a direct result of the paper, CMT agreed for climate change adaptation to become a CYC corporate risk.
12. Annex a summaries some of the risks associated to climate change for CYC and York.
13. The risks in relation to reducing emissions are:
  - Reputation
  - Financial (link to carbon penalties for failing against the Carbon Reduction Commitment Energy Efficiency Scheme(CRCEE))
14. In summary, the risks in relation to Climate Change Adaptation are:
  - Service delivery / availability
  - Reputation
  - Financial
15. In assessing the risks associated to climate change, care will need to be taken when determining CYC's responsibilities and responsibilities of other partners such as the Without Walls Board.

### **Next steps CYC**

16. It is proposed that CYC directorates take responsibility for risks associated to the two strands of tackling climate change, and that plans and actions are embedded into departmental business plans,



as well as the corporate carbon management programme, and risk management processes. A pilot will be undertaken within City Strategy to understand how best to carry out such an assessment. This will primarily focus on climate change adaptation as the corporate carbon management programme will manage the reduction of CYC emissions. It is envisaged that risk assessments could be carried out by March 2011. (\*this is dependant on the limited capacity of the current Sustainability Team and Risk Management team)

**Citywide**

- 17. It is also proposed that the opportunities for joint working through the WoW needs to be explored and a formalised risk assessment undertaken, and especially in regards to climate change adaptation. The Climate change framework and action plan can then incorporate all actions that ensure delivery against any identified climate change risks for the city (beyond CYCs scope).

**Corporate Priorities**

- 18. Addressing climate change is a key component to delivering on CYC’s corporate ambition of delivering a sustainable city – *“We aim to be clean and green, reducing our impact on the environment while maintaining York’s special qualities and enabling the city and its communities to grow and thrive”*

**Recommendations**

- 19. Tackling climate change is embedded into the risk management process of CYC.

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Report Approved  Date

**Specialist Implications Officer(s)** Not applicable

**Wards Affected** ALL

All

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Annex 1

**Climate change Risk**

**Failure to reduce greenhouse gas emissions – Citywide**

Reputation:

- Failure to achieve the objectives and vision of the consultation draft climate change framework and action plan for York ( and to meet other city-wide targets that include the Covenants of Mayors Commitment and Friends of the Earth 'Get Serious' campaign Commitment
- Failure to achieve the aims and objectives of the Sustainable Community Strategy – Sustainable City Chapter
- Failure to achieve NI 186 (per capita reduction in CO2 emissions)

**Failure to reduce greenhouse gas emissions – CYC only**

Reputation:

- Failure to achieve Carbon Management Programme target of 25% reduction in CO2 emissions by 2013
- Failure to achieve NI 185 ( reduction in local authority CO2 emissions)
- Poor performance in the CRCEE scheme
- Failure to lead the city in tackling climate change

Financial

- Poor performance in the CRCEE scheme and financial penalties
- Failure to achieve corporate targets around reducing energy consumption and associated savings on fuel bills.

**Failure to prepare and adapt the city for the likely impacts associated to climate change – Citywide and CYC:**

Service delivery / reputation / finance

Based on the York Local Climate Impact Profile (which looked at the past, current and future vulnerability of York to a changing climate) the study suggested that the climate projections predict that by 2050 the City of York will be experiencing the following principal climate effects;

- Increased frequency of extreme rainfall events;
- Changes in seasonal rainfall distribution causing drier summers, wetter winters
- Increased daily temperatures (2.5°C);
- Increased frequency of heatwaves.

Based on the existing vulnerability assessment, York is at increased risk of suffering from the following:

- A significant increased risk of social-economic and environmental damage and disruption caused by increased flooding (pluvial and fluvial) heatwaves, seasonal changes in rainfall and temperature;
- Estimated Annual Damage from climate change in the order of £95M to £158M per annum by 2050;
- Increased risk of public health issues from flooding and heatwaves;
- Changes to local biodiversity and the availability of water resources;
- Increased demands on public sector organisations to respond to more frequent and severe weather events;
- Potentially increased demands on public open space, recreation and tourism facilities;
- Increased disruption to service delivery, transport and logistics and business continuity;
- Potential decline in quality of key assets (e.g. cultural heritage) and York's quality of life and sense of place;
- Increased risk of bad publicity and negative public perception occurring from repeated flooding events.

***Please note that through future adaptation responses, and an appropriate strategic level approach, preparing and adapting to a changing climate will help to dramatically increase the resilience of York to the predicted future impacts and consequences of climate change.***

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## Agenda item

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**Audit & Governance****28 July 2010**

Report of the Director of Customer Business and Support Services

**International Financial Reporting Standards (IFRS) Update****Summary**

1. The purpose of this report is to update Members of the progress being made on implementing the statutory required changes in financial reporting from UK General Accepted Accounting Practice (GAAP) to International Financial Reporting Standards (IFRS)
2. This is the fourth report, which updates those responsible for governance arrangements of the transition to IFRS implementation to provide assurance that the process is being efficiently managed.

**Background**

3. The change in financial reporting to IFRS will be fully implemented in the 2010/11 Statement of Accounts, to be reported to A&G by 30 June 2011. The need to include comparative information for 2009/10 in the first IFRS-based Statement of Accounts means that the effective date of transition is at 1 April 2009. The 2008/09 balance sheet and 2009/10 accounts will need to be restated in IFRS format, as well as producing the 2010/11 accounts.
4. In the report presented to Audit & Governance Committee on 26 April 2010, members were informed that a detailed timetable would be presented to them to provide assurance that the transition to IFRS would be completed for the 2010/11 Statement of Accounts. Attached at annex A is the IFRS overview project plan.
5. Worked continues in the key transition areas which include leasing, employee benefits, assets and investment properties and revenue/capital grants & contributes. In the 2009/10 Statement of Accounts changes to the accounting for the private finance initiative (PFI), collection fund and inclusion of group accounts have been completed. These areas all contribute to the changes to IFRS.
6. Work has also commenced on segmental reporting. This is where the revenue outturn report (an analysis of income and expenditure) will be reconciled to the comprehensive Income & Expenditure Account in the Statement of Accounts. The segmental accounts have to be included on the basis of how we normally report our revenue expenditure and income, i.e. by portfolio, and on a subjective basis (i.e. employees, transport costs, etc.). This will involve all finance departments across the authority and in accordance with the timetable will be developed by the end of October 2010.

7. The transition guidance notes from UK Generally Accepted Accounting Practices (GAAP) to IFRS have been developed by CIPFA and are now available on their website. They, along with the Statutory Instrument 2010/454 will be imperative to the transition and completion of the 2010/11 Statement of Accounts.
8. The SI 2010/454 mitigates the increased costs that would be incurred by the council in the change to accounting under IFRS. The statutory instrument legally allows the reversal of the costs that will be incurred from employee benefits. It also allows leases in existence prior to 31 March 2010 to continue to be classed as revenue or capital as they have been in the past.
9. In order to facilitate the change to IFRS, the council is joining the West Yorkshire Accounting Group. This will allow discussion with other unitary authorities, sharing of information, clarification of process and procedures and assurance that the progress being made is of a similar quality and in line with other authorities.
10. The council's external auditors – Audit Commission – are involved in the transition to IFRS and are on board with the processes that are currently being undertaken. Discussion occurs with them on a regular basis as and when specific issues come to light. It is important to update the Audit Commission and have sharing of information so provide assurance that the Statement of Accounts 2010/11 will be completed on time.
11. Updates to members will continue on a quarterly basis and be monitored against the IFRS overview project plan provided at annex A.

#### **Consultation**

13. The report shows that collaborative working with all departments across the authority is positive in assisting the progress in attaining the changes required by IFRS.

#### **Options**

14. It is a statutory requirement to introduce IFRS into local authority accounts for the financial year 2010/11. No alternative options are available.

#### **Corporate Priorities**

15. The Authority will need to comply with IFRS as financial reporting contributes to all areas of the corporate strategy.

#### **Implications**

16. The implications are
  - Financial - there are currently no financial implications to this report as the project work is being undertaken by existing resources in corporate finance and also across departments.
  - Human Resources - there are no human resource implications to this report
  - Equalities - there are no equality implications to this report
  - Legal - there are no legal implications to this report
  - Crime and Disorder - there are no crime and disorder implications to this report
  - Information Technology - there are currently no information technology implications to this report as only current IT available is being utilised.
  - Property –are no property implications to this report

- Other - there are no other implications to this report

**Risk Management**

17. There is a risk to the authority if the Statement of Accounts 2010/11 are not in accordance with IFRS requirements. It is a statutory obligation, with ultimate government action if there is none compliance.

