

Notice of meeting of

Audit & Governance Committee

To:	Councillors B Watson (Chair), Brooks (Vice-Chair), Firth, Hyman, Scott, Vassie and Gunnell
Date:	Monday, 6 December 2010
Time:	5.30 pm
Venue:	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. Minutes (Pages 3 - 10)

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

3. 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 Friday 3rd December 2010.**

4. Audit & Governance Committee Forward Plan to July 2011. (Pages 11 - 16)

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

5. Annual Audit Letter 2009/10 - Audit Commission. (Pages 17 - 36)

This paper introduces the Annual Audit Letter 2009/10 (Annex A) prepared by the Audit Commission together with the council's response.

6. Key Risk Update: Fairness & Inclusion and York Community Stadium. (Pages 37 - 72)

The purpose of this paper is to provide further information as requested by Audit & Governance Committee (A&G) at the meeting of 28 July 2010 in relation to Fairness & Inclusion and 29 September 2010 in relation to the York Community Stadium.

7. Income Policy. (Pages 73 - 86)

The purpose of this paper is to present to Audit & Governance Committee (A&G) for discussion and comment the draft revised Income Policy, for onward approval by Executive and Full Council

8. International Financial Reporting Standards (IFRS) Update.

The purpose of this report is to continue the update to 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). **Report to Follow.**

9. Scrutiny of Treasury Management Monitor 2 and Prudential Indicators 2010/11. (Pages 87 - 110)

In accordance with the requirements of the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in Public Services: Code of Practice and Cross-Sectoral Guidance ("The Code"), the Audit and Governance

Committee will be responsible for ensuring effective scrutiny of the treasury management strategy and policies. This report provides Members with a review of the first six months of 2010/11.

10. Updated Council Response to the ePetitions duty in the Local Democracy, Economic Development and Construction Act 2009 (Pages 111 - 120)

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), following recent changes introduced by the new Government.

11. Constitutional Change to Delegated Powers of Executive Member for Leisure, Culture & Social Inclusion. (Pages 121 - 124)

This report puts before Members proposals for a slight change in responsibilities between the Executive Member for Leisure, Culture and Social Inclusion.

12. Protocol for Liaison between Internal and External Audit. (Pages 125 - 152)

The purpose of this report is to inform Members of the draft protocol for future internal and external audit working arrangements. The report also seeks approval for some minor changes to the existing Internal Audit Terms of Reference.

13. Audit, Counter Fraud & Information Governance Mid-Term Monitor. (Pages 153 - 172)

This report provides an update on progress made in delivering internal audit workplan for 2010/11 and on current counter fraud and information governance activity.

14. Summary of Audit Commission National Reports. (Pages 173 - 178)

This paper gives a brief overview of National Reports produced by the Audit Commission (AC), which are all available to view on the Audit Commission website. The last summary presented to the Audit and Governance Committee in July 2010 covered reports up to 30th June 2010 and this summary continues from that point to 31st October 2010.

15. Urgent Business

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

Democracy Officer:

Name: Laura Bootland

Contact details:

- Telephone – (01904) 552062
- E-mail – laura.bootland@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.

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- 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.

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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.**

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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.

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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

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City of York Council

Committee Minutes

MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	29 SEPTEMBER 2010
PRESENT	COUNCILLORS B WATSON (CHAIR), BROOKS (VICE-CHAIR), FIRTH, HYMAN, SCOTT, VASSIE AND GUNNELL
IN ATTENDANCE	COUNCILLOR MOORE (EXECUTIVE MEMBER FOR CORPORATE SERVICES) MIKE NEWBURY (AUDIT COMMISSION) LYNN HUNT (AUDIT MANAGER – DISTRICT AUDIT)

PART A - MATTERS DEALT WITH UNDER DELEGATED POWERS

23. DECLARATIONS OF INTEREST

Members were invited to declare at this point in the meeting any personal or prejudicial interests they might have in the business on the agenda. The following personal and non-prejudicial interests were declared in respect of agenda item 6 – “Annual Governance Report” and agenda item 10 – “Key Corporate Risk Monitor Two”:

- Councillor Brooks as a member of the teachers’ pension fund.
- Councillor Firth as his wife was a member of the teachers’ pension fund.
- Councillor Vassie as his partner was a member of the pension fund.
- Councillor Hyman as his wife was an adult education teacher for City of York Council.

24. EXCLUSION OF PRESS AND PUBLIC

RESOLVED: That the press and public be excluded from the meeting during consideration of Annex C to agenda item 10 (Key Corporate Risk Monitor Quarter Two 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).

25. MINUTES

RESOLVED: That the minutes of the Audit and Governance Committee meeting held on 28 July 2010 be approved and signed by the Chair as a correct record.

26. PUBLIC PARTICIPATION

It was reported that there was one registration to speak under the council's Public Participation Scheme. A representative of Osbaldwick Parish Council spoke in respect of agenda item 6 – "Annual Governance Report" (minute 28 refers). He put a number of questions to the committee in respect of the Derwenthorpe development and agreed to forward these in writing following the meeting. It was agreed that officers would provide a written response to Osbaldwick Parish Council and that this would be copied to members of the Audit and Governance Committee.

27. AUDIT & GOVERNANCE COMMITTEE FORWARD PLAN TO JUNE 2011.

Members considered a report that presented the future plan of items expected to be presented to the Committee to June 2011.

It was noted that, with the agreement of the Chair, the item on the council's Fairness and Inclusion Strategy that was due to be considered at this meeting had been deferred until the meeting in December.

Members expressed their appreciation of the support that Pauline Stuchfield had given to the Committee.

RESOLVED: That the Committee's Forward Plan for the period up to June 2011 be noted.

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

28. ANNUAL GOVERNANCE REPORT.

Members considered a report that brought to their attention the Audit Commission's Annual Governance Report (Annex A to the report). Representatives from the Audit Commission went through the key issues.

Members were asked to agree the Council's response and to approve changes to the 2009/10 Financial Statements.

The Auditors stated that they were pleased to report that the issues that had previously been raised in respect of bank reconciliation had now been resolved but drew Members' attention to the following weaknesses in internal control:

- Senior accounting staff and finance managers have the ability to create and authorise their own journal entries on the general ledger. This raises the risk of financial misreporting through error if material journals were not independently checked.
- Back pay calculations are prepared manually and not independently checked.

Officers confirmed that these processes would be reviewed and action taken to address these issues.

It was noted that there were some areas for development in respect of capital accounting but that there had been an improvement since the previous year.

Consideration was given to the items identified as material misstatements in paragraphs 10 to 12 of the Annual Governance Report.

Members were concerned to note the statement that “the Council’s workforce is not fully representative of the community it serves, with comparatively few BME and disabled employees and only 19% of staff considering equality to be relevant to their job”. It was agreed that action needed to be taken to ensure that all staff were engaged with equalities issues.

The Committee expressed their thanks to Louise Branford-White for the work that she had carried out.

- RESOLVED: (i) That the Annual Governance Report be noted.
- (ii) That the 2009/10 Statement of Accounts be amended in respect of the items identified as material misstatements in paragraphs 10-12 of the Annual Governance Report.
- (iii) That, in respect of the item identified in paragraph 13 of the Annual Governance Report, the 2009/10 Statement of Accounts not be amended as, although Members agreed that this was error was undesirable, it did not have a material impact on the accounts.
- (iv) That, subject to the agreed amendments, the Statement of Accounts 2009/10 be approved.
- (v) That the letter of representation be approved and signed by the Chair.
- (vi) That the anticipated receipt of an unqualified Audit Opinion to both the Statement of Accounts 2009/10 and the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources be noted.

- REASONS: (i) To ensure the proper consideration of the opinion and conclusions of the External Auditor in respect of the annual audit of accounts and review of the council’s arrangements for ensuring value for money.
- (ii) To ensure compliance with International Auditing Standards and relevant legislative requirements.

- (iii) To ensure Members of the Audit and Governance Committee are aware of any matters arising from the annual audit of the Statement of Accounts.

29. AUDIT COMMISSION VALUE FOR MONEY PLAN 2010/11 AND CAA UPDATE.

Members considered a report that presented the Value for Money Plan 2010/11 and associated fee structure of the council's external auditor, the Audit Commission.

RESOLVED: (i) That the matters set out in the Audit plan presented by the District Auditor be noted.

(ii) That the Plan be approved.

REASONS: (i) To ensure the effective deployment of scarce external audit resources to best effect.

(ii) To ensure that the external audit and inspection process contributes effectively to the council's system of internal control.

30. ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE.

[See also under Part B Minutes]

Members considered a report that sought their views on the draft annual report of the Audit and Governance Committee for the year ended 30 September 2010, prior to its submission to Full Council. The report also presented a draft assurance statement which the Committee had been requested to provide to the council's external auditors, the Audit Commission.

RESOLVED: (i) That the Annual Report of the Audit and Governance committee be approved and submitted to Full Council.

(ii) That the wording of the assurance statement to the external auditor from "those charged with governance" be approved and the statement be signed by the Chair on behalf of the Audit and Governance Committee.

REASON: To enable the Committee to fulfil its role in providing assurance about the adequacy of the council's internal control environment and arrangements for managing risk and for reporting on financial and other performance.

31. CHANGING EXECUTIVE ARRANGEMENTS.

Members considered a report that advised them of the results of the public consultation on changes to the council's executive arrangements. The

report sought a recommendation from the Audit and Governance Committee to Council in respect of the new arrangements which the council must adopt.

Discussion took place regarding the options available to the Council and the transitional arrangements that could be put in place.

In response to questions, officers explained that the Executive had recommended that the “new style” leader and cabinet model be adopted. The Audit and Governance Committee were also being invited to put forward a recommendation to Council as the new arrangements would involve some constitutional changes.

Views were expressed by Members that it would not be appropriate for the Audit and Governance Committee to put forward a recommendation on this issue and that Members would have the opportunity to make their views known when the matter was considered by Full Council.

- RESOLVED: (i) That the report be noted.
- (ii) That a recommendation not be made to Council in respect of the changing Executive arrangements.

REASON: To inform the Audit and Governance Committee of the council’s obligations by law, as described within this report.

32. KEY CORPORATE RISK MONITOR TWO 2010/11.

Members considered a report that presented the current position of the risks associated with the Key Corporate Risks (KCRs) as at the end of August 2010.

Officers were asked why the Barbican had not been included in the Risk Monitor. They explained the process by which directorates identified which risks should be included and which would be managed within the directorate’s own arrangements.

Members reiterated the concerns that had been highlighted in agenda item 6 (minute 28 refers) that equalities issues were not being given a sufficiently high priority and were concerned at the demands placed on a very small team of officers.

Members requested that more detailed information on the Community Stadium be presented to the committee detailing the risks involved, including those that were not monetary related.

- RESOLVED: (i) That the risks set out at Annex B, confidential Annex C and paragraph 5 of the report be noted.
- (ii) That, at the next meeting, the Committee receive information on the following issues:
- Fairness and Inclusion

- Community Stadium

(iii) That the Barbican be added to the risk monitor.

REASON: To provide assurance that risks to the council are continuously reviewed and updated.

33. SCRUTINY OF TREASURY MANAGEMENT MONITOR 1 AND PRUDENTIAL INDICATORS 2010/11.

Members received a report detailing information that enabled them to scrutinise “Treasury Management Monitor 1 and Prudential Indicators 10/11” 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.

Prior to the meeting, Members had attended a training session on treasury management and they agreed that it would be useful for a follow-up session to be held.

RESOLVED: (i) That the Treasury Management Monitor 1 and Prudential Indicators 10/11 be noted.

(ii) That a further training session on treasury management (to include issues such as investment policy and credit criteria) be held at 4.00 pm on 6 December 2010.

REASON: To ensure 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.

34. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) UPDATE.

Members considered a report that updated them on the progress being made in implementing the statutory required changes in financial reporting from UK General Accepted Accounting Practice (GAAP) to International Financial Reporting Standards (IFRS).

Members expressed their appreciation of the work that officers were carrying out to implement the required changes.

RESOLVED: That the progress contained in the report and the continuing work being undertaken for a smooth transition to IFRS be noted.

REASON: To ensure 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.

35. FOLLOW UP OF INTERNAL AUDIT AGREED ACTIONS.

Members considered a report that set out the progress made by departments in implementing those actions agreed with internal audit which were due to have been implemented by 1 August 2010. It also included a summary of follow up of external audit recommendations.

Officers responded to Members' queries in respect of those actions that had necessitated revised implementation dates.

RESOLVED: That the progress made in implementing internal audit agreed actions (detailed in paragraphs 4-8 of the report) and external audit recommendations (paragraphs 9-11 of the report) be noted.

REASON: To enable Members to fulfil their role in providing independent assurance on the council's control environment.

36. AUDIT, COUNTER FRAUD AND INFORMATION GOVERNANCE MID-TERM MONITOR.

Members considered a report that provided an update on progress made in delivering the internal audit workplan for 2010/11 and on current counter fraud and information governance activity.

RESOLVED: (i) That the results of the audit and fraud work undertaken to date in 2010/11 be noted.

(ii) That the variations to the 2010/11 audit plan, approved to date by the internal audit client manager (Annex 2 of the report) be noted.

REASONS: (i) To enable Members to consider the implications of audit and fraud findings.

(ii) To enable Members to consider the delivery of the internal audit plan.

37. 2010/11 NATIONAL FRAUD INITIATIVE.

Members considered a report that informed them of the preparations which were being made to enable the council to participate in the 2010/11 National Fraud Initiative (NFI) exercise.

Officers gave details of the improvements that had been introduced in respect of data matching and data sets and which had enabled improvements in the detection of fraud.

RESOLVED: That the work currently underway to enable the council to participate in the National Fraud Initiative (NFI) be noted.

REASON: To enable Members to assess the progress which has been made to prepare for the next NFI exercise.

PART B - MATTERS REFERRED TO COUNCIL

38. ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE

[See also under Part A Minutes]

Members considered a report that sought their views on the draft annual report of the Audit and Governance Committee for the year ended 30 September 2010, prior to its submission to Full Council. The report also presented a draft assurance statement which the Committee had been requested to provide to the council's external auditors, the Audit Commission.

RECOMMENDED: That Council receive the Annual Report of the Audit and Governance Committee.

REASON: To enable the Committee to fulfil its role in providing assurance about the adequacy of the council's internal control environment and arrangements for managing risk and for reporting on financial and other performance.

Cllr B Watson, Chair
[The meeting started at 5.10 pm and finished at 7.25 pm].



Audit and Governance Committee

6 December 2010

Report of the Assistant Director of CBSS (Financial Services)

Audit & Governance Committee Forward Plan to July 2011

Summary

1. This paper presents the future plan of reports expected to be presented to the Committee to July 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 meetings to July 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.

Amendment to the Forward Plan

3. An amendment has been made to the Forward Plan received by the Committee in September. Members were due to receive a Data Quality Progress report at this meeting, however this has been removed from the agenda with the agreement of the Chair. In previous years the Audit Commission has completed an annual review of data quality as part of the Use Of Resources assessment for CPA and later CAA. However, due to the abolition of CAA earlier this year, no formal report received. This is in accordance with the update that Members received in July from the Audit Commission regarding the changes made by the new Government.

Consultation

4. 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

5. Not relevant for the purpose of the report.

Analysis

6. Not relevant for the purpose of the report.

Corporate Priorities

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

Implications

- 8.
- (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

9. 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

- 10.
- (a) The Committee's Forward Plan for the period up to July 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 and note the amendment as outlined at paragraph 3.

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

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Chief Officer Responsible for the report:

Keith Best
Assistant Director of CBSS (Financial Services)
Telephone: 01904 551745

Report Approved



Date 28.10.10

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 July 2011

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Audit & Governance Committee Draft Forward Plan to July 2011

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

- **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)

- **Committee 4 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)

- **Committee June 2011**

Annual Internal Audit Report 2010/11

Annual Governance Statement 2010/11

Draft Statement of Accounts 2010/11

Audit Commission reports as per agreed Audit Plan

- **Committee July 2011**

Risk Management Quarterly Monitoring Report

IFRS Update

Audit Commission national reports (if any)

Audit Commission reports as per agreed Audit & Inspection plan



Audit and Governance Committee

6 December 2010

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

Annual Audit Letter 2009/10 - Audit Commission

Summary

1. This paper introduces the Annual Audit Letter 2009/10 (see annex A) prepared by the Audit Commission together with the council's response.

Background

2. The District Auditor reports annually his independent opinion of the council's arrangements based on an annual programme of work agreed by officers and members. This programme of work must meet the standards set out in the Code of Audit Practice and gives an opinion on the corporate governance arrangements at the council focused across 2 main areas:
 - the opinion given on the council's annual Statement of Accounts (including the Annual Governance Statement);
 - assessment of arrangements to achieve value for money in the use of resources
3. The Letter also provides details of the 2009/10 audit fee and a commentary from the Audit Commission on the current and future challenges facing the Council.

The council's response

4. The key messages contained in the Annual Audit Letter (AAL) which relate to the Financial Statements, were presented in detail to the Audit and Governance Committee on 29th September 2010 as part of the Annual Governance Report. The AAL notes the continued improvements in the quality of both the financial statements and supporting working papers, and states that work to implement new international financial reporting standards (IFRS) is progressing as planned. In terms of the issues identified through the audit relating to the Fixed Asset Register, this will become a primary focus of improvement in 2010/11, together with the implementation of the significant changes required under IFRS.

5. The AAL confirms that The Council has satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources (VFM). The Council's performance was assessed against criteria specified by the Audit Commission and arrangements were assessed adequate against each of the criteria. Paragraphs 21 to 25 of the AAL outline the strengths and improvements identified by the Audit Commission . Specifically the Audit Commission has identified sustained strength in:

- Risk management;
- A strong anti-fraud culture;
- Delivering services that represent good value for money

Improvements were also noted in:

- Medium Term Financial Planning;
- The strategic efficiency programme delivering all key year 1 targets in 2009/10;
- Progress in implementing data quality policies;
- Arrangements for performance management, specifically around benchmarking and target setting resulting from comparison with others;
- Effective procedures in place for procurement and asset management, and the Veritau shared service arrangement receiving national recognition

The Letter does draw attention to some inconsistencies in terms of workforce planning and management, and these issues will be addressed as part of the development of the centralised HR function.

6. In assessing the current and future challenges facing the Council, the AAL notes the financial pressures facing the public sector generally, and highlights the potential level of savings of £50m which could be required over the medium term. The report reflects that the Council's Transformation Programme (More for York) has already been developed as strategic approach to delivering the financial strategy.

Consultation

7. Not relevant for the purpose of the report.

Options

8. Not relevant for the purpose of the report.

Analysis

9. Not relevant for the purpose of the report.

Corporate Priorities

9. This report contributes to the overall effectiveness of the council's governance and assurance arrangements.

Implications

10. There are no financial, HR, equalities, legal, crime and disorder, IT or property implications arising from this report.

Risk Management

11. By not responding effectively to the matters contained in this report, the council will fail to properly comply with legislative and best practice requirements.

Recommendations

12. Members are asked to:
 - a) note the contents of this report and the Annual Letter itself, attached as the annex to this report;

Reason

To comply with the statutory requirements for the external audit of the council .

Contact Details

Author:

Keith Best
Assistant Director (Financial Services)
Telephone: 01904 551745

Chief Officer Responsible for the report:

Ian Floyd
Director of Resources
Telephone: 01904 551100

Report Approved

Date

Specialist Implications Officers

Not applicable

Wards Affected:

All

For further information please contact the author of the report

Background Papers:

Annual Governance Report – Audit and Governance Committee 29th September 2010

Annex

Annual Audit & Inspection Letter 2009/10

Annual Audit Letter

City of York Council

Audit 2009/10

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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Key messages

This report summarises my findings from the 2009/10 audit. My audit comprises two elements:

- **the audit of your financial statements (pages 7 to 8); and**
- **my assessment of your arrangements to achieve value for money in your use of resources (pages 9 to 10).**

Financial statements

1 The Council has faced complex changes to local government accounting requirements in 2009/10. Overall officers coped well, and the quality of the financial statements and working papers has improved since last year. Action is needed to improve fixed asset records as some significant amendments had to be made to the accounts originally approved by Members.

2 Work to implement new international financial reporting standards by the due date of 31 March 2011 is progressing as planned and Members have received regular progress reports on this issue.

Value for money

3 All of the relevant value for money criteria specified by the Audit Commission have been met. The Council has improved its financial planning and performance management processes this year, whilst at the same time continuing to deliver services that represent good value for money for the public.

Audit fees

4 2009/10 audit fees are set out in Appendix 1. There have been no changes to fees previously agreed with you.

Current and future challenges

5 The scale of financial pressures facing public bodies in the current economic climate is unprecedented in recent years. The Council is reformulating its spending plans in the light of recent Government announcements, and estimates that budget savings of up to £50m could be required between now and 2014/15.

6 A comprehensive strategic efficiency programme, 'More for York' has been developed to identify potential savings, and is well under way. Given the scale of the savings required, it seems unlikely that these can be made without changes to front line services and established models of service provision.

7 At the same time, the absence of a nationally determined framework for comparative information and assessment will put the onus on the Council's own performance management processes to:

- implement improvements; and
- maintain the quality of public services.

8 Against this background, demands placed on management will be significant and capacity inevitably stretched. Members will need to:

- provide strong and focussed leadership;
- make difficult decisions;
- ensure that deliverable forward plans are in place; and
- develop robust monitoring procedures to ensure that these are delivered.

Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.

I gave an unqualified opinion on the Council's 2009/10 financial statements on 30 September 2010, in line with statutory requirements.

Overall conclusion from the audit

9 The Council was faced with complex changes to local government accounting requirements in 2009/10. The areas most affected were fixed asset and agency accounting, and new disclosures for senior officer remuneration. Overall officers coped well with the new requirements, and I gave an unqualified audit opinion and certificate by the due date of 30 September 2010.

10 The quality of the financial statements and working papers had generally improved since last year. However, action is required to improve fixed asset records as some significant amendments had to be made to the accounts originally approved by Members.

Errors in the financial statements

11 The following issues were identified during the course of our audit work, and officers agreed to make the necessary amendments to the accounts:

- Capital expenditure on voluntary aided schools had been included in fixed assets but should have been treated as 'revenue expenditure funded by capital under statute' because such schools are not within the Council's control.
- The value of the Energise centre had been double counted in fixed asset balances.
- Depreciation and impairment charges had been incorrectly treated in the fixed asset register.
- The draft accounts included equal and opposite entries in the balance sheet relating to voluntary additional debt repayments in 1999/2000. These balances were written out of the accounts to reflect current accounting practice.

12 Officers also agreed to make a number of presentational and disclosure changes to the accounts.

Significant weaknesses in internal control

13 In my July 2010 audit progress report I highlighted that bank reconciliations had not been carried out on a regular basis during the year. I am pleased to report that this issue has now been resolved, with a full bank reconciliation prepared at 31 March 2010.

Tackling fraud and corruption

14 The Council takes a proactive stance to tackling fraud and corruption. During 2009/10 it participated in the Audit Commission's National Fraud Initiative, and the 'Red Card' anti-fraud campaign attracted national recognition. 327 instances of proven benefit fraud were identified during the year (total value £340,000) with appropriate recovery or prosecution action taken in each case.

Preparations for IFRS

15 A major challenge for all local authorities is the move to International Financial Reporting Standards (IFRS). Changes to the accounting treatment for PFI schemes and agency arrangements have already been implemented. Issues to be addressed in 2010/11 relate to:

- leasing;
- employee benefits; and
- valuations and disclosures in respect of property, plant and equipment.

16 At City of York Council work in respect of all these areas is well in hand and Members have received regular progress reports. The next key stage for officers is to restate the 2009/10 opening balance sheet position and devise a skeleton set of 2010/11 accounts. We intend to review these early in 2011.

Value for money

I considered whether the Council is managing and using its money, time and people to deliver value for money.

I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

2009/10 use of resources assessments

17 At the end of May 2010, the Audit Commission wrote to all chief executives to inform them that following the government's announcement, work on CAA would cease with immediate effect and the Commission would no longer issue scores for its use of resources assessments.

18 However, I am still required by the Code of Audit Practice to issue a value for money conclusion. I have therefore used the results of the work completed on the use of resources assessment up to the end of May to inform my 2009/10 conclusion.

VFM conclusion

19 I assessed the Council's arrangements for achieving economy, efficiency and effectiveness in its use of money, time and people against criteria specified by the Audit Commission. The Audit Commission specifies each year, which Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body.

20 On 30 September 2010 I issued an unqualified conclusion, confirming that the Council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources. A summary of my findings is set out below.

Criteria	Adequate arrangements?
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial Reporting	Yes
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
Managing resources	
Strategic asset management	Yes
Workforce	Yes

21 The Council has maintained the strengths we identified last year in relation to:

- risk management;
- displaying a strong anti-fraud culture; and
- delivering services that represent good value for money for the public.

