



Notice of a public meeting of Audit & Governance Committee

To:	Councillors Potter (Chair), Brooks (Vice-Chair), Ayre, Barnes, Burton, Watson, Wiseman and Mr Whiteley (Co-opted Non-Statutory Member)
Date:	Wednesday, 12 February 2014
Time:	5.30 pm
Venue:	The Thornton Room - Ground Floor, West Offices (G039)

AGENDA

1. Declarations of Interest

At this point, Members are asked to declare:

- Any personal interests not included on the Register of Interests
- Any prejudicial interests or
- Any disclosable pecuniary interests

which they may have in respect of business on this agenda.

2. Exclusion of Press and Public

To consider the exclusion of the press and public from the meeting during consideration of Annex 1 to agenda item 12 on the grounds that it contains information relating to prevention, prosecution or investigation of crime. This information is classed as exempt under paragraph 7 of Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by the Local Government (Access to Information)(Variation) Order 2006).

3. Minutes (Pages 3 - 8)

To approve and sign the minutes of the meeting of the Audit and Governance Committee held on 11 December 2013.

4. Public Participation

At this point in the meeting members of the public who have registered their wish to speak regarding an item on the agenda or an issue within the Committee's remit can do so. The deadline for registering is **5:00 pm on Tuesday 11 February 2014**. Members of the public can speak on agenda items or matters within the remit of the Committee.

To register to speak please contact the Democracy Officer for the meeting on the details at the foot of the agenda.

Please note that this meeting, including public speakers, will be sound recorded to allow members of the public to listen to the proceedings without having to attend the meeting. The sound recording will be uploaded onto the Council's website following the meeting.

5. Audit and Governance Committee Forward Plan (Pages 9 - 16)

This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to December 2014.

6. Partnership Governance Progress Report (Pages 17 - 22)

This report updates Members regarding progress to review Partnership Governance arrangements in order to strengthen accountability and manage risk.

7. Emergency Planning/Business Continuity (Pages 23 - 30)

This report provides an update on emergency planning and business continuity arrangements.

8. Mazars Audit Progress Report (Pages 31 - 40)

This report provides an update on the progress made by Mazars in meeting their responsibilities as the Council's external auditor. It also includes key emerging national issues and developments.

9. Mazars Grant Claims Report (Pages 41 - 46)

This report presents the Mazars Certification of Claims and Returns Annual Report 2012/13.

10. Key Corporate Risk Monitor 3 (Pages 47 - 68)

This paper presents an update on the key corporate risks, and highlights in more detail any emerging risk issues with a view to Members considering any further information they would wish to receive on these matters.

11. Scrutiny of the Treasury Management Strategy Statement and Prudential Indicators (Pages 69 - 114)

This report presents the Treasury Management Strategy Statement and Prudential Indicators 2014/15 to 2018/19.

12. Fraud Risk Assessment (Pages 115 - 132)

This report informs Members about potential fraud risks that the Council is exposed to, and proposed counter fraud activity to address those risks.

13. Internal Audit Plan Consultation (Pages 133 - 136)

The purpose of this report is to seek Members' views on the priorities for internal audit for 2014/15, to inform the preparation of the annual audit plan.

14. Updating the Constitution (Pages 137 - 152)

This report seeks Members' views on proposed changes to the "Summary and Explanation" section of the Council's Constitution.

15. Urgent Business

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

Democracy Officer:

Name: Jayne Carr

Contact Details:

Telephone – (01904) 552030

Email – jayne.carr@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 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

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The majority of councillors are not appointed to the Cabinet (39 out of 47). Any 3 non-Cabinet councillors can 'call-in' an item of business following a Cabinet meeting or publication of a Cabinet Member decision. A specially convened Corporate and Scrutiny Management Committee (CSMC) will then make its recommendations to the next scheduled Cabinet meeting, 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	11 December 2013
Present	Councillors Potter (Chair), Brooks (Vice-Chair), Ayre, Barnes, Burton, Wiseman, Hodgson (Substitute for Councillor Watson) and Mr Whiteley (Co-opted Non-Statutory Member)
Apologies	Councillor Watson

43. **Declarations of Interest**

Members were asked to declare any personal interests not included on the Register of Interests, any prejudicial interests or any disclosable pecuniary interests which they may have in respect of business on the agenda.

Councillor Barnes declared a disclosable pecuniary interest in agenda item 7 (Community Stadium Project – Risk Management), by virtue of his employment. He withdrew from the meeting during consideration of that item and during the part of agenda item 6 (Project and Programme Management) during which reference was made to the risk management process for the community stadium project.

44. **Minutes**

Resolved: That the minutes of the meeting of 6 November 2013 be approved and signed by the Chair as a correct record.

45. **Public Participation/Other Speakers**

It was reported that there was one registration to speak at the meeting under the Council's Public Participation Scheme and that two Members had also registered to speak at the meeting.

Ms Swinburn spoke on the following issues:

- She requested that the agenda papers for meetings also made reference to the part of the Protocol for Webcasting, Filming and Recording of Council Meetings which stated

that members of the public were permitted to film or record.

- Referring to agenda item 6 (Project and Programme Management), Ms Swinburn expressed concern that the membership of the boards referred to and the minutes of their meetings were not available to the public.
- Referring to agenda item 8 (Public Participation Scheme), Ms Swinburn stated that she was concerned at the lack of consultation that had taken place regarding proposed changes and she believed that if the changes were implemented they would deter members of the public from speaking at meetings. She requested that the Committee deferred this item to allow time for more discussion.

Councillor Warters spoke on the following issues:

- Referring to agenda item 7 (Community Stadium Project Risk Management), he expressed his concern at the funding that had already been spent on the scheme and highlighted paragraph 16 of the report, which related to risks associated with rental payments.
- Referring to agenda item 8 (Public Participation Scheme), Councillor Warters expressed his concern regarding the proposed changes to the scheme. He stated that his concerns included the role that the Chair would play in determining whether comments fell within the scheme and the restrictions on raising issues that had previously been discussed.

Councillor Steward spoke in respect of agenda item 8 (Public Participation Scheme). He stated that the introduction of the proposed changes would suppress free speech. He expressed concern that the restriction on criticising officers or Members would lead to a weakening in accountability. He also stated that some of the changes could not be enforced, e.g. ensuring that what was said was factually correct.

46. Forward Plan

Consideration was given to a paper which presented the future plan of reports expected to be presented to the Committee during the forthcoming year to December 2014.

Members were asked to identify any further items they wished to add to the Forward Plan.

Resolved: That the Committee's Forward Plan for the period up to December 2014 be noted.

Reason: To ensure the committee receives regular reports in accordance with the functions of an effective audit committee and can seek assurances on any aspect of the Council's internal control environment in accordance with its roles and responsibilities.

47. Audit Progress Report from Mazars

Members considered a report on progress made by Mazars in meeting their responsibilities as external auditor.

Members' attention was drawn to the emerging issues and developments detailed in the report. They were also made aware of the comparative data which was available to enable comparisons with other local authorities.

Resolved: That the report from Mazars be noted.

Reason: To ensure that the committee is updated on the progress made by the external auditor.

48. Project and Programme Management

Members considered a report that outlined the Council's approach to programme and project management and which provided an update on developments in the application of programme and project management methodologies.

Referring to the governance of programmes and projects, officers confirmed that it would be possible to produce a list detailing the internal bodies within the Council which had Member involvement. It was, however, noted that the use of the term "board" did not necessarily mean that a body had decision-making powers. In some circumstances the boards were working groups which were implementing decisions made by Council or Cabinet and carrying out operational activities.

Members were informed of the training and qualifications that were available to officers involved in project management. A number of officers had Prince2 or Managing Successful

Programmes (MSP) qualifications and training was also provided internally. Officers agreed to find out if it was possible to provide data in respect of the percentage of staff who had qualifications in this field.

- Resolved: (i) That the actions taken to improve programme and project management practice, as detailed in the report, be noted.
- (ii) That an update report be presented to the Committee providing further information on the membership of the boards and training and qualifications undertaken by officers in respect of project management¹.

Reason: To update the committee on the current activity around programme and project management practice.

Action Required

1. Include on work plan

EA

49. Community Stadium Project - Risk Management

Members considered a report that outlined the risk management process for risks concerning the Community Stadium Project.

Officers stated that, as this was a highly complex project, there were a number of associated risks. The project had a robust risk and issue management system in place which was maintained along Prince II principles. Details were given of the risk register that was in place and the monitoring and reporting arrangements, as outlined in the report.

Clarification was sought as to why a risk relating to rental payments had entered the register as a critical risk when it had not previously been included. Officers stated that the risks were continually under review and that the risk was rated critical as the potential of not reaching agreement would have a high impact, even though the likelihood was considerably lower. The risk related not only to the payment of rent but also to the reaching of agreement with the clubs. The risk would therefore remain high until a legal agreement was signed.

Some Members expressed concern that the Audit and Governance Committee was not permitted access to the risk and issue register referred to in paragraph 10 of the report. Officers stated that this was to protect the commercial sensitivities surrounding the project.

Resolved: That the report be noted.

Reason: To ensure Members are aware of the risk management process for risks concerning the Community Stadium Project.

50. Public Participation Scheme

Members considered a report that sought their views on proposed changes to the Public Participation Scheme within the Constitution.

Members were asked to express support for the current proposals or suggest amendments or additions.

Members expressed their concern regarding a number of the proposed changes. They stated the importance of ensuring that the Public Participation Scheme was an enabling policy which encouraged participation and which did not put barriers in the way of citizens engaging with the council.

Whilst there was general support for the scheme to include restrictions in respect of comments which were defamatory or discriminatory or which disclosed confidential or exempt information, particular concerns were raised regarding the following issues:

- It was inevitable that political points would be made during the decision-making process.
- It would be difficult to enforce some of the rules within the scheme e.g. determining whether comments made were factually correct.
- Judgements on issues such as whether a comment was “frivolous” would be subjective.
- Accountability would be lessened if public participation rights could not be used to criticise the conduct or performance of an individual who was not in a position to respond at the meeting.

- There may be legitimate reasons for citizens to raise issues which had been raised in the recent past, particularly if these had not been addressed.
- The powers and responsibilities that would fall to the Chair in determining whether comments made were outside of the scheme.
- The lack of consultation that had taken place on the proposed changes to the scheme.

Members agreed that, in view of their concerns about some of the proposed changes, the implementation of changes to the Public Participation Scheme should be deferred and that, as part of the wider review of the Council's Constitution, consideration should be given to the enabling of public participation.

Members also recommended that there be an opportunity for the public to comment on any proposed changes to the Public Participation Scheme or issues in respect of engagement with the public, for example by making suggested amendments available for comment on the council's website.

Resolved: That any changes to the Public Participation Scheme be deferred at this time and considered as part of the wider review of the Council's Constitution.

Reason: To enable time for further consideration and consultation on the enabling of public participation.

Councillor Potter, Chair

[The meeting started at 5.30 pm and finished at 6.35 pm].



Audit and Governance Committee12th February 2014

Report of the Director of CBSS

Audit & Governance Committee Forward Plan to December 2014**Summary**

1. This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to December 2014.

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 December 2014. This may be subject to change depending on key internal control and governance developments at the time. A rolling Forward Plan of the Committee will be reported at every meeting reflecting any known changes.
3. There have been a number of amendments to the Forward plan since the previous version was presented to this Committee in December 2013.
4. Three reports have been deferred until the next Committee meeting in April. These are the reports on Transparency, Council procedure rules and the review of scrutiny arrangements.
5. Three Mazars external audit reports have been added to the Forward plan. Audit progress reports have been added to the April and June agendas along with an Audit Strategy Memorandum report to the next meeting in April.

Consultation

6. 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

7. Not relevant for the purpose of the report.

Analysis

8. Not relevant for the purpose of the report.

Council Plan

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

Implications

10.
 - (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

11. 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

12.

- (a) The Committee's Forward Plan for the period up to December 2014 be noted.

Reason

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

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

Reason

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

Contact Details

Author:

Emma Audrain
Technical Accountant
Customer & Business
Support Services
Telephone: 01904 551170

Chief Officer Responsible for the report:

Ian Floyd
Director of CBSS
Telephone: 01904 551100

**Report
Approved**



Date 12/02/2014

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 December 2014

Audit & Governance Committee Draft Forward Plan to December 2014

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

- **Committee 16th April 2014**

Key Corporate Risk Monitor Quarter 4 (including directorate risks)

Update on changes to Transparency publication requirements

Mazars Audit Strategy Memorandum 2013/14

Mazars Audit Progress report

Approval of Internal Audit Plan

Internal Audit & Fraud Plan Progress Report

Follow up of Audit Recommendations

Information Governance Annual Report

Preparation of a refreshed constitution – progress update

Information Governance Progress Report, incorporating developments around the Freedom of Information Process

Report on Council Procedure Rules

Review of Scrutiny Arrangements

Changes to the Constitution (if any)

- **Committee June 2014 (Date TBC)**

Draft Annual Governance Statement

Annual Report of the Audit & Governance Committee

Mazars Audit Progress report

Annual report of the Head of Internal Audit

Audit and Governance Committee Effectiveness – Action Plan Update

Changes to the Constitution (if any)

- **Committee July 2014 (Date TBC)**

Draft Statement of Accounts 2013/134

Mazars Audit Progress report

Scrutiny of the Treasury Management Annual Report 2013/14 and review of Prudential indicators

Key Corporate Risk Monitor Quarter 1 (Including directorate Risks)

Changes to the Constitution (if any)

- **Committee September 2014 (Date TBC)**

Final Statement of Accounts 2013/14

Mazars Audit Completion report 2013/14

Key Corporate Risk Monitor Quarter 2 (Including directorate risks)

Follow up of Internal & External Audit Recommendations

Internal Audit & Fraud Plan Progress Report

Changes to the Constitution (if any)

- **Committee December 2014 (Date TBC)**

Mazars Annual Audit Letter 2013/14

Mazars Audit Progress Report

Treasury Management mid year review report 14/15 and review of prudential indicators

Key Corporate Risk Monitor Quarter 3 (Including directorate risks)

Changes to the Constitution (if any)

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Audit and Governance Committee**12 February 2014**

Report of the Chief Executive

Partnership Governance Progress Report**Summary**

1. The purpose of this report is to update Members regarding progress to review Partnership Governance arrangements in order to strengthen accountability and manage risk. This is in response to the Annual Governance Statement 2012/13, which reported:
 - *‘While the Council has strong strategic partnership arrangements, further work is needed to embed corporate controls over operational partnerships to ensure risks are well managed and partnership arrangements represent good value for money.’*

Background

2. In recent years the nature of local government has changed significantly. This means partnership working needs to be more embedded and considered differently. Challenges such as the impact of welfare reform and rising living costs coupled with increasing numbers of over 65s and reduction in spend on core services have prompted the need to think about new ways of working. The need to reinvent the way services are delivered, such as through co –production or via community budgets, has never been stronger. The ideal for partnership working now, backed up by the Commission on the Future of Local Government, is for *“councils to be more enterprising, businesses and other partners become more civic, and citizens become more engaged”*.
3. The Peer Challenge process which took place in summer 2013 highlighted that York has excellent partnership working. However, in terms of preparing for the future challenges ahead, it was identified that there is still much to be done to review models of

service delivery and to do things differently due to the diminishing resource base. The team recommended that York “*revisit structures and arrangements to ensure they focus on new and emerging collaborative agendas*” and to “*be prepared to do things differently, moving away from traditional solutions to embrace new and untested ways of working*”.

4. Excellent partnership working is now more essential than ever for the council to fulfil its objectives and for the city to achieve the outcomes it needs to succeed. All cities need key stakeholders to work together, being clear about their respective roles and taking collective responsibility for the effectiveness of collaborations and partnerships.

Recent Progress to Improve Partnership Governance

5. The current drive to work differently going forward, for example, to engage in co-production, design and delivery of services with communities to encourage greater independence and to explore service delivery via social enterprises and community interest companies, has led to a refresh of the council’s risk management processes. Zurich Municipal were commissioned to conduct a Whole Risk Diagnostic exercise to review the organisation’s risk management arrangements and this included looking at existing partnership governance arrangements. This review was timely prior to the council seeking to maximise any partnership collaborations and opportunities that may lie ahead.
6. Issues linked to the partnership governance agenda that were highlighted included that:
 - More complex partnership delivery models and supply chains require a robust risk management approach to assist decision makers to understand and act upon risks from outside the organisation;
 - Some partnerships are more risky than others, therefore, governance frameworks have to be appropriate to the level of risk. This means that mechanisms need to be in place to identify high risk partnerships;
 - Risk with commercial partners is considered as part of the pre-qualification questionnaire and in awarding the contract through our existing procurement process. However, management of risk

once a contract is in place needs more focus particularly for the higher risk partnerships;

- That the Local Strategic Partnership, Without Walls, can be used as a mechanism for communicating with all public services in the area about high level risks that may affect the decision making of individual organisations.
7. As a result of the issues highlighted in the report, it was recommended that:
- a. *The Council should identify its higher risk partnerships, and review what assurances are in place that risks are being managed appropriately within those partnerships;*
 - b. *The LSP should communicate with other organisations about the risks facing the delivery of their objectives.*
8. The Zurich report was presented to the Council's Corporate Leadership Group on 15 January and, as a consequence, a number of actions were agreed that will enhance the governance of significant partnerships and minimise risk. For Partnership Governance this will include:
- Reinstatement of the partnership risk register for significant partnerships such as the LSP;
 - Development of a new programme for risk management within the council, the work plan to be shared with CLG;
 - CLG to undertake regular risk identification sessions identifying new or emerging partnership risks, which are reported to the council's Management Team (CMT) for approval / ownership;
 - Identification of areas requiring risk management training and refresh, delivery of facilitated workshops and support where required. External facilitation funded through the council's insurance programme (which provides £10k per annum for risk management support and training).
9. In addition, other actions to address improvement in Partnership Governance include:

- Local Public Service Chief Executives to meet on an informal, basis to discuss the risks associated with day to day delivery of services;
- Without Walls Governance arrangements have been re-vamped to ensure that upcoming partnership meetings are clearly advertised online, alongside the publishing of relevant papers and minutes to prescribed timescales.