**Recommendations**

18. That Audit & Governance Committee note the progress contained in this report and recognise the continuing work being undertaken for a smooth transition to IFRS.
19. Reason: That those responsible for governance arrangements are updated on a regular basis to ensure that the implementation of IFRS is proceeding in a timely manner for 30 June 2011 implementation.

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Report approved  Date

**Specialist Implications Officer(s)** None

**Wards Affected:** *List wards or tick box to indicate all* **All**

**For further information please contact the author of this report**

**Background Working Papers**

IFRS information produced by CIPFA  
Supporting documentation for collection fund, PFI, group accounts, leasing, employee benefits, property plant & equipment, proformas, Directorate information, accounting analysis  
CIPFA training course information

## Annex A

## IFRS Overview Project Plan

Task	Step / Task	Final Date	Progress
1	High level impact assessment	15/09/2009 30/09/2010	Assessment of the required transition from UK Generally Accepted Accounting Practice (GAAP) to International Financial Reporting Standards (IFRS) Further assessment updates of areas required for 10/11 Statement of Accounts
2	Identify changes to accounting policies	30/11/2010	Work is ongoing and is being developed as the changes to accounting treatment of the different areas of change are developed
3	Identify key staff (finance across all departments, legal, property, HR, other)	31/08/2009	Identification of Resources & Responsibilities allocated at the beginning of the project life  Quality Assurance is important and staff at key levels e.g. assistant directors, finance managers, accountants will be engaged to assure the standard of work across each area
4	Key staff trained on IFRS transition	Ongoing	Finance, Property Services, Engineering Services have attended relevant courses since July 2008, to ensure current knowledge regarding IFRS in individuals specific areas  Presentation given to departmental finance staff in December 2009 to raise awareness of the IFRS changes  Lessons learnt session on Statement of Accounts 2009/10 to Departmental Finance Accountants to ensure the close down process can be improved for IFRS  Training session to be arranged for Finance staff October 2010 to explain their detail role in the transition to IFRS
5	Identify systems and procedural changes (including Chart of Accounts changes) required	31/10/2010	Final identification of changes October 2010. This is an ongoing process whilst the work is in progress to transition to IFRS
6	Identify information (e.g. leases, FA, employee benefits etc) required to restate balance sheet for 09/10 accounts. Collation of data from 1/4/09	31/12/2009	Information identified and being processed to form accounting entries
7	Develop skeleton Statement of Accounts under IFRS (including Notes and Policies)	31/12/2010	Revised Statement of Accounts to be used in the 2010/11 closedown process. This will include the 3 revised Balance Sheets for 1/4/2009, 31/3/2010 and 31/3/2011



	Task Step / Task	Final Date	Progress
8	Obtain information required to restate 1 April 2009 balance sheet	30/09/2010	Information on the Collection Fund, the Private Finance Initiative (PFI) and Group Accounts has been completed under new IFRS regulation for 2009/10 Statement of Accounts. Work continues on the other key areas for transition, e.g. leasing, employee benefits, segmental reporting, property plant and equipment and investment properties
9	Identify likely impact on budgets (if any)	31/01/2010	Direction for CIPFA and the statutory Instruments is that there will be no impact on the bottom line council tax position
10	Implement systems and procedural changes	31/12/2010	Ongoing through the life of the IFRS Project. To be completed in line with point 7 above - Skeleton Statement of Accounts
11	Training for all relevant staff and Members	Ongoing	Members are notified through A&G Committee on a quarterly basis through the IFRS update reports. Also see point 4 above
12	Restate 1 April 2009 balance sheet (including reconciliations between UK GAAP and IFRS)	30/09/2010	See point 8 above. Consolidate balance sheet to be produced for 1/4/2009 by 30/09/10
13	Compile 2010/11 and later budgets on IFRS basis	28/02/2011	Transition of 10/11 budgets to occur during the monitoring process in 10/11, if and when required. No impact on council tax position. Budgets from 11/12 to be approved in the usual budget setting cycle
14	Testing of systems and procedural changes	28/02/2011	Ongoing process as the different areas are developed to IFRS regulation. Final testing to be completed that the new processes are in place for the conversion to IFRS by the end of February 2011
15	Restate 2009/10 accounts (including reconciliations between UK GAAP and IFRS)	31/12/2010	In line with point 7 above, production of skeleton accounts. Process and required formats changed and department financed teams informed by October 2010 as in point 4 above
16	Produce 2010/11 accounts on IFRS basis	April 2011 to June 2011	

Source Documents: Developed from CIPFA LAAP Bulletin 80 - March 09 - Outline project Plan

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**Audit & Governance****28 July 2010**

Report of the Director of Customer &amp; Business Support Services

**Scrutiny of the Treasury Management Annual Report 2009/10 & Review of Prudential Indicators****Summary**

1. The purpose of this report is for members of A&G to scrutinise the “Treasury Management Annual report 2009/10 & Review of Prudential Indicators” in accordance with the requirements of the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance (“the Code”).
2. The revised Code was published in November 2009 and adopted by the council on 26 February 2010. From 2010/11, Audit & Governance Committee will be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
3. Attached at Appendix A is the Treasury Management Annual Report 2009/10 & Review of Prudential Indicators.

**Background**

4. The “Treasury Management Annual Report 2009/10 and Review of Prudential Indicators” (“the report”) updates the Executive on treasury management performance for 2009/10 compared against the budget and treasury management strategy taken to full Council on 26th February 2009.
5. Highlights taken from “the report” are included in the paragraphs below.
6. The borrowing portfolio at 2009/10 stood at £116.1m (2008/09 £102.1m) with an average interest rate payable of 4.52% (2008/09 4.57%). The decrease in the interest rate payable is due to the repayment of debt and the taking of new debt at a lower rate, thereby decreasing the overall rate on the portfolio. This met the requirements of the treasury management strategy for 2009/10, which stated that borrowing would be kept at below 3/95%. The borrowing portfolio increase was due to the increasing funding requirements of the capital programme.
7. The investment portfolio at 2009/10 stood at £25.9m (2008/09 £30.9m). The average level of the investment portfolio during the year was £47.2m (2008/09 £58.9m), this decrease in average cash balances mainly resulted from the timing of borrowing taken during the year and borrowing slightly less than required to match capital expenditure.

8. The average interest rate earned in 2009/10 was 2.20% (2008/09 5.35%). The rate is lower due to the economic environment and market rates being available at levels around the base rate average for the year of 0.5%. Compared to the average 7 day London Inter-Bank Bid Rate (LIBID) (the standard benchmark for short-term cash management) this was 1.78% higher in 2009/10 (1.66% in 2008/09) which stood at 0.42%.
9. During the year all investments were made in full compliance with this Council's treasury management policies and practices. Of prime concern is the security of the Council's funds with the yield achievable being secondary. The review of the prudential indicators ensures that the capital plans and treasury management activities of the council are affordable, sustainable and prudent.

#### **Consultation**

10. Not applicable.

#### **Options**

11. It is a statutory requirement under Local Government Act 2003 for the council to operate in accordance with the CIPFA prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice "the Code". The revised "code" was approved at full Council on 26 February 2010. The Council also approved the Treasury Management Strategy Statement and Prudential Indicators for 2010/11 to 2014/15 which stated that "The Treasury Management Reporting arrangements set out in paragraph 16, table 1, as described by "the Code" and the terms of reference in the Constitution be amended to include that Audit & Governance Committee scrutinise the Treasury Management Strategy and Monitoring reports." No alternative options are available.

#### **Corporate Priorities**

12. Treasury management is an integral part of the council's finances providing for cash flow management and financing of capital schemes. It aims to ensure that the council maximises its return on investments, (whilst the priority is for security of capital and liquidity of funds) and minimises the cost of its debts. This allows more resources to be freed up to invest in the Council's priorities, values and imperatives, as set out in the Corporate Strategy. It therefore underpins all of the council's aims.

#### **Implications**

13. The implications are
  - Financial – the security of the Councils capital funds is a priority, maximising returns on investments is still key along with minimising the finance costs of debt.
  - Human Resources - there are no human resource implications to this report.
  - Equalities - there are no equality implications to this report.
  - Legal - there are no legal implications to this report.
  - Crime and Disorder - there are no crime and disorder implications to this report.
  - Information Technology - there are no information technology implications to this report.
  - Property –there are no property implications to this report.
  - Other - the revised code may have implications for the requirements placed on officers and members for the scrutiny and management of the treasury function.

