

NON-CONFIDENTIAL



Borough of Tamworth

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AUDIT AND GOVERNANCE COMMITTEE

21 March 2013

Dear Councillor

A Meeting of the Audit and Governance Committee will be held in **Committee Room 1 - Marmion House on Thursday, 28th March, 2013 at 6.00 pm**. Members of the Committee are requested to attend.

Yours faithfully

A handwritten signature in black ink, appearing to be 'A. D. ...', written over a circular stamp or mark.

A G E N D A

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- 1 Apologies for Absence**
- 2 Minutes of the Previous Meeting (Pages 1 - 4)**
- 3 Declarations of Interest**

To receive any declarations of Members' interests (pecuniary and non-pecuniary) in any matters which are to be considered at this meeting.

When Members are declaring a pecuniary or non-pecuniary interest in respect of which they have dispensation, they should specify the nature of such interest. Members should leave the room if they have a pecuniary or non-pecuniary interest in respect of which they do not have a dispensation.

- 4 The Audit Plan for Tamworth Borough Council** (Pages 5 - 24)
(Report of Grant Thornton (External Auditor))

- 5 Review of the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Statement 2013/14**
(Pages 25 - 64)
(Report of the Executive Director Corporate Services)

- 6 Final Accounts 2012/13 - Action Plan** (Pages 65 - 74)
(Report of the Director of Finance)

- 7 Risk Management Update** (Pages 75 - 102)
(Report of the Head of Internal Audit Services)

- 8 Fraud and Corruption Update Report** (Pages 103 - 154)
(Report of the Head of Internal Audit Services)

- 9 Internal Audit Charter and Plan 2013/14** (Pages 155 - 170)
(Report of the Head of Internal Audit Services)

- 10 Self Assessment - Measuring the Effectiveness of the Audit & Governance Committee** (Pages 171 - 176)
(Report of the Head of Internal Audit Services)

- 11 Review of Members Allowance** (Pages 177 - 212)
(Report of the Solicitor to the Council and Monitoring Officer)

- 12 Regulation of Investigatory Powers Act 2000** (Pages 213 - 214)
(Report of the Solicitor to the Council and Monitoring Officer)

People who have a disability and who would like to attend the meeting should contact Democratic Services on 01827 709264 or e-mail committees@tamworth.gov.uk preferably 24 hours prior to the meeting. We can then endeavour to ensure that any particular requirements you may have are catered for.

To Councillors: M Gant, J Garner, M Clarke, M Couchman, K Gant, P Seekings and M Thurgood

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MINUTES OF A MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE HELD ON 31st JANUARY 2013

PRESENT: Councillor M Gant (Chair), Councillors J Garner, M Clarke,
M Couchman and K Gant

Officers John Wheatley (Executive Director Corporate Services),
Jane Hackett (Solicitor to the Council and Monitoring
Officer) and Angela Struthers (Head of Internal Audit
Services)

Visitors James Cook (Grant Thornton)
Joan Barnett (Grant Thornton)

38 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors P Seekings and M Thurgood.

39 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 25 October 2013 were approved and signed as a correct record.

(Moved by Councillor M Gant and seconded by Councillor J Garner)

40 DECLARATIONS OF INTEREST

There were no Declarations of Interest.

41 ANNOUNCEMENT BY THE CHAIR

The Chair moved that the order of the agenda be changed to bring the reports of the Solicitor of the Council and Monitoring Officer to the beginning.

This was carried.

42 STANDARDS ALLEGATION COMPLAINT

The Report of the Solicitor to the Council and Monitoring Officer advising Members on the number of complaints received in relation to alleged breaches of the Code of Conduct since local arrangements were put in place to deal with Standards allegations in terms on the Localism Act 2011 in June 2012 was considered.

RESOLVED: That following discussion the findings of the contents of the report be received.

43 REGULATION OF INVESTIGATORY POWERS ACT 2000

The Report of the Solicitor to the Council and Monitoring Officer was considered.

RESOLVED: That the quarterly RIPA monitoring report be endorsed.

44 EXTERNAL AUDITOR'S REPORT ON CERTIFICATION WORK IN 2011/12

The Report of the External Auditor was considered following the amendment of the housing and council tax benefit scheme fee 2011/12 from £26,496 to £26,353 on page 7 of the report and the subsequent amendment to the total fee 2011/12 from £35,041 to £34,898 on page 8.

RESOLVED: The report be received.

45 GRANT THORNTON FEE LETTER FOR THE AUDIT AND GOVERNANCE COMMITTEE

The Report of the External Auditor was considered

RESOLVED: That the report was received.

46 INTERNAL AUDIT QUARTERLY REPORT

The Report of the Head of Internal Audit Services reporting on the outcome of Internal Audit's review of the internal control, risk management and governance framework in the 3rd quarter of 2012/13 and providing Members with assurance of the ongoing effective operation of the internal audit function and enabling any particularly significant issues to be brought to the Committee's attention was considered.

RESOLVED: The Committee considered the quarterly report.

47 PUBLIC SECTOR INTERNAL AUDIT STANDARDS

The Report of the Head of Internal Services informing members of the new Public Sector Internal Audit Standards that will be effective from 1 April 2013 was considered.

RESOLVED: That the Committee supports Internal Audit's commitment to and compliance with the Public Sector Internal Audit Standards.

Chair

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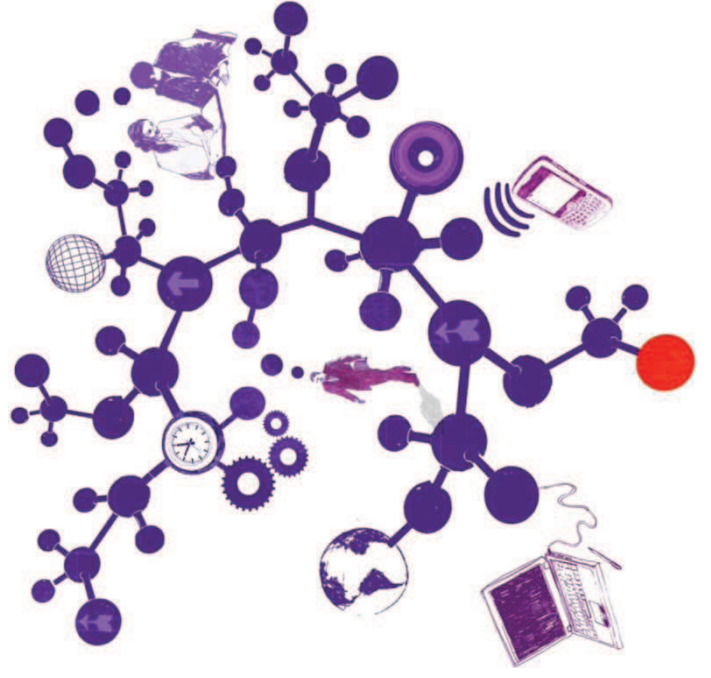
The Audit Plan for Tamworth Borough Council

Year ended 31 March 2013
March 2013

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E james.a.cook@uk.gt.com

Joan Barnett
Manager
T 0788 045 6101
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

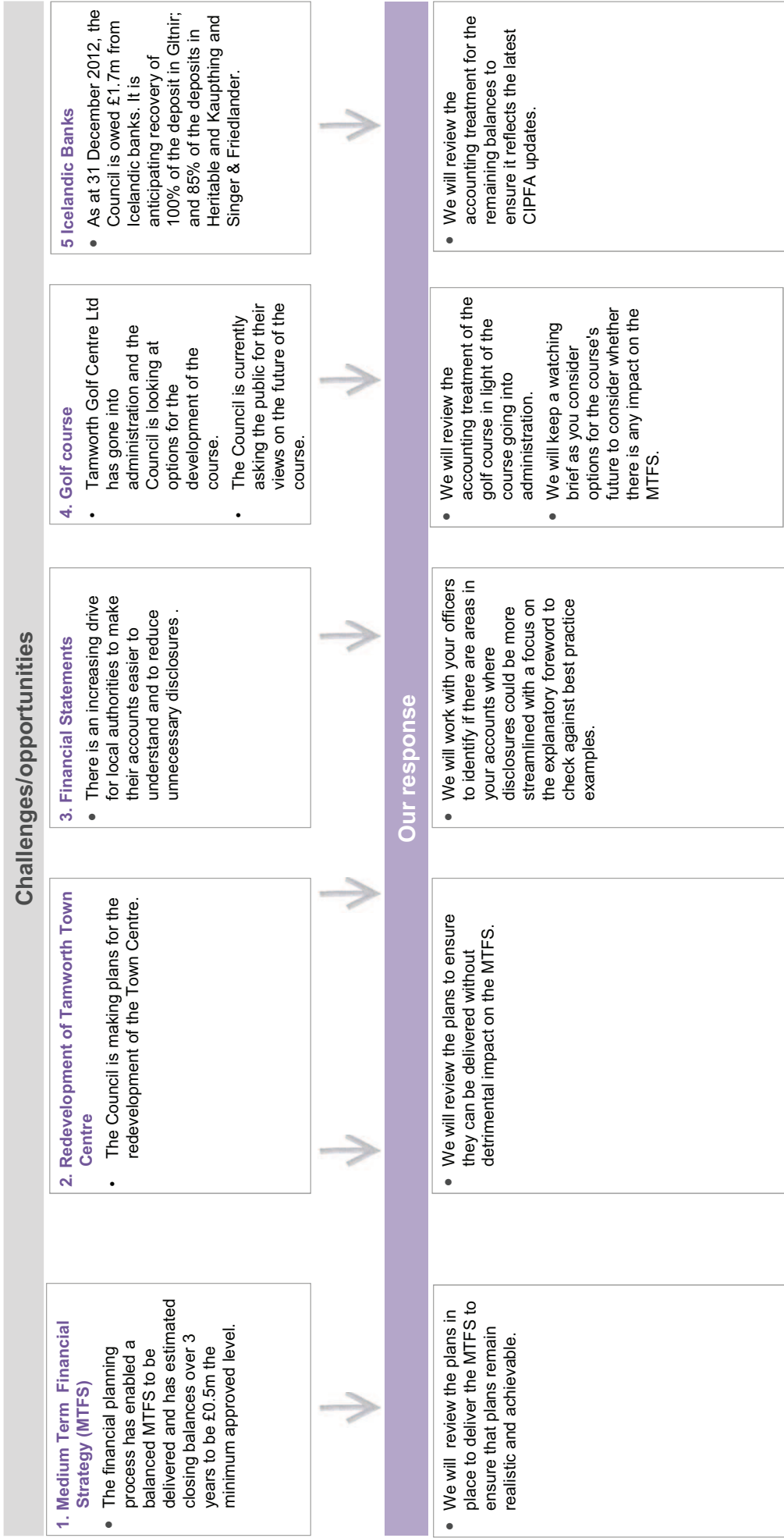
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11. Fees and independence
12. Communication of audit matters with those charged with governance

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



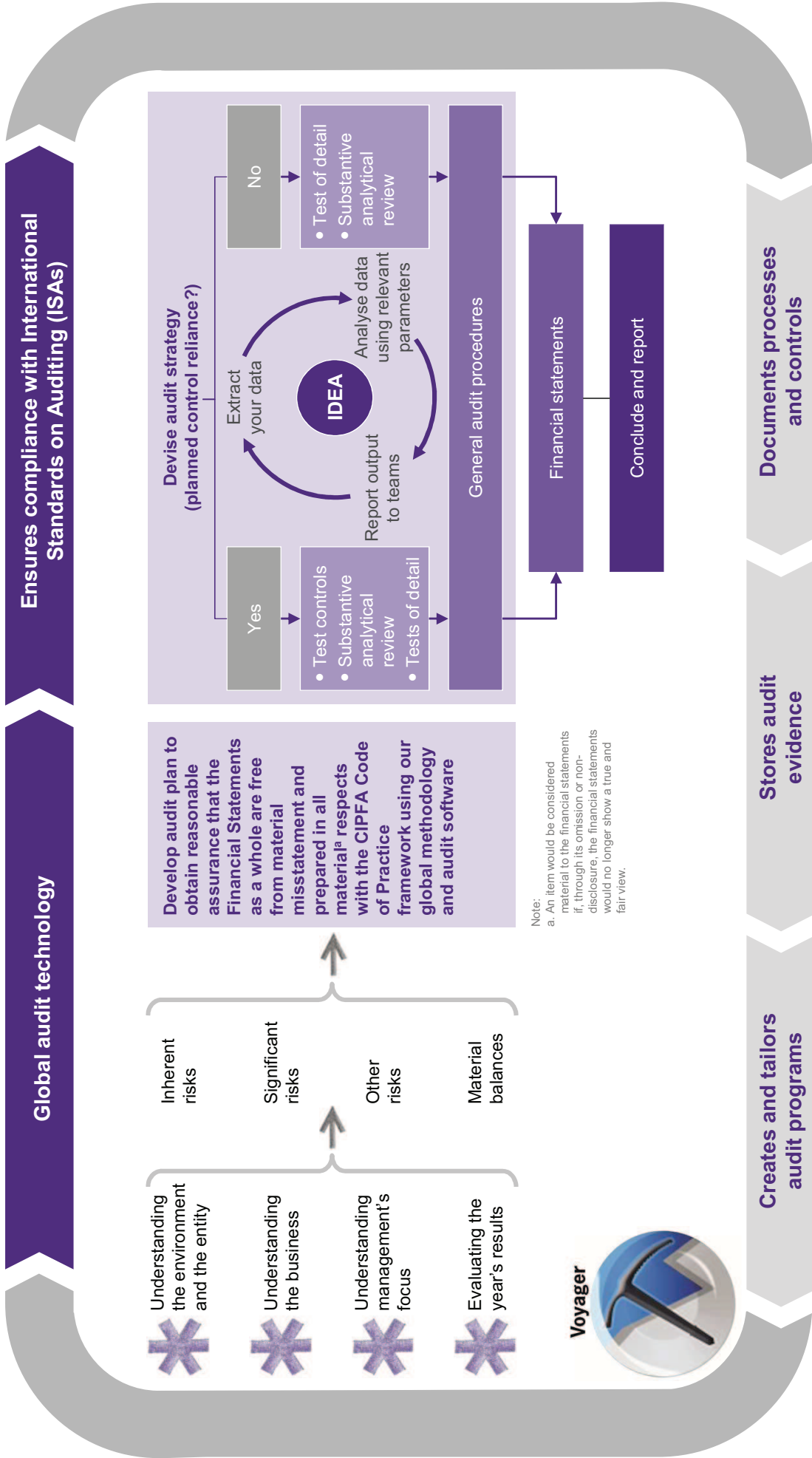
Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements			
<p>1. Financial reporting</p> <ul style="list-style-type: none"> • Changes to the CIPFA Code of Practice. • Recognition of grant conditions and income. • Self financing Housing Revenue Account. 	<p>2. Legislation</p> <ul style="list-style-type: none"> • Local Government Finance settlement 2012/13. • Welfare reform Act 2012. 	<p>3. Corporate governance</p> <ul style="list-style-type: none"> • Annual Governance Statement (AGS). • Explanatory Foreword. 	<p>4. Pensions</p> <ul style="list-style-type: none"> • Planning for the impact of 2013/14 changes to the Local Government pension Scheme (LGPS).
		<p>5. Financial Pressures</p> <ul style="list-style-type: none"> • Managing service provision with less resource. • Progress against savings plans. 	<p>6. Other requirements</p> <ul style="list-style-type: none"> • The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion. • The Council completes grant claims and returns on which audit certification is required.

Our response	
<p>We will ensure that</p> <ul style="list-style-type: none"> • The Council complies with the requirements of the CIPFA Code of Practice through our substantive testing. • Grant income is recognised in line with the correct accounting standard • The Housing Revenue Account is appropriately reported 	<ul style="list-style-type: none"> • We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate.
<ul style="list-style-type: none"> • We will review the arrangements the Council has in place for the production of the AGS. • We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge. 	<ul style="list-style-type: none"> • We will discuss how the Council is planning to deal with the impact of the 2013/14 changes through our meetings with senior management.
<ul style="list-style-type: none"> • We will review the Council's performance against the 2012/13 budget, including consideration of performance against the savings plan. • We will undertake a review of Financial Resilience as part of our VFM conclusion. 	
<ul style="list-style-type: none"> • We will carry out work on the WGA pack in accordance with requirements. • We will certify grant claims and returns in accordance with Audit Commission requirements. 	

Our audit approach



An audit focused on risks

We undertake a risk based audit whereby we focus audit effort on those areas where we have identified a risk of material misstatement in the accounts. The table below shows how our audit approach focuses on the risks we have identified through our planning and review of the national risks affecting the sector. Definitions of the level of risk and associated work are given below:

Significant – Significant risks are typically non-routine transactions, areas of material judgement or those areas where there is a high underlying (inherent) risk of misstatement. We will undertake an assessment of controls (if applicable) around the risks and carry out detailed substantive testing.

Other – Other risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous years audits. We will assess controls and undertake substantive testing, the level of which will be reduced where we can rely on controls.

None – Our risk assessment has not identified a risk of misstatement. We will undertake substantive testing of material balances. Where an item in the accounts is not material we do not carry out detailed substantive testing.

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Cost of services - operating expenses	Yes	Operating expenses	Medium	Other	Operating expenses understated	✓
Cost of services – employee remuneration	Yes	Employee remuneration	Medium	Other	Remuneration expenses not correct	✓
Costs of services – Housing & council tax benefit	Yes	Welfare expenditure	Medium	Other	Welfare benefits improperly computed	✓
Cost of services – Housing revenue	Yes	HRA	Medium	Other	Housing revenue transactions not recorded	✓
Cost of services – other revenues (fees & charges)	Yes	Other revenues	Low	None		✓
(Gains)/ Loss on disposal of non current assets	Yes	Property, Plant and Equipment	Low	None		×
Precepts and Levies	Yes	Council Tax	Low	None		✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Interest payable and similar charges	No	Borrowings	Low	None		×
Pension Interest cost	Yes	Employee remuneration	Low	None		✓
Interest & investment income	No	Investments	Low	None		×
Return on Pension assets	Yes	Employee remuneration	Low	None		✓
Impairment of investments	No	Investments	Low	None		×
Investment properties: Income expenditure, valuation, changes & gain on disposal	No	Property, Plant & Equipment	Low	None		×
Income from council tax	Yes	Council Tax	Low	None		✓
NNDR Distribution	Yes	NNDR	Low	None		✓
PFI revenue support grant & other Government grants	Yes	Grant Income	Low	None		✓
Capital grants & Contributions (including those received in advance)	Yes	Property, Plant & Equipment	Low	None		✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
(Surplus)/ Deficit on revaluation of non current assets	Yes	Property, Plant & Equipment	Low	None		✓
Actuarial (gains)/ Losses on pension fund assets & liabilities	Yes	Employee remuneration	Low	None		✓
Other comprehensive (gains)/ Losses	No	Revenue/ Operating expenses	Low	None		✗
Property, Plant & Equipment	Yes	Property, Plant & Equipment	Medium	Other	PPE activity not valid	✓
Property, Plant & Equipment	Yes	Property, Plant & Equipment	Medium	Other	Revaluation measurements not correct	✓
Heritage assets & Investment property	Yes	Property, Plant & Equipment	Low	None		✓
Intangible assets	No	Intangible assets	Low	None		✗
Investments (long & short term)	Yes	Investments	Low	None		✓
Debtors (long & short term)	Yes	Revenue	Low	None		✓
Assets held for sale	No	Property, Plant & Equipment	Low	None		✗
Inventories	No	Inventories	Low	None		✗
Cash & cash Equivalents	Yes	Bank & Cash	Low	None		✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Borrowing (long & short term)	Yes	Debt	Low	None		✓
Creditors (long & short term)	Yes	Operating Expenses	Medium	Other	Creditors understated or not recorded in the correct period	✓
Provisions (long & short term)	No	Provision	Low	None		×
Pension liability	Yes	Employee remuneration	Low	None		✓
Reserves	Yes	Equity	Low	None		✓

Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Work planned:</p> <ul style="list-style-type: none"> • Review and testing of revenue recognition policies • Performance of attribute testing on material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions

Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Operating expenses understated	<ul style="list-style-type: none"> We have completed our documentation of the system and performed a walkthrough of identified controls 	<ul style="list-style-type: none"> We will carry out testing on a sample of purchase invoice payments
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> We have completed our documentation of the system and performed a walkthrough of identified controls 	<ul style="list-style-type: none"> We will undertake detailed testing of balances as part of the final accounts audit.
Employee remuneration	Remuneration expenses not correct	<ul style="list-style-type: none"> We have completed our documentation of the system 	<ul style="list-style-type: none"> We will carry out a walkthrough of identified controls We will carry out testing on a sample of employee remuneration payments
Welfare Expenditure	Welfare benefits improperly computed	<ul style="list-style-type: none"> We have completed our documentation of the system and performed a walkthrough of identified controls 	<ul style="list-style-type: none"> We are planning to undertake testing of benefits transactions using the Audit Commission HB Count methodology in June 2013
Housing Rent Revenue Account	Revenue transactions not recorded.	<ul style="list-style-type: none"> We have completed our documentation of the system and performed a walkthrough of identified controls 	<ul style="list-style-type: none"> We will complete a predictive analytical review to ensure housing rent income is in line with our expectations We will ensure the housing rent system reconciles with the housing benefit system

Results of interim audit work

Scope

As part of the interim audit work and in advance of our final accounts audit fieldwork, we have considered:

- the effectiveness of the internal audit function
- internal audit's work on the Council's key financial systems
- walkthrough testing to confirm whether controls are implemented as per our understanding in areas where we have identified a risk of material misstatement
- a review of Information Technology (IT) controls

	Work performed	Conclusion/ Summary
Internal audit	We have undertaken a high level review of internal audit's overall arrangements. Where the arrangements are deemed to be adequate, we can gain assurance from the overall work undertaken by internal audit and can conclude that the service itself is contributing positively to the internal control environment and overall governance arrangements within the Council.	Overall, we have concluded that the Internal Audit service continues to provide an independent and satisfactory service to the Council and that we can take assurance from their work in contributing to an effective internal control environment at the Council.
Walkthrough testing	For operating expenses, welfare expenditure and housing rent revenue systems, walkthrough tests were completed in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements.	No significant issues were noted and in-year internal controls were observed to have been implemented in accordance with our documented understanding. Further work planned: We will walkthrough the employee remuneration system at the end of March 2013 in line with the timescale preferred by your officers. We will report the results of the walkthrough to you.

Results of interim audit work (continued)

	Work performed	Conclusion/ Summary
Review of information technology (IT) controls	This work is scheduled for May 2013.	<p>Further work planned:</p> <p>Our information systems specialist will be performing a high level review of the general IT control environment in May 2013, as part of the overall review of the internal controls system.</p> <p>We will comment on the extent to which we consider IT controls have been implemented in accordance with our documented understanding.</p>
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	<p>Further work planned:</p> <p>We will undertake detailed testing on journal transactions throughout the year, by extracting 'unusual' entries for further review.</p>

Value for Money

Introduction

The Code of Audit Practice requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

2012/13 VfM conclusion

Our Value for Money conclusion will be based on two reporting criteria specified by the Audit Commission.

We will tailor our VfM work to ensure that as well as addressing high risk areas it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance for members. Where we plan to undertake specific reviews to support our VfM conclusion, we will issue a Terms of Reference for each review outlining the scope, methodology and timing of the review. These will be agreed in advance and presented to Audit and Governance Committee.

The results of all our local VfM audit work and key messages will be reported in our Audit Findings report and in the Annual Audit Letter. We will agree any additional reporting to the Council on a review-by-review basis.

Code criteria

The Council has proper arrangements in place for:

- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness in its use of resources



We will consider whether the Council is prioritising its resources with tighter budgets

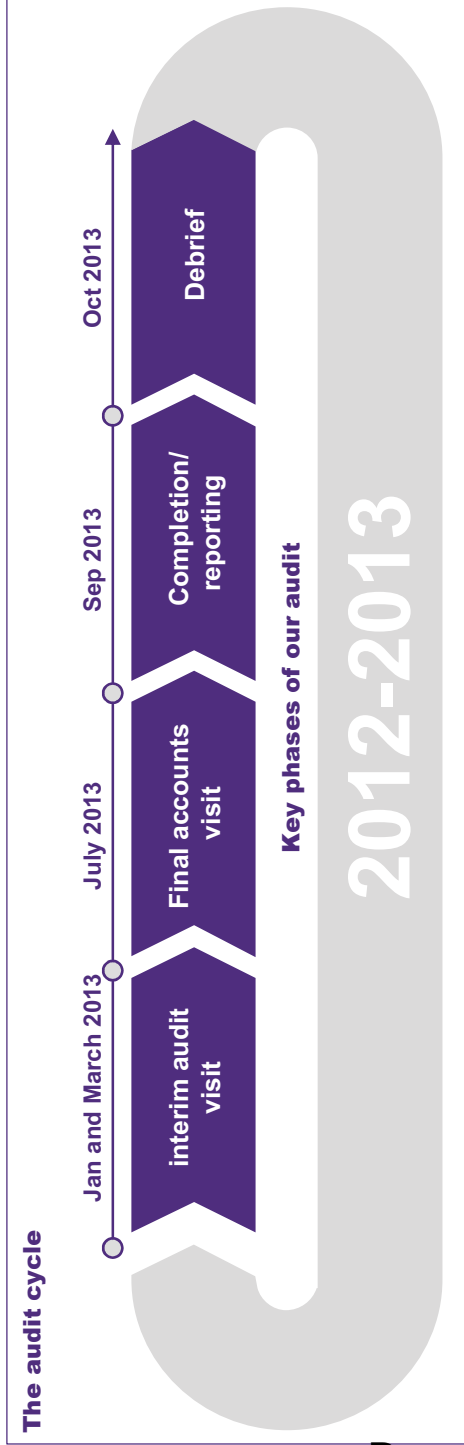
Work to be undertaken

Risk-based work focusing on arrangements relating to financial governance, strategic financial planning and financial control.

Specifically we will:

- undertake a detailed risk assessment which will support our overall conclusion
- undertake a financial resilience review

Logistics and our team



Date	Activity
Jan 2013	Planning meeting
Jan/ and March 2013	Interim site work
March 2013	The audit plan presented to Audit Committee
April 2013	Planning meeting
May 2013	Planning meeting
8 July 2013	Year end fieldwork commences
6 Sep 2013	Audit findings clearance meeting
26 Sep 2013	Audit and Governance Committee meeting to report our findings
Sep 2013	Sign financial statements and VFM conclusion
Oct 2013	Issue Annual Audit Letter

Our team

<p>James Cook Associate Director</p> <p>T 0121 232 5343 M 0788 045 6102 E james.a.cook@uk.gt.com</p>	<p>Joan Barnett Manager</p> <p>T 0121 232 5337 M 0788 045 6101 E joan.m.barnett@uk.gt.com</p>
<p>Matthew Berrisford Executive</p> <p>T 0121 232 5352 E matthew.j.berrisford@uk.gt.com</p>	<p>Andy Davies Executive</p> <p>T 0121 232 5417 E andrew.davies@uk.gt.com</p>

Fees and independence

Fees

	£
Council audit	65,550
Grant certification	18,800
Total	84,350

Fees for other services

Service	Fees £
None	Nil

Our fee assumptions include:

- Our fees are exclusive of VAT
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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Agenda Item 5

AUDIT & GOVERNANCE COMMITTEE

28th March 2013

Report of the Executive Director Corporate Services

REVIEW OF THE TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT & ANNUAL INVESTMENT STATEMENT 2013/14

Purpose

To review the Treasury Management Strategy Statement, Minimum Revenue Provision Statement and Annual Investment Statement 2013/14 approved by Council on 26th February 2013.

Executive Summary

At its meeting on 23rd February 2010, the Council approved the Treasury Management Strategy and Prudential Indicators including, as required by the Code, that the Audit & Governance Committee be given the opportunity to scrutinise the strategy and policies, as well as receiving regular monitoring reports.