Action Plan

10. A detailed two year work plan is being developed by the Head of Financial Procedures and the Risk Management Team, which includes action to improve partnership governance. The action plan will be agreed over the coming months and owned by Corporate Leadership Group. The new framework will be designed to reinvigorate engagement with risk, whilst also providing support, guidance and training. Managing the risk and keeping registers up to date will continue to be the relevant officer's (Risk owners) responsibility. Project Boards will also continue to manage the risk associated with individual high profile projects and partnerships and to report on how risks are being mitigated to the Transformation Board and Council Management Team.

Consultation

11. Interviews that were undertaken as part of the Zurich review involved Senior Managers, key officers, one Cabinet member and a separate workshop with Audit and Governance Committee members.

Options

12. This report is for information on progress only.

Council Plan

13. The enhancement of risk management processes contribute to the council's governance and assurance arrangements and overall core capabilities to be a confident collaborative organisation with a relentless focus on our priorities, as set out in the Council's Plan 2011-15.

Implications

14. Implications have been assessed as:

- **Financial** - There are no specific financial implications other than the £10k cost of providing risk management support training, which is already included as part of the Council's insurance premium.
- **Human Resources (HR)** – To ensure that officers with responsibility for key strategic partnerships and projects, along with members of Corporate Leadership Group are aware of their responsibilities under the revised risk framework and that they attend relevant risk training courses when required.
- **Equalities** There are no equalities implications
- **Legal** There are no legal implications
- **Crime and Disorder** There are no crime and disorder implications
- **Information Technology (IT)** There are no IT implications
- **Property** There are no property implications

Risk Management

15. There is a risk that not implementing the refreshed risk management framework and training scheme could lead to the Authority being exposed to unacceptable risk (financial, reputational etc.) as a result of entering into new partnership collaborations. This is mitigated by the risk management actions outlined in the report.

Recommendations

16. Members of the Audit and Governance Committee are asked to:

Note the actions proposed in the report to improve risk management practice generally and in particular in relation to Partnership Governance.

Reason: To update the Committee on the current activity to improve corporate controls over operational partnerships to ensure risks are well managed and partnership arrangements represent good value for money.

Contact Details

Author:

***Stewart Halliday
Head of Strategy,
Partnerships and
Communications
Office of the Chief
Executive
Tel No. 552402***

Chief Officer Responsible for the report:
Kersten England

**Report
Approved**



Date 3 February
2014

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

All

For further information please contact the author of the report

Background Papers:

None

Annexes

None



Audit & Governance Committee**12th February 2014**

Report of the Assistant Director – Housing & Community Safety

Emergency Planning / Business Continuity - Update**Summary**

1. The council has a number of detailed and extensive emergency and business continuity plans which support the long term reliance of the city both in times of emergency and during the recovery stage. Key plans that are in place are:
 - The Emergency Handbook;
 - Rest Centre Plan;
 - Flood Plan;
 - River Ouse Emergency Plan; (deals with incidents on the river)
 - City Centre Evacuation Plan;
 - Various internal Business Continuity Plans.

2. During 2013 the council carried out a review of its approach to emergency planning and business continuity. It was agreed that the outcome from the review should be an emergency planning / business continuity function that is:
 - Modern, resilient and a cost effective service that is driving best practise, reflective and alive to any new responsibilities;
 - Has a developed understanding of community & business resilience and the work the council needs to do to build resilience especially in areas of high risk;
 - Has a clear understanding of roles and responsibilities across the council and with partners, agencies and the public;
 - Learns from recent events i.e. 2012 Floods, Exercise Vale, including review of learning from regional and national partners;
 - Resourced to ensure sufficient emergency planning capacity to support incidents.

Emergency Planning

3. The main focus in driving towards improving our approach to emergency planning is three fold:
 - a) Ongoing and reflective learning;
 - b) Improving our approach to community resilience;
 - c) Developing our strategic & operational capacity.

Ongoing & Reflective Learning

4. The council plays an active role in the North Yorkshire Local Resilience Forum where all Category 1 responders come together to review ongoing risks, jointly develop plans and share best practice and learning.
5. Following the floods in 2012, a full multi agency strategic review was undertaken, including all local and national agencies, where lessons from all agencies were shared as well as partnership issues considering the timing and impact of decisions on communities and partner agencies.
6. The council has also taken part in two real time exercises testing the robustness of our response, one exercise was a 'live shooter / terrorist threat' which focused not only on our role supporting the blue light services, but also on our response to providing mass rest centres, managing media communications and the recovery phase.
7. This council has also hosted a further event with regards to an incident resulting in an accident on a defence nuclear material convoy, comprising the MOD, all emergency services as well as the Local Authority and NHS colleagues.
8. A key outcome of these exercises is the shared learning on the day, valuable experience for those officers taking part. However, the review / evaluation of the exercise which is circulated to all agencies taking part will be critical to our process for reviewing and updating our own emergency plans.

Community Resilience

9. Community Resilience is about communities using local resources and knowledge to help themselves during an emergency in a way that complements the local emergency services through being collectively prepared to respond and recover, and being able to provide assistance to vulnerable residents.

10. Resilient communities are better prepared to cope during and after an emergency where everyone works together using their local knowledge. Things like understanding what requirements most-at-need groups may have in an emergency can make a real difference. Communities identifying and planning for the risks which they may encounter during a severe flood, heat-wave or snowfall could help in reducing the potential impact on individuals, families and the wider community.
11. The council has historically supported a number of parish councils / communities to come together to develop Community Emergency Plans. At the moment we have seven such plans in place, however a number have not being effectively reviewed by the communities for some time.
12. The Community Safety Overview & Scrutiny Committee has recently undertaken a scrutiny review which developed a number of recommendations to Cabinet with regards to strengthening our approach to community resilience.
13. On the 3rd October, the Emergency Planning unit in partnership with the Communities & Equalities team held a community emergency planning training event for residents which was attended by over 50 members of the public. This event was supported by the Environment Agency, the Red Cross, North Yorkshire Police, North Yorkshire Fire and Rescue Service, The Met Office, North Yorkshire Major Incident Response Team (MIRT) and the City Council. The focus of the event was short presentations from each of the above agencies on what communities can do to support themselves and the agencies in times of emergency.
14. The aim was to engage with communities, peak their interest and then provide them with support to, over time, develop their own community safety / resilience plans. Following the event individuals / groups who indicate a desire to engage in some way, ranging from Flood Wardens to developing full community safety plans will be supported to do so.

Strategic & Operational Capacity

15. Prior to the floods in 2012, Strategic Command Group (Gold) and Tactical Command Group (Silver) had not been established since the floods of 2000, however the 2012 floods saw SCG & TCG's called twice in two months and coming very close to a third within three months. This very quickly resulted in the identifications of shortcomings in our strategic and operational capacity to manage in an emergency.
16. Greater emphasis needed to be placed on the role of chief officers in terms of emergency planning, both in terms of understanding our leadership roles and in terms priorities and decision making in times of emergency.

17. Initial work has focused on two areas:

- The development of our strategic capacity (including training of Chief Officers); and
- The development of a supplementary emergency planning officer role to support the existing Emergency Planning Officers (EPO) during times of emergency.

Development of our strategic capacity

18. A Chief Officer out of hours on call rota has been established which supports the on call Emergency Planning Officers in the event of an incident arising.
19. A training programme has also been developed with all Chief Officers undergoing training on the role expected of them in the event of an emergency, including the role local authorities play as part of the strategic and tactical command groups.
20. Part of the training programme has also been the development of the National Decision Model / Joint Decision Model to support robust decision making in times of emergency.

Supplementary Planning Officer

21. It is proposed to develop capacity within each council directorate creating 5 supplementary Emergency Planning Officers which in times of emergency can be taken out of their substantive roles and, with support, perform the function of an Emergency Planning Officer. This role will be developed during 2014.

Business Continuity

22. As part of the review of business continuity an 'external challenge session' was organised the aim of which was to provide directorates with a fresh look at business continuity, challenge our approach to determining what functions are critical. Key points coming out of the session were:

- The need for strong corporate leadership role in setting business continuity as a corporate priority;
- The need to ensure a multi-layered approach to determining critical services;
- When considering reputation as part of the criteria a number of key points should be considered:
 - i. local, regional and national impacts;

- ii. business leaders confidence in City of York Council to deliver;
- iii. the context within which a service may not be delivered;
- iv. reputational impact on partners.

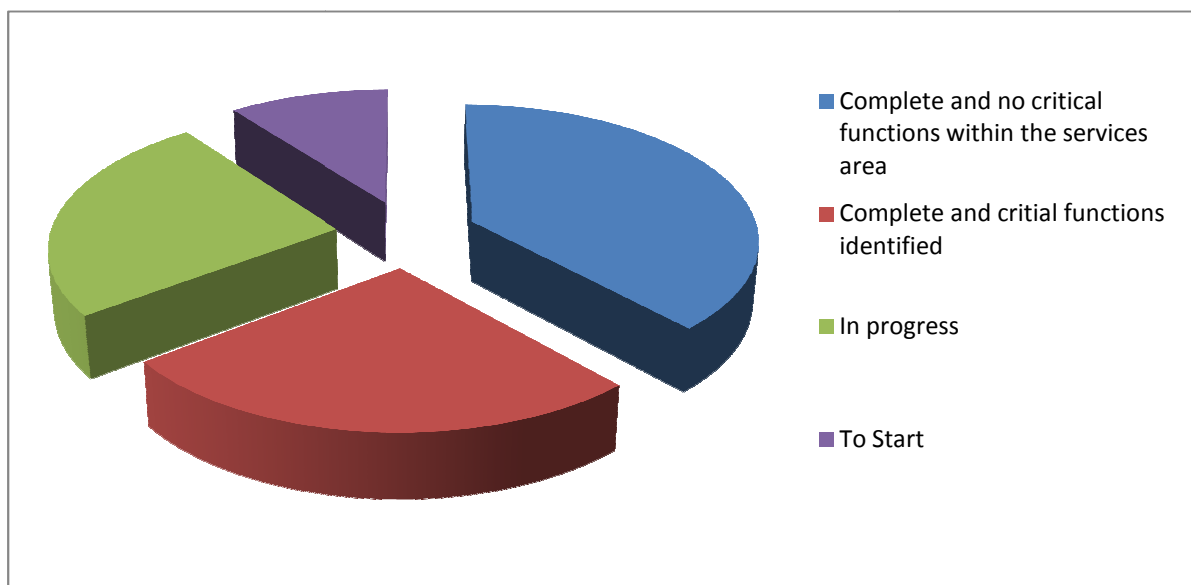
- Financial impact, both in terms of income to City of York Council and payment to external providers (recognising the impact of non-payment on local businesses)
- Timeliness of the service (i.e. our response to dangerous structures)
- Directorate based criteria, i.e. safeguarding issues etc.

23. Following this session directorate representatives are undertaking / refreshing Business Impact Assessments (BIA's) which will identify which elements of their service are critical.

24. In total 68 business areas have been identified that cover the services that the council deliver. The current picture of Business Impact Assessments / Business Continuity Plans against these business areas is as set out below.

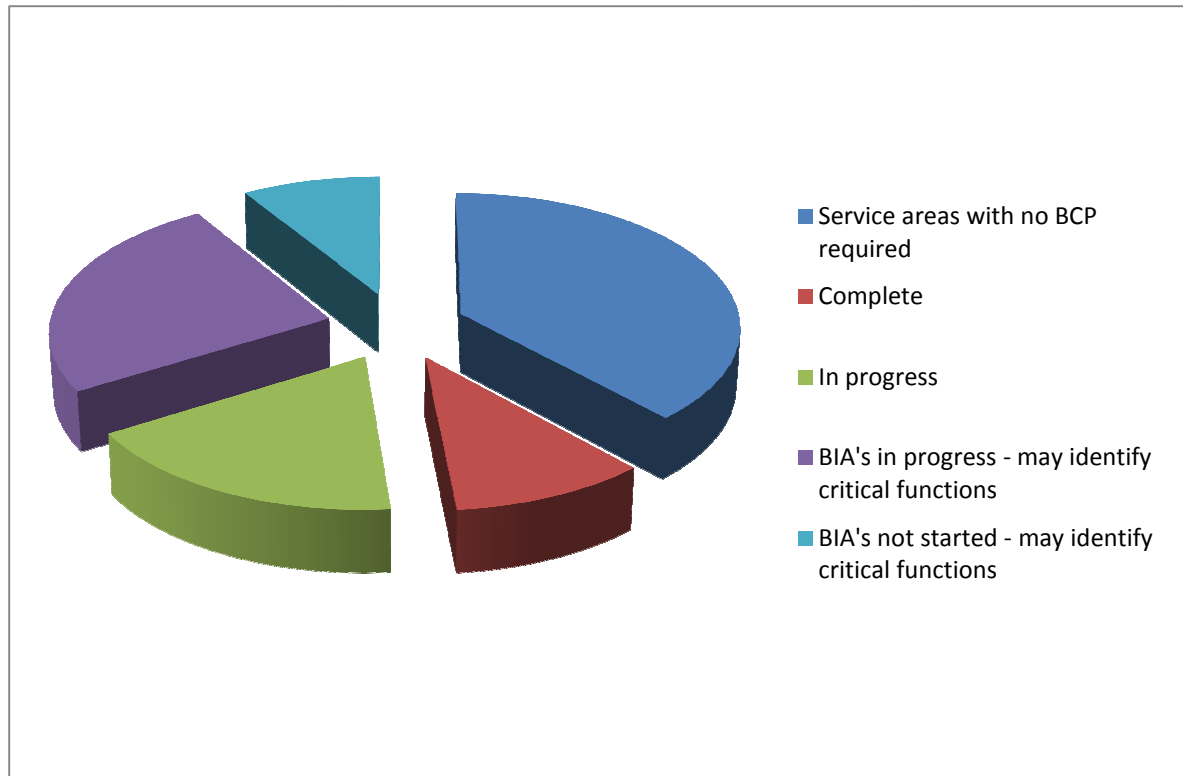
Business Impact Assessments

Complete and no critical functions within the services area	26
Complete and critical functions identified	18
In progress	17
To Start	7
Total	68



Business Continuity Plans

Service areas with no BCP required	26
Complete	7
In progress	12
BIA's in progress - may identify critical functions	17
BIA's not started - may identify critical functions	6
Total	68



25. The business areas where services are still working towards completing their BIA's / BC's, work is ongoing to ensure that where a BIA is complete then, if required, a BCP's will be developed by the end of February 2014, Where BIA's are not in place, a deadline for completion of the BIA and any subsequent BCP has been set for end of March 2014.
26. Moving forward following the completion of BIA's & BCP's, work is planned for March / April to test those plans in light of the Tour de France and the impact this will have on the city leading up to, during and after the event.

Consultation

27. This report is for information only.

Recommendations

28. Members are asked to note the contents of this report.

Reason: To ensure that are kept updated on the emergency planning/business continuity arrangements that are in place.