22 We have also noted a number of improvements. In particular:

- Medium term financial planning has been improved through a combination of detailed risk assessment, analysis of demographic trends, financial modelling, and extensive consultation
- To tackle its medium term funding gap the Council has developed "More for York", an ambitious, 3 year strategic efficiency programme which delivered all key year 1 targets in 2009-10;
- The Council has made significant progress in implementing data quality policies, and in developing comprehensive performance reports in a format that focuses on priorities and supports decision making at strategic and operational levels by integrating financial and performance information;
- There have also been noticeable improvements this year in respect of performance management arrangements – piloting Challenge and Innovation Panels, more use of benchmarking and more challenging target setting as a result of comparison with others.

23 Good procedures are in place for procurement and asset management, and the Veritau shared service arrangement has received national recognition. Plans are in place to explore more innovative delivery models as part of the More for York programme.

24 Workforce planning and management have traditionally been managed on a departmental basis and were assessed against value for money criteria for the first time in 2009-10. The Council can demonstrate very effective arrangements in some departments, but a more corporate approach is needed to bring all service areas up to the standard of the best.

25 Our work also highlighted that the Council's workforce is not fully representative of the community it services, with comparatively few BME and disabled employees and only 19 per cent of staff considering equality to be relevant to their job.

Approach to local value for money work from 2010/11

26 Given the scale of pressures facing public bodies in the current economic climate, the Audit Commission has been reviewing its work programme for 2010/11 onwards. This review has included discussions with key stakeholders of possible options for a new approach to local value for money (VFM) audit work.

27 As a result, the Commission aims to introduce a new, more targeted and better value approach to our local VFM audit work. This will be based on a reduced number reporting criteria, concentrating on:

- securing financial resilience; and
- prioritising resources within tighter budgets.

28 I will determine a local programme of VFM audit work based on my audit risk assessment, informed by these criteria and my statutory responsibilities. I will no longer be required to provide an annual scored judgement relating to my local VFM audit work. Instead I will report the results of all my local VFM audit work and the key messages for the Council in my annual report to those charged with governance and in my annual audit letter.

Current and future challenges

Financial pressures

29 The scale of financial pressures facing public bodies in the current economic climate is unprecedented in recent years. These pressures represent a combination of:

- increased demand for benefits and council services;
- reductions in central government funding;
- an increased risk to cash collection from delays in payment or inability to pay; and
- reductions in income generated locally from fees and charges

30 City of York Council was amongst the first wave of local authorities to recognise that a strategic response was necessary. The 'More for York' programme was established in 2008 as a council wide initiative to generate £15m savings by 2012 without compromising the quality of front line services.

31 The Council has also improved its general ability to meet financial challenges. Strategic planning and budgetary control have improved, with balances set aside to cover unforeseen contingencies. Realistic treasury management strategies are in place, and 'More for York' projects are currently on track to deliver £6.95m savings in 2010/11 and a further £2.5-3m next year.

32 But financial pressures are increasing. At a local level the Council is coping with the combined effects of an ageing population and increasing numbers of looked after children. The Government's recent spending review has also indicated that:

- there will be on average a 7.1 per cent cut in local government revenue funding each year until at least 2014/15;
- capital funding will fall by up to 45 per cent in the same period; and
- interest rates on PWLB loans are expected to rise.

33 A radical overhaul of the welfare system has been announced, although it is not yet clear how this will impact local authorities in terms of benefits administration and subsidy.

34 Officers have estimated that recent financial announcements could require budget savings of up to £50m and the Council is reformulating its financial plans accordingly.

Improving performance

35 The Government has recently announced the abolition of:

- CAA and Use of Resources;
- National indicators; and
- Local area agreements and stretch targets.

36 Many welcome this as an opportunity for local government to set its own agenda and focus on locally determined priorities and objectives. The absence of a nationally determined framework for comparative information and assessment however raises important questions about how local councils will continue to identify and implement improvements in the future.

37 The Council improved performance management arrangements in 2009/10. It needs to continue this impetus to meet the changing circumstances. This is likely to have a particular impact on the role of Members, especially those charged with governance and scrutiny roles.

Future developments

38 The Council is focussed on delivering 'More for York' as a comprehensive, strategic approach to improving services and reducing costs. The following are examples of the detailed work streams included in the project, which will be reviewed by us as part of audit work next year:

- a move to new office accommodation;
- creating a 'commercial hub' to help develop more strategic change through procurement; and
- the joint waste project in partnership with North Yorkshire County Council.

39 The cultural change engendered through 'More for York' will become even more important in the future, with a 'Council wide' approach to identifying and delivering savings; and redeploying efficiency gains.

40 The Council has recognised the need to review performance management and monitoring processes in the absence of a nationally determined framework for comparative information and assessment going forward. This is reflected in the corporate risk register and the structure of the recently established 'Office of the Chief Executive'.

Closing remarks

41 I discussed and agreed this letter with the Director for Customer and Business Support Services, and presented it to the Audit and Governance Committee on 6 December 2010. A copy has been provided for all Members.

42 Full detailed findings, conclusions and recommendations in the areas covered by our audit were included in the reports I issued to the Committee during the year, as set out below. Members have also received a number of verbal reports on emerging issues.

Report	Date issued
2009-10 Opinion Audit Plan Summary report on grant claims work	February 2010
2009-10 External Audit Progress Report	July 2010
Annual governance report Auditor's report giving an opinion on the financial statements External audit opinion on Whole of Government Accounts Return	September 2010

The Council has taken a positive and helpful approach to our audit, and I wish to thank City of York Council staff for their support and cooperation during the course of our work.

Steve Nicklin
District Auditor

November 2010

Appendix 1 – Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	£153,480	£153,480	0
Value for money	£94,920	£94,920	0
Total audit fees	£248,400	£248,400	0
Certification of claims and returns	£43,520	£43,520	0
Total	£291,920	£291,920	0

Appendix 2 – Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
- whether they have been prepared properly, following the relevant accounting rules; and
- for local probation boards and trusts, on the regularity of their spending and income.

Financial statements

The annual accounts and accompanying notes.

Qualified

The auditor has some reservations or concerns.

Unqualified

The auditor does not have any reservations.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of money, people and time.

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Audit & Governance Committee**6 December 2010**

Report of the Assistant Director CBSS (Head of Financial Services)

Key Risk Update – Fairness & Inclusion and York Community Stadium**Summary**

1. The purpose of this paper is to provide further information as requested by Audit & Governance Committee (A&G) at the meeting of 28 July 2010 in relation to Fairness & Inclusion and 29 September 2010 in relation to the York Community Stadium.

Background

2. A&G regularly request more detailed reports on specific areas of risk as part of the committee's governance remit. At the meeting of 28 July 2010 a detailed report on the embedding of the Fairness & Inclusion strategy was requested. A further detailed report in relation to the York Community Stadium was also requested by A&G members at their meeting on 29 September 2010. These papers have been brought specifically in respect of these requests.

Risks Associated Fairness & Inclusion

3. Fairness & Inclusion is one of the key corporate risks reported in the corporate risk monitor on a quarterly basis. A more detailed report in relation to this risk is attached at Annex A of this paper and officers from the Equality & Inclusion team will present the paper and answer any questions in relation to risks associated with it.

Risks Associated with Community Stadium

4. The Community Stadium forms one of the key risks contained within the council's corporate risk register in relation to the Capital Programme. A more detailed report in relation to this risk is attached at Annex B of this paper and officers from the team working on this project will present the paper and answer any questions in relation to the risks associated with it.

Options

5. Not applicable.

Corporate Strategy

6. 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 directly associated with this report other than those set out in Annex A
- (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 directly associated with this report other than those set out in Annex B

Risk Management

7. 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

8. Audit & Governance Committee are asked to:
 - a) consider and comment on the risks in relation to Fairness & Inclusion set out at Annex A of this report;

Reason

To provide assurance that risks to the council are continuously reviewed and managed

- b) consider and comment on the risks in relation to the Community Stadium set out at Annex B of this report.

Reason

To provide assurance that risks to the council are continuously reviewed and managed.

Contact Details

Author:

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Head of Financial Procedures
Phone No. 01904 552261

Chief Officer Responsible for the report:

Keith Best
Assistant Director CBSS
(Head of Financial Services)

Report Approved

Date 26 November 2010

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

All

For further information please contact the author of the report

Background Papers

Risk Monitor 1 July 2010
Risk Monitor 2 September 2010

Annexes

Annex A – Detailed Fairness & Inclusion Risks

Annex B – Detailed risks associated with York Community Stadium

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Agenda Item

Audit and Governance Committee

6 December 2010

Report of the Director of Communities and Neighbourhoods

Fairness and Inclusion Update

Summary

1. The purpose of the report is to update the Committee about fairness and inclusion matters in the council.
2. It focuses on actions arising from the corporate Fairness and Inclusion Strategy (FIS) and Single Equality Scheme (SES) 2009-12.
3. The report is for information.

Background

4. After a two-year period of consultation and development, FIS and SES were approved by the Executive in December 2009. As asked by the Executive, an Easy Read version was produced and circulated within and outside the council. This can be found in Appendix 1.
5. The FIS and SES have 6 areas of action which are:
 - Know the community
 - Leadership, partnership and commitment
 - Engage with people from the equality strands
 - Provide responsive services
 - Have a modern, diverse workforce
 - Take action in each directorate

Besides promoting fair and inclusive practice, these actions help the council to manage any risks associated with fairness and inclusion. Below are examples of action in each of these areas:

6. Know the community

- a) A corporate customer and staff equality profiling questionnaire that was developed with help from and approved by the Equality Advisory Group (ex Social Inclusion Working Group)
- b) Using the questionnaire to collect and analyse responses to a number of key surveys in terms of gender, disability, age, race, sexual orientation and religion and belief. The surveys included the Place Survey, the Budget Consultation 2010, the Status survey and the Staff Survey. The results have been used to shape strategic plans like the One City Plan and the Workforce Plan.
- c) Holding focus groups for Black & Minority Ethnic people and young people, to boost Place Survey and other survey samples from these groups
- d) Using quantitative and qualitative data, putting in place the first ever city wide customer profile for older people and children in poverty.

7. Leadership, partnership and commitment

- a) The development of One City Plan with LSP partners.
- b) Working with our partners to develop common approaches to equality and diversity policy and practice.
- c) Promoting equality and diversity in procurement, commissioning and grants
- d) Common standards for inclusive access to services across the council
- e) Promoting participation in civic and public life to people from the equality strands, starting with young people.

8. Engage with people from the equality strands

- a) Reviewing the Social Inclusion Working Group and renaming it the Equality Advisory Group (EAG), so as to clarify and sharpen EAG members' roles and responsibilities and EAG ways of working. The Group continues to advise the Executive on equality and diversity practice in the council. In the longer

term, it is hoped that closer links with Inclusive York will make it possible for the Group to support and advise key council partners as well as the Executive.

- b) Setting up and fostering the development of the Staff Equality Reference Group (SERG). SERG has produced a number of advisory reports (called “products”) that HR colleagues have used to complete relevant Equality Impact Assessments.

9. Provide responsive services

- a) A rolling programme of Equality Impact Assessments (EIAs) incorporating the annual budget and More for York blueprints.
- b) Reviewing customer service procedures (such as the York Contact Centre) to make sure that they are accessible to people from vulnerable and marginalised groups
- c) Reviewing the council internet site to make it more accessible
- d) A rolling programme of equality and diversity training for staff and an equality and human rights pre-Council seminar

10. Have a modern and diverse workforce

There are specific diversity objectives in the Workforce Plan 2010-12

11. Take action in each Directorate

Each directorate has produced a Single Equality Scheme. The schemes include action that each Directorate takes to contribute to FIS objectives.

Consultation

- 12. The corporate Equality Leadership Group (ELG) and the Directorate Equality Leads (DEL) network have been involved in writing this report.
- 13. The ELG is chaired by the Director for Communities and Neighbourhoods who is mandated by CMT to lead fairness and inclusion issues in the council. The ELG meets regularly to track progress with the FIS and SES.

14. The DEL is a group of senior officers who lead on and support fairness and inclusion activity in each directorate.

Corporate Priorities

15. The strategy contributes to all themes of the Corporate Strategy 2009-12, particularly the Inclusive City and Effective Organisation themes.

Implications

16. Financial – None arising from this report
17. Human Resources (HR) – None arising from this report
18. Equalities - The FIS and SES help councillors and officers to promote fairness and inclusion in everything we do
19. Legal – None arising from this report
20. Crime and Disorder – None arising from this report
21. Information Technology (IT) – None arising from this report
22. Property - None arising from this report
23. Other - None arising from this report

Risk Management

24. The strategy and single scheme as well as the actions identified in the body of the report help the council to manage the risk of not meeting council fairness and inclusion objectives as well as the requirements of equalities legislation.
25. The risks are recorded in the corporate risk register and reviewed regularly by ELG.

Recommendations

26. None. This report is for information

Annexes

Annex 1 – Corporate Fairness and Inclusion Strategy and Single Corporate Equality Scheme 2009/12 - Easy Read version

Contact Details

**Author: Evie Chandler
Corporate Equality and
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Tel: 551704**

**Chief Officer Responsible for the
report:
Sally Burns
Director of Communities and
Neighbourhoods**

**Report
Approved**

Date

Wards Affected:

All

For further information please contact the author of the report

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Corporate Fairness and Inclusion Strategy and Single Corporate Equality Scheme



CITY OF
YORK
COUNCIL



Word list

Audit Commission

An independent watchdog which checks on public services to make sure services are doing a good job.

Consultation

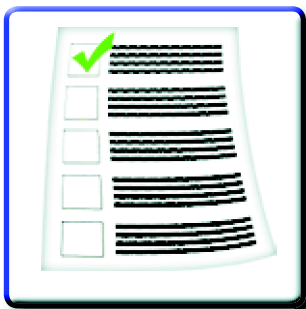
A way of finding out what people think.

Corporate Engagement Strategy

A big plan to help the council find out what people want and tell people about services.

Equality Framework for Local Government

Actions that all councils have to follow to make sure they meet equality law and best practice



Equality Impact Assessments

A way of checking how a service or policy might affect groups of people in the equality strands.

Equality Scheme

Actions to make sure no-one is excluded from council services and employment because of their gender, age, race, sexual orientation, disability or religion and belief.

Equality Strands

These are people grouped by their gender, age, race, sexual orientation, disability or religion and belief. We aim to make sure that people are not treated unfairly because of these things.

Fairness and Inclusion

Making sure that people are treated fairly and get the support they need to take part in the community.



Partners

The groups we work with in the private, public, community and voluntary sectors.

Sexual Orientation

Whether a person is gay, lesbian, straight or bisexual.

Strategy

This is a big plan - which usually lasts for several years.



What's in this booklet?

- About the council
- What are 'fairness and inclusion'?
- Why 'fairness and inclusion'?
- Who lives in York? What is life like in the city?
- Making the lives of people from the equality strands better, in York – main actions from July 2009-2012: (The Single Corporate Equality Scheme 2009-12)
- Who will make sure the strategy and scheme happen?
- How will we know the strategy is working?
- Tell us what you think



About the Council

The council is made up of many different services. Each of these must meet different needs, laws and ways of working.



The Fairness and Inclusion Strategy and the Single Corporate Equality Scheme 2009-12 will make the way we work more consistent **across the council**. They put disadvantaged people **first** when we plan and deliver our services.



What are 'fairness and inclusion'?

They are about **treating people in line with their needs** and making sure people do not get worse services and jobs because of their:

- Gender
- Disability
- Race
- Age
- Religion and belief
- Sexual orientation



Why fairness and inclusion?

Because it is important to:

- People who live in the city - because it makes their lives better
- Councillors and council staff working with partners in the private, public, community and voluntary sectors. They all have said that:



"We will do our best to make sure that all citizens, regardless of race, age, disability, sexual orientation, religion or belief or gender, feel included in the life of York. We will help improve prospects for all, tackle poverty and exclusion, and make services and facilities easy to access."



- To do as Equalities law asks. It protects people who may suffer discrimination because of their gender, disability, race, age, religion and beliefs or sexual orientation. These are the called the **equality strands**.

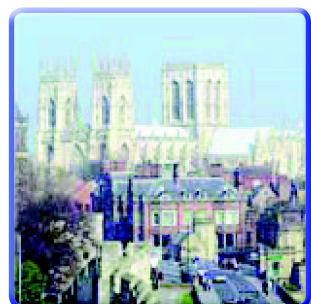


The law says the council must be **fair and inclusive** in services and jobs. It also says that the council must promote fairness and inclusion in the community it serves and the organisations it works with. It asks the council to set up action plans to show how it will meet equalities law.



- **The people who inspect us.** They work for the **Audit Commission** and check that the council is doing a good job. They expect us to do everything we can to meet the needs of groups of people in the equality strands so everyone has equality of opportunity when using our services or working with us.

They also expect the council to spend money wisely, where it will help as many people from the equality strands as possible, or groups of people from the equality strands that are particularly vulnerable.



Who lives in York? What is life like in the city?

To write this strategy, we first thought about who lives in York and what life is like in the city.

A mixture of people live in York.

If only 100 people lived in York in 2001:

- **91** would class themselves as White British and **9** as Black and Minority Ethnic
- **52** would be women, **48** would be men
- **41** would be over **45** years old; **23** would be under 19 years old
- About **5** would have different sexual orientations
- **17** would have no faith or belief; **76** would, with about **74** of them saying they were Christian
- **17** would have long-term illness



More about York

York's population is growing. There are more women, older people and Black and Minority Ethnic groups.



People from different religion and belief backgrounds, and the Lesbian, Gay, Bisexual and Trans communities are asserting their identities and needs more.

York is a 'well off' city with small areas where people are not so well off. In comparison to other people who live in York, they often face poor education, health and job prospects.

Difficulties people face in the city

Over two years, we asked groups of people from the equality strands to tell us about difficulties they face in the city. This is what they told us:

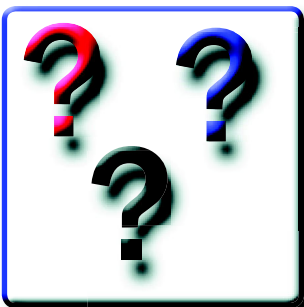


- Difficulty in **accessing information, services and jobs**
- Possibly unfair treatment in services and jobs
- **Feeling safe in the community**
- **Bullying and harassment** in services and jobs
- **Isolation.** There is a need for support networks and places for people to meet.



Bullying and harassment

The Council will think about what to do about these issues every time it plans and delivers what it does. Officers and councilors will also ask:



- Does what we are doing or planning to do lead to people from the equality strands being treated unfairly? What can we do about this?
- Does it make it harder for them to get services or jobs? What can we do about this?
- Does it make them feel safe, welcome and included in the council and in York? If so, can we do these things in other work we do?



www.york.gov.uk

This process of thinking and acting is called an **Equality Impact Assessment (EIA)**. We do many Equality Impact Assessments a year and the action we need to take is published on our web site every year.

Making the lives of people from the equality strands better in York



Below are the main actions that we have planned from July 2009 to July 2012. They will help us to make the lives of people from the equality strands better. These actions make up our **Single Corporate Equality Scheme**.

Theme 1 - Know the community

The lives of people in York are affected by their differences in terms of gender, age, disability, race, religion or belief and sexual orientation.

Knowing our community is about:



- collecting **information and feedback** to help understand differences within and between groups in York
- looking at issues that affect people's lives. These are things like access to services, health, education, community safety and access to jobs.
- making sure that we reach all parts of our community and listen to what different groups tell us about their lives.

Theme 2 - Leadership, partnership and commitment



Vision and commitment to fairness and inclusion are key to making people's lives better.

Our councillors are important in this. They know about different groups in the community.

Our managers and staff will work in partnership with these groups.

They will work with others to look at:



- how our money is spent.
- fairness and inclusion in how we buy goods and services and how we give grants.
- involving people from the equality strands in planning and delivering services and checking how good services are.

Theme 3 – Engaging with people from the equality strands



We need to recognise people's different needs, situations and goals. To do this we need to take away the barriers that limit what people can do and be.

Equality law says that the council must engage with people from protected groups - particularly vulnerable people.



[www.york.gov.uk/
council/community_
eng](http://www.york.gov.uk/council/community_eng)

Find out more in our **Corporate Engagement Strategy** please have a look at: [www.york.gov.uk/council/
community_eng](http://www.york.gov.uk/council/community_eng)

We will work with vulnerable groups through our **Social Inclusion Working Group** and our **Staff Equality Reference Group**. Both these groups have people from all six equality strands in them. They aim to include people in making our services better.



Theme 4 – Providing responsive services

All services must take into account the needs of people from the six equality strands.

We will look at how services and decisions by the council or partner organisations affect people from the equality strands. This is to make sure that we don't treat them unfairly.

This is called carrying out an **Equality Impact Assessment**.



www.york.gov.uk

Each year these will be put on the council's web site at: www.york.gov.uk.

Each assessment will lead to action plans. These will be part of our service plans.

Theme 5 – Having a diverse workforce

The make-up, skills, commitment and understanding of our workforce are important. They make a big difference to how we deliver fair and inclusive services.

This means we will set up a **Workforce Strategy**.

This will have clear equality aims. It will take into account our local labour market and barriers that people from the equality strands face in getting jobs.

We will also make sure that:

- we check the way we work to see how it affects equality
- our training deals with equality
- all staff are treated with respect in the workplace.





Theme 6 - Acting in each business area

The council has several business areas called “Directorates”.

Each of these will put in place their own **Fairness and Inclusion Action Plan** for 2009-12.

These will be called **Directorate Single Equality Schemes**.



Who will make sure the strategy and scheme happen?

Councillors who make up the council executive and very senior managers who make up the council management team will make sure they happen.

Our **Social Inclusion Working Group** and **Staff Equality Reference Group** will give them advice.

All councillors, staff and partners will help make sure that fairness and inclusion are at the heart of everything the council does.

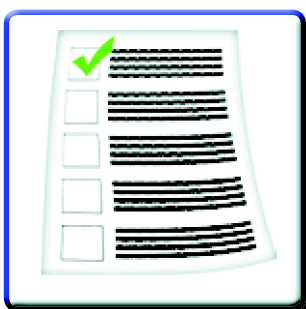


How will we know the strategy and scheme are working?

Every year we will check progress with our single corporate equality scheme and publish how we are doing on the internet.

We shall also check whether people from the equality strands get better results from what we do and we will tell everyone what we find.

To help us do this we shall use the **corporate fairness and inclusion scorecard**.



This has four parts:



- 1 Whether we have made progress in meeting the targets we have set locally using a list of **national performance indicators**.

They are about equality and inclusion across the city and the whole council, for example about increasing the numbers of people supported to live independent lives.



- 2 Whether we have made progress in meeting targets set locally, using a list of **local performance indicators** set by the council. These are things like how many women and Black and Minority Ethnic officers have senior jobs in the council.

- 3 The level of the Equality Framework for Local Government reached by **the council as a whole**.

- 4 Completing a programme of **Equality Impact Assessments** every year. Making sure that actions from past assessments are put in our service plans.

We will ask for feedback from the **Social Inclusion Working Group** and our **Staff Equality Reference Group** about how we are doing.



Tell us what you think

We wrote this strategy and scheme after we had involved and talked with lots of people and groups.

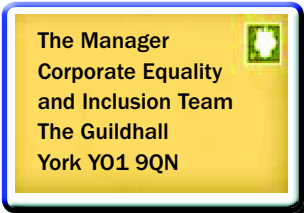
We will look at the strategy and scheme each year. This is because our city, the council and the environment are always changing.



equalities@york.gov.uk

Email your views to equalities@york.gov.uk

You can write to:



The Manager
Corporate Equality
and Inclusion Team
The Guildhall
York YO1 9QN

The Manager
Corporate Equality and Inclusion Team
The Guildhall
York YO1 9QN

This information can be provided in your own language.

我們也用您們的語言提供這個信息 (Cantonese)

Ta informacja może być dostarczona w twoim własnym języku. (Polish)

Bu bilgiyi kendi dilinizde almanız mümkündür. (Turkish)

 **01904 551550**



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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 2009. This updates council 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.

Communities & Neighbourhoods**Councillor's vision and expectations of a fair inclusive and customer-focused organisation will not be realised**

Risk Owner: Sally Burns

Risk Ref: 1796**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.*

Controls

Corporate Fairness and Inclusion Strategy and Single Equality Scheme
Directorate Single Equality Schemes
Equality Framework for Local Government self-assessment and peer assessment

Owner

Evie Chandler
Evie Chandler
Evie Chandler

Actions

Ensure staff & member training in equality and Human Rights takes place
Officers understand and follow the corporate equality system and standards
Implementation of directorate equality schemes and monitoring by Directorate Management Teams every quarter
Equality Impact Assessments are undertaken and resulting actions are implemented and monitored

Target Date**Revised Date**

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

Vulnerable people cannot access our services and employment opportunities

Risk Owner: Pauline Stuchfield

Risk Ref: 1797**High****20**

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

Consequence Vulnerable customers are excluded from council services and employment opportunities we provide. We can face legal challenges.

Controls

CBSS directorate Single Equality Scheme

Owner

Pauline Stuchfield

Actions

Complete Equality Impact Assessments of access to services and employment and implement resulting action plans

Target Date

31/03/2011

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

Risk Owner: Sally Burns

Risk Ref: 1798**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.