**Risk Management**

14. The treasury management function is a high-risk area because of the volume and level of large money transactions. As a result of this the Local Government Act 2003 (as amended), the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice 2009 (the code) are all adhered to as required.

**Recommendations**

15. That Audit & Governance Committee note the Treasury Management Annual Report 2009/10 & Review of Prudential Indicators at Annex A.

Reason: That those responsible for scrutiny and governance arrangements are updated on a regular basis to ensure that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

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 Report approved  Date

**Specialist Implications Officer(s)** None

**Wards Affected:** *List wards or tick box to indicate all*

**All**

**For further information please contact the author of this report**

**Background Working Papers**

Local Government Act 2003 and amendments  
 CIPFA Prudential Code  
 CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance ("the Code")  
 Treasury Management Strategy Statement and Prudential Indicators for 2010/11 to 2014/15

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## Appendix A



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### Executive

20 July 2010

Report of the Director of Customer & Business Support Services

### Treasury Management Annual Report & Review of Prudential Indicators

#### Summary

1. This reports updates the Executive on treasury management performance for 2009/10 compared against the budget and treasury management strategy taken to full Council on 26th February 2009. The report summarises the economic environment over the 2009/10 financial year and reviews treasury management performance in the following areas:
  - Economic Background
  - Long term Borrowing,
  - Debt Restructure,
  - Short term Investments,
  - Investment credit criteria policy,
  - The Venture Fund,
  - Treasury Management Outturn and
  - The Prudential Indicators.

#### Background

#### Treasury Management Position as at 31 March 2010

2. The Council's debt and investment position at the beginning and the end of the year was as follows:

	Rate/ 31-Mar-10 Return		Rate/ 31-Mar-09 Return	
	£M		£M	
Fixed Rate Funding:				
-PWLB	101.1		87.1	
- Market	15.0		15.0	
<b>Total Debt</b>	<b>116.1</b>	<b>4.52%</b>	<b>102.1</b>	<b>4.57%</b>
<b>Total Investments</b>	<b>25.9</b>	<b>2.20%</b>	<b>30.9</b>	<b>5.35%</b>

**Table 1 – Position of the treasury management portfolio**

3. The table shows that the council's borrowing continues to increase in line with the demands of the capital programme, whilst that average interest rate declines. The investment portfolio has fallen during 2009/10, as interest rates are less favourable for investment with a fall of return in the year of 3.15%.

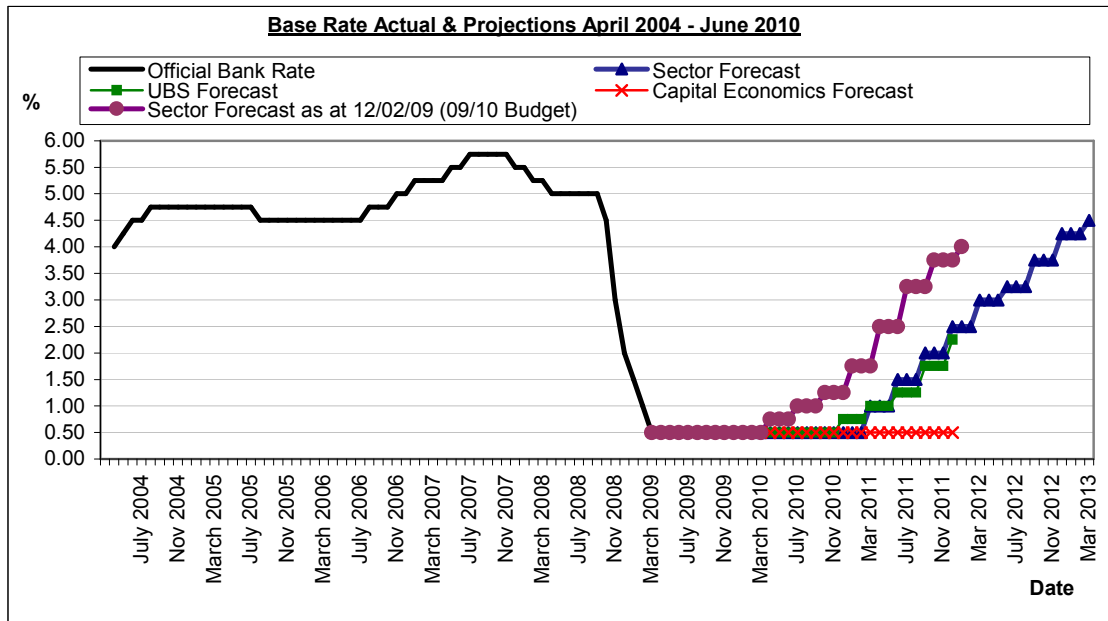
### **Economic Background**

4. The performance of the council's treasury management function is an outcome of the long-term borrowing and short-term investment decisions that were affected by the following economic conditions during the 2009/10 financial year.
- The 2009/10 financial year started with markets still badly disrupted, the real economy suffering from a lack of credit, short to medium term interest rates at record lows and a great deal of anxiety as to how or when recovery would take place.
  - During 2009/10 the Monetary Policy Committee (MPC) was focused on helping the economy to turn around from plunging into the deepest and longest recession the UK economy had experienced for many years.
  - Despite keeping Bank Rate at an unprecedented historical low of 0.5% all year, the MPC also had to resort to extreme measures in terms of pumping liquidity into the economy through quantitative easing by purchasing £200bn gilts and corporate bonds. This had the effect of boosting prices for gilts and corporate bonds at certain times of the year and therefore bringing down yields, so also reducing borrowing costs for both the corporate and public sector on a volatile basis.
  - It was notable that the increase in money supply in the economy generated by this programme brought the credit crunch induced spread



between Bank Rate and 3 month LIBID (investment rate that depositors could earn) down from 0.95% at the beginning of the financial year to zero during August.

- d. The dominant focus in 2009/10 was on quarterly GDP growth figures. The recession bottomed out in quarter 1 of 2009. There was then major disappointment that the end of the recession failed to materialise in quarter 3 2009 but the fourth quarter of 2009 did then see economic growth return at +0.4%.
  - e. Inflation has not been a major concern of the MPC as it fell back below the 2% target level from June to November. However, it did spike upwards to reach 3.5% on the back of the unwinding of the temporary cut in VAT to 15% on 1 January 2010. This was not seen as a cause for alarm as this spike was expected to fall out of the inflation index and inflation was forecast by the Bank of England to fall back under target by the end of 2010.
  - f. The equity market ended in buoyant mode with shares being at their highest level for nearly two years. The reverse side of this coin though was that gilt prices had fallen and long term yields (and so PWLB long term borrowing rates) were getting near to their peak for the year. The bond markets ended the year with chronic fears about a possible Greek government debt default and commentators were remarking that both Greece and the UK were running similar size annual deficits as a percentage of GDP (expected to be over 12%). However, the UK was in a much stronger position than Greece e.g. due to its much lower level of total debt. However, there were frequent comments from credit rating agencies around a possible threat that the UK government could lose its AAA credit rating if after the general election there was not a credible plan for how the promised reductions in the annual budget deficit would actually be achieved.
  - g. The Chancellors emergency budget of 22 June 2010 has shown the cuts that the Coalition Government is prepared to make and further information is awaited as part of the Spending Review expected in October 2010.
5. Figure 1 shows the base rate movements since 2004/05 with predictions from economists for 2010/11 to December 2012. When the treasury management strategy was approved for 2009/10 in February 2009 Sector Treasury Services – the Council’s treasury management advisers – predicted that the base rate would start to recover in quarter 1 of 2010, this has now been revised to Quarter 1 of 2011. These are unprecedented times and it is yet to be seen the effect that the new coalition government will have on the market and when the economy will slowly start to recover.



