Borough of Tamworth

Marmion House,
Lichfield Street, Tamworth,
Staffordshire B79 7BZ.

Enquiries: 01827 709 709
Facsimile: 01827 709 271

AUDIT AND GOVERNANCE COMMITTEE

19 March 2015

Dear Councillor

A meeting of the Audit and Governance Committee will be held in **Committee Room 1 - Marmion House on Thursday, 26th March, 2015 at 6.00 pm.** Members of the Committee are requested to attend.

Yours faithfully

A G E N D A

NON CONFIDENTIAL

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** (Pages 5 - 20)

(Report of Grant Thornton) (External Auditor)

5 **Informing the Audit Risk Assessment** (Pages 21 - 46)

(Report of Grant Thornton) (External Auditor)

6 **Review of the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Statement 2015/16 and the Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report 2014/15** (Pages 47 - 112)

(Report of the Executive Director Corporate Services)

7 **Final Accounts 2014/15 - Action Plan** (Pages 113 - 122)

(Report of the Director of Finance)

8 **Internal Audit Charter and Plan 2015/16** (Pages 123 - 138)

(Report of the Head of Internal Audit Services)

9 **Financial Guidance Review 2015** (Pages 139 - 226)

(Report of the Head of Internal Audit Services)

10 **Audit & Governance Committee Self Assessment** (Pages 227 - 232)

(Report of the Head of Internal Audit Services)

11 **Regulation of Investigatory Powers Act 2000** (Pages 233 - 236)

(Report of the Solicitor to the Council and Monitoring Officer)

12 **Review of Member's Allowances** (Pages 237 - 270)

(Report of the Solicitor to the Council and Monitoring Officer)

13 Audit and Governance Committee Timetable (Pages 271 - 274)

(Discussion Item)

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: J Chesworth, M Couchman, J Faulkner, M Gant, R Kingstone, J Oates and P Seekings.

This page is intentionally left blank

MINUTES OF A MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD ON 29th JANUARY 2015

PRESENT: Councillor M Gant (Chair), Councillors J Chesworth, J Faulkner, R Kingstone and P Seekings

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

Visitors: Joan Bellingall and Kyla Bellinghall

37 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor M Couchman

38 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 30th October 2014 were approved and signed as a correct record.

(Moved by Councillor J Chesworth and seconded by Councillor J Faulkner)

39 DECLARATIONS OF INTEREST

There were no declarations of Interest.

40 IMPLEMENTATION OF ICT AUDIT RECOMMENDATIONS

Report of the Director, Technology & Corporate Programmes to brief Members of the Audit & Governance Committee on actions taken to date and future planned activities to review and implement outstanding audit recommendations was considered.

RESOLVED: That

Committee Members endorsed the information and actions contained within this report.

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

Motion was passed to change the order of business under Rule 4.13 (c) taking item 11 as item 4

41 REGULATION OF INVESTIGATORY POWERS ACT 2000 - QUARTERLY REPORT

The Report of the Solicitor to the Council and Monitoring Officer informing Members of the surveillance carried out under the Regulation of Investigatory Powers Act 2000 was considered.

RESOLVED: That the Quarterly RIPA Monitoring Report be endorsed

(Moved by Councillor J Faulkner and seconded by Councillor J Chesworth)

42 CERTIFICATION REPORT 2013-14

The Report of Grant Thornton (External Auditor) was considered.

RESOLVED: That the certification report 2013/14 was endorsed.

(*Moved by Councillor M Gant and seconded by Councillor J Faulkner*)

43 AUDIT COMMITTEE UPDATE -JANUARY 2015

The Report of Grant Thornton (External Auditor) was considered.

RESOLVED: That the report be endorsed

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

44 VALUE STATEMENT

The Report of Grant Thornton (External Auditor) was considered

RESOLVED: That the report be endorsed

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

45 UPDATE REPORT ON PREVIOUSLY REPORTED HIGH PRIORITY RECOMMENDATIONS

The report of the Head of Internal Audit Services to inform the committee on the current status of the previously reported high priority recommendations not implemented at the previous implementation review was considered.

RESOLVED: That the committee endorsed the report

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

46 RISK MANAGEMENT UPDATE 2014/15

The Report of the Head of Internal Audit Services reporting on the Risk Management process and progress to date for the current financial year was considered.

RESOLVED: That the Committee endorsed the report.

(Moved by Councillor J Chesworth and seconded by Councillor R Kingstone)

47 INTERNAL AUDIT QUARTERLY REPORT 2014/15 QUARTER 3

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 2014/15 – to provide members with assurance of the ongoing effective operation of an internal audit function and enable any particularly significant issues to be brought to the Committee's attention was considered.

RESOLVED: That
the quarterly report be endorsed

(Moved by Councillor M Gant and seconded by Councillor J

Chesworth)

48 AUDIT AND GOVERNANCE COMMITTEE TIMETABLE

The Committee reviewed the draft timetable.

Chair

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

The Audit Plan for Tamworth Borough Council

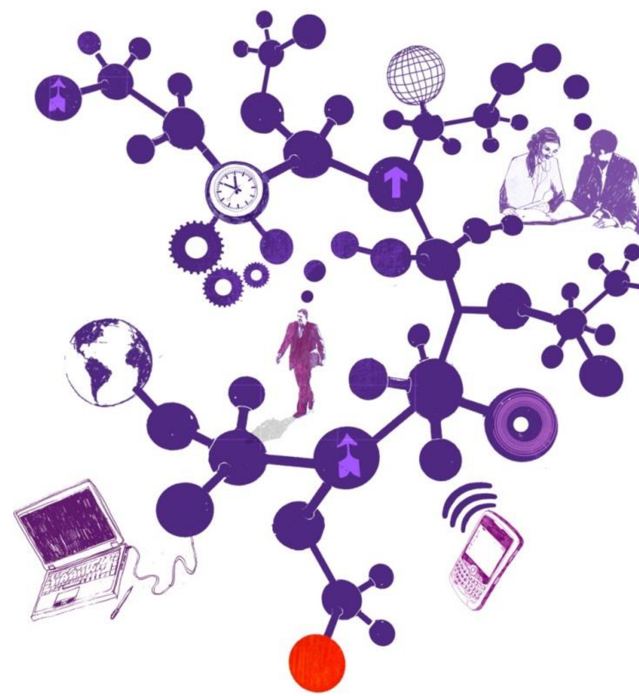
Year ended 31 March 2015

26 March 2015

Kyla Bellingall
Engagement Lead
T 0121 232 5359
E kyla.bellingall@uk.gt.com

Joan Barnett
Manager
T 0121 232 5399
E joan.m.barnett@uk.gt.com

Denise Mills
In Charge Auditor
T 0121 232 5306
E denise.f.mills@uk.gt.com



Contents

Section

1. 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.

Challenges/opportunities

1. Medium Term Financial Strategy

- The Medium Term Financial Strategy forecasts a balanced position over 3 years for the General Fund, 5 years for the HRA with remaining balances in excess of the minimum approved level of £0.5m at the end of the period. However, it was highlighted to Cabinet and Joint Scrutiny Committee during January 2015 that, from 2018/19 onwards, the General Fund faces a financial deficit estimated at c.£2m p.a. resulting in a project deficit of c.£4m at the end of 2019/20.
- The Council has developed a new Operational Model to further build on the current Sustainability Strategy.

2. 2014/15 Financial Performance

- The forecast full year outturn as at period 9 is a projected favourable variance of £458k (5.02%).

3. Town Centre Regeneration

- The Council has plans for a town centre regeneration project to develop a new Creative Quarter. The anticipated cost is estimated at £5.6m.
- Work is planned to commence in early 2016 after grant funding has been approved.

4. Pension Contributions

- You made a prepayment of pension contributions in 2014/15 for contributions up to 2017.

Our response

1. We will review your Medium Term Financial Strategy and new Operational Model as part of our work on your arrangements for financial resilience.

2. We review the final year end position to see if the forecast variable position is achieved.

3. We will review the capital programme and the possible effect on the Medium Term Financial Strategy.

4.
- We will review the accounting transactions and disclosures.

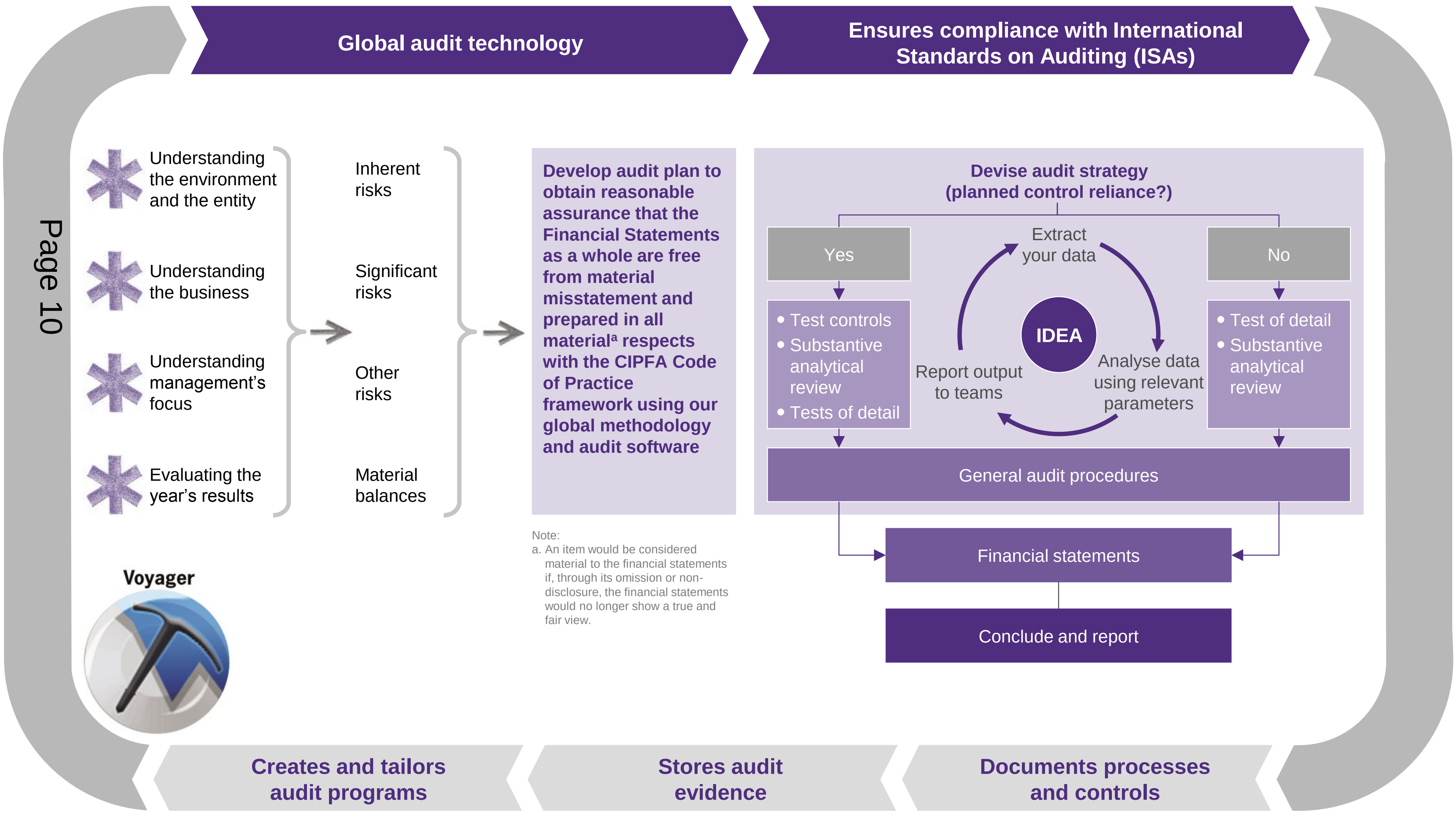
2. Developments relevant to your business and the audit

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 ('the code') and associated guidance.

Developments and other requirements

1.Financial reporting	2. Legislation	3. Corporate governance	4. Financial Pressures	5. Other requirements
• Changes to the CIPFA Code of Practice	• Local Government Finance settlement	• Annual Governance Statement (AGS) • Explanatory foreword	• Managing service provision with less resource • Progress against savings plans	• 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				
We will ensure that • the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing.	• 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	• We will review the arrangements the Council has in place for the production of the AGS • We will review the AGS and explanatory foreword to consider whether they are consistent with our knowledge	• We will review the Council's performance against the 2014/15 budget, including consideration of performance against the savings plan • We will undertake a review of Financial Resilience as part of our VfM conclusion	• We will carry out work on the WGA pack in accordance with requirements • We will certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd. This company will take over the Audit Commission's responsibilities for housing benefit grant certification from 1 April 2015.

3. Our audit approach



Note:
a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

4. 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. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Tamworth Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Tamworth Borough Council , mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.	**Work planned:** • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions

5. Other risks identified

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).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit Approach
Operating expenses	Creditors related to core activities (e.g. supplies) understated or not recorded in the correct period	We have documented our understanding of the operating expenses system and completed walkthroughs where we have identified that the controls are operating effectively. We will: • review and test the reconciliation between the creditors ledger and the general ledger. • gain an understanding of the accruals process and any assumptions used. • substantively test post year end payments to ensure expenditure is recorded in the correct period.
Employee remuneration	Employee remuneration and benefit obligations and expenses understated.	We have documented our understanding of the employee remuneration system and completed walkthroughs where we have identified that the controls are operating effectively. We have undertaken testing of payroll expenditure from a sample of employees for periods 1 – 10. The remaining periods will be tested during our final accounts visit. We will: • review and test the reconciliation between payroll and the general ledger. • perform analytical procedures of the payroll on a month by trend analysis.
Welfare Expenditure	Welfare benefit expenditure improperly computed	We have documented our understanding of the welfare benefits system and completed walkthroughs where we have identified that the controls are operating effectively. We will perform detailed testing of benefits expenditure by following the HBCOUNT methodology.

6. Value for money

Value for money

The Code 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.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

Page 13

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- A review of the Medium Term Financial Strategy and consider how the Council is ensuring a balanced budget continued delivered after 2017/18.
- A review of financial resilience.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

7. Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

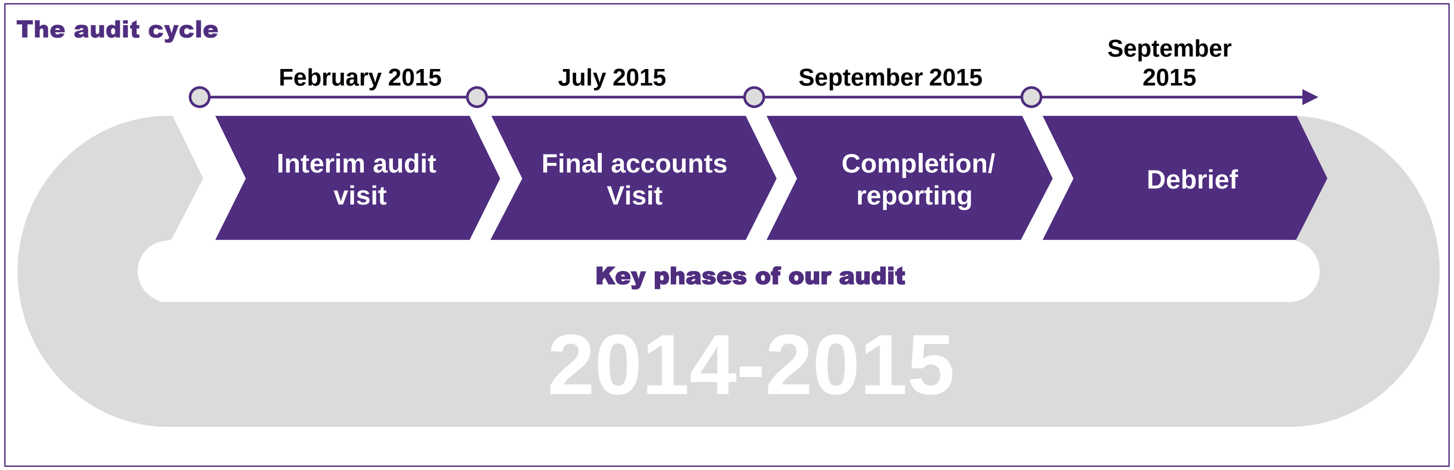
	Work performed and findings	Conclusion
Internal audit	We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention. We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.	Our review of internal audit work has not identified any weaknesses which impact on our audit approach.
Walkthrough testing	We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding	Our work has not identified any weaknesses which impact on our audit approach
Entity level controls	We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including: • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements

7. Results of interim audit work cont'd

	Work performed	Conclusion
Review of information technology controls	Our information systems specialist will perform a high level review of the general IT control environment, as part of the overall review of the internal controls system. We will also perform a follow up of the issues that were raised last year.	Due to the timing of this work we will report the outcome of the work to you in our Audit Findings Report to be presented in September 2015, unless there is risk that we need to report sooner.
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.	Our work has not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements. During our final accounts visit we will undertake detailed testing on journal transactions for the financial year, by extracting 'unusual' entries for further review.
Early substantive testing	We have undertaken early testing for periods 1 – 10 in the following areas: • Operating expenditure • Employee remuneration • Welfare expenditure • Grant revenues	Our early work has not identified any issues that which we wish to bring to your attention. We will complete our testing during our final accounts visit.