With regard to the appointment of a Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and Policies, the code suggests:

- This involves reviewing the Treasury Management policy and procedures and making recommendations to the responsible body;
- Public Service Organisations have a responsibility to ensure that those charged with governance have access to the skills and knowledge they require to carry out this role effectively;
- Those charged with Governance also have a personal responsibility to ensure they have the appropriate skills and training in their role;
- The procedures for monitoring Treasury Management activities through audit, scrutiny and inspection should be sound and rigorously applied, with an openness of access to information and well-defined arrangements for the review and implementation of recommendations for change; and
- This includes the provision of monitoring information and regular review by Councillors in both executive and Scrutiny functions.

In compliance with the above, a copy of the Treasury Management Strategy and Prudential Indicators for 2013/14 is attached at **Appendix 1**.

Recommendations

That Members consider the report attached at Appendix 1 and highlight any changes for recommendation to Cabinet.

Equalities implications

There are no equalities implications arising from the report.

Legal implications

Approval of Prudential Indicators and an Annual Investment Strategy is a legal requirement of the Local Government Act 2003. Members are required under the CIPFA Code of Practice to have ownership and understanding when making decisions on Treasury Management matters.

Resource and Value for Money implications

All financial resource implications are detailed in the body of this report which links to the Council's Medium Term Financial Strategy.

Risk implications

Risk is inherent in Treasury Management and as such a risk based approach has been adopted throughout the report with regard to Treasury Management processes.

Report Author:

Please contact Phil Thomas, Financial Accountant or Stefan Garner, Director of Finance, extension 239 or 242.

<i>Background Papers:-</i>	Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2013/14 to 2015/16 Including Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Statement 2013/14. Council 24 th February 2013.
	Annual Treasury Report 2011/12 Council 11 th September 2012.
	Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Statement 2012/13 Council 28 th February 2012.
	Treasury Management Practices 2013/14 (Operational Detail).

**TREASURY MANAGEMENT STRATEGY STATEMENT, TREASURY MANAGEMENT
POLICY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND
ANNUAL INVESTMENT STATEMENT 2013/14**

Purpose

To comply with the requirement of the Council's Treasury Management Policy in reporting to Council the proposed strategy for the forthcoming year and the Local Government Act 2003 with the reporting of the Prudential Indicators.

Executive Summary

The Local Government Act 2003 (LGA 2003) requires the Council to produce prudential indicators in line with the Prudential Code.

This report outlines the Council's prudential indicators for 2013/14 – 2015/16 and sets out the expected Treasury operations for this period. This report and associated tables fulfil the statutory requirement of the LGA 2003 by:

- Reporting the prudential indicators as required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities;
- Setting the Council's Minimum Revenue Provision (MRP) Policy, which defines how the Council will pay for capital assets through revenue contributions each year (as required by Regulation under the Local Government and Public Involvement in Health Act 2007);
- Setting the Treasury Management Strategy in accordance with the CIPFA Code of Practice on Treasury Management;
- Adopting the Council's Treasury Management Policy Statement as recommended within the CIPFA Code of Practice 2011;
- Setting the Investment Strategy (in accordance with the Department for Communities and Local Government (DCLG) investment guidance);
- Affirming the effective management and responsibility for the control of risk and clearly identify our appetite for risk. The Authority's risk appetite is low in order to give priority to **Security, Liquidity then Yield** (or return on investments).

The main issues for Members to note are:

1. The CIPFA Code of Practice and associated Guidance Notes adopted by the Council in December 2012 require that:

- Credit ratings should only be used as a starting point when considering risk. Use should also be made of market data and information, the quality financial press, information on government support for banks and the credit ratings of that government support;
- There needs to be, at a minimum, a mid year review of Treasury Management Strategy and Performance. The review is intended to highlight any areas of concern that have arisen since the original strategy was approved;
- Each Council must delegate the role of scrutiny of Treasury Management Strategy and policies to a specific named body – the Audit and Governance Committee has been given this role;
- Members should be provided with access to relevant training – Members are also personally responsible for ensuring they have the necessary skills and training.

The aim is for all Members to have ownership and understanding when making decisions on Treasury Management matters.

2. With regard to Counterparty selection for investment, rather than adopt a Lowest Common Denominator (LCD) methodology, a broader counterparty evaluation criteria is used by Sector (the Council's Treasury Management consultants). This methodology has been progressively enhanced over the last year and now uses a sophisticated modelling approach with credit ratings from all three rating agencies forming the core element – but in line with best practice/guidance also includes the following as overlays: -

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The adoption of the above approach will help mitigate risks associated with the investment portfolio.

3. As agreed in past Treasury Management Strategies, it is proposed that the Council (following consultation with our advisors) will not use the approach suggested by CIPFA of using the lowest common denominator rating from all three rating agencies to determine creditworthy counterparties (as Moodys are currently very much more aggressive in giving low ratings than the other two agencies). The use of the Lowest Common Denominator rating would give the Authority a very restrictive/unworkable counterparty list which would result in a disproportional (high) level of investment in a few institutions which would as a consequence increase investment risk with the investments being held with a limited number of counterparties which would be counter-productive in not allowing the sharing / spreading of risk over a higher number of counterparties. This would therefore be unworkable and leave the Council with few banks on its approved lending list.

The Sector creditworthiness service does though, use ratings from all three agencies, but by using a scoring system, does not give undue importance to just one agency's ratings.

The approach taken in item 2 and 3 above allows officers charged with the Treasury responsibilities to have the most appropriate/market assessment to aid the investment decision making process and provides a broad methodology for identifying High Credit Quality counterparties.

Equalities Implications

There are no equalities implications arising from the report.

Legal Implications

Approval of Prudential Indicators and an Annual Investment Strategy is a legal requirement of the Local Government Act 2003. Members are required under the CIPFA Code of Practice to have ownership and understanding when making decisions on Treasury Management matters.

Resource and Value for Money Implications

All financial resource implications are detailed in the body of this report which links to the Council's Medium Term Financial Strategy.

Risk Implications

Risk is inherent in Treasury Management and as such a risk based approach has been adopted throughout the report with regard to Treasury Management processes.

A Glossary of terms utilised within the report can be found at **ANNEX 8**.

Report Author

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Background Papers:-	<i>Local Government Act 2003</i>
	<i>CIPFA Code of Practice on Treasury Management in Public Services 2011</i>
	<i>DCLG Guidance on Local Government Investments March 2010</i>
	<i>Annual Treasury Report 2011/12 Council, 11/09/12</i>
	<i>Mid-year Treasury Report 2012/13 Council, 13/12/12</i>
	<i>Budget & Medium Term Financial Strategy 2013/14</i>
	<i>Treasury Management Practices 2013/14 (Operational Detail)</i>

1. Introduction

1.1 The Treasury Management Policy Statement

This Council defines its Treasury Management activities as:

- The management of the Council'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.
- This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its Treasury Management activities will be measured. Accordingly, the analysis and reporting of Treasury Management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
- This organisation acknowledges that effective Treasury Management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in Treasury Management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
- The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part 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.
- The second main function of the Treasury Management service is the funding of the Council's capital plans. These capital plans provide 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.

1.2 Reporting Requirements

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. These reports are required to be adequately scrutinised by committee. This role is undertaken by the Audit and Governance Committee.

Prudential and Treasury Indicators and Treasury Strategy (This report) - The first, and most important report covers:

- the capital plans (including prudential indicators);
- a Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A Mid Year Treasury Management Report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and report whether the treasury strategy is meeting the strategy or whether any policies require revision.

An Annual Treasury Report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.3 Treasury Management Strategy for 2013/14

The strategy for 2013/14 covers two main areas:

a) Capital Issues

- the capital plans and the prudential indicators (2.1, 2.2);
- the MRP strategy (2.3).

b) Treasury Management Issues

- the current treasury position (2.4);
- treasury indicators which will limit the treasury risk and activities of the Council (3);
- prospects for interest rates (3.3);
- the borrowing strategy (3.4);
- policy on borrowing in advance of need (3.5);
- debt rescheduling (3.6);
- the investment strategy (4.1);
- creditworthiness policy (4.2); and
- policy on use of external service providers (4.7).

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CLG MRP Guidance, the CIPFA Treasury Management Code and the CLG Investment Guidance.

1.4 Training

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. Training has been undertaken by Members in February and October 2010 and September 2011. Further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed.

1.5 Treasury Management Consultants

The Council uses Sector as its external treasury management advisors.

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.

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.

2. The Capital Prudential Indicators 2013/14 – 2015/16

The Council's capital expenditure plans are the key driver of Treasury Management activity. The output of the capital expenditure plans are reflected in prudential indicators, which are designed to assist member's overview and confirm capital expenditure plans.

2.1 Capital Expenditure. This prudential Indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle:

Capital Expenditure	2011/12 Actual £m	2012/13 Probable Outturn* £m	2013/14 Estimate** £m	2014/15 Estimate £m	2015/16 Estimate £m
Non-HRA	0.627	2.366	0.505	2.723	0.425
HRA	49.205	5.890	6.993	12.801	17.200
Total	49.832	8.256	7.498	15.524	17.625

* Projected at Period 9

** excludes projected slippage from 2012/13

- Other long term liabilities. The above financing need, excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need (borrowing).

Capital Expenditure	2011/12 Actual £m	2012/13 Probable Outturn £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
Non-HRA	0.627	2.366	0.505	2.723	0.425
HRA	49.205	5.890	6.993	12.801	17.200
Total	49.832	8.256	7.498	15.524	17.625
Financed by:					
Capital receipts	0.247	0.479	0.203	0.526	1.804
Capital grants	0.378	1.228	0.169	2.307	0.169
Capital reserves	0.119	2.010	0.083	0.015	-
Revenue	4.420	4.539	7.043	9.089	9.835
Net financing need for the year	44.668	-	-	3.587	5.817

2.2 The Council's Borrowing Need (the Capital Financing Requirement)

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. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's 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 no such schemes within the CFR.

The Council is asked to approve the CFR projections below:

CFR Projections	2011/12 Actual £m	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
Capital Financing Requirement					
CFR – non housing	1.605	1.552	1.500	1.449	1.399
CFR - housing	68.063	68.063	68.063	71.650	77.467
Total CFR	69.668	69.615	69.563	73.099	78.866
Movement in CFR	42.440	(0.053)	(0.052)	3.536	5.767

Movement in CFR represented by					
Net financing need for the year (above)	44.668	-	-	3.587	5.817
Less MRP/VRP and other financing movements	(2.228)	(0.053)	(0.052)	(0.051)	(0.050)
Movement in CFR	42.440	(0.053)	(0.052)	3.536	5.767

2.3 Minimum Revenue Provision (MRP) Policy Statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge, the Minimum Revenue Provision, although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

CLG Regulations have been issued which require the full Council to approve an **MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended 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 (option 1);

These options provide for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be:

- **Asset Life Method** – 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) (option 3);

These options provide for a reduction in the borrowing need over approximately the asset's life.

No revenue charge is currently required for the HRA. However under HRA reform the HRA is required to charge depreciation on its assets, which will have a revenue effect. In order to address any possible adverse impact, regulations allow the Major Repairs Allowance to be used as a proxy for depreciation for five years from 2012/13.

2.4 Core Funds and expected Investment Balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources	2011/12 Actual £m	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
Fund Balances/Reserves	16.516	17.526	12.769	10.643	6.949
Capital Receipts	1.776	1.035	0.831	0.430	0.174
Provisions	0.577	0.050	-	-	-
Other	0.044	-	-	-	-
Total core funds	18.913	18.610	13.600	11.073	7.123
Working Capital*	1.981	5.395	6.558	6.492	6.442
(Under)/Over Borrowing	(4.608)	(4.555)	(4.503)	(4.452)	(4.402)
Expected investments	16.286	19.450	15.655	13.113	9.163

*Working capital balances shown are estimated year end; these may be higher mid year.

2.5 Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

2.6 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) against the net revenue stream.

Fund	2011/12 Actual %	2012/13 Revised Estimate %	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %
Non-HRA	21.94*	(2.15)	(2.28)	(4.30)	(3.07)
HRA (inclusive of settlement)	(3.48)**	16.60	15.67	15.36	16.10

The estimates of financing costs include current commitments and the proposals in this budget report.

* Included partial reversal of Icelandic capitalisation

** Included HRA Self Financing

2.7 Incremental impact of capital investment decisions on Council Tax.

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which is not published over a three year period.

Incremental impact of capital investment decisions on the band D council tax

Incremental Impact on Council Tax	2011/12	2012/13	2013/14	2014/15	2015/16
	Actual £:p	Estimate £:p	Estimate £:p	Estimate £:p	Estimate £:p
Band D	1.04	0.28	(0.05)	(0.03)	0.13

2.8 Estimates of the 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 this budget report compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

Incremental impact of capital investment decisions on housing rent levels

Incremental Impact	2011/12	2012/13	2013/14	2014/15	2015/16
	Actual £:p	Estimate £:p	Estimate £:p	Estimate £:p	Estimate £:p
Weekly housing rent levels	0.07	0.08	(0.01)	0.16	0.68

This indicator shows the revenue impact on any newly proposed changes, although any discrete impact will be constrained by rent controls.

3. Borrowing

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The Treasury Management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current Portfolio Position

The Council's Treasury Portfolio position at 31st March 2012, with forward projections are summarised below. The table shows the actual external debt (the Treasury Management Operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Treasury Portfolio	2011/12	2012/13	2013/14	2014/15	2015/16
	Actual £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
External Debt					
Debt at 1st April	20.392	65.060	65.060	65.060	68.647
Expected change in Debt	44.668	-	-	3.587	5.817
Actual gross debt at 31st March	65.060	65.060	65.060	68.647	74.464
The Capital Financing Requirement	69.668	69.615	69.563	73.099	78.866
Under / (over) borrowing	4.608	4.555	4.503	4.452	4.402

**Excludes investments 'at risk' with Icelandic Banks*

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. A key indicator is that the Council needs to ensure that its total borrowing, net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2013/14 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Executive Director Corporate Services reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2. Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary - This is the limit beyond which external borrowing is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual borrowing.

Operational Boundary	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
Borrowing	72.268	72.268	75.855	81.672
Other long term liabilities	-	-	-	-
Total	72.268	72.268	75.855	81.672

The Authorised Limit for external borrowing - A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external borrowing is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

2. The Council is asked to approve the following Authorised Limit:

Authorised limit	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
Borrowing	89.112	89.112	89.112	89.112
Other long term liabilities	3.000	3.000	3.000	3.000
Total	92.112	92.112	92.112	92.112

* Includes £79.407m HRA Self Financing Cap – Including Headroom of £11.344m.

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

HRA Debt Limit	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
Total	79.407	79.407	79.407	79.407

3.3. Prospects for Interest Rates

The Council has appointed Sector as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. **ANNEX 1** draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates. The following table gives the Sector central view.

Annual Average %	Bank Rate	PWLB Borrowing Rates (including certainty rate adjustment)		
		5 year	25 year	50 year
Dec 2012	0.50	1.50	3.70	3.90
March 2013	0.50	1.50	3.80	4.00
June 2013	0.50	1.50	3.80	4.00
Sept 2013	0.50	1.60	3.80	4.00
Dec 2013	0.50	1.60	3.80	4.00
March 2014	0.50	1.70	3.90	4.10
June 2014	0.50	1.70	3.90	4.10
Sept 2014	0.50	1.80	4.00	4.20
Dec 2014	0.50	2.00	4.10	4.30
March 2015	0.75	2.20	4.30	4.50
June 2015	1.00	2.30	4.40	4.60
Sept 2015	1.25	2.50	4.60	4.80
Dec 2015	1.50	2.70	4.80	5.00
March 2016	1.75	2.90	5.00	5.20

The economic recovery in the UK since 2008 has been the worst and slowest recovery in recent history, although the economy returned to positive growth in the third quarter of 2012. Growth prospects are weak and consumer spending, the usual driving force of recovery, is likely to remain under pressure due to consumers focusing on repayment of personal debt, inflation eroding disposable income, general malaise about the economy and employment fears.

The primary drivers of the UK economy are likely to remain external. 40% of UK exports go to the Eurozone so the difficulties in this area are likely to continue to hinder UK growth. The US, the main world economy, faces similar debt problems to the UK, but urgently needs to resolve the fiscal cliff now that the the Presidential elections are out of the way. The resulting US fiscal tightening

and continuing Eurozone problems will depress UK growth and is likely to see the UK deficit reduction plans slip.

This challenging and uncertain economic outlook has several key treasury management implications:

- The Eurozone sovereign debt difficulties provide a clear indication of high counterparty risk. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2013/14 and beyond;
- Borrowing interest rates continue to be attractive and may remain relatively low for some time. The timing of any borrowing will need to be monitored carefully;
- There will remain a cost of carry – any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

3.4 Borrowing Strategy

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 is prudent as investment returns are low and counterparty risk is relatively high.

Against this background and the risks within the economic forecast, caution will be adopted with the 2013/14 treasury operations. The Executive Director Corporate 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.*

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

Treasury Management Limits on Activity

There are three debt related treasury activity limits. The purpose of these are to restrain 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. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

Interest Rate Exposure	2013/14	2014/15	2015/16
	£m	£m	£m
Limit:	Upper	Upper	Upper
Limits on Fixed Interest Rates based on net debt	49.409	52.828	63.271
Limits on Variable Interest Rates based on net debt	6.506	6.685	7.156
Limits on Fixed Interest Rates:			
Debt only	65.060	66.849	71.555
Investments only	26.085	23.369	13.808
Limits on Variable Interest Rates:			
Debt only	6.506	6.685	7.156
Investments only	10.434	9.347	5.523

Maturity structure of Fixed Interest Rate borrowing 2013/14		
	Lower	Upper
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	25%
5 years to 10 years	0%	75%
10 years and above	0%	100%

Maturity structure of Variable Interest Rate borrowing 2013/14		
	Lower	Upper
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	25%
5 years to 10 years	0%	75%
10 years and above	0%	100%

3.5 Policy on Borrowing in Advance of Need

The Council will not borrow more than or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

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.

3.6 Debt Rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, 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 position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- to enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identifying if there is any residual potential 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.

All rescheduling will be reported to Council, at the earliest meeting following its action.

4. Annual Investment Strategy

4.1 Investment Policy

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

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 the Sector ratings service, banks' ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

Further, 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 which show the varying degrees of creditworthiness.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

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.

Investment instruments identified for use in the financial year are listed in **ANNEX 3** under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices – Schedules.

Investment instruments identified for use in the financial year are listed in **ANNEX 3** under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices – Schedules.

4.2 Creditworthiness Policy

This Council applies the creditworthiness service provided by Sector. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moodys and Standard and Poors. 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.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties.

These colour codes are used by the Council to determine the duration for investments. The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years *
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No Colour not to be used

** this category is for AAA rated Government debt or its equivalent; please also see collateralised deposits added into ANNEX 3 as an investment instrument.*

The Sector creditworthiness service 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.

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 BB+, and a Support rating of 3. 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.

All credit ratings will be monitored on a daily basis/as and when notified. The Council is alerted to changes to ratings of all three agencies through its use of the Sector 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 Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

4.3 Country Limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AAA from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in **ANNEX 4**. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Sector also recommends that no more than 20% of the Council's investment portfolio should be placed with an individual counterparty, in order to spread risk. The approach at the Council is to set monetary limits of up to **£4m** with individual institutions, which equates approximately to Sector's recommendation (based on current average investment levels).

4.4 Investment Strategy

In-house funds. 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).

Investment returns expectations. Bank Rate is forecast to remain unchanged at 0.5% before strating to rise from quarter 4 of 2014. Bank Rate forecasts for financial year ends (March) are:

- 2012/ 2013 0.50%
- 2013/ 2014 0.50%
- 2014/ 2015 0.75%
- 2015/ 2016 1.75%

There are downside risks to these forecasts (i.e. start of increases in Bank Rate is delayed even further) if economic growth remains weaker for longer than expected. However, should the pace of growth pick up more sharply than expected there could be upside risk, particularly if Bank of England inflation forecasts for two years ahead exceed the Banks own 2% target rate.

The budgeted investment earnings rates for returns on investments placed for periods up to one year during each financial year for the next five years are as follows:

- 2012/2013 1.50%
- 2013/2014 1.00%
- 2014/2015 1.75%
- 2015/2016 2.00%
- 2016/2017 2.75%

Investment Treasury Indicator and Limit - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit: -

Maximum principal sums invested > 364 days			
Treasury Indicator	2013/14 £m	2014/15 £m	2015/16 £m
Principal sums invested > 364 days	2.5	2.0	2.0

For its cash flow generated balances, the Council will seek to utilise its business reserve accounts, Call accounts, 15, 30 and 95 day notice accounts, money market funds and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

4.5 Icelandic Bank Investments

Glitnir - £2.55m partial repayment of our deposits was received on the 15th March 2012. The balance due to the Authority is currently being held in Icelandic Krone (ISK) but release of these funds is dependent on a change in Icelandic Law which currently does not allow the distribution of ISK outside the country. Interest will accrue on these funds until the date of final settlement. We are currently still receiving dividend distributions from the administrators of Heritable and Kaupthing Singer & Friedlander with anticipated total recoveries of around 85% for both banks.

4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

4.7 External Fund Managers

The Council uses Sector as its external Treasury Management advisors.

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.

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.

4.8 Scheme of delegation

Please see **ANNEX 5**.

4.9 Role of the Section 151 Officer

Please see **ANNEX 6**.

10. Annex

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8. Treasury Management Glossary of Terms

Interest Rate Forecasts 2013 – 2016

Sector's Interest Rate View														
	Now	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Sector's Bank Rate View														
Sector's Bank Rate View	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
3 Month LIBID	0.39%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.60%	0.60%	0.70%	0.80%	1.10%	1.40%	1.70%
6 Month LIBID	0.54%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.80%	0.90%	1.00%	1.10%	1.30%	1.60%	1.90%
12 Month LIBID	0.88%	1.00%	1.00%	1.00%	1.00%	1.00%	1.10%	1.10%	1.20%	1.30%	1.30%	1.50%	1.80%	2.10%
5yrPW LB Rate	1.85%	1.50%	1.50%	1.60%	1.60%	1.70%	1.70%	1.80%	2.00%	2.20%	2.30%	2.50%	2.70%	2.90%
10yrPW LB Rate	2.87%	2.50%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	3.00%	3.20%	3.30%	3.50%	3.70%	3.90%
25yrPW LB Rate	4.02%	3.80%	3.80%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.30%	4.40%	4.60%	4.80%	5.00%
50yrPW LB Rate	4.15%	4.00%	4.00%	4.00%	4.00%	4.10%	4.10%	4.20%	4.30%	4.50%	4.60%	4.80%	5.00%	5.20%
Bank Rate														
Sector's View														
Sector's View	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
UBS	0.50%	0.50%	0.50%	0.50%	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%	-	-	-	-	-
5yrPW LB Rate														
Sector's View														
Sector's View	1.85%	1.50%	1.50%	1.60%	1.60%	1.70%	1.70%	1.80%	2.00%	2.20%	2.30%	2.50%	2.70%	2.90%
UBS	1.85%	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Economics	1.85%	1.55%	1.30%	1.30%	1.30%	1.30%	1.30%	1.50%	1.60%	-	-	-	-	-
10yrPW LB Rate														
Sector's View														
Sector's View	2.87%	2.50%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	3.00%	3.20%	3.30%	3.50%	3.70%	3.90%
UBS	2.87%	3.00%	3.10%	3.20%	3.40%	3.50%	3.60%	3.70%	3.80%	-	-	-	-	-
Capital Economics	2.87%	2.55%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	-	-	-	-	-
25yrPW LB Rate														
Sector's View														
Sector's View	4.02%	3.80%	3.80%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.30%	4.40%	4.60%	4.80%	5.00%
UBS	4.02%	4.20%	4.30%	4.40%	4.50%	4.50%	4.50%	4.50%	4.50%	-	-	-	-	-
Capital Economics	4.02%	3.70%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	-	-	-	-	-
50yrPW LB Rate														
Sector's View														
Sector's View	4.15%	4.00%	4.00%	4.00%	4.00%	4.10%	4.10%	4.20%	4.30%	4.50%	4.60%	4.80%	5.00%	5.20%
UBS	4.15%	4.30%	4.40%	4.50%	4.60%	4.60%	4.60%	4.60%	4.60%	-	-	-	-	-
Capital Economics	4.15%	4.00%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	-	-	-	-	-

Sectors Interest Rate Forecast 14/01/2013

Economic Background

The Global economy

The Eurozone debt crisis has continued to cast a pall over the world economy and has depressed growth in most countries. This has impacted the UK economy which remained flat in 2012 and is creating a major headwind for recovery in 2013. Quarter 2 of 2012 was the third quarter of contraction in the economy; this recession is the worst and slowest recovery of any of the five recessions since 1930. A return to growth @ 0.9% in quarter 3 did little more than wash out the dip in the previous quarter before a return to negative growth in quarter 4 of – 0.3%; this leaves the overall growth in 2012 close to zero and could lead into negative growth in quarter 1 of 2013, which would then mean that the UK was in its first triple dip recession since records began in 1955.

The **Eurozone Sovereign Debt Crisis** abated following the ECB's commitment to a programme of Outright Monetary Transactions i.e. a pledge to buy unlimited amounts of bonds of countries which ask for a bailout. The immediate target for this statement was Spain which continues to prevaricate on making such a request, (for a national bailout), and so surrendering its national sovereignty to IMF supervision. However, the crisis in Greece has subsided, for the time being, as a result of the Eurozone agreement to provide a further €50bn financial support package in December. Many commentators, though, still view a Greek exit from the Euro as being likely in the longer term as successive rounds of austerity packages could make it more difficult to bring down the annual deficit and total debt as ratios of GDP due to the effect they have on shrinking the economy and reducing employment and tax revenues. However, another possible way out would be a major write down of total Greek debt; this has now been raised by the German Chancellor as a possible course of action, but not until 2014-15, and provided the Greek annual budget is in balance.

Sentiment in financial markets has improved considerably since this ECB action and additional financial support for Greece to ensure that the Eurozone remained intact during 2012. However, the foundations to this "solution" to the Eurozone debt crisis are still weak and do not address the huge obstacle of unemployment rates of over 25% in Greece and Spain. It is also possible that the situations in Portugal and Cyprus could deteriorate further in 2013 and, although they are minor economies, such developments could unnerve financial markets. There are also general elections coming up in Italy and Germany which could potentially produce some upsets on the political scene. It is, therefore, quite possible that sentiment in financial markets could turn during 2013 after the initial burst of optimism at the start of the year. While equity prices have enjoyed a strong start to 2013, the foundations for this stock market recovery are shallow given the economic fundamentals in western economies. In addition, QE has to come to an end at some point in time and there is a distinct increase in doubt in the central banks of the US and UK as to the effectiveness of any further QE in stimulating economic growth. An end to central purchases of bonds may lead to a fall in bond prices.

The US economy has only been able to manage weak growth in 2012 despite huge efforts by the Federal Reserve to stimulate the economy by liberal amounts of quantitative easing (QE) combined with a commitment to a continuation of ultra low interest rates into 2015. Unemployment levels have been slowly reducing but against a background of a fall in the numbers of those available for work. The fiscal cliff facing the President at the start of 2013 has been a major dampener discouraging business from spending on investment and increasing employment more significantly in case there is a sharp contraction in the economy in the pipeline. The fiscal cliff, and raising the total debt ceiling, still await final resolution by the end of February. The housing market, though, does look as if it has, at long last, reached the bottom and house prices are now on the up.

Hopes for a broad based recovery have, therefore, focused on the **emerging markets**. Recent news from China appears to indicate that the economy has returned to a healthier rate of growth. However, there are still concerns around the unbalanced nature of the economy which is heavily dependent on new investment expenditure. The potential for the bubble in the property sector to burst, as it did in Japan in the 1990s, could have a material impact on the economy as a whole.

The UK economy

The Government's austerity measures, aimed at getting the public sector deficit into order, have now had to be extended, in the autumn statement, over a longer period than the original four years.

Achieving this new extended timeframe will still be dependent on the UK economy returning to a reasonable pace of growth towards the end of this period.