**Figure 1 - Base Rates 2004- 2012 as at April 10**

### Long term Borrowing

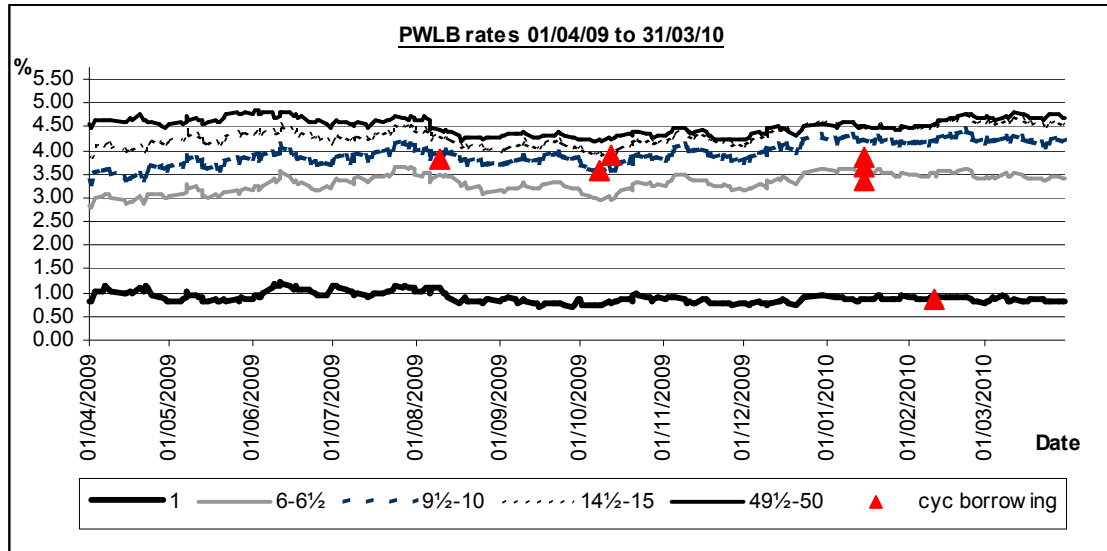
6. Under Statute, the council is permitted to borrow to fund capital expenditure. This funding is linked to the delivery of capital investment programmes such as the Local Transport Plan and Schools' Modernisation programmes. It should be noted that when borrowing is undertaken it is not taken for any specific scheme or project but rather to fund the council's capital financing requirement as a whole.
7. Council borrowing is either supported by the government through the Revenue Support Grant (RSG), which provides the council with revenue funding to allow it to meet the interest and repayment costs of borrowing; or borrowing is unsupported where by under the Prudential Code, introduced in April 2004, the Council has increased flexibility and is allowed to borrow up to a level that is deemed prudent, affordable and sustainable. Any borrowing that is undertaken using the prudential code framework is not supported by government and has to be funded by the council revenue budgets. All borrowing is at a level within the prudential indicator limits, set on a 5 year basis in the treasury management strategy by full Council annually.
8. The flexibility of borrowing under the prudential code allows the council to borrow in advance of need. The level of borrowing the council requires is determined by the Capital Financing Requirement (CFR) which is the cumulative borrowing that the council undertakes to fund capital expenditure

and identifies the council's underlying need to borrow. The CFR is forecast over the next 5 years and shows that the council will have an increasing need to borrow due to the requirement of the Administrative Accommodation project. This allows for the proactive treasury management decision to borrow in advance of need, to take advantage over favourable interest rates when they arise, not to have to borrow in one specific year and therefore spreads the interest rate risk.

9. The level of borrowing at 31 March 2010 was £116.1m, slightly lower than the CFR £123.8m. This position has changed since 2008/09 when borrowing was £102.1m, slightly above the CFR of £98.7m. This is as a result of proactive treasury management decisions during 2009/10 to take long term borrowing when rates were deemed favourable, but also be mindful that when borrowing is taken the rates exceed the rates of interest that could earned on the investment portfolio. Therefore, it was also favourable to the treasury management overall budget to reduce the investment portfolio rather than continue to take new borrowing. In addition consideration is also given to the long term view of the treasury management portfolio and to weigh this against short term gain to the revenue budget.
  
10. Interest rates are forecast to rise across all periods in the coming years. In accordance with Sector Treasury Services – the council's treasury management advisers – forecast of 19 May 2010, 25 year + PWLB rates are predicted to be above 5% from December 2011, but there are still opportunities to take shorter borrowing around 4.5% in 5 and 10 year periods in 10/11; potentially due to volatility in the market longer term rates at around 4.5% may also be available. Consideration will still be given to borrowing in the 25 and 50 year periods to match the life of the council capital schemes for which borrowing is taking place. PWLB interest rates just below 5% are still good value when looking at levels over the past decades.
  
11. The council's borrowing strategy set for 2009/10 at full Council on 26 February 2009 followed advice from the council's treasury management advisers –Sector Treasury Services - to borrow primarily from the PWLB when interest rates are advantageous and hold back on borrowing when rates are relatively high. The Council set a trigger point for taking long term borrowing of 3.95% during 2009/10. Average PWLB maturity loans for 2009-10 were:
 

1 year	0.90%
9.5 - 10 year	3.93%
24.5 - 25 year	4.49%
49.5 - 50 year	4.51%

12. Figure 2 illustrates the PWLB rates for 2009/10 including the loans borrowed by the council. It is interesting to note the PWLB rates remain significantly higher compared to the base rate. The borrowing taken by the council was below the trigger point of 3.95%, ranging between 1 year and 10 years. This was the best value achievable during the year.



**Figure 2 - PWLB rates vs. Bank of England vs. CYC borrowing levels**

13. In addition to the long term borrowing described above, the council did not reschedule any PWLB debt in 2009/10 due to the changes to the PWLB rates which were made by the Government in November 2007. The change has resulted in only very marginal savings if restructuring occurred. Rates are being monitored and when there is greater variation between rates then higher savings could be achievable. Further details are supplied in the Debt Rescheduling section below at paragraphs 22-24 with regards to a reminder of the change in the regulations and what it has meant during 2009/10.

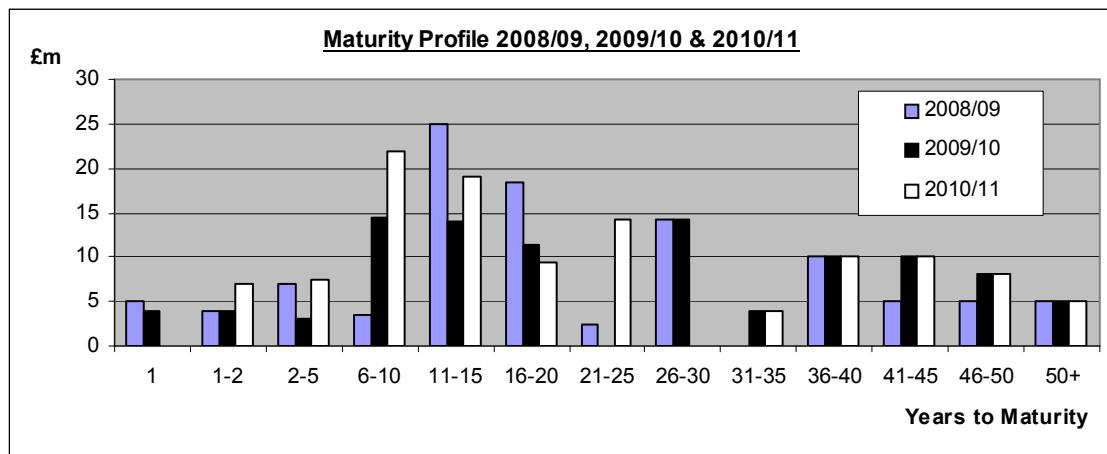
14. The councils long-term borrowing started the year at £102.4m. Table 2 shows the movement in debt during the year, the interest rates obtained on new borrowing, the average rate of the portfolio and the year of maturity.

	Date	£	Prevailing Base Rate	Weighted %	Year of Maturity
<b>Total Debts at 1/4/09</b>		<b>102,364,956</b>	<b>0.50%</b>	<b>4.57%</b>	
Less Loans Repaid	05/05/09	4,000,000		3.80%	2009/10
Plus New Loans	10/08/09	3,000,000		3.83%	2019/20

	08/10/09	3,000,000		3.59%	2019/20
	13/10/09	3,000,000		3.91%	2024/25
	05/11/09	2,000,000		3.36%	2015/16
	05/11/09	2,000,000		3.64%	2016/17
	05/11/09	2,000,000		3.87%	2017/18
	10/02/10	3,000,000		0.85%	2010/11
<b>Total Debts at 31/03/10</b>		<b>116,064,956</b>	<b>0.50%</b>	<b>4.52%</b>	

**Table 2 - Movement In Long Term Borrowing 2009/10**

15. All of the new borrowing decisions were taken in light of the maturity structure of the Council's current long term borrowing. Prudential indicator 9 sets the permitted maturity structure of borrowing, as detailed in Figure 3 and attached at Annex A, along with all the Prudential Indicators approved by full Council in the treasury management strategy report 26 February 2009. The borrowing of long duration loans reflects the Council's underlying need to borrow for capital purposes and is forecast to rise steadily year on year for the foreseeable future in line with the capital programme.
16. Figure 3 illustrates the 2008/09, 2009/10 and 2010/11 maturity profile of the council's outstanding loans. The profile moving forward in 2010/11 highlights that the debt portfolio is spread over different maturity periods, which diversifies the risk of borrowing in any 1 year. The greatest level of debt to mature is between 6 to 10 years. It is unlikely that borrowing will occur in this range in the next year to ensure the risk on maturity is spread.