Page 15

8. Key dates



Date	Activity
January 2015	Planning
February 2015	Interim site visit
March 2015	Presentation of audit plan to Audit Committee
July 2015	Year end fieldwork
31 July 2015	Audit findings clearance meeting and discussion of audit findings report with Executive Director (Corporate Services) and Director (Finance)
September 2015	Report audit findings to those charged with governance (Audit and Governance Committee)
September 2015	Sign financial statements opinion

9. Fees and independence

Fees

	£
Council audit	65,550
Grant certification	15,630
Total fees (excluding VAT)	**81,180**

Fees for other services

Service	Fees £
None	Nil

Our fee assumptions include:

- 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

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited, as the successor to the Audit Commission in this area.
- Fees in respect of other grant work, such as reasonable assurance reports, would be shown under 'Fees for other services.'

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

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.

10. 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.

Page 18

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		✓

grant-thornton.co.uk

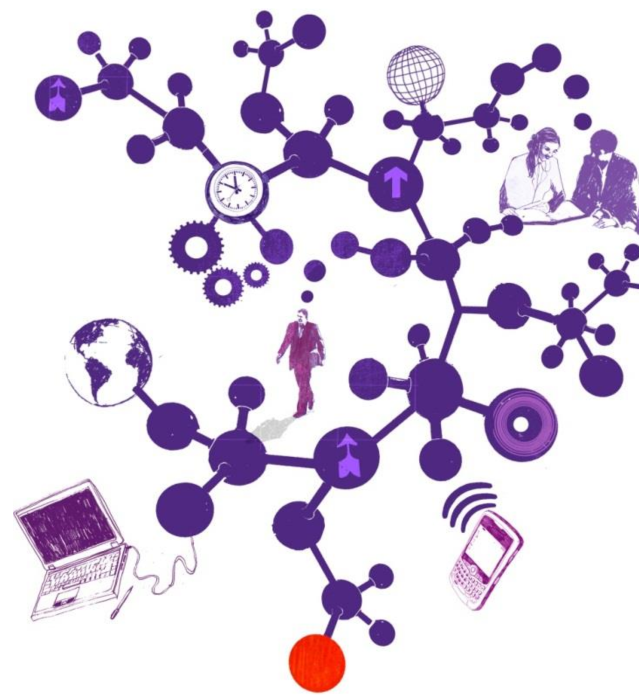
This page is intentionally left blank

Informing the audit risk assessment for Tamworth Borough Council

Year ended

31 March 2015

Page 21



Agenda Item 5

Kyla Bellingall
Engagement Lead
T 0121 232 5359
E kyla.bellingall@uk.gt.com

Joan Barnett
Manager
T 0121 232 5399
E joan.m.barnett@uk.gt.com

Denise Mills
In-Charge Auditor
T 0121 232 5306
E denise.f.mills@uk.gt.com

.

Contents

Purpose

The purpose of this report is to contribute towards the effective two-way communication between external auditors and the Council's Audit and Governance Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Governance Committee under auditing standards.

Background

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Audit and Governance Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Audit and Governance Committee and also specify matters that should be communicated.

Page 24

This two-way communication assists both the auditor and the Audit and Governance Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Governance Committee and supports the Audit and Governance Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Audit and Governance Committee's oversight of the following areas:

- Fraud
- Laws and regulations
- Going concern.
- Related Parties
- Accounting estimates

This report includes a series of questions on each of these areas and the responses we have received from the Council's management. The Audit and Governance Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

Fraud

Issue

Matters in relation to fraud

ISA(UK&I)240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Governance Committee and management.

Management, with the oversight of the Audit and Governance Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Governance Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud
- process for identifying and responding to risks of fraud, including any identified specific risks
- communication with the Audit and Governance Committee regarding its processes for identifying and responding to risks of fraud
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Governance Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Governance Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Council's management.

Fraud risk assessment

Question	Management response
Has the Council assessed the risk of material misstatement in the financial statements due to fraud or error? What are the results of this process?	Management receive the following reports which have informed the Council that the risk of misstatement due to fraud or error is low: • Internal Audit's risk assessment arising from the reviews to inform the Annual Governance Statement. • Quarterly reports are received from the Head of Internal Audit Services (HIAS) on systems reviewed (including the key / core financial systems) within the quarter. High risk areas are identified. Follow-up of implementation of control risks are undertaken in a timely manner. HIAS gives an opinion on the system of internal control given quarterly. • An Annual Governance Statement. Assurance gathering process involves assessing against the objectives, manager's providing assurance statements and identifying key control issues affecting their operational processes; • External Audit Reports, including the assessment of controls as stated in the Annual Audit & Inspection Letter inform the conclusion on adequacy of the internal control process. • Financial Accounts reports / reviews identifying key areas of activity and where appropriate risk implications and variance analysis. This includes the review of draft accounts / analytical review (S151 & Deputy S151) and appropriate working papers where necessary. • The final account planning & compliance process gives assurance on the key accounting and review processes undertaken in the planned delivery of the final accounts. Copy of implementation plan agreed & monitored by members. The Final Account Delivery Plan (key actions, deliveries, implications & deadlines) identifies key deliverables and issues arising from the preparation process which are reported to CMT & Members. • Copy of Final Account documents (including previous year comparators). Material issues / explanations are reported to Audit & Governance Committee. • Advice / information on changes in Accounting Policy that impact on the financial statements (including issues affecting comparator variances).

Fraud risk assessment

Question	Management response
Continued…	• Compliance reviews are undertaken to the accounting code of practice (IFRS). • External Audit report to the Audit & Governance Committee on their reliance placed on the work of Internal Audit. This therefore increases reliance on the standard and quality of audit reports and their review of control systems.
How are the Audit and Governance Committee satisfied that the overall control environment is robust. In particular what processes does the Council have in place to identify and respond to risks of fraud in the organisation?	The Audit and Governance Committee receives various reports that satisfy them that the control environment is robust. • Internal Audit's risk assessment arising from the reviews to inform the Annual Governance Statement. • Quarterly reports are received from the Head of Internal Audit Services (HIAS) on systems reviewed (including the key / core financial systems) within the quarter. High risk areas are identified. Follow-up of implementation of control risks are undertaken in a timely manner. HIAS opinion on the system of internal control given quarterly. • An Annual Governance Statement. The assurance gathering process involves assessing against the objectives, manager's providing assurance statements identifying key control issues affecting their operational processes. • External Audit Reports, including the assessment of controls as stated in the Annual Audit & Inspection Letter inform the conclusion on adequacy of the internal control process. Counter Fraud & Corruption & Whistleblowing policies are in place (reviewed 2013)
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	Internal Audit maintain a fraud risk register which is updated quarterly. We are aware of areas where risk of fraud has increased (e.g. changes to creditor bank details). Staff working in this area are aware of the increased risk and an E-learning solution is to be rolled out summer 2015. There are not many areas where cash is handled; this happens only at the castle or the Tourist Information Centre and no concerns have been highlighted by work undertaken there.

Fraud risk assessment (continued)

Question	Management response
Are internal controls, including segregation of duties, in place and operating effectively? If not, where are the risk areas and what mitigating actions have been taken?	Yes; the below internal controls are in place and operating effectively • Financial guidance in place and regularly reviewed/monitored • Counter Fraud & Corruption & Whistleblowing policies in place (reviewed 2013) • System access control at local level • Monthly financial monitoring & review and exception reporting • NFI & NAFN reviews including payments monitoring • Review of higher value journals • Segregation of duties / 2 person authorisation requirements (to deter fraud / collusion) • Effective Internal Audit function reviewing key controls • Internal controls within Services • Self assessments are carried out to identify potential weaknesses • Procurement Strategy approved by Cabinet June 2013, including roll out of quick quote process for procurement

Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	Management is not aware of any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process. The following sources would be used to inform the organisation of any such instances
	• S151 Officer is informed of suspected or alleged areas of fraud from the following sources :
	    • Whistle Blowing / informants,
	    • Benefits Fraud Investigations
	    • Management – identification of irregularities
	    • Internal Audit – reports / reviews
	• Any areas of actual fraud will be / are reported to the Audit & Governance Committee as part of the normal quarterly monitoring/reporting process as well as senior management and police (where appropriate);
	• Requirement of Managers / officers / Members to report to S151 any suspicions / allegations of fraud for appropriate investigation.

Fraud risk assessment (continued)

Question	Management response
How does the Audit and Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What arrangements are in place to report fraud issues and risks to the Audit and Governance Committee?	Audit & Governance Members (including relevant Council Officers) receive the following information / communication in order to raise / inform fraud risks and breaches of internal control • Quarterly Fraud update provided to the Committee including NFI. • Audit & Governance Committees Terms Of Reference state that they will monitor the effectiveness of anti fraud & corruption arrangements. This is achieved / discharged through the Audit & Governance Committee approving the Counter Fraud and Corruption Strategy Policy Statement and Guidance Notes and the Whistleblowing Policy. • Head of Internal Audit Services opinion on the control environment given on a quarterly basis. • Pro-active annual Internal Audit plan based on "Risk Based Audit" to review key activity areas of operation
How does the Council communicate and encourage appropriate business practice and ethical behaviour of its employees and contractors?	• Employees are made aware of the communication process (via NetConsent) of all key Council policies, including the Counter Fraud and Corruption Policy, Statement & Strategy and Whistleblowing Policy. This is a mandatory process; compliance is reported and monitored and where appropriate additional training is given. • An employee induction training process is completed which includes specific training for standards/code of conduct. • Financial Guidance is reviewed and approved by Members and is available to all staff / members on intra-net (and hard copy if required); • On-going awareness and dissemination of good practice etc. circulated via PinBoard, officer fraud updates, best practice and Internal Audit & External Audit Reports (including risk assessment / recommendations & management responses and external publications i.e. Audit Commission Circulars); • Development of e-learning modules for Counter Fraud & Corruption and Whistleblowing

Fraud risk assessment (continued)

Question	Management response
How do you encourage employees to report their concerns about fraud? Have any significant issues been reported?	This is encouraged via Whistle-blowing Procedures and/or Counter fraud and/or Corruption policy Statements & Strategy (both are available on the intranet). • The Counter Fraud & Corruption Policy Statement & Strategy was notified to staff for 2012/13 using NetConsent policy management system which requires response from staff which will be logged and followed up on the system. Staff are required to read and accept the policy and are required to report any concerns. We will roll out an e-learning solution which covers counter fraud and whistleblowing in 2015/16. The e-learning solution has a series of questions to confirm staff and members understanding and will be linked to the NetConsent Policy Management system to enable us to track acceptance and understanding. This will inform us of additional training requirements needed.
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	We are not aware of any related party relationships or transactions that could give rise to risks of fraud. The following processes are in place to ensure related party relationships are identified: • Annual declarations of interest are required from Senior Managers and all Members of the Council to inform the related party note in the accounts. • All members have to disclose any interest when making decisions. • Monitoring officer keeps a register of members interests. • Transparency requirements / publications & public interest disclosures.

Fraud risk assessment (continued)

Question	Management response

Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2014?
If so how does the Audit and Governance Committee respond to these
	No; management would be made aware of any actual or alleged instances of fraud via the following:-
	• S151 Officer is informed of (and takes appropriate action in relation to) suspected or alleged areas of fraud from the following sources:
	  • Whistleblowing / informants,
	  • Benefits Fraud Investigations
	  • Management identification of irregularities
	  • Internal Audit reports / reviews
	• Any areas of actual fraud will be / are reported to the Audit & Governance Committee as part of the normal annual report as well senior management and police (where appropriate);
	• Requirement of Managers / Officers / Members to report to S151 any suspicions / allegations of fraud for appropriate investigation.

Are you aware of any whistleblower reports or reports under the Bribery Act since 1 April 2014? If so how does the Audit and Governance Committee respond to these	No.

Page 31

Laws and regulations

Issue
Matters in relation to laws and regulations ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements. Management, with the oversight of the Audit and Governance Committee, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements. As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Governance Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements. Risk assessment questions have been set out below together with responses from management.

Page 32

Impact of Laws and regulations

Question	Management response
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations? How does management gain assurance that all relevant laws and regulations have been complied with?	• Quarterly reports are received from the HIAS on systems reviewed. High risk areas are identified. • The Annual Governance Statement assurance gathering process involves assessing against the objectives and managers providing assurance statements. • The Monitoring Officer's independent reporting on relevant compliance with laws. The Monitoring Officer also attends the Audit and Governance Committee meetings and advises appropriately. • The External Auditor review and assurance opinion on the financial affairs (management processes) of the Authority. • For Council & Cabinet reports both the Monitoring Officer and Finance Officer are required (subject to options) to sign-off the reports prior to members approving recommendations and to identify that proposed actions comply to legislative requirements. • Periodic update to Officers / Members on new legislative requirements. • Regular update by the External Auditor on potential compliance issues / understanding. • Undertaking NFI Anti Fraud initiatives indicates potential fraudulent violations. • Pro-active Internal Audit Plan focused on provision of assurance reports on status of management control processes. • Regular review and update of Financial Guidance and Counter Fraud Policies.
How is the Audit and Governance Committee provided with assurance that all relevant laws and regulations have been complied with?	The Monitoring Officer's independent reporting on relevant compliance with laws. The Monitoring Officer also attends the Audit and Governance Committee meetings and advises appropriately.

Impact of Laws and regulations

Question	Management response
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2014 with an on-going impact on the 2014/15 financial statements?	No.
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	Once identified, all claims are considered for their impact on the accounts, with appropriate action taken (e.g. reserve, provision, contingent liability etc.)
Are there any actual or potential litigation or claims that would affect the 2014/15 financial statements?	No.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No.

Page 34

Going Concern

Issue
Matters in relation to going concern ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements. The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business. The code of practice on local authority accounting requires an authority's financial statements to be prepared on a going concern basis. Although the Council is not subject to the same future trading uncertainties as private sector entities, consideration of the key features of the going concern provides an indication of the Council's financial position and is good practice. A key consideration of going concern is that the Council has cash resources and reserves to meet its obligations as they fall due in the foreseeable future. Going concern considerations have been set out below and management has provided its response.

Going Concern Considerations

Question	Management response
Does the Council have procedures in place to assess the Council's ability to continue as a going concern?	The Executive Director Corporate Services (as s151 Officer) is satisfied that the budget and Medium Term Financial strategy (MTFS) proposals are based on robust estimates, and that the level of reserves is adequate. This was reported in the Medium Term Financial Strategy reviewed by all Members and approved by Council in February 2015.
Is management aware of the existence of events or conditions that may cast doubt on the Council's ability to continue as a going concern?	No.
Are arrangements in place to report the going concern assessment to the Audit and Governance Committee? How has the Audit and Governance Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?	The Executive Director Corporate Services (as s151 Officer) is satisfied that the budget and MTFS proposals are based on robust estimates, and that the level of reserves is adequate. This was reported in the Medium Term Financial Strategy. This was reported in the Medium Term Financial Strategy reviewed by all Members and approved by Council in February 2015.
Are the financial assumptions in that report (e.g. future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?	The Financial Plan (MTFS) is agreed at the same time as the Corporate Plan. The financial plan makes clear reference to the Corporate Plan as the basis for the financial considerations in setting the medium term budget. The financial assumptions are therefore consistent with the Council Plan. Reports in year are consistent with the budget set.

Going Concern Considerations (continued)

Question	Management response
Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	The financial plan considered explicitly the government changes in terms of grants. The plan sets out the likely implications of the Governments Resources Review (including welfare benefit reform and localisation of council tax support and business rates) and other changes to local government finance. Policy changes are detailed within the report. Sensitivity analysis for grant and other income and expenditure included.
Have there been any significant issues raised with the Audit and Governance Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	No.
Does a review of available financial information identify any adverse financial indicators including negative cash flow? If so, what action is being taken to improve financial performance?	No.
Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills?	Yes; PDR process and person specifications include assessment of relevant skills. Capacity issues are raised and discussed on a regular basis including in risk assessments e.g. dealing with benefits claims

Page 37

Related Parties

Issue
Matters in relation to Related Parties Council's are required to comply with International Accounting Standard 24 and disclose transactions with entities/individuals that would be classed as related parties. These may include: ■ entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the Council (i.e. subsidiaries); ■ associates and/or joint ventures; ■ an entity that has an interest in the Council that gives it significant influence over the Council; ■ key management personnel, and close members of the family of key management personnel, and ■ post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any entity that is a related party of the Council. A disclosure is required if a transaction (or series of transactions) is material on either side i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it. ISA (UK&I) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate. Related party considerations have been set out below and management has provided its response.

Related Parties (Continued)

Question	Management response
What controls does the Council have in place to identify, account for, and disclose related party transactions and relationships?	A number of arrangements are in place for identifying the nature of a related party and reported value including: • Maintenance of a Register of interests for Members and a register for pecuniary interests in contracts for Officers and Senior Managers requiring disclosure of related party transactions. • Annual return from senior managers/officers requiring confirmation that they have read and understood the declaration requirements and that they state the details of any known related party interests. • Challenge from public
Who have the Council identified as related parties?	The Council discloses its related parties under the following headings: • Government. Central government has controlling influence over the Council as the Council needs to act in accordance with its statutory responsibilities. • Precepts & Levies. These parties are subject to common control by central government and thus might be empowered to transact on non-commercial terms. The Council is bound to pay the amount demanded from these parties through precept or levy. • Joint Operations / Ventures. The Council has the potential to influence the other parties through a joint relationship. • Assisted Organisations. The provision of financial assistance by the Council to such parties or voluntary organisations may give the Council influence on how the funds are to be administered and applied.

Accounting Estimates

Issue
Matters in relation to accounting estimates Local Authorities need to apply appropriate estimates in the preparation of their financial statements. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. The objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate. Under this standard we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Council identifies the transactions, events and conditions that may give rise to the need for an accounting estimate. Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all material estimates that the Council is using as part of its accounts preparation; these are detailed in Appendix A to this report. The audit procedures we conduct on the accounting estimate will demonstrate that: • the estimate is reasonable; and • estimates have been calculated consistently with other accounting estimates within the financial statements. Accounting estimates considerations have been set out below and management has provided its response.