Currently, the UK is enjoying a major financial benefit from some of the lowest sovereign borrowing costs in the world as the UK is seen as a safe haven from Eurozone debt. However, the subsiding of market concerns over the Eurozone has unwound some of the attractiveness of gilts as a safe haven and led to a significant rise in gilt yields. There is little evidence that UK consumer confidence levels are recovering, nor that the manufacturing sector is picking up. The dominant services sector disappointed in December with the PMI survey indicating the first fall in activity in two years. On the positive side, banks have made huge progress since 2008 in shrinking their balance sheets to more manageable levels and also in reducing their dependency on wholesale funding. However, availability of credit remains tight in the economy and the Funding for Lending scheme, which started in August 2012, has not yet had time to make a significant impact in respect of materially increasing overall borrowing in the economy. Finally, the housing market remains tepid and the outlook is for house prices to be little changed for a prolonged period.

Economic Growth. Economic growth has basically flat lined since the election of 2010 and, worryingly, the economic forecasts for 2012 and beyond were revised substantially lower in the Bank of England Inflation quarterly report for August 2012 and were then further lowered in the November Report. Quantitative Easing (QE) increased by £50bn in July 2012 to a total of £375bn. Many forecasters are expecting the MPC to vote for a further round of QE in early 2013 to try to stimulate economic activity. The announcement in November 2012 that £35bn will be transferred from the Bank of England's Asset Purchase Facility to the Treasury (representing coupon payments to the Bank by the Treasury on gilts held by the Bank) was also effectively a further addition of QE.

Unemployment. The Government's austerity strategy has resulted in a substantial reduction in employment in the public sector. Despite this, total employment has increased to the highest level for four years as over one million jobs have been created in the private sector in the last two years.

Inflation and Bank Rate. Inflation has fallen sharply during 2012 from a peak of 5.2% in September 2011 to 2.2% in September 2012. However, inflation increased back to 2.7% by the end of the year, though it is expected to fall back to reach the 2% target level within the two year horizon.

AAA rating. The UK continues to enjoy an AAA sovereign rating. However, the three main credit rating agencies have stated that they will be reviewing this rating in early 2013; they will, thereafter, also be carefully monitoring the rate of growth in the economy as a disappointing performance in that area could lead to a major derailment of the plans to contain the growth in the total amount of Government debt over the next few years.

Sector's forward view

Economic forecasting remains difficult with so many external influences weighing on the UK. There does, however, appear to be consensus among analysts that the economy remains relatively fragile and whilst there is still a broad range of views as to potential performance, expectations have all been downgraded during 2012. Key areas of uncertainty include:

- the potential for the Eurozone to withdraw support for Greece at some point if the Greek government was unable to eliminate the annual budget deficit and the costs of further support were to be viewed as being prohibitive, so causing a worsening of the Eurozone debt crisis and heightened risk of the breakdown of the bloc or even of the currency itself. The same considerations could also apply to Spain;
- inter government agreement on how to deal with the overall Eurozone debt crisis could fragment;
- the impact of the Eurozone crisis on financial markets and the banking sector;
- the impact of the Government's austerity plan on confidence and growth and the need to rebalance the economy from services to manufactured goods;

- the under-performance of the UK economy which could undermine the Government's policies that have been based upon levels of growth that are unlikely to be achieved;
- the risk of the UK's main trading partners, in particular the EU and US, falling into recession;
- stimulus packages failing to stimulate growth;
- elections due in Italy and Germany in 2013;
- potential for protectionism i.e. an escalation of the currency war / trade dispute between the US and China;
- the potential for action to curtail the Iranian nuclear programme;
- the situation in Syria deteriorating and impacting other countries in the Middle East.

The focus of so many consumers, corporates and banks on reducing their borrowings, rather than spending, will continue to act as a major headwind to a return to robust growth in western economies.

Given the weak outlook for economic growth, Sector sees the prospects for any changes in Bank Rate before 2015 as very limited. There is potential for the start of Bank Rate increases to be even further delayed if growth disappoints.

Sector believes that the longer run trend is for gilt yields and PWLB rates to rise due to the high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries. The interest rate forecast in this report represents a balance of downside and upside risks. The downside risks have already been commented on. However, there are specific identifiable upside risks as follows to PWLB rates and gilt yields, and especially to longer term rates and yields: -

- UK inflation being significantly higher than in the wider EU and US causing an increase in the inflation premium in gilt yields;
- Reversal of QE; this could initially be allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held;
- Reversal of Sterling's safe haven status on an improvement in financial stresses in the Eurozone;
- Investors reverse de-risking by moving money from government bonds into shares in anticipation of a return to worldwide economic growth;
- The possibility of a UK credit rating downgrade.

Specified and Non-Specified Investments:**Specified Investments:**

These investments are **sterling** denominated investments of **not more than one-year maturity**, meeting the minimum 'high' quality criteria where applicable. They are of relatively high security, high liquidity and are low risk assets where the possibility of loss of principal or investment income is small, they could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. The investments could be managed In-House or by Fund Managers.

These would include investments with:

- The UK Government (such as the Debt Management Office, UK Treasury Bills or Gilts with less than one year to maturity). To facilitate use of such instruments a Custodian account was opened during 2012/13 with King & Shaxson Ltd (a primary participant authorised to bid at Treasury bill tenders on behalf of investors regulated by the Financial Services Authority (FSA) and subject to its rules and guidance in their activities);
- A Local Authority, Parish Council or Community Council;
- Pooled investment vehicles or Collective Investment Schemes structured as Open Ended Investment Companies (OEIC's) such as Money Market Funds (MMF's) Government Liquidity Funds, Enhanced Cash Funds, Bond Funds (but not Corporate Bonds) and Gilt Funds, that have a high credit quality and been awarded a high credit rating of AAA by Standard and Poor's, Moody's or Fitch rating agencies and a Low Long Term Volatility rating;
- A body that has a high credit quality and been awarded a high credit rating by a credit rating agency (such as a bank or building society) and complies with the Sector Credit Worthiness service;
- A body which has been provided with a government issued guarantee for wholesale deposits within specific timeframes and/or is part or wholly nationalised by that Government. Where these guarantees are in place and the government has an AAA sovereign long term rating these institutions will be included within the Council's criteria temporarily until such time as the ratings improve or the guarantees are withdrawn. Monies will only be deposited within the timeframe of the guarantee.

SPECIFIED INVESTMENTS	Minimum 'High' Credit Criteria	Limits
UK Government/ Debt Management Agency Deposit Facility	Defined by Regulation UK Treasury (AAA)	£4m
Term deposits – Local Authorities	Defined by Regulation (Sec 23 of the 2003 act)	£4m
Treasury Bills	Defined by Regulation UK Treasury (AAA)	£4m
Term deposits and Callable deposits – Banks and Building Societies	In accordance with Sector's Creditworthiness Service up to 'Orange' or 'Blue'	£4m individual institutions £6m Group limit
Pooled investment vehicles *(OEIC's, MMF's etc)	AAA (Moody's MR1, Fitch MMF and S&P M).	£4m
Banks and Building Societies – Forward deals up to 1 year from arrangement to maturity	In accordance with Sector's Creditworthiness Service up to 'Orange' or 'Blue'	£4m

*For pooled investment vehicles or Collective Investment Schemes (such as MMF's) that have a high credit quality and have been rated AAA by Standard and Poor's, Moody's or Fitch rating agencies and have a Constant Net Asset Value (CNAV).

Non-Specified Investments:

Non-specified investments are any other type of investment (i.e. not defined as Specified above) and could be managed In-House or by Fund Managers. The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

	Non Specified Investment Categories	Credit Rating	Comment
1	<p>Supranational Bonds greater than 1 year to maturity</p> <ul style="list-style-type: none"> • Multilateral development bank bonds – These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.). • A financial institution that is guaranteed by the United Kingdom Government (e.g. The Guaranteed Export Finance Company {GEFCO}) The security of interest and principal on maturity is on a par with the Government and so very secure, and these bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity. 	AAA	Would not use in-house due to size of investment portfolio limiting benefit to authority.
2	<p>UK Gilt edged securities with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (1) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	AAA Sovereign Rated	Custodian Account opened with King & Shaxson to trade on our behalf
3	<p>Certificates of Deposit with credit rated deposit takers (Banks and Building Societies)</p>	Sector Minimum Credit Worthiness rating	Custodian Account opened with King & Shaxson to trade on our behalf
4	<p>Term deposit with a body which has been nationalised/part nationalised by high credit rated (sovereign rating AAA) countries and provided with a Government issued guarantee for wholesale deposits within specific timeframes. Where these guarantees are in place and the government has an AAA sovereign long term rating these institutions will be included within the Council's criteria temporarily until such time as the ratings improve or the guarantees are withdrawn. Monies will only be deposited within the timeframe of the guarantee.</p>	AAA Sovereign Rated Sector Credit Worthiness rating 'Blue'	Under the current criteria this applies in the UK to Lloyds Banking Group plc and Royal Bank of Scotland Group institutions

	Non Specified Investment Categories	Credit Rating	Comment
5	A Term Deposit with a body which is an Eligible Institution for the HM Treasury Credit Guarantee Scheme initially announced on 13 th October 2008(1). The Credit Guarantee Scheme forms part of the Government's measures to ensure the stability of the financial system and protect ordinary savers, depositors, businesses and borrowers, by; a) providing sufficient liquidity in the short term, b) making available new capital to UK banks and Building Societies to strengthen their resources c) ensuring the banking system has the funds necessary to maintain lending in the medium term.	In accordance with Sector Credit Worthiness rating	Use restricted by Sector Credit Worthiness rating
6	Government guarantee on ALL deposits by high credit rated (AAA sovereign rating non UK) countries.	AAA Sovereign Rated	Not in Use, currently restricting investments to UK only
7	The Council's Own Banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as possible.	Out of range	Currently fails to meet criteria, balances reviewed and minimised on daily basis
8	Any Bank or Building society that has at minimum a long term credit rating of A-, an Individual Rating of B/C and a Support rating of 3 or above, or equivalent, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	In accordance with Sector Credit Worthiness rating	Use restricted by Sector Credit Worthiness rating
9	Callable Deposits with a Bank or Building society that has at minimum a long term credit rating of A-, an Individual Rating of B/C and a Support rating of 3 or above, or equivalent.	In accordance with Sector Credit Worthiness rating	Use restricted by Sector Credit Worthiness rating
10	Share capital or loan capital in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies.	N/A	Unlikely to use due to size of portfolio and high risk associated. Also requires additional approval as deemed as capital expenditure.

Within categories 3, 4, 5 and 6, and in accordance with the Code, the Council has developed additional criteria to set the overall amount of monies which will be invested in these bodies. All investments will be made in sterling to eliminate exchange rate risk.

The criteria are detailed in the table below and will be used in conjunction with Sector's Creditworthiness service.

Counterparty Type (TBC's minimum credit ratings for approved lending list)	Minimum Credit Criteria	Limits*	
Bank or Building Society (a minimum Long Term Credit Rating of AAA, an Individual Rating of B/C and a Support rating of 3 (or equivalent))	Sector 'Yellow'	5 yrs	£4m
Bank or Building Society (a minimum Long Term Credit Rating of AA-, an Individual Rating of B/C and a Support rating of 3 (or equivalent))	Sector 'Yellow'	4 yrs	£4m
Bank (a minimum Long Term Credit Rating of A-, an Individual Rating of B/C and a Support rating of 3 (or equivalent))	Sector 'Yellow'	3 yrs	£4m
Banks Nationalised/Part nationalised by high credit rated (sovereign rating AAA) countries (a)	Sector 'Blue' (UK)	Specified in Guarantee	£4m
An Eligible Institution eligible under the HM Treasury Credit Guarantee Scheme (C)	Sector 'Blue'	Specified in Guarantee	£4m
Government guarantee on ALL deposits by high credit rated (AAA sovereign rating) countries (b).	Sector 'Blue'	Specified in Guarantee	£4m
The Council's own Banker - if it fails to meet basic criteria	n/a	Overnight	£2m
Building Society (a minimum Long Term Credit Rating of A- an Individual Rating of B/C and a Support rating of 3 (or equivalent /if applicable) AND assets > £4bn)	Sector 'Yellow'	3 yrs	£4m
Building Society (a Long Term Credit Rating of A- an Individual Rating of B/C and a Support rating of 3 (or equivalent/if applicable) AND assets < £4bn but > £1bn)	Sector 'Purple'	2 yrs	£4m
Group Limits - Maximum investments in Institutions within the same financial group	As above for individual investment	As above for individual investment	£6m
Territory Limits - Maximum investments in Institutions within the same Country (Approx 15% of investment programme) Non- UK	As above for individual investment	As above for individual investment	£2m
Territory Limits - Maximum investments in Institutions within the same Continent (Approx 30% of investment programme) Non UK	As above for individual investment	As above for individual investment	£4m

* Under current Sector credit worthiness criteria, only institutions with a rating of 'Purple' or 'Yellow' are suggested as appropriate counterparties for investments over 1 year, with limit ranges of 2 years and 5 years respectively.

(a) **Nationalised/Part Nationalised Banks** in the UK have credit ratings which do not conform to the credit criteria usually used by local authorities to identify banks which are of high creditworthiness. In particular, as they no longer are separate institutions in their own right, it is impossible for Fitch to assign them an individual rating for their stand alone financial strength. Accordingly, Fitch has assigned an F rating which means that at a historical point of time, this bank failed and is now owned by the Government.

However, these institutions are now recipients of an F1+ short term rating as they effectively take on the creditworthiness of the Government itself i.e. deposits made with them are effectively being made to the Government. They also have a support rating of 1; in other words, on both counts, they have the highest ratings possible.

(b) Blanket (explicit) guarantees on all deposits. Some countries have supported their banking system by giving a blanket guarantee on ALL deposits e.g. Ireland and Singapore. Authorities may view that the sovereign rating of that country then takes precedence over the individual credit ratings for the banks covered by that guarantee.

(c) UK banking system support package (implicit guarantee). It should be noted that the UK Government did NOT give a blanket guarantee on all deposits but underlined its determination to ensure the security of the UK banking system by supporting eight named banks with a £500bn support package. The Council will need to decide if we wish to authorise lending to those named banks on the basis of that implicit guarantee on local authority deposits placed with these eight banks or to rely on the credit ratings of the individual banks.

The original list of banks covered when the support package was initially announced was: -

- . Abbey (now part of Santander)
- . Barclays
- . HBOS (now part of the Lloyds Group)
- . Lloyds TSB
- . HSBC
- . Nationwide Building Society
- . RBS
- . Standard Chartered

Banks eligible for support under the UK bail-out package and which have issued debt guaranteed by the Government are eligible for a continuing Government guarantee when debt issues originally issued and guaranteed by the Government mature and are refinanced. However, no other institutions can make use of this support as it closed to new issues and entrants on 28.2.10. The banks which have used this explicit guarantee are as follows: -

- . Bank of Scotland
- . Barclays
- . Clydesdale
- . Coventry Building Society
- . Investec bank
- . Nationwide Building Society
- . Rothschild Continuation Finance plc
- . Standard Life Bank
- . Tesco Personal Finance plc
- . Royal Bank of Scotland
- . West Bromwich Building Society
- . Yorkshire Building Society

(d) Other countries. The US, countries within the EU and Switzerland (and other countries) are currently providing major support packages to their banking systems.

Approved Countries for investments

AAA

- Australia
- Canada
- Denmark
- Finland
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- U.K.*

* At its meeting of the 15th September 2009, full Council approved a recommendation that;

‘authorises the use of institutions currently supported by the UK Government should its Sovereign rating be downgraded below the current requirement for a ‘AAA’ rating by all three rating agencies’

this approval continues to form part of the strategy in 2013/14.

Treasury Management Scheme of Delegation

(i) Full Council

- receiving and reviewing reports on Treasury Management policies, practices and activities,
- approval of annual strategy.
- 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.
- receiving and reviewing regular monitoring reports and acting on recommendations.

(ii) Cabinet

- receiving and reviewing Treasury Management policy statement and Treasury Management practices and making recommendations to the full Council.
- receiving and reviewing regular monitoring reports and making recommendations to the full Council.
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Audit and Governance Committee

- reviewing the Treasury Management policy and procedures and making recommendations to the Cabinet.
- receiving and reviewing regular monitoring (quarterly/half yearly) and making recommendations to the Cabinet.

The Treasury Management Role of the Section 151 Officer

The S151 (responsible) Officer

- recommending clauses, Treasury Management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- 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.

TREASURY MANAGEMENT PRACTICES

The Treasury Management Practices document (TMP's) forms detailed operational procedures and processes for the Treasury Management function. This document can be found on the Council's Internet by following the following link;

http://www.tamworth.gov.uk/council_and_democracy/council_budgets_and_spending/treasury_management.aspx

and clicking on the TMP's folder.

The items below are summaries of the individual TMP's which the Council has to produce and adopt under the Treasury Code of Practice.

TMP1 : RISK MANAGEMENT

General Statement

The Section 151 Officer will design, implement and monitor all arrangements for the identification, management and control of Treasury Management risk; will report at least annually on the adequacy / suitability of the arrangements and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives. The reports will be in accordance with the procedures contained in TMP6.

1.1 Credit and Counterparty Risk Management

Credit and counter-party risk is the risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.

This organisation regards a key objective of its Treasury Management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments Methods and Techniques and are detailed in the TMP Operational document.

It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

1.2 Liquidity Risk Management

This is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will be thereby compromised.

This organisation will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives. This organisation will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

1.3 Interest Rate Risk Management

The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

This organisation will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

1.4 Exchange Rate Risk Management

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

1.5 Refinancing Risk Management

The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

This organisation will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

1.6 Legal and Regulatory Risk Management

The risk that the organisation itself, or an organisation with which it is dealing in its Treasury Management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

This organisation will ensure that all of its Treasury Management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

This organisation recognises that future legislative or regulatory changes may impact on its Treasury Management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

1.7 Fraud, Error and Corruption, and Contingency Management

The risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its Treasury Management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

This organisation will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its Treasury Management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

The Council will therefore:-

- a) Seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.
- b) Fully document all its Treasury Management activities so that there can be no possible confusion as to what proper procedures are.
- c) Staff will not be allowed to take up Treasury Management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.

Records will be maintained of all Treasury Management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

1.8 Market Risk Management

The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated Treasury Management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

This organisation will seek to ensure that its stated Treasury Management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect its self from the effects of such fluctuations.

TMP2 : BEST VALUE AND PERFORMANCE MEASUREMENT

The Borough Council is committed to the pursuit of best value in its Treasury Management activities, and to the use of performance methodology in support of that aim, within the framework set out in the Treasury Management Policy Statement.

The Treasury Management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal, grant or subsidy incentives, and the scope for other potential improvements. The performance of the Treasury Management function will be measured using the criteria set out in the detailed TMP Operational document.

TMP3 : DECISION-MAKING AND ANALYSIS

The Council will maintain full records of its Treasury Management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are set out in the detailed TMP Operational document.

TMP4 : APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

The Council will undertake its Treasury Management activities by employing only those instruments, methods and techniques are set out in the detailed TMP Operational document and within the limits and parameters defined in TMP1.

TMP5 : ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

The Council considers it essential, for the purposes of the effective control and monitoring of its Treasury Management activities, for the reduction of risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times clarity of Treasury Management responsibilities.

The principle, on which this will be based is the clear distinction between those charged with setting Treasury Management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of Treasury Management decisions and the audit and review of the Treasury Management function.

If and when this organisation intends, as a result of lack of resources or other circumstances, to depart from these principals, the Section 151 Officer will ensure that the reasons are properly reported in accordance with TPM6 and the implications properly considered and evaluated.

The Section 151 Officer will ensure that there are clear written statements of the responsibilities for each post engaged in Treasury Management, and the arrangements for absence cover. He will also ensure that at all times those engaged in Treasury Management will follow the policies and procedures set out. The present arrangements are set out in the detailed TMP Operational document.

The Section 151 Officer will ensure that there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are set out in the detailed TMP Operational document.

The delegations to the Section 151 Officer in respect of Treasury Management are set out in the detailed TMP Operational document. He will fulfil all such responsibilities in accordance with the Council's policy statement and TMP's and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

TMP6 : REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

The Council will ensure that regular reports are prepared and considered on the implementation of its Treasury Management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its Treasury Management activities; and on the performance of the Treasury Management function.

As a minimum Cabinet and Council will receive:

- An annual report on the planned strategy to be pursued in the coming year and the reporting of Prudential Indicators.
- A mid-year review
- An annual report on the performance of the Treasury Management function including the performance against the Prudential Indicators, the effects of the decisions taken and the transactions executed in the past year and on any circumstances of non-compliance with the Council's Treasury Management policy statement and TMP's.

Cabinet will receive regular monitoring reports on Treasury Management activities and risks.

The Audit and Governance Committee will have responsibility for the scrutiny of Treasury Management policies and practices.

The Treasury Management indicators will be considered together with the Treasury Management indicators in the Prudential Code as part of the budget approval process. The present arrangements and the form of these reports are set out in the detailed TMP Operational document.

TMP7 : BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

The Section 151 Officer will prepare and Council will approve and, if necessary, from time to time will amend, an annual budget for Treasury Management, which will bring together all of the costs involved in running the Treasury Management function together with associated income. The matters to be included will at minimum be those required by statute or regulation, together, with such information as will demonstrate compliance with TMP1, TMP2 and TMP4.

The Section 151 Officer will exercise effective controls over this budget and report upon and recommend any changes required in accordance with TMP6.

The Council will account for its Treasury Management activities, for decisions made and transactions executed in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

TMP8 : CASH AND CASH FLOW MANAGEMENT

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Section 151 Officer and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis and the Section 151 Officer will ensure that these are adequate for the purpose of monitoring compliance with TMP1. The present arrangements for preparing cash flow projections, and their form, are set out in the detailed TMP Operational document.

TMP9 : MONEY LAUNDERING

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. The Council will, therefore, maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that all staff involved are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are set out in the detailed TMP Operational document.

TMP10 : TRAINING AND QUALIFICATIONS

The Council recognises the importance of ensuring that all staff involved in the Treasury Management function are fully equipped to undertake the duties and responsibilities allocated to them. It will seek to appoint individuals, who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Section 151 Officer will recommend and implement the necessary arrangements.

The Section 151 Officer will ensure that Council members tasked with Treasury Management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

TMP11 : USE OF EXTERNAL SERVICE PROVIDERS

The Council recognises that responsibility for the Treasury Management decisions remains with the Council at all times. It recognises that there may be potential value in employing external providers of Treasury Management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons, which will have been submitted to a full evaluation of the costs and benefits. Terms of appointment will be properly agreed, documented and subject to regular review. It will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Section 151 Officer, and details of the current arrangements are set out in the detailed TMP Operational document.

TMP12 : CORPORATE GOVERNANCE

The Council is committed to the pursuit of proper corporate governance throughout its services, and to establishing the principles and practices by which this can be achieved. Accordingly the Treasury Management function and its activities will be undertaken with openness, transparency, honesty, integrity and accountability.

The Council has adopted and implemented the key recommendations of the Code. This, together with the other arrangements are set out in the detailed TMP Operational document and are considered vital to the achievement of proper governance in Treasury Management, and the Section 151 Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Treasury Management Glossary of Terms

Bank Rate	The Official Bank rate paid on commercial bank reserves i.e. reserves placed by commercial banks with the Bank of England as part of the Bank's operations to reduce volatility in short term interest rates in the money markets.
Base Rate	Minimum lending rate of a bank or financial institution in the UK.
Capital Financing Requirement	The Council's underlying need for borrowing for a capital purpose.
Counterparty	The organisations responsible for repaying the Council's investment upon maturity and for making interest payments.
Credit Default Swap (CDS)	A specific kind of counterparty agreement which allows the transfer of third party credit risk from one party to the other. One party in the swap is a lender and faces credit risk from a third party, and the counterparty in the credit default swap agrees to insure this risk in exchange for regular periodic payments (essentially an insurance premium). If the third party defaults, the party providing insurance will have to purchase from the insured party the defaulted asset. In turn, the insurer pays the insured the remaining interest on the debt, as well as the principal.
Credit Rating	This is a scoring system that lenders issue organisations with, to determine how credit worthy they are.
Gilts	These are issued by the UK Government in order to finance public expenditure. Gilts are generally issued for a set period and pay a fixed rate of interest for the period.
iTraxx	This is an index published by Markit who are a leading company in CDS pricing and valuation. The index is based on an equal weighting of the CDS spread of 25 European financial companies. Clients can use the iTraxx to see where an institutions CDS spread is relative to that of the market and judge its creditworthiness in that manner, as well as looking at the credit ratings.
Liquidity	An asset is perfectly liquid if one can trade immediately, at a price not worse than the uninformed expected value, the quantity one desires.
Long term	A period of one year or more.
Maturity	The date when an investment is repaid or the period covered by a fixed term investment.

Minimum Revenue Provision	Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. It would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred therefore such expenditure is spread over several years in order to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual Minimum Revenue Provision
Monetary Policy Committee (MPC)	This is a body set up by the Government in 1997 to set the 'Repo' rate (commonly referred to as being base rate). Their primary target (as set by the Government) is to keep inflation at or around 2%.
Security	An investment instrument, issued by a corporation, government, or other organization which offers evidence of debt or equity.
Short Term	A period of 364 days or less
Treasury Management	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.
Working Capital	Cash and other liquid assets needed to finance the everyday running of a business such as the payment of salaries and purchases.
Yield	The annual rate of return on an investment, expressed as a percentage.

AUDIT & GOVERNANCE COMMITTEE

28th March 2013

Report of the Director of Finance

FINAL ACCOUNTS 2012/13 – ACTION PLAN

Purpose

To provide an outline of the corporate requirements that will need to be achieved in order to produce the Council's Annual Statement of Accounts for 2012/13 (including deadlines but not including detailed responsibilities) and to obtain corporate commitment to the action plan.

Recommendations

That:

- 1. the target of 14th June 2013 for closure of the final accounts and production of a draft statement for 2012/13 be approved;**
- 2. staffing resources be committed to the provision of appropriate information and support in order to meet the published timescales and the Committee receive progress updates (if required); and**
- 3. the Statement be presented to the Audit & Governance Committee on 26th September 2013.**

Executive Summary

The Accounts and Audit Regulations 2011, require that the statement of accounts be produced by 30th June and require approval of the final audited accounts by the Audit & Governance Committee of the Council ('those charged with Governance') before 30th September.

The key issues affecting the achievement of these deadlines are detailed in **Appendix A**. The action plan identifies key processes and milestones in achieving the statutory requirement.

The way the Council prepares and reports its accounts (including professional reporting standards and statutory timetables) is a key element within the Council's External Auditors' (Grant Thornton - GT) assessment of the Council's performance within the Annual Audit Letter.

The action plan is a key element in the process to deliver the Council's final accounts in compliance with legislation and maintain a high quality standard.

Key milestone dates will be regularly reviewed / monitored to achieve deadlines with material variances reported to CMT and Members (with proposed remedial actions).

The information provided (detailed in **Appendix B**), although not comprehensive, highlights information that will need to be supplied in order to meet the deadline.

Key milestones – Provisional Dates:

- Completion of the draft accounts by 14th June 2013;
- Detailed management quality assurance review by 27th June 2013;
- Submission to Grant Thornton (and to Members) on or before 30th June 2013;
- Report to Audit & Governance Committee on 26th September 2013;
- Latest publish date 30th September 2013;

Consideration and approval of this report is a key control and evidence of the Council's plans for the closedown and production of its accounts in compliance with statutory requirements.

Legal and Risk Implications

The Council has a statutory duty to prepare the Draft Statement of Accounts by 30th June 2013.

There is a risk that if the Council is not sufficiently pro-active, the Council's Statement of Accounts may not remain compliant with both the Code of Practice on Local Authority Accounts and International Financial Reporting Standards (IFRS) which would result in a potential delay or criticism over the production of the Accounts and potentially a qualified audit opinion.

The following top level risks have been identified. The full details are contained within the covalent risk register.

Risk No	Likelihood	Impact	Action Required to Manage Risk
1	Further research reveals the new requirements of either the Code of Practice or IFRS to be more complex and time consuming than initially thought.	M H	An early start, adequate research, adequate initial resources, sufficient resource/budget provision for contingencies
2	Incorrect interpretation of changes in either the Code of Practice or IFRS	M H	Adequate training, sufficient resources. Ensure all reasons for actions, inclusions and exclusions, are fully documented.
3	Guidance by CIPFA changing possibly causing delays	M H	Regular review and rescheduling of project timetable

Risk No	Likelihood	Impact	Action Required to Manage Risk
4	Inadequate training	L M	Research available training, ensure all relevant staff attend, training budget to be adequate
5	Failure to identify all leases	L M	Ensure staff understand exactly what is involved – a planning meeting has been held with Property Services to outline the requirements
6	Key staff leaving	L M	Ensure there are sufficient skills within the team to cover

Resource and Value for Money Implications

There are no financial implications arising from this report.