**Figure 3 - Debt Maturity Profile 07/08, 08/09 & 2009/10**

17. As a result of the borrowing undertaken in-year, the average rate of interest on the council's long term borrowing has fallen from 4.57% in 2008/09 to 4.52% by the end of 2009/10. This is 0.051% lower than the latest available

average long term borrowing rate (source CIPFA Statistics) for unitary authorities of 4.92% for 08/09. Although the councils average rate is lower than other similar authorities, were it not for the Club Loan of £10m at a rate of 7.155%, which the council is unable to restructure, the councils consolidates rate of interest could be as a low as 4.27% (assuming the £10m Club loan where to be replaced at a level of 4.5%). Figure 4 shows the council's long term borrowing compared to the national average and other unitary authorities.

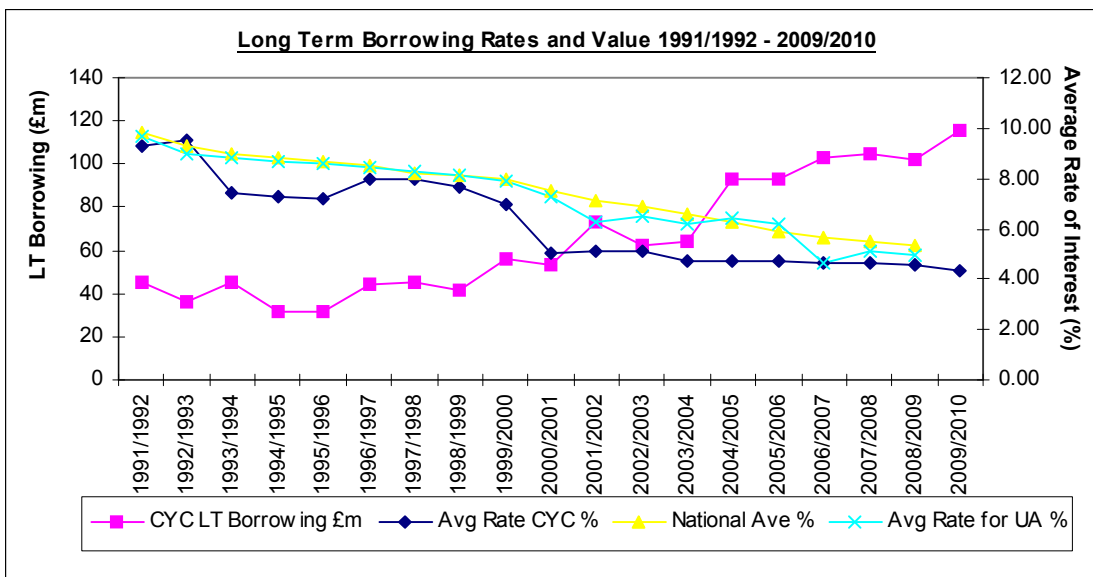


Figure 4 - CYC borrowing vs National Average vs Unitary Authority

**Debt Restructure**

- 18. The treasury management team monitor the markets daily for rates that would allow favourable restructures. However, during the year no debt restructuring occurred due to the change in the publics Works Loan Boards (PWLB) regulations back in November 2007.
- 19. On 1<sup>st</sup> November 2007 the PWLB imposed two rates for each period, one for new borrowing and a new, significantly lower rate for early repayment of debt. The differential between the two rates ranged from 26bp (basis points) in the shorter dated maturities to over 40bp in the longer ones. They also introduced daily movements of 1bp instead of 5 bps and rates in half year periods throughout the maturity range (previously had been mainly in 5 year bands). These changes effectively prevented the Council from restructuring the portfolio into new PWLB borrowing.
- 20. These changes have effectively prevented the Council from restructuring the portfolio into new PWLB borrowing. In 2009/10, there was also limited

borrowing available from the market due to current economic conditions, therefore restructuring has not been possible into market loans. Going forwards into 2010/11, market loans are re entering the market, so rescheduling loan opportunities may become available.

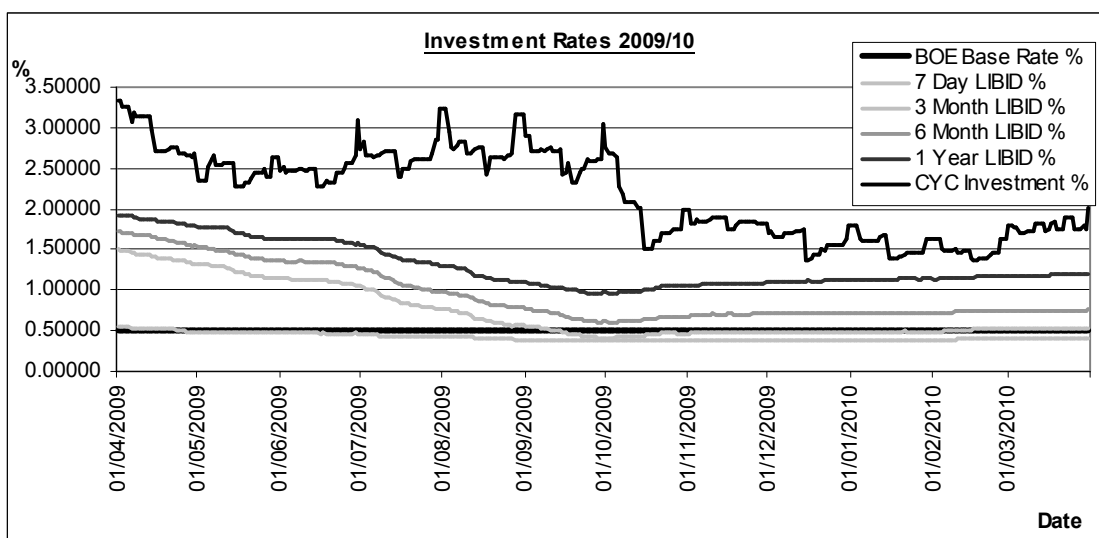
### **Short Term Investments**

21. At the start of 2009-10, investment rates were enhanced by a substantial credit crunch induced margin. This has assisted the performance of the rate of return on investments in the early part of the year due to longer term investments having been made during 2008/09. However, the Bank of England's quantitative easing operations had the desired effect of improving the supply of credit in the economy and so these margins were eliminated by half way through the year. Consequently, investment rates fell markedly during the first half of the year
22. The council manages all its surplus cash investments in-house and invests with the institutions listed in the council's approved lending list. The council invests for a range of periods from overnight to 364days, dependent on the council's cash flows, its interest rate view and the interest rates on offer. The council also invests longer term when rates are considered favourable and core cash balances are available, although this did not occur in 2009/10. During the year all investments were made in full compliance with this Council's treasury management policies and practices.
23. The Annual investment strategy set for 2009/10 noted that the base rate was at 0.5% and set to stay at historically low levels throughout 2009/10. The Council's in-house funds are mainly cash flow derived and therefore investments were made in periods where most value was seen to be added in the short term. Call accounts (deposit accounts available directly with certain banks e.g. Bank of Scotland, Yorkshire Bank, Santander-Alliance & Leicester and Santander – Abbey National) were utilised as they offered both instant access and better returns than money market interest rates for periods up to six months. Thus the nature of the surplus funds has changed in the last year with investment being short term and relatively liquid.
24. There was limited opportunity to invest funds longer term; it was better to keep investments short so that when interest rates start to rise, advantage can be taken of these more favourable rates.
25. With the environment for bank investments expecting to change later in 2010, with banks being steered away from short end funding by regulators, the attractiveness of call account rates is likely to decline. The market will be monitored and the treasury team will react to subtle changes in market rates

in due course, which is likely to require the investment periods for the surplus funds to be extended to longer periods once more.