Question	Management response
Are the management aware of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgment?	Yes; see appendix A for detailed breakdown
Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes
How is the Audit and Governance Committee provided with assurance that the arrangements for accounting estimates are adequate?	The significant accounting estimates are reported, as part of this report and included within the notes to the accounts, to Audit & Governance Committee. This includes an explanation of the underlying assumptions and likely impact of any variances. External Audit also provide assurance as part of the annual audit / review process.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property plant & equipment valuations.	Valuations are made by the internal valuer (local RICS Member) in line with RICS guidance on the basis of 5 year valuations with interim reviews for significant assets and asset classes.	Chief Accountant notifies the valuer of the programme of rolling valuations or any conditions that warrant an interim re-valuation.	Use the Internal local RICS Member. Use of External valuer (Housing stock). ICT Acquisitions. Heritage Assets valuations. Cipfa Asset Manager System.	Valuations are made in-line with RICS guidance (reliance on expert). ICT: purchases at cost Heritage Assets: Use of valuation (inflated) or cost	No
Estimated remaining useful lives of PPE.	The following asset categories have general asset lives: • Housing stock 50 years • Other Buildings 5 to 100 years • Vehicles, plant & equipment 1 to 20 years • Community 100 years • ICT Equipment 3 years • Infrastructure 30 years.	Chief Accountant discusses with the valuer	Use the Internal local RICS Member for non-housing valuations. Use of External valuer (Housing stock). Cipfa Asset Manager System.	The method makes some generalisations. For example, buildings tend to have a useful life of 50 years. Although in specific examples based upon a valuation review, a new building can have a life as short as 25 years or as long as 70 years depending on the construction materials used. This life would be recorded in accordance with the local qualified RICS Member.	No

Page 41

Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation & Amortisation.	Depreciation is provided for on all fixed assets with a finite useful life on a straight-line basis.	Consistent application of depreciation method across all assets.	Use the Internal local RICS Member for non-housing valuations. Use of External valuer (Housing stock). Cipfa Asset Manager System.	The length of the life is determined at the point of acquisition or revaluation according to: • Assets acquired in year are depreciated on the basis of a charge from acquisition date. • Assets that are not fully constructed are not depreciated until they are brought into use.	No.
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall	Assets are assessed in year (e.g. garage sites) and at each year-end as to whether there is any indication that an asset may be impaired.	Use the Internal local RICS Member for non-housing valuations. Use of External valuer (Housing stock). Cipfa Asset Manager System.	Valuations are made in-line with RICS guidance - reliance on expert.	No

Page 42

Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Non adjusting events - events after the Balance Sheet date	S151 Officer makes the assessment. If the event is indicative of conditions. that arose after the balance sheet date then this is an non-adjusting event. For these events only a note to the accounts is included, identifying the nature of the event and where possible estimates of the financial effect	Heads of Service notify the S151 Officer	This would be considered on individual circumstances. Discussions with Capita/ External auditor	This would be considered on individual circumstances.	N/A
Overhead allocation.	The Finance Team apportion central support costs to services based on fixed bases as detailed in the 'Allocation Summary' spread sheet.	All support service cost centres are allocated according to the agreed 'Allocation Summary' spread sheet.	No	Apportionment bases are reviewed each year to ensure equitable	No
Measurement of Financial Instruments.	Council values financial instruments at fair value based on the advice of their external treasury consultants and other finance professionals.	Take advice from finance professionals.	Yes; Capita/PWLB	Take advice from finance professionals.	No

Page 43

Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities.	Provisions are made where an event has taken place that • gives the Council a legal or constructive obligation • that probably requires settlement by a transfer of economic benefits or service potential, and • a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the CI&ES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.	Charged in the year that the Council becomes aware of the obligation.	No	Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Council.	No

Page 44

Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Bad Debt Provision.	A provision is estimated using a proportion basis of an aged debt listing.	Revenues provide the aged debt listing and Finance calculate the provision.	No	Consistent proportion used across aged debt as per the Code. Business Rates: each case (limited number) assessed to determine estimated recoverable amount	No
Accruals	Finance collate accruals of Expenditure and Income. Activity is accounted for in the financial year that it takes place, not when money is paid or received.	Activity is accounted for in the financial year that it takes place, not when money is paid or received.	No	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated the latest available information has been used.	No
Pension liability	The Council is an admitted body to the Staffordshire Local Government Pension Scheme. The administering authority (the County Council) engage the Actuary who provides the estimate of the pension liability.	Payroll data is provided to the Actuary. Management reconcile this estimate of contributions to the actuals paid out in the year.	Consulting actuary	As disclosed in the actuary's report. Complex judgements including the discount rate used, rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	No

Page 45

Grant Thornton

grant-thornton.co.uk

AUDIT & GOVERNANCE COMMITTEE

26th March 2015

Report of the Executive Director Corporate Services

REVIEW OF THE TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT& ANNUAL INVESTMENT STATEMENT 2015/16 & THE TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY MID-YEAR REVIEW REPORT 2014/15

Purpose

For Members to review the Treasury Management Strategy Statement, Minimum Revenue Provision Statement and Annual Investment Statement 2015/16 and the Treasury Management Strategy Statement and Annual Investment Strategy Mid-year Review Report 2014/15 approved by Council on 24th February 2015 and 17th December 2014 respectively.

Recommendation

That Members consider the Treasury Management Reports, as detailed within the reports attached at Annex 1 and Annex 2 and highlight any changes for recommendation to Cabinet.

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 2015/16 is attached at **Annex 1**, together with a copy of the Mid-year Report on the Treasury Management Service 2014/15 at **Annex 2.**

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.

Background Papers:-	Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2015/16 Including Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Statement 2015/16, Council 24th February 2015
	Treasury Management Strategy Statement and Annual Investment Strategy Mid-year Review Report 2014/15 Council 17th December 2014
	Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Statement 2010/11, Council 23rd February 2010.

TREASURY MANAGEMENT STRATEGY STATEMENT, TREASURY MANAGEMENT POLICY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STATEMENT 2015/16

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 requires the Council to produce prudential indicators in line with the Prudential Code.

This report outlines the Council's prudential indicators for 2015/16 – 2017/18 and sets out the expected Treasury operations for this period. This report and associated tables fulfil the statutory requirement of the Local Government Act 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 identifying our appetite for risk. The Council's risk appetite is low in order to give priority to **S**ecurity, **L**iquidity then **Y**ield (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 Capita Asset Services (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 Council a very restrictive/unworkable counterparty list which would result in a disproportional (high) level of investment in a few institutions. Consequently this would increase risk as the investments would be 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 Capita Asset Services 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 main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. More recently, in response to the evolving regulatory regime, the agencies have indicated they may remove these "uplifts". This process may commence during 2014/15 and / or 2015/16. It is important to stress that the rating agency changes do not reflect any changes in the underlying status of the institution or credit environment, merely the implied level of sovereign support that has been built into ratings through the financial crisis.

As a result of these rating agency changes, the credit element of Capita's future methodology, adopted by the Council, will focus solely on the Short and Long Term ratings of an institution (with the introduction of a modest widening of the 'lowest band' of the 'Green – 100 days' category, to ease the effect of a potential fall in some entities ratings as a result of implied support removal). Rating Watch and Outlook information will continue to be assessed where it relates to these categories. This is the same process for Standard & Poor's that has always been taken, but a change to the use of Fitch and Moody's ratings. Furthermore, the methodology will continue to utilise CDS prices as an overlay to ratings.

4. The proposed Counterparty limits for 2015/16 have been increased, reflecting higher investment balances available at present – in line with Capita's suggested 20% maximum of investment balances deposited with any one institution.

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

Please contact Phil Thomas, Financial Accountant, extension 239 or via email phil-thomas@tamworth.gov.uk

***Background Papers*:-**	***Local Government Act 2003***
	CIPFA Code of Practice on Treasury Management in Public Services 2011
	DCLG Guidance on Local Government Investments March 2010
	Treasury Management Strategy Statement, Treasury Management Policy Statement, Minimum Revenue Provision Policy Statement & Annual Investment Statement 2014/15 Council 25/02/2014
	Annual Treasury Report 2013/14 Council, 16/09/14
	Mid-year Treasury Report 2014/15 Council, 16/12/14
	Budget & Medium Term Financial Strategy 2015/16
	Treasury Management Training slides, 4th February 2015
	Treasury Management Practices 2015/16 (Operational Detail)

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 polices, 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 – February) - 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 (by December) – 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 (by September) – 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 2015/16

The strategy for 2015/16 covers two main areas:

a) Capital Issues

- the Capital Plans and the Prudential Indicators (2.1, 2.2);
- the Minimum Revenue Provision (MRP) policy (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);
- creditworthiness policy (4.2); and
- policy on use of external service providers (Annex 7, TMP 11).

These elements cover the requirements of the Local Government Act 2003, the CIFPA 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 was undertaken by Members on two occasions in 2010 and once in 2011 and detailed Treasury Management training was provided in both February 2014 and February 2015. Further training is planned for September 2015 but will also be provided as and when required.
The training needs of Treasury Management Officers are regularly reviewed as part of the performance development and management process.

1.5 Treasury Management Consultants

The Council uses Capita Asset Services, Treasury Solutions 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 2015/16 – 2017/18

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 members' 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	2013/14 Actual £m	2014/15 Projected Outturn* £m	2015/16 Estimate** £m	2016/17 Estimate £m	2017/18 Estimate £m
Non-HRA	1.339	0.883	1.901	2.510	2.453
HRA	7.602	5.983	10.430	10.329	15.594
Total	**8.941**	**6.866**	**12.331**	**12.839**	**18.047**

** Projected at Period 9*

*** excludes projected slippage from 2014/15*

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

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

Capital Financing (GF / HRA)	2013/14 Actual £m	2014/15 Projected Outturn* £m	2015/16 Estimate** £m	2016/17 Estimate £m	2017/18 Estimate £m
Capital Receipts	0.483	0.420	0.210	0.306	0.970
Capital Grants	0.392	0.339	0.424	2.179	1.438
Capital Reserves	2.046	1.806	2.422	0.337	4.585
Revenue Reserves	6.020	4.301	8.275	7.750	6.057
Revenue Contributions	-	-	-	0.025	0.025
Net financing need for the year	**-**	**-**	**1.000**	**2.242**	**4.972**
Total	**8.941**	**6.866**	**12.331**	**12.839**	**18.047**

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 asset's 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	**2013/14 Actual £m**	**2014/15 Estimate £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**	**2017/18 Estimate £m**
Capital Financing Requirement					
CFR – Non Housing	1.312	1.242	1.973	1.706	1.438
CFR - Housing	68.041	68.029	68.017	70.246	75.206
Total CFR	**69.353**	**69.271**	**69.990**	**71.952**	**76.644**
Movement in CFR*	**(0.226)**	**(0.082)**	**0.719**	**1.962**	**4.692**

Movement in CFR represented by					
Net financing need for the year (above)	-	-	1.000	2.242	4.972
Less: MRP/VRP and other financing movements **	(0.226)	(0.082)	(0.281)	(0.280)	(0.280)
Movement in CFR	**(0.226)**	**(0.082)**	**0.719**	**1.962**	**4.692**

* CFR 2012/13 £69.579m

** Potential additional MRP arising from prudential borrowing contingency

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	**2013/14 Actual £m**	**2014/15 Estimate £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**	**2017/18 Estimate £m**
Fund Balances/Reserves	21.266	21.376	17.575	15.048	9.920
Capital Receipts	2.943	2.523	2.046	1.740	0.770
Provisions**	3.029	3.029	3.029	3.029	3.029
Other	0.048	0.048	-	-	-
Total Core Funds	**27.286**	**26.976**	**22.650**	**19.817**	**13.719**
Working Capital*	5.564	4.826	2.372	2.026	6.151
(Under)/Over Borrowing	(4.293)	(4.211)	(3.930)	(3.650)	(3.370)
Expected Investments	**28.557**	**27.591**	**21.092**	**18.193**	**16.500**

*Working capital balances shown are estimated year end; these may be higher mid year.
** Including provision for bad debts

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.

Ratio of financing costs to net revenue stream	2013/14 Actual %	2014/15 Revised Estimate %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
Non-HRA	1.22	(1.33)	1.39	(0.25)	1.67
HRA	15.39	34.97	35.67	35.53	33.73

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

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	2013/14 Actual £:p	2014/15 Estimate £:p	2015/16 Estimate £:p	2016/17 Estimate £:p	2017/18 Estimate £:p
Band D	(0.05)	0.16	(0.36)	0.16	0.75

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	2013/14 Actual £:p	2014/15 Estimate £:p	2015/16 Estimate £:p	2016/17 Estimate £:p	2017/18 Estimate £:p
Weekly housing rent levels	(0.01)	(0.04)	(0.01)	(0.26)	(0.24)

This indicator shows the revenue impact on any newly proposed changes, although any discrete impact will be constrained by rent controls. The additional borrowing planned for 2016/17 and 2017/18 is reflected above.

Housing Revenue Account Debt Ratios

HRA Debt to Revenue Ratio	2013/14 Actual £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
HRA Debt	**68.041**	**68.029**	**68.017**	**70.246**	**75.206**
HRA Revenues	**20.569**	**20.510**	**20.540**	**20.653**	**21.289**
Ratio of Debt to Revenues %	**30.23**	**30.15**	**30.20**	**29.40**	**28.31**

HRA Debt per Dwelling	2013/14 Actual £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
HRA Debt	**68.041**	**68.029**	**68.017**	**70.246**	**75.206**
Number of HRA Dwellings	**4,470**	**4,445**	**4,395**	**4,345**	**4,295**
Debt per Dwelling £	**15.22**	**15.30**	**15.48**	**16.17**	**17.51**

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 approporiate 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 2014, 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	2013/14	2014/15	2015/16	2016/17	2017/18
	Actual £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
External Debt					
Debt at 1st April	65.060	65.060	65.060	66.060	68.302
Expected change in Debt	-	-	1.000	2.242	4.972
Actual gross debt at 31st March	**65.060**	**65.060**	**66.060**	**68.302**	**73.274**
The Capital Financing Requirement	**69.353**	**69.271**	**69.990**	**71.952**	**76.644**
Under / (over) borrowing	**4.293**	**4.211**	**3.930**	**3.650**	**3.370**

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 2015/16 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 – compliance with the Prudential Indicator is highlighted in the table below.

Treasury Portfolio	2013/14 Actual £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
External Debt Actual gross debt at 31st March	65.060	65.060	66.060	68.302	73.274
Expected Investments	28.557	27.591	21.092	18.193	16.500
Net Borrowing	**36,503**	**37.469**	**44.968**	**50.109**	**56.774**
The Capital Financing Requirement	69.353	69.271	69.990	71.952	76.644
Under / (over) borrowing	**32,850**	**31.802**	**25.022**	**21.843**	**19.870**

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	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Borrowing	72.268	73.268	75.510	80.482
Other long term liabilities	-	-	-	-
Total	**72.268**	**73.268**	**75.510**	**80.482**

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:

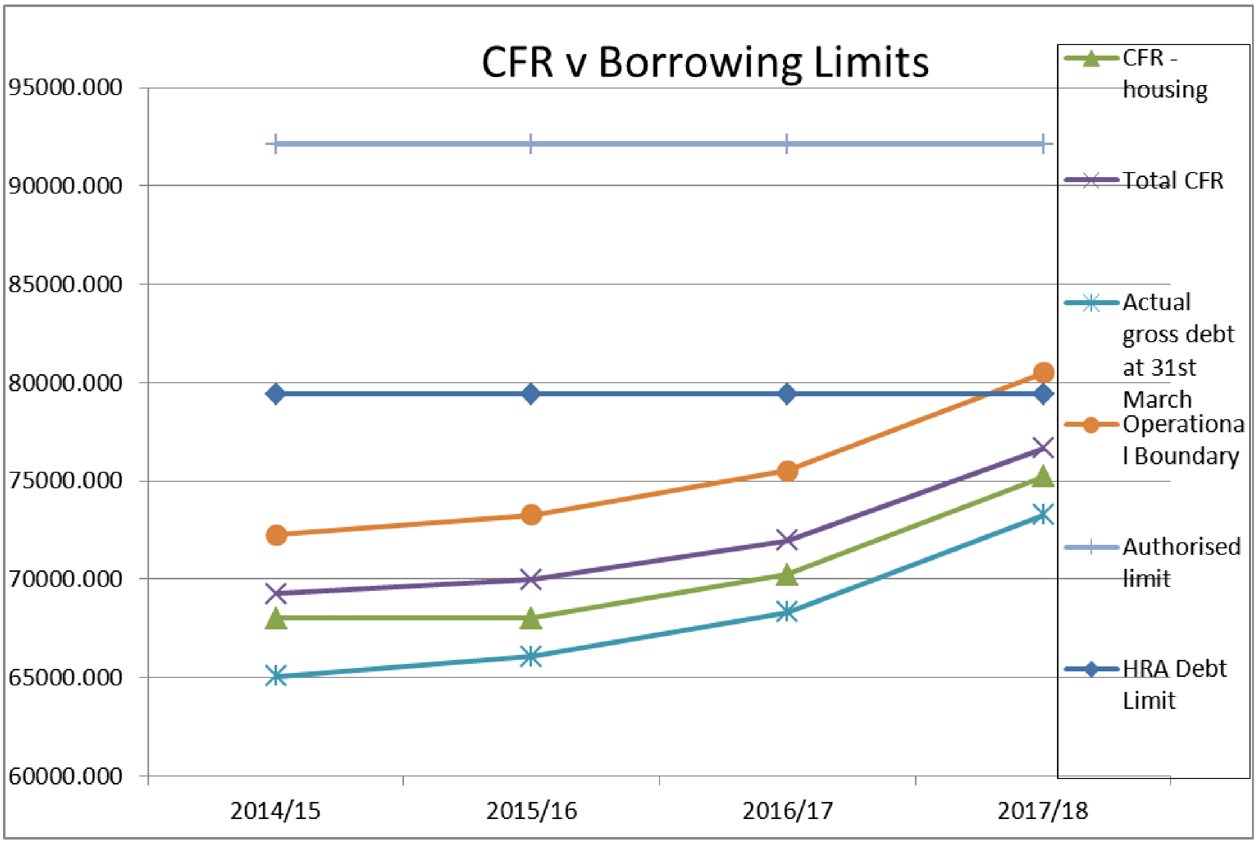
Authorised limit	**2014/15 Estimate £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**	**2017/18 Estimate £m**
Borrowing*	89.112	89.112	89.112	89.112
Other long term liabilities	3.000	3.000	3.000	3.000
Total	**92.112**	**92.112**	**92.112**	**92.112**

** 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	**2014/15 Estimate £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**	**2017/18 Estimate £m**
Total	79.407	79.407	79.407	79.407

This information summarised graphically below:



3.3. Prospects for Interest Rates

A more detailed interest rate view and economic commentary is at **Annex 5.1 and 5.2**.