Contact Details

Author:

Steve Waddington
AD – Housing &
Community Safety
Tel: (01904) 554016

Chief Officer Responsible for the report:

Sally Burns
Director of Communities &
Neighbourhoods

**Report
Approved**



Date

4th Oct 2013

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

All



For further information please contact the author of the report

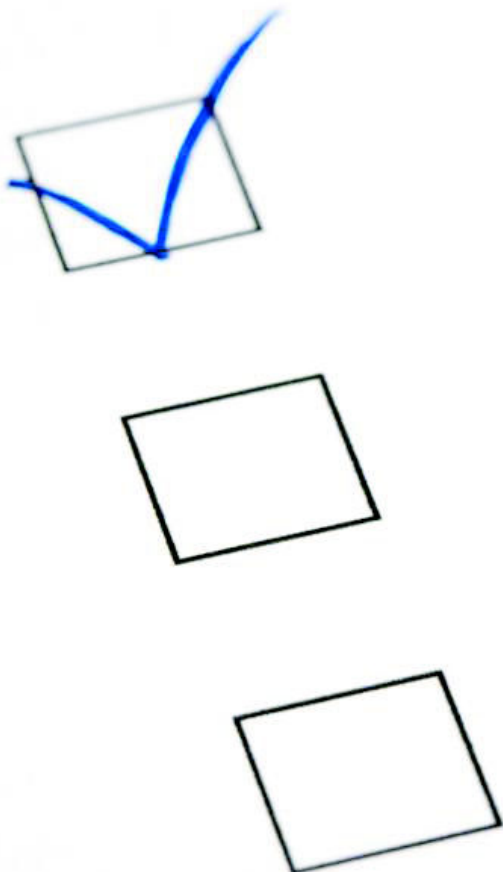
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City of York Council



Audit Progress Report

February 2014



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- 02 Summary of audit progress
- 03 Emerging issues and developments
- 04 Contact details

Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

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01

Purpose of this paper



The purpose of this paper is to update the Audit and Governance Committee on progress in meeting our responsibilities as your external auditor. We also include in this paper key emerging national issues and developments which may be of interest to members of the Committee.

If you need any additional information please contact Gareth Davies or Gavin Barker using the contact details at the end of this update.

02

Summary of audit progress



Our planning for the 2013/14 audit is now well under way.

We are developing an Audit Opinion Protocol and Project Plan with Accountancy to improve the processes we have in place to make the audit of the financial statements as efficient as possible. We are meeting regularly with the Accountancy team to discuss technical issues, complete our early audit work and facilitate a smooth process that brings benefits to the Council and to the audit. This process is working well and we are grateful for the cooperation of officers.

We are also determining our approach to the work to support our value for money conclusion.

We are on target to present our Audit Strategy Memorandum to the Audit and Governance Committee in April 2014. This document will set out the risks we identify for both the opinion on the financial statements and the value for money conclusion, and our overall approach to the audit.

03

Emerging issues and developments



The following pages outline for your attention some significant emerging issues and developments in respect of:

- Tough Times 2013: Councils' Responses to Financial Challenges From 2010/11 to 2013/14
- Auditing the Accounts 2012/13, Quality and timeliness of local public bodies' financial reporting
- Financial Statements: A Good Practice Guide for Local Authorities
- Future of Local Audit: Consultation on Secondary Legislation, DCLG
- Protecting the Public Purse 2013.

Emerging issues and developments

Issue / development	Implications
<p>Tough Times 2013: Councils' Responses to Financial Challenges From 2010/11 to 2013/14</p> <p>The Audit Commission's latest research, published in November 2013, Tough Times 2013: Councils' Responses to Financial Challenges From 2010/11 to 2013/14, shows that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. But, the Commission says, with uncertainty ahead, councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.</p>	<p>As reported in our Annual Audit Letter and VFM conclusion for 2012/13, to date City of York Council has demonstrated financial resilience.</p> <p>In common with the national picture, we also identified that the Council faces significant financial challenges and difficult decisions will need to be considered.</p> <p>The report can be found at http://www.audit-commission.gov.uk/2013/11/councils-show-financial-resilience-but-must-continue-adapting/</p>

Emerging issues and developments

Issue / development	Implications
<p>Auditing the Accounts 2012/13, Quality and timeliness of local public bodies' financial reporting</p> <p>This Audit Commission report summarises the financial reporting outcomes for local authorities and other bodies within its regime. Audit opinions were issued at 99% of councils by 30 September 2013. The report names authorities that produced their accounts early and also names those where there were delays or non standard wording to the auditor's reports.</p>	<p>The City of York Council met all of the statutory deadlines and received an unqualified audit opinion by 30 September 2013.</p> <p>The report can be found at http://www.audit-commission.gov.uk/2013/12/commission-highlights-year-on-year-improvement-in-financial-reporting/</p>
<p>Financial Statements: A Good Practice Guide for Local Authorities</p> <p>This CIPFA report acknowledges that "local authority financial statements are complex, and readers can find it difficult to identify the information they need." The report highlights the role that councils can themselves play in de-cluttering the financial statements, and in presenting key information in a clear narrative that makes the statements more accessible.</p>	<p>This publication provides some ideas which could be considered in trying to make the published financial statements more informative and accessible to readers of the accounts.</p>

Emerging issues and developments

Issue / development	Implications
<p>Future of Local Audit: Consultation on Secondary Legislation, DCLG</p> <p>This DCLG consultation was wide ranging, but also includes proposals in relation to the Accounts and Audit Regulations. One important consultation question, of wider interest to authorities, is whether the local authority accounts production timetable should be brought forward.</p> <p>The consultation has now closed and we are awaiting the results of the process.</p>	<p>If the accounts timetable is brought forward this would impact on the Council's accounts production processes.</p> <p>The consultation can be found at: http://localaudit.readandcomment.com/</p>
<p>Protecting the Public Purse 2013</p> <p>In our last Audit Progress Report, we highlighted the Audit Commission's annual report on fraud, published in November 2013. The Commission has now produced briefings for individual authorities based on its research.</p> <p>We have shared the briefing with the Director of Customer and Business Support Services and with Internal Audit. We will discuss with them how best to present these findings and other issues in relation to fraud to a future meeting of the Audit and Governance Committee.</p>	<p>The briefing for City of York Council does not highlight any major issues of concern in respect of the Council's detection of fraud.</p> <p>The national report can be found at http://www.audit-commission.gov.uk/2013/11/councils-find-178m-in-frauds-against-local-government-but-detection-rates-are-patchy/</p>

04

Contact details



Gareth Davies Partner and Engagement Lead
gareth.davies@mazars.co.uk
07979 164467

Gavin Barker Senior Manager
gavin.barker@mazars.co.uk
0191 383 6300

Address: Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

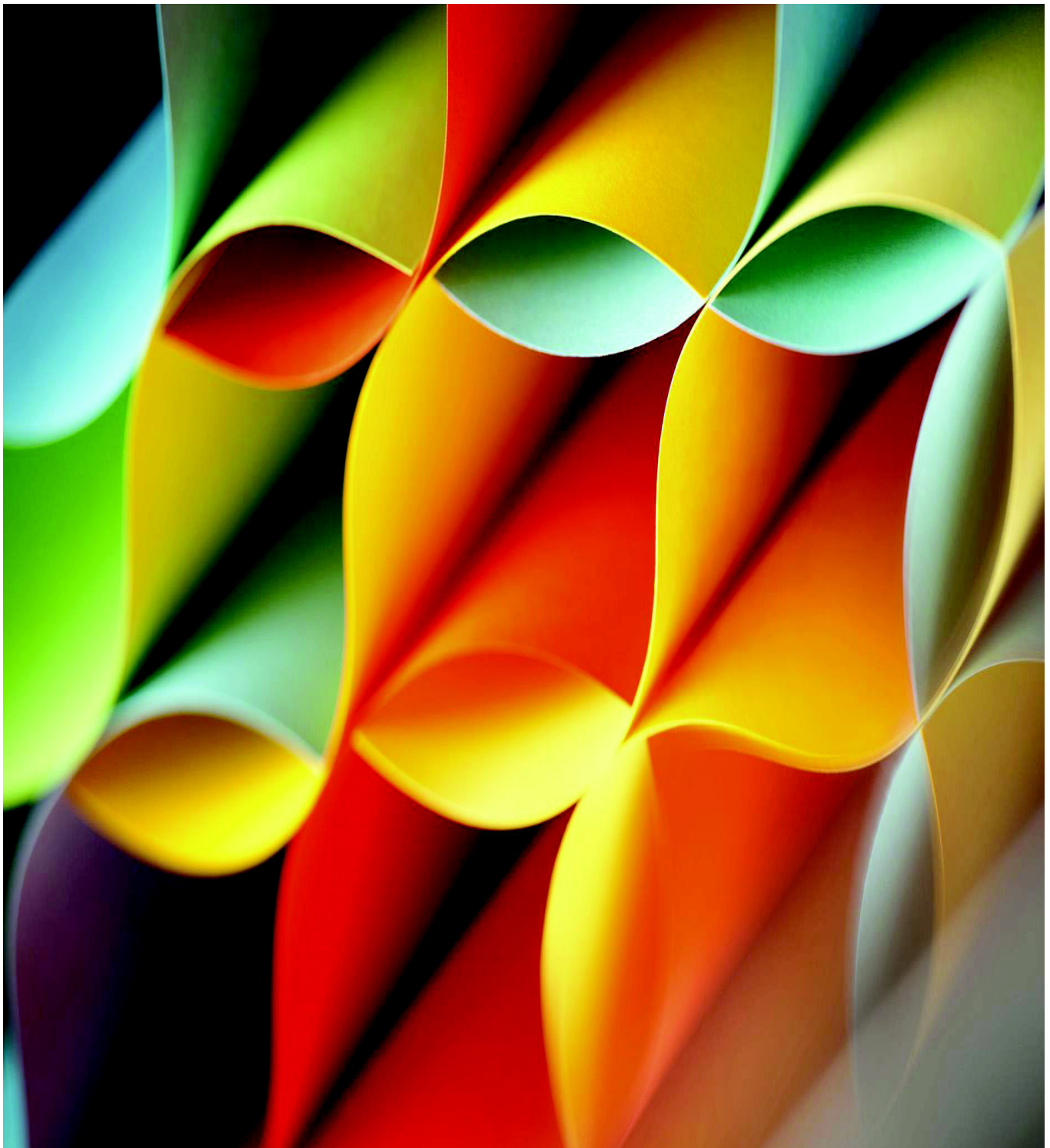
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City of York Council

Certification of claims and returns

Annual Report 2012/13

January 2014



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Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies.' Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

01

Background

In 2012/13, City of York Council ('the Council') received more than £300m in funding from various grant-paying government departments. These departments attach conditions and restrictions to these grants which the Council must meet otherwise funding may be withdrawn or clawed-back.

It is therefore important that the Council can demonstrate that it:

- Has put in place adequate arrangements to prepare and authorise each claim and return; and
- Can evidence that it has met the terms and conditions put in place by the grant paying body for each claim and return.

The scope of our work

As the Council's appointed auditor, we act as an agent of the Audit Commission to certify specified claims and returns. In 2012/13, we audited five claims and returns.

The Audit Commission, in consultation with the grant-paying bodies, sets out a programme of work in the form of Certification Instructions ('CIs') that we must follow. It also sets an overall framework under which we carry out our certification work:

- For claims and returns below £125,000 the Audit Commission does not make certification arrangements and as such we are not required to carry out any certification work.
- For claims and returns between £125,000 and £500,000, the Audit Commission requires us to undertake limited tests to ensure that entries on the claim form agree with underlying records.
- For claims and returns over £500,000, we assess the control environment the Council has put in place for preparing the claim to decide whether we can place reliance on these arrangements. Where we can place reliance on the Council's arrangements we undertake limited testing to ensure that entries on the claim form agree with underlying records (as above). Where we cannot place reliance on the Council's control environment we carry out the full programme of testing in the Audit Commission's CI.

Our certificate

On completion of the specified work we issue a certificate, the wording of which depends on the level of work we have performed on each claim. The certificate states whether the claim has been certified either without qualification; without qualification following amendment by the Council; or with a qualification letter.

Where we issue a qualification letter or the claim or return is amended by the Council, the grant paying body may withhold or claw-back grant funding.

02

Findings and certification fees

The Council's control environment

As required by the Audit Commission's CIs, we assessed the control environment for four of the five claims and returns. There are specific arrangements for the certification of the Housing and Council Tax Benefit claim which do not require us to assess the control environment.

We carried out Part A and Part B testing for all four of the claims and returns where we assessed the control environment. We have not noted any specific weaknesses in your control environment for preparing returns, and no recommendations for improvement were made in 2012/13.

Amendments and Qualifications

Of the five claims and returns we certified in 2012/13, two were qualified and required amendment, as shown below:

Teachers' Pensions return: the return was amended to show the correct closing balance on box 2h, and the correct total for pensionable pay in box 1. A qualification letter was also required to reflect the fact that, following the introduction of tiered pension contribution levels for teachers in 2012/13, our sample testing identified that some teachers had been allocated to the incorrect tier.

Council Tax and Housing Benefit Subsidy return: – an amendment of £30 was made to the claim to correct a transposition error. A qualification letter was necessary to report that our initial sample testing had identified:

- one case where benefit was overpaid due to a change in JSA not being actioned on the correct date; and
- one case where benefit was underpaid as a result of student disregard not being incorrectly applied.

If the errors identified had been extrapolated across the whole population the potential value of errors identified would be calculated at £8,832.

Certification fees

For 2012/13 the total fees charged for certification work was £23,273. This represents a significant reduction of 43.3% on fees charged in previous years (£41,057). This was the combined result of:

- a change in the way that the Audit Commission charges Councils for certification work. In previous years certification work was charged on the basis of actual hours spent undertaking the work; this has changed to be a set amount which is determined based on a 40% reduction of the actual fee which was charged for our certification work in 2010/11 (we would only charge a higher fee if significant additional work was required over and above that we have previously undertaken or new schemes require auditing)
- three claims and returns which required certification in 2011/12 not requiring certification in 2012/13;
- one additional claim requiring certification in 2012/13 for the first time.

The Audit Commission initially set a scale fee for grants and returns of £20,950. This was then varied to £23,273 to reflect the additional transport claim that required audit in 2012/13.

A breakdown of the fees charged for each claim or return is provided in Appendix A.

Appendix A

Summary of certified claims and returns

Claim or return	Value	2011/12 fee	2012/13 fee	Reasons for significant movement	Amended	Qualified
Council Tax and Housing Benefits Subsidy	£55,813,157	£28,997	£17,272	Explained by the 40% reduction in fees within the Audit Commission framework.	Yes	Yes
National Non Domestic Rates Pool return	£93,680,875	£4,110	£2,432	Explained by the 40% reduction in fees within the Audit Commission framework.	No	No
Contribution to National Housing Receipts Pool	£829,215	£596	£442	Explained by the 40% reduction in fees within the Audit Commission framework.	No	No
Teachers' Pensions return	£9,855,201	£1,487	£804	Explained by the 40% reduction in fees within the Audit Commission framework.	Yes	Yes
Local Transport Plan – Major Projects	£1,793,794	n/a	£2,323	This was a new claim in 2012/13 and a fee was agreed with officers and approved as a variation to the grants scale fee by the Audit Commission.	No	No
Housing Subsidy	n/a	£3,867	£0	Subsidy scheme wound up in 2011/12.	n/a	n/a
Yorkshire Forward	n/a	£1,460	£0	No YF claims in 2012/13.	n/a	n/a
Supervision, reporting and management costs	n/a	£540	£0	Now included in fee charged for each claim.	n/a	n/a
Total	£161,972,242	£41,057	£23,273			



Audit & Governance Committee**12 February 2014**

Report of the Director CBSS

Key Corporate Risk Monitor Three 2013/14**Summary**

1. The purpose of this paper is to present to Audit & Governance Committee (A&G) an update on the key corporate risks, and to highlight in more detail any emerging risk issues with a view to members considering any further information they would wish to receive on these matters.

Background

2. The risk management process at York ensures that all key and emerging risks are reported regularly to Audit and Governance Committee and on at least a quarterly basis. The purpose of this paper is to provide assurance that the council identifies, understands and effectively manages its key risks. The detailed corporate risk register containing the key high and critical corporate risks is provided to Audit and Governance Committee members alongside this paper at Annex A.

Current Risk Issues

3. New risks can arise by virtue of decisions taken in legal proceedings and one such risk that has developed follows the supreme court ruling in *Woodland v Essex County Council*.
4. In short, the claim arose from a woman who suffered serious brain injuries as a pupil when she nearly drowned during a swimming lesson at a council run pool in Essex. The issue in *Woodland* concerned the standard and extent of care to

be imposed on a local authority, or other public body – and the circumstances in which they can be liable for the acts or omissions of an independent contractor to whom functions are outsourced. For service provision to certain groups of people to include children or those who are otherwise vulnerable, public bodies will remain **liable for the actions of those independent contractors**.

5. The risks arising through this judgement can be managed principally through rigorous procurement procedures and contract specifications. Including conditions designed to minimise the authority's exposure such as stating that the work can not be subcontracted and insisting on detailed information in relation to service delivery, risk assessments and qualifications and experience of key staff.

Critical Key Corporate Risks

6. There are now just two critical corporate risks as the risk previously reported regarding the community stadium has now been reviewed and an update has been provided by the risk owner:

KCR0016 Capital Programme

Community Stadium

“Match day agreements are nearing completion with both clubs. Rents have been agreed and detailed agreements have been drawn up for signature. Bidders have confirmed rents are within the affordability target for the project and are happy to proceed. This risk is therefore reduced to reflect the current situation.”

7. The current position in relation to the remaining critical risks are as follows:

KCR0019 Safeguarding

Safeguarding (Eoin Rush)

“In common with every other local authority this risk remains a constant. The controls in place are regularly reviewed and updated in line with emerging national guidance. Measures to review and strengthen the controls in place to manage this risk in the next year include, implementation of the Keeping Families Together; Keeping Families Safe vision for childrens social care, apply the learning from the City of York Safeguarding Children Board peer review and refresh the city wide information sharing lists with all schools.”