26. During March 2010, the Council opened a money market fund which is an alternative method of investment than placing funds on deposit directly with financial institutions. The money market fund is an investment vehicle controlled by the Financial Services Authority, given the highest credit rating available AAA buy the Credit rating agency, allows instant access to funds, offers a slightly higher rate than funds on deposits and is diversified as holds many different financial institutions within the money market fund. The Council is continuing to monitor the market to take advantage of alternative investment vehicles that allows security of capital but also allows increase investment returns.

27. Figure 5 illustrates the Investment interest rates available for 2009/10 including the rate of return on investments achieved by the council during 2009/10.



**Figure 5 – Investment rates vs. Rate of Return on CYC Investments**

28. Interest earned during the year on cash balances totalled £1.038m (£3.160m in 2008/09). The Council's average balance available for investment in 2008/09 has decreased from £58.9m in 2008/09 to £47.2m in 2009/10. This decrease in average cash balances mainly resulted from the timing of borrowing taken during the year and borrowing slightly less than required to match capital expenditure. This was due to borrowing rates and therefore interest payments being higher than could be earned on investments and the interest received. Therefore part of the council's surplus fund were used to fund the Capital Programme, thereby decreasing investment balances.



29. The average rate of interest earned on investments in 2009/10 was 2.20% (5.35% in 08/09). This was 1.78% higher in 2009/10 (1.66% in 2008/09) than the average 7 day London Inter-Bank Bid Rate (LIBID) (the standard benchmark for short-term cash management) of 0.42% (3.69% in 2008/09). The average interest rate earned is higher than the benchmark due to longer term investments made last year at higher rates and maturing in 2009/10.
30. During the year, the council made 134 investments totalling £349m compared with 134 totalling £368m in 2008/09. The average maturity length was 92 days in 2009/10 compared to 228 days in 2008/09. This highlights the difficulties in the markets during 2009/10 as the Council was limited with whom it could invest, the length of time was limited and therefore it was increasingly difficult to obtain favourable rates. This occurred in line with the Investment strategy that the security of capital is of prime importance.
31. The treasury team continually monitor the performance of the money market brokers. The council operates on the money markets with four brokerage organisations - ICAP, Sterling International Brokers Tradition and Tullett Prebon. It is intended to retain these four brokerage organisations going forwards.

#### **Investment credit criteria policy review**

32. The default of the Icelandic banks in October 2008 led to a review of the Council's credit policy, to ensure that the credit risk exposure was at an acceptable level. This review has been monitored throughout 2009/10 to continue to ensure that the security of capital is of prime importance, whilst balancing this with return to be achieved. No institutions in which investments were made during the year had any difficulty in repaying investments and interest in full.
33. All surplus cash balances in 2009/10 were invested with authorised counterparties in accordance with the council's Treasury Policy Statement. Counterparties are authorised for use based on their credit ratings. The council's credit rating criteria is set using a matrix provided by our Treasury Management Advisors – Sector Treasury Services. The matrix is based on credit ratings provided by agencies Fitch, Standard and Poors and Moody's. This determines both time and financial limits in order to spread counterparty (credit) risk when investing money with approved counterparties.
34. The higher the credit rating assigned to a counterparty, the more secure the counterparty is. The Council has investment limits of £15m for periods up to 1 year with high credit rated counterparties and for those with a lower credit ratings an amount of £8m and up to 3months.

35. During 2009/10, it was found that the number of authorised counter parties that the council could invest with has been massively reduced due to the higher credit rating levels set to ensure the security of council's funds. Even with the inclusion of nationalised banks on the council's credit rating criteria policy, the placing of surplus funds has been tight.
36. During 2009/10 alternative investment instruments have been reviewed to diversify the portfolio and a money market fund as described above was opened during March 2010. The treasury team along with the council's treasury management advisers will continue to monitor alternative new investment instruments e.g. treasury bills, euro sterling bonds.

### Venture Fund

37. The Venture Fund is used to provide short to medium term investment for internal projects that provide a robust new revenue stream or recognisable budget reductions and contribute to operational benefits or policy objectives. The movements on the Venture Fund in the year are shown in table 3.

	<b>£'000</b>
<b>Balance at 1 April 2008</b>	<b>2,275</b>
New Loan Advances	(758)
Loan Repayments Received	678
Net Interest Received	24
<b>Balance at 31 March 2009</b>	<b>2,219</b>

**Table 3 - Venture Fund Movement 2009/10**

38. New loan advances were made in 2009/10 for Easy at York Programme £627k approved by Executive in the Budget in 2009, Peckitt Street defences £31k approved in Capital Monitor 2 November 2009 and £100k for Street Lighting approved in the Capital programme Budget February 2009. 6 existing schemes repaid their annual instalments totalling £678k, therefore the balance of the Venture Fund at the end of 09/10 was £2,219k.
39. In future, funds committed to be draw down from the Venture Fund are £500k for the Treasury Management Budget in 10/11 due to the economic downturn; this is projected to be repaid in 12/13 and also £2,217k for the Administrative Accommodation project. At the Executive on 20 July 2010 in a separate report, the Administrative Accommodation project is requesting increased use of the Venture Fund of £435k to £2,217k to finance the Early Years Deficit of that scheme. This is to fund the initial finance costs of borrowing in the early years of the project prior to the revenue budgets coming available from previously leased establishments.

40. Over a five year forecast to 2014/15 the balance of the Venture Fund will be £825km. The Venture Fund is forecast to have sufficient funds to meet the current requirements described in paragraph 48 and there is a commitment from the Administrative Accommodation project forecast revenue streams to repay the Venture Fund commencing in 2014/15.

### **Financial Implications - Budget Outturn**

41. Treasury Management activity is contained within the Corporate Budget, which was approved by Council on 26 February 2009 at £7,727k for 2009/10. Since the budget was set there have been a number of changes approved by the Executive which has resulted in a revised budget of £8,866k.
42. The outturn was £8,900k, which resulted in an overspend of £34k. At monitor 3 it was projected that there would be an overspend £429k, the improvement was due to interest paid on borrowing has been lower than anticipated due to timings of borrowing taken and slightly lower interest rates; also interest received on both internal and external investments was slightly higher than expected.
43. The main report explains the underlying reasons for the fluctuations in the treasury management budget during the year.
44. In 2009/10, the Council did not receive a dividend from the Bank of Credit and Commerce International (BCCI). The total recovered losses to date stands at £1,318k, which is 94% of the investments made with the BCCI in 1990 when it collapsed. The amount recovered is now £452k more than was written off by the council.

### **Review of the Prudential Indicators**

45. In accordance with the Prudential Code, the Prudential Indicators set by full Council on 26<sup>th</sup> February 2009 must be reviewed. Full detail on the indicators are given in Annex A.

### **Consultation**

46. The majority of this report is for information purposes and reports on the performance of the treasury management function. Members through the budget process set the level of budget and expected performance of the Councils treasury management function.

### **Options/Analysis**

47. In accordance with the Local Government Act 2003, it is a requirement under the CIPFA Prudential code and the CIPFA Treasury Management in

Local Authorities that the Executive of the council receives an annual treasury management review report of the previous year –2009/10- by 30 September the following year – 30 September 2010. It is also a requirement that the Council delegates the role of scrutiny of treasury management strategy and policies to a specified named body which in this Council is the Audit & Governance Committee. This annual treasury management report is scheduled at Audit & Governance Committee on 28 July 2010.

48. The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2009 was adopted by this council on 25 February 2010 and fully complies with its requirements. The revised "code" became available during 2009/10 as CIPFA's response to the Audit Commission's review of Treasury Management in Local Authorities "Risk and Return" in light of the Icelandic banking collapse.

### **Corporate Priorities**

49. The council will meet its Corporate Strategy objective of "Effective Organisation" to achieve high standards by successfully and proactively managing its treasury activities. Effective treasury management is concerned with the management of the council's cash flows, its banking, money market and capital transactions, the management of debt, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks.

### **Human Resources Implications**

50. There are no HR implications as a result of this report.

### **Equalities**

51. There are no equalities implications as a result of this report.

### **Legal Implications**

52. Treasury Management activities have to conform to the Local Government Act 2003, which specifies that the Council is required to adopt the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice. The scheme of Minimum Revenue Provision ("MRP") was set out in former regulations 27, 28 and 29 of the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003* [SI 2003/3146, as amended] ("the 2003 Regulations"). This system has been revised by the *Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008* [SI 2008/414], ("the 2008 Regulations") in conjunction with the publication by CLG of this MRP guidance.