The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view.

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Mar 2015	0.50	2.20	3.40	3.40
Jun 2015	0.50	2.20	3.50	3.50
Sep 2015	0.50	2.30	3.70	3.70
Dec 2015	0.75	2.50	3.80	3.80
Mar 2016	0.75	2.60	4.00	4.00
Jun 2016	1.00	2.80	4.20	4.20
Sep 2016	1.00	2.90	4.30	4.30
Dec 2016	1.25	3.00	4.40	4.40
Mar 2017	1.25	3.20	4.50	4.50
Jun 2017	1.50	3.30	4.60	4.60
Sep 2017	1.75	3.40	4.70	4.70
Dec 2017	1.75	3.50	4.70	4.70
Mar 2018	2.00	3.60	4.80	4.80

UK GDP growth surged during 2013 and the first half of 2014. During the second half of 2014, it has cooled somewhat but still remained strong by UK standards. Growth is likely to strengthen marginally in 2015 and 2016 under the stimulative effect of the fall in oil prices. There still needs to be a significant rebalancing of the economy away from consumer spending to manufacturing, business investment and exporting in order for this recovery to become more firmly established. One drag on the economy has been that wage inflation had only recently started to exceed CPI inflation, so enabling disposable income and living standards to start improving. The plunge in the price of oil brought CPI inflation down to a low of 0.5% in December, the lowest rate since May 2000 and it could even turn negative in the first half of 2015; this will further increase consumer disposable income and so underpin economic growth during 2015. However, labour productivity needs to improve substantially to enable wage rates to increase and further support consumer disposable income and economic growth. In addition, the encouraging rate at which unemployment has been falling must eventually feed through into pressure for wage increases, though current views on the amount of hidden slack in the labour market probably means that this is unlikely to happen early in 2015.

The US, the biggest world economy, has generated stunning growth rates of 4.6% (annualised) in Q2 2014 and 5.0% in Q3, followed by a cooler 2.6% in Q4 (overall 2.4% for 2014 as a whole). This is hugely promising for the outlook for strong growth going forwards and it very much looks as if the US is now firmly on the path of full recovery from the financial crisis of 2008. Consequently, it is now confidently expected that the US will be the first major western economy to start on central rate increases by the end of 2015.

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

- Greece: the general election on 25 January 2015 brought to power a coalition which is strongly anti EU imposed austerity. However, if this should eventually result in Greece leaving the Euro, it is unlikely that this will directly destabilise the Eurozone as the EU has put in place adequate firewalls to contain the immediate fallout to just Greece. However, the indirect effect of the likely strenthening of anti EU and anti austerity political parties throughout the EU is much more difficult to gauge;

- As for the Eurozone in general, concerns in respect of a major crisis subsided considerably in 2013. However, the downturn in growth and inflation during the second half of 2014, and worries over the Ukraine situation and the Middle East, have led to a resurgence of those concerns as risks increase that it could be heading into a prolonged period of deflation and very weak growth. Sovereign debt difficulties have not gone away and major concerns could return in respect of individual countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;

- Investment returns are likely to remain relatively low during 2015/16 and beyond;

- Borrowing interest rates have been highly volatile during 2014 and early 2015 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. The opening weeks of 2015 saw gilt yields dip to historically phenominally low levels after inflation plunged, a flight to quality as a result of the Greek situation and the start of a huge programme of quantitative easing (purchase of EZ government debt), by the ECB in January 2015. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt;

- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

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 2015/16 treasury operations. The Director of Finance 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 the anticipated rate to US tapering of asset purchases, or 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 are still lower than they will be in the next few years.

Any decisions will be reported to Council 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	2015/16	2016/17	2017/18
	£m	£m	£m
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	53.515	57.094	61.184
Limits on variable interest rates based on net debt	6.556	6.718	7.080
Limits on fixed interest rates:			
• ***Debt only***	65.563	67.184	70.795
• ***Investments only***	20.558	17.760	16.061
Limits on variable interest rates			
• ***Debt only***	6.556	6.718	7.080
• ***Investments only***	8.223	7.104	6.424

Maturity structure of fixed interest rate borrowing 2015/16		
	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 2015/16		
	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;
* enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify 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 the Council, at the earliest meeting following its action.

4.0 Annual Investment Strategy

Introduction: changes to credit rating methodology

The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. More recently, in response to the evolving regulatory regime, the agencies have indicated they may remove these "uplifts". This process may commence during 2014/15 and / or 2015/16.

The actual timing of the changes is still subject to discussion, but this does mean that immediate changes to the credit methodology are required and may lead to some entities seeing their ratings fall as a result of implied support removal.

It is important to stress that the rating agency changes do not reflect any changes in the underlying status of the institution or credit environment, merely the implied level of sovereign support that has been built into ratings through the financial crisis. The eventual removal of implied sovereign support will only take place when the regulatory and economic environments have ensured that financial institutions are much stronger and less prone to failure in a financial crisis.

Both Fitch and Moody's provide "standalone" credit ratings for financial institutions. For Fitch, it is the Viability Rating, while Moody's has the Financial Strength Rating. Due to the future removal of sovereign support from institution assessments, both agencies have suggested going forward that these will be in line with their respective Long Term ratings. As such, there is no point monitoring both Long Term and these "standalone" ratings.

Furthermore, Fitch has already begun assessing its Support ratings, with a clear expectation that these will be lowered to 5, which is defined as "a bank for which there is a possibility of external support, but it cannot be relied upon." With all institutions likely to drop to these levels, there is little to no differentiation to be had by assessing Support ratings.

As a result of these rating agency changes, the credit element of Capita's future methodology, adopted by the Council, will focus solely on the Short and Long Term ratings of an institution (with the introduction of a modest widening of the 'lowest band' of the 'Green – 100 days' category, to ease the effect of a potential fall in some entities ratings as a result of implied support removal). Rating Watch and Outlook information will continue to be assessed where it relates to these categories. This is the same process for Standard & Poor's that has always been taken, but a change to the use of Fitch and Moody's ratings. Furthermore, the methodology will continue to utilise CDS prices as an overlay to ratings.

4.1 Investment Policy

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 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 the above guidance from the Government and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk.

Continuing regulatory changes in the banking sector are designed to see greater stability, lower risk and the removal of expectations of Government financial support should an institution fail. This withdrawal of implied sovereign support is anticipated to have an effect on ratings applied to institutions. This will result in the key ratings used to monitor counterparties being the Short Term and Long Term ratings only. Viability, Financial Strength and Support Ratings previously applied will effectively become redundant. This change does not reflect deterioration in the credit environment but rather a change of method in response to regulatory changes.

As with previous practice, ratings will not be the sole determinant of the quality of an institution and 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.

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.

Investment instruments identified for use in the financial year are listed in **ANNEX 5.3** 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 Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

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

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 suggested duration for investments. The Council will therefore use counterparties within the following durational bands*:*

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

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

** 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 Capita Asset Services 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-. 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 Capita Asset Services 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 Authority 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 AA+ or higher 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.

Capita Asset Services 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 **£5m** with individual institutions, which equates approximately to Capita's recommendation (based on current average investment levels of approximately £25m).

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 starting to rise from quarter 4 of 2015. Bank Rate forecasts for financial year ends (March) are:

- 2015/16 0.75%
- 2016/17 1.25%
- 2017/18 2.00%

There are downside risks to these forecasts (i.e. start of increases in Bank Rate occurs later) if economic growth weakens. However, should the pace of growth quicken, there could be an upside risk.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next eight years are as follows:

Year	Up to 100 Days %
2015/16	0.60
2016/17	1.25
2017/18	1.75
2018/19	2.25
2019/20	2.75
2020/21	3.00
2021/22	3.25
2022/23	3.25
Later Years	3.50

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			
£m	**2015/16**	**2016/17**	**2017/18**
Principal sums invested > 364 days	£m 2.000	£m 2.000	£m 2.000

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to100 days) 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 Council is currently being held in Icelandic Krone (ISK) but release of these funds at par is dependent on a change in Icelandic Law which currently does not allow the distribution of ISK outside Iceland.

The Central Bank of Iceland (CBI) recently held a currency auction, which gave creditors the opportunity to convert their ISK into Euros, thus allowing them to repatriate their funds. However, due to the anticipated detrimental 'Bid' level that would be set by the CBI and additional losses that would be incurred due to currency exchange rate fluctuation with the Euro, it was decided that we would not participate at this time. Interest will however continue to accrue on these funds untill the date of final settlement.

Heritable – In September 2013 the Council received what could be the final distribution from the Administrators. The total sum received is £1.415m against our claim of £1.505m, making a total recovery of 94.02%. The Administrators are witholding a sum as a contingency against disputed claims, which if rejected, could result in a further residual distribution.

Kaupthing Singer & Friedlander – At the end of December 2014, the Council had received £2.620m against our claim of £3.175m. Latest estimates given by the administrator project a total recovery of 85% to 86.5% or approximately £2.699m to £2.746m, with a future distribution estimated for mid to late 2015.

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 Scheme of delegation

Please see **ANNEX 5**.

4.8 Role of the Section 151 Officer

Please see **ANNEX 6.**

10. Annex

Table of Annex
1. Interest Rate Forecasts
2. Economic Background
3. Specified and Non-Specified Investments
4. Approved Countries for investments
5. Treasury Management Scheme of Delegation
6. The Treasury Management Role of the Section 151 Officer
7. Treasury Management Practices
8. Treasury Management Glossary of Terms
9. Icelandic Banking Situation at 31st December 2014

Interest Rate Forecasts 2014 – 2017

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Capita Asset Services Interest Rate View													
	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank Rate View	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	1.75%	2.00%
3 Month LIBID	0.50%	0.50%	0.60%	0.80%	0.90%	1.10%	1.10%	1.30%	1.40%	1.50%	1.80%	1.90%	2.10%
6 Month LIBID	0.70%	0.70%	0.80%	1.00%	1.10%	1.20%	1.30%	1.50%	1.60%	1.70%	2.00%	2.10%	2.30%
12 Month LIBID	0.90%	1.00%	1.10%	1.30%	1.40%	1.50%	1.60%	1.80%	1.90%	2.00%	2.30%	2.40%	2.60%
5yr PWLB Rate	2.20%	2.20%	2.30%	2.50%	2.60%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.60%
10yr PWLB Rate	2.80%	2.80%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PWLB Rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
50yr PWLB Rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
Bank Rate													
Capita Asset Services	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	1.75%	2.00%
Capital Economics	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	-	-	-	-	-
5yr PWLB Rate													
Capita Asset Services	2.20%	2.20%	2.30%	2.50%	2.60%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.60%
Capital Economics	2.20%	2.50%	2.70%	3.00%	3.10%	3.20%	3.30%	3.40%	-	-	-	-	-
10yr PWLB Rate													
Capita Asset Services	2.80%	2.80%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
Capital Economics	2.80%	3.05%	3.30%	3.55%	3.60%	3.65%	3.70%	3.80%	-	-	-	-	-
25yr PWLB Rate													
Capita Asset Services	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
Capital Economics	3.25%	3.45%	3.65%	3.85%	3.95%	4.05%	4.15%	4.25%	-	-	-	-	-
50yr PWLB Rate													
Capita Asset Services	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
Capital Economics	3.30%	3.50%	3.70%	3.90%	4.00%	4.10%	4.20%	4.30%	-	-	-	-	-

Please note – The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012

Economic Background

UK. After strong UK GDP growth in 2013 at an annual rate of 2.7%, and then growth in 2014 of 0.6% in Q1, 0.8% Q2, 0.7% Q3 and 0.5% Q4 (annual rate for 2014 of 2.6%), there are good grounds for optimism that growth could pick back up again during 2015 after cooling towards the end of 2014, as the positive effects from the fall in the price of oil feeds through to consumers and other parts of the economy. For this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance. This overall strong growth has resulted in unemployment falling much faster than expected. The MPC is not expected to take any action for at least the first half of 2015 as inflation could even turn negative in this period. However, even if oil was to remain at around the $50-60 per barrel price throughout all of 2015, the positive effect of the initial drop in price during Q4 2014 will fall out of the twelve month calculation of CPI towards the end of the year, leaving inflation vulnerable to a sharp jump upwards. The MPC will also be keeping alert as to how quickly slack in the economy is being used up, especially as unemployment continues to fall. It will also be monitoring how strong a stimulative effect the drop in oil prices has on the economy as falling inflation will be comfortably exceeded by wage increases meaning that the disposable incomes of consumers will recover strongly during 2015. One continuing area of weakness in the UK economy is the need for a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates after the positive effect of the fall in oil prices dissipates. Unemployment is expected to keep on its downward trend and this is likely to feed through into a return to significant increases in wage growth at some point during the next few years. However, just how much those increases in pay rates will counteract the dampening effect of stepped increases in Bank Rate, albeit at a slow rate, on consumer confidence, consumer expenditure and the buoyancy of the housing market, is open to conjecture.

Also encouraging has been the sharp fall in inflation (CPI), reaching 1.0% in November 2014 and then halving to 0.5% in December, the lowest rate since May 2000. Forward indications are that inflation could turn negative during the earlier part of 2015; however, the MPC is focused on where inflation will be over a 2 – 3 year time horizon so too much emphasis should not be placed on the short term outlook in terms of the risks around when Bank Rate is likely to start increasing. The return to strong growth has helped lower forecasts for the increase in Government debt over the last year but monthly public sector deficit figures during 2014 have disappointed, being only a fraction lower than the previous year through to December 2014. The autumn statement, therefore, had to revise the speed with which the deficit is forecast to be eliminated. The flight to quality in January 2015 has seen gilt yields fall to incredibly low levels, reducing interest costs on new and replacement government debt.

Eurozone (EZ). The Eurozone is facing an increasing threat from weak or negative growth and from deflation. In January 2015, the inflation rate fell further, to reach a low of -0.6%. However, this is an average for all EZ countries and includes some countries with even higher negative rates of inflation. Initially, the ECB took some rather limited action in June and September 2014 to loosen monetary policy in order to promote growth. As this failed to have much of a discernible effect, the ECB launched a massive €1.1 trillion programme of quantitative easing in January 2015 to buy up high credit quality government debt of selected EZ countries. This programme will run to September 2016.

Concern in financial markets for the Eurozone had subsided considerably after the prolonged crisis during 2011-2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise for some countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. The ECB's pledge in 2012 to buy unlimited amounts of bonds of countries which ask for a bailout has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2013 figures) of Greece 180%, Italy 133%, Portugal 129%, Ireland 124% and Cyprus 112%, remain a cause for concern, especially as some of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. these debt ratios are likely to continue to deteriorate.

Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US.

Greece: the general election on 25 January 2015 has brought to power a coalition which is anti EU imposed austerity. Although it is not certain that Greece will leave the Euro, the recent intractability of the troika (the EU, ECB and IMF), to finding a negotiated compromise with the new Greek government leaves this as a real possibility. However, if Greece was to leave the EZ, it is unlikely that this will directly destabilise the Eurozone as the EU has put in place adequate firewalls to contain the immediate fallout to just Greece. Nevertheless, the indirect effects of the likely strengthening of anti EU and anti-austerity political parties throughout the EU is much more difficult to gauge. There are particular concerns as to whether democratically elected governments will lose the support of electorates suffering under EZ imposed austerity programmes, especially in countries which have high unemployment rates. Of particular concern is the fact that Spain and Portugal have general elections coming up in late 2015. This will give ample opportunity for anti-austerity parties to make a big impact.

There are also major concerns as to whether the governments of France and Italy will effectively implement austerity programmes and undertake overdue reforms to improve national competitiveness. These countries already have political parties with major electoral support for anti EU and anti-austerity policies. Any loss of market confidence in either of the two largest Eurozone economies, after Germany, would present a huge challenge to the resources of the ECB to defend their debt.

USA. The U.S. Federal Reserve ended its monthly asset purchases in October 2014. GDP growth rates (annualised) for Q2 of 4.6%, Q3 of 5.0% and Q4 of 2.6%, (overall 2.4% during 2014 as a whole), provides great promise for strong growth going forward. It is confidently forecast that the first increase in the Fed. rate will occur by the end of 2015.