Controls

Directorate Single Equality Schemes

Owner

Evie Chandler

Actions

Complete and implement service Equality Impact Assessments and monitor remedial actions

Target Date

31/03/2011

Revised Date**Vulnerable staff are bullied, harassed and feel excluded**

Risk Owner: Sally Burns

Risk Ref: 1799**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.

Controls

Workforce Plan

Owner

Pauline Stuchfield

Actions

Implementation of Workforce Plan

Target Date

31/03/2011

Revised Date

Monitoring through service planning and PDRs

31/03/2011

Equalities Impact Assessments undertaken for all Human Resources practices

31/03/2011

Consultation with Staff Equalities Reference Group (SERG)

31/03/2011

**Agenda Item****Audit & Governance Committee****6 December 2010**

Report of the Director of City Strategy

Community Stadium**Summary**

1. The purpose of this paper is to present to Audit & Governance Committee (A&G) the Risk Register for the Community Stadium Project as requested by A&G 29 September 2010.

Background

2. In July 2010 the Executive identified Monks Cross South as the preferred site for the community stadium and approved the business case which supported the outline proposals. The report demonstrated that the community stadium development was deliverable only with the support of a major commercial development. The business case set out an option for a cost effective and commercially sustainable facility that met the project's agreed community objectives.
3. Executive agreed that:
 - The preferred site for the project should be Monks Cross South.
 - The replacement athletics facilities should be developed at the Heslington East Campus as part of the York Sports Village, subject to agreement of terms with York University.
 - A procurement plan should be developed and reported back to the Executive.
4. In July 2010 Full Council allocated the use of the LABGI funds to provide £198K to take the project to the pre-procurement stage.
5. The Vangarde site has been identified as the site which could deliver the commercial development that would 'enable' the community stadium project. The site is directly adjacent to Huntington Stadium and the Monks Cross Park and Ride site (both in CYC ownership). Discussions have been initiated and are ongoing with the owner and prospective developer of the Vangarde site (Oakgate), regarding a potential retail scheme which would include a new stadium with associated community and commercial uses.
6. The scheme is to be progressed by the developers. They intend to submit a planning application for a single comprehensive

redevelopment of the site that will include the community stadium. This scheme is likely to be a departure from established planning policy, however will offer considerable economic, community and sporting benefits that will mitigate any planning harm. The extent and terms of these benefits will be controlled by a S106 agreement which is yet to be negotiated. Once the Heads of Terms have been agreed, the scheme will be passed to the Local Planning Authority for consideration and then formal determination.

7. Discussions have been initiated with the University regarding the provision of the replacement athletics facility. The University's initial formal response includes draft Heads of Terms which is now being considered and discussed further.
8. A schedule of potential community benefits that are suitable and deliverable for the preferred site is also being developed. Detailed discussions have been initiated with relevant stakeholders regarding the scheme. The final range of components that make up the 'community package' will be dependent on many factors; particularly the amount of S106 funding, the specifics of the planning case, and the needs / demands of the relevant community stakeholders.

Project approach to risk

9. The Community Stadium Project is managed within a project management framework adopting the key principles of the well-established PRINCE 2 project management methodology.
10. The main features of the methodology include a modular planning approach. The project is divided into manageable and controllable work streams, the responsibility and ownership of each is attributed to a named officer.
11. There is a clearly defined organisational structure. This was recently revised and agreed at Executive on 19 October 2010 and Scrutiny Management Committee (calling-in) confirmed the decision of the Executive on 8 November 2010. Approval has been given to establish a Community Stadium Advisory Group with a political balance of 2:2:1 and that partner organisations be invited to attend. The Group will report key findings to the Executive, who will continue to be responsible for decision making. The purpose of the Group is to enable the business of the project to be considered more regularly. Meeting agendas and minutes will be published online, putting the Community Stadium's business in the public domain, securing clear and transparent audit trails.
12. Risks are reported on, captured and updated at the fortnightly held Community Stadium Project Officer Meeting. They are also fed and integrated into the Project Plan Matrix in conjunction with identified required actions and updates for action owners.

13. A half day risk workshop was held in early November and facilitated by the council's Risk Management Officer. This ensured that all key risks had been adequately and accurately identified and recorded as well as assigning specific council officer ownership. It is anticipated that another risk management workshop will be held as the project moves to the next stage.
14. The project risk register is maintained on Magique, the council's corporate risk reporting system. This provides full reporting and traceability of the projects risks.

Key Project Risks

15. The key risks identified at this stage of project the relate to major processes needed to successfully deliver the community stadium development in conjunction with the enabling development. These risks are summarised below:

- **Financial**

- Commercial scheme does not progress.
- Potential capital funding gap.
- Stadium revenue funding.
- Costs of running the project can not be sustained.
- Impact VAT may have on capital / revenue model and council's VAT Partial Exemption Limit.
- Ability to meet FSIF's grant funding requirements.

- **Property**

- Scope for potential community and commercial uses within the stadium in relation to the title.
- Specifics of the current lease arrangements for Huntington Stadium and Waterworld.

- **Planning**

- The scheme is led by a commercial developer, thus the council do not have direct control over its delivery.
- Making the planning policy case for the major development.
- Potential for call-in and legal challenge of planning decision.
- Legality of the enabling case.
- Impact scheduled ancient monument may have on the scheme

- **Procurement**

- Challenge to the selected final bidder/procurement process.
- Potentially having to re-start procurement process.
- Potential increased timescales.

16. The main controls to mitigate these risks are as follows:
- Specialist Planning and Legal Advice
 - Planning Strategy
 - Retail and Transport Impact Assessments
 - Open Book Appraisal for valuation process
 - Procurement Strategy
 - Cost and Funding Models
 - Robust project management protocols
17. The risks and controls are explored in more detail in the project risk register which is attached as Annex A.

Recommendation

18. Audit and Governance committee members note the approach to risk management and the specific risks and mitigation measures in respect to this project.

Contact Details

Authors:

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Project Manager
Phone 01904 551421

Sarah Milton
Assistant Project Manager
Phone 01904 551460

Chief Officer Responsible for the report:

Bill Woolley
Director of City Strategy

Report Approved Date

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

All

For further information please contact the author of the report

Annexes

Annex B (1) Community Stadium Risk Register

KCR 0016 Capital Programme

Corporate Lead Bill Woolley & Pete Dwyer

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

Community Stadium

Costs of running project cannot be sustained.

Risk Owner: Tim Atkins

Risk Ref: 1840

High

18

Cause *Insufficient funds to effectively resource project.*

Consequence *Key risks are not effectively managed. Quality of feasibility and development work insufficient.*

Controls

Resource plan with commitment of necessary funds.
Review and management of resource plan on rolling basis.

Owner

Tim Atkins
Tim Atkins

Commercial Development does not progress

Risk Owner: Tim Atkins

Risk Ref: 1844

High

18

Cause *The developer has problems raising funds.*

Consequence *No enabling funds available resulting in a shortfall of capital. Scheme delayed and / or alternative developer required.*

Controls

Financial protocols

Owner

Tim Atkins

Actions

Due diligence

Target Date

28/02/2011

Revised Date

Soft market test another developer-partner

30/04/2011

Making the planning policy case for the major development.

Risk Owner: Tim Atkins

Risk Ref: 1849**High****18**

Cause Retail and / or transport impact assessments do not support the case for development. The community benefits of the overall proposal do not outweigh the harm of the enabling development.

Consequence This could result in the stadium project not going forward or cause a delay while an alternative enabling proposal is worked up.

Controls

Planning Strategy.
Specialist Planning Advice.
Benefits of Stadium Development identified.

Owner

Tim Atkins
Tim Atkins
Tim Atkins

Actions

Schedule of pre-application meetings between developer and LPA.
Alternative options for site development.

Target Date**Revised Date**

30/12/2010
28/02/2011

Call-in / legal challenge results in refusal of planning permission.

Risk Owner: Glen McClusker

Risk Ref: 1851**High****18**

Cause A third party may wish to challenge the decision made and / or the SOS may call-in the application and decision making power from the LPA.

Consequence Planning permission maybe refused or legal challenge may be successful.

Controls

Statutory advice on agreements.
Open book appraisal.
Retail Impact Assessment.
Transport Impact Assessment.
Specialist legal advice.

Owner

Glen McClusker
Glen McClusker
Glen McClusker
Glen McClusker
Glen McClusker

Actions

Reduce specification options.
Contingency: Alternative Development Plan.

Target Date**Revised Date**

28/02/2011
28/02/2011

Highways Agency objection.

Risk Owner: Richard Bogg

Risk Ref: 1855**High****18**

Cause HA consider impact on the Hopgrove roundabout and ring road to be significant.

Consequence HA could make direction for refusal.

Controls

Transport Impact Assessment.
Mitigation options as part of S106.

Owner

Richard Bogg
Richard Bogg

Actions

Develop options for mitigation in line with views of HA and outcome of HIA.
Initiate discussions with HA.
Option to challenge HA decision.

Target Date**Revised Date**

31/01/2011
31/03/2011
30/04/2011

Capital Funding

Risk Owner: Tim Atkins

Risk Ref: 1759**Medium****14**Cause *Insufficient funds to effectively fund capital for project.*Consequence *Fail to meet vision for community benefit.***Controls**

Planning Strategy
 CYC capital programme
 Other external funding sources

Owner

Tim Atkins
 Tim Atkins
 Tim Atkins

Actions

Undertake S106 discussions to assess available capital-finalise development appraisals.
 Assess alternative commercial components.
 Develop prioritised specification for cost - quality reduction.

Target Date**Revised Date**

31/01/2011
 28/02/2011
 28/02/2011

Council's ability to continue to provide funding for project

Risk Owner: Tim Atkins

Risk Ref: 1843**Medium****14**Cause *Financial pressure on council or change in policy.*Consequence *The project does not progress or the number of community benefits and specification / quality of the stadium is reduced. This will affect its commercial viability.***Controls**

Other identified funding streams
 Consider reduced specification scheme

Owner

Tim Atkins
 Tim Atkins

Actions

Develop fall-back option and investigate alternative funding streams
 To ensure achieve best value through S106, design and operating structures
 Ensure on-going communication with funding bodies and stakeholders

Target Date**Revised Date**

28/02/2011
 31/03/2011
 30/06/2011

Commercial funds not sufficient to meet CYC vision.

Risk Owner: Tim Atkins

Risk Ref: 1845**Medium****14**Cause *Developer cannot offer sufficient enabling funds through S106 agreement.*Consequence *CYC cannot support the scheme as it fails to deliver community stadium vision.***Controls**

Planning Strategy
 Development Appraisal process

Owner

Tim Atkins
 Tim Atkins

Actions

Reduced specification options
 Contingency: identification of alternative schemes

Target Date**Revised Date**

28/02/2011
 28/02/2011

Scope for potential community and commercial uses within the stadium in relation to the title.

Risk Owner: Philip Callow

Risk Ref: 1846**Medium****14**Cause Limitations of the restricted covenant.Consequence This will have a knock-on impact to the commercial viability of the development or may result in the scheme not progressing.**Controls**Master Planning
Planning Strategy**Owner**Philip Callow
Philip Callow**Actions**Establish validity of the covenant
Establish options for removal of the covenant
Understand potential of case laws to override covenant
Potential to alter the development of the scheme
Determine validity of transfer document**Target Date****Revised Date**31/01/2011
31/01/2011
31/01/2011
28/02/2011
28/02/2011**Time delay / cost of Call-In or legal challenge.**

Risk Owner: Tim Atkins

Risk Ref: 1850**Medium****14**Cause A third party may wish to challenge the decision made and / or the SOS may call-in the application and decision making power from the LPA.Consequence The planning decision is called-in or subject to judicial review which could cause a time delay (6-12 mths in each case), increased costs and could impact York City Football Clubs position on FSIF loan.**Controls**Project Plan.
Resource Plan.
Planning Strategy.**Owner**Tim Atkins
Tim Atkins
Tim Atkins**Actions**Assess potential costs.
Develop contingencies in project plan.**Target Date****Revised Date**28/02/2011
31/03/2011**Planning submission is delayed.**

Risk Owner: Tim Atkins

Risk Ref: 1852**Medium****14**Cause Project slippage or deferral or delay of the planning decision.Consequence Scheme is delayed and critical path is pushed back. Potential to threaten other funding streams and partner confidence.**Controls**Planning strategy.
Resource and procurement strategies.
Communications strategy.
Review of project timetable and communication - discussions with developer and LPA.
Review of resource and procurement plan and strategy.
Update meetings with partners, stakeholders and other funding bodies.**Owner**Tim Atkins
Tim Atkins
Tim Atkins
Tim Atkins
Tim Atkins
Tim Atkins

Potential procurement routes and associated timescales.

Risk Owner: Tim Atkins

Risk Ref: 1760**Medium****13**

Cause The procurement route chosen can have an effect on the timescales / costs of the project.

Consequence Increased costs, impact on delivery and reputation.

Controls

Exploration of potential procurement frameworks and associated timescales.

Owner

Zara Carter

Actions

Review of available frameworks-contracts.

Target Date

28/02/2011

Revised Date

Group decision regarding which procurement route to take.

30/04/2011

Stadium Operational Revenue Funding

Risk Owner: Tim Atkins

Risk Ref: 1763**Medium****13**

Cause Stadium development is not commercially sustainable.

Consequence Could result in future CYC revenue pressure.

Controls

Inclusion of sufficient commercial activity to ensure positive revenue streams.

Owner

Tim Atkins

Actions

Development and ongoing management of robust business model.

Target Date

28/02/2011

Revised Date**Call-in / legal challenge results in refusal of planning permission.**

Risk Owner: Tim Atkins

Risk Ref: 1764**Medium****13**

Cause A third party may wish to challenge the decision made and / or the SOS may call-in the application and decision making power from the LPA.

Consequence Planning permission maybe refused or legal challenge may be successful.

Controls

Retail Impact Assessment.

Transport Impact Assessment.

Advice from Independent specialists.

Owner

Tim Atkins

Tim Atkins

Tim Atkins

Actions

Contingency: Alternative Development Plan.

Target Date

28/02/2011

Revised Date

Ability to meet FSIF's grant funding requirements

Risk Owner: Tim Atkins

Risk Ref: 1842**Medium****13**Cause FSIF 'call-in' loan or timescales exceed loan agreement.Consequence Capital available for project reduces by £2M.**Controls**

Procurement strategy
 Funding model
 Communications with FSIF
 Regular review of project timetable and communication - discussions with FSIF

Owner

Zara Carter
 Tim Atkins
 Tim Atkins
 Tim Atkins

Actions

Consider options for reduced specification
 Alternative funding options

Target Date**Revised Date**

28/02/2011
 31/03/2011

Athletics facility cannot be built at University.

Risk Owner: Charlie Croft

Risk Ref: 1847**Medium****13**Cause Unable to reach terms with University regarding new shared provision.Consequence Replacement athletics facility cannot be provided. Planning case for stadium redevelopment may be harder to make.**Controls**

Discussions with the University.
 University have outline planning permission for an athletics track.

Owner

Charlie Croft
 Charlie Croft

Actions

Contingency: Develop alternative options for other sites.
 Sign Heads of Terms with University.

Target Date**Revised Date**

28/02/2011
 28/02/2011

Financial impact of breaking the Nuffield lease.

Risk Owner: Philip Callow

Risk Ref: 1848**Medium****13**Cause Planning permission not achieved prior to lease expiring.Consequence Impact on the stadium development budget because of potential compensation.**Controls**

Planning Strategy.

Owner

Philip Callow

Actions

Explore other legal channels.
 Dialogue with Nuffield.
 Secure Planning Permission

Target Date**Revised Date**

28/02/2011
 31/05/2011
 30/11/2011 31/07/2011

Impact on Scheduled Ancient Monument.

Risk Owner: John Oxley

Risk Ref: 1853**Medium****13**Cause *Scheme backs on to Scheduled Ancient Monument.*Consequence *English Hertiage may object to scheme or requirements may increase complexity.***Controls**

Planning Strategy.

Discussions with English Heritage.

Owner

Tim Atkins

John Oxley

Actions

Environmental Impact Study.

Community Heritage Proposals.

Target Date

31/01/2011

Revised Date

30/04/2011

Challenge to the selected final bidder/procurement process.

Risk Owner: Zara Carter

Risk Ref: 1856**Medium****13**Cause *Unsuccessful bidders may challenge the chosen bidder decision.*Consequence *A court can stop proceedings, time impacts to project, might have to start process again, chosen bidder may want damages.***Controls**

Tender- Contract documentation with legal review and support throughout the process.

Audit trail.

Procurement lawyers.

Owner

Zara Carter

Zara Carter

Zara Carter

Actions

Ensure legal services are involved as early as possible.

Target Date

31/01/2011

Revised Date**Insufficient bidders.**

Risk Owner: Tim Atkins

Risk Ref: 1857**Medium****13**Cause *Due to economic climate there could be a lack of interest from bidders in this development.*Consequence *This could mean that there is a limited choice of bidders for achieving best value as well as potential impact on timescales and costs.***Controls**

Procurement strategy and commercially viable scheme.

Owner

Tim Atkins

Actions

Due diligence.

Commercially viable proposal.

Market testing.

Target Date

30/04/2011

30/04/2011

30/06/2011

Revised Date

Impact VAT may have on capital / revenue model and council's VAT Partial Exemption Limits.

Risk Owner: Ross Brown

Risk Ref: 1841**Medium****12**Cause VAT payable on capital spend.Consequence Council may exceed practical exemption limit.**Controls**Procurement Strategy.
Cost model.**Owner**Zara Carter
Ross Brown**Actions**Cost modelling.
Specialist VAT advice relating to procurement strategy.**Target Date**

30/04/2011

Revised Date

30/04/2011

Increased demand on Sustainable Transport Measure and Highways Agency Network.

Risk Owner: Richard Bogg

Risk Ref: 1854**Low****9**Cause Extent of the enabling development will impact on the volume and nature of transport strategies required to minimise the impact of such a development.Consequence Potential for cost of Sustainable Transport Measures to impact on S106 monies for the stadium development and associated community facilities.**Controls**Evidence of future demand.
Open book appraisal.
Negotiation with developer.
Transport Impact Assessment.
Retail Impact Assessment.
Halcrow assessment.**Owner**Richard Bogg
Richard Bogg
Richard Bogg
Richard Bogg
Richard Bogg
Richard Bogg**Actions**

Highways Agency Consultation.

Target Date

31/01/2011

Revised Date



Agenda Item

Audit & Governance Committee

6 December 2010

Report of the Assistant Director of Customer and Business Support Services
(Head of Financial Services)

Draft Revised Income Policy**Summary**

- 1 The purpose of this paper is to present to Audit & Governance Committee (A&G) for discussion and comment the draft revised Income Policy, for onward approval by Executive and Full Council.

Background

- 2 The council's current Income Policy was approved on 1 October 2008 and forms part of the Constitutions policy framework along with the Corporate Debt Policy that was approved in December 2009. The purpose of the Policy is to provide the guiding principles to be followed by the organisation in ensuring it uses consistent and best practice principles in generating and collecting income.
- 3 The current Policy has provided guidance to the council in relation to the key income principles over the past two years. However following the development of the Debt Policy there was an opportunity to align both policies to deliver a consistent and co-ordinated framework for generating and collecting income. To do this the original Income Policy required updating and reformatting into a clearer and more concise document complimenting the Debt Policy. Further to this the financial environment in which the council is now operating is very different to that of 2008 including the removal of cash payments following the introduction of allpay early in 2010 and the revised policy needed to reflect these changes.

The Policy

- 4 The purpose of the revised draft Income Policy (Annex A) is to provide a concise guidance document maintaining the key principles of the current policy but reflecting the increased payment channels available to customers and the changing financial environment in which the council is operating.
- 5 The revised policy is drafted with a formal index, clear subject headings and paragraph numbering providing concise and easy to use

guidance. The revised policy should help facilitate improved consistency across all officers involved in setting, raising and collecting fees and charges at City of York Council.

- 6 The overall principle aim of the policy is to ensure that the council's fees and charges are set within a value for money framework, whereby financial, performance, access and equality are considered fully and appropriately, and decisions taken represent a transparent and balanced approach

Consultation

- 7 The draft revised Income Policy has been issued to all finance managers for consultation purposes along with other key officers across the council. In addition to this a copy of the policy has also been circulated to our key Third Sector partners for consultation purposes including:

- Citizens advice bureau (CAB)
- North Yorkshire Credit Union
- Christians Against Poverty

- 8 The comments receive to date are from the CAB who are supportive of the key objectives of the policy. The main point that they have raised is in relation to ensuring that the policies objectives are reflect in the council's overall policy and strategy framework where income is involved. They are aware that this would need to be done overtime as the individual policies are reviewed.

- 9 The policy has been considered in a formal Equality Impact Assessment and this report provides the opportunity for A&G Member consultation before the final draft is taken to Executive for approval

Options

- 10 This report is for consultation purposes so there are no specific options available other than to recommend that the existing policy be retained.

Analysis

- 11 Not applicable to this report.

Corporate priorities

- 12 The implementation of effective Income Policy is critical in contributing to the delivery of an 'Effective Organisation' and helps to underpin and support all priorities that form the Corporate Strategy.

Implications

- (a) **Financial** – There are no direct financial implications associated with approving the policy.
- (b) **Human Resources (HR)** - There are no implications.
- (c) **Equalities** – The policy has been out for consultation with our third sector partners (Para 7 & 8) and has an EIA.
- (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 direct implications.

Risk Management

- 13 The organisation can expose its self to the risk of not maximising its income and collection if it does not have an effective and appropriate Income Policy that provides for proper principles and guidance to ensure value for money income arrangements.

Recommendations

- 14 A&G members are asked to comment on the format and content of the draft revised Income Policy attached to this report at Annex A and recommend that it is sent for onward approval at Executive and Full Council.

Reason

To seek A&G members' views as to whether the draft Income Policy provides appropriate guidance in delivering value for money income arrangements across the organisation.

Author:

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Head of Financial Procedures

Ext 2261

Chief Officer Responsible for the report:

Keith Best
Assistant Director CBSS
(Head of Financial Services)

Report
Approved

Date 26 November 2010

Specialist Implications Officer(s)

Wards Affected Not applicable

All

For further information please contact the author of the report

Background Papers

None

Annexes

Annex A – Draft revised Income Policy



CITY OF YORK COUNCIL INCOME POLICY

(Draft)

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INTRODUCTION

1. City of York Council aims to be an exemplary organisation with regards to income generation and collection. This Policy has been developed to provide an efficient, effective, consistent and coordinated approach to the generation and collection of income. The policy affirms the use of best practice methods providing high standards of customer service dealing with all customers in a fair and inclusive manner, whilst giving careful consideration to the needs of vulnerable customers.
2. This Policy demonstrates commitment to the Council's Corporate Strategy priorities, and provides a seamless framework along with the Customer Strategy and Debt Policy in contributing to a single view of our customers.

Vision

3. The Income Collection Policy in conjunction with the Debt Policy has a clear vision:

“To maximise corporate income collection through the efficient and coordinated use of resources, delivered using consistent and well managed processes. Pre-payment and easy to access payment methods available through a range of channels will be a core priority to maximise income, minimise debt management activity and support financial inclusion “

The policy objective

4. The objective of the policy is to provide clarity and consistency in the way that income generation and collection to the Council can be maximised through embedding best practice methods. It supports prompt, effective and efficient billing and debt management , through making best use of available resources. The key objectives are to:
 - ensure that charges reflect council's corporate strategy, service objectives and priorities, the community strategy and local area agreement;
 - calculate fees and charges on a full cost or marginal recovery basis, depending on competition and any other relevant factors;
 - consider cost of collection to ensure that fees and charges are economical to collect;
 - maximise income for the council;
 - offer choice and minimise exclusion;
 - protect tax payers interests by minimising debt and late payment;
 - ensure equality and consistency when dealing with customers;
 - ensure compliance with legal and statutory requirements;
 - implement appropriate debt management.

The Principles of the policy

- 5 The overall principle aim of the policy is to ensure that the council's fees and charges are set within a value for money framework, whereby financial, performance, access and equality are considered fully and appropriately, and decisions taken represent a transparent and balanced approach.
- 6 The legal basis for charging has been clarified following the implementation of specific provisions within the Local Government Act 2003. In addition to existing statutory provisions, which expressly authorise charging section 93 of the 2003 Act allows the council to charge for any services which it has discretion to provide. Charges cannot be made for any services for which there is a duty to provide or where legislation expressly prohibits the charging for discretionary services. In exercising its charging powers the council is under a duty to ensure that any charges made do not exceed the full cost of providing the relevant service. However the reinvestment of any income generated in excess of the cost of providing the service does not represent a surplus.

Application of the Policy

7. The policy applies to all council operations and activities. The key principles arising from the policy should also be applied to arms length organisations, including schools and partnerships, unless there are alternative regulations that govern these organisations.
8. The council's financial regulations set out the systems and procedures for managing income and expenditure. This policy sets out in more detail issues relating to income, but remains within the governance framework set out in the financial regulations.