### **Crime and Disorder Implications**

53. There are no crime and disorder implications as a result of this report.

**Information Technology Implications**

54. There are no IT implications as a result of this report

**Property Implications**

55. There are no property implications as a result of this report.

**Risk Management**

55. The treasury function is a high-risk area because of the level of large money transactions that take place. As a result of this there are strict procedures set out as part of the Treasury Management Practices statement. The scrutiny of this and other monitoring reports is carried out by Audit & Governance Committee as part of the council's system of internal control.

**Recommendations**

56. The Executive is advised to:

- a) **Note** the 2009/10 performance of the Treasury Management activity, movements on the Venture Fund and the Treasury Management Outturn.
- b) **Note** the movements in the Prudential Indicators.

**Contact Details**

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Ian Floyd  
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Services

Report  Date 20/07/09

**Approved**

Keith Best  
Assistant Director of Customer & Business  
Support Services (Finance)

**Wards Affected:**

All   
None

**Specialist Implication Officers:** None

For further information please contact the author of the report

**Background Papers**

*Cash-flow Model 2009/10, Investment Register 2009/10, PWLB Debt Register, Capital Financing Requirement 2009/10 outturn, Venture Fund 2009/10, Prudential Indicators 2009/10, CIPFA Statistics 2008/09.*

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## Annex A

## Prudential Indicators 2009/10 Outturn

PRUDENTIAL INDICATORS			2008/09 actual	2009/10 Estimate Monitor 3	2009/10 actual
1)	<b>Capital Expenditure</b> To allow the authority to plan for capital financing as a result of the capital programme. To enable the monitoring of capital budgets to ensure they remain within budget.	Non - HRA	£'000 51,066	£'000 56,043	£'000 52,387
		HRA	7,470	6,887	6,093
		TOTAL	58,536	62,927	58,408
2)	<b>Ratio of financing costs to net revenue stream</b> This indicator estimates the cost of borrowing in relation to the net cost of Council services to be met from government grant and council taxpayers. In the case of the HRA the net revenue stream is the income from Rents and Subsidy.	Non - HRA	5.40%	6.90%	6.98%
		HRA	2.33%	3.10%	2.84%
3)	<b>Incremental impact of capital investment decisions - Council Tax</b> Shows the actual impact of capital investment decisions on council tax. The impact on council tax is a fundamental indicator of affordability for the Council to consider when setting forward plans. The figure relates to how much of the increase in council tax is used in financing the capital programme and any related revenue implications that flow from it.	Increase in Council Tax (band D) per annum	£ p 25.62	£ p 19.84	£ p 15.70
4)	<b>Incremental impact of capital investment decisions - Hsg Rents</b> Shows the actual impact of capital investment decisions on HRA rent. For CYC, the HRA 2008/09 planned capital spend is based on the government's approved borrowing limit so there is no impact on HRA rents.	Increase in average housing rent per week	£ p 0.00	£ p 0.00	£ p 0.00
5)	<b>Capital Financing Requirement as at 31 March</b> Indicates the Council's underlying need to borrow money for capital purposes. The majority of the capital programme is funded through government support, government grant or the use of capital receipts. The use of borrowing increases the CFR.	Non - HRA	£'000 87,329	£'000 106,762	£'000 111,591
		HRA	11,235	12,235	12,235
		TOTAL	98,564	118,997	123,826
6a)	<b>Authorised Limit for external debt -</b> The authorised limit is a level set above the operational boundary in acceptance that the operational boundary may well be breached because of cash flows. It represents an absolute maximum level of debt that could be sustained for only a short period of time. The council sets an operational boundary for its total external debt, gross of investments, separately identifying borrowing from other long-term liabilities for 3 financial years.	borrowing	£'000 146,500	£'000 186,000	£'000 186,000
		other long term liabilities	0	0	0
		TOTAL	146,500	186,000	186,000
6b)	<b>Operational Boundary for external debt -</b> The operational boundary is a measure of the most likely, prudent, level of debt. It takes account of risk management and analysis to arrive at the maximum level of debt projected as part of this prudent assessment. It is a means by which the authority manages its external debt to ensure that it remains within the self-imposed authority limit. It is a direct link between the Council's plans for capital expenditure; our estimates of the capital financing requirement; and estimated operational cash flow for the year.	borrowing	£'000 125,200	£'000 145,000	£'000 145,000
		other long term liabilities	0.00	0.00	0.00
		TOTAL	125,200	145,000	145,000
7)	<b>Adoption of the CIPFA Code of Practice for Treasury Management in Public Services</b> Ensuring Treasury Management (TM) Practices remain in line with the SORP.	TM Policy Statement	✓	✓	✓
		12 TM Practices	✓	✓	✓
		Policy Placed Before Council	✓	✓	✓
		Annual Review Undertaken	✓	✓	✓
		A&G named as specified Scrutiny body			✓
8a)	<b>Upper limit for fixed interest rate exposure</b>				

	The Council sets limits to its exposures to the effects of changes in interest rates for 3 years. The Council should not be overly exposed to fluctuations in interest rates which can have an adverse impact on the revenue budget if it is overly exposed to variable rate investments or debts.	Net interest re fixed rate borrowing / investments	107%	150%	150%
		Actual Net interest re fixed rate borrowing / investments		106%	110%
8b)	<b>Upper limit for variable rate exposure</b> The Council sets limits to its exposures to the effects of changes in interest rates for 3 years. The Council should not be overly exposed to fluctuations in interest rates which can have an adverse impact on the revenue budget if it is overly exposed to variable rate investments or debts.	Net interest re variable rate borrowing / investments	-7%	-50%	-50%
		Actual Net interest re variable rate borrowing / investments		-6%	-10%
9)	<b>Upper limit for total principal sums invested for over 364 days</b> To minimise the impact of debt maturity on the cash flow of the Council. Over exposure to debt maturity in any one year could mean that the Council has insufficient liquidity to meet its repayment liabilities, and as a result could be exposed to risk of interest rate fluctuations in the future where loans are maturing. The Council therefore sets limits whereby long-term loans mature in different periods thus spreading the risk.	Investments over 364 days	£'000 £10,000 £4,000	£'000 £10,000 £0	£'000 £10,000 £0
10)	<b>Maturity structure of new fixed rate borrowing during 2008/09</b> The Council sets an upper limit for each forward financial year period for the level of investments that mature in over 364 days. These limits reduce the liquidity and interest rate risk associated with investing for more than one year. The limits are set as a percentage of the average balances of the investment portfolio.		<b>Actual</b> (£102,065k)	<b>Upper Limit</b>	<b>Actual</b> (£116,065k)
		under 12 months	4%	10%	0%
		12 months & within 24 months	4%	10%	6%
		24 months & within 5 years	3%	25%	6%
		5 years & within 10 years	14%	40%	19%
		10 years & and above	75%	90%	69%

**Glossary Of Abbreviations**

HRA Housing Revenue Account

SORP Statement of Recommended Practice - for Local Authority Accounting

CFR Capital Financing Requirement

CYC City of York Council

1. In accordance with the Prudential Code, the Prudential Indicators set by full Council on 26th February 2009 for the financial year 2009/10 must be monitored and reported at Outturn. The Prudential Indicators are detailed above and some of the key points are explained below:
2. Size of the Capital Programme (Indicator 1) - The capital programme expenditure at monitor 3 was estimated to be £62,927m and outturn was £58.408m. The Capital Programme Outturn 2009/10 report has further details with regards to this movement. The reduced outturn compared to monitor 3 is due to a number of schemes being slipped to be completed during 2009/10.
3. Net revenue Stream (indicator 2) - This indicator represents how much borrowing, for the capital programme, will cost as a percentage of the net revenue stream. The General Fund indicator is 6.98% compared to a budgeted level of 6.90%, with the marginal increase due to the a larger amount of interest being paid to departments on their surplus balances than originally expected. The Housing Revenue Account (HRA) version of the indicator is 3.10% compared to the budgeted level of 2.84%, the difference is again due to a larger amount of interest being received by the HRA as their balances were higher than anticipated.
4. Incremental Impact on the Level of Council Tax (Indicator 3) – This indicator shows the impact of capital investment decision on the bottom line level of Council Tax. The Council can fund its discretionary capital programme from two main sources, from unsupported borrowing or using capital receipts from the sale of surplus assets. The



Council's policy is to use capital receipts to fund the Capital programme, however in the current economic environment with reduced capital receipts there is the requirement to use unsupported borrowing to support the capital programme, which has an impact on Council Tax. The unsupported borrowing is not taken unless it is affordable, sustainable and prudent and can be supported by an existing budget. In 2009/10 the increased impact on council tax is £15.70 per Band D charge. This has fallen from the estimate of £19.84 due to the capital expenditure reducing thereby less funding is required to support schemes and lower than estimated interest paid on borrowing throughout the year.