China. Government action in 2014 to stimulate the economy almost succeeded in achieving the target of 7.5% growth but recent government statements have emphasised that growth going forward will slow marginally as this becomes the new normal for China. There are concerns that the Chinese leadership has only just started to address an unbalanced economy, which is heavily over dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

Japan. Japan is causing considerable concern as the increase in sales tax in April 2014 has suppressed consumer expenditure and growth to the extent that it has slipped back into recession. The Japanese government already has the highest debt to GDP ratio in the world.

CAPITA ASSET SERVICES FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data transpires over 2015. Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.

The overall longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

The interest rate forecasts in this report are based on an initial assumption that there will not be a major resurgence of the EZ debt crisis. There is an increased risk that Greece could end up leaving the Euro but if this happens, the EZ now has sufficient fire walls in place that a Greek exit would have little immediate direct impact on the rest of the EZ and the Euro. It is therefore expected that there will be an overall managed, albeit painful and tortuous, resolution of any EZ debt crisis that may occur where EZ institutions and governments eventually do what is necessary - but only when all else has been tried and failed. Under this assumed scenario, growth within the EZ will be weak at best for the next couple of years with some EZ countries experiencing low or negative growth, which will, over that time period, see an increase in total government debt to GDP ratios. There is a significant danger that these ratios could rise to the point where markets lose confidence in the financial viability of one, or more, countries, especially if growth disappoints and / or efforts to reduce government deficits fail to deliver the necessary reductions. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a sharp resurgence of the EZ debt crisis. While the ECB has adequate resources to manage a debt crisis in a small EZ country, if one, or more, of the larger countries were to experience a major crisis of market confidence, this would present a serious challenge to the ECB and to EZ politicians.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK strong economic growth is weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Monetary policy action failing to stimulate sustainable growth and to combat the threat of deflation in western economies, especially the Eurozone and Japan.

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- An adverse reaction by financial markets to the result of the UK general election in May 2015 and the economic and debt management policies adopted by the new government.
- The ECB severely disappointing financial markets with a programme of asset purchases which proves insufficient to significantly stimulate growth in the EZ.
- The commencement by the US Federal Reserve of increases in the Fed. funds rate in 2015, causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

<u>Specified and Non-Specified Investments</u>:

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) Enhanced Money Market Funds, 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 Capita 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 AA+ 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 (AA+)	£5m
Term deposits – Local Authorities	Defined by Regulation (Sec 23 of the 2003 act)	£5m
Treasury Bills	Defined by Regulation UK Treasury (AA+)	£5m
Term deposits and Callable deposits – Banks and Building Societies	In accordance with Capita's Creditworthiness Service up to 'Orange' or 'Blue'	£5m individual institutions £8m Group limit
Pooled investment vehicles *(OEIC's, MMF's etc)	AAA (Moody's MR1, Fitch MMF and S&P M).	£5m
Banks and Building Societies – Forward deals up to 1 year from arrangement to maturity	In accordance with Capita 's Creditworthiness Service up to 'Orange 'or 'Blue'	£5m

*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:

Ref	Non Specified Investment Categories	Credit Rating	Comment
1	**Supranational Bonds greater than 1 year to maturity** • **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.	AA+	Would not use in-house due to size of investment portfolio limiting benefit to the Council.
2	**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.	AAA Sovereign Rated (1 Rating Agency) AA+ Sovereign Rating (2 Rating Agencies)	Custodian Account held with King & Shaxson to trade on our behalf
3	**Certificates of Deposit** with credit rated deposit takers (Banks and Building Societies)	Capita Asset Services Minimum Credit Worthiness rating	Custodian Account held with King & Shaxson to trade on our behalf
4	**Term deposit with a body which has been nationalised/part nationalised** by high credit rated (sovereign rating AAA or AA+) countries and provided with a **Government issued guarantee** for wholesale deposits within specific timeframes.	AAA or AA+ Sovereign Rated Capita Asset Services 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

Ref	Non Specified Investment Categories	Credit Rating	Comment
	Where these guarantees are in place and the government has an AAA or AA+ 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.		
5	A Term Deposit with a body which is an **Eligible Institution** for the HM Treasury Credit Guarantee Scheme initially announced on 13th 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 Capita Asset Services Credit Worthiness rating	Use restricted by Capita Asset Services 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	Balances reviewed and minimised on daily basis
8	Any **Bank or Building society** that has at minimum a long term credit rating of A-, a minimum short term credit rating of F1, 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 Capita Asset Services Credit Worthiness rating	Use restricted by Capita Asset Services Credit Worthiness rating
9	**Callable Deposits** with a **Bank or Building society** that has at minimum a long term credit rating of A-, a minimum short term credit rating of F1, or equivalent.	In accordance with Capita Asset Services Credit Worthiness rating	Use restricted by Capita Asset Services 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 withCapita'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, a minimum short term credit rating of F1 (or equivalent))	Capita 'Yellow'	5 yrs	£5m
Bank or Building Society (a minimum Long Term Credit Rating of AA-, a minimum short term credit rating of F1 (or equivalent))	Capita 'Yellow'	4 yrs	£5m
Bank (a minimum Long Term Credit Rating of A-, a minimum short term credit rating of F1 (or equivalent))	Capita 'Yellow'	3 yrs	£5m
Banks Nationalised/Part nationalised by high credit rated (sovereign rating AAA or AA+) countries *(a)*	Capita 'Blue' (UK)	Specified in Guarantee	£5m
An Eligible Institution eligible under the HM Treasury Credit Guarantee Scheme *(c)*	Capita 'Blue'	Specified in Guarantee	£5m
Government guarantee on ALL deposits by high credit rated (AAA sovereign rating) countries *(b).*	Capita 'Blue'	Specified in Guarantee	£5m
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-, a minimum short term credit rating of F1 (or equivalent /if applicable) AND assets > £4bn)	Capita 'Yellow'	3 yrs	£5m
Building Society (a Long Term Credit Rating of A- , a minimum short term credit rating of F1 (or equivalent/if applicable) AND assets < £4bn but > £1bn)	Capita 'Purple'	2 yrs	£5m
Group Limits **-** Maximum investments in Institutions within the same financial group	As above for individual investment	As above for individual investment	£8m
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	£3.75m
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	£7.5m

* Under current Capita Asset Services 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 (now split into two banks)
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.

ANNEX 4

Approved Countries for investments

Country	Agency		
	Fitch	Moody's	Standard & Poor
Australia	AAA	Aaa	AAA
Canada	AAA	Aaa	AAA
Denmark	AAA	Aaa	AAA
Finland	AAA	Aaa	AA+
Germany	AAA	Aaa	AAA
Luxembourg	AAA	Aaa	AAA
Netherlands	AAA	Aaa	AA+
Norway	AAA	Aaa	AAA
Singapore	AAA	Aaa	AAA
Sweden	AAA	Aaa	AAA
Switzerland	AAA	Aaa	AAA
USA	AAA	Aaa	AA+
UK*	AA+	Aa1	AAA

(Per Capita Asset Services Credit Rating List at 12th December 2014)

* 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 2015/16.

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.

.

ANNEX 7

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/treasury-practices

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 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, Council 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 principles, the Section 151 Officer will ensure that the reasons are properly reported in accordance with TMP6 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 or she 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)	Interest rates are set by the Bank's Monetary Policy Committee. The MPC sets an interest rate it judges will enable the inflation target to be met. 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
Supranational Bonds	A supranational entity is formed by two or more central governments with the purpose of promoting economic development for the member countries. Supranational institutions finance their activities by issuing debt, such as supranational bonds. Examples of supranational institutions include the European Investment Bank and the World Bank. Similarly to the government bonds, the bonds issued by these institutions are considered very safe and have a high credit rating.
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.

ICELANDIC BANKING SITUATION AS AT 31/12/2014

	Deposit with;	Ref Number	Date Invested	Amount		%
1	GLITNIR	1696	10/10/2007	1,000,000		
	GLITNIR	1715	31/08/2007	1,000,000		
	GLITNIR	1754	14/12/2007	1,000,000		
	Total Principal			3,000,000		
	Estimated of Contractual or Interest due to point of administration (subject to currency exchange rate fluctuations)			155,000		
	Total of Claim			3,155,000		
	Repayments Received to date			(2,554,432)	*	*80.96*
	Outstanding at 31/12/2014			**600,568**	**	
	Estimated Remaining			**600,568**		
	*Partial repayment received on the 15th March 2012 in GBP/EUR/USD/NOK. The balance is currently being held in Icelandic Krone (ISK). 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 untill the date of final settlement, the final payment value may also be subject to exchange rate fluctuations. - Best case recovery 100%					
2	Heritable Bank	1802	12/09/2008	500,000		
	Heritable Bank	1803	15/09/2008	1,000,000		
	Total Principal			1,500,000		
	Interest due at point of administration 07/10/2008			5,127		
	Total of Claim			1,505,127		
	Repayments Received to date			(1,415,080)		*94.02*
	Outstanding at 31/12/2014			**90,047**		
	Estimated Remaining			**0**		
	- Final recovery received of 94.02% (declared 23/08/13, though Administrators are retaining a contingency for disputed claims that could be distributed at a later date).					
3	Singer & Friedlander	1716	31/08/2007	1,000,000		
	Singer & Friedlander	1740	31/10/2007	1,000,000		
	Singer & Friedlander	1746	14/01/2008	1,000,000		
	Total Principal			3,000,000		
	Interest due at point of administration 08/10/2008			175,256		
	Total of Claim			3,175,256		
	Repayments Received to date			(2,619,586)		*82.50*
	Outstanding at 31/12/2014			**555,670**		
	Estimated Remaining			**87,320**		
	- Current indications project an 82.5% recovery of our investments					
	Summary					
	Total Principal			7,500,000		
	Interest			335,383		
	Total of Claim			7,835,383		
	Repayments Received to date			(6,589,098)		*84.09*
	Outstanding at 31/12/2014			**1,246,285**		
	Estimated Remaining			**687,888**		

1 Registered Bank in Iceland - In Administration under Icelandic Law

2 & 3 Registered Bank in UK - In Administration in UK by Ernst & Young Under English Law

Total Estimated Recovery (including Outstanding)	**7,276,986**
Total Estimated % Remaining	**92.87%**

COUNCIL

16 DECEMBER 2014

REPORT OF THE PORTFOLIO HOLDER FOR OPERATIONS AND ASSETS

TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY MID-YEAR REVIEW REPORT 2014/15

EXEMPT INFORMATION

None

PURPOSE

To present to Members the Mid-year review of the Treasury Management Strategy Statement and Annual Investment Strategy.

RECOMMENDATIONS

That Council:

Accept the Treasury Management Strategy Statement and Annual Investment Strategy Mid-year Review Report 2014/15.

EXECUTIVE SUMMARY

This mid-year report has been prepared in compliance with CIPFA's Code of Practice, and covers the following

- An economic update for the first six months of 2014/15;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's Capital Position (Prudential Indicators);
- A review of the Council's investment portfolio for 2014/15;
- A review of the Council's borrowing strategy for 2014/15;
- A review of any debt rescheduling undertaken during 2014/15;
- Icelandic Banking Situation; and
- A review of compliance with Treasury and Prudential Limits for 2014/15.

The main issues for Members to note are:

1. The Council has complied with the professional codes, statutes and guidance.

2. There are no issues to report regarding non-compliance with the approved prudential indicators.

3. The investment portfolio yield for the first six months of the year is 0.56% (0.87% for the same period in 2013/14) compared to the 3 Month LIBID benchmark rate of 0.42% (0.38% for the same period in 2013/14). This excludes all investments currently classified as ‘At Risk’ in the former Icelandic Banking institutions.

4. Following the withdrawal of the Co-operative Bank from Local Authority banking service provision, the Council retendered for its banking services in June 2014. Following the competitive tender process, the new contract was awarded to Lloyds Bank Ltd, and the provision of service by them commenced on the 1st November 2014.

The aim of this report is to inform Members of the treasury and investment management issues to enable all Members to have ownership and understanding when making decisions on Treasury Management matters. In order to facilitate this, training on Treasury Management issues has been delivered for Members in February and October 2010, September 2011 and February 2014.

RESOURCE IMPLICATIONS

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

LEGAL/RISK IMPLICATIONS BACKGROUND

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.

SUSTAINABILITY IMPLICATIONS

None

BACKGROUND INFORMATION

The Chartered Institute of Public Finance and Accountancy (CIPFA) issued its revised Code of Practice for Treasury Management in November 2009 (revised 2011) following consultation with Local Authorities during that summer. The revised Code suggests that members should be informed of Treasury Management activities at least twice a year, but preferably quarterly.

This is the second monitoring report for 2014/15 presented to Members this year and therefore ensures this Council is embracing Best Practice in accordance with CIPFA's revised Code of Practice. Cabinet also receive regular monitoring reports as part of the quarterly health check on Treasury Management activities and risks.

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the Treasury Management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising 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 the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Treasury Management is defined as:

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

1. Introduction

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2011) was adopted by this Council on 13th December 2012.

The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's Treasury Management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a **Mid-year Review Report** and an Annual Report (stewardship report) covering activities during the previous year.

Delegation by the Council of responsibilities for implementing and monitoring Treasury Management policies and practices and for the execution and administration of Treasury Management decisions.

Delegation by the Council of the role of scrutiny of Treasury Management strategy and policies to a specific named body. For this Council the delegated body is the Audit and Governance Committee.

This mid-year report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

- An economic update for the first six months of 2014/15;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's Capital Position (Prudential Indicators);
- A review of the Council's investment portfolio for 2014/15;
- A review of the Council's borrowing strategy for 2014/15;
- A review of any debt rescheduling undertaken during 2014/15;
- Icelandic Banking Situation;
- A review of compliance with Treasury and Prudential Limits for 2014/15.

2 Economic Update

2.1 Economic performance to date

2.1.1 U.K.

After strong UK GDP quarterly growth of 0.7%, 0.8% and 0.7% in quarters 2, 3 and 4 respectively in 2013, (2013 annual rate 2.7%), and 0.7% in Q1, 0.9% in Q2 and a first estimate of 0.7% in Q3 2014 (annual rate 3.1% in Q3), it appears very likely that strong growth will continue through 2014 and into 2015 as forward surveys for the services and construction sectors, are very encouraging and business investment is also strongly recovering. The manufacturing sector has also been encouraging though the latest figures indicate a weakening in the future trend rate of growth. However, for this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance. This overall strong growth has resulted in unemployment falling much faster through the initial threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it said it would consider any increases in Bank Rate. The MPC has, therefore, subsequently broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of about eighteen indicators in order to form a view on how much slack there is in the economy and how quickly slack is being used up. The MPC is particularly concerned that the current squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of inflation in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Most economic forecasters are expecting growth to peak in 2014 and then to ease off a little, though still remaining strong, in 2015 and 2016. Unemployment is therefore expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in pay rates at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.

Also encouraging has been the sharp fall in inflation (CPI), reaching 1.2% in September, the lowest rate since 2009. Forward indications are that inflation is likely to fall further in 2014 to possibly 1%. Overall, markets are expecting that the MPC will be cautious in raising Bank Rate as it will want to protect heavily indebted consumers from too early an increase in Bank Rate at a time when inflationary pressures are also weak.
A first increase in Bank Rate is therefore expected in Q2 2015 and they expect increases after that to be at a slow pace to lower levels than prevailed before 2008 as increases in Bank Rate will have a much bigger effect on heavily indebted consumers than they did before 2008.

The return to strong economic growth has also helped lower forecasts for the increase in Government debt (by £73bn over the next five years) compared to that projected in the 2013 Autumn Statement. It also lowers the Government forecast debt by an additional £24bn compared to that announced in the March 2014 Budget.
The March Budget also projected a return to a significant budget surplus (£5bn in 2018-19) though monthly public sector deficit figures have so far disappointed in 2014/15.

2.1.2 **U.S**.

In September, the Federal Reserve continued with its monthly $10bn reduction in asset purchases, which started in December 2013. Asset purchases fell from $85bn to $15bn and ended on 29th October 2014. First quarter GDP figures for the US were depressed by exceptionally bad winter weather, but growth rebounded very strongly in Q2 to 4.6% (annualised).

The U.S. faces similar debt problems to those of the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth, although the weak labour force participation rate remains a matter of key concern for the Federal Reserve when considering the amount of slack in the economy and monetary policy decisions.

2.1.3 **Eurozone**

The Eurozone is facing an increasing threat from weak or negative growth and from deflation. In September, the inflation rate fell further, to reach a low of 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB took some rather limited action in June to loosen monetary policy in order to promote growth. In September it took further action to cut its benchmark rate to only 0.05%, its deposit rate to -0.2% and to start a programme of purchases of corporate debt. However, it has not embarked yet on full quantitative easing (purchase of

sovereign debt).
Concern in financial markets for the Eurozone subsided considerably during 2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address fundamental issues of low growth, international un-competitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise for some countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed.

2.1.4 China and Japan

Japan is causing considerable concern as the increase in sales tax in April has suppressed consumer expenditure and growth. In Q2 growth was -1.8% q/q and -7.1% over the previous year. The Government is hoping that this is a temporary blip.
As for China, Government action in 2014 to stimulate the economy appeared to be putting the target of 7.5% growth within achievable reach but recent data has raised fresh concerns. There are also major concerns as to the creditworthiness of much bank lending to corporates and local government during the post 2008 credit expansion period and whether the bursting of a bubble in housing prices is drawing nearer.