A significant amount of work will need to be undertaken during the period March through to early June to ensure completion of the Financial Statements by 14th June. There is a high risk of this deadline not being achieved should insufficient resources be directed towards the achievement of this goal – deadlines / key milestones will be closely monitored.

Report Author

Please contact Lynne Pugh, Chief Accountant extension 272.

Background papers	Accounts and Audit Regulations 2011
	Implementation of International Financial Reporting Standards – Progress Report, Audit & Governance Committee 21 st October 2010
	Implementing International Financial Reporting Standards (IFRS), Audit & Governance Committee 29 th April 2009
	Revision and consolidation of the Accounts and Audit Regulations 2003 (SI 2003 No 533) as amended consultation (January 2011)
	Code of Practice on Local Authority Accounting in the United Kingdom (2012) based on IFRS

Key Issues in the Production of the Statement of Accounts

One of the main ways a Local Authority communicates its financial performance to local stakeholders and the wider community is through its published financial statements.

The Accounts and Audit Regulations 2011, require that the Statement of Accounts be produced by 30th June and require approval of the final audited accounts by the Audit & Governance Committee of the Council ('those charged with Governance') before 30th September. This was successfully achieved for the 2011/12 financial year with draft accounts being prepared by 30th June 2012 and audited accounts approved by the Audit and Governance Committee, at its meeting on 27th September - in compliance with the statutory deadline.

Between completion of the statement in June and the conclusion of the on-site audit in August, a substantial amount of work will be required liaising with the external auditors to ensure an unqualified audit report.

Following the completion of the 2011/12 audit the only amendments to the Statement of Accounts were minor and were only to enhance the disclosure notes – no change to the primary statements.

To meet the necessary deadlines, the closure process for 2011/12 has been reviewed to identify any lessons to be learned for future years.

The main issues affecting the closure of accounts for 2011/12 included:

- the need for corporate ownership of the process;
- reliance on staff in Directorates and third parties who have other priorities;
- the need for key officers (lead by Corporate Finance) to focus on the achievement of critical deadlines, in the face of and in preference to other competing priorities;
- the need to check/validate creditor accruals (and avoid large numbers of reversals where evidence cannot be provided) – it would aid timely completion of the process if accruals were processed by Managers in compliance with laid down parameters (i.e. receipt of goods/services **before 28th March**);

Commitment will be required to ensure that appropriate time and staffing resources will be focussed on the achievement of the key tasks within all directorates.

A planning meeting has already been held with the Audit Lead from Grant Thornton to discuss the draft timetable of the year end process (**Appendix C**) with further meetings arranged prior to the commencement of the on-site audit of the accounts to discuss progress to date.

A detailed year end timetable has been prepared (**attached at Appendix B**) and communicated; ensuring tasks are allocated, in the right sequence, to named individuals. The timetable will include a firm cut off date for accruals and practical details, such as publication and committee deadlines.

It is essential that there is a review at the end of closedown to highlight any lessons to be learned for next year. Equally vital is clear supporting documentation and an audit trail. These will not only help in the current year audit process but will be a sound base for future years.

A risk management approach is essential when resources are limited. The focus will be on known areas of risk based on past experience. A summary of issues from the 2011/12 closedown with material delays are detailed below.

An escalation process will be in place if it is evident that critical tasks are slipping. There is still some room for development to ensure an efficient closedown for 2012/13.

2011/12 - Significant Issues

Item	Issue	Proposed Solution / Action Already taken	Action
Manual Accruals	A significant number of manual accruals were received after the deadline and following identification by Accountant (i.e. not identified proactively by budget managers) – improvement needed as any late or missed accruals could delay the process and create additional work	By 28/3/13, Directorates will be asked to ensure that where goods/services have been received the majority of orders are 'goods receipted' within e-financials,,, thereby generating 'auto-accruals' on 1/4/13 The minimum level for manual accruals will be £5k (as set by Executive Director Corporate Services). However, should material accruals have been missed (i.e. over £5k) then the Service Accountant must be advised and appropriate action taken	ALL
Asset Register / Valuations / Disclosures	Delay in finalisation of valuations and provision of signed documentation before the audit commences	Meetings held with Grant Thornton to agree date and basis of valuations prior to commencement of awarding contract for valuations work with ongoing reviews. Earlier deadline for return of valuations agreed. A regular review / reconciliation will be carried out as part of the quality control / monitoring process.	Director of Finance/ Chief Accountant
Related Party Transactions	Again - Delayed return of some signed statements.	Requirements for any remaining Members to be contacted in person at Council/Committee meetings - for sign off by 30/4/13 at the latest.	Solicitor
Complexity of Working Papers / ease of use for Auditor	External Audit highlighted that some of the working papers are particularly complex and can include previous years' data.	Ways to simplify / clarify working papers for the 2012/13 closedown process, including cross checks to the accounts / financial system, have been discussed with the auditor	

A flexible 'teamwork' approach to make the most of scarce staff resources will be implemented, if necessary. Agreed variations to the flexible working policy or overtime pay (under the discretion of the Director of Finance) to speed up the closure of accounts would be considered as well as the need to bring in contract staff.

System weaknesses can cause delays and frustrations and appropriate contingency support will be essential, should problems arise.

Procedures have been in place for a number of years to ensure that key reconciliations are performed on a monthly basis during the year and centrally managed suspense or bank control accounts are cleared regularly.

The continued requirement to prepare accounts under IFRS will require a well thought-out approach to the use of estimates and de minimis levels for year-end accruals.

This has already been discussed and agreed with Grant Thornton during the planning meeting held on 23rd January 2013 with further planning meetings scheduled during the coming weeks to communicate progress and discuss any issues that may arise.

The aim should be to provide appropriate information to enable the efficient closedown without the need to re-open the accounts for late / omitted items i.e. a 'get it right first time' approach. Managers should make every endeavour to include appropriate accruals, temporary reserves and retained funds and provide the required information in a timely manner.

Knowing the previous year's outturn position earlier will help inform not only the current year's financial performance monitoring but the forthcoming year's budget strategy.

It could also further boost confidence in the Council's financial management - the timeliness and accuracy of the financial statements and the supporting records form part of the auditor's assessment within the Annual Audit Letter.

Appendix B

Ref	CORPORATE REQUIREMENTS	LEAD OFFICER	DEADLINE
	FINAL ACCOUNTS 2012/13		
1	Temporary Reserve / Retained Fund information	ALL	11/03/2013
2	Review all outstanding orders and delete where necessary	ALL	11/03/2013
3	Postal Franker Reading / Costs	Head of Property Services	Close of Business 28/03/13
4	All "goods receipts" should be on e-financials by 28/03/13, with evidence held by the Service Departments, in order to ensure 'auto-accruals' are generated. (It is recommended as many as possible done by 15/03/13)	ALL	28/03/2013
	Deadline for approved manual accruals. (i.e. goods need to be received by 28/03/13.) Refer to year end guidance	ALL	12/04/2013
5	Staff Holiday and Flexi Leave entitlement as at 31/03/13 (Tensor)	Head of Organisational Development	12/04/2013
6	Manual accruals to be kept to a minimum, with EDCS approval/authorisation only. The minimum level for manual accruals will be £5,000. (However, should material accruals have been missed (i.e. over £5,000) then the Directorate Accountant must be advised and appropriate action taken)	ALL	
7	Notify all stock holders of the need for stocktakes to be carried out at 31/03/13 and information returned to accountancy	ALL	05/04/2013
8	Petty Cash imprest reconciliation. A reminder of the need to complete returns at 31/3/13 will be issued	ALL	05/04/2013
9	IT stock purchases and disposals (hardware and software) information	Director, Technology & Corporate Programmes	05/04/2013
10	Bad debt information: e-financials Sundry Debtors and overpayments	Head of Revenues Director of Finance Director, Housing & Health	12/04/2013
	Homelessness and Housing Rents		
11	Completion of asset acquisitions / disposals / revaluations / impairment and production of the asset register certified by qualified valuer	Director Assets & Environmental Services	Draft by:
			12/04/2013
			Final Certified by:
26/04/2013			
12	All reconciliations to be complete and returned to accountancy; debtors, benefit, HAA/mortgages, rent, car loans, rent allowance etc. (monthly reconciliations should be completed during the year)	ALL	12/04/2013
13	HAA SOCH Mortgage principal repayment information	Head of Revenues	12/04/2013

Ref	CORPORATE REQUIREMENTS	LEAD OFFICER	DEADLINE
	FINAL ACCOUNTS 2012/13		
14	Related Party Transaction information. Requirement to be sent by 22/03/13 - Approach at Committee if delayed	Executive Director Corporate Services	12/04/2013
		Solicitor to the Council	
15	Housing Capital salaries detailed by capital project	Head of Property Services	12/04/2013
16	Managers confirmation of continued existence and responsibility for assets	ALL	12/04/2013
17	Information for completion of DWP and Subsidy estimated claims from benefits	Head of Benefits	12/04/2013
18	Sale of council house enhancement information (Reg 14)(final quarter)	Head of Property Services	12/04/2013
19	Improvement grant reconciliation	Head of Property Services	12/04/2013
20	Collection fund information (NNDR3)	Head of Revenues	26/04/2013
21	FRS17 Pension information from SCC Pension Fund	SCC	26/04/2013
22	Review Code of Corporate Governance and prepare Annual Governance Statement	Head of Internal Audit	03/05/2013
23	Review grant estimates (Benefits) / comparison to actual submissions	Head of Benefits	30/04/2013
24	Review potential post balance sheet events / impact on accounts	ALL	Up to 30/09/13

Audit Planning Timetable 2012/13

Date / Deadline	Completion of:	
23/01/2013	Audit Planning Meeting / requirements (following changes to code, financial analysis, working papers & format, use of estimates etc) key dates to be agreed with Grant Thornton	
21/01/13	Interim Visit – walkthrough testing	
Feb/ Mar 2013	Cipfa / GT Workshops	
25/03/13	Interim Visit – payroll testing	
28/03/13	Final Accounts Action Plan to Audit & Governance Cttee	
w/c	Audit Planning Meeting / requirements	
15/04/13		
w/c	Audit Planning Meeting / requirements	
09/05/13		
14/06/2013	Draft Statement preparation	
2 weeks	Quality assurance	
27/06/2013	Submission of Accounts (to GT / Members)	
27/06/2013	High Level Audit Plan for 2012/13 Audit confirmed (for planning / management purposes)	
Early July	Engagement Lead / Engagement Manager review	
08/07/2013	On Site Audit Commences (prepare working papers / reconciliations / quality assurance process)	
12/07/2013	Weekly Meeting with Audit Manager (including emerging Governance report issues) - issues to date documented in one logical list i.e. no repeated issues	Accountants / Key Officers to be available for Auditor questions by appointment
19/07/2013	Weekly Meeting with Audit Manager	
26/07/2013	On Site Audit Concludes (the statement will be changed, as necessary, as the audit proceeds) - Weekly Meeting with Audit Manager	
26/07/2013	Appointed Day	
02/08/2013	Draft list of audit amendments / issues received (subject to Engagement Lead review)	
09/08/2013	Final list of audit amendments / issues received (after Engagement Lead review)	
30/08/2013	Amended Statement of Accounts prepared	
16/09/2013	Annual Governance Report received	
26/09/2013	ISA260 - Report to those charged with governance (Audit & Governance Committee 26/09/13)	
26/09/2013	Audit & Governance Committee	
26/09/2013	Sign Off	
30/09/2013	Publish at latest	

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28TH MARCH 2013

REPORT OF THE HEAD OF INTERNAL AUDIT SERVICES

RISK MANAGEMENT REPORT

EXEMPT INFORMATION

None

PURPOSE

To report on the Risk Management process and progress to date for the current financial year.

RECOMMENDATION

That the Committee approves the Corporate Risk Register.

EXECUTIVE SUMMARY

One of the functions of the Audit & Governance Committee is to monitor the effectiveness of the Authority's risk management arrangements, including the actions taken to manage risks and to receive regular reports on risk management.

Since the last update to this Committee, the Corporate Risk Register has been reviewed and updated. The Corporate Risk Register is owned by the Corporate Management Team and reviewed and updated on a quarterly basis. The Corporate Risk Register is attached for information at **Appendix 1**. Details of the changes made during the review are highlighted for information.

Work continues to be completed by Internal Audit as part of their planned work to ensure that the operational risk register entries are aligned to the corporate risks. This also identifies areas where operational risk registers need to be updated to ensure that operationally, the corporate risks are managed.

RESOURCE IMPLICATIONS

None

LEGAL/RISK IMPLICATIONS BACKGROUND

Risks not identified may not be managed effectively

SUSTAINABILITY IMPLICATIONS

None

BACKGROUND INFORMATION

None

REPORT AUTHOR

Angela Struthers ex 234

LIST OF BACKGROUND PAPERS

None

APPENDICES

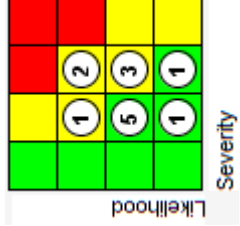
Appendix 1 – Corporate Risk Register


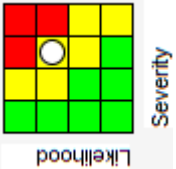

corporate risk register 1213

Generated on: 22 February 2013


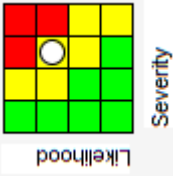



Risk Code	Risk Title	Current Risk Status
CPR1213	Corporate Risk Register 2012/13	
Description of Risk	-- enter risk details here --	Assigned To
Gross Risk Matrix	Risk Treatment Measures Implemented	Current Risk Matrix
Gross Risk Score		Current Risk Score
Gross Severity		Current Severity
Gross Likelihood		Current Likelihood
Gross Risk Review Date		Last Risk Review Date
Consequences		
Vulnerabilities/causes		
Risk Notes		



Risk Code	CPR1213_01	Risk Title	Financial	Current Risk Status	
Description of Risk	Loss of Funding and Financial Stability			Assigned To	Stefan Garner; John Wheatley
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	9	Budget planning and monitoring (1) Medium term financial strategy (2)		Current Risk Score	6
Gross Severity	3	Sustainability plan developed with Executive Board to investigate measures to address longer term funding shortfall identified (3) Treasury Management Strategy, annual outturn & strategy approved by Council. regular monitoring (4) WRIEP support for efficiency / procurement (5) Grant income sourced where possible (6) Developing benchmarking process within the authority to evaluate and understand costs/performance/outputs including CIPFA benchmarking, reviewing high spend, annual internal audit review of audit commission benchmarking data (7) Performance setting (8) Procurement section, contracts register, quick quote process / Procurement guidance updated / intranet (9) Business case reviews (10) SCFOG/Networking / Active engagement in central government reform and change agenda (11) Effective use of assets eg Marmion House, agile working project (12) Attendance at professional & Government updates / workshops (13) Proactive management & monitoring of corporate income levels i.e. council tax, business rates & housing rent (14) Section 151 review of controls within key financial systems (15) Housing Regeneration Project Group established with key sub-groups for specific tasks (16) Council tax support scheme - legal advice, EIAs, sound consultation with public, claimants and other LAs to develop a local scheme based on an agreed Countywide framework (17)		Current Severity	3
Gross Likelihood	3			Current Likelihood	2
Gross Risk Review Date				Last Risk Review Date	14-Feb-2013
Consequences	Cuts in services Quality of service decline partnership relationships become strained				


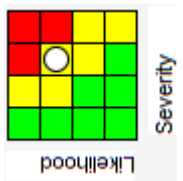
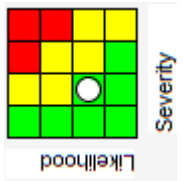
<p>vulnerabilities/causes</p>	<p>uncoordinated cuts financial savings not achieved miss out on funding inability to meet on-going costs Significant impact on the economic health of the local community Budgets exceeded minimum reserves not maintained Budgets not balanced Potentially acting illegally Reputation issues Reduced income streams including car parks, golf course, planning, treasury, council tax & business rates budget shortfall / funding gap increasing through austerity cuts - 3 year MTFS in place from 2013/14 (longer term shortfalls identified from 2016/17) (1,2,3,9,10,12) Increased cost liabilities e.g. water course maintenance, land charges, legacy MMI claims, golf course (1,2,3,9,10,12) failure to manage budgets (1) failure to manage investments (4) missing key business funding opportunities (5, 6) Failure to maximise incentive funding (i.e. new homes bonus, council tax, benefits admin, RTB's one for one replacement) (6) Disabled Facilities Grants - increased demand / costs not in line with grant levels impacting on other funding sources (6) recession increase impact on services required (i.e. capacity, finance, recovery levels) (7,8,14) failure of an existing contractor (9) Technical reform of Council Tax and other welfare reform changes (Universal Credit, Housing Allowances etc) wef 1/4/13 and the potential impact on collection levels/write offs (14, 15) Business rates retention wef 1/4/13 - local collection levels will directly on the councils budget (14,15) Reduced income corporately due to welfare reform changes (including council tax support scheme) - impact on council tax, rent income etc (14, 15) HRA regeneration projects & impact on business plan / wider regeneration project including town centre, car parks etc (16) Council tax support scheme - legal challenge (17)</p>
<p>Risk Notes</p>	

Risk Code	CPR1213_02	Risk Title	Reputation	Current Risk Status	
Description of Risk	Damage to Reputation				
Gross Risk Matrix		Risk Treatment Measures Implemented			
Gross Risk Score	9	Increased use of multi media to consult/communicate Members surgeries Celebrating success State of Tamworth debate PR & Communications Review of Tell Us Scheme Tamworth Listens Standards Ombudsmen report Monitoring of news stories Service delivery standards Contract monitoring Codes of conduct Policies and procedures Service Standards Training for all staff and members in media/press/use of social media Mystery shopper	Current Risk Score	6	
Gross Severity	3		Current Severity	2	
Gross Likelihood	3		Current Likelihood	3	
Gross Risk Review Date					
Consequences	erosion in trust and confidence service failure loss of income increased cost of working fall in satisfaction levels loss of public support claims in tribunal/personal liability loss of peer group credibility Increased scrutiny by government and auditors Failure to match social and political expectations failure to act on feedback crisis and major incident management failures failure to deliver minimum standards of service				
Vulnerabilities/causes	Failure to match social and political expectations failure to act on feedback crisis and major incident management failures failure to deliver minimum standards of service				
Last Risk Review Date	06 Mar 2013				


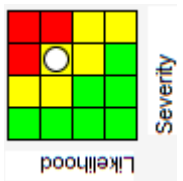
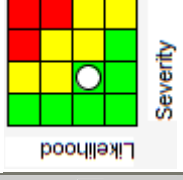
<p>Risk Notes</p>	<p>Third party supply chain failure non-compliance with legislation unethical practices by officers/members security breaches by officers/members personal actions by officers/members misuse of social media by officers/members</p>
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Risk Code	CPR1213_03	Risk Title	Governance & Regulatory Failure	Current Risk Status	
Description of Risk	Failure to achieve adequate Governance Standards and statutory responsibilities			Assigned To	Jane Hackett; John Wheatley
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	9	Regular review & update of Financial guidance (1)		Current Risk Score	4
Gross Severity	3	Audit & Governance Committee in place, including Standards (2)		Current Severity	2
Gross Likelihood	3	Scrutiny Committees in place, including call in & questions at Council (3)		Current Likelihood	2
Gross Risk Review Date		Annual Governance Statement process / prepared (4)		Last Risk Review Date	14-Feb-2013
		Whistleblowing Policy and Counter Fraud and Corruption Strategy developed & communicated (5)			
		Section 151 functionality and Monitoring Officer in place / Scheme of Delegation (6)			
		Internal Audit function (7)			
		External Audit assessment / reviews (8)			
		Partnership Guidance Policy (9)			
		Managers Assurance Statements prepared annually (10)			
		Constitution - regular review (11)			
		Code of Conduct for members (12)			
		Relevant policies and procedures / Net Consent for policy management and acceptance (13)			
		Legislation training for officers and members / continual CPD and other training / regular legal updates (14)			
		development of member training plan / development of e learning solution (15)			
		Insurance policies for regulatory failure - officials indemnity, fidelity guarantee & libel and slander(16)			
		TULG - consultation, openness, accountability, probity (17)			
		Obligations under Environmental Protection Act and Public Health Act (18)			
		PDR process (19)			
		Electoral Process (20)			
		Forward Plan in place with key decisions highlighted, Committee meetings scheduled (21)			
		The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 (22)			
Consequences	non-compliance with legal requirements fraud				

	<p>poor performance damage to reputation prosecution, fines death or injury to public and/or staff audit criticism within Annual Audit Letter / accounts qualified poor inspection comments legal challenge Ultra vires Financial impact / exposure from poor decisions arising from uninformed decision making process Increased demand for resource support from Members</p>
<p>Vulnerabilities/causes</p>	<p>Lack of training / knowledge - officers and member (14, 15) lack of documented procedures (1) lack of commitment from officers and members (6, 12) failure to understand the importance of key decisions (14, 15) Inadequate governance process in place (1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21,22) Lack of accountability (5, 6, 7, 8, 12, 19, 20) Non compliance with legislation (6, 14, 18) fraud (1, 5, 6) Poor performance (19) failure to manage or be aware of legal responsibilities/changes to legislation (6, 14, 15) lack of resources(3) loss of key staff / members (20) inappropriate decision making (6, 14, 15) Changes to political control (20)</p>
<p>Risk Notes</p>	<p>Localism Act, Welfare Benefit reform,</p>

Risk Code	CPR1213_04	Risk Title	Partnership Working and Supply Chain Challenges	Current Risk Status	
Description of Risk	Failure in partnership working, shared services or supply chain			Assigned To	Andrew Barratt; Rob Mitchell
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	9	Procurement: section, contracts register, quick quote process / Procurement guidance updated / intranet		Current Risk Score	4
Gross Severity	3	Partnership Governance Policy and training on the policy in place - refreshed in 2012		Current Severity	2
Gross Likelihood	3	Partnership arrangements in place, eg contracts, shared service agreements Effective contract/partnership monitoring Business Continuity plans in place Risks identified and managed Constitutions in place for some partnerships TBC Business Continuity Group Adequate terms of reference Adherence to contracts register		Current Likelihood	2
Gross Risk Review Date				Last Risk Review Date	26 Feb 2013
Consequences	<p>Services not delivered Damage to reputation Loss of knowledge, intellectual property and other assets Loss of quality service Criticism from external auditors/assessors Customer dissatisfaction Lack of resources Workforce opposition High exit costs Costs not reduced Efficiencies not gained Waste not eliminated Regulations not met</p>				
Vulnerabilities/causes	<p>Failure to meet service delivery expectations Partner has financial failure Supplier incident eg data loss, governance issue Service delivery collapses during wide spread major incident Third party supply chain failure Partner under performs</p>				

	<p>Failure to assess and manage the risks arising from the use of third parties Failure to set and manage contractual conditions and performance targets Failure to get management support Staff turnover increases Poor, incomplete knowledge transfer Scope of change too narrow/too broad benefits not realised Political change of policy</p>
Risk Notes	Partnerships in place - waste, health & safety, Economic Development, Building Control, Strategic Partnership, Housing Repairs, IT service desk

Risk Code	CPR1213_05	Risk Title	Emergency & Crisis Response Threats	Current Risk Status	
Description of Risk	Failure to manage an external or internal emergency/disaster situation			Assigned To	Andrew Barratt; Nicki Burton
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	9	Emergency Plan in place		Current Risk Score	4
Gross Severity	3	Emergency planning training completed at various levels		Current Severity	2
Gross Likelihood	3	Business Continuity Plans in place		Current Likelihood	2
Gross Risk Review Date		Insurance cover in place to cover exposure to financial loss.		Last Risk Review Date	26 Feb 2013
		Advice and guidance on Risk Management and Business Continuity on the intranet			
		Emergencies advice available on website			
		Building - fire prevention controls in place and tested on a regular basis			
		Adequate physical security controls in place and reviewed on a regular basis			
		IT business continuity plan in place and tested on a regular basis			
		Service impact analysis completed to rank priority of services			
		Corporate business continuity plan in place			
		All communication plans tested on a regular basis			
		Emergency plan tested on a regular basis			
		Business Continuity Group			
		Membership of Staffordshire CCU & Resilience Forum			
		Effective communication /ICT tools/ infrastructure eg mobile phones, laptops			
		Represented at newly formed CCU Strategic Leaders Meeting			
		Success no notice tests			
		Learning from actual events i.e. corporate system failure Dec 12			
Consequences	Services not delivered				
	Damage to reputation				
	Civil Contingency Act requirements not met				
	Death				
	Destruction of property				
	Damage to the environment				
	Adverse affect on vulnerable groups				
	Public expectations of service delivery not met				
	Increased costs for alternative service delivery				
Vulnerabilities/causes	Lack of integrated emergency arrangements making it difficult to react quickly to a disaster and provide the required support and essential service in line with the requirements of the Civil Contingencies Act.				