Exceptions to the Policy

9. Exceptions to the requirements of the policy should be dealt with in the same way as exceptions to standing orders and financial regulations, using appropriate delegated powers. A record should be kept of all decisions to grant an exception.

Definitions

10. **Discretionary Service** – A service that the local authority does deliver, but is not statutorily required to deliver, and which could be discontinued if the authority chose to do so.
11. **Statutory Service** – A service that the local authority is statutorily required to deliver and cannot withdraw, irrespective of whether or not there is a charge.

12. **Service that is essential for well being** - A service that is not a statutory service, but which the local authority determines should be provided to improve the well being of customers, irrespective of whether or not there is a charge.

Charges for Services

13. The different types of charge that the council makes are as follows:
- Charges from statutory sources (such as Council Tax and Non Domestic Rates);
 - Charges which are set nationally by government (such as planning fees);
 - Charges for which there is a local choice about how much to charge, but which are restricted to recovering costs;
 - Charges for services that may be operated on a trading basis, or for which there is no guidance.
14. This policy covers all charges to some extent, but parts of the policy are specifically aimed at services where there is an element of local choice in the setting of those charges.
15. **Services restricted to recovering costs** - certain council services are restricted to recovering the costs of providing the service. Where this is the case, it is essential that the full service cost is identified and that all elements of cost taken into account are reasonable and justifiable. This is irrespective of the level of charge ultimately set.
16. **Services operated on a trading basis** - services that may be operated on a trading basis tend to be those that are not seen as essential for social well being or that are discretionary. By their nature they may also be available from a number of providers, thereby offering customers choice. For these services, customer demand and competition will play an important role in deciding what the level of charge should be, although the cost of providing the service will also be relevant. The full cost of these services should be identified prior to setting charges.

Setting the level of Fees and Charges

17. The following factors must be taken into account in setting fees and charges which are non statutory:
- Structured to support the community strategy and local area agreement;
 - Structured to support the councils overall objectives and priorities;

- Structured to support service objectives and priorities;
 - That they take into account market research, comparative data, management knowledge and any other relevant information to ensure that charges do not adversely affect the take up of services;
 - Demand for service;
 - Service availability and accessibility;
 - The cost of delivering the service and collecting the fee
 - Benchmarking
 - Alternative services and prices (Competition).
18. Fees and charges should be reviewed on an annual basis with the view of ensuring that the 'right' price is being charged for a service. This should not be simply a case of adding an inflationary increase to the previous years charge. When charges are reviewed all the factors set out above should be taken into account in order that the council may make informed choices on the level of charge to be set.
19. The review of charges should not be restricted to the current services for which a charge is made but should also consider the opportunity of potential new income.

Determining Concessions

20. The council may wish to target certain services or specific groups of residents or visitors and in doing so it may decide to apply discounts or concessions.
21. The decision about whether and how to apply concessions must be taken with full information about the demand for the service and the contribution that the service makes to council and service priorities. In other words, there must be a reason why the concessions are relevant and a positive decision that the concessions should be offered to specific customer groups. This decision should always be taken with a clear understanding of any budgetary implications and through full consultation with the Head of Financial Services.
22. Examples of customer groups that might be eligible for concessions in order to satisfy service priorities and objectives are:
- Children (of various age ranges)
 - Students (or people in full time education who are not children)
 - Young people other than children (of specific age ranges)
 - Homeless persons
 - People on low incomes (or people in receipt of benefit)
 - The over 60s (or other ranges of older customers)
 - People with particular disabilities
 - Ethnic groups
 - Residents

- Visitors
 - Commercial sector / Small businesses
 - Employers
 - Staff
23. The list is not exhaustive, but in every case where a concession is granted, there should be a sound reason why the concession has been made. This will assist the council to achieve consistency, equality and inclusion in the delivery of services.
24. In some cases there may be nationally prescriptive concessions and where this is the case, there is often government support to help fund these (for example concessionary bus fares). However, these concessions should be subject to the same principles as all other concessions.
25. In other cases there is comprehensive government guidance on the financial assessments that need to be carried out to determine the contribution that customers' should make towards charges, such as 'Charging for Residential Accommodation' (CRAG) guidance.

Collecting Fees and Charges

26. The way that income is collected and the timing of income collection both determine how quickly the income is recovered, the extent to which there is scope for non-payment and the costs of collection.
27. The greater the number of payment channels or opportunities to pay that the council provides will also have an affect on how efficiently the charge is recovered. The payment channels open to customers include:

Method	Council	Retailer*	Post Office*
Cash	No	Yes	Yes
Cheque	Yes	No	Yes
Debit/credit card**	Yes	Some	Yes
Bank Transfer	Yes	No	No
Direct Debit	Yes	No	No
Internet	Yes	No	No

-
-
-
-

*Using 'allpay' 66 Retail outlets and 37 Post Offices in York

** Over the phone

28. The timing of income collection will depend on the nature of the service being delivered, the customer group and the service objectives and priorities. This should always be fully considered to ensure maximum recovery and minimum debt.
29. Where services are discretionary, they are likely to depend on the collection of income in order to be sustained, or they may contribute to the delivery of other statutory services. In these cases income should be collected in advance of, or at the same time as the delivery of service. This will help to ensure that the occurrence of debt is minimised.
30. Where services are delivered to commercial organisations in a competitive environment, income should be collected in advance of the service delivery in order to minimise debt.
31. If the service is statutory or essential for well being, income should be collected in advance where practicable, but the delivery of the service may be such that the recovery of income can only take place after the service has been delivered. In these circumstances, there is always a higher risk that the income may not be recovered and that debt arises which is ultimately written off.
32. As taxpayers ultimately fund the write-off of bad debt, it is fundamental that the 'payment in advance' policy is adopted wherever possible and reasonable.

Choice and options

33. It is important to provide service users with a choice about the method of payment and / or the channel of collection, to help avoid inequity or exclusion of any particular customer group. However, the type of service and the service objectives and priorities will determine the scope of the channels available.
34. There are instances where certain choices may not be possible because they are uneconomic or because of the need to improve efficiency. Where one method or channel of payment is not possible, there will always be an alternative option that allows all potential customers to benefit from the service in question. For example payment of cash through allpay.
35. This applies equally to the timing of payment. If payment is required in advance, the preferred method of payment will be by electronic means, but customer may have the option to pay by alternative methods and alternative channels.

Creating Debt

36. Services that do not require payment in advance are usually paid for by raising a bill that is sent to the customer for payment after the service has been delivered. This automatically creates a debt that the council has to recover. If debts are not collected they ultimately become bad debts and will be written off at a cost to the taxpayer. Payment in advance should always be considered and used where possible to minimise this happening.
37. The creation of debt needs to be effectively managed and full guidance is available within the council's debt policy.

Cancellation and Refund

38. Some council services are responsive and require customers to make a request for service. In many cases, payment will be required in advance of the service being delivered, otherwise a bill will be raised in respect of the service. There are occasions when customers subsequently need to cancel the service request and a refund of payment may be required. In these circumstances, a minimum time period must be explicitly set out and complied in order to be eligible for a refund.

Late payment

39. When a bill or other request for payment is sent out it should always contain clear and unambiguous information about the charges made so that the customer can understand the payment due. If payment is required in advance, but this is done by way of a bill, the bill should be sent out in sufficient time to allow payment to be made by the due date or within the timescales specified.
40. If payment is not received by the due date, it then becomes a late payment. Depending on the type of payment, a recovery process will be put into action once the payment is late by more than a prescribed time. The recovery process is governed by the council's Debt Policy.

Setting Targets

41. In every case where charges are made and income is collected, income targets should be set and monitored and this should be part of the service and budget monitoring process. Targets are set for the total amount of income to be generated each year for each service in the budget setting process. Where income is significant, performance targets should also be set to monitor usage levels, collection information and debt levels.

Performance Monitoring

42. Monitoring income collection performance is necessary in order to assess the success of charging in service delivery and in achieving council and service income targets, objectives and priorities. A clear distinction should be made in all reports between income that has been billed and that which has been collected.
43. Effective monitoring can only take place if clear targets are set and information is collected and analysed on a regular basis. Better performance monitoring will enable more accurate reporting of income and this in turn will improve the basis on which decisions about income generation, charging and collection are made in future.

Reporting

44. Where income generation is central to achieving service objectives and priorities, up to date reporting on income performance can help to identify and address related service issues. Finance and performance monitoring reports should include information on current performance against the income targets set for the service in question and identify whether performance has improved or is worsening. They should also offer proposals for dealing with poor performance, both short term measures and longer term proposals. This may include reviewing charges.
45. Annual fees and charges reports are a crucial element of income generation and charging policy as they set the level and scope of charges. They should include information about recent performance against targets and how income contributes to service objectives and priorities. This will assist the decision making process, particularly where there are proposals for significant changes to fees and charges.



Audit & Governance**6 December 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 continue to update Members on the progress being made to implement the statutory required changes in financial reporting from UK General Accepted Accounting Practice (GAAP) to International Financial Reporting Standards (IFRS)
2. This sixth and penultimate update report informs those responsible for governance arrangements of the transition to IFRS implementation and provides assurance that the process is being efficiently managed.

Background

3. Progress is being maintained to convert 1 April 2009 Balance sheet and 2009/10 Statement of Accounts from UK GAAP to IFRS and the IFRS overview project plan, presented to Members in July 2010, continues to be used to monitor progress. The three key dates included in the project plan are (i) 30 September 2010: Obtain information required and restate 1 April 2009 balance sheet (ii) 31 December 2010: Identify information required and restate balance sheet for 09/10 accounts (iii) 30 June 2011: Produce 2010/11 accounts on IFRS basis.
4. The most significant date is the production of the 2010/11 accounts on an IFRS basis by 30 June 2011. This is a statutory requirement and will be met. Since the report to Members in September 2010, some of the other dates within the project plan timescale have slipped as a result of reprioritisation of resources to address other commitments, including the analysis of the Comprehensive Spending Review. As a result of this reprioritisation, work on the transition work to IFRS has been rescheduled, but with an express intent to ensure that all statutory deadlines will still be achieved.
5. The collation of information to restate the 1 April 2009 balance sheet is ongoing and has been combined with the exercise required to restate the 2009/10 Accounts. This change in approach has extended the timescale in the project plan to convert the accounting treatment from UK GAAP to IFRS to the end of January 2011. The statutory date of 30 June 2011 for 2010/11 Statement of Accounts to IFRS remains unchanged.
6. A reminder of the information required to restate the 1 April 2009 balance sheet and 2009/10 Accounts (originally included in the first update to Members in September 2009) includes the areas of Leasing, employee benefits, fixed asset register, group accounts, grants and contributions, segmental reporting, provisions and the change in the format of the core statements. Work has commenced in all areas and good progress is being made with Directorates across the Council.

7. Directorate accountants have engaged positively with the additional workload requirements and have assisted in the collation of leasing and employee benefit information. Corporate Finance continues to work well as a team and have recently sent out to Directorates the required formats for collating the grant and segmental reporting information. Directorates are currently identifying conditions on grants / contributions for the change in accounting requirements and are actively reconciling the information required for segmental reporting. Segmental reporting is the reconciliation between budget monitoring information provided to management / Members on a quarterly basis and the Statement of Accounts "Net Cost of Services" information included in the Comprehensive Income and Expenditure Account. It also includes the requirement that the information is provided on a subjective basis as well as by portfolio directorate.
8. In addition to identifying changes in accounting treatment and collating required data, Corporate Finance have also produced the revised skeleton core statements for the new IFRS format Statement of Accounts. The table below shows how the core statements have changed from 2009/10 "Old Name" to 2010/11 "IFRS Code of Practice" for Local Authorities. The "IFRS Name" is that described in regulation but not used in Local Authority accounts:

Order	Old Name	IFRS Name	IFRS Code of practice
1	SMOGFB	Statement of Changes in Equity	Movement in Reserves Statement
2	Income & Expenditure Account + STRGL	Statement of Comprehensive Income	Comprehensive Income & Expenditure Statement
3	Balance Sheet	Statement of Financial position	Balance Sheet
4	Cash Flow Statement	Cash Flow Statement	Cash Flow Statement
5	Notes to the Accounts	Notes to the Accounts	Notes to the Accounts

9. An example of the revised statements that will be included in the 2010/11 Statement of Accounts is shown in annex A to C. The figures included in the examples are taken from the Statement of Accounts 2008/09 and 2009/10, at this stage, without the required accounting changes under IFRS. One exception to this is that the Government Grants / Developers Contribution Deferred Accounts' have been transferred to the Capital Adjustment Account. This is to give Members an understanding of the revised Core Statements that will be produced at year end.
10. The examples in Annex A to C highlight the increased detail that will be provided in the 2010/11 Statement of Accounts. (i) Annex A is the Comprehensive Income & Expenditure Statement. The main change is the combination of the old Income & Expenditure Account combined with the old Statement of Total Recognised Gains and Losses. It also shows the increased Income and expenditure comparison detail in the Comprehensive Income and Expenditure Statement. (ii) Annex B is the Movement in Reserves Statement, which bears little resemblance to any of the previous statements produced under UK GAAP. It holds the information previously supplied in the Statement of Movement in the General Fund Balance and also provides a detailed breakdown of the movement in reserves seen on the face of the Balance Sheet. (iii) Annex C is the Balance Sheet where 3 balance sheets are to be

produced in 2010/11 - a comparison of the changes in the accounts for 2008/09, 2009/10 and 2010/11. The reserves information is now split between useable and non-useable reserves for increased understanding of the user. (iv) The Cash flow Statement has not been illustrated here, as the appearance is similar under UK GAAP and IFRS.

11. The process to collate this revised information from all Directorates across the Council at year end has been developed and the required proforma formats for this data collation have been created.
12. The other main area where progress continues is the Fixed Asset Register. There are 3 main areas for consideration (i) re-categorisation of assets to definitions of assets under IFRS (ii) identification of different components of assets, (iii) the change in the accounting treatment of the Fixed Asset Register. Work is progressing in all areas with Corporate Finance working with Property Services and Directorates. The change in the accounting treatment of the Fixed Asset Register is proving complicated to administer on an excel spreadsheet. In the New Year a tender exercise will be undertaken to review asset register systems available on the market to see if it is viable and will be value for money. If a new asset register system is purchased this will be utilised for 2011/12 Statement of Accounts and not the current conversion of UK GAAP to IFRS. This is to ensure that the accounting treatment change is fully understood using the council's current process.
13. The council's external auditors – Audit Commission – are involved in the transition to IFRS and are being kept fully aware of the processes that are currently being undertaking. Early in 2011, a formal meeting will take place with the Audit Commission to update them on all progress to date. Currently, discussion occurs with the Audit Commission 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 to provide assurance that the Statement of Accounts 2010/11 will be completed on time.
14. Updates to members will continue on a quarterly basis and will continue to be monitored against the IFRS overview project plan

Consultation

15. The report shows that collaborative working with all Directorates across the authority is positive in assisting the progress in attaining the changes required by IFRS. This sixth report also shows that Audit & Governance Members are being regularly updated.

Options

16. 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

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

Implications

18. The implications are
 - Financial – currently there are no financial implications to this report as the majority of the project work is being undertaken by existing resources in corporate finance and also across Directorates. However, in the New Year, potentially an asset register system may be purchased to support the change in accounting treatment to IFRS.
 - 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

19. 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 non-compliance.

Recommendations

20. That Audit & Governance Committee note the progress contained in this report and recognise the continuing work being undertaken for a smooth transition to IFRS.
21. 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.

Contact Details

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Ian Floyd
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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 leasing, employee benefits, property plant & equipment, segmental reporting proformas, grant / contribution proformas, skeleton accounts documents, Directorate information, accounting analysis CIPFA training course information

Comprehensive Income & Expenditure Account

2009/10			Note	2010/11		
Gross Exp. £000's	Income £000's	Net Exp. £000's		Gross Exp. £000's	Income £000's	Net Exp. £000's
30,359	(21,732)	8,627	(3)	-	-	-
52,295	(14,797)	37,498		-	-	-
191,616	(158,452)	33,164	(4)	-	-	-
22,981	(16,072)	6,909		-	-	-
29,003	(29,779)	(776)		-	-	-
52,774	(49,469)	3,305		-	-	-
60,821	(16,786)	44,035		-	-	-
304	-	304		-	-	-
4,204	(14)	4,190		-	-	-
868	(21)	847		-	-	-
466	(1,265)	(799)	(5)	-	-	-
<u>445,691</u>	<u>(308,387)</u>	<u>137,304</u>		<u>-</u>	<u>-</u>	<u>-</u>
2,409	(2,215)	194		-	-	-
16,879	(1,454)	15,425		-	-	-
-	(123,686)	(123,686)	(11)	-	-	-
<u>464,979</u>	<u>(435,742)</u>	<u>29,237</u>		<u>-</u>	<u>-</u>	<u>-</u>
		(31,467)				-
		-				-
		32,964	(10)			-
		<u>1,497</u>				<u>-</u>
		<u>30,734</u>				<u>-</u>

Movement In Reserves Statement

Note	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 31 March 2009	(15,663)	(16,198)	(7,514)	(1,475)	-	(40,850)	(519,903)	(560,753)
Surplus /(Deficit) on Provision of Services	28,272	-	965	-	-	29,237	-	29,237
Other Comprehensive Income and Expenditure movement	-	-	-	-	-	-	1,497	1,497
Total Comprehensive Expenditure and Income	28,272	-	965	-	-	29,237	1,497	30,734
Adjustments between accounting basis & funding basis under regulations	(24,588)	-	(2,639)	-	(154)	(27,381)	27,381	-
Net Increase/Decrease before Transfers to Earmarked Reserves	3,684	-	(1,674)	-	(154)	1,856	28,878	30,734
Transfers to/from Earmarked Reserves	(1,747)	1,747	308	(308)	-	-	-	-
Increase/Decrease in Year	1,937	1,747	(1,366)	(308)	(154)	1,856	28,878	30,734
Balance at 31 March 2010 carried forward	(13,726)	(14,451)	(8,880)	(1,783)	(154)	(38,994)	(491,025)	(530,019)
Balance at 31 March 2010	(13,726)	(14,451)	(8,880)	(1,783)	(154)	(38,994)	(491,025)	(530,019)
Surplus /(Deficit) on Provision of Services	-	-	-	-	-	-	-	-
Other Comprehensive Income and Expenditure movement	-	-	-	-	-	-	-	-
Total Comprehensive Expenditure and Income	-	-	-	-	-	-	-	-
Adjustments between accounting basis & funding basis under regulations	-	-	-	-	-	-	-	-
Net Increase/Decrease before Transfers to Earmarked Reserves	-	-	-	-	-	-	-	-
Transfers to/from Earmarked Reserves	-	-	-	-	-	-	-	-
Increase/Decrease in Year	-	-	-	-	-	-	-	-
Balance at 31 March 2011 carried forward	(13,726)	(14,451)	(8,880)	(1,783)	(154)	(38,994)	(491,025)	(530,019)

Balance Sheet

31 March 2009 £000's	31 March 2010 £000's	Note	31 March 2011 £000's £000's	
			LONG-TERM ASSETS	
712,996	740,745	(20)		740,745
65,964	67,265			67,265
3,266	2,214	(19)		2,214
13,528	11,513			11,513
5,215	1,215	(22)		-
21,560	3,587	(23)		3,587
<u>822,529</u>	<u>826,539</u>			<u>825,324</u>
			LONG - TERM ASSETS	
			CURRENT ASSETS	
27,534	26,107	(9)	-	-
536	495		-	-
20	12		-	-
23,378	26,990	(24)	-	-
59	59		-	-
8,841	9,690		-	-
<u>60,368</u>	<u>63,353</u>		-	-
			CURRENT LIABILITIES	
(5,556)	(8,676)	(25)	-	-
-	-	(25)	-	-
(35,328)	(36,973)		-	-
(256)	(1,171)	(26)	-	-
<u>19,228</u>	<u>16,533</u>		-	-
<u>841,757</u>	<u>843,072</u>			<u>-</u>
			NET CURRENT ASSETS	
				<u>825,324</u>
			TOTAL ASSETS LESS CURRENT LIABILITIES	
			LONG TERM LIABILITIES	
(96,943)	(108,147)	(25)	-	-
(3,437)	(2,498)	(27)	(2,498)	-
(27,046)	(6,913)	(29)	(6,913)	-
(2,581)	(5,476)	(30)	-	-
(55)	(41)	(31)	-	-
(150,942)	(189,978)	(10)	(189,978)	-
<u>(281,004)</u>	<u>(313,053)</u>			<u>(199,389)</u>
<u>560,753</u>	<u>530,019</u>			<u>625,935</u>
			TOTAL ASSETS LESS LIABILITIES	
			RESERVES	
			<u>Usable Reserves</u>	
-	-			-
-	154	(35)	-	154
15,663	13,726			13,726
7,514	8,880			8,880
-	-	(30)	-	-
17,673	16,234	(37)	-	16,234
<u>40,850</u>	<u>38,994</u>			<u>38,994</u>
			<u>Unusable Reserves</u>	
25,760	56,031	(32)		56,031
647,067	625,392	(33)		625,392
(2,343)	(2,198)	(34)		(2,198)
(150,942)	(189,978)	(10)		(189,978)
62	803	(36)		803
299	975			-
-	-			-
<u>519,903</u>	<u>491,025</u>			<u>490,050</u>
<u>560,753</u>	<u>530,019</u>			<u>529,044</u>
			TOTAL RESERVES	

Signed
I.M. Floyd B.Sc. (Hons), CPFA
Director of Customer and Business Support Services

Dated

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Audit & Governance**6 December 2010**

Report of the Director of Customer & Business Support Services

Scrutiny of Treasury Management Monitor 2 and Prudential Indicators 2010/11**Summary**

1. 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”) which 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.
2. The revised “code” emphasised 15 key areas that were reported to Audit & Governance Committee on 26 April 2010. This included the following 2 points, which are covered in this report:
 - There needs to be, at a minimum, a mid year review of treasury management strategy and performance. This is intended to highlight any areas of concern that have arisen since the original strategy was approved,
 - Those charged with governance are also personally responsible for ensuring they have the necessary skills and training
3. Attached at Appendix A is the Treasury Management Monitor 2 and Prudential Indicators 10/11 report which monitors the treasury management activity for the first six months, highlights the implications of the Comprehensive Spending Review (CSR) on treasury management and indicates the change in the treasury management strategy for the modification of the target borrowing rate from 4.5% to 5.5%.

Background

4. In order to equip Members with the necessary skills to scrutinise Treasury Management on an ongoing basis, the second training session has been organised for 6 December 2010 at the request of Members to further assist them in the understanding of Treasury Management in a Local Authority. The first training session was a general overview of all areas of treasury management covering legislation, economic information, debt, investments and credit criteria policy. The second training session focuses specifically on the area of investments and the security of the Council’s surplus funds.
5. The “Treasury Management Monitor 2 and Prudential Indicators 10/11” report provides Members with a review of the first six months of 2010/11. It gives the economic background which includes the CSR. The CSR specifically affected treasury management

in 2 areas – Tax Incremental Financing and an increase in the Public Works Loans Board (PWLB) loan rates. As a result of the increase in the PWLB loan rates, it was recommended to the Executive to increase the target interest rate on borrowing to 5.5% from 4.5%.

6. In addition the report provides an analysis of the interest rate environment in which treasury management operates, the position of short term investments and long term borrowing, it updates the position of the venture fund – the Council’s earmarked reserve which generally provides short term funding for revenue and capital schemes of an invest to save nature – and monitors the position of the treasury management budget. Finally the prudential indicators attached at annex A to the report at Appendix A, show that the Council continues to manage its capital investments and treasury management activities on an affordable, sustainable and prudent basis.
7. The information provided in paragraphs 5 and 6 above are a brief summary of the “Treasury Management Monitor 2 and Prudential Indicators 10/11” report for scrutiny by Audit & Governance Committee Members.

Consultation

8. Not applicable.

Options

9. 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

10. 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

11. 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

12. 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

13. That Audit & Governance Committee note the Treasury Management Monitor 2 and Prudential Indicators 10/11 at Appendix 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.

Contact Details

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Ian Floyd
Director of Customer & Business Support
Services
Report Date 06/12/10
approved

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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Executive

16 November 2010

Report of the Director of Customer and Business Support Services

Treasury Management Monitor 2 and Prudential Indicators 10/11

Summary

1. This report updates the Executive on the Treasury Management performance for the period 1 April 2010 to 30 September 2010 compared against the budget presented to Council on 25 February 2010.
2. The report highlights the economic environment for the first six months of the 2010/11 financial year and reviews the Council's Treasury Management performance covering:
 - Short-term investments,
 - Long-term borrowing,
 - Venture fund,
 - Treasury Management budget
3. The report also covers the implications of the Chancellor's Comprehensive Spending Review on 20 October 2010. It highlights the implications which are specific to Treasury Management which leads to the request in the Recommendations section of this report to change the Treasury Management strategy, approved by Council on 25 February 2010, for the target rate at which the council borrows from 4.5% to 5.5%.