5. Capital Financing Requirement (CFR) (Indicator 5) - The CFR at outturn was £123,826m, which is the Council's underlying need to borrow for all capital investment over time. At year-end when the Capital programme is financed the CFR can change when decisions are made with regards to use of external funding, capital receipts etc to support the Capital investment of the Council. In addition the change in the accounting treatment of part of the Private Finance Initiative increased the CFR, however this had not direct affect on Council tax.
6. Authorised Limit / Operational Boundary (Indicator 6) - The Council took on additional debt of £18m, but repaid £4m leaving the Council's total level of debt at £116.1m. The Council's Operational Boundary (maximum prudent level of debt) was revised to £145m as part of the 2009/10 budget setting process and the Authorised Limit (maximum allowed debt) revised to £186m. The headroom available within these limits allows the Council the ability to borrow in advance of need in accordance with its 3 year forecast Capital programme. If these limits were breached the LG Act 2003 requires full Council approval. Debt levels have remained within the limits set.
7. Adoption of the CIPFA Code of Practice in Treasury Management (Indicator 7) – In accordance with the Prudential Code the Council has adopted the Treasury Management Code of Practice in the Treasury Management Strategy 2009/10 prior to the beginning of the financial year. In addition, during 2009/10 the CIPFA Treasury Management in the Public Services Code of Practice “the Code” has been revised in light of the Icelandic situation in 2008. the revised “Code” has also been adopted by the Council and as detailed in the table has adhered to the requirements.
8. Upper Limit for Fixed and Variable Interest rate Exposure (Indicator 8) – Interest rate exposure on debt is positive due to it being in relation to interest paid and on investments is negative as it is interest being received. When the variable and fixed interest rates are totalled, it will always be 100%. The majority of the interest received for the Council relates to variable rated investments, where as the interest paid on debt is fixed. The limits set in the budget were not breached and the outturn stands at 110% for fixed interest arte exposure and –10% for variable interest rate exposure.
9. Upper Limit for total principal sums invested for over 364 days (Indicator 9) – This has been set at £10m and is approximately 25% of the average portfolio throughout the year. In the year no investments for longer than 364 days have been taken. A long term invest of £4m was however repaid.
10. Maturity Structure of Fixed rate Borrowing in 2009/10 (Indicator 10) – The borrowing portfolio is spread across different time periods to ensure that the Council is not exposed to the requirement to take new borrowing in any one year and be exposed to interest rates in any one year. In 2009/10 the borrowing portfolio maturity profile was within the limits set.

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## Audit and Governance Committee

28 July 2010

Report of the Assistant Director of Customer and Business Support Services  
(Customer Service & Governance)

### Summary of Audit Commission National Reports

#### Summary

1. This paper gives a brief overview of national reports produced by the Audit Commission (AC). The last summary, presented to the Audit & Governance Committee in February 2010, covered reports up to 31 January, and the current summary continues from that point up to 30 June 2010. Whilst this report is for information only, it may prompt a request for a more detailed response from council officers, where the content of a specific report may impact on the governance or internal control arrangements of the council.

#### Background

##### Report Summaries

2. **Under Pressure – Tackling the financial challenge for councils of an ageing population**  
**(Published February 2010)**

This report explains how the costs of an ageing population will affect the need for services in the future, not just for social care but also in terms of housing, health and community safety. Most councils do not fully understand the implications and costs, or the detailed demographic data, of their older population, nor the potential cost benefits of preventative work. Councils should benchmark costs against each other, and develop an area-wide approach that integrates prevention, early intervention and care services.

3. **Evaluation of CAA (with Appendix and Case Studies)**  
**(Published March 2010)**

The report considers the impact made by the first year of the Comprehensive Area Assessment, and a number of views have emerged. While generally agreed that the process is beginning to drive improvement, there are a number of issues to address, such as the increased burden on councils, a lack of co-ordination between inspectorates, and a need for greater transparency in awarding scores. The Oneplace website, which reports on council performance, is regarded positively by the public.

The case studies provide more detailed information gained from interviews with councillors, council officers and the public.

**4. Establishing the costs of CAA  
(Published March 2010)**

The report is based on the detailed assessment of inspection costs by 22 local authorities, and ranges are then estimated for each type of inspection activity. For example, the estimated costs of all inspections for single tier authorities is between £2.3m and £5.6m. In theory the change from CPA to CAA has led to a fall in the costs of inspection, and the report analyses the costs included within CAA and the reasons for variations in such costs.

**5. Surviving the Crunch  
(Published March 2010)**

This report acts as an advance warning of potential spending cuts for local authorities, against a background of rising demand for services. The public/private model of funding regeneration is not working in the recession, and council incomes are falling. Few councils have planned for the next five years, and in order to meet the challenges of the current economic climate, detailed plans for resource allocation should be made. The report gives detailed figures for the impact of the recession on local authorities, as well as making recommendations for future actions.

**6. The Truth Is Out There  
(Published March 2010)**

This is a discussion paper on the benefits of increased transparency in public sector information and its availability to the general public. While there may be risks, there are also benefits to be gained, and the report showcases a number of examples where local authorities and other public sector bodies have benefited from placing detailed information about the organisation online. In the US, for example, publishing all spending online has led to a reduction in costs and the elimination of unnecessary spending, as well as to greater engagement in local politics. However the release of data into the public domain places a greater pressure on data quality.

**7. Introduction to the Audit Commission  
(Published May 2010)**

This is a brochure introducing the work of the Audit Commission to the general public. It outlines the four main areas of work of the Commission, Audit, Assessment, Research and Comparing Information, and discusses the nature of the work involved in each area.

**8. Review of Collaborative Procurement  
(Published May 2010)**

This report, produced jointly with the National Audit Office, describes the nature of current public sector procurement where such procurement is shared. Public bodies are paying a wide range of prices for the same commodities. Given the size of the overall public sector spend, greater value for money could be achieved if organisations worked together more effectively, and if there was a clear framework to co-ordinate procurement activity.

**9. National Fraud Initiative 2008-09 (and Members' Briefing on NFI 2008-09)  
(Published May 2010)**

The National Fraud Initiative (NFI) is a periodic exercise which aims to tackle fraud by matching data sets from different public sector organisations, for example matching death certificate data from registrars with pension information from the DWP, to uncover cases where family members are continuing to claim a deceased relative's pension. The latest exercise in 2008-09 uncovered fraud, overpayments and errors amounting to £215 million across the UK. The report recommends promoting the awareness of the NFI across councils and for councils to prioritise the follow-up of the data matching exercise.

**Consultation**

10. The council's corporate Policy Officer has been consulted on the list of reports in this paper.

**Options**

11. Not relevant for the purpose of the report.

**Analysis**

12. Not relevant for the purpose of the report.

**Corporate Priorities**

13. This report contributes to the overall effectiveness of the council's financial, governance and assurance arrangements in the achievement of all its priorities, and in particular the Effective Organisation theme of the Corporate Strategy.

**Implications**

14.  
(a) **Financial** – There are no implications.  
(b) **Human Resources (HR)** - There are no implications.

- (c) **Equalities** - There are no implications.
- (d) **Legal** - There are no implications.
- (e) **Crime and Disorder** - There are no implications.
- (f) **Information Technology (IT)** - There are no implications.
- (g) **Property** - There are no implications.

**Risk Management**

- 15. By not considering the content of Audit Commission reports, the council could fail to properly comply with best practice requirements.

**Recommendations**

- 16. Members are asked to note the report and comment on any areas for further consideration by the Committee or by officers.

Reason

*To ensure that the council can benchmark, learn from and meet best practice requirements derived from external audit national activity and enhance its governance frameworks as a result.*

**Contact Details**

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**Report Approved**  **Date**

**Specialist Implications Officers**

Not applicable

**Wards Affected:** Not applicable

**All**

**For further information please contact the author of the report**

**Background Papers:**

Audit Commission Reports as follows:

- Under Pressure
- Evaluation of CAA
- Establishing the costs of CAA
- Surviving the Crunch
- The Truth Is Out There
- Review of collaborative procurement
- Introduction to the Audit Commission
- Review of Collaborative Procurement
- National Fraud Initiative 2008-09