KCR 0022 Financial Pressures

Reduction in Revenue Budgets (Ian Floyd)

“The requirement to respond to the public sector spending reductions/deal with demographic cost pressures, presents a financial challenge the scale of which the Council has never experienced. Reductions of some £40m from 2011-14 are required, and further savings will be needed in the future. Whilst long term financial planning provides a key control, critical to the organisation being able to manage this risk effectively lies in identifying and achieving the savings identified in service reviews and through making difficult choices in the way services are delivered. Achievement of the savings will also require both a full commitment across the organisation and a robust approach to the ongoing monitoring of the savings programme.”

Whole Risk Diagnostic

8. The Whole Risk Diagnostic exercise has now been completed and the report was circulated to Members on Audit and Governance committee separate to this report. The report has also been formally presented by the authors to Corporate Leadership Group.
9. The key finding in relation to the risk management approach employed by City of York Council was that it is based on

sound risk management principles and is fairly robust. There are certainly areas to be improved upon and these will be considered and delivered as part of the risk management workplan.

10. It was clear from the interaction at Corporate Leadership Group that there is a desire to engage and utilise risk management at the highest levels. It was also clear that the current key corporate risks need to be reviewed to ensure that they remain current in a constantly changing environment.
11. Arising out of this work, the way that risk is being reported has been reviewed. A new structure and hierarchy has been agreed that helps to ensure that consistent, quality risk information is reported at each level.
12. In addition, the report that will be submitted to Audit and Governance will change. The risk register report and the directorate reports will still be included but the main report will be in summary format with the main risk information being provided by means of a presentation. It is hoped that this format will enable the author to explore the risk issues in more depth in order to provide further assurance that the risks are understood and are being effectively managed.

Directorate Risk Reports

- 13 The risks in respect of City and Environmental Services are attached to this paper at Annex B. Officers from this Directorate are in attendance to answer any queries you have in respect of the risks contained within the annex.
14. The timetable for risk reports from the other council directorates is set out below:

<u>A&G Committee Date</u>	<u>Directorate</u>
16 April 2014	Communities and Neighbourhoods Adults, Children and Education
30 July 2014	Office of the Chief Executive

Options

15. Not applicable.

Council Plan 2011 - 2015

16. The effective consideration and management of risk within all of the council's business processes helps support achieving 'a confident collaborative organisation' and aids the successful delivery of the five priorities.

Implications

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

Risk Management

17. 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

18. Audit and Governance Committee is asked to:
- (a) Consider and comment on the issues set out in this paper.

Reason

To provide assurance that the authority is effectively understanding and managing its key risks.

Contact Details

Author:

Lisa Nyhan
Corporate Transactional
and Business Services
Manager
Phone No. 01904 552953

Chief Officer Responsible for the report:

Ian Floyd
Director Customer and Business Support
Services

**Report
Approved**

✓

Date 4 February 2014

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

For further information please contact the author of the report

Annexes

Annex A – High and critical risks linked to Key Corporate Risks
Annex B – City and Environmental Services Risk Report

KCR 0010 Emergency Planning & Business Continuity

Corporate Lead Sally Burns & Steve Waddington

Business Continuity: The Council has a statutory duty to have plans in place to ensure the delivery of its critical services continues throughout any disruption to itself or the community.

Emergency Planning: The Council, as a Category 1 responder to critical incidents, has a duty to maintain both generic and specific plans to respond to the major risks facing its community.

City & Environmental Services

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

Risk Owner: Steve Waddington

Risk Ref: 1718

High

18

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

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

Controls

Emergency Plans for the city
Emergency manuals
Exercising of the plans
Officers on-call
Plans and manuals reviewed and updated at least annually
CYC Emergency Handbook
Engagement with regional partners via local resilience forum

Owner

Steve Waddington
Steve Waddington
Steve Waddington
Steve Waddington
Steve Waddington
Jim Breen
Steve Waddington

Inability to continue to deliver services following a business disruption event

Risk Owner: Steve Waddington

Risk Ref: 0623

High

16

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

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

Controls

BC working group
Progress reports to CMT
Timetable for driving forward BC in the Council
A BC Lead for every Directorate and Department has been put in place

Owner

Jim Breen
Jim Breen
Jim Breen
Jim Breen

Adults, Children & Education

Failure to deliver essential services in an emergency

Risk Owner: Sally Rees

Risk Ref: 0612

High

18

Cause Lack of Business Continuity Plans

Consequence

Within ACE this is particularly important because of the statutory responsibilities to protect vulnerable people and prevent homelessness.

The Council has a duty to ensure the continuity of its services to residents and customers. Business Continuity Plans should act as mitigating controls capable of reducing the impact of specific risks such as fire, flood or loss of staff. The lack of these plans reduces the Council's ability to respond and increases the level of exposure to associated reputational damage.

Controls

BIA's completed in all key sites.
Flu Plan developed and tested
BCP for each service division

Owner

Graham Terry
Kathy Clark
Kathy Clark

Inability to deliver services

Risk Owner: Sally Rees

Risk Ref: 0966

High

18

Cause Key risk is potential loss of school through fire or asbestos.

Consequence

Short term loss of service whilst temporary provision is made on the site or students redirected to other schools.

Controls

DMT emergency response

Owner

Sally Rees

Corporate Lead Ian Floyd

The Council is in receipt of a number of equal pay claims from individual employees, all of which relate to the legality of the Council's pay and grading arrangements prior to 1st April 2008 when new arrangements were introduced. The claims all concern the bonus schemes which were in place at the time and claim the schemes were discriminatory on the grounds of sex under the Equal Pay Act. The claims and any potential liabilities are being managed by a multi disciplinary group, led by HR.

Corporate

New claims are brought against the council

Risk Owner: Pauline Stuchfield

Risk Ref: 1703

High

18

Cause *The council will continue to be exposed to new claims for a period of six years after the withdrawal of any bonus scheme.*

Consequence *There could be significant on-going costs associated with settling these claims.*

Controls

Memorandum of understanding
 Negotiation group with Trade Unions
 Removal of bonus schemes
 Constant monitoring of the situation and continued dialogue with trade unions

Owner

Pauline Stuchfield
 Pauline Stuchfield
 Pauline Stuchfield
 Pauline Stuchfield

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 the council's fairness and inclusion commitment and action. It also ensures that we meet current statutory duties arising from equality legislation and provides the framework for the development of fair and inclusive service delivery and employment practice in the council.

Customer & Business Support Services

Customers & People

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
Complete Equality Impact Assessments (EIAs)

Owner

Pauline Stuchfield
Pauline Stuchfield

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
Provide ongoing staff & member training in equality and human rights
Ensure officers understand and follow the corporate equality system and standards
Implementation of directorate equality schemes and monitoring by Directorate Management Teams
Equality Impact Assessments (EIAs) are undertaken and monitored

Owner

Mary Bailey
Directorate Management Teams
Mary Bailey
Mary Bailey
Mary Bailey
Mary Bailey

We do not provide fair and inclusive customer

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

Equality Impact Assessments (EIAs) are undertaken and monitored

Owner

Directorate Management

Teams

Mary Bailey

Vulnerable staff are bullied, harassed and feel excluded

Risk Owner: Ian Floyd

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

Monitoring through service planning and PDRs

Owner

Pauline Stuchfield

Pauline Stuchfield

Corporate Lead Ian Floyd & Tracey Carter

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 & Environmental Services

Community Stadium

Financial contribution from tenant clubs

Risk Owner: Tim Atkins

Risk Ref: 1964

High

19

Cause Sign off of match day agreements to be legally binding

Consequence

Achievement of the affordability target would remain a threat until these are legally binding.

Controls

Agree terms with both clubs so bidders have certainty of base line rental positions
Ensure rental agreements are affordable for both Clubs
Structure agreements to have realistic upside mechanisms

Owner

Tim Atkins
Tim Atkins
Tim Atkins

Actions

Project Team in advanced discussions regarding detailed Match-day agreements for stadium occupation
Bidders to agree terms of MDA as part of procurement
Uplift mechanism to be agreed for both clubs.

Target Date

Revised Date

Corporate Lead Paul Edmondson-Jones

This is a long term piece of work which has been initiated by a scoping report to CMT in relation to the impact on the council of the current demographic. The key issues, impacts and risks will need to be managed by the council as a whole in the coming years.

Adults, Children & Education

Increasing social care support costs

Risk Owner: Graham Terry

Risk Ref: 1715

High

20

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

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

Controls

Additional central government funding in 2011-12 to come via PCT
Decision to procure a double capacity Re-ablement service.
Review of EPH's
White Paper produced in July 2012
Whole System approach at Health & Wellbeing Board
Strong engagement with Clinical Commissioning Group
North Yorkshire and York Review supporting whole system funding realignment toward community based support.

Owner

Graham Terry
Graham Terry
Graham Terry
Graham Terry
Graham Terry
Graham Terry
Graham Terry

Actions

Older Peoples Accommodation review

Target Date

30/06/2011

Revised Date

30/04/2014

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

Risk Owner: Graham Terry

Risk Ref: 1714

High

18

Cause *The Ageing Population Review has been completed and actions are being embedded in Directorates. If Directorates and Corporately we fail to give these actions the necessary priority and do not continue to respond to the changing needs of older people this will become a risk.*

Consequence *We must continue to build on our understanding of our response required to meet the demands of an ageing population. If we do not, this could lead to reputational damage and older people becoming disengaged with the council and broader social issues.*

Controls

Ageing well studies – Certificated course completed, evaluation tbc by organisers
Partnership working underway to establish York as a dementia friendly city

Owner

Graham Terry
Graham Terry

Corporate Lead Sally Rees

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

Adults, Children & Education**Serious injury or death occurs where there is or should have been some safeguarding involvement**

Risk Owner: Eoin Rush

Risk Ref: 1707**Critical****22**

Cause Evidence that multi agency procedures were not properly implemented

Consequence

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

Controls

Monitoring of referral arrangements

Implementation of comprehensive safeguarding children training programme

CYSCB Serious Cases group independently chaired with a greater focus on dissemination of lessons learned

Routine multi-agency case file auditing process initiated

Inspection Feedback - Monitoring group established

Owner

Eoin Rush

Eoin Rush

Eoin Rush

Eoin Rush

Eoin Rush

Corporate Lead Ian Floyd

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

Customer & Business Support Services

Requirement to reduce revenue budgets by approximately 28% and a 45% reduction in capital funding over the next 4 years

Risk Owner: Ian Floyd

Risk Ref: 1806

Critical

23

Cause *Reductions of approximately 28% in local government revenue funding and 45% capital funding to 2014/15 as announced in the CSR.*

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

Controls

Long term financial planning to identify funding gaps
Promote a challenge system amongst officers to identify savings or areas for review
Structured approach to identification of saving
Effective process to monitor progress of the savings programme.

Owner

Ian Floyd
Ian Floyd
Ian Floyd
Ian Floyd

Savings identified beyond 2011/12 are not achieved

Risk Owner: Ian Floyd

Risk Ref: 1812

High

19

Cause *Some service specific savings proposals may be politically sensitive and alternative savings may need to be identified or the savings may not be achieved.*

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

Controls

Regular communication and consultation
Identify potential savings in excess of current target
Structured and planned approach to budget planning

Owner

Ian Floyd
Ian Floyd
Ian Floyd

City & Environmental Services

Transport, Highways & Waste

Reduced levels of economic development due to transport infrastructure

Impact of national & regional

Risk Owner: Frances Adams

Risk Ref: 1720

High

19

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

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

Controls

- Lobbying for sustainable levels of investment and funding
- Review policy setting
- Intelligent Travel York funded through DfT
- Bid for further funding

Owner

- Frances Adams
- Frances Adams
- Frances Adams
- Frances Adams

Actions

Regularly review current status of several initiatives

Target Date

25/10/2011

Revised Date

25/10/2015

Adults, Children & Education

Inability to deliver the financial strategy and make savings within ACE

Risk Owner: Sally Rees

Risk Ref: 1867

High

19

Cause *The scale of the delivery challenge is unparalleled and will stretch leadership, project management and support service capacity. Another factor affecting this risk is how it is subject to secondary political decision-making due to targets having been agreed in advance of identifying the final and full delivery methods.*

Consequence *Lack of delivery has significant implications for the blancing of the corporate budget. A key concern to address, in delivering the transformation programme, is doing so without experiencing any destabilisation within existing high risk services such as Safeguarding.*

Controls

- Monthly and quarterly monitoring reports
- Enhanced governance arrangements for delivery of savings programme
- DMT member leadership of each key project
- Project board arrangements established
- Programme built on previous work
- Strong consultation with staff and unions in place

Owner

- Sally Rees
- Sally Rees
- Sally Rees
- Sally Rees
- Sally Rees
- Sally Rees

Directorate Risks – City and Environmental Services

This note looks at the main risks within City and Environmental Services, and focuses upon a generic overarching risk of reduced funding, and then more specific service based issues.

1) Reduced Funding

In looking at the overall risks facing the Directorate, the overwhelming major risk area is that of reduced funding and the implications that brings to the Directorate. The scale of the funding reductions, and the level of savings required is unprecedented, and is on the back of major reductions that have already taken place.

Within City and Environmental Services since 2011/12 efficiency savings of £8.3m have already been achieved through restructuring, consolidation of services, and additional income. Looking ahead however, a further £2.24m of savings will be expected of the Directorate in 14/15 as part of the 2 year budget.

This brings with it risks in a number of ways and in particular there are two broad themes to these risks:

- Reduced staff levels which mean lower service levels, impacting on both internal and external customers and impact on staff morale, due to ongoing restructuring/potential job loss
- Financial Pressures

Reduced staffing levels, the implications for service delivery and impact on staff morale.

The City and Environmental Services Directorate provide key services for City of York Council including the development of the Local Plan and the delivery of major projects such as the Community Stadium, the Private Finance Initiative Waste Management Facility, and Local Transport Projects etc. The Directorate has undergone and is undergoing major organisational change. Within the change process failure to manage budgets effectively, or to properly address the Human Resources implications of major change, could result in added cost pressures. In addition job losses and cuts in services will impact on

customer satisfaction and staff morale. Levels of sickness may increase due to staff stress.

The Directorate has to date shown its ability to deliver major efficiency changes, and structural change. Major restructuring has taken place in recent years, including major reductions in senior management. To mitigate risks all managers are involved in reviewing services to cut out waste or increase income. Staff are updated with regards the current financial climate and asked to contribute ideas for remodelling services. Staff sickness is regularly reported and monitored. The Corporate Health and Wellbeing initiatives are available to staff. Community Impact Assessments are also undertaken to establish the public impact on changes to services and regular dialogue is undertaken with members identifying the implications of change.

Financial Pressures

Contributing to the financial pressures of the Directorate are reduced levels of economic development due to less investment of national and regional transport infrastructure. This could mean that there is less investment available for supporting infrastructure affecting the future economic prosperity of the city. The Directorate is therefore continually lobbying for sustainable levels of investment and funding and is project managing several initiatives.

The Directorate hope to alleviate some of its financial pressures through income generation opportunities. However budget reliance depends on large values of income from a few service areas. Effective and consistent financial monitoring and reporting of key budget variables are in place to monitor income levels.

2) Other Directorate Risks

- **Access York Project** – The completion date and final cost of the project is under pressure due to a number of factors. Previously identified risk items have materialised e.g. poor weather, poor ground conditions, utility diversion and supply delays. In addition the scope of the project has increased to include access to the garage at the A59/A1237 roundabout and the provision of electric buses. Mitigation measures are in place to limit the impact of these issues. Increased

costs will be managed within existing transport budgets but could impact on the ability to deliver other programmed transport schemes.

- **Capital Programmes**- Failure to deliver on these externally funded schemes will restrict the Council's ability to secure future capital funds for vital infrastructure works and improvements to its assets. Failure to deliver will hinder the council's ability to provide improved services to its customers. To monitor capital programmes effectively a project management framework is being adhered to and the establishment of project boards and projects managers with regular project updates being provided.

Intelligent Travel York Project - Failure to deliver relevant schemes on the ground to qualify for the relevant funding. In order to ensure this does not happen projects have been prioritised and claims to the Department for Transport are submitted on a quarterly basis.

-**The Waste Private Finance Initiative partnership**- Failure to deliver this partnership will mean highly significant financial impact on the Council's finances, because of the level of fines imposed by the Government. Controls that are in place include reporting to Executive on regular basis and regular meeting of senior officers from the two Authorities. Failure to agree the final contract with bidder will result in delays and have an impact on the council meeting its landfill targets.

- **Development Management and Regeneration; Failure to maintain performance on planning applications and to facilitate major development proposals.** Reduced resources could result in failure to meet statutory target timescales for determining applications, resulting in direct intervention by central government, compounding loss of income from applications, significant reputational damage and inability to bring forward timely development of major strategic sites – leading to failure of the key Council priority to create jobs and grow the economy. Income from Infrastructure contributions, as well Council tax and business rates from new development would not be realised as soon as anticipated. Maintenance of staffing levels enables fee earning pre application advice to be provided, helping to bring forward sites and speed the processing of subsequent applications.