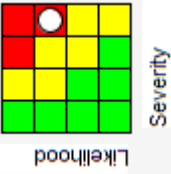

	<p>Failure to test plans Failure to undertake training Plans not activated plans do not accurately identify the staffing/resources required</p>
Risk Notes	<p>Current risks and scoring matrix still accurate and fit for purpose</p>

Risk Code	CPR1213_06	Risk Title	Economic Changes	Current Risk Status	
Description of Risk	Failure to plan and adapt services to economic changes within the community				
Gross Risk Matrix		Risk Treatment Measures Implemented			
Gross Risk Score	6	Link to CPR1213_01 - financial control (1)			
Gross Severity	3	Strategic Priority - Aspire & Prosper (performance monitored, addressed) (2)			
Gross Likelihood	2	Keep up to date with central government communications (3) Adapt to downturn in economy - Tamworth Community Advice Network (TamworthCAN) (3) Economic Bulletin distributed to management - shows regional and local Management networks and leadership meetings (5) Support to local businesses - including through local Procurement (quick quote) (6) Think Local (7) Business and Economic Partnership (8) Place Group / Tamworth Strategic Partnership (9) Solutions for Business (10) External funding streams explored (Portas, GBSLEP) (11) Medium term financial plan (12) Zero based budgeting approach to Income targets (13) Regular review of business plans (14) Economic Strategy (15) GBSLEP including Business Rate reform / pooling (16) Local Plan (17) Local Investment Plan (18) Local Transport Board (GBSLEP) (19) Housing Regeneration projects / review including wider Town Centre regeneration (20) Plan for Welfare reform - discuss with partner agencies via the TSP			
Gross Risk Review Date		Last Risk Review Date 14-Feb-2013			
Assigned To	Stefan Garner; Rob Mitchell				
Consequences	Lack of Town Centre development / prosperity No external funding to aid economy and growth Economic prosperity declines Detrimental effect on housing market People leave the borough				


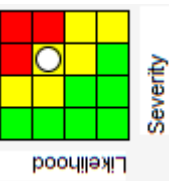
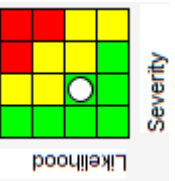
	<p>Increased demand for social housing Impact on Council income Increased costs to Council services due to increased demand Reduced income corporately due to welfare reform changes (including council tax support scheme) - impact on business rates, council tax, rent income, car parking, planning etc</p> <p>Failure to recognise economic changes (1, 2) Sudden economic downturn affecting businesses, jobs, housing etc (2, 3, 6, 8, 9, 15) Loss of major employer in the region (3) Failure to recognise opportunities (11, 15, 16) Rapid increase in inflation (1, 12) Changes in government funding/grants (3, 12) Collapse / decline of the property market (2, 8, 15, 16, 17, 18, 19, 20) Change of government (18, 19) Under achievement of development/investment (15, 16, 17, 18, 19, 20)</p>
Vulnerabilities/causes	
Risk Notes	

Risk Code	CPR1213_07	Risk Title	Information Management & Information Technology	Current Risk Status	
Description of Risk	Failure to secure and manage data and IT infrastructure			Assigned To	Nicki Burton; John Wheatley
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	12	Network security Physical security Security Policy, Information Security Manual Data Protection compliance and training GCSX Environmental controls Established protocols Security of data EDRMS implementation Data limits Business Continuity Plans Disaster Recovery Plan Virtual servers Web based systems Home working ISO27001 Back ups Annual penetration tests ISO20000 Improved Business Continuity with reciprocal arrangements at Walsall		Current Risk Score	9
Gross Severity	4			Current Severity	3
Gross Likelihood	3			Current Likelihood	3
Gross Risk Review Date				Last Risk Review Date	14-Feb-2013
Consequences	Fine Reputational damage Potential imprisonment Physical harm to staff Consequence for members of the public if their personal data lost/stolen Loss of key management information Inability to deliver services potential loss of income				
Vulnerabilities/causes	Insecure IT equipment Human error / loss of personal data Loss of equipment/data				


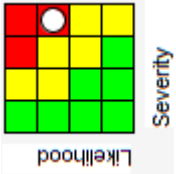

	Theft Equipment failure Hacking / Viruses Agile working trials / flexible working project Corporate Change Project
Risk Notes	


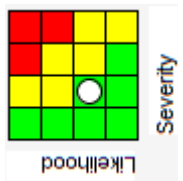
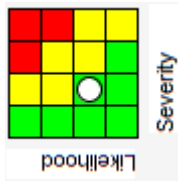
Risk Code	CPR1213_08	Risk Title	Loss of Community Cohesion	Current Risk Status	
Description of Risk	Failure to achieve community cohesion	Risk Treatment Measures Implemented		Assigned To	Rob Barnes; Rob Mitchell
Gross Risk Matrix				Current Risk Matrix	
Gross Risk Score	12	No change to front line services		Current Risk Score	6
Gross Severity	4	Locality working ASB Policy		Current Severity	2
Gross Likelihood	3	Partnership working Financial Inclusion Policy Community Engagement Stronger Communities Group Corporate consultation database Services proactive in engaging communities Data and intelligence used to inform service planning Community cohesion awareness Capacity building projects & initiatives Impact assessments used Horizon scanning Big Society/Localism impact Stronger Communities Partnership Responsible Authorities Group Development of ASB hub Links with Police Community Cohesion Audit Tamworth Strategic Partnership Strategic priority Total Place		Current Likelihood	3
Gross Risk Review Date				Last Risk Review Date	26 Feb 2013
Consequences	Long term costs Not meeting/understanding users needs Increase in crime and disorder Poor use of funding Increased tensions in the community No community commitment/ownership to the authorities vision Low level of community cohesion Fear of perception of crime Failure to meet demand				
Vulnerabilities/causes	Economic recession				


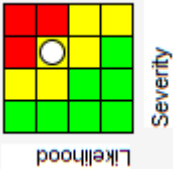

<p>Risk Notes</p>	<p>Poverty Welfare reforms Services withdrawn Big Society does not take off Communities become fragmented Increase in ASB Increase in financial deprivation Lack of interest from the public Poor communication Poor engagement mechanisms at corporate and service level Limited understanding of good engagement process Housing and regeneration projects - change mgt</p>




Risk Code	CPR1213_09	Risk Title	Workforce Planning Challenges	Current Risk Status	
Description of Risk	Failure to manage workforce planning challenges			Assigned To	Anica Goodwin; Tony Goodwin
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	9	Service reviews		Current Risk Score	4
Gross Severity	3	Regular communication		Current Severity	2
Gross Likelihood	3	Workforce and succession planning		Current Likelihood	2
Gross Risk Review Date		Core brief		Last Risk Review Date	06 Mar 2013
		Staff AGM			
		PDR process to ensure skill development requirements are being addressed			
		HR policies and procedures in place			
		Post entry training to qualify staff in key areas			
		Absence management policy, healthshield and occupational health			
		Market supplement policy for either retention or recruitment of necessary skills			
		Managers review of resource capabilities/capacity for business continuity purposes			
		Relationship with Trade Unions (TULG)			
		Management awareness of risk impact of reduced staffing			
		Corporate change programme			
		Pre employment checks			
Consequences	<p>Strain on remaining staff</p> <p>Risk to service delivery</p> <p>Industrial action</p> <p>Budget misalignment</p> <p>Increase in fraud</p> <p>Wrong messages sent out</p> <p>Potential increase in employment tribunal cases</p> <p>increased number of grievances from staff</p> <p>increase in absenteeism</p> <p>Inability to respond to change agenda</p> <p>inability to align skill levels to new working methods</p> <p>Unable to recruit staff</p>				
Vulnerabilities/causes	<p>Staff become overloaded</p> <p>Low morale has impact on service delivery</p> <p>Industrial unrest</p>				

	<p>Redundancies lead to additional future costs Failure to communicate effectively Small authority with specialised staff Sickness levels remain too high leaving vulnerable skills gaps Pay and conditions below market conditions for skills required</p>
Risk Notes	

Risk Code	CPR1213_10	Risk Title	Health & Safety	Current Risk Status	
Description of Risk	Failure to manage Health & Safety			Assigned To	Andrew Barratt; Anica Goodwin
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	12	Policies in place		Current Risk Score	6
Gross Severity	4	Training completed		Current Severity	3
Gross Likelihood	3	Health and Safety groups		Current Likelihood	2
Gross Risk Review Date		Risk assessments completed		Last Risk Review Date	06 Mar 2013
Consequences		Inspections completed			
		Personal safety equipment provided			
		Lone working policy and practices			
		PVP register			
		Fire alarm tests and evacuation tests			
		Regular update meetings with H&S officers and ACE Audits			
Vulnerabilities/causes		Corporate manslaughter			
		Fines			
		Negative publicity			
		insurance claims			
		death/injury			
		Non-compliance with legislation			
		lack of health and safety awareness			
		short cuts/ poor working practices			
		Personal safety equipment not used			
		risks not identified and or managed			
		inspections/tests not completed			
Risk Notes	H&S audit carried out highlighting some high priority areas. Support action plan to be implemented				
	Regular updates with SL/JH/AG				
	Regular updates by AG with JH and SL				
	Updates to CMT				

Risk Code	CPR1213_11	Risk Title	Corporate Change	Current Risk Status	
Description of Risk	Failure to manage corporate change				
Gross Risk Matrix		Risk Treatment Measures Implemented			
Gross Risk Score	4	Programme Plan	Current Risk Score	4	
Gross Severity	2	Pool of trained resources	Current Severity	2	
Gross Likelihood	2	Structured programme	Current Likelihood	2	
Gross Risk Review Date	16-Jan-2012	Dedicated Programme Manager	Last Risk Review Date	06 Mar 2013	
Consequences	<p>Return on investment not made</p> <p>Reputation</p> <p>Failure to implement agile working environment</p> <p>Savings are not made</p> <p>Budget not balanced</p> <p>Weak management</p> <p>Weak governance</p> <p>No executive management support</p> <p>Insufficient corporate skills and capacity</p> <p>Failure to retain staff</p>				
Vulnerabilities/causes	<p>Transforming Tamworth, Support Services Review, Health Impact Assessments</p>				
Risk Notes					

Risk Code	CPR1213_12	Risk Title	Safeguarding Children & Vulnerable Adults	Current Risk Status	
Description of Risk	Failure to safeguard children and vulnerable adults			Assigned To	Jane Hackett; Rob Mitchell
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	9	Safeguarding policy adopted		Current Risk Score	6
Gross Severity	3	Clear procedures for reporting and dealing with disclosure		Current Severity	3
Gross Likelihood	3	Annual section 11 audit – 2012 completed		Current Likelihood	2
Gross Risk Review Date	16-Jan-2012	Appropriate risk assessments to identify vulnerability in customers/residents		Last Risk Review Date	26 Feb 2013
Consequences	Death, serious injury Legal challenge for lack of compliance with legislation Loss of reputation Financial costs of review and insurance claims Prosecution Increase in inspection	Senior leadership commitment with designated officers Policy implemented with training for appropriate staff Safe recruitment process – needs updating Supervision of staff, contractors and volunteers			
Vulnerabilities/causes	Non-compliance with legislation Lack of appropriate policy and procedures Low awareness amongst staff Lack of joined up case management Case management systems unable to share data or support risk management partner agencies not delivering services lack of appropriate services lack of reporting incidents considered trivial Other organisation's not delivering the service – gaps in service provision for adults in need				
Risk Notes					

Risk Code	CPR1213_13	Risk Title	Golf Course - Future Options	Current Risk Status	
Description of Risk	Failure to plan for future options				
Gross Risk Matrix		Risk Treatment Measures Implemented			
Gross Risk Score	12			Current Risk Score	9
Gross Severity	3	Considering future options including legal implications - following liquidation (1) Regular updates on financial situation with executive management (2)		Current Severity	3
Gross Likelihood	4	Regular updates with contractor on progress on enhancements/improvements (3) Business continuity in place (4)		Current Likelihood	3
Gross Risk Review Date		Golf Course Action plan in place & Project Group established including insurance/security (5) Communications Plan developed (6) Contingencies in place (7)		Last Risk Review Date	14-Feb-2013
Consequences	Reputational damage Additional costs to the Council Reduced income to the Council Failure of service Customer expectations not met Non-compliance with planning requirements				
Vulnerabilities/causes	Financial stability of contractor - liquidation implications (1) Financial impact - for MTFS (1, 7) Reputation / negative press (2, 6) Asset/Site security & Insurance arrangements (5) Remedial works to course / buildings (1, 2, 3, 5)				
Risk Notes					

Risk Code	CPR1213_14	Risk Title	Impact of Government Austerity measures and new legislative requirements	Current Risk Status	
Description of Risk				Assigned To	Tony Goodwin
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	12			Current Risk Score	8
Gross Severity	4	Regular updates Monitoring		Current Severity	4
Gross Likelihood	4	Dedicated website for Housing benefit changes to inform customers Consultation with customers over CT changes Financial profiling		Current Likelihood	2
Gross Risk Review Date				Last Risk Review Date	11-Mar-2013
Consequences	<p>Unable to maintain rent income/increase in rent income Social housing becomes unaffordable Delivery of new housing Realistic housing waiting lists <i>Social unrest - those unable to access social housing</i> Increase in benefit claimants Increase in fraud - Benefits, Business Rates, RTB, Council Tax, tenancy Increase in benefits overpayments Potential economic growth Maximise benefit entitlement & income generation Community run services - not provided, inappropriately run Processes lengthened through challenge CIL - investment in development areas</p>				
Vulnerabilities/causes	<p>Welfare reform - changes to social housing - flexibility in rent setting, short term fixed tenancies, pay to stay, use of RTB receipts for new housing New Homes Bonus Social housing allocations reform Cap to benefit levels, reduction in local housing allowances, increase in non dependant charge, universal credit Changes to business rates Changes to Council Tax Welfare Rights Fairer Charging Community right to challenge Community right to bid Changes to Planning system Community Infrastructure Levy</p>				

28TH MARCH 2013

REPORT OF THE HEAD OF INTERNAL AUDIT SERVICES

FRAUD AND CORRUPTION UPDATE REPORT

EXEMPT INFORMATION

None

PURPOSE

To provide Members with an update of Counter Fraud and Corruption work completed to date during the financial year 2012/13.

RECOMMENDATIONS

That the Committee endorses:

- 1 The attached updated Counter Fraud Work Plan, and**
- 2 The Fraud Risk Register**

EXECUTIVE SUMMARY

At its meeting of the 31st May 2012, this Committee endorsed the Counter Fraud and Corruption Policy Statement, Strategy and Guidance Notes which included a specific Internal Audit Counter Fraud Work Plan. As part of the strategy, progress against the plan is to be reported to this Committee on a regular basis. The updated work plan showing progress to date is shown in **Appendix 1**.

The Fraud Risk Register is reviewed quarterly and latest version is attached as **Appendix 2**. There are no significant fraud risks to the Authority.

Work has commenced on the data matches identified through the National Fraud Initiative (NFI) download completed in October 2012 with the results made available in January 2013.

RESOURCE IMPLICATIONS

None

LEGAL/RISK IMPLICATIONS BACKGROUND

None

SUSTAINABILITY IMPLICATIONS

None

BACKGROUND INFORMATION

None

REPORT AUTHOR

Angela Struthers ex 234

LIST OF BACKGROUND PAPERS

None

APPENDICES

Appendix 1 Internal Audit Counter Fraud Work Plan 2012/13

Appendix 2 Fraud Risk Register

TAMWORTH BOROUGH COUNCIL INTERNAL AUDIT COUNTER FRAUD WORK PLAN 2012/13

CREATING AN ANTI-FRAUD CULTURE		
OBJECTIVE	RISK	PROGRESS
<p>To build an anti-fraud culture through the adoption of various measures to promote counter fraud awareness by:</p> <ul style="list-style-type: none"> a) Roll out of the e learning package on governance (includes counter fraud & whistleblowing) b) Provide drop in sessions (if required) to staff and members c) Continue to make available counter fraud strategies/policies on the intranet/website 	<p>1. Failure to make staff, members and the public aware that their suspicions will be treated confidentially, objectively and professionally.</p>	<p>Roll out delayed to June 2014</p> <p>As required</p> <p>Completed – new versions on website and intranet</p>
RESOURCE (DAYS)		5

DETECTING FRAUD		
OBJECTIVE	RISK	PROGRESS
Review communications so that the most effective ways of communicating with staff are utilised.	A lack of robust strategic approach to deterring fraud can undermine actions to build an anti-fraud culture	On-going
		Resources (Days)

PREVENTING FRAUD		
OBJECTIVE	RISK	PROGRESS
Review the existing counter fraud policy statement, strategy and guidance notes and update and amend as appropriate.	Out of date policies and procedures which do not cover relevant legislation	Completed
Review financial guidance and update and amend as appropriate.	Out of date policies and procedures which do not cover relevant legislation	Completed – approved 25/10/12
Review and update the fraud risk register in line with potential system weaknesses identified during audits or investigations.	Potential risks not identified	Completed
Resources (Days)		12

DETECTING FRAUD		
OBJECTIVE	RISK	PROGRESS
Undertake enquiries as a result of the outcome of the Audit Commission's National Fraud Initiative	If not undertaken, there is a risk that the opportunity to abuse a system weakness may be heightened as the risk of being caught may be deemed negligible by the perpetrator.	On-going
Undertake local proactive exercises at the Authority as agreed with the Corporate Director Resources	If not undertaken, there is a risk that the opportunity to abuse a system weakness may be heightened as the risk of being caught may be deemed negligible by the perpetrator.	Not yet identified
Resources (Days)		12

INVESTIGATIONS		
OBJECTIVE	RISK	PROGRESS
<p>All referrals will be investigated in accordance with the Counter Fraud and Corruption Policy Statement and Strategy.</p>	<p>The risk of not investigating is that fraud goes unpunished and there is no resulting deterrent effect thus increasing the prevalence of fraud further.</p> <p>The staff (or others) making the allegation feel they are not taken seriously and referrals cease to be made.</p>	<p>On-going</p>
Resources (Days)		20

SANCTIONS		
OBJECTIVE	RISK	PROGRESS
Ensure that the sanctions are applied correctly and consistently.	If sanctions are not imposed there is no deterrence of fraud.	As required
Resources (Days)		

REDRESS		
OBJECTIVE	RISK	PROGRESS
<p>Maintain comprehensive records of time spent on each investigation so that this can be included in any compensation claim.</p> <p>Identify and maintain a record of the actual proven amount of loss so that appropriate recovery procedures can be actioned.</p>	<p>Fraudsters may not realise that any and all measures will be taken to recover any money lost to fraud.</p>	<p>As required</p>
		Resources (Days)

MANDATORY COUNTER FRAUD ARRANGEMENTS (STRATEGIC WORK)		
OBJECTIVE	RISK	PROGRESS
Attendance at relevant fraud forums/meetings to ensure that professional knowledge and skills are maintained.	Failure to ensure the completion of mandatory strategic work may mean that the professional knowledge and skills are not maintained to a high standard.	Completed
Completion and agreement of work plan.		On-going
Regular meetings with the Corporate Director Resources.		Completed
Quarterly report of counter fraud work.		Completed
Attendance at relevant training as required.		On-going
Resources (Days)		5
TOTAL RESOURCES (Days)		54


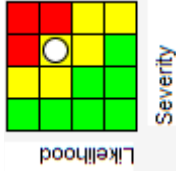
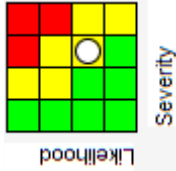
fraud risks

Generated on: 13 March 2013



Risk Code	RR RDIAFC001	Risk Title	Benefits fraud - claimant	Current Risk Status	
Description of Risk	Claimant fraudulently claims benefits				
Gross Risk Matrix			Risk Treatment Measures Implemented		
Gross Risk Score	12	trained staff media coverage - forms, TV radio data matching internal audit documentary evidence		Current Risk Score	8
Gross Severity	3			Current Severity	2
Gross Likelihood	4			Current Likelihood	4
Gross Risk Review Date				Last Risk Review Date	20-Feb-2013
Risk Notes					

Risk Code	RR RDIAFC002	Risk Title	Benefits fraud - third party eg landlord	Current Risk Status	
Description of Risk	fraudulent claim by third party			Assigned To	
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	4	trained staff media coverage - forms, TV radio Data matching Internal Audit Supervisory checks Documentary evidence		Current Risk Score	4
Gross Severity	2		Current Severity	2	
Gross Likelihood	2		Current Likelihood	2	
Gross Risk Review Date			Last Risk Review Date	20-Feb-2013	
Risk Notes					

Risk Code	RR RDIAFC003	Risk Title	Benefits fraud - internal	Current Risk Status	
Description of Risk	Fraudulent claim by member of staff			Assigned To	
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	9	recruitment checks data matching supervisory checks system controls audit trails internal audit		Current Risk Score	6
Gross Severity	3		Current Severity	3	
Gross Likelihood	3		Current Likelihood	2	
Gross Risk Review Date			Last Risk Review Date	20-Feb-2013	
Risk Notes					

Risk Code	RR RDIAFC004	Risk Title	Cash theft	Current Risk Status	
Description of Risk	theft of takings disguised by manipulation of accounts				
Gross Risk Matrix		Risk Treatment Measures Implemented	Current Risk Matrix		
Gross Risk Score	4	reconciliations supervisory checks policies and procedures financial regulations and guidance segregation of duties budgetary controls internal audit confidential reporting policy fraud & corruption strategy	Current Risk Score	2	
Gross Severity	2		Current Severity	2	
Gross Likelihood	2		Current Likelihood	1	
Gross Risk Review Date			Last Risk Review Date	20-Feb-2013	
Risk Notes					

Risk Code	RR RDIAFC005	Risk Title	Cash theft	Current Risk Status	
Description of Risk	theft of cash without disguise				
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	4	reconciliations supervisory checks policies and procedures financial regulations segregation of duties budgetary controls internal audit confidential reporting policy fraud & corruption strategy physical controls		Current Risk Score	1
Gross Severity	2		Current Severity	1	
Gross Likelihood	2		Current Likelihood	1	
Gross Risk Review Date				Last Risk Review Date	20-Feb-2013
Risk Notes					

Risk Code	RR RDIAFC006	Risk Title	Credit Income	Current Risk Status	
Description of Risk	suppression of any notification of debt to be raised improper write-off failing to institute recovery proceedings switching/transferring arrears or manipulation of credit balances				
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	4			Current Risk Score	2
Gross Severity	2	reconciliations budgetary controls internal audit write off policy authorisation levels audit trail debt recovery procedures supervisory controls review of credit balances and suspense items		Current Severity	2
Gross Likelihood	2			Current Likelihood	1
Gross Risk Review Date				Last Risk Review Date	20-Feb-2013
Risk Notes					

Risk Code	RR RDIAFC007	Risk Title	Creditor payments	Current Risk Status		
Description of Risk	invoicing for goods/services not supplied/false invoices supplying inferior goods/services to those invoiced					
Gross Risk Matrix		Risk Treatment Measures Implemented				
Gross Risk Score	6	authorisation procedures reconciliations audit trail segregation of duties financial guidance inventories			Current Risk Score	2
Gross Severity	3				Current Severity	2
Gross Likelihood	2				Current Likelihood	1
Gross Risk Review Date		Last Risk Review Date			20-Feb-2013	
Risk Notes						

Risk Code	RR RDIAFC008	Risk Title	Treasury management	Current Risk Status	
Description of Risk	falsifying records to gain access to loan or investment monies			Assigned To	
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	12	management controls		Current Risk Score	6
Gross Severity	4	segregation of duties		Current Severity	3
Gross Likelihood	3	internal audit		Current Likelihood	2
Gross Risk Review Date		authorised signatories		Last Risk Review Date	20-Feb-2013
Risk Notes		budgetary controls			
		preferred/approved borrowers			
		audit trail			
		documented procedures			

Risk Code	RR RDIAFC009	Risk Title	Contracts/procurement	Current Risk Status	
Description of Risk	improper award of contracts				
Gross Risk Matrix		Risk Treatment Measures Implemented		Assigned To	
Gross Risk Score	12	financial regulations standing orders procurement specialist OJEU regulations authorised signatories management controls segregation of duties tendering system		Current Risk Score	6
Gross Severity	4		Current Severity	3	
Gross Likelihood	3		Current Likelihood	2	
Gross Risk Review Date				Last Risk Review Date	20-Feb-2013
Risk Notes					

Risk Code	RR RDIAFC010	Risk Title	Contracts/procurement	Current Risk Status	
Description of Risk	contract not delivered properly contractor overpaid				
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	12			Current Risk Score	6
Gross Severity	4	contract conditions contract monitoring legal advice internal audit		Current Severity	3
Gross Likelihood	3			Current Likelihood	2
Gross Risk Review Date				Last Risk Review Date	20-Feb-2013
Risk Notes					

Risk Code	RR RDIAFC01.1	Risk Title	Contracts/procurement	Current Risk Status	
Description of Risk	collusion with contractors and/or acceptance of bribes			Assigned To	
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	12	authorised signatories		Current Risk Score	6
Gross Severity	4	management controls		Current Severity	3
Gross Likelihood	3	segregation of duties		Current Likelihood	2
Gross Risk Review Date		register of interests		Last Risk Review Date	20-Feb-2013
Risk Notes	confidential reporting policy gifts and hospitality policy				

Risk Code	RR RDIAFC012	Risk Title	Contracts/procurements	Current Risk Status	
Description of Risk	collusion by tenderers			Assigned To	
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	16			Current Risk Score	8
Gross Severity	4			Current Severity	4
Gross Likelihood	4	benchmarking tendering procedures		Current Likelihood	2
Gross Risk Review Date				Last Risk Review Date	20-Feb-2013
Risk Notes					

Risk Code	RR RDIAFC013	Risk Title	Payroll	Current Risk Status	
Description of Risk	payment to non-existent employees			Assigned To	
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	2	management checks establishment list budget monitoring segregation of duties data matching authorisation process		Current Risk Score	3
Gross Severity	2		Current Severity	3	
Gross Likelihood	1		Current Likelihood	1	
Gross Risk Review Date			Last Risk Review Date	20-Feb-2013	
Risk Notes					

Risk Code	RR RDIAFC014	Risk Title	Payroll	Current Risk Status	
Description of Risk	over claiming hours worked				
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	6			Current Risk Score	2
Gross Severity	2	management checks budget monitoring authorisation process time records		Current Severity	1
Gross Likelihood	3			Current Likelihood	2
Gross Risk Review Date				Last Risk Review Date	20-Feb-2013
Risk Notes					

Risk Code	RR RDIAFC015	Risk Title	Payroll	Current Risk Status	
Description of Risk	manipulation of standing data			Assigned To	
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	6	system access controls system administrator segregation of duties management controls internal audit		Current Risk Score	2
Gross Severity	3		Current Severity	2	
Gross Likelihood	2		Current Likelihood	1	
Gross Risk Review Date			Last Risk Review Date	20-Feb-2013	
Risk Notes					


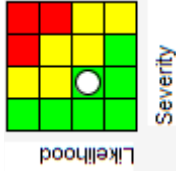
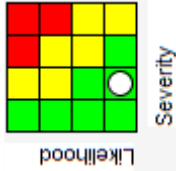
Risk Code	RR RDIAFC016	Risk Title	Assets	Current Risk Status	
Description of Risk	Theft of current assets				
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	6			Current Risk Score	4
Gross Severity	2	stock checks restricted access		Current Severity	2
Gross Likelihood	3	segregation of duties inventories		Current Likelihood	2
Gross Risk Review Date				Last Risk Review Date	20-Feb-2013
Risk Notes					




Risk Code	RR RDIAFC017	Risk Title	Assets	Current Risk Status	
Description of Risk	Theft of fixed assets			Assigned To	
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	9			Current Risk Score	4
Gross Severity	3	restricted access asset tagging inventories staff awareness		Current Severity	2
Gross Likelihood	3			Current Likelihood	2
Gross Risk Review Date				Last Risk Review Date	20-Feb-2013
Risk Notes					

Risk Code	RR RDIAFC018	Risk Title	Assets	Current Risk Status	
Description of Risk	Theft of Council information/intellectual property				Assigned To
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	12	encryption staff awareness passwords access controls restricted access to building security policy ISO27001		Current Risk Score	8
Gross Severity	4			Current Severity	4
Gross Likelihood	3			Current Likelihood	2
Gross Risk Review Date				Last Risk Review Date	20-Feb-2013
Risk Notes					

Risk Code	RR RDIAFC019	Risk Title	Assets	Current Risk Status	
Description of Risk	Inappropriate use fo Council assets for private use			Assigned To	
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	8			Current Risk Score	6
Gross Severity	2	register of interests financial guidance management controls induction process security policy user reports eg internet, telephone		Current Severity	2
Gross Likelihood	4			Current Likelihood	3
Gross Risk Review Date				Last Risk Review Date	20-Feb-2013
Risk Notes					

Risk Code	RR RDIAFC020	Risk Title	Petty cash/imprest accounts	Current Risk Status	
Description of Risk	Theft of takings disguised by manipulation of accounts				
Gross Risk Matrix		Risk Treatment Measures Implemented			
Gross Risk Score	2	segregation of duties management checks reconciliations authorised signatories impresst values kept to a minimum annual certificate			Current Risk Score
Gross Severity	1				Current Severity
Gross Likelihood	2				Current Likelihood
Gross Risk Review Date					Last Risk Review Date
Risk Notes					

Risk Code	RR RDIAFC021	Risk Title	Sheltered schemes	Current Risk Status	
Description of Risk	Theft of customer monies			Assigned To	
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	4			Current Risk Score	2
Gross Severity	2	segregation of duties reconciliations restricted access CRB checks		Current Severity	2
Gross Likelihood	2			Current Likelihood	1
Gross Risk Review Date				Last Risk Review Date	20-Feb-2013
Risk Notes					

Risk Code	RR RDIAFC022	Risk Title	Expenses claims	Current Risk Status	
Description of Risk	claiming expenses for journeys not undertaken claiming for more miles than actually travelled			Assigned To	
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	6			Current Risk Score	4
Gross Severity	2	management checks		Current Severity	2
Gross Likelihood	3	authorisation procedures		Current Likelihood	2
Gross Risk Review Date		internal audit		Last Risk Review Date	20-Feb-2013
Risk Notes					

Risk Code	RR RDIAFC023	Risk Title	Corruption	Current Risk Status	
Description of Risk	Contracts - tendering, awarding and payment			Assigned To	
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	12	management checks register of interests constitution procurement unit legislation tendering system standing orders/financial regulations		Current Risk Score	6
Gross Severity	4		Current Severity	3	
Gross Likelihood	3		Current Likelihood	2	
Gross Risk Review Date			Last Risk Review Date	20-Feb-2013	
Risk Notes					

Risk Code	RR RDIAFC024	Risk Title	Corruption	Current Risk Status	
Description of Risk	disposal of assets - land and property			Assigned To	
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	6			Current Risk Score	3
Gross Severity	3	constitution asset management plan		Current Severity	3
Gross Likelihood	2	asset disposal policy asset register segregation of duties		Current Likelihood	1
Gross Risk Review Date				Last Risk Review Date	20-Feb-2013
Risk Notes					