Background

4. The Council's Treasury Management function is responsible for the effective management of the Council's cash flows, its banking, money market and capital transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
5. CIPFA (the Chartered Institute of Public Finance and Accountancy) issued the revised Code of Practice for Treasury Management in November 2009. It recommended that at a minimum, a mid year review of Treasury Management strategy and performance should be undertaken which highlights any areas of concern that have arisen since the original strategy was approved. These quarterly reports therefore ensure this council is implementing best practice in accordance with the Code.

6. The Council approved the Treasury Management Strategy, budget and Prudential Indicators on 25 February 2010. This report monitors the Treasury Management activity for the first six months of 2010/11 and shows the change in the Treasury Management budget to 30 September 2010 and the forecast outturn position for the year.

Economic Background and Analysis (including the Comprehensive Spending Review)

7. The Council's short term investment and long term borrowing decisions have been affected by the following economic conditions.
 - a. The first six months of 2010/11 saw:
 - i. Activity indicators suggest that the recovery has faded sharply since the second quarter (1st April to 30th June) where real GDP (Gross Domestic Product) expanded by 1.2% q/q with the third quarter being just 0.4% q/q;
 - ii. The pace of recovery in retail spending is slowing, but the recovery in spending off the high street gather pace;
 - iii. Further doubt cast on the sustainability of the recovery in the labour market;
 - iv. The recovery in the housing market falter;
 - v. Disappointment that the public finances are not on a clearly improving trend;
 - vi. The UK's trade deficit widen further, despite the continued weakness of sterling;
 - vii. CPI inflation fall at a slower pace than in the second quarter;
 - viii. The doves on the Monetary Policy Committee gain the upper hand;
 - ix. Equity and bond markets respond in different ways to the news that the recovery is faltering; The recoveries in the US and euro-zone lose further pace.
 - b. August's public finances figures severely dented hopes that the fiscal position is on a clearly improving trend. The public borrowing figure (on the PSNB ex. measure) of £15.9bn in August was nearly £2bn larger than at the same time a year ago. However, this figure still left a cumulative borrowing total in the first five months of the fiscal year of £58.1bn, around £4bn below last year's equivalent figure of £61.9bn. The UK's trade deficit widened further in the third quarter, despite the continued weakness of sterling. The trade in goods deficit rose from £7.5bn to £8.7bn in July which was the largest deficit on record.
 - c. CPI (consumer price inflation) fell in this quarter but at a slower pace than in the previous quarter. The Bank of England's quarterly Inflation Report in August once again projected inflation to fall to below the 2% target and remain there at the two year policy horizon. The MPC (Monetary Policy Committee) voted to maintain the outstanding stock of

asset purchases under quantitative easing (QE) at £200bn at each meeting in the quarter. The minutes to September's MPC meeting revealed that for most members "the probability that further action would become necessary to stimulate the economy and keep inflation on track to hit the target in the medium term had increased."

- d. The Comprehensive Spending Review announced by the Chancellor of Exchequer, George Osborne, on 20 October 2010 set out a detailed departmental spending plan for the next four years. The key announcements in the spending review are outlined below:
 - i. About 490,000 public sector jobs likely to be lost
 - ii. Average 19% four-year cut in departmental budgets
 - iii. Structural deficit to be eliminated by 2015
 - iv. £7bn in additional welfare budget cuts
 - v. Police funding cut by 4% a year
 - vi. Retirement age to rise from 65 to 66 by 2020
 - vii. NHS budget protected; £2bn extra for social care
 - viii. Schools budget to rise every year until 2015
 - ix. £30bn capital spending on transport
 - x. Permanent bank levy
- e. The Comprehensive Spending Review highlighted the challenges the Coalition Government faces with regards to the public finances. The cuts along with the upcoming tax hikes are likely to be a major drag on the economy over the coming years
- f. The total managed expenditure is expected to drop by around 3.5% in real terms between 2010 -11 and 2015-16. A point to note is that more of the cuts in total spending are outlined to come from reductions in welfare spending and from efficiency savings, rather than departmental spending. This means that unprotected Government departments will see average real cuts of 19% over the next 4 years.
- g. The scale of some of these cuts casts some doubt on whether they can be realised in practice, especially if the economy turns out to be significantly weaker than the Office for Budget Responsibility's projections suggests.
- h. The Comprehensive Spending Review specifically affected Treasury Management in two areas:
 - i. The HM Treasury has instructed the Public Works Loans office (PWLB) to increase the average interest rate on all new loans to an average of 1.00% above the Government's cost of borrowing . This will take effect immediately.
 - ii. Tax Increment Financing (TIF). New borrowing powers will be introduced following legislation to allow Tax Increment Financing to proceed and councils will be able to borrow against future uplifts within their business rates base.

- i. The affect of increasing all PWLB rates to approximately 1% above gilts will increase PWLB rates which is where Local authorities obtain the majority of their new borrowing. Therefore this will lead to a revision in the Council's Treasury Management strategy approved by Council on 25 February 2010 as the requirement now exists to increase the target rate of all new borrowing being below 4.5% to a target rate of 5.5%. This is in line with the increase of the 1% by the HM Treasury. Further information is detailed in paragraph 7r of this report and also in the recommendations section paragraph 49.
- j. HM Treasury has also confirmed that the methodology for determining rates for early repayment remains unchanged. Early repayment rates which are the rates that the Council uses for premature repayment of debt to restructure the debt portfolio have remained at the same level that they were prior to the spending review. This therefore makes early repayment of debt more expensive to the Council than previously. However, opportunities in a volatile market could always be available and therefore restructuring possibilities are reviewed on a regular basis, to ensure the Treasury Management budget remains at the lowest levels possible.
- k. Finally, the Government recognises that local authority decisions on borrowing can commit electors to repaying loans for up to 50 years. Therefore, to ensure that borrowing decisions are transparent and consistent with measures adopted elsewhere in the public sector, HM Treasury has determined that a detailed monthly list of individual local authority loans sourced from PWLB will be published on the PWLB website, including the type, amount, term and rate applying to each loan. The first list will be published on 1 November.
- l. Tax Increment Financing. New borrowing powers to enable authorities to carry out Tax Increment Financing (TIF) are being introduced. This will require legislation. In determining the affordability of borrowing for capital purposes, local authorities take account of their current income streams and forecast future income. Currently, this does not factor in the full benefit of growth in local business rates income.
- m. TIF will enable local authorities to borrow against future additional uplift within their business rates base. Councils can use that borrowing to fund key infrastructure and other capital projects, which will further support locally driven economic development and growth. They will need to manage the costs and risk of this borrowing alongside wider borrowing under the prudential code. Further information will be included in the Local Government Resource Review expected in January 2011, which will finally lead to the required legislation in due course.
- n. From the economic analysis and the Comprehensive Spending Review outcomes above, figure 1 shows the actual and projection of the base rate, which remains at historically low levels through much of 2010. The Council's Treasury Management advisers – Sector – forecast the position of the base rate in February 2010 and this is compared to their

forecast along with other economists in July 2010. The graph highlights the shift in the position of the base rate which is aligned with the slower growth now forecast. The base rate will now slowly start to rise at the beginning of 2011/12 and continue gradually out to 2013. UBS forecast a rise in the base rate earlier than Sector, whereas Capital Economics remain pessimistic about economic recovery to the end of 2011 and they forecast the base rate to remain at 0.5% for the near future.

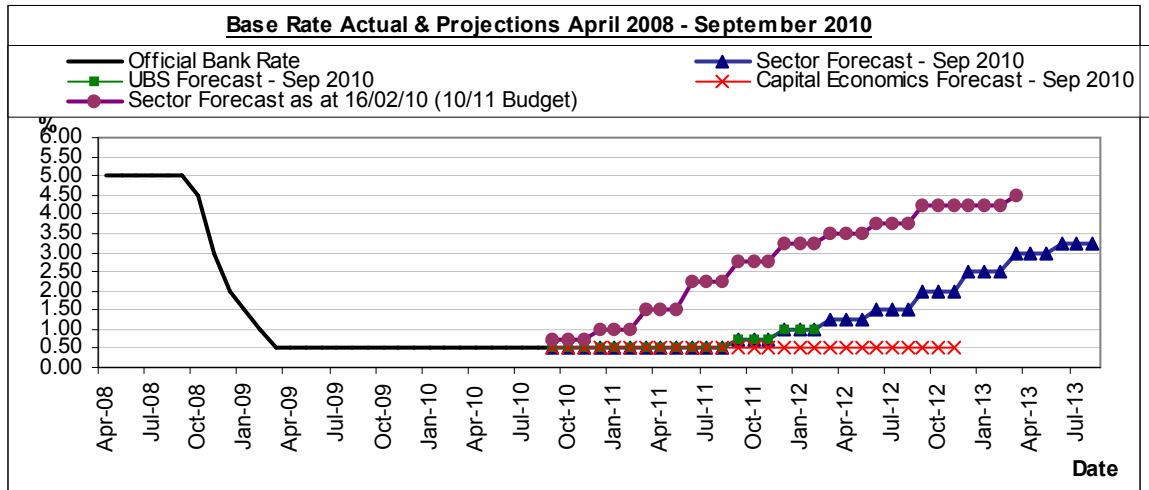


Figure 1: Base Rate 2008 to 2013 - latest forecast August

- o. Table 1 provides the Council’s Treasury Advisers, Sector, forecast of the base rate and Public Works Loan Board (PWLB) rates as at 29 October 2010:

	Now	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
Bank rate	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	2.00%	2.50%	3.00%	3.25%
5yr PWLB rate	2.71%	3.05%	3.05%	3.25%	3.45%	3.65%	3.85%	4.15%	4.45%	4.65%	4.95%	5.25%
10yr PWLB rate	4.06%	4.15%	4.15%	4.25%	4.55%	4.75%	4.85%	5.15%	5.25%	5.45%	5.45%	5.75%
25yr PWLB rate	5.03%	5.05%	5.15%	5.15%	5.25%	5.35%	5.55%	5.55%	5.65%	5.85%	5.85%	5.85%
50yr PWLB rate	5.08%	4.95%	5.05%	5.05%	5.15%	5.25%	5.45%	5.45%	5.55%	5.75%	5.75%	5.75%

Table 1 – Sector’s forecast interest rates as at 29 October 2010

- p. The Treasury Management monitor 1 report, as at July 2010, saw long term borrowing, the Public Works Loan Board (PWLB), rates across all ranges forecast to steadily increase. During August, September and the beginning of October there was a major fall in bond yields which dragged down PWLB rates. The lowest 50 year PWLB rate was at 3.92%.
- q. The major fall in rates was due to the fall in the forecast GDP growth for 2011 from 3.4% to 2.8%, increase in the risk of further quantitative easing in the UK and US, the knock on affect of the sovereign debt crisis in the EU which peaked in May and the coalition government’s emergency budget to accelerate the speed of reduction in the public sector deficit.

- r. However, since the Comprehensive Spending Review on 20 October 2010 as stated above in paragraph 7h, PWLB rates are now to be set at 1% above the governments gilt level. This is approximately 0.85% increase across the board on all PWLB rates. Table 1 above is Sector's revised forecast of interest rates as a result of the Comprehensive Spending Review. The 50 year PWLB rate from 20 October 2010 to 31 October 2010 has ranged between 5.05% and 5.23%.
- s. The 1 year investment rate started the financial year at 1.19% and on 30 September 2010 had risen to 1.36%. Figure 2 below shows the positions of market interest rates available for investments, which have all marginally risen in the first six months of 2010/11.

Investment Policy

8. The Treasury Management Strategy Statement for 2010/11 was approved by Council on 25 February 2010. The Council's Annual Investment Strategy, which is incorporated in the Strategy, outlines the Council's investment priorities as follows:
 - Security of Capital
 - Liquidity
9. The Council will also aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with highly credit rated financial institutions using the suggested creditworthiness matrices, including Credit Default Swap (CDS) overlay information provided by Sector, the Council's Treasury Management advisors.
10. Investments held at 30 September 2010 in accordance with Sector's Creditworthiness matrices, and changes to Fitch and Moody's credit ratings remained within the Council's approved credit criteria limits contained in the Annual Investment Strategy.

Short Term Investments

11. Investment rates available in the market continue to remain at a historical low point. The average level of funds available for investment purposes in the first six months of 2010/11 was £59.925m. The level of funds available is largely dependent on the timing of the Council's cash flow as a result of precept payments, receipt of grants, borrowing and progress on the Capital Programme. These funds are therefore available on a temporary basis dependant on cash flow movement. The authority holds some core cash balances for investment purposes, i.e. funds available for a year or more, however to date in 10/11 no funds have been invested for periods greater than one year due to the limited institutions available for investment in accordance with the credit criteria policy. This is a continuation of similar market conditions which prevailed through the majority of 2008/09 and through the whole of 2009/10, due to the credit crunch.

12. Treasury Management investment activity during the first six months earned interest £349.7k, equivalent to a 1.17% rate of return. This is 0.74% better than the average 7 day London Inter-Bank Deposit rate (LIBID) of 0.42% and 0.67% higher than the average base rate for the period of 0.50%.
13. The higher rate of return on investment activity compared to the average LIBID rate and base rate for the period is due to the treasury team continuing to monitor the market and taking advantage of longer term rates when they become available, using short term call deposit accounts where interest rates are higher and using Money Market Funds as a slightly alternate investment deposit.
14. The rate of return continues to be approximately half of that seen in 2009/10 due to (a) interest rates remaining historically low on the market throughout 09/10 and into 2010/11 and (b) core balances invested for more than 1 year back in 2008/09 when rates were higher at 5.75% have matured early in 2010/11 so do not benefit 2010/11. The interest earned for the first six months of the year is slightly higher than the Treasury Management budget estimated but can be seen to be substantially lower than in previous years. This thereby increases the requirement of the Treasury Management budget, (as detailed in paragraph 34 below) due to a reduced affect the investment earned has in netting off interest paid out on borrowing.
15. The Council has made 13 fixed term investments during the first six months of 2010/11, 2 directly with the Bank of Scotland and 11 via the money market brokers. Five of these investments have been made for periods of 6 months where value was shown at between 1.15% and 1.35% and 1 made for a year at 1.50%. The rates available are shown in Figure 2 below. Investing for 6 months allows favourable rates to be taken and also allows the flexibility of funds becoming liquid when interest rates were predicted to start to rise in the second half of 2010/11. In accordance with the Treasury Management Strategy investments have been kept short due to the low levels of interest rates available and the limited number of institutions available in the market which the council can invest in complying with its credit rating policy.
16. A proportion of investments have been placed in call accounts where funds are secure and are able to be liquidated if more advantageous rates become available. The council operates 4 call accounts – Bank of Scotland (0.75%), Alliance & Leicester (0.80%), Yorkshire bank 15 day (0.80%) and Yorkshire Bank call (0.50%) – but has found during the first six months of 2010/11 that better rates have been available on the market and in money market funds. Therefore, funds held in the call accounts have been reduced with the average balance for the first 6 months in 2010/11 being £7.824m compared to £14.348m in 2009/10. Two money market funds are also being utilised – Prime rate MMF offering rates around 0.85% and Ignis offering rates around 0.65%. The MMF are needed to diversify the investment portfolio as the banks offering the most favourable fixed deposit rates are also the banks which offer the call accounts which the council

uses. In 2010/11 the average balance in the money market funds for the first 6 months is £22.179m.

17. Therefore in order to remain within the Councils lending limits, diversification of the council's portfolio is key. This ensures continued security of the council's funds, whilst operating within the bounds of the council's cash flow (liquidity) and giving consideration to the most favourable interest rates available.

18. Figure 2 shows the interest rates available on the market between 7 days and 1 year and the rate of return that the Council has achieved to 30 September 2010. It shows that favourable / competitive interest rates have been obtained for investment in line with the interest rates which are available when security of funds are of prime importance.

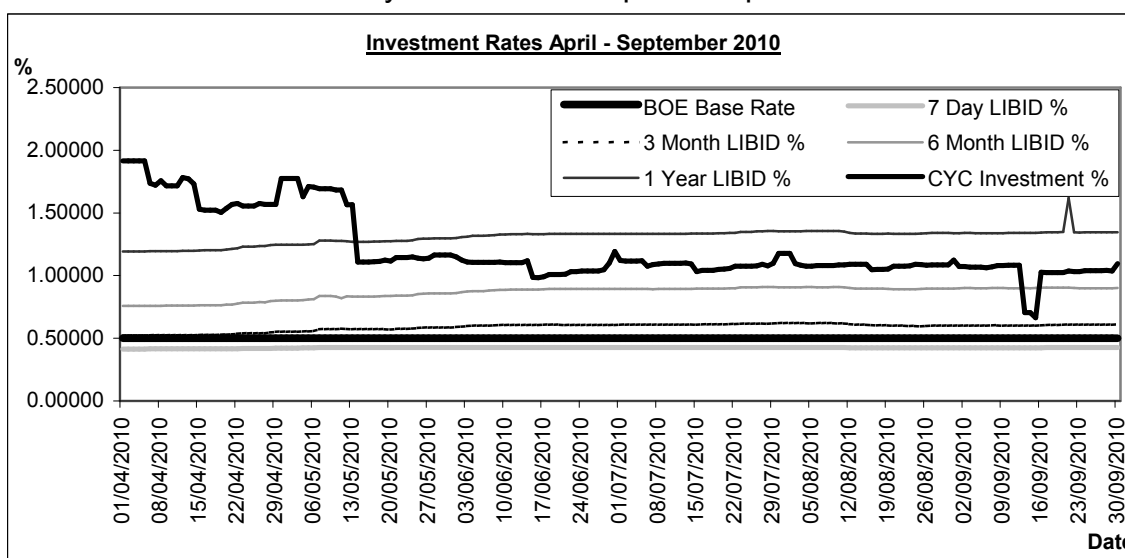


Figure 2 CYC Investments vs Money Market Rates

Long Term Borrowing

19. The Council undertakes long term borrowing in accordance with the investment requirements of the capital programme, and all borrowing is therefore secured against its asset base. The council's borrowing is funded 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, this is known as supported borrowing. The introduction of the Prudential Code in April 2004 has also given the Council the flexibility to borrow without Government support. Under the Code Councils are free to borrow up to a level that is deemed prudent, affordable and sustainable and within their prudential indicator limits. This is known as prudential borrowing.

20. The level of borrowing taken by the Council is determined by the Capital Finance Requirement, (the Councils underlying need to borrow for capital expenditure purposes). This takes into account supported borrowing for capital schemes supported by RSG as explained in paragraph 19, also prudential borrowing for schemes under the prudential code that are funded

from department budgets and corporate budgets– so are affordable, sustainable and prudent. In addition, due to the current economic and market environment capital receipts may not be realised when originally expected and therefore, in the short term borrowing is taken to cover this funding shortfall position of the capital programme.

21. In addition, the Council can borrow in advance of need in line with its future borrowing requirements in accordance with the Capital Financing Requirement. The Administrative Accommodation project is substantially increasing the Council's need to borrow over the next 3 years and therefore the markets will continue to be closely monitored to ensure that advantage is taken of favourable rates in 2010/11 and the increased borrowing requirement is not as dependant on interest rates in any one year over the 3 year period.
22. On the reverse side, the Council's level of borrowing can also be below the Capital Financing Requirement. This would mean that instead of increasing the Council's level of borrowing, surplus funds held for investment purposes would be utilised instead, decreasing the level of surplus funds being available for investment. In the current interest rate environment where investment rates are below borrowing rates consideration is given to the value of taking borrowing or whether it is better for the council to keep investment balances lower. Prior to the Comprehensive Spending Review loans have been taken as borrowing rates were seen to be good value for the longer term. Locking into historically low borrowing rates enables some stability on the costs incurred in the Treasury Management revenue budget going forwards.
23. Equally since the Comprehensive Spending Review , borrowing rates are being closely monitored for volatility in the market for when rates are deemed to be favourable, market loans are being considered in addition to PWLB loans and a balance is being taken between increasing borrowing and the lower levels of interest being earned on investments. The Sector Treasury Management advisors forecast that future PWLB rates will also rise - in addition to the increase from the Comprehensive Spending Review - which is also being taken into account.
24. The Councils long-term borrowing started the year at a level of £116.1m. One loan of £4m was duly repaid in May 2010 in line with its maturity date. New Borrowing totalling £24m has been taken to the end of October 2010 as follows:
 - £5m market LOBO loan at 3.60% 50 years with options every 5 years on 12 May 10
 - £5m PWLB loan at 3.70% 10 years on 25 May 10
 - £5m market loan at 0.70% 1 year on 28 May 10
 - £3m PWLB loan at 2.95% 7 years on 12 August 10
 - £3m PWLB loan at 4.01% 14 years on 12 August 10
 - £3m PWLB loan at 3.92% 50 years on 31 August 10

25. The loans taken in 2010/11 have been below the target of 4.5% set in the Council approved 2010/11 strategy. The loans are of fixed term duration, have targeted periods that offer the best rates available and also take into consideration the debt maturity portfolio. In the first seven months, 45-50 year PWLB rates started 2010/11 at 4.65%, rose to a high of 4.75% during April 2010 and were at a minimum of 3.92% on 31 August 2010. Since the Comprehensive Spending Review on 20 October 2010, PWLB rates have substantially risen and at 28 October 2010 were at 5.23%. 9.5-10 year PWLB started at 4.14% and at the end of August fell to a minimum of 3.05%. During October the 9.5-10 year rate has increased to 4.26% on 28 October 2010.
26. Figure 3 shows the fluctuation in PWLB rates since April 2009 and details when new borrowing has taken place, taking into account the borrowing maturity profile.
27. The Council's borrowing strategy is to borrow at a target rate of 4.5% from the PWLB or the money market when rates are low and hold off from taking new borrowing when rates are high. This following advice taken from the Councils contracted Treasury Management advisors (Sector Treasury Services) subject to cash flow constraints. Since the Comprehensive Spending Review, PWLB rates have risen by approximately 0.85%. (This is due to the government stating that PWLB rates will be 1% above the gilt level, in the past PWLB rates were between 0.15% and 0.25% above gilt levels) .
28. Therefore, in accordance with the revised Treasury Management code of practice it is advised to review part way through the year, the 2010/11 strategy set at the beginning of the year. In the circumstances due to the increase in PWLB rates as a result of the Comprehensive Spending Review, it is recommended that the borrowing strategy is revised to increase the borrowing target rate to 5.5%, this is requested in the recommendations section paragraph 49. (It is not intended that borrowing rates will be taken at this level as it is forecast that the market is still volatile and there will remain opportunities for rates below 4.5%, every attempt will be made to keep rates at the lowest levels possible.)

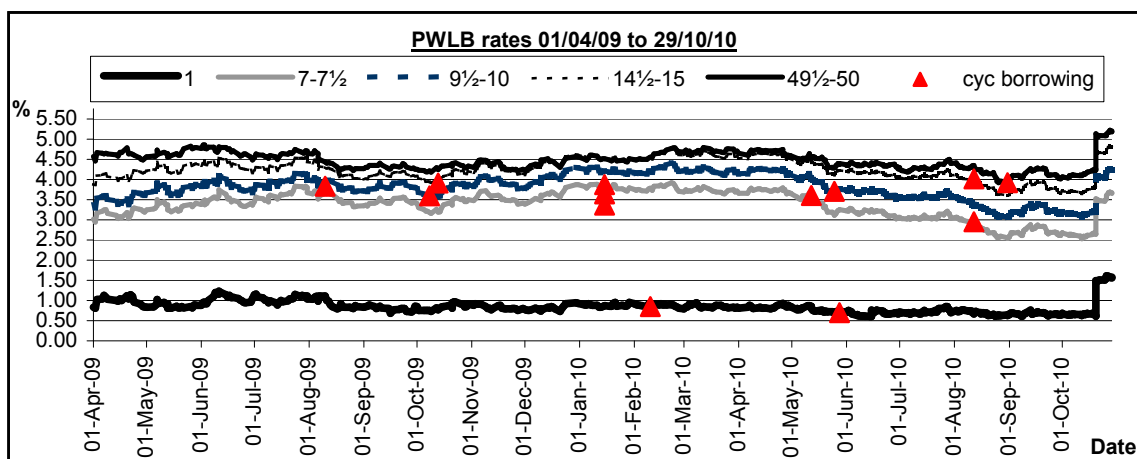


Figure 3 – PWLB rates vs CYC Borrowing Levels

29. Figure 4 illustrates the 2010/11 maturity profile of the Council's debt portfolio updated to reflect the borrowing this year. The borrowing portfolio totals £136.1m and the maturity profile shows that there is no large concentration of loan maturity, thereby spreading the interest rate risk dependency in any one year.