2.2 Interest Rate Forecasts

The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	2.00%	2.25%	2.50%
5yr PWLB rate	2.50%	2.70%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.50%	3.50%	3.50%
10yr PWLB rate	3.20%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.20%	4.30%	4.30%
25yr PWLB rate	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	5.00%
50yr PWLB rate	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	5.00%

Capita Asset Services undertook a review of its interest rate forecasts on 24 October. During September and October, a further rise in geopolitical concerns, principally over Ukraine but also over the Middle East, plus fears around Ebola and an accumulation of dismal growth news in most of the ten largest economies of the world and also on the growing risk of deflation in the Eurozone, had sparked a flight from equities into safe havens like gilts and depressed PWLB rates. However, there is much volatility in rates as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2015.
PWLB forecasts are based around a balance of risks. However, there are potential upside risks, especially for longer term PWLB rates, as follows: -

- A further surge in investor confidence that robust world economic growth is firmly expected, causing a flow of funds out of bonds and into equities.
- UK inflation being significantly higher than in the wider EU and US, causing an

increase in the inflation premium inherent to gilt yields.

Downside risks currently include:

- The situation over Ukraine poses a major threat to EZ and world growth if it was to deteriorate into economic warfare between the West and Russia where Russia resorted to using its control over gas supplies to Europe.
- Fears generated by the potential impact of Ebola around the world
- UK strong economic growth is currently mainly dependent on consumer spending and the potentially unsustainable boom in the housing market. The boost from these sources is likely to fade after 2014.
- A weak rebalancing of UK growth to exporting and business investment causing a weakening of overall economic growth beyond 2014.
- Weak growth or recession in the UK's main trading partner - the EU, inhibiting economic recovery in the UK.
- A return to weak economic growth in the US, UK and China causing major disappointment in investor and market expectations.
- A resurgence of the Eurozone sovereign debt crisis caused by on-going deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial viability of one or more countries and in the ability of the ECB and Eurozone governments to deal with the potential size of the crisis.
- Recapitalisation of European banks requiring more government financial support.
- Lack of support by populaces in Eurozone countries for austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- Italy: the political situation has improved but it remains to be seen whether the new government is able to deliver the austerity programme required and a programme of overdue reforms. Italy has the third highest government debt mountain in the world.
- France: after being elected on an anti-austerity platform, President Hollande has embraced a €50bn programme of public sector cuts over the next three years. However, there could be major obstacles in implementing this programme. Major overdue reforms of employment practices and an increase in competiveness are also urgently required to lift the economy out of stagnation.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Heightened political risks in the Middle East and East Asia could trigger safe haven flows back into bonds.

- There are also increasing concerns at the reluctance of western central banks to raise interest rates significantly for some years, plus the huge QE measures which remain in place (and may be added to by the ECB in the near future). This has created potentially unstable flows of liquidity searching for yield and, therefore, heightened the potential for an increase in risks in order to get higher returns. This is a return to a similar environment to the one which led to the 2008 financial crisis.

3 Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy Statement (TMSS) for 2014/15 was approved by Council on 25th February 2014.

There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

4 The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

4.1 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Capital Expenditure by Service	2014/15 Original Programme	Budget B'fwd from 2013/14	Virements to Programme in Year	Total 2014/15 Budget	Actual Spend @ Period 6	2014/15 Revised Estimate
	£m	£m	£m	£m	£m	£m
General Fund	2.982	1.365	-	4.347	0.577	1.130
HRA	6.003	1.483	-	7.486	2.681	7.335
Total	**8.985**	**2.848**	**-**	**11.833**	**3.258**	**8.465**

4.2 Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. Any borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2014/15 Estimate £m	2014/15 Revised Estimate £m
Supported	-	-
Unsupported	11.833	8.465
Total spend	**11.833**	**8.465**
Financed by:		
Grant	2.583	0.346
General Fund Receipts	0.589	0.232
Section 106 Receipts	0.208	0.209
General Fund Reserve	0.571	0.029
HRA Receipts	0.307	0.315
HRA Reserve	1.366	2.391
HRA Regeneration Fund	0.867	0.461
Major Repairs Reserve	5.253	4.482
General Fund Revenue Contributions	0.089	-
Total financing	**11.833**	**8.465**
Borrowing need	**-**	**-**

4.3 Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary

The table shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

4.3.1 Prudential Indicator – Capital Financing Requirement

We are on target to achieve the original forecast Capital Financing Requirement.

4.3.2 Prudential Indicator – External Debt / the Operational Boundary

	2013/14 Outturn £m	2014/15 Original Estimate £m	2014/15 Revised Estimate £m
CFR – Non Housing	1.311	1.162	1.242
CFR – Housing	68.042	68.034	68.029
Total CFR	69.353	69.196	69.271
Net movement in CFR	**(0.226)**	**(0.075)**	**(0.082)**
Operational Boundary			
Expected Borrowing	72.268	72.268	72.268

Other long term liabilities	-	-	-
Total debt 31 March	**72.268**	**72.268**	**72.268**

4.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2014/15 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2013/14 Outturn £m	**2014/15 Original Estimate £m**	**2014/15 Revised Estimate £m**
Gross borrowing	65.060	65.060	65.060
Plus other long term liabilities	-	-	-
Less investments	(28.557)	(20.140)	(21.035)
Net borrowing	36.503	44.920	44.025
CFR (year-end position)	69.353	69.196	69.271

The Executive Director Corporate Services reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised Limit for External Debt	**2014/15 Original Indicator £m**	**Current Position £m**	**2014/15 Revised Indicator £m**
Borrowing	89.112	89.112	89.112
Other Long Term Liabilities	3.000	3.000	3.000
Total	**92.112**	**92.112**	**92.112**

5 Investment Portfolio 2014/15

5.1 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out in Section 3, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate. Indeed, the Funding for Lending scheme has reduced market investment rates even further. The potential for a prolonging of the Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment, investment returns are likely to remain low.

The Council held £31.30m of investments as at 30th September 2014 (£28.56m at 31st March 2014) and the investment portfolio yield for the first six months of the year is 0.56% against a benchmark of the 3 months LIBID of 0.42%. A full list of investments held as at 30th September 2014 is detailed in **APPENDIX 1**.

The Executive Director Corporate Services confirms that on one occasion during the first six months of 2014/15 that the approved limits within the Annual Investment Strategy were breached. This occurred when an outward going CHAPS payment in respect of a deposit was not actioned by an agreed deadline, resulting in £2.6m being held within the Co-operative Bank overnight, which exceeded the approved limit of £2m.

The Council's budgeted investment return for 2014/15 is £189k, and performance for the year is projected to be £3k below budget.

5.2 CIPFA Benchmarking Club

The Council is a member of the CIPFA Treasury Management Benchmarking Club which is a means to assess our performance over the year against other members (22 Authorities).
Our average return for In House Investments for the period October 2013 to September 2014 was 0.56% compared to the group average of 0.77% (information from CIPFA Benchmarking Draft Report Q2 2014/15) excluding the impaired investments in Icelandic banks. This is considered to be a reasonable result in light of the current financial climate, our lower levels of deposits/funds and shorter investment time-lines due to Banking sector uncertainty, when compared to other Authorities.

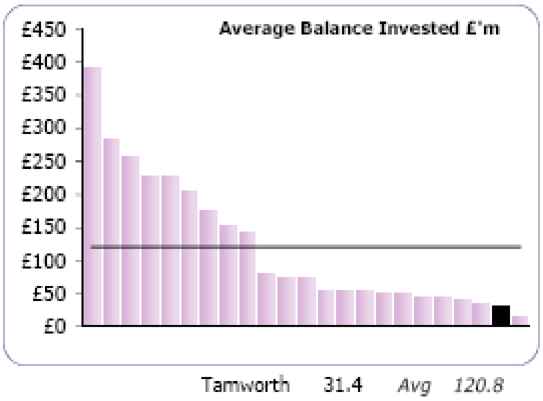
This can be analysed further into the following categories:

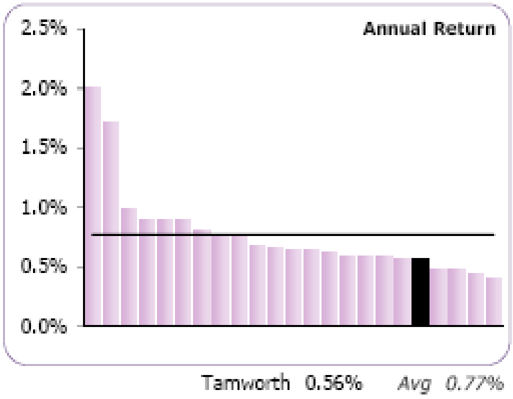
	Average Balance Invested £m		Average Annual Return Received %	
Category	Tamworth Borough Council	CIPFA Benchmarking Club	Tamworth Borough Council	CIPFA Benchmarking Club
Fixed Investments (up to 30 days)	0.1	0.9	0.41	0.38
Fixed Investments (between 31 and 90 days)	1.7	2.7	0.45	0.44
Fixed Investments (between 91 and 364 days)	12.1	41.2	0.77	0.68
Fixed Investments (between 1 year and 5 years)	-	12.0	-	2.25
Fixed Investments (over 5 years)	-	1.0	-	3.96
Callable and Structured Deposits	-	0.9	-	2.46
Notice Accounts	8.8	39.8	0.48	0.57
Money Market Funds (Constant Net Asset Value)	7.8	13.1	0.37	0.40
Money Market Funds (Variable Net Asset Value)	-	2.0	-	0.68
DMADF	-	1.8	-	0.25
CD's, Gilts and Bonds	1.0	7.3	0.54	1.20
Average of all investments (Managed in House)	**31.4**	**120.8**	**0.56**	**0.77**

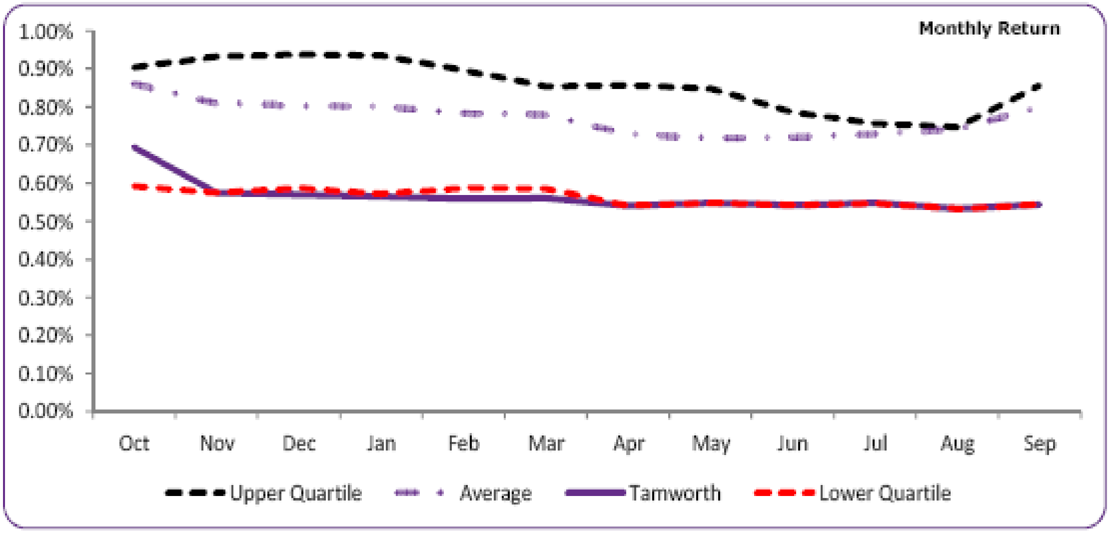
The data above and graphs below display that despite the Council being a small investor in the markets, performance is marginally better in the <365 day investments (coloured green) when compared with other members of the benchmarking club and affirms our ‘low appetite for risk’ in the continuing unsettled markets.

The variance appears to be reflected by better returns on deposits over 1 year in duration, which in line with our use of the Capita Asset Services methodology and our approved specified limits in our Treasury Management Strategy, is currently prohibited for Tamworth Borough Council.

COMBINED IN-HOUSE INVESTMENTS (excluding impaired investments)







Monthly Return (Oct 13 - Sept 14)	Oct	Nov	Dec	Jan	Feb	March	April	May	June	July	Aug	Sept	Year
Av Bal £'m	30.20	31.02	30.51	31.32	30.21	28.79	31.64	31.39	31.88	32.70	33.37	34.08	31.43
Earned £'k	17.8	14.6	14.8	15.0	12.9	13.7	14.0	14.6	14.2	15.2	15.1	15.2	177.4
Upper Quartile	0.90%	0.93%	0.94%	0.93%	0.90%	0.85%	0.86%	0.85%	0.79%	0.76%	0.75%	0.86%	0.90%
Average	*0.86%*	*0.81%*	*0.80%*	*0.80%*	*0.78%*	*0.78%*	*0.73%*	*0.72%*	*0.72%*	*0.73%*	*0.74%*	*0.80%*	*0.77%*
% Return	0.69%	0.57%	0.57%	0.57%	0.56%	0.56%	0.54%	0.55%	0.54%	0.55%	0.53%	0.54%	0.56%
Lower Quartile	0.59%	0.57%	0.59%	0.57%	0.59%	0.59%	0.54%	0.55%	0.54%	0.55%	0.53%	0.54%	0.57%
% Diff from Av	-0.16%	-0.23%	-0.23%	-0.24%	-0.22%	-0.22%	-0.19%	-0.17%	-0.18%	-0.18%	-0.21%	-0.26%	

Investment Counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the Treasury Management function.

6 Borrowing

The Council's revised capital financing requirement (CFR) for 2014/15 is £69.271m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. Table 4.4 shows the Council has borrowings of £65.060m and has utilised £4.211m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate.

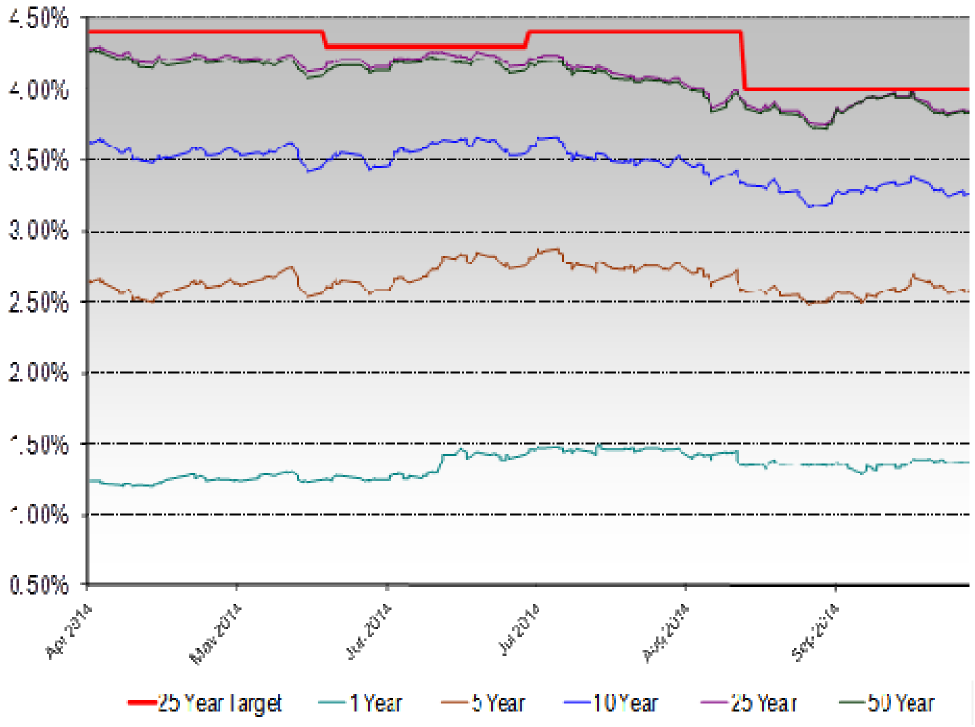
No new external borrowing was undertaken from the PWLB or the money markets in the first half of the year.

As outlined below, the general trend has been a reduction in interest rates during the six months, across all maturity bands.

It is anticipated that further borrowing will not be undertaken during this financial year.

The table and graph below show the movement in PWLB rates for the first six months of the year to 30th September 2014,

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.20%	2.48%	3.16%	3.75%	3.73%
Date	10/04/2014	28/08/2014	28/08/2014	29/08/2014	29/08/2014
High	1.48%	2.86%	3.66%	4.29%	4.26%
Date	15/07/2014	04/07/2014	20/06/2014	02/04/2014	01/04/2014
Average	1.34%	2.65%	3.67%	4.10%	4.17%



7 Debt Rescheduling

Debt rescheduling opportunities have been limited in the current economic climate and consequent structure of interest rates. No debt rescheduling was undertaken during the first six months of 2014/15.

8 Icelandic Banks Update

Appendix 2 contains details of the situation with Icelandic investments as at 30th September 2014.
Expectations of future receipts and timeframes based on current information regarding each bank are given below;

- Glitnir

On 15th March 2012, the Council received £2.554m being the majority of our deposits with the bank. The balance of our approved claim, equating to £587k, is being held in an interest bearing ESCROW account. The 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, which is still unknown.

- Heritable

As at the end of September the Council had received £1.415m against our claim of £1.505m, a total recovery of 94.02%. It is anticipated that this will be the final figure received, though the Administrators are withholding a sum as a contingency against disputed claims.

- Kaupthing, Singer and Friedlander

As at the end of September the Council had received £2.588m against our claim of £3.175m. Current estimates given by the Administrator project a total recovery of 85.25% or approximately £2.707m with the majority of repayments being received by June 2015.