- Building Control; failure to meet statutory obligations on dangerous structures and safety inspections. These duties cannot be subject to charges or cost recovery. Inadequate resourcing could lead to failure to respond appropriately, putting public and businesses at risk. This area of activity accounts for approximately 30% of the Building Control staff budget and needs to be maintained.

-Failure of Idox Planning Building Control and Land Charges database system - Software malfunction resulting in loss of data or loss of compatibility with other systems, due to insufficient funding to maintain and upgrade system. Insufficient funds and/or office space to purchase or house necessary equipment. To mitigate, maintenance and upgrading to recent software versions is regularly implemented to ensure system remains externally supported.

-Inability to continue to deliver services following a business disruption event- A Business Continuity Working group has been established. Senior Managers have undertaken impact assessment and a Business Continuity plan is to be developed.

-Inability to respond to and assist in the recovery of city of York after a major incident - Under the Civil Contingencies Act, as a local authority, it is the role of City of York Council to support the emergency services in the case of a major emergency and to provide aid and assistance and advice to the general public. Emergency services may not be completely supported which could hinder the promptness of their response, the speed of recovery of the city, and vulnerable people within the city may be put at risk. To mitigate the risk Emergency Plans are in place and Emergency Planning exercises take place. Officers are on call and engagement with regional partners via local resilience forum takes place.

-Tackling Climate Change – If the Council do not achieve climate change targets then this will cause the council to incur increased costs due to damages relating to future climatic changes. The council's reputation can also be affected. This will also put people's lives and businesses at greater risk. To mitigate risks a Climate Change strategy and Low Omissions strategy has been developed. Key climate change actions and targets are included in Directorate Service Plans. Tackling

Climate Change is a key priority of the recently established Environment Board.

-Highway Management Breach of Statutory Duty - Resources not available and/or systems not working could result in a Traffic Management Act failure to manage the Highway network to the maximum efficiency which could result in the Government stepping in and taking over the powers of the Council to manage its highways network. This would, amongst other matters, remove from Council influence the advice given to the Planning Committee and the relative priority given to Highway related matters and Council Objectives. To reduce the risk Corporate Management Team and Cabinet are made fully aware of the impact of policy decisions on the Council's statutory duties.

- York North West Development - Failure to meet housing and economic targets Community benefit for city not achieved. This is regular monitoring by York Central Group and dialogue between partner organisations and key stakeholders

- Exceptional transport infrastructure failure-.Failure of CCTV UTMC, Bus/Rail services could potentially result in traffic chaos within the city. To mitigate this a Business Continuity plan is in place and regular inspection of equipment takes place.

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Audit and Governance Committee**12 February 2014**

Report of the Director of Customer and Business Support Services

Scrutiny of the Treasury Management Strategy Statement and Prudential Indicators for 2014/15 to 2018/19**Summary and Background**

1. The Audit & Governance Committee are responsible for ensuring the effective scrutiny of the treasury management strategy and policies.
2. The Treasury Management Strategy Statement and Prudential Indicators 2014/15 to 2018/19 are attached at Appendix A and cover the:
 - Integrated treasury management strategy statement including the annual investment strategy and the minimum revenue provision policy statement;
 - Prudential indicators for 2014/15 to 2018/19
 - Revised treasury management policy statement
 - Specified and non-specified investments schedule
 - Treasury management scheme of delegation and role of the section 151 officer

Consultation

3. Treasury Management strategy and activity is influenced by the capital investment and revenue spending decisions made by the Council. Both the revenue and capital budgets have been through a process of consultation, details of which are outlined in the budget reports considered by Cabinet on 12th February 2014.

Options

4. It is a statutory requirement for the Council to operate in accordance with the CIPFA Prudential Code.

Council Plan

5. The Treasury Management Strategy Statement and Prudential Indicators are aimed at ensuring the Council maximises its return on investments and minimises the cost of its debts whilst operating in a financial environment that safeguards the Council's funds. This will allow more resources to be freed up to invest in the Council's priorities, values and imperatives, as set out in the Council's Plan.

Implications

Financial

6. The revenue implications of the treasury strategy are set out in the Revenue Budget report considered by Cabinet on 12th February 2014.

Human Resources (HR)

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

Equalities

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

Legal Implications

9. Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the Council is required to have regard to 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

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

Information Technology (IT)

11. There are no information technology implications as a result of this report

Property

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

Risk Management

13. 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), supporting regulations, the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (the code) are all adhered to as required.

Recommendations

14. That Audit and Governance Committee note the Treasury Management Strategy Statement and Prudential Indicators for 2014/15 to 2018/19 at Annex A.

Reason: So that those responsible for scrutiny and governance arrangements are properly updated and able to fulfil their responsibilities in scrutinising the strategy and policy.

Contact Details	
Author	Chief Officer responsible for the report
Ross Brown Principal Accountant Ext 1207	Ian Floyd Director of Customer and Business Support Services
Debbie Mitchell Corporate Finance Manager Ext 4161	
	Report approved 3 rd February 2014
Wards affected	All

Annex

Appendix A – Treasury Management Strategy Statement and Prudential Indicators for 2014/15 to 2018/19

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Cabinet

11 February 2014

Report of the Cabinet Member for Finance, Performance and Customer Services

Treasury Management Strategy Statement and Prudential Indicators for 2014/15 to 2018/19

Report Summary

1. The purpose of this report is to ask the Cabinet to recommend that Council approve the:
 - Integrated treasury management strategy statement including the annual investment strategy and the minimum revenue provision policy statement;
 - Prudential indicators for 2014/15 to 2018/19
 - Revised treasury management policy statement
 - Specified and non-specified investments schedule
 - Treasury management scheme of delegation and role of the section 151 officer

Background

2. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. The first function of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
3. The second main function of the treasury management service is the funding of the Council's capital programme. The capital programme provides a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

4. CIPFA (Chartered Institute of Public Finance and Accountancy) defines treasury management as:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

Reporting requirements

5. The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. The three reports are:
 - a) **Treasury management strategy statement and prudential indicators report** (this report) – which covers the capital plans including prudential indicators, the minimum revenue provision policy, the treasury management strategy, the annual investment strategy;
 - b) **A Mid Year Treasury Management Report** – updates members with whether the treasury activities are meeting the strategy, whether any policies require revision, amending prudential indicators if necessary;
 - c) **An Annual Treasury Report** – updates on treasury activity/ operations for the year and compares actual prudential indicators with estimates in the strategy.
6. These reports are required to be adequately scrutinised by committee before being recommended to the Council. The scrutiny role is undertaken by the Audit & Governance Committee.
7. The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. The training needs of treasury management officers is also periodically reviewed.

Treasury Management Strategy for 2014/15

8. The treasury management strategy for 2014/15 covers two main areas:

a) Capital Issues 2014/15 to 2018/19 -

- Prudential Indicators relating to the Capital Programme;
- Minimum Revenue Provision (MRP) Policy Statement .
- Prudential Indicators to assess affordability of the Capital programme

b) Treasury management Issues – Treasury Management Strategy

- Prudential Indicators which will limit the treasury management risk and activities of the Council;
- the current treasury position;
- Economic background and prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- investment policy;
- creditworthiness policy;
- investment strategy;
- policy on use of external service providers;
- Scheme of delegation and the role of the S151 officer

9. These elements cover the statutory and regulatory requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Communities and Local Government (CLG) Minimum Revenue Provision (MRP) Guidance, the CIPFA Treasury Management Code and the CLG Investment Guidance.

The Capital Prudential Indicators 2014/15 – 2018/19

10. The Council's capital expenditure plans are the key driver of treasury management activity. The Council's capital expenditure plans are the subject of a separate report on this agenda: the Capital Programme Budget 2014/15 to 2018/19. The output of the capital programme is reflected in this report in the capital prudential indicators, which are designed to assist

member's overview of the council's capital programme to ensure that the capital expenditure plans are affordable, sustainable and prudent.

11. The capital prudential indicators (PI) along with the treasury management prudential indicators (PI) are included throughout the report:

- PI 1: Capital expenditure
- PI 2: Capital financing requirement
- PI 3: Ratio of financing cost to net revenue stream
- PI4a&b: Incremental impact of capital investment decisions on council tax and housing rent
- PI 6a: Authorised limit for external debt
- PI 6b: Operational boundary for external debt
- PI 6c: Housing Revenue Account (HRA) debt Limit
- PI 7: Interest rate exposure for fixed and variable rated debt
- PI 8: Maturity structure of debt
- PI 9: Surplus funds invested >364 days

12. **Prudential Indicator 1 - Capital Expenditure.** This prudential Indicator is a summary of the Council's capital expenditure plans forming part of this budget cycle, 2013/14 is included as a comparator with detail in relation to scheme specifics provided in the Capital Monitor 3 and Capital Strategy 14/15 to 18/19 report:

Capital Expenditure	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
General Fund (Non HRA)	51.326	49.589	36.497	25.378	14.852	6.795
Housing Revenue Account	9.588	14.471	10.287	8.701	7.528	8.548
Total	60.914	64.060	46.784	34.079	22.380	15.343

Table 1: Capital Expenditure

13. Table 1 details the capital expenditure of the Council excluding other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments. There are no new PFI schemes forecast to be taken in 2014/15.

- 14. Prudential Indicator 2 - The Capital Financing Requirement (CFR) (Council's Borrowing Need);** the second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need for capital purposes. Any capital expenditure above, which has not immediately been paid for and will be funded by borrowing, will increase the CFR.
15. The CFR does not increase indefinitely, because the minimum revenue provision (MRP) is a statutory annual revenue charge, which broadly reduces the borrowing need in line with each assets life. Therefore, the CFR is reduced with this provision to repay debt.
16. The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increases the CFR, and therefore the Council's overall borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has a limit to cover such schemes of £20m included within the CFR. AS set out in paragraph 35 table 7 the projected level of debt is significantly below the CFR over the 5 year period.

Table 2 below, shows the Capital Financing Requirement, excluding other long term liabilities:

Capital Financing Requirement	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Non-HRA CFR	180.685	193.198	196.434	196.336	192.482	188.301
HRA existing	18.794	18.794	18.794	18.794	18.794	18.794
HRA settlement	121.550	121.550	121.550	121.550	121.550	121.550
HRA CFR	140.344	140.344	140.344	140.344	140.344	140.344
Total CFR	321.029	333.542	336,778	336.680	332.826	328.645

Table 2: Capital Financing Requirement (CFR)

Minimum Revenue Provision (MRP) Policy Statement

17. The Council is required to pay off an element of the accumulated General Fund (non-HRA) capital expenditure each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

18. CLG Regulations (statutory Instrument (SI) 2008 no.414 s4) require full Council to approve an MRP Statement in advance of each year. The guidance offers four main options under which MRP could be made, with an overriding recommendation that the Council should make prudent provision to redeem its debt liability over a period that is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits. The options presented are the same as in previous years and set out in paragraphs 19 & 21.

19. Full Council is requested to approve the following MRP Statement: For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:
 - **Existing practice** - MRP will follow the existing practice outlined in former CLG regulations (S28 in SI 2003 no. 3146)

20. This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

21. From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be
 - **Asset Life Method** (Option 3)– MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction);

22. This option provides for a reduction in the borrowing need over approximately the asset's life. The asset life is an absolute maximum and wherever possible the debt should be repaid over a shorter period. Estimated asset life periods will be determined

under delegated powers. It should be noted that with all debts, the longer the repayment period the higher the amount of interest incurred over the period of the loan accordingly, it is deemed as prudent to reduce the period over which the repayments are made.

23. In accordance with the requirements of The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 no MRP is chargeable on the HRA in the next 5 years. Under the HRA reform the HRA will be required to charge depreciation on its assets, which will have an increased revenue cost effect. In order to address any possible adverse impact in the next 4 years, regulations allow the Major Repairs Allowance to be used as a proxy for depreciation and for the depreciation charge to be reversed therefore, having no revenue impact on council tax. Further clarification on depreciation will be provided in future years.

24. Repayments included in annual PFI or finance leases are also applied as MRP.

Affordability Prudential Indicators

25. Affordability Prudential Indicators - The prudential indicators mentioned so far in the report cover the overall capital programme and the control of borrowing through the capital financing requirement (CFR). In addition, it is necessary to assess the affordability of the Council's capital investment plans. These prudential indicators provide an indication of the impact of the capital programme investment plans on the Council's overall finances.

26. **Prudential Indicator 3 - Ratio of financing costs to net revenue stream.** This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) and compares it to the Council's net revenue stream.

Financing Costs	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %
Non-HRA	10.86	12.78	14.02	14.14	14.17	14.24
HRA	14.26	13.54	13.57	13.54	13.51	13.48

Table 3: Ratio of financing costs to net revenue stream

27. The estimates of financing costs include current commitments and the proposals in the Capital Programme Budget 2014/15 to 2018/19 report on this agenda.

28. **Prudential Indicator 4 - Incremental impact of capital investment decisions on council tax.** This indicator identifies the revenue costs associated with proposed changes to the five-year capital programme recommended in the Capital programme 2014/15 to 2018/19 report in the table below. The assumptions are based on the budget figures as set out per the capital and financial strategy reports on this agenda.

Incremental Impact on Council tax – band D	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Incremental impact	n/a	£7.23	£4.58	£1.95	£2.78	£6.64

Table 4: - Incremental impact of capital investment decisions on the band D council tax

29. **Prudential Indicator 5 - Incremental impact of capital investment decisions on housing rent levels.** Similar to the council tax calculation, this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in the capital programme budget report compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels. This indicator is zero as the housing rent levels are set by Government and is not directly impacted by the Council's capital plans.

Incremental Impact	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Weekly Housing Rents	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00

Table 5 - Incremental impact of capital investment decisions on housing rent levels

Treasury Management Strategy

30. The capital prudential indicators set out above ensure that the Council's capital programme / expenditure plans are affordable, sustainable and prudent. The treasury management function ensures that the Council's cash is available to meet the Council's capital programme requirements and also revenue activity needs in accordance with the Local Government Act 2003 and relevant professional codes.

31. The treasury management function involves both the forecasting of the cash flow and, where capital plans are require, the organisation of appropriate borrowing facilities. The strategy covers the prudential / treasury indicators, the current and projected debt positions and the annual investment strategy.

Current Portfolio Position

32. The Council's treasury portfolio position at 31 December 2013 is detailed below in table 6:

Institution Type	Principal	Average Rate
<u>Public Works Loan Board (PWLB)</u> – Money borrowed from the Debt Mgt Office (Treasury Agency)	£238.615m	3.614%
<u>Market Loans</u>		
Club Loan – A loan taken in conjunction with 2 other Authorities	£10.000m	7.155%
LOBO Loans (2) – Lender Option Borrower Option	£10.000m	3.740%
Total Gross Borrowing (GF & HRA)	£258.615m	3.756%
Total Investments	£48.572m	

Table 6: Current position at 31 December 2013

33. The Council at 31 December 2013 had £258.615m of fixed interest rate debt, of which £139.941m was HRA and £118.674m General Fund. The cash balance available for investment was £48.572m. The level of investments shows a small decline reflecting no new borrowing being undertaken during 2013/14 to date and the capital programme continues to spend.
34. Within the prudential indicators, there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its total gross debt, does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the preceding year 2012/13 plus the estimates of any additional CFR for 2013/14 and the following two financial years. This allows the flexibility to borrow in advance of need and ensures that borrowing is for a capital purpose and that borrowing is not undertaken for revenue purposes.
35. Table 7 shows that the estimated gross debt position of the Council does not exceed the underlying capital borrowing need (the CFR). The Director of Customer Business & Support Services (S151 Officer) confirms that the Council complied with this prudential indicator and does not envisage difficulties for the future.

	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
External Debt per maturity Profile	258.615	258.615	294.115	294.115	302.115	300.115
Expected Net Change in Debt	0.000	35.500	0.000	8.000	(2.000)	0.000
Gross Projected Debt	258.615	294.115	294.115	302.115	300.115	300.115
Total CFR	321.029	333.542	336.778	336.680	332.826	328.645
Under/(over) Borrowed	Under	Under	Under	Under	Under	Under

Table 7: External Debt < Capital Financing Requirement

36. Table 7 demonstrates that based on borrowing estimates there is a significant gap between actual borrowing and the CFR (driven by the use of internal funds to finance capital expenditure). The decision as to whether to continue to do this will take into account current (and future) assumptions re borrowing rates, and levels of internal reserves and balances held by the Council. The figures above show a reduction between CFR and external debt, however this will be determined by the S151 officer and the figure above is a current broad assumption and actual borrowing will be determined by the circumstances that prevail at the time eg borrowing rates, levels of cash balances

Prudential Indicators: Limits on Authority to Borrow

37. **Prudential Indicator 6A – Authorised Borrowing Limit** - It is a statutory duty under Section 3 (1) of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the “Authorised Borrowing Limit”, and represents a control on the maximum level of debt. This is a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

Authorised Limit	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Borrowing	321.029	333.542	336.778	336.680	332.826	328.645
Other Long Term Liabilities	30.000	30.000	30.000	30.000	30.000	30.000
Total	361.029	373.542	376.778	376.680	372.826	368.645

Table 8: Authorised Borrowing Limit

38. **Prudential Indicator 6B – Operational Boundary.** In addition to the “Authorised Borrowing Limit”, there is a limit, which is the maximum level of debt allowed for, on an ongoing operational purpose. This is the Operational Boundary. The Operational Boundary in reality would only be breached because of in year

cash flow movements. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational Boundary	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Borrowing	321.029	333.542	336.778	336.680	332.826	328.645
Other Long Term Liabilities	10.000	10.000	10.000	10.000	10.000	10.000
Total	331.029	343.542	346.778	346.680	342.826	338.645

Table 9: Operational Boundary

39. Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime, known as the HRA Debt Limit. This limit is currently:

HRA Debt Limit £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Total HRA	145.97	145.97	145.97	145.97	145.97	145.97

Table 10: HRA Debt Limit

Economic Background

40. The economic situation is the background to which all treasury management activities operate. It assists in the formation of the treasury management strategy as it details the current economic and market environment.