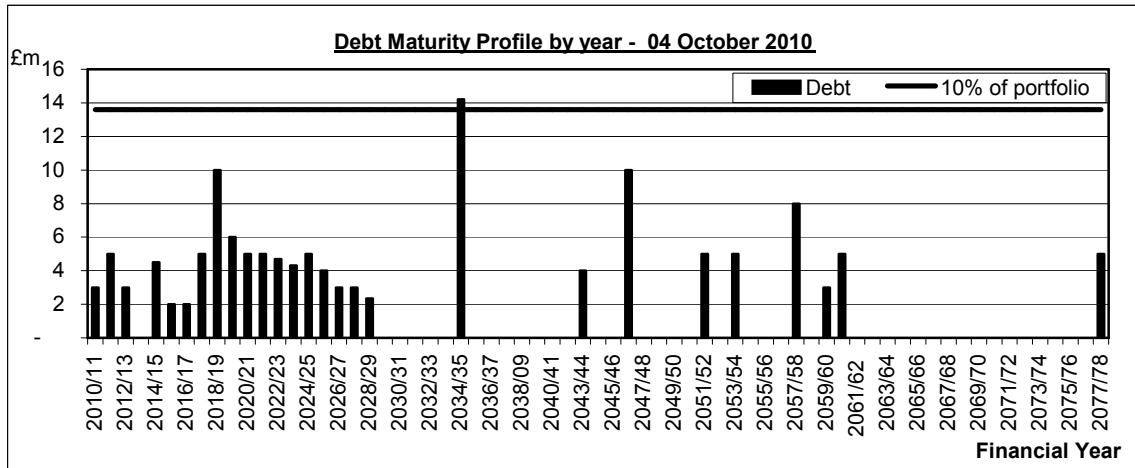


Figure 4 – Debt Maturity Profile 10/11

Venture Fund

30. The Venture Fund is used to provide short to medium term investment for internal projects which provide new revenue streams or generate budget savings and contribute to operational benefits of policy objectives. The projected movements on the Venture Fund for the year 2010/11 are shown in table 2 below.

	£'000
Balance at 1st April 2009	2,219
New Loan Advances	(1,551)
Loan Repayments	48
Net Interest Received	18
Balance at 31st March 2010	734

Table 2 – Projected Venture Fund Movement 2010/11

31. Table 2 indicates there are approvals for new loan advances in 2010/11 of £1,551k. This is for 4 schemes, for the easy programme £650k which reflects funding required for internal resources associated with the transformation programme – More for York – work, £200k for the street lighting capital scheme approved by Council on 21 February 2009, £500k contribution to the Treasury Management budget for the economic downturn approved by Council on 25 February 2010 and £201k for the early years deficit cost for the administrative accommodation project approved by Council on 15 July 2010. The easy programme loan is a prudent estimate of the amount which will potentially be required by year-end. 3 schemes contribute to loan repayments.

32. The position of the venture fund reported at monitor 2 is no change from that reported to Members on 7 September 2010 at monitor 1.

Treasury Management Budget

33. Treasury Management activity had a Corporate Budget approved at Council on 25 February 2010 of £11,131k. In August 2010, the current approved budget stands at £11,768k. The increase of £637k is transfer of budget from departments to cover the finance costs of approved capital programme schemes funded by prudential borrowing. The projected outturn for 2010/11 is £11,618k, an estimated underspend of £150k. Table 3 details the individual components that make up this overspend.

	(Under)/Over Spend £000
Decrease in financing expenditure (interest paid)	(102)
Increase in interest receivable	(48)
Total Underspend	(150)

Table 3 – Treasury Management Budget 2010/11

34. The Treasury Management budget under spend at monitor 2 is forecast to be the same as at monitor 1. It is driven by the 2 factors in table 3. The reduction in finance expenditure is due to the reduced amount of interest to be paid on borrowing during 2010/11. Until the Chancellor's Comprehensive Spending Review on 20 October 2010, the borrowing interest rates available on the market were more favourable than were expected when the budget was set.

35. A significant proportion of the borrowing required during 2010/11 has already been taken as detailed in paragraph 25 and therefore a saving has resulted. In addition, even though borrowing rates have now risen since the Comprehensive Spending Review - the delay in taking further borrowing during 2010/11 and the forecast that the market remains volatile with opportunities for favourable interest rates still being available, has resulted in the forecast for the reduced under spend on interest paid being continued.

36. There is an increase in interest receivable compared to the budget. The cash balances to invest are slightly higher than anticipated and the use of various investment products - longer term deposits, short term call accounts and money market funds – are resulting in slightly better interest rates being received on investments. Of prime importance is always the security of the Council's funds.

37. It is expected that growth will continue to be slow in 2010/11, resulting in continued lower market interest rates being available for investments. It is interesting to note that in the 2010/11 strategy in February 2010 our Treasury Management advisers were forecasting the base rate to rise in September 2010 to 0.75% and in March 2011 to 1.50%. On 29 October 2010, this had been revised to 0.75% in September 2011 and 1.50% in

June 2010. This highlights that investment interest earned will continue to be at low levels for the foreseeable future.

38. A technical review of the Council's Treasury Management budget which includes the calculation of the capital financing requirement and the minimum revenue provision is currently underway. More detail on the financial impact of this will be provided in a future report.

Prudential Indicators Update

39. It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". Council's approved Prudential Indicators (affordability limits) for 2010/11 are outlined in the approved Treasury Management Strategy at Council on 25 February 2010. The monitoring of the Prudential Indicators is attached at Annex A. Prudential Indicators were not breached during the first 6 months of 2010/11.

Consultation

40. This report is for information and reporting on the performance of the Treasury Management function. The budget was set in light of the prevailing expenditure plans and economic conditions, based on advice from the Council's Treasury Management advisors.

Corporate Priorities

41. The Council's corporate strategy has the priority to ensure value for money and efficiency of its services. Treasury Management aims to achieve the optimum return on investments commensurate with the proper levels of security, and endeavours to minimise the interest payable by the Council on its debt structure.

Human Resources Implications

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

Equalities

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

Legal Implications

44. Treasury Management activities have to conform to the Local Government Act 2003 (SI 2003/3146), which specifies that the Council is required to adopt the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice and also the *Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008* (SI 2008/414), which clarifies the requirements of the Minimum Revenue Provision guidance.

Crime and Disorder Implications

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

Information Technology Implications

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

Property Implications

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

Risk Management

48. The Treasury Management function is a high-risk area because of the level of large money transactions that take place. As a result of this there are procedures as set out in the Treasury Management Practices statement that aim to reduce the risk associated with high volume high value transactions.

Recommendations

49. Members are requested to:

- Note the performance of the Treasury Management activity;
- Note the projected underspend of the Treasury Management budget of £150k.
- Approve the change in the Treasury Management strategy to increase the target interest rate on borrowing to 5.5% from 4.5% as detailed in the report at paragraph 28m. This is in line with the increase in PWLB rates as a result of the Comprehensive Spending Review.

Reason – to ensure the continued performance of the Council’s Treasury Management function.

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Report Date 16/11/10
Approved

Wards Affected:

All
None

Specialist Implication Officers:

None

For further information please contact the author of the report

Background Papers

Cash-flow Model 10/11, Investment Register 10/11, PWLB Debt Register,
Capital Financing Requirement 10/11, Venture Fund 10/11, Statistics 09/10.

Annexes

Annex A – Prudential Indicators

Annex A

PRUDENTIAL INDICATORS – Monitor 1 2010/11		2010/11 Budget	2010/11 Monitor 2
1)	Capital Expenditure 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 HRA TOTAL	£'000 £'000 66,116 64,411 6,908 8,370 73,024 72,781
2)	Ratio of financing costs to net revenue stream 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 HRA	9.30% 8.70% 3.11% 2.56%
3)	Incremental impact of capital investment decisions - Council Tax 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 £ p 25.43 22.77
4)	Incremental impact of capital investment decisions - Hsg Rents Shows the actual impact of capital investment decisions on HRA rent. For CYC, the HRA 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 £ p 0.00 0.00
5)	Capital Financing Requirement as at 31 March 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 HRA TOTAL	128,483 144,164 12,610 18,697 141,093 147,688
6a)	Authorised Limit for external debt - 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 other long term liabilities TOTAL	192 192 0 0 192 192
6b)	Operational Boundary for external debt - 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 other long term liabilities TOTAL	172 172 0 0 172 172
7)	Adoption of the CIPFA Code of Practice for Treasury Management in Public Services Ensuring Treasury Management Practices remain in line with the SORP.	TM Policy Statement 12 TM Practices Policy Placed Before Council Annual Review Undertaken	
8a)	Upper limit for fixed interest rate exposure 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 Actual Net interest re fixed rate borrowing / investments	108% 154%
8b)	Upper limit for variable rate exposure		

	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 Actual Net interest re variable rate borrowing / investments	-8%	-54%
9)	Upper limit for total principal sums invested for over 364 days 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.		£10,000	£10,000
10)	Maturity structure of new fixed rate borrowing during 2010/11 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.		Upper Limit	Lower Limit Mon 1
		under 12 months	10%	0% 6%
		12 months and within 24 months	10%	0% 2%
		24 months and within 5 years	25%	0% 6%
		5 years and within 10 years	40%	0% 23%
		10 years and above	90%	30% 63%

Glossary Of Abbreviations

HRA Housing Revenue Account

CYC City of York Council

SORP Statement of Recommended Practice for Local Authorities

CFR Capital Financing Requirement

1. In accordance with the Prudential Code, the Prudential Indicators set by full Council on 25th February 2010 for the financial year 2010/11 must be monitored and reported through the financial year. 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 2 was estimated to be £72,781m and in the original budget was £73.024m. The Capital Programme Monitor 2 report provides further information with regards to the movements.
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 at Monitor 2 is 8.70% compared to a budgeted level of 9.30%. This indicator has fallen slightly due to a lower amount of borrowing estimated to be repaid during 2010/11 as more capital receipts have been received in the year than originally anticipated. The Housing Revenue Account (HRA) version of the indicator at monitor 1 is 2.56% compared to the budgeted level of 3.11%, the difference is due to lower amount of interest to be paid on debt in relation to the HRA than originally 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. At monitor 2 the impact on council tax is estimated at £22.77 per Band D charge. This has decreased from the estimate of £25.43 due to the interest paid on new borrowing during 2010/11 being lower than expected in the budget. Borrowing rates have fallen due to the sentiment on the market that the economy is weak and a risk of a double dip recession. In addition, more capital receipts have been received in the year than originally anticipated.

5. **Capital Financing Requirement (CFR) (Indicator 5)** - The CFR at Monitor 2 is estimated at £162.861m, which is the Council's underlying need to borrow for all capital investment over time. The CFR will fluctuate as new schemes are introduced into the capital programme and the funding position changes (as a result of external contributions, reductions in grants, changes to capital receipts etc) to support the Capital investment of the Council. A technical review of the calculation of the capital financing requirement and the minimum revenue provision is currently underway. More detail on the financial impact of this will be provided in a future report.
6. **Authorised Limit / Operational Boundary (Indicator 6)** – The Council debt position at 1 April 2010 was £116.064m and currently stands at £136.064m. The Council's Operational Boundary (maximum prudent level of debt) was approved at Council as part of the budget set at £171.9m, along with the Authorised Limit (maximum allowed debt) at £191.9m. 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 revised Treasury Management Code of Practice on 25 February 2010 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 on borrowing 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%. If the majority of the interest received by the Council is fixed and the interest paid on debt is fixed then the closer the actual fixed interest rate exposure will be to 100% and the variable rate exposure to zero. The limits set in the budget were not breached and at Monitor 1 fixed rate exposure was at 154% and variable rate exposure –54%.
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 total portfolio. To date in 2010/11, no funds have been invested for longer than 364 days due to the uncertainty in the current economic environment and no value to be obtained from the longer rates available to the council within its credit criteria limits.
10. **Maturity structure of fixed rate borrowing in 2010/11 (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. Currently in 2010/11 the borrowing portfolio maturity profile is within the limits set.

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Audit & Governance Committee**6 December 2010**

Report of the Assistant Director of Legal, Governance & ITT

Updated Council response to the ePetitions 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), following recent changes introduced by the new Government.

Background

2. The 2009 Act required 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
3. The 2009 Act required a petition scheme to meet some minimum standards. The Department of Communities & Local Government (DCLG) therefore provided some draft statutory guidance which suggested that any 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

4. The duty to provide such a scheme came into force **on 15 June 2010**, and the e-petitions requirements are due to come into force on **15 December 2010**.
5. In September 2009, based on the DCLG guidance, a report recommending a corporate approach for handling all petitions (both paper and ePetitions) was presented to Full Council who endorsed the introduction of a centrally administered Corporate Petitions Register which included an ePetitions facility implemented through the electronic Committee Management System.

Update Following General Election

6. Following the recent general election the new coalition government has withdrawn the statutory guidance, thereby allowing local authorities more scope for formulating their own petition scheme.
7. In light of the removal of the statutory guidance, the suggested petitions scheme previously considered by this Committee at a meeting in July 2010, has been simplified to minimise the work involved with its implementation whilst ensuring it still meets the requirements of the 2009 Act. In essence, the elements in Chapter 2, Part 1, remain in tact unless repealed by fresh primary legislation. Paragraphs 8-11 below set out the required elements.
8. Paper Petitions
Our current methods for administering and responding to paper petitions are already in line with the requirements of the 2009 Act. The revised scheme shown at Annex A, builds upon these ways of working and introduces:
 - petition debates - see paragraph 14 below;
 - holding relevant officers to account - see paragraph 15 below;
 - the right for Lead petitioners to have the adequacy of the steps taken in handling their petition reviewed by an Overview & Scrutiny Committee;
 - written notification of the steps we have taken or propose to take in response to a petition with reasons for doing so, and publication of that notification on the council's website – see paragraphs 17 & 18 below
9. ePetitions
As the introduction of ePetitions is new to this Council, the Petitions Scheme at Annex A details in full the proposed working methods for administering and responding to them.
10. The electronic Committee Management System remains fit for purpose and the revised scheme is less labour intensive for officers implementing it.
11. Finally, in order to meet the full requirements of the 2009 Act, the Council will need to publish details of its petitions scheme (including e-petitions) on its website and ensure those who live, work or study in the area can find out about the scheme publicly .

Consultation

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

Options

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

Analysis

14. 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. In the revised scheme at Annex A this remains relevant to both paper petitions and ePetitions.

15. Calling an Officer To Account

The proposed scheme allows for a petition containing at least 500 signatures to ask for a relevant officer to be called to account at a public meeting. The 2009 Act describes 'relevant' officers as:

- the statutory chief officers of the authority i.e. Monitoring Officer & Chief Finance Officer
- non-statutory chief officers of the authority i.e. Directors of Service
- the head of the authority's paid service i.e. the Chief Executive

16. Review Of Steps Taken In Processing A Petition

The 2009 Act gives petition organisers the right to request that an Overview & Scrutiny Committee carry out a review of the steps taken in response to their petition, if they feel it was not dealt with in accordance with the authority's petitions scheme. In such circumstances the authority must inform the petition organiser of the results of the review and publish the results on their website. How this authority proposes to do that is set out in paragraph 17 below.

17. 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 of what the authority decides, has done or proposes to do in response to a petition (as the authority considers appropriate). This should also be published on the authority's website.
 - Be informed of the result of a review of the handling of their petition, if such a review has been requested. This should also be published on the authority's website.
18. The proposed ePetitions 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 those officers administering the scheme within Directorates. In York, information on the decisions taken in relation to any petitions (paper or ePetitions) and the results of any reviews undertaken by scrutiny, will be made available electronically via the published relevant meeting minutes. It will also be possible to track the implementation of any actions arising from them, via the online committee management system.
19. Getting Involved
The revised scheme at Annex A also details how a petition organiser and/or signatory can participate in any meeting where their petition is to be considered e.g. to listen to the debate, or by registering to speak at the meeting via the Council's Public Participation Scheme.

Corporate Strategy

20. The introduction of the revised Petition 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 helping to reinvigorate local democracy and reconnect people with public and political decision-making.

Implications

21. **Financial** – The Committee Management System (Modgov) will provide the ePetitions facility, therefore there is no additional costs to the council of implementing the introduction of ePetitions. There are minimal changes to the process for handling paper petitions so there will be no associated financial implications.
22. **Human Resources** – Democratic Services will still be required to administer the ePetitions facility Services as they are responsible for the electronic Committee Management System. However, the revised scheme will be less labour intensive than the scheme originally proposed, as paper petitions will now not be fed into, and tracked through the electronic system.

- 23. **Legal** – The revised scheme at Annex A meets all the requirements relating to the petitions duty of the Local Democracy, Economic Development & Construction Act 2009.
- 24. There are no known Equalities, Crime and Disorder, Property or Other implications associated with the recommendations in this report.

Risk Management

- 25. If the Council fails to adopt an appropriate Petitions Scheme it will fail in its duty to respond to the Local Democracy, Economic Development & Construction Act 2009.

Recommendations

- 26. Members are asked to consider and endorse the revised Petitions Scheme as set out in at Annex A

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

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Chief Officer Responsible for the report:

Andrew Docherty
Head of Civic, Democratic & Legal Services

Report Approved



Date 18 November 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: N/A

Annexes:

Annex A – Revised ePetition Scheme

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Petitions Scheme

City of York Council is committed to involving local people in its decision making. For some years, it has been operating a public participation scheme enabling members of the public to attend meetings and speak on an issue. It has also responded to petitions from the public, received in an number of ways e.g. through a ward Councillor submitting a petition on behalf of a constituent or by a resident submitting one direct to a council office by post/hand. As part of this petitions scheme, the Council is now introducing an ePetitions facility, providing another way in which a particular issue can be brought to attention of Councillors.

Through this 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 either on paper or electronically
- Respond to the concerns raised within a petition
- Review its handling of a petition where a lead petitioner believes it has not been dealt with in accordance with this scheme

To support the scheme, the Council has:

- 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

Petitions Not Covered By This Scheme

if a petition relates 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, the petition organiser will be informed and provided with information on the relevant procedure.

Petitions which are considered to be vexatious¹, abusive or otherwise inappropriate by the council's Monitoring Officer will not be accepted.

Understanding the Scheme

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

- How to submit a petition
- How to sign an ePetition
- Ways in which the Council may respond to your petition
- How to get involved when your petition is being considered
- What happens next

¹ 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

Submitting A Petition

Paper Petitions

Paper petitions can be submitted via a number of routes e.g. via a ward councillor, by post or hand delivered to one of the Council office buildings.

Paper petitions handed in to a ward councillor are presented at Full Council and then delegated to a senior officer within the relevant Directorate. Those that come directly into a council office building are also delegated to the appropriate senior officer.

ePetitions

All ePetitions 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

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.

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 a petition does not follow the guidelines set out above, or if we feel we cannot publish an ePetition for any reason, we will contact the petition organiser within 5 days of receipt to explain. Where possible, we will offer assistance to change and resubmit the ePetition. If it is not re-submitted within 14 days, a summary of the ePetition and the reason why it has not been accepted will be published under the 'rejected petitions' section of the Council's ePetitions facility.

How To 'sign' an ePetition

An individual wanting to sign an ePetition, will be asked to provide their name, address and postcode, plus a valid email address. They will then receive an email containing a link which they must click on in order to confirm their email address is valid. Once this step is completed their 'signature' will be added to the ePetition.

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

All ePetitions currently available for signature on the Council's website can be viewed at [insert link](#).

How will the council respond ?

Within 14 days of a petition being received or of an ePetition being closed to signatories, we will send acknowledgement to the petition organiser, providing information on when they can expect to hear from us again and how we plan to respond to the petition.

Our response will depend on what the 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 meeting of Full Council
- 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 a council committee or body

If the petition is about something over which the council has no direct control e.g. the local railway or hospital, we will refer it to the council's relevant partner organisation, and where appropriate, may work with them to respond to the petition.

Securing a Full Council Debate

If a petition contains more than 1000 signatures it will be debated by the full council. This means that the issue raised in the petition will be discussed at a meeting which all Councillors can attend.

The council will decide how to respond to the petition at this meeting. For example, 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 e.g. requesting an officer report be produced for consideration by the relevant Overview & Scrutiny Committee;
- forward the petition to a meeting of the Executive for a decision

Calling An Officer To Account

If your petition contains at least 500 signatures, you 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. The following senior staff can be called to account:

- Chief Executive
- Chief Finance Officer
- Monitoring Officer
- Directors of Service

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.

Getting Involved When Your Petition Is Considered

A petitioner may choose to attend any meeting where their petition is to be considered to listen to the debate, or register to speak at the meeting via the Council's [Public Participation Scheme](#). This scheme enables participants to address Councillors before they debate the issues raised.

What happens next?

The petition organiser will receive written notification of the outcome of their petition. Where a petition has been considered at a public meeting, information on the decisions taken in relation to the petitions will be made available electronically via the meeting Minutes published online. It will also be possible to track the implementation of any actions arising from them, via the online committee management system.

What if I feel your petition has not been dealt with properly?

If a petition organiser feels that we have not dealt with their petition properly, they 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 a request within 30 days of receiving it.

Should the Committee determine we have not dealt with a 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's 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, and the results of the review will also be published on our website via the Minutes of the meeting.



Audit & Governance Committee

6 December 2010

Report of the Assistant Director, Legal, Governance and ITT.

Constitutional Change to Delegated Powers of Executive Member for Leisure, Culture & Social Inclusion

Summary

1. This report puts before Members proposals for a slight change in responsibilities between the Executive Member for Neighbourhoods and Housing and the Executive Member for Leisure, Culture & Social Inclusion.

Background

2. One of the constitutional roles of Audit & Governance Committee is to consider proposed changes to the Constitution before recommending such changes to Full Council.
3. Recently, the portfolio of the Executive Member for Neighbourhood Services has expanded to incorporate the housing landlord function. As a result and in view of the synergies with the portfolio areas of the Executive Member (Leisure, Culture & Social Inclusion), this Committee is being consulted upon removing the neighbourhood management function from the Neighbourhood & Housing Services executive portfolio and transferring it the executive portfolio for Leisure, Culture & Social Inclusion.

Consultation

4. Prior to Full Council taking a decision on this or any proposed constitutional change, the views of this Committee are sought constitutionally. This Committee then makes a recommendation to Full Council. Both Executive Members are supportive of the proposed adjustment to portfolio responsibilities.

Options

5. (a) To recommend that Full Council either accepts or rejects the proposed changes to the above executive portfolios; or
(b) To propose a further alteration to the changes set out in this report to Full Council

Analysis

6. To effect this change in portfolio responsibilities the following change to the Constitution would be required:

'Remove the functional area for neighbourhood management set out in paragraph 2.4 in part 3B (Executive Members Responsibilities) of the Constitution (page 17) and transfer that functional area to the Executive Member for Leisure, Culture & Social Inclusion set out in paragraph 2.6 of part 3B.'

Corporate Priorities

7. Aligning executive responsibilities to the most appropriate portfolio naturally contributes the Councils' overall of being an effective organisation, providing high standards in all that it does.

Implications

8. There are no known financial, HR, Legal or other implications associated with the contents of this report.

Risk Management

9. In compliance with the Council's risk management strategy, the only risk associated with the contents of this report would be the potential for executive member decisions to be taken inappropriately, if the responsibility for such decisions were not held, constitutionally, in the right portfolio.

Recommendation

10. Members are asked to consider whether they wish to recommend the transfer of the neighbourhood management function to the Executive Member for Leisure, Culture & Social Inclusion.

Reason

11. In order to comply with the requirements of the Constitution.

Contact Details

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Tel: 01904551030

Chief Officer Responsible for the report:

Andrew Docherty
Assistant Director, Legal, Governance & ITT

Report Approved

Date 23 November 2010

Specialist Implications Officer(s)

Wards Affected:

All

For further information please contact the author of the report

Background Papers:

Council Constitution

Annexes:

None

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Audit and Governance Committee

6 December 2010

Report of the Assistant Director, Financial Services - Customer and Business Support Services

Protocol for Liaison between Internal and External Audit

Summary

- 1 The purpose of this report is inform Members of the draft protocol for future internal and external audit working arrangements. The report also seeks approval for some minor changes to the existing Internal Audit Terms of Reference.

Background

- 2 The external auditors, the Audit Commission undertake their work in accordance with International Standards on Auditing (ISAs) (UK and Ireland) and the Audit Commission Code of Audit Practice. The scope of the external auditor's work includes the audit of the council's financial statements, probity in the use of public money and value for money in the use of resources. The Code of Audit Practice is intended to deliver a streamlined risk based audit which focuses on those areas where the auditors are most likely to contribute to improvement.
- 3 The work of internal audit is governed by the Accounts and Audit Regulations 2003 (as amended) and the CIPFA Code of Practice for Internal Audit in Local Government 2006. Internal audit is required to provide an independent and objective opinion on the adequacy of the council's control environment.

Protocol for Liaison between External and Internal Audit

- 4 Although internal and external audit have different objectives, many of the processes followed are similar and therefore it makes sense for both parties to work together closely to maximise the overall benefit of audit to the council. A draft protocol has therefore been prepared, setting out the practical arrangements for coordinating the work undertaken by the external and internal auditors. A copy of the draft protocol is attached at annex 1.

Internal Audit Terms of Reference

- 5 The CIPFA Code of Practice recommends that the purpose, authority and responsibility of Internal Audit should be formally defined in terms of reference which are consistent with the Code. The current Terms of Reference (ToR) for Internal Audit were updated and formally approved by this Committee in December 2009. A small number of changes are now required to the ToR to reflect the recent organisational changes within the council (for example, as a result of changes to post titles). The revised ToR for Internal Audit are attached at annex 2.