Risk Code	RR RDIAFC025	Risk Title	Corruption	Current Risk Status	
Description of Risk	Award of planning consents and licences				
Gross Risk Matrix		Risk Treatment Measures Implemented	Current Risk Matrix		
Gross Risk Score	9	planning approval process segregation of duties delegated powers constitution legislation	Current Risk Score		
Gross Severity	3		3		
Gross Likelihood	3		Current Likelihood		
Gross Risk Review Date			1		
Risk Notes				Last Risk Review Date	20-Feb-2013




Risk Code	RR RDIAFC026	Risk Title	Corruption	Current Risk Status	
Description of Risk	Acceptance of gifts, hospitality, secondary employment			Assigned To	
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	6			Current Risk Score	4
Gross Severity	2	gifts and hospitality policy gifts and hospitality register		Current Severity	2
Gross Likelihood	3	NFI constitution contract of employment		Current Likelihood	2
Gross Risk Review Date				Last Risk Review Date	20-Feb-2013
Risk Notes					

Risk Code	RR RDIAFC027	Risk Title	Car parking	Current Risk Status	
Description of Risk	theft of takings disguised by manipulation of accounts theft of taking without disguise recycling of tickets				
Gross Risk Matrix		Risk Treatment Measures Implemented			
Gross Risk Score	9				Current Risk Score
Gross Severity	3	budget monitoring audit trail reconciliations			Current Severity
Gross Likelihood	3				Current Likelihood
Gross Risk Review Date					Last Risk Review Date
Risk Notes	20-Feb-2013				

Risk Code	RR RDIAFC028	Risk Title	Money laundering	Current Risk Status	
Description of Risk	Using the council to hide improper transactions				
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	8			Current Risk Score	4
Gross Severity	4	raised awareness money laundering policy training of officers upper limit for cash transactions		Current Severity	2
Gross Likelihood	2			Current Likelihood	2
Gross Risk Review Date				Last Risk Review Date	20-Feb-2013
Risk Notes					

Risk Code	RR RDIAFC029	Risk Title	ICT fraud & abuse	Current Risk Status	
Description of Risk	Improper use of council ICT equipment			Assigned To	
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	12	internet use policy surf control access controls management reports on internet usage software audit facility ISO27001 standard		Current Risk Score	9
Gross Severity	4		Current Severity	3	
Gross Likelihood	3		Current Likelihood	3	
Gross Risk Review Date			Last Risk Review Date	20-Feb-2013	
Risk Notes					

Risk Code	RR RDIAFC030	Risk Title	Employee - general	Current Risk Status	
Description of Risk	Abuse of flexi system falsification of car loans				
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	6	flexible working policy management checks time recording systems flexi records car inspection reports independent valuations		Current Risk Score	4
Gross Severity	2			Current Severity	2
Gross Likelihood	3			Current Likelihood	2
Gross Risk Review Date				Last Risk Review Date	20-Feb-2013
Risk Notes					

Risk Code	RR RDIAFC031	Risk Title	Payment of grants to the public	Current Risk Status	
Description of Risk	claiming for properties which are not owned claimants understating income over claiming the value of the work done			Assigned To	
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	12	grant criteria		Current Risk Score	6
Gross Severity	4	grant assessments land registry checks		Current Severity	3
Gross Likelihood	3	quotes for work segregation of duties inspections management checks		Current Likelihood	2
Gross Risk Review Date				Last Risk Review Date	20-Feb-2013
Risk Notes					

Risk Code	RR RDIAFC032	Risk Title	Insurance claims	Current Risk Status		
Description of Risk	Claiming for non existent injuries Claiming at another establishment for the same injury overclaiming					
Gross Risk Matrix		Risk Treatment Measures Implemented				
Gross Risk Score	9				Current Risk Score	4
Gross Severity	3	Insurance brokers			Current Severity	2
Gross Likelihood	3	claim forms			Current Likelihood	2
Gross Risk Review Date		NFI			Last Risk Review Date	20-Feb-2013
Risk Notes						

Risk Code	RR RDIAFC033	Risk Title	Loans & Investments	Current Risk Status	
Description of Risk	Misappropriation of funds Fraudulent payment or investment of funds			Assigned To	
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	12	Written procedures segregation of duties authorisation process counterparty listing reconciliations treasury management policy treasury management strategy access controls internal audit		Current Risk Score	4
Gross Severity	4			Current Severity	2
Gross Likelihood	3			Current Likelihood	2
Gross Risk Review Date				Last Risk Review Date	20-Feb-2013
Risk Notes					

Risk Code	RR RDIAFC034	Risk Title	Council Tax & NNDR	Current Risk Status	
Description of Risk	<p>Fictitious refunds duplicate bank accounts intercepting income suppressing arrears exemptions/discounts awarded incorrectly claimed fraudulently 3rd party collections stolen/misappropriated</p>				
Gross Risk Matrix					
Gross Risk Score	9	Risk Treatment Measures Implemented			
Gross Severity	3	<p>separation of duties management/supervisory checks access controls authorisation processes reconciliations review of suppressed recovery action interrogation reports void inspections discount/exemption reviews NFI</p>	Current Risk Score		
Gross Likelihood	3		Current Severity		
Gross Risk Review Date	14/02/2014				Current Likelihood
Risk Notes	<p>Last Risk Review Date 20-Feb-2013</p>				

Risk Code	RR RDIAFC035	Risk Title	Regeneration development corruption	Current Risk Status		
Description of Risk	<p>Developer awarded contracts for financial incentive Inducements for the granting of planning consents Contract granted to developer at a reduced price in exchange for cash payments to officers and members Backhanders to reduce restraints on developer</p>					
Gross Risk Matrix		Risk Treatment Measures Implemented				
Gross Risk Score	12				Current Risk Score	6
Gross Severity	4	Business cases project teams declaration interests Officers present minutes of meetings			Current Severity	3
Gross Likelihood	3				Current Likelihood	2
Gross Risk Review Date					Last Risk Review Date	20-Feb-2013
Risk Notes						

Risk Code	RR RDIAFC036	Risk Title	Housing allocations	Current Risk Status	
Description of Risk	Housing allocated for financial reward fraudulent allocation of property				
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	9			Current Risk Score	4
Gross Severity	3	separation of duties housing register management checks declaration of interests		Current Severity	2
Gross Likelihood	3			Current Likelihood	2
Gross Risk Review Date				Last Risk Review Date	20-Feb-2013
Risk Notes					

Risk Code	RR RDIAFC037	Risk Title	Elections	Current Risk Status	
Description of Risk	Fraudulent voting Fraudulent acts by canvassers				
Gross Risk Matrix		Risk Treatment Measures Implemented			
Gross Risk Score	12	supervisory roles at counts postal votes counts supervised access controls ballot box controls insurance pre employment checks supervisory checks	Current Risk Score		
Gross Severity	4		6		
Gross Likelihood	3		Current Severity		
Gross Risk Review Date			Current Likelihood		
Risk Notes			Last Risk Review Date		
			20-Feb-2013		

Risk Code	RR RDIAFC038	Risk Title	financial statements	Current Risk Status	
Description of Risk	the financial statements may be materially mis-stated due to fraud			Assigned To	
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	6			Current Risk Score	4
Gross Severity	3	Internal Audit financial guidance segregation of duties		Current Severity	2
Gross Likelihood	2			Current Likelihood	2
Gross Risk Review Date	18-Jun-2010			Last Risk Review Date	20-Feb-2013
Risk Notes					

Risk Code	RR RDIAFC039	Risk Title	Creditor payments	Current Risk Status	
Description of Risk	Fraudulent requests for creditor payments to be paid to different bank accounts				
Gross Risk Matrix		Risk Treatment Measures Implemented			
Gross Risk Score	9	Current Risk Score	4		
Gross Severity	3	Current Severity	2		
Gross Likelihood	3	Current Likelihood	2		
Gross Risk Review Date	30-Nov-2011	Last Risk Review Date	20-Feb-2013		
Risk Notes	Rigorous process to check authenticity of changes to creditor details				

Risk Code	RR RDIAFC040	Risk Title	External funding	Current Risk Status	
Description of Risk	Fraudulently using external funding			Assigned To	
Gross Risk Matrix		Risk Treatment Measures Implemented		Current Risk Matrix	
Gross Risk Score	1	Budget monitoring Management checks Financial regulations Independent verification Internal Audit		Current Risk Score	1
Gross Severity	1		Current Severity	1	
Gross Likelihood	1		Current Likelihood	1	
Gross Risk Review Date	12-Nov-2012		Last Risk Review Date	20-Feb-2013	
Risk Notes					

Risk Code	RR RDIAFC041	Risk Title	New starter	Current Risk Status	
Description of Risk	Fraudulent job application	Assigned To			
Gross Risk Matrix		Risk Treatment Measures Implemented			
Gross Risk Score	9	Current Risk Score			
Gross Severity	3	Current Severity			
Gross Likelihood	3	Current Likelihood			
Gross Risk Review Date		Last Risk Review Date			
Risk Notes	Evidence obtained of qualifications References taken up from past employers Recruitment Policy and process Identity checks completed				
	20-Feb-2013				

AUDIT & GOVERNANCE COMMITTEE

29TH MARCH 2013

Report of the Head of Internal Audit Services

INTERNAL AUDIT CHARTER AND PLAN 2013-2014

EXEMPT INFORMATION

None

PURPOSE

To advise Members of the proposed Internal Audit Charter and Plan for 2013-2014, to provide Members with assurance on the appropriate operation of Internal Audit.

RECOMMENDATION

That the Committee endorses the attached Internal Audit Charter and Plan 2013-2014 and raises any issues it deems appropriate.

EXECUTIVE SUMMARY

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. (IIA – UK & Ireland)

The consideration and approval of an appropriate Internal Audit Charter and Plan by Members is an important element in providing assurance to the organisation that adequate arrangements are in place to provide the expected independent, objective opinion. The Charter complies with the Public Sector Internal Audit Standards (effective 1st April 2013).

In accordance with good practice, the head of Internal Audit Services has consulted members of Corporate Management Team, to ensure current and proposed developments/projects and risks are identified, and has built these into an evaluation of the priority of the different potential areas for audit review. A proposed Audit Plan for 2013 – 14 is attached at **Appendix 2**. The Audit Plan constitutes the main operational delivery of the Internal Audit Service as part of its Internal Audit Charter which in turn sets out how the service proposes to meet statutory and professional requirements; the Charter is also attached as **Appendix 1**.

Members will recall that the Committee's Terms of Reference include the function to "receive, but not direct, internal audit's plan".

This report aims to provide members of the Committee with such an opportunity.

RESOURCE IMPLICATIONS

None

LEGAL/RISK IMPLICATIONS

If a thorough risk-assessed, adequately-resourced audit plan is not in place the authority will fail to comply with statutory requirements and will not be able to provide the appropriate assurance on the internal control environment. Internal Audit has reviewed the risks to the effective delivery of its functions and has in place appropriate steps to ensure delivery.

SUSTAINABILITY IMPLICATIONS

None

“If Members would like further information or clarification prior to the meeting please contact Angela Struthers, Head of Internal Audit Services on Ext. 234.”



APPENDIX 1

INTERNAL AUDIT CHARTER

Document Status: Draft

Originator: A Struthers

Updated: A Struthers

Owner: A Struthers

Version: 01.01.01

Date: 25/01/13

Document Location

This document is held by Tamworth Borough Council, and the document owner is Angela Struthers.

Printed documents may be obsolete. An electronic copy will be available on Authority's Intranet. Please check for current version before using.

Revision History

Revision Date	Version Control	Summary of changes
25/01/13	1.01.01	1 st draft

Approvals

Name	Title	Approved
Audit & Governance Committee	Committee Approval	
John Wheatley	Executive Director – Corporate Services	19/03/13
Angela Struthers	Head of Internal Audit Services	

Document Review Plans

This document is subject to a scheduled annual review. Updates shall be made in accordance with business requirements and changes and will be with agreement with the document owner.

Distribution

The document will be available on the Intranet and the website.

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1 Definition of Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. (IIA – UK & Ireland)

The internal audit service will comply with the Public Sector Internal Auditing Standards (PSIAS) as adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA). The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Definition of Internal Auditing;
- Code of Ethics; and
- International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary).

This Charter will be periodically reviewed in consultation with senior management and the board. Changes to the International Professional Practice Framework will be incorporated as and when they occur.

The following posts will be designated as shown below in order to comply with the PSIAS.

Post	Designation
Audit & Governance Committee	Board
Corporate Management Team	Senior Management
Chief Executive	Head of Paid Service
Head of Internal Audit Services	Chief Audit Executive

The Chief Audit Executive will report conformance to the PSIAS in the annual report to the Board.

2 Mission Statement of Internal Audit

To provide a high quality, cost-effective service, which adapts and responds to the Authority's needs based on achieving a high standard of professionalism and expertise in service delivery and also to contribute in achieving Best Value Public Services and improving the organisation's operations.

3 Purpose and Statutory Requirements

The internal audit activity will evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.

This information can be produced on request in other formats and languages

The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organisation;
- Ensuring effective organisational performance management and accountability;
- Communicating risk and control information to appropriate areas of the organisation; and
- Coordinating the activities of and communicating information amongst the board, external and internal auditors and management.

In addition, the other objectives of the function are to:

- Support the Executive Director Corporate Services to discharge their s151 duties of the Local Government Finance Act 1972 by maintaining an adequate and effective internal audit service;
- Contribute to and support the Authority's objectives of ensuring the provision of and promoting the need for, sound financial systems; and
- Investigate allegations of fraud or irregularity to help safeguard public funds.

Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2011 which state in respect of Internal Audit that:

“A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”

The work of Internal Audit forms part of the assurance framework, however, the existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

4 Objectives

The Chief Audit Executive's responsibility is to report to the Board on its assessment of the adequacy of the entire control environment.

It does this by:

- Providing assurance to the Council and its management on the quality of the Council's operations, whether delivered internally or externally, with particular emphasis on systems of risk management, resource control and governance. Assurance to third parties will be provided where specific internal audit resources are allocated to the area under review (e.g. pension contributions).

This information can be produced on request in other formats and languages

-
- Providing consultancy services to internal and external delivered services.

5 Role and Scope of Work

The scope on internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal process as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. This includes:

- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information;
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organisation;
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Evaluating the effectiveness and efficiency with which resources are employed;
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;
- Evaluating the potential occurrence for fraud as part of the audit engagements;
- Monitoring and evaluating governance processes;
- Monitoring and evaluating the effectiveness of the organisation's risk management processes;
- Monitoring the degree of coordination of internal audit and external audit;
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organisation;
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan;
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters to the Board;
- Evaluating specific operations at the request of management, as appropriate;
- Support management upon the design of controls at appropriate points in the development of major change programmes.

With regard to Risk Management, internal audit will carry out individual risk based engagements to provide assurance on part of the risk management framework, including the mitigation of individual or groups of risks.

Internal audit operate in an advisory capacity to:

-
- Report upon the level of risk maturity and scope for improvement;
 - Facilitate the identification and assessment of risks;
 - Coach management in responding to risks.

The CAE is responsible for:

- Developing the corporate risk management strategy in liaison with the Management Teams and Service Units;
- Promoting support and overseeing its implementation across the Council;
- Monitoring and reviewing the effectiveness of the risk management strategy;
- Assisting with the identification and communicate risk management issues to Units;
- Advising Corporate and Unit management teams on strategic and operational implications of risk management decisions;
- Supporting Corporate and Unit management teams in their liaison with any external partners when identifying and managing risk in joint projects.

6 Proficiency and Due Professional Care

The internal audit activity will govern itself by adherence to The Institute of Internal Auditors mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Internal Standards for the Professional Practice of Internal Auditing. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to the Authority's relevant policies and procedures and the internal audit activity's standard operating procedures manual.

Job descriptions and person specifications for each post within Internal Audit Services define the appropriate knowledge, skills and experience and are reviewed periodically.

Personal Development Reviews will be completed in accordance with the Council's policy. Staff will be supported to fulfil training and development needs identified in order to support their continuous professional development programme.

Internal Auditors will exercise due professional care by considering the:

- Extent of work needed to achieve the engagement's objectives with detailed Terms of Reference (including consultancy engagements);

This information can be produced on request in other formats and languages

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- Relative complexity, materiality or significance of matters to which assurance procedures are applied;
 - Adequacy and effectiveness of governance, risk management and control processes;
 - Probability of significant errors, fraud, or non-compliance; and
 - Cost of assurance in relation to potential benefits.

Where gaps exist in knowledge and skills in the formation of internal audit plans, the CAE can engage specialist providers of Internal Audit Services.

Internal Audit staff will be suitably supervised and work will be reviewed by a senior member of staff.

7 Authority

The Internal Audit service, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of Authority's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit service in fulfilling its roles and responsibilities.

8 Organisation

The Chief Audit Executive will report functionally to the Board and administratively (i.e. day to day operations) to the Executive Director Corporate Services.

The Board will receive performance reports on the internal audit function on a quarterly basis.

9 Independence and Objectivity

The internal audit service will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or reporting content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

The internal audit service will also have free and unrestricted access to the Head of Paid Service and the Board.

The Chief Audit Executive will confirm to the Board, at least annually, the organisational independence of the internal audit activity.

This information can be produced on request in other formats and languages

10 Internal Audit Plan

At least annually, the Chief Audit Executive will submit to Senior Management and the Board an internal audit plan for review and approval.

The internal audit plan will be developed based on prioritisation of the audit universe using a risk-based methodology, including input from Senior Management. Any significant deviation from the approved plan will be communicated to Senior Management and the Board for approval. The use of other sources of assurance and the work required to place reliance on them will be highlighted in the audit plan.

Contingency time will be built in to the annual audit plan to allow for any unplanned work. This will be reported on in accordance with the internal reporting process to the Board.

Approval will be sought from the Board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement. The Audit Plan balances the following requirements:

- the need to ensure the Audit Plan is completed to a good practice level (currently at least 90% of planned audits remaining required and deliverable in the year);
- the need to ensure core financial systems are adequately reviewed to provide assurance that management has in place proper arrangements for financial control (on which External Audit will place reliance);
- the need to appropriately review other strategic and operational arrangements, taking account of changes in the authority and its services and the risks requiring audit review;
- the need to have uncommitted time available to deal with unplanned issues which may need to be investigated eg allegations of financial or other relevant irregularities, or indeed specific consultancy. (NB there are separate guidelines over circumstances in which Internal Audit may and may not get involved in such investigations or consultancy, and further reference to this is made within the corporate Counter Fraud and Corruption Strategy and guidance);
- to enable positive timely input to assist corporate and service developments.

A joint working arrangement with External Audit will be sought such that Internal Audit resources are used as effectively as possible.

11 Reporting and Monitoring

A written report will be prepared and issued by the Chief Audit Executive following the conclusion of each internal audit engagement and will be distributed as appropriate. A summary of the internal audit results will be communicated to the Board.

The final internal audit report will include management's response and corrective actions in regard to the specific findings and recommendations. It will also include a timetable for anticipated completion of action to be taken.

The Internal Audit service will be responsible for following up the recommendations made to ensure that management have implemented them in the agreed timescales. This will be completed within six months from the finalisation of the audit. Additional implementation reviews will be carried out where high priority recommendations remain outstanding or a significant number of recommendations remain outstanding.

12 Quality Assurance and Improvement Programme

The Chief Audit Executive will periodically report to the Board on the internal audit service purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.

In addition, the Chief Audit Executive will communicate to Senior Management and the Board on the internal audit service's quality assurance and improvement programme, including results of ongoing internal assessments and improvement plans and external assessments. External assessments will be conducted at least every five years by a professionally qualified and experienced assessor.

The improvement plan resulting from the internal and external assessments will be reported to and monitored by the Board.

TAMWORTH BOROUGH COUNCIL

INTERNAL AUDIT PLAN - 2013/14

APPENDIX 2

AREA OR SUBJECT OF REVIEW	Risk Rating	Audit type	days allocated	Quarter
KEY FINANCIAL SYSTEMS				
MAIN ACCOUNTING & BUDGETARY CONTROL	MEDIUM	KEY FINANCIAL SYSTEM - interim	5	4
TREASURY MANAGEMENT	MEDIUM	KEY FINANCIAL SYSTEM - interim	8	Qtrly
CREDITORS	MEDIUM	KEY FINANCIAL SYSTEM	15	3
DEBTORS	MEDIUM	KEY FINANCIAL SYSTEM - interim	5	4
COUNCIL TAX	MEDIUM	KEY FINANCIAL SYSTEM	15	3
NDR	MEDIUM	KEY FINANCIAL SYSTEM	15	3
PAYROLL	MEDIUM	KEY FINANCIAL SYSTEM	15	4
BANK REC & CASH	MEDIUM	KEY FINANCIAL SYSTEM	5	3
HOUSING & COUNCIL TAX BENEFITS	MEDIUM	KEY FINANCIAL SYSTEM - interim	5	4
CAPITAL STRATEGY & PROGRAMME MANAGEMENT	MEDIUM	KEY FINANCIAL SYSTEM - interim	5	4
HOUSING RENTS	MEDIUM	KEY FINANCIAL SYSTEM	15	3
HOUSING RESPONSIVE REPAIRS & PROPERTY CONTRAC	MEDIUM	KEY FINANCIAL SYSTEM	20	128
STRATEGIC & OPERATIONAL RISKS				
PROCUREMENT	HIGH	SYSTEMS BASED REVIEW	7	4
STANDARDS/DECLARATIONS	HIGH	SYSTEMS BASED REVIEW	7	1
LEGAL COMPLIANCE	HIGH	RISK BASED REVIEW	7	2
CEMETRIES	HIGH	RISK BASED REVIEW	7	1
SECTION 106 AGREEMENTS	HIGH	RISK BASED REVIEW	7	4
GOLF COURSE	HIGH	SYSTEMS BASED REVIEW	8	3
INCOME MANAGEMENT	HIGH	SYSTEMS BASED REVIEW	9	2
CORPORATE PROPERTY MANAGEMENT	MEDIUM	RISK BASED REVIEW	7	2
COMMERCIAL/INDUSTRIAL PROPERTIES	MEDIUM	SYSTEMS BASED REVIEW	7	2
SCHEME OF DELEGATION	MEDIUM	SYSTEMS BASED REVIEW	8	3

DISABLED FACILITIES GRANTS	MEDIUM	RISK BASED REVIEW	7	1
GIFTS & HOSPITALITY	MEDIUM	RISK BASED REVIEW	8	4
SHELTERED HOUSING	MEDIUM	RISK BASED REVIEW	8	2
LICENCES	MEDIUM	RISK BASED REVIEW	7	1
COMMITTEE DECISIONS & REPORTING	MEDIUM	SYSTEMS BASED REVIEW	8	2
ORGANISATIONAL DEVELOPMENT	MEDIUM	RISK BASED REVIEW	7	3
CORPORATE POLICY MANAGEMENT	MEDIUM	SYSTEMS BASED REVIEW	8	3
RIPA	MEDIUM	RISK BASED REVIEW	3	1
CORPORATE CHANGE PROGRAMME	MEDIUM	SYSTEMS BASED REVIEW	6	2

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ICT AUDIT REVIEWS

ORCHARD APPLICATION REVIEW	HIGH	SYSTEMS BASED REVIEW	6	3
I TRENT APPLICATION REVIEW/PIR	HIGH	SYSTEMS BASED REVIEW	9	4
EXCHANGE/EMAIL APPLICATION REVIEW	HIGH	SYSTEMS BASED REVIEW	7	3
CRM PIR	MEDIUM	SYSTEMS BASED REVIEW	7	1
BACS	HIGH	SYSTEMS BASED REVIEW	7	2
PRINTING	HIGH	SYSTEMS BASED REVIEW	5	2
DATA QUALITY & RECORDS MANAGEMENT	HIGH	SYSTEMS BASED REVIEW	8	3
SOFTWARE LICENSING	HIGH	SYSTEMS BASED REVIEW	7	3
ISO27001/20000	MEDIUM	SYSTEMS BASED REVIEW	7	2

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IMPLEMENTATION REVIEWS

LAND CHARGES		IMPLEMENTATION REVIEW	2	
SAFEGUARDING CHILDREN & VULNERABLE ADULTS		IMPLEMENTATION REVIEW	2	
CCTV		IMPLEMENTATION REVIEW	2	
COMMUNITY SAFETY HUB		IMPLEMENTATION REVIEW	2	

LOCALISM			
IT PHYSICAL & ENVIRONMENTAL CONTROLS	IMPLEMENTATION REVIEW	2	
ACADEMY APPLICATION REVIEW	IMPLEMENTATION REVIEW	3	
STREET WARDENS	IMPLEMENTATION REVIEW	2	
PR & COMMUNICATIONS	IMPLEMENTATION REVIEW	2	
TOURISM & TOWN CENTRE	IMPLEMENTATION REVIEW	2	
TOURIST INFORMATION CENTRE	IMPLEMENTATION REVIEW	2	
CAR PARK INCOME	IMPLEMENTATION REVIEW	2	
CORPORATE BUSINESS CONTINUITY	IMPLEMENTATION REVIEW	2	
COMMUNITY LEISURE	IMPLEMENTATION REVIEW	2	
HOUSING ALLOCATIONS	IMPLEMENTATION REVIEW	2	
MEMBERS ALLOWANCES	IMPLEMENTATION REVIEW	2	
BUILDING SECURITY	IMPLEMENTATION REVIEW	2	
TRAVEL & SUBSISTENCE	IMPLEMENTATION REVIEW	2	
INSURANCE	IMPLEMENTATION REVIEW	2	
HEALTH & SAFETY	IMPLEMENTATION REVIEW	2	
LEGIONELLA	IMPLEMENTATION REVIEW	2	
ASBESTOS POLICY	IMPLEMENTATION REVIEW	2	
PERFORMANCE MANAGEMENT	IMPLEMENTATION REVIEW	2	
MOBILE TELEPHONY	IMPLEMENTATION REVIEW	2	
PRIVATE SECTOR EMPTY HOMES	IMPLEMENTATION REVIEW	2	
INTERFACES	IMPLEMENTATION REVIEW	2	
MOBLIE DEVICES	IMPLEMENTATION REVIEW	2	
OMBUDSMEN PROCESS	IMPLEMENTATION REVIEW	2	
PROJECT/PROGRAMME MANAGEMENT	IMPLEMENTATION REVIEW	2	
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ANNUAL GOVERNANCE & ASSURANCE FRAMEWORK

ANNUAL GOVERNANCE STATEMENT	HIGH	13
ANNUAL AUDIT OPINION	HIGH	3
ANNUAL AUDIT PLANNING & REVIEW	HIGH	6
COUNTER FRAUD CULTURE		
- NATIONAL FRAUD INITIATIVE & PROACTIVE COUNTER F	HIGH	15
- REVIEW OF FRAUD RISK REGISTER	HIGH	2
- REVIEW OF COUNTER FRAUD POLICIES AND DOCUMENT	HIGH	3
INTERNAL AUDIT QUALITY ASSURANCE & IMPROVEMENT	HIGH	2

REVIEW OF FINANCIAL GUIDANCE	HIGH	4	48
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REVIEW WORK COMPLETED ON BEHALF OF STAFFORDSHIRE COUNTY COUNCIL

PENSION CONTRIBUTIONS	MEDIUM	2	2
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CORPORATE SUPPORT

GOVERNANCE TRAINING		5	
AUDIT & GOVERNANCE COMMITTEE SUPPORT		15	
EXTERNAL AUDIT LIAISON		1	
SPECIAL INVESTIGATIONS		20	
CONTINGENCY		15	56

TOTAL AUDIT DAYS		492	
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28TH MARCH 2013

REPORT OF THE HEAD OF INTERNAL AUDIT SERVICES

SELF ASSESSMENT – MEASURING THE EFFECTIVENESS OF THE AUDIT & GOVERNANCE COMMITTEE

EXEMPT INFORMATION

None.

PURPOSE

To complete a self assessment of the effectiveness of the Audit & Governance Committee and produce an improvement action plan if required.

RECOMMENDATIONS

That Members of the Committee complete the self assessment checklist (attached Appendix A) in order to formulated an improvement plan if required.

EXECUTIVE SUMMARY

To ensure that effective governance arrangements exist, the Authority is required to review the effectiveness of the system of internal control. Part of this review includes the review of the effectiveness of the Audit & Governance Committee.