Prospects for Interest Rates

41. Current interest rates and the future direction of both long term and short term interest rates have a major influence on the overall treasury management strategy and affects both investment and borrowing decisions. To facilitate treasury management officers in making informed investment and borrowing decisions, the Council contracts Capita Asset Services as its treasury adviser. Part of their service is to assist the Council in formulating a view on interest rates. Annex A draws together a number of current City forecasts for short

term (Bank Rate) and longer fixed interests rates. Table 11 gives Capita's central view:

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Dec 2013	0.50	2.50	4.40	4.40
Mar 2014	0.50	2.50	4.40	4.40
Jun 2014	0.50	2.60	4.50	4.50
Sep 2014	0.50	2.70	4.50	4.50
Dec 2014	0.50	2.70	4.60	4.60
Mar 2015	0.50	2.80	4.60	4.70
Jun 2015	0.50	2.80	4.70	4.80
Sep 2015	0.50	2.90	4.80	4.90
Dec 2015	0.50	3.00	4.90	5.00
Mar 2016	0.50	3.10	5.00	5.10
Jun 2016	0.75	3.20	5.10	5.20
Sep 2016	1.00	3.30	5.10	5.20
Dec 2016	1.00	3.40	5.10	5.20
Mar 2017	1.25	3.40	5.10	5.20

Table 11 – Capita's Bank Rate forecast for financial year ends

42. Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history.

However, growth has rebounded during 2013 to surpass all expectations. Growth prospects remain strong for 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. One downside is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent. A rebalancing of the economy towards exports has started but as 40% of UK exports go to the Eurozone, the difficulties in this area are likely to continue to dampen UK growth.

43. There are, therefore, concerns that a UK recovery currently based mainly on consumer spending and the housing market, may not endure much beyond 2014. The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.

44. The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- Although Eurozone concerns have subsided in 2013, Eurozone sovereign debt difficulties have not gone away and there are major concerns as to how these will be managed over the next few years as levels of government debt to GDP ratios, in some countries, continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2014/15 and beyond;
- Borrowing interest rates have risen significantly during 2013 and are on a rising trend. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring even higher borrowing costs, which are now looming ever closer, where authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt, in the near future;
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

Borrowing Strategy

45. The Council undertakes long term borrowing in accordance with the capital expenditure requirements of the capital programme. The Council's borrowing requirement is known as the Capital Financing Requirement (CFR) as explained above in paragraph 14. As a result of the capital programme 2014/15 to 2018/19 the borrowing is projected to increase by £16.375m over the next 5 years. The CFR (the Council's actual need to borrow) does not necessarily increase by this £16.375m as a minimum amount of revenue provision is set aside every year in accordance with statutory requirement and this therefore reduces the actual amount that is required to be borrowed.

46. The borrowing strategy takes into account the borrowing requirement, the current economic and market environments and is also influenced by the above interest rate forecast. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy remains prudent as investment returns are low and counterparty risk is relatively high.
47. It is therefore beneficial to have a borrowing strategy where consideration is given to taking some longer term borrowing if favourable rates arise and also use some cash reserves. External borrowing will be considered throughout the financial year when interest rates seem most favourable. A target interest rate in light of table 11 above is 4.75%. This will enable borrowing to be taken through the year at different time periods. Consideration will also be given to the maturity profile of the debt portfolio so the Council is not exposed to the concentration of debt being in any one year.
48. Against this background and the risks within the economic forecast, caution will be adopted with the 2014/15 treasury operations. The Director of Customer Business and Support Services will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
- if it was felt that there was a significant risk of a sharp fall in long and short term rates, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
 - if it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

49. The HRA strategy in 2013/14 for borrowing will be the same as the borrowing strategy described above for the whole Council. The HRA Business Plan will guide and influence the overall HRA borrowing strategy.
50. All decisions will be reported to the appropriate decision making body – Cabinet and Audit and Governance Committee - at the next available opportunity.

Prudential Indicators – Limits on Borrowing Activity

51. There are three debt / borrowing related prudential indicators. The purpose of these are to constrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:
- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
 - Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
 - Maturity structure of borrowing. This gross limit is set to reduce the Council's exposure to large fixed rate sums falling due for refinancing in a confined number of years.
52. These three debt/borrowing related prudential indicators are calculated to include the debt undertaken for the HRA as well as the remaining borrowing debt portfolio.

Interest rate Exposure	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
	Upper	Upper	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	116%	109%	109%	109%	107%
Limits on variable interest rates based on net debt	-16%	-9%	-9%	-9%	-7%
Maturity Structure of borrowing 2012/13					
	Lower			Upper	

Under 12 months	0%	30%	
12 months to 2 years	0%	30%	
2 years to 5 years	0%	40%	
5 years to 10 years	0%	40%	
10 years and above	30%	90%	

Table 12: Limits on Interest rate exposure and the Maturity Structure of Borrowing

Policy on Borrowing in Advance of Need

53. Under Local Authorities (Capital Finance and Accounting) (England) Regulations 2008 regulation, the Council can borrow in advance of need in line with its future borrowing requirements in accordance with the Capital Financing Requirement. Any borrowing decision in advance of need will be considered carefully to ensure that value for money can be demonstrated, it is affordable, sustainable & prudent, that the treasury management revenue budget can support the borrowing finance costs in the longer term and that the Council can ensure the security of such funds if invested.
54. Borrowing in advance will be made within the constraints of the CIPFA Prudential Code that ensures that total gross debt, does not, except in the short term, exceed the total of the CFR in the preceding year 2013/14 plus the estimates of any additional CFR for 2014/15 and the following two financial years.
55. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt Rescheduling

56. As shown in table 11 and generally reflective of the long term pricing of risk, the forecasts show that short term borrowing rates will be considerably cheaper than longer term fixed interest rates in the foreseeable future. Therefore, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury management position, the short term nature of the loans, the costs of premiums involved in premature repayment for existing

debt and the likely cost of refinancing those short-term loans, once they mature. Debt rescheduling will also be considered for the HRA and the costs and benefits assessed to ensure value for money.

57. The reasons for any rescheduling to take place will include:

- a) the generation of cash savings and / or discounted cash flow savings;
- b) helping to fulfil the strategy outlined above, and
- c) enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

58. Consideration will also be given to identify if there is any residual potential left for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

59. Any rescheduling will be reported to Cabinet and/or Audit and Governance Committee, in accordance with the usual monitoring cycle.

Annual Investment Strategy

Investment Policy

60. The Council's investment policy has regard to the Communities and Local Government's (CLG) Guidance on Local Government Investments ("the Guidance") and the 2011 CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

61. The Council's investment priorities are the security of capital and liquidity of its investments. The Council also aims to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The borrowing of monies specifically to invest or lend on and make a return is unlawful and the Council will not engage in such activity.

62. In accordance with guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency. Using Capita's ratings service potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.
63. Furthermore, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end, the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings. This is fully integrated into the credit methodology provided by the advisors, Sector in producing its colour codings that show the varying degrees of suggested creditworthiness.
64. The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk. The intention of the strategy is to provide security of investment and minimisation of risk.
65. Investment instruments identified for use in the financial year are listed in annex B under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set out in the later section - the Investment Strategy.
66. The Council continues to take a prudent approach to investing funds as set out in the Creditworthiness Policy below.

Creditworthiness Policy

67. This Council applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modeling approach with credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

68. This modelling approach combines credit ratings, credit watches, credit outlooks in a weighted scoring system which is then combined with an overlay of CDS (Credit Default Swap) spreads for which the end product is a series of colour code bands, which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments. The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years *
- Dark pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
- Light pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

**This category is for UK Governemnt debt or its equivalent; constant NAV money market funds and collateralised depositis where the collateal is UK Gvt debt*

69. The Capita Asset Services creditworthiness model uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.
70. Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of Short Term rating F1, Long Term rating A-, Viability ratings of A-, and a Support rating of 1. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.
71. All credit ratings will be monitored on an ongoing basis as information is provided weekly basis and also adhoc. The Council is alerted to changes to ratings of all three agencies through its use of the Capita's creditworthiness service:
- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
 - In addition to the use of Credit Ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Councils lending list.
72. Although sole reliance is not be placed on the use of this external service as the Council uses market data and market information, information on government support for banks and the credit ratings of that supporting government, the suitability of counterparties is based heavily on Capitas advice.
73. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that

qualify using this credit criteria as at the date of this report are shown in Annex C. This list will be added to or deducted from by officers should ratings change in accordance with this policy.

Investment Strategy

74. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). The Council uses matrices (determined by the maximum cash balance in a given year) that stipulate both time and financial limits in order to spread counterparty (credit) risk when investing money with approved counterparties. The matrix is based on the projected average balance for the year. Therefore for 2014/15 the average balance is forecast to be between a low point of £10m and £62m, the matrix stipulates use of level 6 (maximum cash balance of between £50m - £60m, note this is the highest matrix Treasury officers feel is prudent to use) that results in a limit of £10m for counterparties with a durational band of 100 days and £15m for counterparties with a durational band of longer than 100 days.

75. Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from Qtr 2 of 2016. Bank rate forecasts for financial year ends (March) are:

2013/14	0.50%
2014/15	0.50%
2015/16	0.50%
2016/17	1.25%

76. There are upside risks to these forecasts (i.e. start of increases in Bank Rate occurs sooner) if economic growth remains strong and unemployment falls faster than expected. However, should the pace of growth fall back, there could be downside risk, particularly if Bank of England inflation forecasts for the rate of fall of unemployment were to prove to be too optimistic.

77. For its cash flow generated balances, the Council will seek to utilise a combination of business reserve accounts (call accounts), 15 to 30 day notice accounts, short dated fixed term deposits and money market funds. In addition, the Council will look for investment opportunities in longer dated term deals

with specific counterparties that offer enhanced rates for Local Authority investment. All investment will be undertaken in accordance with the creditworthiness policy set out above.

78. The suggested budgeted investment earnings rates for returns on investments placed for periods up to three months during each financial year for the next four years are as follows:

2014/15	0.50%
2015/16	0.50%
2016/17	1.00%
2017/18	2.00%

79. Therefore for 2013/14, the Council has budgeted for an investment return target of 0.50% on investments placed during the financial year and uses the 7 day LIBID rate as a benchmark for the rate of return on investment.

80. **Prudential Indicator 9** - total principal investment funds invested for greater than 364 days. This limit is set with regards to the Council's liquidity requirements and are based on the availability of funds after each year-end. A maximum principal sum to be invested for greater than 364 days is £10m.

81. At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report. It should be noted that the Investment policy, creditworthiness policy and investment strategy are applicable to the Council's overall surplus funds and are also pertinent to the HRA.

Policy on the use of external service providers

82. The Council uses Capita Asset Services as its external treasury management advisors.

83. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

84. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

Scheme of Delegation and the Role of the Section 151 Officer

85. Those charged with governance are responsible for the treasury management activities and are clearly defined within the organisation. Attached at Annex D are the Treasury Management Scheme of Delegation and also the Treasury Management role of the section 151 officer (Director of Customer & Business Support Services).

Consultation and Options

86. The treasury management function of any business is a highly technical area, where decisions are often taken at very short notice in reaction to the financial markets. Therefore, to enable effective treasury management, all operational decisions are delegated by the Council to the Director of Customer & Business Support Services, who operates within the framework set out in this strategy and through the Treasury Management Policies and Practices. In order to inform sound treasury management operations the Council works with its Treasury Management advisers, Capita Asset Services. Capita Asset Services offers the Council a comprehensive information and advisory service that facilitates the Council in maximising its investment returns and minimise the costs of its debts.

87. Treasury Management strategy and activity is influenced by the capital investment and revenue spending decisions made by the Council. Both the revenue and capital budgets have been through a corporate process of consultation and consideration by the elected politicians. The revenue budget and capital budget proposals are included within this agenda.

88. At a strategic level, there are a number of treasury management options available that depend on the Council's stance on interest rate movements. The report sets out the

Council's stance and recommends the setting of key trigger points for borrowing and investing over the forthcoming financial year.

Council Plan

89. The Treasury Management Strategy Statement and Prudential Indicators are aimed at ensuring the Council maximises its return on investments and minimises the cost of its debts whilst operating in a financial environment that safeguards the Council's funds. This will allow more resources to be freed up to invest in the Council's priorities, values and imperatives, as set out in the Council's Plan.

Implications

Financial

90. The revenue implications of the treasury strategy are set out in the Revenue Budget report also on this agenda. The capital implications that drive the CFR are set out in the Capital Programme Budget report.

Human Resources (HR)

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

Equalities

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

Legal Implications

93. Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the Council is required to have regard to 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

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

Information Technology (IT)

95. There are no information technology implications as a result of this report

Property

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

Risk Management

97. 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), supporting regulations, the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (the code) are all adhered to as required.

Recommendations

98. The Cabinet are asked to recommend that Council approve:
- a. The proposed Treasury Management Strategy for 2014/15 including the annual investment strategy and the minimum revenue provision policy statement;
 - b. The Prudential Indicators for 2014/15 to 2018/19 in the main body of the report;
 - c. The Specified and Non-Specified Investments schedule (Annex B)
 - d. The Scheme of Delegation and the Role of the Section 151 Officer (Annex D)

Reason: To enable the continued effective operation of the Treasury Management function and ensure that all Council borrowing is prudent, affordable and sustainable.

Author of the report:	Cabinet Member & Chief Officer Responsible for the report:			
Ross Brown Principal Accountant Ext 1207	Cabinet Member for Finance, Performance and Customer Services			
Debbie Mitchell Finance Manager	Ian Floyd Director of Customer & Business Support Services			
	Report Approved	√	Date	17/01/14
Wards Affected: Not Applicable				
<u>For further information please contact the author of the report</u>				

<u>Specialist Implications:</u>
Legal – Author of the report
Property – Not Applicable
Information Technology – Not Applicable

For further information please contact the author of the report

Background Papers

Prudential indicator workings 2014/15 to 2018/19.

Capital Strategy 2014/15 to 2018/19 report.

Capita -treasury management advisers commentary.

Annexes

Annex A – Interest Rate Forecast

Annex B – Specified and Non-Specified Investments categories
Schedule

Annex C – Approved countries for investments

Annex D – Scheme of Delegation and the Role of the Section 151
Officer

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Annex A- Interest Rate Forecast 2013/2017

Capita Asset Services Interest Rate View														
	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Bank Rate View	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.00%	1.25%
3 Month LIBID	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.60%	0.70%	0.90%	1.30%
6 Month LIBID	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.70%	0.80%	1.00%	1.20%	1.40%
12 Month LIBID	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	1.00%	1.20%	1.40%	1.60%	1.80%	2.00%	2.30%
5yr PWLB Rate	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.40%
10yr PWLB Rate	3.60%	3.60%	3.70%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.20%	4.30%	4.30%	4.40%	4.50%
25yr PWLB Rate	4.40%	4.40%	4.50%	4.50%	4.60%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.10%
50yr PWLB Rate	4.40%	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%	5.20%	5.20%
Bank Rate														
Capita Asset Services	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.00%	1.25%
UBS	0.50%	0.50%	0.50%	0.50%	0.50%	-	-	-	-	-	-	-	-	-
Capital Economics	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	-	-	-	-	-
5yr PWLB Rate														
Capita Asset Services	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.40%
UBS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Economics	2.10%	2.30%	2.30%	2.30%	2.30%	2.30%	2.50%	2.90%	3.30%	-	-	-	-	-
10yr PWLB Rate														
Capita Asset Services	3.60%	3.60%	3.70%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.20%	4.30%	4.30%	4.40%	4.50%
UBS	3.90%	4.00%	4.00%	4.10%	4.10%	-	-	-	-	-	-	-	-	-
Capital Economics	3.30%	3.55%	3.55%	3.55%	3.55%	3.55%	3.55%	3.55%	3.80%	-	-	-	-	-
25yr PWLB Rate														
Capita Asset Services	4.40%	4.40%	4.50%	4.50%	4.60%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.10%
UBS	4.40%	4.50%	4.50%	4.60%	4.60%	-	-	-	-	-	-	-	-	-
Capital Economics	4.10%	4.20%	4.20%	4.20%	4.20%	4.20%	4.20%	4.20%	4.30%	-	-	-	-	-
50yr PWLB Rate														
Capita Asset Services	4.40%	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%	5.20%	5.20%
UBS	4.50%	4.50%	4.60%	4.60%	4.70%	-	-	-	-	-	-	-	-	-
Capital Economics	4.30%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.50%	-	-	-	-	-

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Specified and Non-Specified Investments Categories

A variety of specified and non-specified investment instruments will be used to place the Council's surplus funds. These investment instruments are, subject to the credit quality of the institution. The criteria, time limits and monetary limits applying to institutions or investment vehicles are list in the tables below.