Consultation

- 6 Not relevant for the purpose of the report.

Options

- 7 Not relevant for the purpose of the report.

Analysis

- 8 Not relevant for the purpose of the report.

Corporate Priorities

- 9 This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. In doing so it contributes to the corporate objective of making the council an Effective Organisation.

Implications

- 10 There are no implications to this report in relation to:

- **Financial**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

Risk Management

- 11 The lack of effective co-operation between external and internal auditors may result in duplication of effort, inconsistent reporting of audit issues to those charged with governance and the inefficient use of audit resources. The council

will fail to comply with the CIPFA Code of Practice for Internal Audit in Local Government if the Terms of Reference for Internal Audit are not kept up to date.

Recommendations

12 Members are asked to:

- note the draft protocol for liaison between internal and external audit.

Reason

To enable Members to assess the arrangements for coordinating the work of external and internal audit.

- consider and approve the proposed changes to the Internal Audit Terms of Reference (see annex 2).

Reason

To ensure that the council continues to comply with the CIPFA Code of Practice for Internal Audit.

Contact Details

Author:

Max Thomas
Head of Internal Audit
Veritau Limited
01904 552940

Chief Officer Responsible for the report:

Keith Best
Assistant Director
Telephone: 01904 551745

**Report
Approved**



Date 23/11/10

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers:

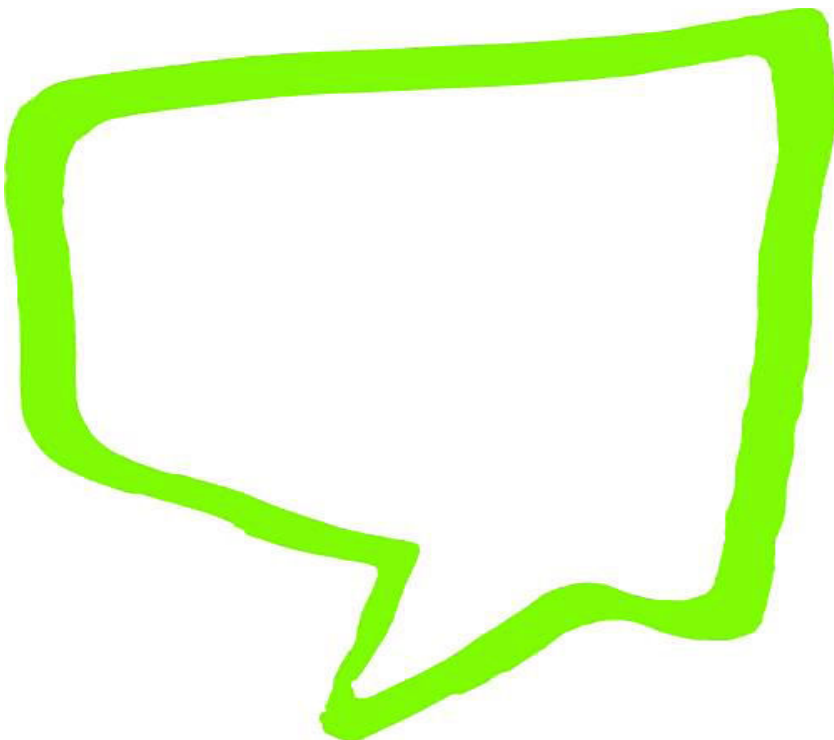
- The Audit Commission Code of Audit Practice
- The CIPFA Code of Practice for Internal Audit in Local Government

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Protocol for liaison between internal and external audit

City of York Council

November 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.
-

Introduction

- 1 The Audit Commission has made a commitment to strategic regulation. The principles of strategic regulation were incorporated into the 2005 Code of Audit Practice. The Code requires external auditors to carry out their audit economically, efficiently and effectively, and in as timely a way as possible. It specifies that as part of their audit approach, auditors should establish effective co-ordination arrangements with internal audit and seek to place maximum reliance on internal audit work wherever possible.
- 2 Although internal and external auditors carry out their work with different objectives in mind, many of the processes are similar and it is sensible and good professional practice that they should work together closely.
- 3 This protocol sets out the proposed working relationship that should exist between internal and external audit.

Objectives

- 4 This protocol sets out how internal and external audit (the Audit Commission) will work together and establishes a framework for co-ordination, co-operation and exchange of information. It outlines:
 - the respective roles of external and internal audit;
 - the Audit Commission Code of Audit Practice (the Code);
 - the requirements of the International Auditing Standards (UK and Ireland) and their impact on the work of external auditors;
 - working with internal audit, and liaison arrangements.
- 5 Overall, the protocol should promote an effective working relationship within the bounds of the respective roles of internal and external audit, and maximise the benefit to the Council from available audit resources.
- 6 This protocol covers all aspects of audit, including IT audit and value for money, and takes account of external audit responsibilities under the International Standards of Auditing (UK and Ireland) (ISAs (UK&I)).

Respective roles of auditors

- 7 Table 1 outlines the respective roles of external and internal audit. The roles and objectives are different but complementary. There are therefore benefits to be gained from working together, and from external audit relying on internal audit's work. Any such reliance is governed by International Auditing Standard (ISAs) (UK and Ireland) 610.
- 8 This standard requires external audit to review internal audit's work, which usually involves re-performing specific tests as well as a more general review against accepted standards – in this case, CIPFA's Code of Audit Practice for Internal Audit in Local Government in the United Kingdom 2006 (the Code)

Table 1 Respective roles of auditors

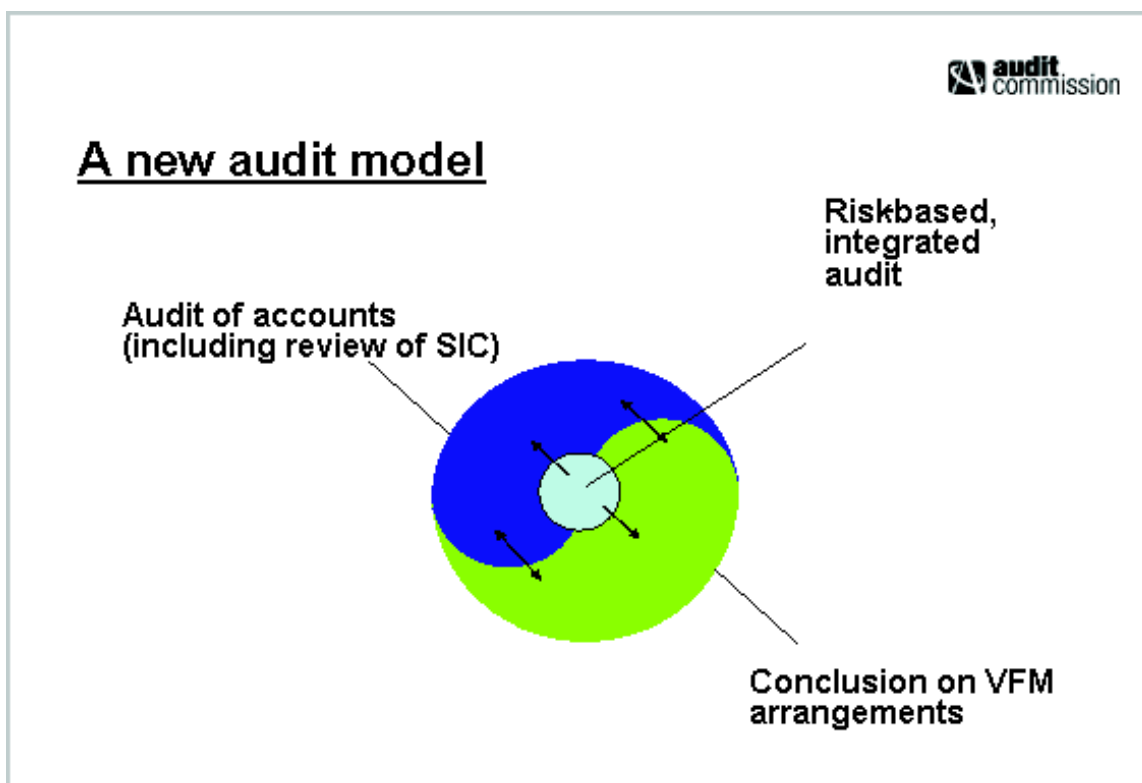
Internal Audit	External Audit
<p>CIPFA's Code of Practice for Internal Audit defines internal audit as an 'assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.'</p> <p>Internal Audit must have documented terms of reference that accord with the requirements of the Code.</p> <p>The key output from Internal Audit is the annual opinion on the Council's control environment which is reported to the Audit and Governance Committee.</p> <p>Internal audit's strategy and plan is agreed between internal audit and management and is approved by the Audit and Governance Committee, and cannot be directed by external audit.</p>	<p>External audit conduct their work in accordance with International Standards on Auditing (ISAs) (UK and Ireland) and with the Audit Commission's Code of Audit Practice.</p> <p>External audit in the local government is characterised by three distinctive features:</p> <ul style="list-style-type: none"> • Auditors are appointed independently by the Audit Commission. • The scope of auditors' work covers the audit of financial statements, probity in the use of public money and value for money in the use of resources. • Auditors may report aspects of their work widely to the public and other key stakeholders.

Code of Audit Practice

- 9 The most recent Audit Commission Code of Audit Practice came into effect from April 2005 and is designed to secure:
- a more streamlined audit, which is proportionate to risk and targeted on areas where auditors have most to contribute to improvement;
 - a stronger emphasis on value for money, focusing on bodies' corporate performance and financial management arrangements (rather than individual services and functions); and
 - better and clearer reporting of the results of audits.
- 10 The audit model is shown in Figure 1. Following subsequent changes to accounting regulations, the reference to the review of the SIC (statement of internal control) should now refer to the Annual Governance Statement.

Figure 1 The Code of Audit Practice

The Code of Audit Practice came into effect from April 2005



Source: Code of Audit Practice, Audit Commission

International Standards on Auditing (UK and Ireland)

- 11** The external audit is undertaken in accordance with International Standards on Auditing (ISAs). The standards that principally affect our working relationship with Internal Audit are:
- ISA 315 – understanding the entity, its environment and assessing the risks of material misstatement;
 - ISA 330 – procedures in response to assessed risks;
 - ISA 240 – consideration of fraud; and
 - ISA 610 – considering the work of Internal Audit.
- 12** In summary, the approach requires us, as external auditors, to:
- gain an understanding of the information systems that are relevant to producing material figures in the accounts;
 - gain an understanding of the way transactions in these systems are initiated, recorded, processed and reported;
 - carry out interim opinion audit planning - identifying risks of material mis-statement (inherent risks in the systems, or specific risks that are identified), and planning tests of controls that are designed to prevent the material mis-statements;
 - carry out tests of controls where those controls are key to ensuring there are no material mis-statements in the assertions in the financial statements;
 - reassess the risks at the time the draft financial statements are produced; and
 - plan and carry out tests of control or substantive tests of detail against the remaining risks for each of the assertions for material entries in the accounts.
- 13** Where the work internal audit undertake for its own purposes overlaps with work that the external auditor would undertake to comply with the Code of Audit Practice, external audit may seek to place reliance upon the work of internal audit.
- 14** Internal audit undertake the following activities and external audit will seek to place reliance on this work wherever possible:
- systems documentation;
 - identification of controls; and
 - testing of controls.

ISA 610: considering the work of Internal Audit

- 15 We will seek to maximise our reliance on the work of Internal Audit particularly in relation to the Council's core financial systems. In this respect, ISA 610 requires external auditors to:
- review whether Internal Audit is effective as a management control, as part of the control environment assessment; and
 - review (and seek to place reliance on) specific pieces of Internal Audit work, where that work covers areas relevant to our Code of Audit Practice objectives.
- 16 Where external auditors intend to use Internal Audit work to inform conclusions, the specific work must be evaluated and this may involve re-performance of this work, testing of similar items or observing Internal Audit work.

Working with Internal Audit

17 Where internal and external audit work closely together, the following benefits should accrue.

Table 2 The benefits of joint working

Effective joint working should secure the following benefits

Internal Audit	The Council	External audit
Increased credibility and presence with management and Members (those charged with governance)	Clearer, more consistent reporting of audit issues	Better understanding of the corporate framework
Greater emphasis on Internal Audit's own objectives	Reduced opportunity for duplication or omission of audit work	The audit is more tailored and relevant to the Council
Greater awareness of risk from an external observer's perspective	Better focused audit work that provides relevant information	Increased awareness of risk factors at the Council
Opportunity for cross training, eg IT audit	Maximises the positive impact of audit	More efficient audit approach

18 Effective co-operation between external and internal auditors means more than avoiding duplication. An effective framework of co-operation and co-ordination ensures liaison, co-operation on work programmes and the sharing of information. Reflecting this, our joint working protocol covers:

- liaison meetings;
- external audit reliance on internal audit work;
- arrangements for sharing documents and information;
- arrangements for pre-Audit and Scrutiny Committee liaison; and
- external audit's review of internal audit's work.

19 The principles of co-operation and co-ordination, and agreed actions are set out in table 3.

Table 3 Co-operation - principles and details

<p>Liaison meetings</p> <p>Regular meetings take place every quarter between:</p> <ul style="list-style-type: none"> • the Chief Internal Auditor and Internal Audit Manager • the external audit Manager and Principal Auditor <p>to discuss audit planning (in particular, to avoid unnecessary duplication of planned audit work), audit progress and any other issues of mutual interest. These meetings are typically held on a quarterly basis.</p>
<p>External audit reliance on internal audit work</p> <p>Internal Audit prepares its audit plans independently, on the basis of its assessment of the risks existing at the Council. It is likely that some of this work will be in areas in which external audit will wish to obtain assurance to meet their Code of Audit Practice responsibilities. It is appropriate for external audit to seek to place reliance on internal audit's work, wherever it is practical to do so.</p> <p>There is an ongoing dialogue between internal and external audit and this includes discussion of work where reliance on internal audit work is sought.</p>
<p>Arrangements for sharing documents and information</p> <p>It will enhance understanding and effectiveness if audit reports and other audit information is shared promptly.</p> <p>Internal audit will provide external audit with:</p> <ul style="list-style-type: none"> • audit reports and access to electronic working paper files; • details of any significant changes to the audit plan; • key documents, in particular the terms of reference, audit strategy and audit plan; and • formal details of all significant frauds (all frauds of £10,000 or more) and all instances of corruption. These are required for submission to the Audit Commission, using form AF70. <p>External audit will provide internal audit with copies of:</p> <ul style="list-style-type: none"> • annual work programmes, including proposed tests of control in financial and IT systems • final reports, • relevant working papers (subject to specific agreement); and • details of any significant changes to the audit plan. <p>External and internal audit will communicate promptly to the other auditor any significant concerns arising that the auditor feels should be dealt with other than through the usual reporting arrangements set out in this protocol.</p>

Liaison meetings**External audit's approach to its review of Internal Audit**

External auditors review the work of Internal Audit for two main purposes:

- to establish if Internal Audit is undertaking its role effectively in accordance with internal audit standards; and
- to determine what reliance can be drawn from internal audit work in relation to the external auditor's Code of Audit Practice responsibilities.

External audit will undertake an annual review of the internal audit work that it intends to place reliance upon and will feedback annually on its view of Internal Audit as an effective part of the control environment.

The Accounts and Audit (Amendment) (England) Regulations 2006 require that a Council review the effectiveness of the system of internal audit. This review is the responsibility of the Council and is not intended to be a review carried out by the external auditor.

Liaison arrangements

- 20 We will continue to meet regularly with IA to update issues identified in relation to the audit, review progress and exchange information. The agreed contacts for the Audit Commission and Council are identified in Table 4.

Table 4 Key contacts

Key contacts for ongoing liaison have been agreed as follows

Key contact	E-mail	Telephone
Audit Commission		
Lynn Hunt Audit Manager	l-hunt@audit-commission.gov.uk	0844 798 1675
Keith Illingworth Principal Auditor	k-illingworth@audit-commission.gov.uk	0844 798 7141

Key contact	E-mail	Telephone
Internal Audit		
Max Thomas Director of Veritau Ltd	max.thomas@veritau.co.uk	01904 552940
Richard Smith Audit Manager	richard.smith@veritau.co.uk	01904 552942

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.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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For further information on the work of the Commission please contact:

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www.audit-commission.gov.uk

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Internal Audit Terms of Reference

Updated December 2010

Introduction

- 1 There is a statutory duty on the Council to maintain an adequate and effective system of internal audit, in accordance with proper practices. Currently, proper practice is represented by the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (the Code).
- 2 The Code defines internal audit as:

“an assurance function that provides an independent and objective opinion to the organisation on the control environment¹, by evaluating its effectiveness in achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper economic, efficient and effective use of resources”
- 3 These terms of reference define how internal audit at City of York Council will be provided further to the requirements of the Code. The terms of reference will be reviewed on an annual basis by the Head of Internal Audit. Any recommendations for change will be made to the Audit and Governance Committee for approval.
- 4 The terms of reference should be read in the context of the wider legal and policy framework setting out the requirements for the Council to maintain an effective system of internal audit, including the Accounts and Audit Regulations 2003 (as amended), the Code of Practice, and the Council’s constitution and financial regulations.

¹ The control environment comprises the systems of governance, risk management, and internal control.

Responsibilities and Objectives

- 5 The overall objective of internal audit is to provide an independent and objective opinion on the control environment operating at the Council. In doing this, its responsibilities include (but are not limited to):
- (i) providing assurance to Members, chief officers and the general public on the effective operation of governance arrangements and the internal control environment operating at the Council
 - (ii) objectively examining, evaluating and reporting on the probity, legality and value for money of the Council's arrangements for service delivery
 - (iii) reviewing the Council's financial arrangements to ensure that proper accounting controls, systems and procedures are maintained and, where necessary, for making recommendations for improvement
 - (iv) helping to secure the effective operation of proper controls to minimise the risk of loss, the inefficient use of resources and the potential for fraud and other wrong doing
 - (v) acting as a means of deterring all fraudulent activity, corruption and other wrong doing including money laundering, conducting investigations into matters referred to it for investigation by management or officers and members of the public and reporting its findings to directors and Members as appropriate for action
 - (vi) advising the council on relevant counter fraud and corruption policies and measures, for example the counter fraud and corruption policy.
- 6 The service will be provided in accordance with proper practice, and to appropriate standards, as defined by the Code of Practice, Council policy, and any other relevant legal or professional standards or guidance.

Organisational Independence

- 7 It is the responsibility of directors and service managers to maintain effective systems of internal control and governance. Auditors will have no responsibility for the implementation or operation of systems of control and will remain sufficiently independent of the activities audited to enable them to exercise objective professional judgement.

- 8 Audit advice and recommendations will be given without prejudice to the rights of Internal Audit to review and make further recommendations on relevant policies, procedures, controls and operations at a later date.

Accountability, Reporting Lines, and Relationships

- 9 Internal audit services are provided under contract to the Council by Veritau Limited. The company is a separate legal entity. Staff undertaking internal audit work are employed by Veritau or are seconded to the company from the Council. The Assistant Director, Financial Services acts as client officer for the contract, and is responsible for overall monitoring of the service and liaison with the company on all audit related matters.
- 10 In its role in providing an independent assurance function, Veritau has direct access to Members and senior officers and can report uncensored to them as considered necessary. Such reports may be made to:
- the Council, Executive, or any Committee (including the Audit & Governance Committee)
 - the Chief Executive
 - the Director of Customer and Business Support Services (s151 officer)
 - the Monitoring Officer
 - other Directors, Assistant Directors and senior managers.
- 11 The Director of Customer and Business Support Services (as s151 officer) has a statutory responsibility for ensuring that the Council has an effective system of internal audit in place. In recognition of this, a formal protocol has been drawn up setting out the relationship between internal audit and the Director of Customer and Business Support Services. This is included at Appendix 1
- 10 The Head of Internal Audit will report independently to the Audit and Governance Committee² on proposed allocations of audit resources, any significant risks and control issues identified through audit work, and will provide his/her opinion on the Council's control environment to the Committee on an annual basis. If necessary, the Head of Internal Audit

² The committee is charged with overall responsibility for governance for the Council.

and the Audit and Governance Committee may meet privately in accordance with the terms of the Privacy and Confidentiality policy.

- 11 The Audit and Governance Committee will oversee (but not direct) the work of Internal Audit. This includes commenting on the scope of internal audit work and approving the annual audit plan. The Committee will also protect and promote the independence and rights of Internal Audit to enable it to conduct its work and report on its findings without fear or favour³.

Scope

- 12 The scope of internal audit work will encompass the Council's entire control environment, comprising its systems of governance, risk management, and control.
- 13 The scope of audit work also extends to services provided through partnership arrangements, irrespective of what legal standing or particular form these may take. The Head of Internal Audit, in consultation with all relevant parties and taking account of audit risk assessment processes, will determine what work will be carried out by Veritau, and what reliance may be placed on the work of other auditors, to inform his/her overall opinion on the Council's control environment.

Annual Report

- 14 On an annual basis the Head of Internal Audit will provide a written report to the Audit and Governance Committee. The report will contribute to the Council's overall review of the effectiveness of its systems of internal control and to the preparation of the Annual Governance Statement. The annual report will set out the Head of Internal Audit's opinion on the overall adequacy and effectiveness of the Council's control environment, along with:
 - (i) any qualifications to his/her opinion, together with the reasons for those qualifications
 - (ii) a summary of audit work from which his/her opinion is derived, including any reliance placed on the work of other assurance bodies
 - (iii) any particular control weakness judged to be relevant to the preparation of the Annual Governance Statement

³ The relationship between Internal Audit and the Audit and Governance Committee is set out in more detail in Appendix 2.

- (iv) an overall summary of internal audit performance
- (v) a comment on compliance with the Code of Practice for Internal Audit in Local Government in the United Kingdom.

Fraud and Consultancy Services

- 15 The primary role of Internal Audit is to independently report on the Council's control environment. However, the service is also required to undertake fraud investigation and other consultancy work as a contribution to the opinion that Internal Audit provides on the control environment, and to best utilise the professional skills of auditors who are able to carry out such reviews in a systematic and disciplined way.
- 16 The prevention and detection of fraud and corruption is the responsibility of directors and service managers. However, all instances of suspected fraud and corruption must be notified to the Head of Internal Audit, who will decide on the course of action to be taken in consultation with relevant service managers and/or other advisors (for example Human Resources). Where appropriate, cases of suspected fraud or corruption will be investigated by Veritau.
- 17 Where appropriate, Veritau may carry out other consultancy related work for example specific studies to assess the economy, efficiency, and effectiveness of elements of service provision. The scope of such work will be determined in conjunction with service managers. Such work will only be carried out where there are sufficient resources and skills within Veritau and where the work to be done does not compromise the assurance role or the independence of the service provided.

Resourcing

- 18 As part of the annual planning process, the Head of Internal Audit will review the resources available to Internal Audit, to ensure that they are sufficient to meet the requirements on the service to provide an opinion on the council's control environment. Where resources are judged to be insufficient, recommendations to address the shortfall will be made to the Assistant Director, Financial Services) and to the Audit and Governance Committee.

Rights of Access

- 19 To enable it to fulfil its responsibilities, the council gives staff employed by Veritau the authority to:
 - (i) enter all Council premises or land, at any reasonable time

- (ii) have access to all data, records, documents, correspondence, or other information - in whatever form - relating to the activities of the Council
 - (iii) have access to any assets of the Council and to require any employee of the council to produce any assets under their control
 - (iv) be able to require from any employee or Member of the Council any necessary information or explanation necessary for the purposes of audit.
- 20 Directors and service managers are responsible for ensuring that the rights of Veritau staff to access premises, records, and personnel are preserved, including where services are provided through partnership arrangements, contracts or other means.

**Appendix 1 - City of York Council Internal Audit Terms of Reference
Protocol for the Relationship Between the Director of Customer and
Business Support Services (the s151 Officer) and Internal Audit**

- 1 In recognition of the statutory duties of the Council's Director of Customer and Business Support Services (DoCBSS) as s151 officer and guidance from CIPFA, the following protocol has been adopted at York to form the basis for a sound and effective working relationship between the DoCBSS and Internal Audit.
 - (i) The Head of Internal Audit (HIA) will seek to maintain a positive and effective working relationship with the Council's designated DoCBSS.
 - (ii) Internal Audit will review the effectiveness of the Council's systems of control, governance, and risk management and report its findings to the DoCBSS.
 - (iii) The DoCBSS will be asked to comment on those elements of Internal Audit's programme of work that relate to the discharge of his/her statutory duties. In devising the annual audit plan and in carrying out internal audit work, the HIA will give full regard to the comments of the DoCBSS.
 - (iv) The HIA will notify the DoCBSS of any matter that in the HIA's professional judgement may have implications for the DoCBSS in discharging his/her s151 responsibilities.
 - (v) The DoCBSS will notify the HIA of any concerns that he/she may have about control, governance, or suspected fraud and corruption and may require Internal Audit to undertake further investigation or review.
 - (vi) The HIA will be responsible for ensuring that internal audit is provided in accordance with the standards set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.
 - (vii) If the HIA identifies any shortfall in resources which may jeopardise his/her ability to provide an opinion on the Council's control environment, then he/she will be entitled to make representations to the DoCBSS.
 - (viii) The DoCBSS will protect and promote the independence and rights of Internal Audit to enable it to conduct its work effectively and to report on its findings without fear or favour.