The attached self assessment questionnaire (**Appendix A**) contains questions from the CIPFA guidance on how to measure the effectiveness of the Audit & Governance Committee plus additional appropriate questions.

The aim of the self assessment questionnaire is to identify areas of compliance and areas where improvement may be required.

Members are requested to complete the questionnaire.

RESOURCE IMPLICATIONS

There are no direct implications in relation to finance, community/performance planning, sustainable development, community safety, equal opportunities or human rights.

LEGAL/RISK IMPLICATIONS BACKGROUND

The risk is that the Audit & Governance Committee are not effective and do not fulfil Governance requirements.

SUSTAINABILITY IMPLICATIONS

None.

BACKGROUND INFORMATION

None

REPORT AUTHOR

Angela Struthers ex 234

LIST OF BACKGROUND PAPERS

None

APPENDICES

Appendix A – Audit & Governance Committee Self Assessment 2012/13

Audit & Governance Committee Self Assessment 2012/13

<p>Terms of Reference Have the Committee's terms of reference been approved by the full Council and do they follow the CIPFA model.</p>	
<p>Internal Audit Process Does the Committee approve the strategic audit approach and the annual programme</p> <p>Is the work of Internal Audit reviewed regularly</p> <p>Are summaries of quality questionnaires from managers reviewed</p> <p>Is the annual report from the Head of Internal Audit presented to the Committee</p> <p>Does the Committee ensure that officers are acting on and monitoring action taken to implement recommendations</p>	
<p>External Audit Process</p> <p>Are reports on the work of External Audit and other inspection agencies presented to the committee</p> <p>Does the Committee input into the external audit programme</p>	

<p>Regulatory Framework</p> <p>Does the Committee take a role in overseeing</p> <ul style="list-style-type: none"> • Risk management strategies • Annual Governance Statement • Anti-fraud arrangements • Confidential reporting policy • Financial regulations • Constitution • Complaints handling/ombudsman's report 	
<p>Accounts</p> <p>Does the Committee take a role in overseeing the annual statement of accounts</p>	
<p>Membership</p> <p>Has the membership of the committee been formally agreed and a forum set</p> <p>Is the chair free from executive or scrutiny functions</p> <p>Are members sufficiently independent of the other key committees of the council</p> <p>Have all members' skills and experiences been assessed and training given for identifying gaps</p>	

<p>Can the committee access other committees as necessary</p>	
<p>Meetings</p> <p>Does the committee meet regularly</p> <p>Are separate, private meetings held with the external auditor and internal auditor</p> <p>Are meetings free and open without political influence being displayed</p> <p>Are decisions reached promptly</p> <p>Are agenda papers circulated in advance of meetings to allow adequate preparation by members</p> <p>Does the committee have the benefit of attendance of appropriate officers at its meetings</p> <p>Can special meetings be organised to allow a quick response to emergencies</p> <p>Does External Audit regularly attend meetings and update members on their progress/external audit issues</p>	
<p>Training</p> <p>Is induction training provided to members</p> <p>Is more advanced training available as required</p> <p>Is the committee made of members with a different mix of skills and experience</p>	

<p>Administration</p> <p>Does the authority's s151 officer or deputy attend meetings</p> <p>Are key officers available to support the committee</p> <p>Do reports to the Committee communicate relevant information at the right frequency and in a format that is effective</p>	

AUDIT & GOVERNANCE COMMITTEE

28 March 2013

REPORT OF THE SOLICITOR TO THE COUNCIL AND MONITORING OFFICER

REVIEW OF MEMBER'S ALLOWANCES

Purpose

To inform members of the Audit and Governance Committee of the report of the Independent Remuneration Panel and the recommendations adopted by Council on 19 March 2013 in relation thereto.

Recommendation

That Audit and Governance Committee consider the report of the Independent Remuneration Panel and the recommendations adopted by Council on 19 March 2013.

Background Information

At the Council Meeting on 15 December 2009 it was agreed that future reports of the Independent Remuneration Panel would be presented to the Audit and Governance Committee. The report is attached at Appendix 1.

Regulations came into force in May 2003 which requires the Council to review and adopt a scheme of allowances for members.

All Councils are required to convene an Allowances Panel and seek its advice before they make any changes or amendments to their allowance scheme and they must "pay regard" to the Panel's recommendations before setting a new or amended Members Allowances Scheme.

The Members Remuneration Panel was convened on 28 February 2013. It is a statutory requirement that a summary of the remuneration panel recommendations are published in a local newspaper.

The Council considered a report from the Solicitor to the Council and Monitoring Officer at its meeting on 19 March 2013 (attached at Appendix 2) and the recommended changes to be implemented from the date of the Annual Council meeting in 2013/14 are as summarised in the said report. The recommendations were accepted in full with the addition of amending the 'lump sum SRA' to 'Attendance Allowance'.

Appendices

Appendix 1 Report of the Independent Remuneration Panel Dated March 2013

Appendix 2 Report to Council Dated 19 March 2013

Dated 15 Mar. 13 "If Members would like further information or clarification prior to the meeting please contact Jane M Hackett Solicitor to the Council and Monitoring Officer on Ext.258"

**A Review
Of
Members' Allowances
For
Tamworth
Borough Council**

The Fifth Report

By the

**Independent Remuneration
Panel**

**Dr Declan Hall (Chair)
Navin Kalia
Stan Orton**

March 2013

Foreword

This is the fifth report produced by the Independent Remuneration Panel (the Panel) for Tamworth Borough Council. The first report was produced in May 2002, as required by the *Local Government Act 2000*, after the formal establishment of the statutory independent Members' Allowances advisory Panel to make recommendations on allowances for what were then new roles for Councillors. The Council adopted the substantive recommendations which established the current allowances framework that, by and large, remains in place to this day.

Following the introduction of the *Local Authorities (Members' Allowance) (England) Regulations 2003*¹ Tamworth Borough Council was required (as were all English local authorities) to reconvene its Panel to *inter alia* make recommendations on certain associated allowances before 31 December 2003. The recommendations were produced in December 2003 and they were once again accepted by the Council resulting in only minor amendments to the scheme of allowances. The third review in November 2005 arose out of changes in the political structures of Tamworth Borough Council, resulting in increased pressures on a number of post holders. While some revisions were recommended the essential structure of the Tamworth Borough's Allowances scheme was not altered.

The fourth report (December 2008) arose out of the requirement for Tamworth Borough Council to seek fresh authority for indexation of allowances by 2009/10, which the Panel did do. The Council also accepted the Panel's other substantive recommendation, to increase the Leaders' SRA, but also went further in applying the Panel's logic across the Board by maintaining other SRAs payable at the same ratio.

This review is also required under the 4-year rule contained in the relevant provisions of the 2003 Regulations and the Council has asked the Panel to consider the applicability of refreshing indexation as well as take an overview of the whole Tamworth Borough Council Members' Allowances scheme to consider whether the current scheme is still fit for purpose. The Panel has concluded that by and large the current scheme of allowances is fit for purpose *except* for one area: the Panel has recommended that the Council introduce a performance element for the payment of their current level of remuneration.

The reality is that the economic climate is not conducive to any increases in Members' Allowances, particularly as the Council is seeking to make further savings. Moreover, the provisions of the 2011 Localism Act will not be fully implemented until another 18 months or so. This may well transform present council structures to a greater or lesser degree and have impacts on the roles and responsibilities of elected Members and therefore a more comprehensive in-depth

¹ See Statutory Instruments 2003 Nos. 1021, 1022 and 1692 for further details.

review will be in all likelihood be required within the next 12-18 months to take into account the impact of these changes.

Partly as a consequence of the current economic climate the Panel has made radical recommendations in attempting to create a stronger link between Member performance and remuneration. It has returned to performance as it is still an issue that rumbles on in Tamworth. Consequently the Panel has made recommendations that if accepted would place Tamworth Borough Council in the vanguard of creating a stronger link between members' remuneration and their performance. However, as ever, the Panel continues to be cognisant of the need to balance this understandable principle by seeking to reduce financial barriers for current and future Members to serve on Tamworth Borough Council and the increasing demands on Members.

Dr Declan Hall

Chair of the Tamworth Borough Council Independent Remuneration Panel

March 2013

EXECUTIVE SUMMARY

The Panel recommends the following, namely that:

Enhancing Performance- Reduction of Basic Allowance and SRAs

The current Basic Allowance and SRAs payable to Members of Tamworth Borough Council are all reduced by 10% and the 10% balance only paid to those Members who attend 75% of the scheduled meetings of the committees they are appointed to in the form of a lump sum Attendance Allowance paid retrospectively at the end of the municipal year as set out below.

The meetings that are to count as against a Members attendance record are those which are used by the Council in its publication of Members' attendance summary on its website.

The Basic Allowance

For 2013/14 the Basic Allowance is reduced to £4,608 and at the end of the municipal year all Members who achieve 75% attendance at all their scheduled meetings be paid a retrospective Attendance Allowance of £512, subject to any future application of relevant indices.

Special Responsibility Allowances

All SRAs be reduced by 10% and the residual paid at end of year as follows:

Post	SRA Payable with 10% Discount Applied	Year End SRA Payable when 75% Attendance achieved	Total SRAs Payable
Leader (1)	£11,533	£1,281	£12,814
Deputy Leader (1)	£8,649	£961	£9,610
Other Cabinet Member (4)	£7,496	£833	£8,329
Chair of Scrutiny (2)	£5,189	£577	£5,766
Chair Planning	£5,189	£577	£5,766
Chair Licensing	£5,189	£577	£5,766
Chair Audit & Governance	£1,730	£192	£1,922
Leader of (Larger) Opposition Group	£5,189	£577	£5,766
Deputy Leader of (Larger) Opposition Group	£2,883	£320	£3,203

Exc

Option to the 1-SRA only Rule

The 1-SRA only rule is continued *with the exception* of subsequent SRAs any Member qualifies for by achieving the 75% attendance performance threshold.

Post Holders in receipt of a SRA – subject to a double penalty

A double penalty will be imposed on post holders in receipt of a SRA through a discounted Basic Allowance and SRA if they do not meet the 75% attendance threshold.

Refining the Model – Review in 12 months

The Panel reconvenes in 12 months time to review the Members' Allowances scheme with specific reference to assessing the success of the new performance related element of remuneration and to refine accordingly.

The Relative Workloads and Responsibilities of Committee Chairs

It will specifically review the enhanced remit of the Audit and Governance Committee in 12 months time. Moreover, it will also look at the relative workloads and responsibilities of the Licensing and Planning Committees and consider whether there is a case to recommend a realignment of the SRAs paid to the Chairs of these committees.

The Vice Chairs of Scrutiny

From the date of the Annual Meeting 2013/14 that the SRAs currently paid to the 2 Vice Chairs of Scrutiny are discontinued.

Access to the Local Government Pension Scheme: Refreshing Authority

Fresh authority is provided to the Council to decide on Members right to join the LGPS for another four years.

Co-optees' Allowance

The provision for a Co-optees' Allowance of £311 per annum be deleted from the Tamworth Borough Council Members' Allowances scheme and replaced with the following schedule from the date of the Annual Meeting of Council 2013/14:

- Meetings under 4 hours: £45 per meeting
- Meetings 4 hours and over: £90 per meeting

Subsistence Allowances – Within the Borough

The Members' Allowances scheme is amended to clarify that Subsistence Allowances can no longer be claimed by Members attending approved duties within the Borough unless there are exceptional circumstances as defined by the person

calling the meeting with approval of the Monitoring Officer, to be implemented from the date of the Annual Meeting 2013/14.

Subsistence Allowances – Outside the Borough

The current rates and conditions for claiming Subsistence Allowances (including overnight accommodation) by Members attending approved duties outside the Borough remain unchanged. The Panel reminds the Council that if a Member claims this allowance then it is good practice to back up the claims with receipts, i.e., it is a reimbursement of actual costs incurred up to the same maxima that applies to Officers.

Travel Allowances – Within the Borough

There is no change to the current definition and scope of approved duties for which Members can claim Travel Allowances.

The mileage rates for which Members can claim for attending approved duties are set at the Her Majesty’s Revenue and Customs Approved Mileage Allowance Payments rates as set out below:

Vehicle	Business Miles Travelled	
	First 10,000 miles (£ per mile)	Over 10,000 miles (£ per mile)
Cars & Vans	45p	25p
Motor cycles	24p	24p
Bicycles	20p	20p
Passenger Supplement Rates	5p per passenger per mile	5p per passenger per mile

Public and Other Transport

There is no change to the current rates and conditions to the Travel Allowances scheme where Members travel by public or other means of transport.

The Council is reminded that on the odd occasion a Member has to seek reimbursement of travel to approved duties by public transport all claims must be backed by receipts for actual costs incurred up to the maxima applicable to Officers of the Borough Council.

The Dependents' Carers' Allowance (DCA)

There is no change to the scope and levels payable for the Dependants' Carers Allowance scheme, including the relevant indices.

Indexation

Authority for Tamworth Borough Council to index their allowances is refreshed and the following indices are applied to the remuneration and allowances paid to Members of Tamworth Borough Council:

Basic Allowance and SRAs:

- Indexed to the annual percentage salary increase for local government staff (at spinal column 49) to be implemented from the start of the municipal year, rather than financial year, for which year it is applicable.

Dependants' Carers' Allowance:

- Indexed to the hourly minimum wage applicable to the age of the carer.

Mileage Allowance:

- Members mileage allowances rates should be indexed to the HMRC AMAP mileage rates.

Subsistence Allowances:

- The day and overnight subsistence allowances should be indexed to the same rates that are applicable to Officers.

Implementation

The recommendations contained within this Report are implemented from the date of the Annual Council meeting 2013/14.

The Fifth Review of Members' Allowances

For

Tamworth Borough Council

March 2013

The Regulatory Context and Terms of Reference

The Requirement for the Review

1. This (fifth) report is a synopsis of the deliberations and recommendations made by the Independent Remuneration Panel (the Panel) reconvened by Tamworth Borough Council to advise the Council on its current Members' Allowances scheme.
2. The Panel was convened under *The Local Authorities (Members' Allowances) (England) Regulations 2003 (SI 1021)*. These regulations, which arise out of the relevant provisions contained in the Local Government Act 2000, require all local authorities to set up and maintain an advisory Independent [Members] Remuneration Panel (the Panel) to review and provide advice on Members' allowances on a periodic basis. All Councils are required to convene their Panel and seek its advice before they make any changes or amendments to their allowances scheme and they must 'pay regard' to the Panel's recommendations before setting a new or amended Members' Allowances Scheme.

3. Specifically, the Panel was convened to make recommendations to the Council on the applicability of the indexation of allowances for the next four years. Regulation 10(5) states:

Where an authority has regard to an index for the purpose of annual adjustment of allowances it must not rely on that index for longer than a period of four years before seeking a further recommendation from the independent remuneration panel established in respect of that authority on the application of an index to its scheme.

4. The Council is fulfilling its statutory responsibility by undertaking this review under Regulations 10(5) and 21(e) of the 2003 Members' Allowances Regulations to seek fresh authority for the indexation of allowances.

Terms of Reference

5. With the Statutory requirement to reconvene the Panel, the Council took the opportunity to present the Panel with a general terms of reference to undertake a full review of the Council Members' Allowances scheme and to propose an allowances scheme for the Council, namely to make recommendations on the following:

- a) As to the amount of basic allowance that should be payable to its Elected Members
- b) About the responsibilities or duties which should lead to the payment of a Special Responsibility Allowance and as to the amount of such an allowance
- c) The duties for which travelling and subsistence allowance can be paid and as to the amount of this allowance
- d) As to the suitability and amount of a co-optees' allowance
- e) As to whether the Authority's allowances scheme should include an allowance in respect of the expenses of arranging for the care of children and dependants and if it does make such a recommendation, the amount of this allowance and the means by which it is determined
- f) On whether any allowance should be backdated to the beginning of a financial year in the event of a scheme being amended
- g) As to whether annual adjustments of allowance levels may be made by reference to an index, and if so, for how long such a measure should run
- h) As to which Members of the Authority are to be entitled to pensions in accordance with a scheme made under section 7 of the Superannuation Act 1972
- i) As to treating basic allowance and Special Responsibility Allowance as amounts in respect of which such pensions are payable

The Panel

6. Tamworth Borough Council reconvened its Independent Remuneration Panel and the following Panel Members carried out its independent review; namely:
 - Navin Kalia:
 - an accountant with the University Hospitals Birmingham NHS Foundation Trust
 - Declan Hall (Chair):
 - former academic at Institute of Local Government, The University of Birmingham, now independent consultant specialising in members' allowances and support
 - Stan Orton:
 - retired and a North Warwickshire resident with an interest and background in local government
7. The Panel was supported by Lara Allman, Democratic and Election Services Officer and Jane Hackett, Solicitor to the Council and Monitoring Officer.
8. The Panel would like to record its gratitude to the Members and Officers of Tamworth Borough Council for making themselves available to talk to the Panel and supporting the work of the Panel.

Process and Methodology

How the Panel approached the Review

9. As the Chair of the Panel, I undertook the initial planning, research and benchmarking for the review, but it became evident at least in the early stages of the review that in all probability the review would not result in the Panel recommending significant change to the Tamworth Members' Allowances scheme. The bench marking showed that councils in the comparator group were not fundamentally altering their allowances schemes and in any case the current economic context left little room for manoeuvre. Consequently, the initial approach adopted was based on the principle that the resources devoted to the review should match what were to be the likely conclusions, i.e., recommending only minor amendments.
10. Consequently, the Chair of the Panel took the lead in considering the evidence and writing up the first draft of the report. In doing so the Chair met

a number of leading Members and with two Officers for a briefing to obtain an overview on the recent changes in Council structures and the challenges facing the Council at Marmion House, Tamworth on 31st January 2013. In addition, all Members were invited to make written submissions to the Panel if they so wished. Appendix 1 lists those Members and Officers who met with the Chair, and those Members who made a written submission.

11. As with previous reviews a benchmarking exercise was undertaken, the benchmarking group remaining the other district councils in Staffordshire and Tamworth's immediate neighbouring councils. Other relevant information was also considered by the Chair in the early stages of the review. See Appendix 2 for the list of written information the Panel considered.
12. As the Panel was being asked to review the applicability of indices for allowances under the 4-year rule contained in the 2003 Members' Allowances Regulations there is an explicit expectation for the Panel to physically convene. The 4-year rule is the means by which all councils have their schemes subjected to a degree of public scrutiny and accountability and this entails the Panel meeting to fulfil that duty.
13. However, the initial assessment of a limited review while proving to be correct that the Panel would not need to undertake a fundamental re-evaluation of how the current scheme was arrived at, did not prove accurate in terms of a need to address performance once again. The Chair's initial interviews and the written representations received by the Panel showed that there was an appetite and it was the right time to revisit Member performance in more depth. This resulted in a greater involvement of the wider Panel than originally envisaged.
14. Consequently, the Panel convened on 28 February 2013 at Marmion House, Tamworth, to meet with any other Members who wished to talk to the Panel and consider any other evidence called for. It was at this stage that the Panel agreed the final recommendations before the report was submitted to full Council for consideration and presentation to the Audit and Governance Committee. The Panel members were also able to consider whether there was a need for further meetings, which it did not, to take further evidence.
15. This approach is within the spirit of the 2003 Regulations. To formally involve the whole Panel from the beginning would not be an efficient use of Council resources as it would impose a disproportionate cost on the Council and Panel members relative to the likely outcomes required.

Considering the Evidence

16. The Panel took a tiered approach in considering the evidence. It is required to operate within the broad statutory framework laid down by the 2003 Regulations and 2006 Statutory Guidance. The 2003 Members' Allowances

(England) Regulations establishes the boundaries for the Panel, e.g., attendance allowances cannot be paid, all Members must receive a Basic Allowance that is equal in value and express authority is granted to vary the terms and conditions for claiming the travel and subsistence allowances, or indeed whether to retain them at all. Within the regulatory context, the Panel has a further obligation to pay regard to the 2006 Statutory Guidance, which for example mandates certain considerations for all Panels in reaching the recommended Basic Allowance but in contrast provides suggested considerations in reaching an appropriate recommendation for SRAs.

17. The next level of evidence considered by the Panel were the representations (including written submissions) made by elected Members. The interviews obtained the views of the groups on Council and raised a number of specific concerns. The interviews were also utilised to challenge statements and to act as a 'sounding board' to submissions and ideas from elected Members. Finally, all the evidence and representations have been reviewed and evaluated within the comparative context across other Councils in Staffordshire/neighbouring Tamworth.

Revisiting First Principles

18. As in previous reviews the overarching principle underpinning the review was that the purpose of a Members' Allowances scheme is to ensure that as far as practically possible the scope and level of allowances should seek to reduce financial barriers to most people standing for and remaining on Council while not creating a scheme that attracts people to stand for and remain on Council for financial gain. While this balancing point is different for different people the Panel believes that as the scheme currently stands, and even if the recommendations of the Panel as set out below are adopted would still enable most people to stand for and remain on Council without the scope and levels payable being seen as unjustified.

Key Messages and Observations

Recognising Economic Climate

19. In an ideal world, the prime role of the Panel is to assess what it judges the roles and posts under review are worth based on the evaluation of the evidence, taking into account such variables as workloads, responsibility (and the values attributed to various levels of responsibility) However, the Panel cannot *but* be sensitive to the current economic climate. Not only do many residents of Tamworth Borough Council face an uncertain economic future, the Council is also seeking further savings while experiencing growing demands on services, thus trying to 'do more with less'. Moreover, Officers have had their salaries frozen for the last couple of years and will, in

all likelihood; have their salaries only marginally increased in the next couple of years.

20. Thus, the Panel, as the means by which public scrutiny and accountability regarding the Tamworth Borough Council Members' Allowances scheme is brought to bear, cannot disregard the current economic environment. Externally, the public would rightly question the rationale if the Panel were to recommend significant increases in the main allowances payable even though a rational case can be made for some increases in Members' remuneration. As it is, the recommendations stand and if adopted by the Council there will be some identifiable savings on the Council's current spend on Members' Allowances of just under £4,800 (see below for details), and further but variable savings depending on the extent to which Members do not meet the recommended performance criteria.

The Localism Act 2011 and need for further review

21. The Council continues to address the range of issues that affect all councils. This has increasingly meant an enhanced partnership working that accompanies this agenda (mostly arising out of the staged implementation of the Local Government and Public Involvement in Health Act 2007), particularly affecting senior elected Members. Moreover, pressures on council services and recent Government legislation, particularly the staged implementation of the Localism Act 2011 over the next 12 months, means that 'front line' Members will face further pressures. Being an elected Member will not get easier.
22. This context creates another contributory reason to postpone recommending a fundamental revision of the allowances scheme. The Localism Act 2011 may well have major impacts on the roles of Members. There will be enhanced powers for local communities and changes in how planning policies are developed as well as new freedoms for local area committees where established. Indeed, it permits the Council to return to the old committee system which would almost certainly impact on the roles of all Members. However, it is too early to assess the impact of the Localism Act 2011 and the Panel will have to take a view when the implications of the Localism Act 2011 become more apparent, which will probably be less than four years hence. To leave another top to bottom review of allowances until 2017 does not serve the interests of the public, Members or conform to the spirit of the 2003 Members' Allowances Regulations.

Member Remuneration and Member Performance: Strengthening the Link

23. Once again representation was made to the Panel that not all Members were fulfilling all the duties for which they were being remunerated. The Panel has tried to address this issue in the past by 'sharpening accountability'. In the 2008 review the Panel recommended that the Council

publish attendance records of all Members as a means of making more transparent one aspect of Members performance. The Panel is pleased to note the Council now does publish on its website such records.

24. As a result of this transparency the evidence available does back up the representations made to the Panel. The attendance records published by the Council on its website shows that some Members attendance could be seen as laggard and they are being paid the same as other Members who are fulfilling their approved duties (and more) yet the Members' Allowances scheme does not take this variable performance into account.
25. The Panel has revisited the issue and has made recommendations that it hopes will create a stronger link between member remuneration and individual Member performance. While the ultimate arbiter on whether individual Members are 'doing a good job' are the electorate the Panel has taken the view that, particularly in the context of the current economic climate, that the public would question why all Members are remunerated the same while having differential inputs that can be readily measurable.
26. More now than ever the public should expect value for money from their elected representatives. Part of the problem is that there is an inherent flaw in the system – Members receive their main allowances by right, in other words by virtue of being an elected Member. To remain an elected Member the only performance criteria that has to be met is to attend an approved duty once every six months. This relatively lax performance management dates back to when the workload and responsibilities carried out by Members were much less than now and the relatively limited remuneration was paid through an attendance allowance, so if a Member did not attend a relevant meeting then they did not get paid. As the legislation currently stands all Members receive an equal Basic Allowance and where applicable their SRA as long as they turn up once every six months.
27. The notion of having remuneration related to performance or at least inputs is gaining ground in relation to elected politicians, albeit in different ways. For instance, the salary of the Police and Crime Commissioners was set on the basis that it is a full time role. The Review Body on Senior Salaries recommended that their remuneration should be reduced pro rata where they do not undertake the role full time.² This recommendation was subsequently given legislative force by the Secretary of State. In the London Borough of Tower Hamlets, if a Cabinet member is not undertaking the role full time, as determined by the elected Mayor, their SRA is subsequently discounted pro rata. It is a notion that has also been put out to consultation for MPs by the Parliamentary Standards Agency (PSA) in its most recent set of proposals on MPs remuneration.

² Review Body on Senior Salaries, Report No. 78, *Report on the pay of Police and Crime Commissioners 2011*, October 2011

Discounting the Basic Allowance and SRAs by Ten Percent

28. Consequently, the Panel is proposing that the Basic Allowance and SRAs be discounted by 10% from their current levels and the 10% taken from the current allowance only payable when each Member attends 75% of their scheduled meetings for any municipal year. For legal purposes the actual Basic Allowance specified and set out in the scheme has to be the discounted Basic Allowance (£4,608) and the additional 10% (£512) paid retrospectively as an SRA.
29. It is acknowledged that attending meetings is only one aspect of any elected Members duties and workload. A Member may be active in their ward or may not be able to attend all their meetings for valid reasons. However, it is a reasonable expectation that a Member should be attending the majority of their scheduled meetings – their remuneration is largely based on this aspect of their duties. Thus a vital component of their duties is to attend the meetings of the committees they are appointed to and in doing so represent the interests of their constituents and the Council at these meetings. In subjecting only 10% of Members remuneration to a performance framework the Panel is content that it is not placing an undue emphasis on a single aspect of a Members workload and responsibilities.
30. **The Panel recommends that all the current Basic Allowance and SRAs payable to Members of Tamworth Borough Council are discounted by 10% and the 10% balance only paid to those Members that attend 75% of the scheduled meetings of the committees they are appointed to in the form of a lump sum SRA paid retrospectively at the end of the municipal year.**
31. **The meetings that are to count as against a Members attendance record are those which are used by the Council in its publication of Members' attendance summary on its website.**

Refining the Model – Review in 12 months

32. On average, Tamworth Borough Council Members are appointed to two committees. It is recognised that this is not a uniform pattern and the performance criteria is easier to achieve for a Member who is only appointed to one or no committees than for a Member who is appointed to more than two committees. The Panel has decided not to explore this incongruity at this juncture. It is more important to establish the principle of introducing a performance element for Members remuneration and it can refine the model at a later stage. Moreover, as pointed out above the impact of the Localism Act 2011 will become more apparent over the next 12 months.