REPORT AUTHOR
Please contact Phil Thomas Financial Accountant extension 239

LIST OF BACKGROUND PAPERS

Background Papers : -	*Local Government Act 2003*
	CIPFA Code of Practice on Treasury Management in Public Services 2011
	Treasury Management Strategy & Prudential Indicators Report 2014/15
	Budget & Medium Term Financial Strategy 2014/15
	Financial Healthcheck Period 6, September 2014
	CIPFA Treasury Management Benchmarking Club Report Quarter 2, September 2014

APPENDICES

APPENDIX 1 Current Investment List
APPENDIX 2 Icelandic Banking Situation

Investments held as at 30th September 2014:

Borrower	Deposit £m	Rate %	From	To	Notice
Lloyds TSB	2.00	0.98	01/11/2013	31/10/2014	-
Lloyds TSB	1.00	0.98	11/11/2013	10/11/2014	-
Lloyds TSB	1.00	0.98	02/10/2013	01/10/2014	-
Bank of Scotland	2.00	0.95	12/02/2014	11/02/2015	-
Nationwide	1.00	0.50	07/08/2014	07/11/2014	-
Nationwide	2.00	0.64	08/07/2014	08/01/2015	-
Nationwide	1.00	0.64	15/07/2014	15/01/2015	-
Barclays	2.00	0.48	01/08/2014	03/11/2014	-
Barclays	1.00	0.48	05/09/2014	05/12/2014	-
Barclays	1.00	0.61	05/09/2014	05/03/2015	
Standard Chartered	2.00	0.56	02/04/2014	02/10/2014	-
Coventry	1.00	0.41	02/09/2014	02/10/2014	
Coventry	2.00	0.41	05/09/2014	06/10/2014	-
Coventry	1.00	0.41	16/09/2014	20/10/2014	
Santander	4.00	0.40	-	-	On call
MMF - PSDF	4.00	0.38*	-	-	On call
MMF – IGNIS	3.30	0.42*	-	-	On call
Total	**31.30**	**0.56 (avg)**			

** Interest rate fluctuates daily dependant on the funds investment portfolio, rate quoted is approximate 7 day average.*

This page is intentionally left blank

ICELANDIC BANKING SITUATION AS AT 30/09/2014

	Deposit with;	Ref Number	Date Invested	Amount		%
1	GLITNIR	1696	10/10/2007	1,000,000		
	GLITNIR	1715	31/08/2007	1,000,000		
	GLITNIR	1754	14/12/2007	1,000,000		
	Total Principal			3,000,000		
	Estimated of Contractual or Interest due to point of administration (subject to currency exchange rate fluctuations)			155,000		
	Total of Claim			3,155,000		
	Repayments Received to date			(2,554,432)	*	*80.96*
	Outstanding at 30/09/2014			**600,568**	**	

*Partial repayment received on the 15th March 2012 in GBP/EUR/USD/NOK. The balance is currently being held in Icelandic Krone (ISK). 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 untill the date of final settlement, the final payment value may also be subject to exchange rate fluctuations.

- Best case recovery 100%

2	Heritable Bank	1802	12/09/2008	500,000		
	Heritable Bank	1803	15/09/2008	1,000,000		
	Total Principal			1,500,000		
	Interest due at point of administration 07/10/2008			5,127		
	Total of Claim			1,505,127		
	Repayments Received to date			(1,415,080)		*94.02*
	Outstanding at 30/09/2014			**90,047**		

- Final recovery received of 94.02% (declared 23/08/13, though Administrators are retaining a contingency for disputed claims that could be distributed at a later date).

3	Singer & Friedlander	1716	31/08/2007	1,000,000		
	Singer & Friedlander	1740	31/10/2007	1,000,000		
	Singer & Friedlander	1746	14/01/2008	1,000,000		
	Total Principal			3,000,000		
	Interest due at point of administration 08/10/2008			175,256		
	Total of Claim			3,175,256		
	Repayments Received to date			(2,587,833)		*81.50*
	Outstanding at 30/09/2014			**587,423**		

- Current indications project an 85.25% recovery of our investments

	Summary					
	Total Principal			7,500,000		
	Interest			335,383		
	Total of Claim			7,835,383		
	Repayments Received to date			(6,557,346)		*83.69*
	Outstanding at 30/09/2014			**1,278,038**		

1 Registered Bank in Iceland - In Administration under Icelandic Law

2 Registered Bank in UK - In Administration in UK by Ernst & Young Under English Law

3 Registered Bank in UK - In Administration in UK by Ernst & Young Under English Law

This page is intentionally left blank

AUDIT & GOVERNANCE COMMITTEE

26th March 2015

Report of the Director of Finance

FINAL ACCOUNTS 2014/15 – 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 2014/15 (including deadlines but not including detailed responsibilities) and to obtain corporate commitment to the action plan.

Recommendations

That:

1. **the target of 31st May 2015 for closure of the Final Accounts 2014/15 and production of a Draft Statement for 2014/15 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 24th September 2015.**

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 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 2014/15 by 31st May 2015;**
- **Detailed management quality assurance review by 14th June 2015;**
- **Submission to Grant Thornton (and to Members) on or before 30th June 2015;**
- **Report to Audit & Governance Committee on 24th September 2015; and**
- **Latest publish date 30th September 2015;**

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.

Future Changes

The Government consulted in November 2013 on changes to the audit arrangements for the production of the Statutory Accounts – included in the Government Local Audit and Accountability Bill – introduced to Parliament on 9 May 2013. The Bill set out the vision for the new local audit framework, and contained additional measures which are complementary to existing initiatives to increase transparency and enable local scrutiny of public bodies.

The Government's view is that earlier publication of the accounts would enhance authorities' accountability to local residents, and assist their own financial management by providing earlier assurance on the previous year's financial outturn. Local authorities are a significant component of the Government's Whole of Government Accounts, and the current local government timetable is one barrier to bringing forward the publication date of those accounts.

They are aware that some authorities publish substantially earlier than the current deadline. Oldham Council published its 2012/13 statement of accounts on 31st May 2013, and Transport for London on 29th July. But other authorities would need to make significant changes to their systems and processes to move the publication date forward.

The Government believes that the disparity between the timetables for local government and other parts of the public sector justifies a reconsideration of the current dates. A large number of Councils responded with views on this issue and information of the practical issues that would be raised by a change.

The New Accounts and Audit Regulations to be made under Section 32 of the new Local Audit and Accountability Act 2014 will play a similar role in the new local audit framework.

The draft regulations take account of the views of over 130 respondents and further discussions have taken place with a small advisory group containing representatives from the Chartered Institute of Public Finance and Accountancy, the National Audit Office and the Audit Commission and also with the representative bodies of smaller authorities in order to develop these draft regulations.

The two key changes proposed in the draft regulations are:

- An earlier timetable for the preparation and publication of the statements of accounts for authorities; and
- Reform of the rules on the exercise of the public's rights to inspect the accounting records and to put objections and questions to the auditor.

The Government proposes to bring forward the existing dates of ***30th June and 30th September to 31st May and 31st July (affecting the Accounts for 2017/18 onwards)*** for accounts being signed and certified by the Responsible Financial Officer and then approved and published. This period of notice is intended to give authorities time to make the necessary changes in their processes and auditing firms time to adjust their business models accordingly. But it is hoped that authorities will move to the new timetable as soon as they can; some indeed already comply.

For 2014/15 the Council plan to bring forward the completion date for the Statutory Accounts – with a target completion of 31st May in line with the new regulations.

Legal and Risk Implications

The Council has a statutory duty to prepare the Draft Statement of Accounts by 30th June 2015.

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	Risk	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

Risk No	Risk	Impact	Action Required to Manage Risk
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
4	Inadequate training provision and update on legislative changes for key staff	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 / process 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 31st May. There is a high risk of this deadline not being achieved should insufficient resources be directed towards the achievement of this goal – deadline / key milestones will be closely monitored.

Report Author

Please contact Lynne Pugh, Chief Accountant extension 272.

Background papers	Accounts and Audit Regulations 2011
	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 (2014/15) based on IFRS

Appendix A

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 2013/14 financial year with draft accounts being prepared by the 30th June 2014 and audited accounts approved by the Audit and Governance Committee, at its meeting on 25th September - in compliance with the statutory deadline.

Between completion of the statement in May 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 2013/14 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 2013/14 has been reviewed to identify any lessons to be learned for future years.

The main issues affecting the closure of accounts for 2013/14 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*** 31st 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 onsite 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 2013/14 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 2014/15.

2013/14 - Significant Issues

Item	Issue	Proposed Solution / Action Already taken	Action
Manual Accruals	A 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 31/3/15, 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 1/4/15 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
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 30/4/15 at the latest.	Solicitor

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 26th January 2015 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 FINAL ACCOUNTS 2014/15	LEAD OFFICER	DEADLINE
1	Temporary Reserve / Retained Fund information	ALL	04/03/2015
2	Review all outstanding orders and delete where necessary	ALL	04/03/2015
3	Postal Franker Reading / Costs	DAES/DTCP	Close of Business 31/03/15
4	All "goods receipts" should be on e-financials by 31/03/15, with evidence held by the Service Departments, in order to ensure 'auto-accruals' are generated. (It is recommended as many as possible done by 04/03/15)	ALL	31/03/2015
	Deadline for approved manual accruals. (ie goods need to be received by 31/03/15.) Refer to year end guidance	ALL	10/04/2015
5	Staff Holiday and Flexi Leave entitlement as at 31/03/15	ALL	10/04/2015
6	Manual accruals to be kept to a minimum, with EDR 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	10/04/2015
7	Notify all stock holders of the need for stocktakes to be carried out at 31/03/15 and information returned to accountancy	ALL	03/04/2015
8	Petty Cash imprest reconciliation. A reminder of the need to complete returns at 31/03/15 will be issued	ALL	03/04/2015
9	IT stock purchases and disposals (hardware and software) information	DTCP	03/04/2015
10	Bad debt information: e-financials Sundry Debtors and overpayments Homelessness and Housing Rents	DF DF DHH	10/04/2015
11	Completion of asset acquisitions / disposals / revaluations / impairment and production of the asset register certified by qualified valuer	DAES	Draft by: 08/04/2015 Final Certified by: 22/04/2015
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	10/04/2015
13	HAA SOCH Mortgage principal repayment information	DF	10/04/2015
14	Related Party Transaction information. Requirement to be sent by 21/03/15 - Approach at Committee if delayed	EDR S&MO	10/04/2015
15	Housing Capital salaries detailed by capital project	DAES	10/04/2015

16	Managers confirmation of continued existence and responsibility for assets	ALL	10/04/2015
17	Information for completion of DWP and Subsidy estimated claims from benefits	Head of Benefits	10/04/2015
18	Sale of council house enhancement information (Reg 14)(final quarter)	DAES	10/04/2015
19	Improvement grant reconciliation	DAES	10/04/2015
20	Collection fund information (NNDR3)	EDCS DF	24/04/2015
21	FRS17 Pension information from SCC Pension Fund	SCC	24/04/2015
22	Review Code of Corporate Governance and prepare Annual Governance Statement	Head of Internal Audit	01/05/2015
23	Review grant estimates (Benefits) / comparison to actual submissions	Head of Benefits	29/05/2015
24	Review potential post balance sheet events / impact on accounts	ALL	Up to 30/09/15

Audit Planning Timetable 2014/15

Date / Deadline	Completion of:	
26/01/15	Audit Planning Meeting / requirements (following changes to code, financial analysis, working papers & format, use of estimates etc) key dates to be agreed with Audit Commission	
Feb/ Mar 2015	Cipfa / GT Workshops	
02/02/15	Interim Visit (10 days) – walkthrough and early testing	
26/03/15	Audit Planning Meeting / requirements	
26/03/15	Opinion audit plan to Audit & Governance Committee	
27/04/15	Audit Planning Meeting / requirements	
31/05/15	Draft Statement preparation	
2 weeks	Quality assurance	
30/06/15	***Submission of Accounts (to GT / Members)***	
30/06/15	High Level Audit Plan for 2014/15 Audit confirmed (for planning / management purposes)	Accountants / Key Officers to be available for Auditor questions by appointment
Early July	Engagement Lead review	
06/07/15	On Site Audit Commences (prepare working papers / reconciliations / quality assurance process)	
10/07/15	Weekly Meeting with Audit Manager (including emerging Governance report issues) - issues to date documented in **one logical list i.e. no repeated issues**	
17/07/15	Weekly Meeting with Audit Manager	
24/07/15	On Site Audit Concludes (the statement will be changed, as necessary, as the audit proceeds) - Weekly Meeting with Audit Manager	
24/07/15	Appointed Day	
24/07/15	**Draft list of audit amendments / issues received (subject to Engagement Lead review)**	
31/07/15	**Final list of audit amendments / issues received (after Engagement Lead review)**	
By 31/07/15	**Close out meeting (with Engagement Lead review)**	
07/08/15	Amended Statement of Accounts prepared	
04/09/15	Audit Findings Report received	
24/09/15	Audit Findings Report to Audit & Governance Committee	
24/09/15	Sign Off	
30/09/15	Publish at latest	

AUDIT & GOVERNANCE COMMITTEE

26TH MARCH 2015

Report of the Head of Internal Audit Services

INTERNAL AUDIT CHARTER AND PLAN 2015-2016

EXEMPT INFORMATION

None

PURPOSE

To advise Members of the proposed Internal Audit Charter and Plan for 2015-2016, to provide Members with assurance on the appropriate operation of Internal Audit.

RECOMMENDATION

That the Committee endorses the attached Internal Audit Charter and Plan 2015-2016 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 2015 – 16 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 at **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."

Tamworth Borough Council

INTERNAL AUDIT CHARTER

Document Status: Draft

Originator: A Struthers

Updated: A Struthers

Owner: A Struthers

Version: 01.01.03

Date: 04/03/15

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 Tamworth Borough Council's Intranet. Please check for current version before using.

Revision History

Revision Date	Version Control	Summary of changes
25/01/13	1.01.01	1st draft
05/03/14	1.01.02	Review
04/03/15	1.01.03	Annual review

Approvals

Name	Title	Signature	Date
Audit & Governance Committee	Committee Approval		
Tony Goodwin	Corporate Management Team Approval		
John Wheatley	Executive Director Corporate Services		
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.

CONTENTS PAGE

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.

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).

- 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 oversee its implementation across the Council;
- Monitoring and reviewing the effectiveness of the risk management strategy;
- Assisting with the identification and communication of 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 Tamworth Borough Council'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);

- 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 Tamworth Borough Council'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.

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;
- 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.

			Appendix 2	
INTERNAL AUDIT PLAN - 2015/16				
AREA OR SUBJECT OF REVIEW	**Risk Rating**	**Audit type**	**Days allocated**	
KEY FINANCIAL SYSTEMS				
MAIN ACCOUNTING & BUDGETARY CONTROL	Low	Key Financial System - interim	5	
TREASURY MANAGEMENT	Low	Key Financial System - interim	5	
CREDITORS & PROCUREMENT	Medium	Key Financial System - interim	12	
DEBTORS	Low	Key Financial System - interim	5	
COUNCIL TAX	Low	Key Financial System interim	5	
NNDR	Low	Key Financial System - interim	5	
PAYROLL	Low	Key Financial System - interim	5	
BANK REC & CASH	Low	Key Financial System - interim	5	
HOUSING & COUNCIL TAX BENEFITS	Low	Key Financial System - interim	5	
CAPITAL STRATEGY & PROGRAMME MANAGEMENT	Low	Key Financial System - interim	5	
HOUSING RENTS	Low	Key Financial System - interim	5	
CAPITAL CONTRACTS	Medium	Key Financial System	12	
HOUSING RESPONSIVE REPAIRS	Medium	Key Financial System	12	**86**
STRATEGIC & OPERATIONAL RISKS				
Customer Services	Hign	Risk based review	8	
Transparency Code compliance	Hign	System based review	10	
Corporate Complaints/Service Feedback	High	System based review	8	
Joint service provisions/SLA's	High	System based review	10	
Assembly Rooms Bar	High	System based review	8	
Transformation process	High	System based review	8	
Electoral process	High	System based review	7	
Car Parking	High	Risk based review	7	
Private sector housing leasing scheme	Medium	System based review	8	
RIPA	Medium	System based review	7	
Recruitment process	Medium	Risk based review	9	
Asbestos & Legionella	Medium	System based review	7	

Safeguarding children & vulnerable adults	Medium	System based review	7	
Corporate business continuity	Medium	System based review	6	
Taxi Licences	Medium	System based review	8	
Housing voids & lettings	Medium	Risk based review	7	
Community Safety/development	Medium	Risk based review	7	
Planning enforcement	Medium	Risk based review	7	**139**
ICT AUDIT REVIEWS				
IT disaster recovery	High	IT Audit	8	
DIP application review	High	IT Audit	8	
M3 application review	Medium	IT Audit	7	
IT Governance review	High	IT Audit	7	
Telephony project implementation review	Medium	IT Audit	8	**38**
CONSULTANCY				
Performance framework			8	
Assembly Rooms project			8	
IT Governance			8	**24**
IMPLEMENTATION REVIEWS			48	**48**
ANNUAL GOVERNANCE & ASSURANCE FRAMEWORK				
ANNUAL GOVERNANCE STATEMENT	High		13	
ANNUAL AUDIT OPINION	High		3	
ANNUAL AUDIT PLANNING & REVIEW	High		6	
COUNTER FRAUD CULTURE	High			
- NATIONAL FRAUD INITATIVE & PROACTIVE COUNTER FRAUD WORK			15	
- REVIEW OF FRAUD RISK REGISTER	High		2	
- REVIEW OF COUNTER FRAUD POLICIES AND DOCUM	High		3	
INTERNAL AUDIT QUALITY ASSURANCE & IMPROVEMEI	High		3	
REVIEW OF FINANCIAL GUIDANCE	High		4	

REVIEW OF CULTURE/ETHICS	High		10	**59**
REVIEW WORK COMPLETED ON BEHALF OF STAFFORDSHIRE COUNTY COUNCIL				
PENSION CONTRIBUTIONS	Medium	SUBSTANTIVE TESTING	2	**2**
CORPORATE SUPPORT				
GOVERNANCE TRAINING			5	
AUDIT & GOVERNANCE COMMITTEE SUPPORT			15	
EXTERNAL AUDIT LIAISON			2	
SPECIAL INVESTIGATIONS			10	
CONTINGENCY			30	**62**
TOTAL AUDIT DAYS			**458**	
				458

Approvals

Name		Signature	Date
Audit & Governance Committee - Chair			
CMT - Chief Executive			
Head of Internal Audit Services			

This page is intentionally left blank

AUDIT AND GOVERNANCE COMMITTEE

THURSDAY 26TH MARCH 2015

REPORT OF THE HEAD OF INTERNAL AUDIT SERVICES

FINANCIAL GUIDANCE REVIEW 2015

EXEMPT INFORMATION

None

PURPOSE

To seek Member endorsement of the recently reviewed Financial Guidance which forms am important part of the Council's Regulatory Framework, and to provide an opportunity for Members of the Committee to raise any issues they consider appropriate on the subject.