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, treasury officers will review the accounting implications of new transactions before they are undertaken.

Specified Investments:

All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' rating criteria where applicable.

Institution / Counterparty	Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	UK Sovereign rating	In-house
Term deposits – Local Authorities	UK Sovereign rating	In-house
Term deposits – banks and building societies	Coded: Orange on Sectors Matrix. Fitch's rating: Short-term F1+, Long-term AA-, Individual B, Support 2 Or equivalent rating from Standard & Poors and Moody's	In-house
UK Part nationalised banks	Coded: Blue on Sectors Matrix. Fitch's rating: Short-term F1+, Long-term AA-, Individual B, Support 2 Or equivalent rating from Standard & Poors and Moody's	In-house and Fund Mangers
Banks part nationalised by high credit rated (sovereign rating) countries – non UK	Coded: Blue on Sectors Matrix. Fitch's rating: Short-term F1+, Long-term AA-, Individual B,	In-house and Fund Mangers

	Support 2 Or equivalent rating from Standard & Poors and Moody's	
Collateralised deposit	Coded: Orange on Sectors Matrix / UK Sovereign rating	In-house and Fund Mangers
Certificates of deposits issued by banks and building societies covered by UK Government guarantee	Coded: Orange on Sectors Matrix / UK Sovereign rating	In-house and Fund Mangers
Certificates of deposits issued by banks and building societies	F Coded: Orange on Sectors Matrix / Fitch's rating: UK sovereign rating or Short- term F1+, Long-term AA- , Individual B, Support 2 or equivalent rating from Standard& Poors and Moodys	In-house and Fund Mangers
UK Government Gilts	Coded: Orange on Sectors Matrix / UK Sovereign rating	In-house buy and hold and Fund Managers
Bonds issued by multilateral development banks	Coded: Orange on Sectors Matrix / Long term AAA	In-house buy and hold and Fund Managers
Bonds issued by a financial institution which is guaranteed by the UK government	Coded: Orange on Sectors Matrix / UK Sovereign rating	In-house buy and hold and Fund Managers
Sovereign bond issues (other than the UK govt)	Coded: Orange on Sectors Matrix / Sovereign rating	In-house buy and hold and Fund Managers
Treasury Bills	Coded: Orange on Sectors Matrix / UK Sovereign rating	Fund Managers
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -		
1. Government Liquidity Funds	Short-term F1, Long-term AAA	In-house and Fund Managers
2. Money Market Funds	Short-term F1, Long-term AAA	In-house and Fund Managers
.3. Enhanced cash funds	Short-term F1, Long-term AAA	In-house and Fund Managers
4. Bond Funds	Long-term AAA	In-house and Fund Managers
5. Gilt Funds	Long-term AAA	In-house and Fund Managers
6. Property Funds	Long-term AAA	In-house and Fund Managers
UK Nationalised Banks	UK sovereign rating	In-house and Fund Managers
UK Part nationalised Banks	UK sovereign rating	In-house and Fund Managers

NON-SPECIFIED INVESTMENTS:

A maximum of 100% can be held in aggregate in non-specified investment

1. Maturities of ANY period

Institution / Counterparty	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Term deposits – banks and building societies	Coded: red (6mths) and green (3mths) on Sectors Matrix. Fitch's rating: Short-term F1, Long-term A-, Or equivalent rating from Standard & Poors and Moody's	In-house	100%	3-6 Months
Fixed term deposits with variable rate and variable maturities: -Structured deposits	Coded: orange (1yr) red (6mths) and green (3mths) on Sectors Matrix. Fitch's rating: Short-term F1, Long-term A-, Or equivalent rating from Standard & Poors and Moody's	In-house	40%	1 Year
Certificates of deposits issued by banks and building societies NOT covered by UK Government guarantee	Coded: orange (1yr) red (6mths) and green (3mths) on Sectors Matrix. Fitch's rating: Short-term F1, Long-term A-, Or equivalent rating from Standard & Poors and Moody's	In-house buy and hold and Fund Managers	30%	1 Year
Commercial paper issuance covered by a specific UK Government guarantee and issued by banks covered by the UK bank support package	UK Sovereign rating	In-house and Fund Managers	30%	1 Year
Commercial paper other	Coded: orange (1yr) red (6mths) and green (3mths) on Sectors Matrix. Fitch's rating: Short-term F1, Long-term A-, Or equivalent rating from Standard & Poors and Moody's	In-house	30%	1 Year
Corporate Bonds	Coded: orange (1yr) red (6mths) and	In-house and Fund	30%	1 Year

	green (3mths) on Sectors Matrix. Fitch's rating: Short-term F1, Long-term A-, Or equivalent rating from Standard & Poors and Moody's	Managers		
Other debt issuance by UK banks covered by UK Government guarantee	UK Government explicit guarantee	In-house and Fund Managers	30%	
Floating Rate Notes: the use of these investments would constitute capital expenditure unless they are issued by a multi lateral development bank	Long-term AAA	Fund Managers	N/A – Capital Expenditure	N/A – Capital Expenditure
Property fund: the use of these investments would constitute capital expenditure	--	Fund Managers	N/A – Capital Expenditure	N/A – Capital Expenditure
Local Authority mortgage guarantee scheme	Coded: orange (1yr) red (6mths) and green (3mths) on Sectors Matrix. Fitch's rating: Short-term F1, Long-term A-, Or equivalent rating from Standard & Poors and Moody's	In-house		

2. Maturities in excess of 1 year

Term deposits – local authorities	--	In-house	10%	> 1 year
Term deposits – banks and building societies	Coded: Purple(2yrs) or Yellow (5yrs) on Sectors Matrix. Fitch's rating: Short-term F1+, Long-term AA-, Support 2 Or equivalent rating from Standard & Poors and Moody's	In-house	10%	> 1 year
Certificates of deposits issued by banks and building societies covered by UK Government guarantee	UK Sovereign	In house and Fund Managers	10%	> 1 year
Certificates of deposits issued by banks and building societies covered by the UK government banking support package	UK Sovereign	In house and Fund Managers	10%	> 1 year
Certificates of deposits issued by banks and building societies NOT	Coded: Purple(2yrs) or Yellow (5yrs) on Sectors Matrix /	In house and Fund Managers	10%	> 1 year

covered by the UK government banking support package	Short-term F1+, Long-term AA-, Support 2			
UK Government Gilts	UK Sovereign rating	In-house and Fund Managers	10%	> 1 year
Bonds issued by multilateral development banks	Long term AAA	In-house and Fund Managers	10%	> 1 year
Sovereign bond issues (i.e. other than the UK govt)	Long term AAA	In-house and Fund Managers	10%	> 1 year
Collective Investment Schemes structure as open Ended Investment Companies (OEICs)				
1. Bond Funds	Long-term AAA	In-house and Fund Managers		
2. Gilt Funds	Long-term AAA	In-house and Fund Managers		

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Approved countries for investments

AAA

- Australia
- Canada
- Denmark
- Finland
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- U.S.A.

AA+

- France
- Hong Kong
- U.K.

AA

- Abu Dhabi
- Belgium

AA-

- Saudi Arabia
-

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Treasury Management Scheme of Delegation

(i) Cabinet / Full Council

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy and annual outturn

(ii) Cabinet

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities

(iii) Audit & Governance Committee

- receiving and scrutinising reports on treasury management policies, practices and activities
- scrutinising the annual strategy, annual outturn and mid year review.

(iv) Director of Customer and Business Support (Section 151 Officer)

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.
- all operational decisions are delegated by the Council to the Director of Customer & Business Support Services, who operates within the framework set out in this strategy and through the Treasury Management Policies and Practices
- Approving the selection of external service providers and agreeing terms of contract in accordance with the delegations in financial regulations.

The Treasury Management Role of the Section 151 Officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
 - all operational decisions delegated by the Council to the Director of Customer & Business Support Services (S151 Officer), who operates within the framework set out in this
-

strategy and through the treasury management policies and practices

- submitting regular treasury management policy reports
 - submitting budgets and budget variations
 - receiving and reviewing management information reports
 - reviewing the performance of the treasury management function
 - ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
 - ensuring the adequacy of internal audit, and liaising with external audit
 - recommending the appointment of external service providers.
-

Glossary of Abbreviations

CDS	Credit Default Swap
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance Accountancy
CLG	Communities and Local Government
EMMFS	Enhanced Money Market Funds
GDP	Gross Domestic Product
HRA	Housing Revenue Account
LIBID	London Interbank Bid Rate
LOBO	Lender Option Borrower Option
MRP	Minimum Revenue Provision
OEICs	Open Ended Investment Companies
PFI	Private Finance Initiative
PI	Prudential Indicator
PWLB	Public Works Loan Board
VRP	Voluntary Revenue Provision

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**Audit and Governance Committee**

12 February 2014

Report of the Head of Internal Audit

Fraud Risk Assessment

Summary

- 1 The purpose of this report is to inform members about potential fraud risks that the council is exposed to, and proposed counter fraud activity to address those risks.

Background

- 2 Fraud is a significant issue for all public sector organisations. Current estimates suggest fraud costs the public purse in excess of £20bn per year, and local government more than £2bn. To help direct counter fraud resources to the areas most needed, it is essential that the council considers the range of fraud risks it faces.

Risk Assessment

- 3 An assessment of fraud risks faced by the council is included at exempt annex 1. This builds on similar assessments completed over the last few years and gives an indication of the susceptibility of each area to fraud along with planned actions by the internal audit and counter fraud teams. The assessment also takes account of the annual fraud indicators 2013 published by the National Fraud Authority and the findings contained in the '*Protecting the Public Purse 2013*' report published by the Audit Commission.

Priorities for 2014/15

- 4 The assessment has highlighted the following priorities for counter fraud work by internal audit and the counter fraud team for 2014/15.
 - Further development of capacity to investigate housing related fraud, and assessment of fraud risks associated with the Right to Buy scheme.

- Assessment of controls to counter fraud, and development of an approach to investigation in relation to Council Tax Support and the York Financial Assistance Scheme.
- Targeting procurement audit work on controls to counter fraud.
- Working with officers in adult social care, legal services, and financial assessments teams to progress investigation of suspected social care fraud cases.

Consultation

- 5 This report is part of the ongoing consultation with stakeholders on priorities for internal audit and counter fraud work.

Options

- 6 Not relevant for the purpose of the report.

Analysis

- 7 Not relevant for the purpose of the report.

Council Plan

- 8 The work of internal audit and counter fraud supports overall aims and priorities by promoting probity, integrity and honesty and by helping to make the council a more effective organisation.

Implications

- 9 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

- 10 The council will fail to comply with proper practice if counter fraud arrangements are not based on an appropriate assessment of risk.

Recommendations

- 11 Members are asked to;
- comment on the fraud risk assessment and proposed priorities for counter fraud work set out in Annex 1, and paragraph 4.

Reason

To ensure that scarce audit and counter fraud resources are used effectively.

Contact Details

Author:

Max Thomas
Head of Internal Audit
Veritau Limited
Telephone: 01904
552940

Chief Officer Responsible for the report:

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

Report
Approved



Date

30 January
2014

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers - None

Annexes

Exempt Annex 1 - Counter Fraud Risk Assessment

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**Audit and Governance Committee**

12 February 2014

Report of the Head of Internal Audit

Internal Audit Plan Consultation

Summary

- 1 The purpose of the report is to seek members' views on the priorities for internal audit for 2014/15, to inform the preparation of the annual audit plan.

Background

- 2 Internal audit standards and the council's audit charter require internal audit to draw up an indicative audit plan at the start of each financial year. The plan must be based on an assessment of risk. In coming to a view on the risks facing the council, the opinions of the Audit and Governance Committee and senior council officers are taken into account.

2014/15 Audit Plan

- 3 The proposed approach to audit planning for 2014/15 is similar to that followed over the past few years. Audits will include a mix of areas that are considered to be higher risk, including:
 - systems where the volume and value of transactions processed are significant, or the impact if risks materialise is very high, making the continued operation of regular controls essential
 - areas of known concern, where a review of risks and controls will add value to operations
 - areas of significant change where the audit work may focus on (a) direct support to projects (b) a review of project management arrangements, or (c) consideration of the impact of those changes on the control

environment for example where the reduction in resources may result in fewer controls.

- 4 Figure 1 below sets out a number of areas considered to be a priority for internal audit for 2014/15.
- 5 Members' views are sought about whether:
 - the proposed approach to determining priorities for the 2014/15 audit plan, set out above, is reasonable
 - there are areas in addition to those listed in figure 1 which should be considered as a priority for review.

Figure 1 – Priorities for Audit 2014/15

Area	Possible Work
adult social care	<ul style="list-style-type: none"> • contract management – third parties • customer finances • direct payments
human resources	<ul style="list-style-type: none"> • use of interims, specialist staff, and consultants - focus on value for money • overtime and additional hours • new iTrent modules
information governance	<ul style="list-style-type: none"> • information security checks • data sharing and data transfer • mobile working • data quality
main financial systems	<ul style="list-style-type: none"> • general ledger, creditors, debtors, treasury, income & cash handling, payroll
major projects	<ul style="list-style-type: none"> • community stadium • public engagement • savings • contract monitoring for new ventures • Tour de France
other	<ul style="list-style-type: none"> • risk management • freedom of information – progress with new systems
public health	<ul style="list-style-type: none"> • planning, commissioning and management of services
regularity / probity	<ul style="list-style-type: none"> • procurement • asset disposals

Consultation

- 6 This report is part of the ongoing consultation with stakeholders on priorities for internal audit work.

Options

- 7 Not relevant for the purpose of the report.

Analysis

- 8 Not relevant for the purpose of the report.

Council Plan

- 9 The work of internal audit supports overall aims and priorities by promoting probity, integrity and honesty and by helping to make the council a more effective organisation.

Implications

- 10 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

- 11 The council will fail to comply with proper practice if appropriate officers and members are not consulted on the content of audit plans.

Recommendations

12 Members are asked to;

- Comment on the proposed approach to internal audit planning for 2014/15 and identify any specific areas which should be considered a priority for audit.

Reason

To ensure that scarce audit resources are used effectively.

Contact Details

Author:

Max Thomas
Head of Internal Audit
Veritau Limited
Telephone: 01904
552940

Chief Officer Responsible for the report:

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

**Report
Approved**



Date 28 January
2014

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

None

Annexes

None



Audit and Governance Committee12th February 2014Report of the Monitoring Officer

Updating the Constitution

Summary

- 1 This report seeks Members' views on proposed changes to the "Summary and explanation" section of the Constitution.

Background

- 2 The Council is required by law to produce a Constitution. The Council's current Constitution follows a national model produced to coincide with the implementation of the Local Government Act 2000. That original national model required modification to suit local circumstances. York's Constitution has been regularly updated since its initial adoption to reflect changes in working arrangements and the law.
- 3 A full review of the Constitution is now underway. That is a considerable undertaking but supported by the fact that new Model Constitutions have been prepared on behalf of Lawyers in Local Government. Every effort will be made to make the new Constitution as user friendly as possible but the Constitution will inevitably be a lengthy document and, as it may well be considered in court proceedings, accuracy cannot be sacrificed for simplicity.
- 4 The first section of the Constitution to be redrafted has been the opening section – the summary and explanation. The revised draft contains substantially more information than the current version and is intended to give a good and accessible overview of the Council's governance arrangements while not attempting to tackle every nuance. The revised draft is annexed to this report for Members' comments. In due course the intention is that there would be hyperlinks between

information contained in this section and the detail contained in the Constitution and elsewhere.

- 5 As a stand alone section of the Constitution Members could recommend to Council that this version replace the existing version even prior to the full review of the Constitution being completed.

Consultation

- 6 This report is coming to this Committee for initial consultation.

Options

- 7 The Committee may express support for the current draft or suggest amendments or additions.

Analysis

- 8 Not relevant for the purpose of the report.

Corporate Priorities

- 9 This report contributes to the corporate objective of making the Council an effective organisation.

Implications

- 10 **Legal** – the Council is required to have a Constitution under section 37 of the Local Government Act 2000.