33. **The Panel recommends that it reconvenes once more in 12 months time to review the Members’ Allowances scheme with specific reference to assessing the success of the new performance related element of remuneration and to refine accordingly.**

Exception to the 1-SRA only Rule

34. At present Members are only able to be paid one SRA regardless of the number of posts they may hold, although it is rare for a Member to hold more than one remunerated post. For the performance related remuneration recommendations to work then a Member in receipt of an SRA who achieves attendance of 75% they would have to be able to draw down 2 SRAs – the current SRA paid at 90% and a second retrospective SRA paid at 10% of their current levels.
35. **The Panel confirms the 1-SRA only rule with the exception of subsequent SRAs any Member qualifies for by achieving the 75% attendance performance measure.**

The Panel’s Recommendations

The Basic Allowance

36. No evidence was received to suggest that the current Basic Allowance payable (£5,120) was in need of revisiting at this stage, subject to attending 75% of assigned approved duties. Table 1 (below) shows that the Basic Allowance paid in Tamworth Borough Council is on a par with those paid in the comparator group of district councils.
37. **The Panel recommends that the current Basic Allowance (£5,120) remains unaltered for 2013/14 subject to the performance criteria being met. In other words £4,608 is paid in 12 equal instalments and at the end of the municipal year all Members who achieve 75% attendance of all meetings be paid a retrospective SRA of £512, subject to any future application of relevant indices.**

Table 1: Basic Allowance & Leaders SRAs Staffordshire & Neighbouring District Councils 2012/13

Authority	Basic Allowance	Leader	Leader Total
East Staffs	£4,540	£18,417	£22,957
Cannock Chase	£5,339	£20,166	£25,505
Lichfield	£2,990	£11,360	£14,350
North Warwickshire	£4,942	£10,987	£15,929

North West Leicestershire	£3,662	£14,648	£18,310
Newcastle Under Lyme	£3,285	£13,590	£16,875
South Derbyshire	£5,892	£17,940	£23,832
South Staffs	£5,000	£10,000	£15,000
Stafford	£3,630	£8,542	£12,172
Staffordshire Moorlands	£2,902	£9,565	£12,467
Tamworth	£5,120	£12,814	£17,934
Highest	£5,892	£20,166	£25,505
Lowest	£2,902	£8,542	£12,172
Mean	£4,300	£13,457	£17,757
Median	£4,540	£12,814	£16,875
Tamworth with 10% performance discount	£4,608	£11,533	£16,141

Special Responsibility Allowances - Leader

- 38. Similarly, table one above also shows that compared to other Leaders in the comparator group of district councils the Leader of Tamworth Borough Council is remunerated broadly on a par with peers (a picture that is replicated for most other SRA holders in the Borough). Moreover, the Panel received no evidence to suggest that the Leaders and other SRAs needed revising subject to achieving 75% attendance.
- 39. **The Panel recommends that the Leader’s SRA remains unaltered for 2013/14 subject to the performance criteria being met. In other words, the current SRA of £12,814 is subject to a 10% discount with £11,533 being paid in 12 equal instalments and at the end of the municipal year the Leader will receive an additional retrospective Attendance Allowance of £1,281 on the condition s/he has attended at least 75% of all meetings that year, subject to any indices that may be applied.**

Post Holders in receipt of a SRA – subject to a double penalty

- 40. The consequence of applying a 10% discount to the SRA of the Leader and other post holders in a receipt of an SRA in conjunction with the recommendation to discount the Basic Allowance by 10% means that post holders do not attend 75% of all their scheduled meetings then they are subject to a double performance penalty. For instance, if the Leader was not to attend 75% of scheduled meetings in any municipal year then not only would his SRA remain at £11,533, his Basic Allowance of £4,608 would not

be topped up by the additional Attendance Allowance of £512, thus having a total remuneration of £16,241 rather than £17,934

41. The Panel is content with the implications of its recommendations, i.e., a double penalty being imposed on post holders in receipt of a SRA through a discounted Basic Allowance and SRA. As an executive Member or Chair of a committee the impact of not attending their scheduled meetings would be felt the most keenly.

The Chair of Audit and Governance Committee

42. The Chair of the Audit and Governance Committee receives a lower SRA (£1,922) than the Chairs of the Planning and Licensing Committees (£5,766). The original reason for this was that there are fewer scheduled meetings for the Audit and Governance Committee, 6 per year, than the Planning and Licensing Committees, 12 per year, although it is recognised that Licensing Committee meetings are cancelled if there is not enough business for them to conduct, which does occur on a regular basis.
43. Since the abolition of the national standards regime, arising out of the relevant provisions of the Localism Act 2011, the residual standards functions not otherwise assigned to the Monitoring Officer and Independent Person (IP) have been assigned to the Audit and Governance Committee, e.g., it has responsibility for revising the code conduct.
44. The Panel discussed whether the additional remit of the Audit and Governance Committee was significant to the extent that it merited an increase the Chair's SRA. However, at this stage no evidence was received to enable the Panel to make such an informed judgement and therefore it is not recommending any change to the current SRA paid to the Chair of the Audit and Governance Committee which is £1,730 plus £192, subject the performance criteria being met.
45. The Panel will specifically review the enhanced remit of the Audit and Governance Committee in 12 months time once experience has been gained. Moreover, it will also look at the relative workloads and responsibilities of the Licensing and Planning Committees and consider whether there is a case to recommend a realignment of the SRAs paid to the Chairs of these committees.

The Vice Chairs of Scrutiny

46. In the fourth review the Panel recommended (and the Council subsequently accepted) that the two Vice Chairs of the Scrutiny Committees receive an SRA of £1,407. These were the only Vice Chairs posts that the Panel recommended to receive an SRA, on the grounds that they would have a

defined role beyond generally keeping abreast of their brief to be ready to stand in when required. The Vice Chairs of Scrutiny were to be required to chair Scrutiny Sub Groups where it was intended that much of the investigative work of scrutiny would be carried out.

47. However, the Panel was informed that the this model of scrutiny never developed as intended and the Scrutiny Sub Groups are chaired on an ad hoc basis and is a role any Scrutiny Member may undertake. The post of Vice Chair of Scrutiny does not meet the test of having “significant additional responsibilities”³ which, in line with the 2006 Statutory Guidance is the traditional test the Panel has applied it deciding whether a post merits an SRA.
48. **Consequently, from the date of the Annual Meeting 2013/14 the Panel recommends that the SRAs currently paid to the 2 Vice Chairs of Scrutiny are discontinued.** This recommendation, if accepted, will result in a direct savings of £2,814 per year.

Other Special Responsibility Allowances

49. The Panel received no evidence that the other SRAs payable⁴ needed revision and **recommends that the current scope and levels of other SRAs remain the same for 2013/14 subject to the recommended performance framework as follows:**

Table 2: Other SRAs Payable – Discounted and 10% Remainder Payable

Post	SRA Payable with 10% Discount Applied	Year End SRA Payable when 75% Attendance achieved	Total SRAs Payable
Deputy Leader (1)	£8,649	£961	£9,610
Other Cabinet Member (4)	£7,496	£833	£8,329
Chair of Scrutiny (2)	£5,189	£577	£5,766
Chair of Planning	£5,189	£577	£5,766
Chair of Licensing	£5,189	£577	£5,766
Chair of Audit & Governance	£1,730	£192	£1,922

³ New Council Constitutions: Guidance on Regulation for Local Authority Allowances, Department of Communities and Local Government, 2006 paragraph 76.

⁴ See Appendix 3 for comparative summary of allowances payable in comparator group of councils.

Leader of (Larger) Opposition Group	£5,189	£577	£5,766
Deputy Leader of (Larger) Opposition Group	£2,883	£320	£3,203

Access to the Local Government Pension Scheme: Refreshing Authority

50. The one decision-making power the Panel has is to block the Council from deciding on whether Members should be able to join the Local Government Pension Scheme (LGPS). If the Panel decides that Members should not join the LGPS then the Council has to accept that decision. If the Panel decides that the Council can provide Members access to the LGPS the Council does not have to accept that decision, and even if it does individual Members then have to opt in, if they meet the qualifying criteria as set by legislation. In other words, the Panels powers in relation to Members access to the LGPS are permissive rather than definitive.
51. The Panel continues to support the right of the Council to decide whether Members should have access to the Local Government Pension Scheme (LGPS). **It recommends that fresh authority for the Council to decide on Members right to join the LGPS be provided for another four years.**

Co-optees' Allowance

52. The statutory requirement to maintain a Standards Committee with the full range of quasi-judicial powers ended in July 2012 under the relevant provisions of the Localism Act 2011. The Council has chosen not to establish a non-statutory advisory Standards Committee, as is the case in some authorities. The residual remaining statutory functions have been delegated to the Monitoring Officer and the Audit and Governance Committee, in conjunction the new statutory post of the Independent Person (IP). The views of the IP must be sought and taken into account by the Council before the Audit and Governance Committee and Monitoring Officer make a decision on an allegation against a Member that it has decided to investigate. While it is not expected that the Independent Person will be involved in many formal investigations, their views may also be sought on an allegation that the Council has not decided to proceed for formal investigation. Furthermore, a Member of the Authority may seek the views of an Independent Person on any allegation made against them.
53. The Co-optees' Allowance (£1,903) that was paid to co-opted Chair of the Standards Committee has been deleted from the Members' Allowances scheme and is now paid to the IP, which is outside the Members' Allowances scheme.

54. The Council has retained provision for an ordinary Co-optees' Allowance (£311), which is now only paid to the Co-optee appointed to the Nominations Committee. However, unlike the Standards Committee, the Nominations Committee has no scheduled meetings and only meets as and when, which thus far is rarely. The Panel takes the view that in this instance a Co-optees' Allowance paid on a per meetings basis is more appropriate as it does not remunerate a Co-optee for not attending meetings. In arriving at an appropriate day rate the Panel has used the same approach it utilised in originally arriving the Basic Allowance the last time it was fundamentally reviewed, namely the median earnings of Tamworth residents. In 2012, the median weekly earning for all full time employees resident in the borough was £447.70, or £90 per day, rounded up to the nearest pound.⁵
55. **The Panel recommends that the provision for a Co-optees' Allowance of £311 per annum be deleted from the Tamworth Borough Council Members' Allowances scheme and replaced with the following schedule from the date of the Annual Meeting of Council 2013/14:**
- **Meetings under 4 hours: £45 per meeting**
 - **Meetings 4 hours and over: £90 per meeting**

Travel and Subsistence Allowances

Subsistence – for within Authority meetings

56. The current Members' Allowances scheme still provides for the reimbursement of subsistence expenses when attending approved duties within the Borough. While the Subsistence Allowance for in-Borough approved duties is rarely claimed it is a provision that is an anachronism, a hold over from the days when Members did not receive remuneration and in the main the only allowances they were able to claim were for out of pocket expenses. This is no longer the case.
57. **The Panel recommends that the Members' Allowances scheme should be amended to clarify that the Subsistence Allowances can no longer be claimed by Members attending approved duties within the Borough unless there are exceptional circumstances as defined by the person calling the meeting with approval of the Monitoring Officer, to be implemented from the date of the Annual Meeting 2013/14.**

⁵ See Annual Survey of Hours and Earnings (ASHE), Weekly Pay – Excluding Overtime (£) – For all Full Time Employee Jobs, UK 2012, Table 8.1a, Place of Residence by Local Authority, Office of National Statistics, 22 November 2012.

58. This recommendation, if accepted, will not result in direct savings as this allowance was never claimed last year. Nonetheless, the Panel is concerned in ensuring that the principle is enshrined in the allowances scheme.

Subsistence Allowances – Outside the Borough

59. The Panel received no evidence that the rates and conditions that apply to the Subsistence Allowances for Members attending duties outside the Borough need revisiting. The current rates claimable are based on those applicable to Officers as follows:

Table 3: Members Subsistence Rates 2012/13

Category of Subsistence	Allowance
Breakfast	£5 maximum
Lunch	£8
Tea	£3
Evening Meal	£20
Overnight Accommodation - Outside London	£84
Overnight Accommodation – London	£96

60. **The Panel confirms the current rates and conditions for claiming Subsistence Allowances (including overnight accommodation) by Members attending approved duties outside the Borough.** The Panel reminds the Council that if a Member claims this allowance then it is good practice to back up the claims with receipts, i.e., it is a reimbursement of actual costs incurred up to the same maxima that applies to Officers.

Travel Allowances – Within the Borough

61. Unlike, the Subsistence Allowance, the Panel accepts the logic for maintaining provision within the Members’ Allowances scheme for Members to be able to claim a travel allowance for attending in-Borough approved duties. The journey is only undertaken, and cost incurred, as a result of being an elected Member. Whereas a Member would have to eat whether they were attending an in-Borough approved duty or not.
62. **Consequently, the Panel recommends no change to the current definition and scope of approved duties for which Members can claim Travel Allowances.**

Mileage Rates

63. Currently, the mileage rates that Members can claim for attending approved duties are based on rates that are agreed nationally each year by the

National Joint Council (NJC) for Local Government Services (Officer Casual User rate). These rates are currently as follows:

Table 4: NJC Casual User Mileage Rates 2012/13

Miles	Car Engine Size		
	Up to 999cc	1000-1199cc	1200cc and over
Per mile first 8,500	46.9p	52.2p	65.0p
Per mile after 8,500	13.7p	14.4p	16.4p

- 64. It is increasingly becoming accepted that a more appropriate schedule of mileage rates are those based on Her Majesty’s Customs and Revenue (HMRC) Approved Mileage Allowance Payment (AMAP) rates. Officers are paid higher rates to reflect the exceptional nature of undertaking travel in their own vehicles on behalf of the Council, whereas for Members undertaking travel to approved duties is routine.
- 65. The Panel is attracted to HMRC AMAP rates for the Members seeking reimbursement of their mileage as they are slightly more environmentally friendly; they do not reward those with larger car engine sizes and they are also applicable for when a Member travels to an approved duty by bicycle. Moreover, the AMAP rates do not attract any tax liability for claimants.
- 66. **The Panel recommends that the mileage rates for which Members can claim for attending approved duties are set at the AMAP rates as set out in table 5 below:**

Table 5: HMRC AMAP Rates 2012/13

Vehicle	Business Miles Travelled	
	First 10,000 miles (£ per mile)	Over 10,000 miles (£ per mile)
Cars & Vans	45p	25p
Motor cycles	24p	24p
Bicycles	20p	20p
Passenger Supplement Rates	5p per passenger per mile	5p per passenger per mile

- 67. This recommendation, if accepted, will result in a direct savings of £1,950 per year, based on mileage claimed for 2011/12.

Public and Other Transport

- 68. **The Panel recommends no change to the current rates and conditions to the Travel Allowances scheme where Members travel by public or other means of transport.**
- 69. **Where Members do have long distances to travel by public transport then the arrangements are usually made and paid directly by members' services. The Panel reminds the Council that on the odd occasion that a Member has to seek reimbursement of travel to approved duties by public transport all claims must be backed by receipts for actual costs incurred up to the maxima applicable to Officers of the Borough Council.**

The Dependants Carers' Allowance (DCA)

- 70. Legislation specifically enshrines the right of Members to claim a Dependants' Carers' Allowance (DCA) to assist with the costs caring for any dependants a Member may have while they undertake approved duties. It is designed to reduce barriers to being an elected Member. The DCA is provided for within the Tamworth Borough Council Members' Allowances scheme but is rarely claimed. Nonetheless, the Panel feels that the scheme should still be made available lest a Member circumstances change or a new Member does have dependants. The DCA is as much about a statement on access to being an elected Member rather than the actual use of the allowance.
- 71. **The Panel recommends no change to the scope and levels payable for the Dependants' Carers Allowance scheme, including the relevant indices (see below).**
- 72. The Panel points out that the child care element is indexed to the minimum wage applicable to the age of the carer which is currently as follows:

Table 6: Current Minimum Wage – Hourly Rates

Age of Carer	Hourly Rate
Adult rate – workers aged 21 and over	£6.19
Workers aged 18-20 inclusive	£4.98
Workers aged 16-17 inclusive	£3.68

Indexation

- 73. Under the four year rule the current indices that apply to the payments made under the Members' Allowances have lapsed. This is not a major issue, as (for the past few years) the index that Tamworth and most Councils apply to

the Basic Allowance and SRAs (the annual percentage salary increase for local government staff) has been at zero percent. This is likely not to be the case for the next two years, with the employers offering a 2-year deal at 1% each year.

74. The Panel points out that if allowances are not indexed then the Council is not able to apply an annual cost of living increase without coming back for advice to the Panel. However, where a Council has adopted indices they are under no obligation to apply them each year. Council and individual Members retain the right to not apply an index to their allowances.
75. **The Panel recommends that authority for Tamworth Borough Council to index their allowances is refreshed and the following indices are applied to the remuneration and allowances paid to Members of Tamworth Borough Council:**

Basic Allowance and SRAs:

- Indexed to the annual percentage salary increase for local government staff (at spinal column 49) to be implemented from the start of the municipal year, rather than financial year, for which year it is applicable.

Dependants' Carers' Allowance:

- Indexed to the hourly minimum wage applicable to the age of the carer.

Mileage Allowance:

- Members mileage allowances rates should be indexed to the HMRC AMAP mileage rates.

Subsistence Allowances:

- The day and overnight subsistence allowances should be indexed to the same rates that are applicable to Officers.

Implementation

76. **The Panel recommends that the recommendations contained within this Report be implemented from the date of the Annual Council meeting 2013/14.**

Appendix One

Members and Officers who met with the Chair

Members

Cllr Tina Clements:	Mayor (Conservative)
Cllr Danny Cook:	Leader of Council and Conservative Group
Cllr Chris Cooke:	Independent Member
Cllr John Faulkner:	Leader of the (Labour) Opposition Group
Cllr Richard McDermid:	Deputy Leader of the (Labour) Opposition Group
Cllr Rob Pritchard:	Deputy Leader of Council and Conservative Group

Written Submissions from Members

Cllr Marion Couchman:	Labour Member
Cllr Maureen Gant:	Chair of Audit & Governance Committee (Conservative)
Cllr Ken Norchi:	Labour Member
Cllr Peter Seekings:	Labour Member

Officers

Jane Hackett:	Solicitor to the Council and Monitoring Officer
Lara Allman:	Democratic & Election Services Officer

Appendix Two

Information Received and Reviewed by the Panel Reviewed for Tamworth Borough Council – Member Allowances Review 2013

1. Panels' terms of reference
2. Consolidated Guidance for panels re-issued 2006 by Department Of Local Government and Communities.
3. 2012 Tamworth Borough Council Members' Allowances scheme
4. Copies of Allowances schemes (2012/13) paid in comparator authorities
5. The Fourth Report by the Independent Remuneration Panel, December 2008
6. Summary of Members' Attendance record, 26/08/2012 – 18/02/2013
7. Schedule of meetings and list of Committees, including membership
8. Written representations by Council Members

Appendix Three: Allowances paid the Staffordshire and Immediate Neighbour Districts 2012/13

Authority	Basic Allowance	Leader	Leader Total	Deputy Leader	Cabinet or Policy Chairs	Chair of Scrutiny	Vice Chair Scrutiny	Chair of Planning	Chair of Licensing	Opposition Leader
East Staffs	£4,540	£18,417	£22,957	£9,208	£9,208	£1,842	n/a	£5,526	£5,526	£1,842
Cannock Chase	£5,339	£20,166	£25,505	£9,260	£8,025	£6,791	n/a	£4,322	£1,853	£6,791
Lichfield	£2,990	£11,360	£14,350	£6,820	£6,250	£2,270	n/a	£6,250	£2,270	£2,270
North Warwickshire	£4,942	£10,987	£15,929	£4,983 (3)	n/a	£4,983	n/a	Included in 1 x Deputy Leader	N/A	£1,162 + £233 per member
North West Leicestershire	£3,662	£14,648	£18,310	£9,155	£5,493	£4,760		£4,760	£4,760	£3,662
Newcastle Under Lyme	£3,285	£13,590	£16,875	£9,510	£5,660	£2,830	£1,130	£4,230	£3,430	£1,130
South Derbyshire	£5,892	£17,940	£23,832	£9,860	£8,960	£8,960	£2,240	£8,960	£2,240	£8,960
South Staffs	£5,000	£10,000	£15,000	£5,000	£5,000	£2,500	n/a	£2,500	£2,500	£2,500
Stafford	£3,630	£8,542	£12,172	£6,887	£5,232	£2,936	n/a	£3,844	£1,441	£4,271
Staffordshire Moorlands	£2,902	£9,565	£12,467	£5,739	£4,783 (7)	£3,348 (4)	£1,913	£3,348	£3,348	£3,348
<i>Tamworth</i>	<i>£5,120</i>	<i>£12,814</i>	<i>£17,934</i>	<i>£9,610</i>	<i>£8,329</i>	<i>£5,766</i>	<i>£1,193</i>	<i>£5,766</i>	<i>£5,766</i>	<i>£5,766</i>
Highest	£5,892	£20,166	£25,505	£9,860	£9,208	£8,960		£8,960	£5,766	£8,960
Lowest	£2,902	£8,542	£12,172	£5,000	£5,000	£1,842		£2,500	£1,441	£1,130
Mean	£4,300	£13,457	£17,757	£8,105	£6,906	£4,364		£4,951	£3,313	£4,054
Median	£4,540	£12,814	£16,875	£9,182	£6,250	£3,848		£4,541	£2,924	£3,505

	Other SRAs`	Mileage	Child Care	Subsistence Rates
East Staffs	n/a	HMRC	No info	B £5.66 L £7.80 T £3.10 EM £9.65 O/N £87.09
Cannock Chase	Chr Policy Development C'tee, Chr Aud & Gov, Chr Fundamental Service Review	42.9p, 46.9p, 58.7p	Nat Min Wage	B £5.75 L £7.91 T £3.21 EM £9.80 O/N £93.31
Lichfield	Ch Audit, Asst Cabinet Member, V Chr Planning, V Chr Lic, Chr Employment C'tee, Chr Parish Forum, Chr Arts Partnership, Chr Disability Partnership Panel	No info	County Social Services Department Payment Rate	No info
North Warwickshire	Chairman of Area Forums, Appeals Panel Members, Lead Members (Portfolio Holders)	42.9p, 46.9p, 58.7p	Nat Min Wage	B £5.84 L £8.04 T £3.17 EM £9.94 O/N £95.26
North West Leicestershire	n/a	No info	£7.20ph	No info
Newcastle Under Lyme	V-Chr Plan, Pub Prot, Audit & Risk, Licensing	No info	£5.15ph (or nat min wage)	No info
South Derbyshire	Tele Allow £300, V-Chr Policy C'tee & Plan	45p 1st 10km 25p over	No info	No info
South Staffs	Audit C'tee	No info	No info	No info
Stafford	Aud&Gov, Public Appeals, Jnt Parking C'tee	52.2p	£6.14	B £7.50 L £10.00 D £17.50 O/N £90
Staffordshire Moorlands	Vice Plan & Lic, Chr Constitution Review Working Party, Member Dev Champion, Chr & V-Chr Appeals Board	42.9p, 47.7p, 60.1p	£10ph max £40	B £6 L £8 T £4 EM £15 O/N £90
<i>Tamworth</i>	<i>Chair Audit & Gov £1,922</i>	<i>46.9p, 52.2p, 65p</i>	<i>Carers over 22 £5.73ph, Carers 18-21 - £4.77ph</i>	

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COUNCIL

19 March 2013

REPORT OF THE SOLICITOR TO THE COUNCIL AND MONITORING OFFICER

REVIEW OF MEMBERS ALLOWANCES

Purpose of Report

To advise Council of the recommendations of the Members Independent Remuneration Panel who have recently undertaken a review of Members Allowances in accordance with regulations. The report of the panel is attached at **Appendix 1**.

Executive Summary

Regulations came into force in May 2003 which requires the Council to review and adopt a scheme of allowances for members.

All Councils are required to convene an Allowances Panel and seek its advice before they make any changes or amendments to their allowance scheme and they must "pay regard" to the Panel's recommendations before setting a new or amended Members Allowances Scheme.

The Members Remuneration Panel was convened on 28 February 2013.

It is a statutory requirement that a summary of the remuneration panel recommendations are published in a local newspaper and this has to be undertaken.

The recommended changes to be implemented from the date of the Annual Council meeting in 2013/14 can be summarised as follows:

1. No increase to the basic allowance or to any Special Responsibility Allowances. Thus the proposed basic allowance remains £5,054.
2. All of the current Allowances payable to Members be discounted by 10%. That the 10% discount is only paid to the Members who attend 75% of the scheduled meetings of the Committees that they are appointed to. The payment then takes the form of a lump sum paid retrospectively at the end of the municipal year. The meetings that count for Members attendance are those published in the attendance summary on the Council website.
3. Post holders in receipt of Special Responsibility Allowance are subject to a double discount penalty.
4. The panel reconvenes in 12 months time to review the Members Allowances Scheme with particular regard to assessing the success of the new performance related element of remuneration and refine accordingly.
5. The SRA paid to the leader of £12,814 remains unaltered for 2013/14 subject to the aforesaid performance criteria being met.

6. The payment of SRA to Vice Chairs of Scrutiny be discontinued.
7. The provision for a co-optee allowance of £311 be deleted from the Members Allowance Scheme and replaced by a remuneration of £45 for each meeting under 4 hours duration, £90 for each meeting over four hours duration.
8. Subsistence Allowance can no longer be claimed by Members attending approved duties within the Borough unless there are exceptional circumstances as defined by the person calling the meeting and approved by the Monitoring Officer.
9. The current definition and scope of approved duties for which Members can claim travel allowances remains unaltered. With no change to allowances where Members travel by public transport, with all claims requiring to be backed up with receipts.
10. Payments under the Dependents Careers Allowance Scheme remain unaltered.
11. As previously recommended the panel considered all members should be eligible to join the Local Government Pension Scheme for another four years.
12. That all the aforesaid Allowances and Subsistence rates are indexed accordingly.

Costs for items 8, 9, 10 and 11 are not easily quantifiable given that they are dependent on the level of duties, the uptake of members joining the LGPS and claims in the year. Based on past experience the recommendations should not have a significant financial effect, it may in fact result in a small saving.

Council is requested to consider the recommendation of the panel and either agree with the proposals or put forward reasonable alternatives.

The amended scheme as approved following the Panel's recommendations (or following Council Proposals) is to be adopted from the beginning of the Municipal Year 2013/14.

This report does not seek a key decision, but Council is responsible for reviewing and adopting a scheme of allowances for members.

Financial Implications

In the next financial year 2013/14 the proposals would mean no increase in the budget. It is expected that this can be managed within existing budgets.

The risk of not updating the allowance scheme is that the political management structure of the Council may not be accurately acknowledged in accordance with statutory and regularity requirements.

Recommendation(s)

Council is recommended to consider the Panels report and adopt one or a combination of the following:

- a) Receive the recommendations in full
- b) Receive the recommendations in part.
- c) Put forward alternative recommendations in addition to or as opposed to those not accepted.
- d) Reject the recommendations.

If Members would like further information or clarification prior to the meeting, please contact Jane Hackett on Ext. 258

Background Papers:-	Appendix 1
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AUDIT & GOVERNANCE COMMITTEE

28 March 2013

REPORT OF THE SOLICITOR TO THE COUNCIL AND MONITORING OFFICER

REGULATION OF INVESTIGATORY POWERS ACT 2000

Purpose

The Council's Code of Practice for carrying out surveillance under the Regulation of Investigatory Powers Act 2000 (RIPA) specifies that quarterly reports will be taken to Audit & Governance Committee to demonstrate to elected members that the Council is complying with its own Code of Practice when using RIPA.

On 13 December 2012, the Council adopted a new RIPA policy and agreed that quarterly reports on the use of RIPA powers be submitted to Audit & Governance Committee.

Recommendation

That Audit and Governance Committee endorse the quarterly RIPA monitoring report.

Background Information

The RIPA Code of Practice produced by the Home Office in April 2010 introduced the requirement to produce quarterly reports to elected members to demonstrate that the Council is using its RIPA powers appropriately and complying with its own Code of Practice when carrying out covert surveillance. This requirement relates to the use of directed surveillance and covert human intelligence sources (CHIS).

The table below shows the Council's use of directed surveillance in the current financial year to provide an indication of the level of use of covert surveillance at the Council. There have been no applications under RIPA in the quarterly period from 1 January 2013 to the date of this report.

The table outlines the number of times RIPA has been used for directed surveillance, the month of use, the service authorising the surveillance and a general description of the reasons for the surveillance. Where and investigation is ongoing at the end of a quarterly period it will not be reported until the authorisation has been cancelled. At the end of the current quarterly period there are no outstanding authorisations.

There have been no authorisations for the use of CHIS.

Financial year 2012/13

Month	Service	Reason
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No applications		
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Background papers

None

Dated 15 Mar. 13 "If Members would like further information or clarification prior to the meeting please contact Jane M Hackett Solicitor to the Council and Monitoring Officer on Ext.258"