**Appendix 2 - City of York Council Internal Audit Terms of Reference–
Protocol for the Relationship Between the Audit and Governance
Committee and Internal Audit**

- 1 Because of the shared interests of the Audit and Governance Committee and Internal Audit it is essential that there is an effective working relationship between them. In view of this, this protocol sets out the responsibilities of the Committee in relation to internal audit, and the responsibilities of Veritau Limited (the Council's internal audit provider).
- 2 The Audit and Governance Committee will seek to:
 - (i) raise awareness of key aspects of good governance across the organisation, including the role of internal audit and risk management
 - (ii) ensure that adequate resources are provided by the Council so as to ensure that Internal Audit can satisfactorily discharge its responsibilities
 - (iii) protect and promote the independence and rights of Internal Audit to conduct its work properly and to report on its findings without fear or favour.
- 3 Specific responsibilities in respect of internal audit include the following.
 - (i) Consideration of the annual report and opinion of the Head of Internal Audit (HIA) on the Council's control environment.
 - (ii) Consideration of other specific reports detailing the outcomes of internal audit work.
 - (iii) Consideration of reports dealing with the performance of Veritau as internal audit provider.
 - (iv) Consideration of reports on the implementation of agreed recommendations or those outstanding recommendations escalated to the Committee in accordance with the approved Escalation Policy.
 - (v) Approval (but not direction) of the annual Internal Audit Plan.
- 4 In relation to the Audit and Governance Committee, the HIA will:
 - (i) attend its meetings and contribute to the agenda
 - (ii) ensure that overall Internal Audit objectives, workplans, and performance are communicated to, and understood by, the Committee

- (iii) provide an annual summary of Internal Audit work, and an opinion on the Council's control environment, including details of unmitigated risks or other issues that need to be considered by the committee
 - (iv) establish whether anything arising from the work of the Committee requires consideration of the need to change the audit plan or vice versa
 - (v) highlight any shortfall in the resources available to Internal Audit and to make recommendations to address these to the committee
 - (vi) report any significant risks or control issues identified through audit work which the HIA feels necessary to specifically report to the Committee.
- 5 The Head of Internal Audit will have direct access to the chair of the Audit and Governance Committee and may meet privately with the chair or the Committee as necessary, in accordance with the terms of the Privacy and Confidentiality Policy.

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Audit and Governance Committee

06 December 2010

Report of the Assistant Director, Financial Services - Customer and Business Support Services

Audit, Counter Fraud & Information Governance Mid-Term Monitor

Summary

- 1 This report provides an update on progress made in delivering the internal audit workplan for 2010/11 and on current counter fraud and information governance activity.

Background

- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2003 (as amended) and the CIPFA Code of Practice for Internal Audit in Local Government. In accordance with the code of practice, the 2010/11 audit and fraud plan was approved by the Audit and Governance Committee on 26 April 2010. The plan included a programme of audit reviews, along with details of planned counter fraud and information governance activities.
- 3 It was also recognised that changes might need to be made to the audit plan through the year as a result of new or changed priorities and/or if new risks were identified. To reflect the new contractual relationship between the council and Veritau, all proposed variations to the agreed audit plan arising as a result of emerging issues and/or requests from management are subject to a change control process. Where the variation exceeds 5 days then the change must be authorised by the Assistant Director, Financial Services - Customer and Business Support Services who is the client manager for the service. All agreed variations will then be communicated to the Audit and Governance Committee for information.

2010/11 Internal Audit Plan – Progress to Date

- 4 Two of the priorities for Veritau are to deliver at least 93% of the audit plan and to ensure that the service continues to operate to recognised professional standards (as determined by the code of practice).
- 5 Internal audit successfully delivered 94.9% of the 2009/10 audit plan. 37% of the 2010/10 audit plan has been completed to date. This figure

is based on reports issued and does not take into account further audit fieldwork which is planned, complete or in progress. It is anticipated that the 93% target will be achieved by the end of April 2011. Details of the audits completed and reports issued since the last report to this committee (on 29 September June 2010) are given in annex 1.

- 6 As noted in paragraph 3 above, it has been necessary to make a number of variations to the audit plan. Details of the audit plan variations approved by the client manager since September are given in annex 2.

Counter Fraud

- 7 Counter fraud work has been undertaken in accordance with the approved plan. Annex 3 provides details of the investigations completed and provides a summary of the work undertaken.

Information Governance

- 8 A current priority for the information governance team is to provide support to the council in implementing the government's transparency agenda (the requirement to publish details of all transaction over £500 as well as senior officers salaries and information about contracts), and linking this to the publication of Freedom of Information responses.
- 9 So far this year from 1 April 2010 to 22 November 2010 the team has tracked 425 Freedom of Information Requests, up from 292 in the same period last year (a 46% increase).

Breaches of Financial Regulations

- 10 There have been no significant breaches of the council's financial regulations identified since the last report to this committee in September. However, a number of relatively minor breaches have been noted. Details of these breaches are summarised in annex 4.

Future Developments

- 11 The North Yorkshire Audit Partnership (NYAP) consists of Scarborough Borough, Hambleton, Richmondshire, Ryedale and Selby District Councils. The partnership was originally formed in 1999 but has grown in size since that time. The partnership is based on a joint committee model with Ryedale District Council acting as lead authority.
- 12 Discussions have been taking place between representatives of NYAP and Veritau regarding the potential for future collaboration. An outline plan has been developed which includes a proposal to transfer audit and counter fraud services from the five district councils to Veritau. The main drivers for such a change are:

- the need to deliver further efficiencies and cost savings
 - the need to ensure future service resilience and capacity so as to be able to respond to changing priorities and increasing workload demands
 - the need to retain skilled and experienced staff by creating greater critical mass and providing more opportunities for career development and specialism
 - the need to make best use of the scarce professional audit expertise available (particularly in contract and IT audit)
 - the need to establish an effective succession plan and to reduce the existing reliance on certain key staff for service continuity.
- 13 Whilst the detailed legal, financial, staffing and operational implications of any transfer will need to be explored further before a final decision can be taken, it is anticipated that the change process could be completed by March 2012. Further reports will be presented to this Committee to keep members informed of these developments.

Consultation

- 14 Not relevant for the purpose of the report.

Options

- 15 Not relevant for the purpose of the report.

Analysis

- 16 Not relevant for the purpose of the report.

Corporate Priorities

- 17 This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. In doing so it contributes to the corporate objective of making the council an effective organisation.

Implications

- 18 There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**

- **Information Technology (IT)**
- **Property**

Risk Management Assessment

- 19 The council will fail to properly comply with the CIPFA Code of Practice for Internal Audit in Local Government if the results of audit work are not reported to those charged with governance.

Recommendation

- 20 Members are asked to:

- (a) Note the progress made in delivering the 2010/11 internal audit work programme, and current counter fraud and information governance activity.

Reason

To enable members to consider the implications of audit and fraud findings.

- (b) Note the variations to the 2010/11 audit plan set out in annex 2.

Reason

To enable members to consider the delivery of the internal audit plan.

Contact Details

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Chief Officer Responsible for the report:

Keith Best
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Telephone: 01904 551745

Report Approved



Date 26/11/10

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

- 2010/11 Internal Audit & Counter Fraud Plan

Annexes

Annex 1 – 2010/11 Audits Completed and Reports Issued

Annex 2 – Variations to the 2010/11 Audit Plan

Annex 3 – Counter Fraud Activity

Annex 4 – Summary of Breaches of Financial Regulations

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2010/11 AUDITS COMPLETED AND REPORTS ISSUED

The following categories of opinion are used for audit reports.

Opinion	Level of Assurance
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Moderate	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Actions to address issues are agreed with managers where weaknesses in control are identified. The following categories are used to classify agreed actions.

<u>Priority</u>	<u>Long Definition</u>	<u>Short Definition – for use in Audit Reports</u>
1 (High)	<p>Action considered both critical and mandatory to protect the organisation from exposure to high or catastrophic risks. For example, death or injury of staff or customers, significant financial loss or major disruption to service continuity.</p> <p>These are fundamental matters relating to factors critical to the success of the area under review or which may impact upon the organisation as a whole. Failure to implement such recommendations may result in material loss or error or have an adverse impact upon the organisation's reputation.</p> <p>Such issues may require the input at Corporate Director/Assistant Director level and may result in significant and immediate action to address the issues raised.</p>	<p>A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.</p>
2 (Medium)	<p>Action considered necessary to improve or implement system controls so as to ensure an effective control environment exists to minimise exposure to significant risks such as financial or other loss.</p> <p>Such issues may require the input at Head of Service</p>	<p>A significant system weakness, whose impact or frequency presents risks to the system objectives, and which needs to be addressed by management.</p>

Priority

Long Definition

Short Definition – for use in Audit Reports

3 (Low)

or senior management level and may result in significantly revised or new controls.

Action considered prudent to improve existing system controls to provide an effective control environment in order to minimise exposure to significant risks such as financial or other loss.

The system objectives are not exposed to significant risk, but the issue merits attention by management.

Such issues are usually matters that can be implemented through line management action and may result in efficiencies.

Draft Reports Issued

6 internal audit reports are currently in draft. These reports are with management for consideration and comments. Once the reports have been finalised, details of the key findings and issues will be reported to this committee. The draft reports are categorised as follows:

Opinion	Number
“High Assurance”	2
“Substantial Assurance”	1
“Moderate Assurance”	2
“Limited Assurance”	0
“No Assurance”	0
“Not given”	1

Final Reports Issued

The table below shows audit reports finalised since the last report to this committee in September 2010. In all cases the recommendations made have been accepted by management, and will be followed up by internal audit.

Description	Date Final Report Issued	Opinion	Agreed Actions		Work done / significant weaknesses / issues identified
			Total number	Number which are priority 1	
Transport	20/8/10	Substantial Assurance	2	0	The service needs to consider whether the extent of checks on vehicles and the suitability of operators are sufficient. This will be reviewed as part of the change programme for transport.
Archbishop Holgate's School	21/9/10	High Assurance	4	0	A school establishment audit. No significant issues were found.
Ordering and Creditor Payments	27/9/10	Limited Assurance	17	4	The audit was completed in April 2010 and the issues were brought to the attention of this committee as part of the annual report of the Head of Internal Audit in June 2010. Further work has since been undertaken to clarify and agree the actions required. Progress will be reviewed as part of the 2010/11 audit which is currently underway.

Description	Date Final Report Issued	Opinion	Agreed Actions		Work done / significant weaknesses / issues identified
			Total number	Number which are priority 1	
Huntington Secondary School	26/10/10	High Assurance	3	0	A school establishment audit. No significant issues were found.
Huntington Primary School	2/11/10	High Assurance	1	0	A school establishment audit. No significant issues were found.
Section 106 Agreements	8/11/10	Moderate Assurance	9	0	A number of improvements to systems were agreed, including: <ul style="list-style-type: none"> the establishment of a consolidated record of agreements the need to update and standardise the format of some agreements the further development of systems for monitoring planning obligations, and the adoption of open spaces.
Fulford Secondary School.	8/11/10	High Assurance	3	0	A school establishment audit. No significant issues were found.
Performance Indicators	9/11/10	None Given	0	0	A review of systems for producing performance indicators including arrangements for ensuring the accuracy of data. Systems were found to be generally good and the associated data robust. Issues were identified in a number of

Description	Date Final Report Issued	Opinion	Agreed Actions		Work done / significant weaknesses / issues identified
			Total number	Number which are priority 1	
					specific areas and these have been raised with the relevant departments.
Members Allowances	12/11/10	High Assurance	2	0	Minor recommendations were made in relation to the need to retain VAT receipts and the need to ensure forms are completed fully.
Copmanthorpe Primary School	16/11/10	High Assurance	3	0	A school establishment audit. No significant issues were found.
St Wilfrid's RC Primary School	24/11/10	Substantial Assurance	6	0	As school establishment audit. A number of minor issues were identified.

VARIATIONS TO THE 2010/11 AUDIT PLAN

Additions to the plan are considered where:

- specific requests are received from the S151 Officer which are necessary for him to discharge his statutory responsibilities.
- new or previously unidentified risks result in changes to the priority of audit work
- significant changes in legislation, systems or service delivery arrangements occur which have an impact on audit priorities
- requests are received from customers to audit specific services, systems or activities usually as a result of weaknesses in controls or processes being identified by management
- urgent or otherwise unplanned work arises as a result of investigations into fraud and other wrongdoing identifying potential control risks.

Additions to the audit plan are only made if the proposed work is considered to be of a higher priority than work already planned, the change can be accommodated within the existing resource constraints and the change has been agreed by the Head of Internal Audit.

Audits are deleted from the plan or delayed until later years where:

- specific requests are received from the S151 Officer or the audit customer and the grounds for such a request are considered to be reasonable
- the initial reason for inclusion in the audit plan no longer exists
- it is necessary to vary the plan to balance overall resources.

To reflect the new contractual relationship between the council and Veritau, all proposed variations to the agreed audit plan arising as the result of emerging issues and/or requests from directorates will be subject to a change control process. Where the variation exceeds 5 days then the change must be authorised by the Assistant Director, Financial Services as the client manager for internal audit. Any significant variations will then be communicated to the Audit and Governance Committee for information.

2010/11 Audit Plan Variations

The following variations have been approved since the last report to this committee. They represent a net allocation of 2 days from the audit contingency and do not affect overall planned audit days.

Audit	Days	Justification For Change
Deletions from the Audit Plan		
Complaints Handling	-11	A major change to corporate systems is being implemented and is due to go live by January 2011 (audit input to the project is being provided by Veritau Information Governance Officers). In addition, complaints procedures are the subject of an ongoing scrutiny review. Given the changes being made, and the attention already focussed on the service the audit will be deferred until next year.
Financial Management Standard in Schools (FMSiS)	-45	Delete allocation for assessment of schools against the Financial Management Standard in Schools (FMSiS). The government announced on 15 November that schools would no longer be required to demonstrate compliance with the standard. The purpose of this work was to provide assurance to the s151 officer about compliance with the standard, to enable him to sign an assurance statement. With the abolition of the standard, this assurance will no longer be required.
	-56	
Additions to the Audit Plan		
Waste PFI	11	The audit plan contains 10 days for audit input in relation to the waste PFI project. This is insufficient to meet proposed audit work for 2010/11, which will include a detailed review of the agreement between CYC and NYCC, and a review of proposed payment mechanisms.
Procurement Cards	5	An allocation from contingency to support this new project.
Contract Audit	42	An allocation from contingency to undertake additional contract audit work requested by officers.
	58	

COUNTER FRAUD ACTIVITY 2010/11

The table below shows the total numbers of investigations completed, sanctions applied, fraudulent overpayments identified by the counter fraud team to date. The table also shows performance against agreed targets (as at 31 October):

	2010/11 Actual to date	2010/11 Target	2009/10 Actual
Number of Benefit Fraud referrals received (excluding HBMS). <i>The target is designed to promote fraud awareness and encourage people to report suspected fraud.</i>	247	400 referrals to be received	391
% of referrals which are investigated (excluding HBMS). <i>The target is designed to measure the quality of referrals received and the capacity of the counter fraud team to investigate cases.</i>	51%	60% of referrals investigated	51%
% of investigations completed which result in a positive outcome (benefit stopped or amended, sanction or prosecution). <i>The target is designed to measure the effectiveness of counter fraud activity</i>	49%	25% of those cases which are investigated to result in a positive outcome	35%
Value of fraudulent overpayments identified. <i>The target is designed to measure the effectiveness of counter fraud activity</i>	£209K	£350k of overpayments to be identified	£340k
Number of investigations completed	405	N/A	327
Number of sanctions / prosecutions	18	N/A	44

The relevant caseload figures for the period are:

	As at 1/4/10	As at 31/10/10
Awaiting allocation	174	62
Under investigation	237	294

Summary of counter fraud activity:

Activity	Work Completed or in Progress
Data Matching	Data was submitted for the National Fraud Initiative at the beginning of October. Information on positive matches should be received by the end of the financial year. Housing Benefit Matching Service (HBMS) referrals continue to be investigated - the counter fraud team has received 504 HBMS referrals to date in 2010/11. The total value of benefit overpayments identified through HBMS matches since 1 April 2010 is £146k.
Fraud Detection and Investigation	<p>As in previous years, the majority of investigations undertaken relate to benefit fraud.</p> <p>The investigation of housing tenancy related fraud through the Operation Red Card initiative is also ongoing. 76 referrals have been received from the public and from other council staff since the initiative began in April, and around a quarter of these are currently under investigation. Two properties have been recovered from tenants since April 2010.</p> <p>Joint working with other teams remains a priority for the service. So far this year 28% of sanctions and prosecutions are the result of joint working with the DWP. Other initiatives include a joint exercise with the police and taxi licensing officers involving random checks on Hackney Carriage and private hire drivers.</p> <p>The team continues to undertake other special investigations (including internal fraud) and</p>

Activity	Work Completed or in Progress
	provide advice to council departments on fraud matters. 14 referrals have been received so far in 2010/11, and a number of investigations are ongoing.
Fraud Awareness	<p>Ongoing activity includes publication of successful prosecutions through the local press, other internal and external publicity, and feedback on the results of fraud investigations to council officers to improve the quality of referrals and to put in place appropriate controls to prevent and detect fraud.</p> <p>An e-learning fraud awareness package is due to be rolled out to council officers in the next few months. In addition, a number of targeted fraud awareness training sessions will be delivered in quarter 4.</p>

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ANNEX 4

SUMMARY OF BREACHES OF FINANCIAL REGULATIONS IDENTIFIED DURING INTERNAL AUDIT WORK COMPLETED IN THE PERIOD¹

Description of Breach	Instances
No formal approval of school budget	1
VAT not correctly accounted for on income or expenditure	1
Inventory records not properly maintained or incomplete.	1
Purchase orders not completed by staff when ordering goods and services.	1

¹ The table only shows details of specific, quantifiable, breaches that internal audit has become aware of either during the course of audit work undertaken, or which have otherwise been notified to the team.

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Audit and Governance Committee

6 December 2010

Report of the Assistant Director of Finance

Summary of Audit Commission National Reports

Summary

1. This paper gives a brief overview of national reports produced by the Audit Commission (AC), which are all available to view on the Audit Commission website. The last summary, presented to the Audit & Governance Committee in July 2010, covered reports up to 30 June 2010, and the current summary continues from that point up to 31 October 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. **Against the Odds – Re-engaging young people in education, employment and training (Published July 2010)**

This report explains the potential for long term costs, both to society and to the young people affected of being not in employment, education or training (NEET). Schools have an important role to play in prevention, and councils can make a difference to NEET levels by targeting those most at risk. Support for young people will be at risk over the next few years, but the costs to society can be great, given a national NEET level of between 9 and 10 per cent. The paper is accompanied by a guide for scrutiny and a guide to half a dozen key benchmarking points.

3. **Local government pensions in England – an information paper (Published July 2010)**

This information paper sets out the current basis for the Local Government Pension Scheme (LGPS). It discusses the affordability and fairness of the current scheme, assesses the current financial health of the pension scheme funds, and sets out some alternatives for the future to increase the scheme's financial health. While the LGPS currently has funds to cover three-quarters of its liabilities, and there is a positive cashflow, it is expected that increases

in life expectancy and reduced returns on investments will have a negative impact on funding ratios in the future.

**4. Strategic financial management in councils – delivering services with a reduced income
(Published September 2010)**

Councils face a difficult period of managing services with falling levels of income, and will need to start working to longer time horizons. The paper sets out the five themes of good financial management, to assist councils in assessing how well prepared they are for the future. Strengthening leadership and culture are seen as key to improving a council's financial management. The report also includes a good practice checklist and a self-assessment questionnaire.

**5. The future of local audit – issues for consideration
(Published September 2010)**

While not, strictly speaking, a national report, this paper to CLG acts as an advance warning of potential issues that may arise as a result of the disbanding of the Audit Commission. It summarises the main issues for consideration, which include the complexities of managing the market in audit services, suggestions on a Code of Practice for the appointment of auditors and recommendations on a statutory Code of Audit Practice specifically for local government. The paper also suggest that existing fraud detection work should continue under the auspices of an appropriate body.

**6. Protecting the public purse
(Published October 2010)**

This is the annual report on fraud detection, a vital part of the Audit Commission's work to date, which has detected £135m of fraud in 2009-10. The three types of fraud currently leading to the largest losses are housing tenancy fraud, single person discount (SPD) on council tax, and recruitment fraud, and the report discusses each of these in depth, as well as identifying areas for future work, such as personal budgets and procurement. There is a useful governance checklist at Appendix 1. For a copy of the Executive Summary and Recommendations, see Annex1 to this report (attached).

**7. Financial management of personal budgets
(Published October 2010)**

The increased use of personal budgets for users of social services is leading to major changes in the way that councils manage the budgets for social services as a whole, and will require changes in governance arrangements. In particular, the need for block contracts and for in-house provision of services may decline, while councils will need to devote more time and resources to providing information and managing the allocation of personal budgets.

Consultation

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

Options

9. Not relevant for the purpose of the report.

Analysis

10. Not relevant for the purpose of the report.

Corporate Priorities

11. 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

12.
 - (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

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

Recommendations

14. 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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Telephone: 01904 551745

Ian Floyd
Director of Customer and Business Support Services

Report Approved

Date

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Annexes

Annex 1 – Protecting the Public Purse: Summary and Recommendations

Background Papers:

Audit Commission Reports as follows:

- Against the Odds
- Local Government Pensions in England
- Strategic Financial Management in Councils
- The future of local audit
- Protecting the public purse
- The financial management of personal budgets.

Protecting the Public Purse – Summary and Recommendations

Fraud continues to be a significant problem affecting the whole economy.

- Fraud causes annual losses of over £30 billion according to the National Fraud Authority (NFA). That means that more than £620 is lost to fraud for each adult in the country. This is more than double previous estimates.
- In the public sector, fraud diverts resources away from those who need them.

For local government, our surveys show that, although detected fraud losses are low, compared with total council spending of around £160 billion, significant amounts of money are involved with:

- Detected fraud in 2009/10 amounting to £135 million; and
- 119,000 individual fraud cases.

In *Protecting the Public Purse 2009*, we commented on specific fraud risks. In this report, we cover the progress that councils and others have made in tackling:

- Housing and tenancy fraud. Sixty councils reported that, in 2009/10, nearly 1,600 properties with a replacement value of around £240 million were recovered from unlawful tenants; and
- Fraudulent claims for council tax discounts. More councils are taking this seriously and 48,000 fraudulent claims were stopped in 2009/10, increasing the local tax base by almost £15 million.

This report also shows how tackling fraud can help councils to get more value from taxpayers' money. Councils need to address fraud risks in significant areas of expenditure.

- One area of major change is the expansion of personal budgets for adult social care. If the full benefits of the new approach are to be realised, safeguards will be needed to protect vulnerable people and to prevent financial loss.
- Councils should maintain their focus on housing and council tax benefit payments where they uncovered around 63,000 frauds and £99 million of fraudulent payments in 2009/10.
- Procurement is the single largest area of councils' expenditure, worth around £80 billion each year. More needs to be done to prevent and detect fraud and other illegal procurement activity that waste large sums of money.

As councils make significant cuts in budgets, it is essential they continue to maintain strong defences against fraud. In the report we include tools councils can use and examples of good practice including:

- Adopting a zero-tolerance policy towards fraud and doing more to deter it;

- Working with partners in the public and private sectors to overcome barriers to effective fraud fighting
- Making best use of information and intelligence; and
- Taking legal action to recover fraud losses.

Recommendations

We recommend councils:

- Continue to focus on benefit fraud risks and use the National Fraud Initiative (NFI) and other data-matching schemes to maintain and improve their good performance in detecting benefit fraud;
- Work together in county areas to share the costs and benefits of tackling council single person discount (SPD) fraud;
- Use our comparator tool to decide whether to take more action to tackle SPD fraud;
- Check claims for other council tax discounts are not fraudulent;
- For personal budgets in adult social care:
 - Establish a clear policy, which is communicated to budget holders, on the appropriate use and unacceptable misuse of personal budgets; and
 - Promote whistle-blowing arrangements for staff, care providers and the public to encourage early identification of potential abuse;
- Use recent advice from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Office of Fair Trading (OFT) on procurement to ensure they are doing enough to prevent and detect procurement fraud and other illegal activities such as cartels;
- Keep a comprehensive record of any frauds perpetrated against them; and
- Use the checklist provided in the report to assess whether their counter-fraud plans are effective in the light of the risks highlighted.

The full report can be downloaded from:

<http://www.audit-commission.gov.uk/nationalstudies/localgov/protectingpublicpurse/Pages/Default.aspx>