Recommendation

- 11 Members are asked to:
- (a) Comment on the annexed draft “Summary and explanation” section of the Constitution
 - (b) Consider recommending to Council that the draft replace section one of the current Constitution forthwith

Reason

To ensure that the Council’s governance arrangements are set out in an easily understood form in its Constitution

Contact Details

**Author and Chief Officer
Responsible for the report:**

Andy Docherty
Assistant Director, Governance and
ICT
Telephone: 01904 551004

**Report
Approved**



Date 27/01/14

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers

None

Annexes

Draft Summary and Explanation

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CONSTITUTION

SECTION 1

1. INTRODUCTION

1.1 Purpose and Content of the Constitution

- 1.1.1 The Constitution describes the various bodies that make up the Council, their functions, Membership and procedural rules.
- 1.1.2 In Section [] (Getting Information and Getting Involved) we have provided information for members of the public and councillors on how you can get information about the Council, and how you can get involved. We hope that this will help people who have an interest in the Council's work, or a particular matter it is dealing with, understand where they can get more information, and how they can contribute to Council activities.
- 1.1.3 You can get a better understanding of what each of the Council's bodies do in [Sections] of this Constitution, including Full Council, Cabinet, Overview and Scrutiny Committee, Standards Committee and Regulatory Committees. [Section] provides information on the management and Officer structures of the Council. Some Officers have a specific duty to ensure that the Council operates within the law and uses resources wisely. Responsibility for functions at [Section] says which Council bodies, and which Officers, have authority to make which decisions.
- 1.1.4 The procedural rules that apply to the different Council bodies are contained in the sections relating to those bodies, eg Full Council (Section), the Cabinet Executive (Section) and Overview and Scrutiny (Section). You may find these useful if you want to attend a meeting, particularly if you want to be able to ask questions, have a matter discussed, or put your point of view.
- 1.1.5 Sections [] have the Codes of Conduct and Protocols which Officers and Members have agreed to comply with. They set the standards of behaviour.

26/11/2013

1.1.6 The Contents pages at the beginning of this Constitution provide a guide on what is in the Constitution and where you can find it.

1.2 **What the Council does**

1.2.1 The City of York Council is a Unitary Council. This means that the City Council is responsible for ensuring that most local authority services are provided to York residents. This contrasts with North Yorkshire where some services are provided on behalf of the North Yorkshire County Council and others by the various District Councils – in Harrogate, Ryedale, Selby etc.

1.2.2 A very wide range of services is provided by the City Council including:

- Supporting economic development to create jobs in the City
- Waste collection and disposal
- Handling planning applications
- Collecting council tax
- Administering housing and council tax benefits
- Assessing and meeting social care needs of the elderly and people with disabilities
- Supporting families and safeguarding vulnerable people
- Ensuring that effective education is made available for school age children
- Providing council housing and advice or accommodation to the homeless
- Maintaining the local highway network
- Ensuring an effective library service
- Providing swimming pools and leisure centres
- Running the Trading Standards and Environmental Health Services
- Public health

26/11/2013

Much more information about what the Council does can be found on the Council's website.

1.2.3 York also has thirty Parish and Town Councils. These are independent of the City Council and represent smaller areas. Parish Councillors put themselves forward for election every four years. If there are vacancies local people have the right to request a by election following notice of the vacancy being published. If no election is requested then the Parish Council can co-opt individuals to act as Parish Councillors.

1.2.4 The City Council does have responsibilities to receive complaints that Parish Councillors may have breached their Code of Conduct, to undertake reviews of parishing arrangements (known as community governance reviews) and to appoint temporary Parish Councillors where there would not otherwise be a quorum. Other than this Parish Councils are self governing. Many Parish Councils have their own websites but you can also find contact details for each Parish on the City Council's website.

1.3 City of York Councillors

1.3.1 The City of York Council has 47 councillors. They each represent part of the City known as a "Ward". York has 22 Wards. Some are represented by three, some by two and some by one councillor. Details of current councillors and the wards they represent are available on the Council's website.

1.3.2 From time to time an independent, national body, the Local Government Boundary Commission, reviews the number of councillors and Ward boundaries and makes recommendations to Parliament for any changes which may be thought desirable. Any agreed changes are set out in legislation.

1.4 Councillors' allowances

1.4.1 Councillors are entitled to receive a basic allowance which is the same sum of money irrespective of their role in the Council. Councillors who perform particular roles are also entitled to a special responsibility allowance. Other allowances such as travel, subsistence, internet and dependent care are also payable. The details of the allowances and expenses which may be claimed are set out

26/11/2013

in a scheme in part [*****] of the Constitution. This scheme has to be approved by full Council. Before changing the scheme the Council must consider a report from an Independent Remuneration Panel but Council does not have to accept the Panel's recommendations. In recent years lower allowances have been agreed than those recommended.

1.4.2 Details of all allowances paid and expenses claimed are published on the Council's website.

1.5 Local elections

1.5.1 York has "all out elections" every four years when all the Council seats are contested. Normally these take place on the first Thursday in May in the relevant election year and, in accordance with the Local Government Act 1972, newly elected councillors take office on the fourth day after election day. The next local elections are scheduled to take place in 2015.

1.5.2 If a councillor retires or dies then, unless it is within 6 months of a normal election date, a by election will be held to fill the vacancy.

1.5.3 Most councillors belong to a political party and York currently has representatives of the Labour, Conservative, Liberal Democrat and Green parties. However, there are also independent councillors who do not belong to any political party.

1.5.4 A great deal of information about the process for standing for election and who is eligible to do so can be found on the Electoral Commission website.

1.6 The Lord Mayor and Sheriff

1.6.1 York has had a Lord Mayor since at least the thirteenth century. The office of Sheriff is the oldest in England dating back to 1396.

1.6.2 The Lord Mayor is a councillor formally elected by his or her fellow councillors at the Annual Meeting of the Council. Traditionally this takes place in the ancient Guildhall in mid to late May. To be eligible to be nominated for Lord Mayor a

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Councillor must have 5 years service. For some years the Council has operated an arrangement whereby points are awarded to political groups based on the number of serving councillors they have at the time of the annual meeting. The group with the most points is given the honour of nominating a councillor to serve as the next Lord Mayor. Having done so they lose 47 points the following year.

1.6.3 The Sheriff is nominated by the Lord Mayor and appointed by Council at the annual meeting. The Sheriff may but need not be a councillor.

1.6.4 In the past these posts exercised significant political power. Nowadays the role of Lord Mayor largely involves acting as *first Citizen* promoting York and representing the City at civic and ceremonial events, although he or she also chairs the meetings of the full Council. Traditionally the Lord Mayor avoids political activity during his or her term of office and although he or she is entitled to vote on business at Council, the Lord Mayor will often abstain from doing so.

1.6.5 The Council's Constitution sets out in more detail the Council's expectation of its Lord Mayor and Sheriff.

1.7 **Council staff**

1.7.1 The Council employs paid staff known as "Officers" who deliver services on a day to day basis. The Officer team is headed by the Chief Executive. Officers work for the whole Council but the Officer team is divided into a number of departments or directorates based on related services. Each directorate is headed by a senior Officer known as a Director. The Directors and Chief Executive together form the Council's Corporate Management Team.

The Council is required to have certain Officers by law.

- The Chief Executive acts as the Head of Paid Service and has responsibility for appointing staff below the level of Assistant Director. In practice, of course, this responsibility is generally delegated to managers.
- The Council's Director of Customer and Business Support Services is the Chief Finance Officer appointed

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in accordance with section 151 of the Local Government Act 1972. The postholder has legal responsibilities in respect of ensuring the proper conduct of the Council's financial affairs.

- One of the Assistant Directors of Customer and Business Support Services is the Monitoring Officer appointed in accordance with the Local Government and Housing Act 1989. The postholder has legal responsibilities in respect of the Council acting lawfully and without maladministration.
- The Council is required to have a Director of Children's Services, a Director of Adult Social Services and a Director of Public Health to lead on their respective functions. These roles do not necessarily have to be performed by different people.
- The Council must also designate one of its officers as the statutory scrutiny officer with the key function of promoting the role of and supporting overview and scrutiny in the authority. This role is undertaken by the Head of Civic and Democratic Services.

1.7.2 Various pieces of legislation require action to be taken by the "Proper Officer" of the Council. The Constitution sets out which Officer is the Proper Officer for certain purposes. If no specific Officer has been identified then the Chief Executive has that responsibility.

1.8 The Council Leader and the Cabinet

1.8.1 The full Council appoints one councillor to act as the Council Leader. In York the Leader is appointed for a four year term or until the end of his or her term of office. The term of office may be shorter if the Leader resigns or loses a vote of no confidence. Where one political group has a majority of seats on the Council the leader of that group will inevitably be appointed as the Council Leader. The Council Leader has very significant powers relating to decision making.

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1.8.2 York operates the system known as “executive decision making” introduced by the Local Government Act 2000 and has a Leader and Cabinet form of executive. One of the key powers of the Leader is to appoint Cabinet Members and to allocate responsibility for executive decision making. The Leader is entitled to establish a Cabinet made up exclusively of him or herself and other members of his or her political group. The Leader is entitled to appoint up to nine other Cabinet Members although York’s Cabinet currently consists of the Leader and six other councillors.

1.9 Executive Decision making

1.9.1 The law which governs the way decisions are made within the Council is quite complicated. The Local Government Act 2000 says that any function which the Council performs is a function of the Executive unless there is a specific legal provision which says otherwise. In the main those exceptions are set out in a piece of legislation called the Local Authorities (Functions and Responsibilities) (England) Regulations 2000. The exceptions are relatively few so very many of the decisions made by the Council are the responsibility of the Executive and cannot be made by Councillors who are not Cabinet Members.

1.9.2 Executive decisions may be taken in a variety of ways. Most commonly decisions may be taken by the Cabinet collectively in one of their regular meetings, by the Leader or a Cabinet member individually or by an individual Officer. The Leader, in line with the Local Government Act 2000, has produced a scheme of delegations which allocates decision making powers including portfolios for Cabinet members and this appears in the Constitution.

1.9.3 There are some variations to this – for example there are some Joint Committees with other local authorities which may make executive decisions in accordance with agreements establishing the committee. These are referenced in the Constitution.

1.9.4 When making executive decisions there are other rules which need to be followed. For example the Council has rules which must be followed when entering contracts. These Contract Procedure Rules are set out in the Constitution.

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Executive decisions also have to be made within the overall budgetary framework approved by Council. The Council's financial regulations include details of how decisions can be made to transfer funds between budgets.

1.10 Non executive decision making

1.10.1 The "Functions and Responsibilities" Regulations set out a long list of decisions which are "Executive" decisions. However, by and large they fall into a few categories:

- Agreeing the budget and policy framework (which consists of certain key plans and strategies). These plans and strategies are developed by Cabinet but approved by full Council.
- Taking regulatory decisions – such as granting planning permission or certain licenses and making by-laws
- Appointing staff
- Electoral and civic issues

1.10.2 Like executive decisions, non-executive decisions may be taken in a variety of ways. Most commonly these decisions may be taken by the Council meeting together, by a Committee or Sub Committee of councillors or by an Officer. Non-executive decisions cannot be made by an individual councillor. So, for example, an individual Councillor cannot grant planning permission because granting planning permission is a non- executive function.

1.11 Allocating responsibility for non- executive decision making

1.11.1 By and large full Council decides who should have the power to perform these functions and the scheme of delegation in the constitution sets out the allocation of responsibilities which has been agreed.

1.11.2 There are some exceptions to this though. For example the law says that the budget and certain key plans and strategies which make up the policy framework can only be approved

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by full Council. Similarly, by law, the Head of Paid Service (or Officers he or she authorises) and not councillors are responsible for appointing most staff. Councillors are only involved in the appointment of the Chief Executive, Directors and Assistant Directors.

1.11.3 Section [*****] of the Constitution described in more detail where decision making responsibilities lie and includes terms of reference for the various Committees.

1.11.4 The Council has appointed a Health and Well Being Board. The Board is responsible for encouraging providers of health and social care to work together and has certain statutory functions. Although it operates as a form of Committee the Health & Well Being Board is unusual in that some of the membership is set out in law (including, uniquely, certain Officers), the Leader has the power to nominate to some positions and some positions are reserved to postholders who are not councillors.

1.12 Scrutiny

1.12.1 The Council appoints a number of scrutiny committees made up of councillors who are not members of the Cabinet. These Committees have the power to review or scrutinise decisions taken on behalf of the Council and to make recommendations on matters affecting York residents. In doing so Committees may look at the activities of other organisations working in York and they have specific legal powers to require NHS bodies, the police, fire service and probation to provide information to help their work.

1.12.2 The Committees often appoint task and finish groups to undertake particular pieces of work, gathering evidence on an issue affecting the City and preparing a report for consideration by the Committee. Most of these reports will result in recommendations to Cabinet suggesting steps that could be taken to improve the way the Council does its business and supports local people.

1.12.3 There are some exceptions but normally, where the Cabinet or an individual Cabinet Member has made a decision, any three councillors may “call that decision in” for review. This power also applies in the unusual event of an Officer making

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a decision which meets the constitutional definition of a “key decision”. A decision which has been called in is referred to a meeting of the Corporate and Scrutiny Management Committee. The reason for the decision and the call in will be explained and debated. The Committee cannot overturn a decision but may refer it back to the decision maker to be reconsidered or refer it to full Council for discussion.

1.13 Political Proportionality

1.13.1 Where the Council appoints Committees and makes certain other appointments then generally speaking it must comply with principles of political proportionality. These mean that any political group with a majority on the Council must have a majority on each Committee. Subject to that the allocation of the *total* number of Committee places should be proportionate to the representation on the Council. Finally and subject to the first two principles the allocation of places on each *individual* Committee should also be proportionate. These rules can be waived by Council if no Member objects.

1.13.2 These rules do not apply to the Council’s Cabinet which can be made up of members of only one political group.

1.14 Code of Conduct

1.14.1 The Council has adopted a code of conduct which all councillors must follow. The Council has a Standards Committee which oversees the code and can hear complaints that the Code has been breached. The Committee also deals with complaints in respect of local Parish councillors and, for that reason, the Standards Committee is a joint committee established with Parish Councils.

1.14.2 The Council’s Monitoring Officer has a key role in administering the process in respect of member complaints and may be contacted for further advice.

1.15 Transparency and public involvement

1.15.1 The most significant right that residents have to affect the way the Council operates is to exercise their right to vote if registered to do so. There are many other ways though that

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residents can gain information about how the Council operates and become involved with the work of the Council.

- 1.15.2 Residents are, of course, entitled to contact their local Councillor about any matter of concern to them. Residents can also attend one of the residents forum meetings held in each area four times a year. These are led by the local councillors and supported by groups and other partners who are active in the area.
- 1.15.3 The Council welcomes customer feedback both positive and negative. Any complaints about the Council's services will be considered in accordance with its policy. A resident who is dissatisfied with the Council's response to a complaint is entitled to pursue it with the independent Local Government Ombudsman
- 1.15.4 A great deal of information about the Council is available on its website including information about all Council expenditure, allowances paid to Members and the salaries of the most senior staff. Other information is freely available from the Council on request. In addition the Freedom of Information Act and Data Protection Act give statutory rights to information which will usually be provided unless there is a proper reason to refuse the request – such as information being commercially sensitive or containing personal information relating to third parties. Residents also have the right to inspect the Council's accounts and make their views known to the external auditor.
- 1.15.5 The Council publishes a calendar for a full year of its formal meetings on the Council's website and formal notice of each meeting is displayed at the Council offices. Agendas and reports are usually available to be inspected in advance of the meeting either on the website or at the offices. The exception to this is where a report contains "exempt information" such as the details of the proposed price of land which the Council is considering selling or of legal action which the Council is considering taking against an individual. Key documents (other than published works) relied upon to a material extent in preparing a report will normally be listed in the report. These "background papers" are accessible in the same way as reports.

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- 1.15.6 The Council also publishes a forward plan of matters upon which decisions will be taken by Cabinet or individual Cabinet members. In most cases a matter will have been on the forward plan for at least a month (often longer) before a decision is taken but there are special procedures allowing urgent decisions can be brought forward.
- 1.15.7 The public are usually welcome to attend formal meetings of the Council, Cabinet and Committees. Very occasionally it may be necessary to meet in private session because “exempt” business is being discussed. The Council will normally give at least 28 days notice where the Cabinet is likely to be discussing exempt business. As a rule though, even if a report contains exempt information, Councillors will debate it in public if it is possible to do so without disclosing the sensitive information.
- 1.15.8 Most formal meetings include an agenda item for public participation where members of the public are entitled to speak to councillors on matters relating to their business. There are many other ways that residents can get involved with the work of the Council such as bringing forward a petition, giving evidence to a scrutiny committee, responding to public consultations or lobbying their councillor.
- 1.15.9 The Council keeps and makes available to the public copies of agendas, reports and minutes of its meetings. Records of decisions made by Cabinet members and some officer decisions are also published on the website. Increasingly the Council is arranging for its meetings to be video or sound recorded and the recordings are available on the Council’s website.

This introduction is only a brief summary of how the Council operates. There is much more detail in the Constitution itself. We hope that we have made the Constitution as easy to read as possible but, if you need any further help please do not hesitate to contact us at: [*****]