RECOMMENDATION

That Members endorse the changes to Financial Guidance.

EXECUTIVE SUMMARY

As part of the core functions under the terms of reference, this Committee is empowered to maintain an overview of the Council's Financial Regulations.

The last review of Financial Guidance was approved by this Committee in June 2014. This review has identified the following changes:

1. The Post Implementation Review (PIR) process for Capital spend has been updated to reflect the requirement for the Asset Strategy Group to identify which projects require a PIR;
2. The requirement to use Quick Quote has been raised from £2,000 to £4,000;
3. Use of InTend for the suppliers registering their interests to supply the Council which supersedes the practice of having an approved supplier;
4. The Contract Register is now maintained on the Covalent system;
5. The whole life cost for procurement purposes has been expanded to provide more clarity;
6. The procurement guidance has been updated with the current working practice i.e. authorisation forms, and use of Covalent, and
7. The requirements to comply with the Public Services (Social Value) Act 2012 have been added.

Other minor changes are tracked within the guidance.

The updated version of Financial Guidance is attached as **Appendix 1**.

RESOURCE IMPLICATIONS

None

LEGAL/RISK IMPLICATIONS

None

SUSTAINABILITY IMPLICATIONS

None

BACKGROUND INFORMATION

None

REPORT AUTHOR

Angela Struthers – Head of Internal Audit Services

LIST OF BACKGROUND PAPERS

None

APPENDICES

Appendix 1 – Financial Guidance

Tamworth Borough Council

Formatted: Font: (Default) Arial

FINANCIAL GUIDANCE

Document Status: Draft

Originator: A Struthers

Updated: A Struthers

Owner: A Struthers

Version: 01.01.03

Date: 04/03/15

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

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

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 Tamworth Borough Council's Intranet. Please check for current version before using.

Revision History

Revision Date	Version Control	Summary of changes
26/06/14	1.01.01	2014 approval
04/03/15	1.01.02	Review

Approvals

Name	Title	Yes/No
Audit & Governance Committee	Committee Approval	
CMT	Corporate Management Team Approval	Yes
John Wheatley	Executive Director Corporate Services	Yes
Angela Struthers	Head of Internal Audit Services	Yes

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.

Formatted: Right

APPENDIX 1

CONTENTS

Formatted: Font: 8 pt

Formatted: Font: 10 pt

Formatted: Font: 8 pt

Appendices

SECTION A

Financial Regulation Policy

FINANCIAL REGULATION POLICY

Adopted by Tamworth Borough Council on 22 May 2001~~.~~ ~~Revised 26/03/2015~~

Purpose

The financial regulation framework within the Council aims to:

a) promote best value, service delivery and delivery of the Council's vision;
b) provide sound arrangements for all the Council's financial affairs and to be able to demonstrate that proper controls are in place;
c) safeguard Members and officers by setting out procedures which meet the Council's expected standards.

Financial regulations are not intended to inhibit creativity but to provide the parameters within which creativity may be exercised. They are intended to guide and support managers and their staff. Financial control at a corporate level is achieved primarily through transparency and accountability. Managers and especially Chief Officers and budget holders occupy key roles. Managers are given appropriate authority to deploy resources in pursuit of agreed objectives. Their activities are expected to adhere to specified standards and they are required to report upon and be accountable for their actions. Those engaged in support functions (for example, Accountancy) do not themselves directly exert control. Their responsibilities are to support frontline services and to monitor activities. Where necessary they must act as whistle-blowers (See Whistleblowing Policy).

Controls

The financial regulation framework comprises this policy document, financial regulations and contract standing orders approved by Council and detailed guidance issued by the Council's Executive Director Corporate Services, to support these documents. They contain a mixture of:

a) responsibilities;
b) instructions;
c) expected standards of behaviour;
d) discretionary powers.

Instructions and responsibilities are clearly set out. All employees and Members are required to comply where they are applicable. The expected standard of behaviour and discretionary powers are guidelines to aid employees and Members in their day to day activities. They cannot cover all potential circumstances. All employees and all Members are therefore required at all times when engaged on Council activities to act reasonably, having regard to this framework, and to act within the spirit of the framework.

A review of the policy and guidance is to be completed annually.

SECTION B

Financial Regulations

FINANCIAL REGULATIONS

Adopted by Tamworth Borough Council on 22 May 2001. ~~- Revised 26/03/15~~

1 All employees and all Members must at all times when engaged on Council activities act in the interests of the Council as a whole.

2 All employees and all Members must comply at all times with these regulations wherever they apply.

3 All employees and all Members must act reasonably and within the spirit of the financial regulation framework.

4 All relevant financial interests must be declared to the Solicitor to the Council (Monitoring Officer).

5 All activities must be in accordance with:

a) l~~L~~egislation;
b) approved service plans or corporate plans;
c) approved service net revenue budgets or capital programmes;
d) relevant Council policies and adopted codes of practice.~~;~~

Any material departures (actual or potential) must be reported formally to Members as soon as practicable.

6 Where practicable all activities should be in accordance with accepted best practice.

7 Best value and value for money must be sought in all activities, including the procurement of goods and services.

8 Budgets at an appropriate level of detail must be prepared by the start of each financial year for all activities and units of the Council.

9 Material changes to financial policy or the distribution of resources must be referred to Council for approval.

10 Service managers have primary responsibility for the control and management of all resources of all kinds made available to them.

11 All managers must ensure and regularly check that there is a full set of controls in every system under their management, including an adequate segregation of duties and an assessment of risk in all activities and decisions.

12 All employees must consider the need to seek appropriate views, advice and guidance before embarking on a course of action and particularly on a new course of action. This includes seeking advice from managers in other services, for example consulting the Director~~,~~ Technology & Corporate Programmes on the procurement of information technology or **the Executive Director Corporate Services on the arrangement of leases, rentals or agreements involving the use of assets to or from the authority.**

13 All managers must ensure that all assets and personnel must be adequately secured or protected and appropriate insurance arranged where necessary.

14 Adequate records must be maintained of all transactions in all systems (a complete audit trail) and unrestricted access must be allowed to all assets and records for:

a) the Chief Executive;
b) the Executive Director Corporate Services;
c) the Head of Internal Audit Services;
d) External Auditors and other statutory inspectors;
e) Officers designated by any of the above.

Employees must supply information to those officers on request.

15 Managers must routinely monitor all activities under their control and report on any significant variations from expected standards.

16 Managers must report at regular intervals on performance on planned activities and on financial performance against approved budgets.

17 All employees and all Members must report any suspected:

a) failure in any system;
b) failure to comply with financial regulations;
c) suspected criminal act, including fraud or corruption.

The report should normally be made to the line manager. Full guidance is provided in the Council's Counter Fraud and Corruption Policy Statement, Strategy & Guidance Notes.

Any manager who suspects such an occurrence must take any immediate action necessary to rectify any failure in a control system and report the position to a relevant senior manager, who may include the Chief Executive, Executive Director Corporate Services, Monitoring Officer or Head of Internal Audit Services.

18 The Executive Director Corporate Services shall, with the agreement of the Chief Executive and Solicitor to the Council (Monitoring Officer), issue detailed guidance on procedures to be followed in compliance with these regulations.

19 All employees must comply with any applicable instructions or responsibilities specified in the guidance. In other respects all employees must act reasonably, having regard to the guidance and within the spirit of the guidance.

CONTRACT STANDING ORDERS

Adopted by Tamworth Borough Council on 22 May 2001.

1. All employees must comply with these standing orders, the relevant regulations relating to Public Contracts and with financial regulations when procuring goods and services.

2. All Directors have primary responsibility for ensuring compliance within their service areas.

3. Best value and value for money must be sought in all procurement activities. Competition must be sought in accordance with issued guidance.

4. Where the value of the goods and services is likely to be £50,000 (cumulative amount) or more the following requirements apply:

   a) tenders must be sought from suitably qualified suppliers
   b) the supply must be governed by a formal written contract.

   The only exception to these requirements shall be where the Cabinet has given authority in order to achieve best value.

5. Reasonable steps must be taken to manage risk throughout the procurement process and employees must have regard to the guidance that is issued for this purpose.

6. All potential suppliers of goods and services must be treated equitably.

7. In all procurement activities, arrangements must be clear regarding:
   a) the goods or services to be supplied and the supply mechanisms;
   b) the amount to be paid and the payment mechanisms;
   c) the rights and responsibilities of all parties.

8. Employees must consider the need to seek appropriate views, advice and guidance before making a decision or embarking on a course of action related to procurement.

9. The Executive Director Corporate Services shall, with the agreement of the Chief Executive and Solicitor to the Council (Monitoring Officer), issue detailed guidance on procedures to be followed in compliance with these standing orders. Such guidance shall include procedures for securing competition, for regulating the manner in which tenders are invited and for managing risk.

10. Employees must comply with any applicable instructions or responsibilities specified in the guidance. In other respects employees must act reasonably, having regard to the guidance and within the spirit of the guidance.

SECTION C

Financial Guidance

1 FINANCIAL MANAGEMENT

1.1 Introduction

1.1.1 Financial management covers all financial accountabilities in relation to the running of the authority, including the policy framework and budget.

1.2 The Full Council

1.2.1 Only the Council will exercise the following functions: ~~The full Council is responsible for:~~

Formatted: Font: 12 pt

Formatted: Indent: First line: 0 cm

~~Only the Council will exercise the following functions:~~

(a) adopting and changing the Constitution;

(b) approving or adopting the policy framework, the budget and any application to the Secretary of State in respect of any Housing Land Transfer;

(c) subject to the urgency procedure contained in the Access to Information Procedure Rules in Part 4 of this Constitution, making decisions about any matter in the discharge of an executive function which is covered by the policy framework or the budget where the decision maker is minded to make it in a manner which would be contrary to the policy framework or contrary to/or not wholly in accordance with the budget;

(d) appointing the Leader;

(e) agreeing and/or amending the terms of reference for committees, deciding on their composition and making appointments to them (except where the appointment to a committee is required to give effect to the wishes of a political group) and ensuring that, with the exception of the Mayor, members are appointed to at least two committees (one of which shall not include the Budget review Joint Scrutiny Committee; except for executive members who are appointed to one committee

(f) appointing representatives to outside bodies unless the appointment is an executive function or has been delegated by the Council;

(g) adopting an allowances scheme under Article 2.25;

(h) changing the name of the area, conferring the title of honorary alderman, Freeman or freedom of the borough;

(i) confirming the appointment or dismissal of the Head of Paid Service; Monitoring Officer and s151 Officer.

(j) making, amending, revoking, re-enacting or adopting bylaws and promoting or opposing the making of local legislation or personal Bills;

(k) approving the Council's Code of Conduct;

(l) approving the Senior Officer Pay Scheme

(m) all local choice functions set out in Part 3 of this Constitution which the Council decides should be undertaken by itself rather than the executive; and

(n) all other matters which, by law, must be reserved to Council.

CONTACT: Solicitor to the Council

1.3 The Executive

1.3.1 The Executive will carry out all of the local authority's functions which are not the responsibility of any other part of the local authority, whether by law or under the Constitution.

Formatted: Bullets and Numbering

CONTACT: Solicitor to the Council

1.4 The Audit & Governance Committee

1.4.1 The Audit & Governance Committee will have the following roles and functions:

(a) Audit Activity

- Receive, but not direct, internal audit's strategy and audit plan
- Consider reports dealing with the management and performance of Internal Audit
- Consider the Head of Internal Audit's annual report and opinion, and the level of assurance Internal Audit can give over the Council's corporate governance arrangements.
- Consider periodic reports from Internal Audit on the main issues arising from their work and "high priority" recommendations not implemented within a reasonable timescale, and seek assurance that action has been taken where necessary.
- Consider the final external audit Annual Audit and Inspection letter and any other relevant reports to "those charged with governance".

(b) Regulatory Framework

- Maintain an overview of the Council's Constitution, including Contract Standing Orders, Financial Regulations and Codes of Conduct.
- Consider the internal control environment and the level of assurance that may be given as to its effectiveness, to include the review of the Annual Governance Statement and the recommendation to the Council of its adoption.
- Satisfy itself that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
- 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.

- Monitor the effective development and operation of the corporate governance framework in the Council and to recommend to the Cabinet or the Council, as appropriate, the actions necessary to ensure compliance with best practice.
- Monitor the effectiveness of the Council's policies and arrangements for anti-fraud and corruption and whistle-blowing, complaints handling, RIPA and Ombudsman investigations.

(c) Accounts

• Approve the annual statement of accounts, external auditor's opinion and reports to members and monitor management action in response to the issues raised by external audit.

(d) Reports to Council

• Reports in the form of Minutes detailing action taken by the Committee and recommendations will be submitted to Council on an annual basis.

(e) Delegated Powers

• The Committee is empowered to deal with the functions detailed above.

(f) Standards of Conduct

This Committee shall exercise all the functions of the Council relating to Codes of Conduct as provided by the Localism Act 2011 except for those functions which under Chapter 7 of the Localism Act 2011 may only be exercised by the full Council.

CONTACT: Solicitor to the Council

1.5 Overview & Scrutiny Committees

1.5.1 The Overview & Scrutiny Committees general roles are to :

- Review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions including consideration at each meeting of the Forward Plan;
- Prepare an annual scrutiny work plan covering two successive periods of six months and to make reports and/or recommendation bi-annually to the full Council and/or the executive and/or any policy, joint or area committee in connection with the discharge of any functions;
- Liaise regularly with each other to ensure that there is no duplication between them in respect of scrutiny and review activity;
- Consider any matter affecting the area or its inhabitants;
- Exercise the right to call-in, for reconsideration, decisions made but not yet implemented by the executive and/or any policy or area committees; and
- Appoint Task and Finish Groups as and when required with no more than two operating at any one time. Normally the Chair and Vice-Chair of the Committee would Chair these groups and there would be an expectation that these groups would co-opt external expertise.

In addition to their general role, each Overview and Scrutiny Committee has a primary scope and specific functions as detailed in the Constitution.

CONTACT: Solicitor to the Council

1.6 The Statutory Officers

1.6.1 Head of Paid Service (Chief Executive)

The Head of Paid Service will:

- determine and publicise a description of the overall departmental structure of the Council showing the management structure and deployment of officers as ser out in part 7 of the Constitution.
- .report to full Council on the manner in which the discharge of the Council's functions is co-ordinated, the number and grade of officers required for the discharge of functions and the organisation of officers.

1.6.2 Monitoring Officer (Solicitor to the Council)

The Monitoring Officer will:

- maintain an up-to-date version of the Constitution and will ensure that it is widely available for consultation by members, staff and the public.
- After consultation with the head of paid service and chief finance officer, the monitoring officer will report to the full Council or the executive in relation to an executive function if s/he considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. Such a report will have the effect of stopping the proposal

or decision being implemented until the report has been considered in accordance with the Local Government & Housing Act 1989.

- Contribute to the promotion and maintenance of high standards of conduct through provision of support to the relevant committee.
- Conduct investigations or take other action into matters referred by the Audit & Governance Committee in accordance with the complaints procedure..
- Ensure that executive decisions, together with the reasons for those decisions and relevant officer reports and background papers are made publicly available as soon as possible and will advise upon issues relating to confidential and exempt information.
- Advise whether decisions of the executive are in accordance with the budget and policy framework.
- Provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all councillors.

1.6.3 Chief Finance Officer (Executive Director Corporate Services)

The –Chief Finance Officer has statutory duties in relation to the financial administration and stewardship of the authority. This statutory responsibility cannot be overridden. The statutory duties arise from:

- Section 151 of the Local Government Act 1972;
- The Local Government Finance Act 1988;
- The Local Government and Housing Act 1989;
- The Accounts and Audit Regulations (Amendment) England 2009;
- Section 73 of the Local Government Act 1985 (c.51);
- The Local Government Act 2003.

The Chief Finance Officer will:

- after consulting with the Head of Paid Service and the Monitoring Officer, report to the full Council or to the executive in relation to an executive function – and the Council's external auditor if s/he considers that any proposal, decision or course o faction will involve incurring unlawful expenditure, or is unlawful and is likely to cause a loss or deficiency or if the Council is about to enter an item of account unlawfully.
- Have responsibility for the administration of the financial affairs of the Council
- Contribute to the corporate management of the Council, in particular through the provision of professional financial advice
- Provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all councillors and will support and advise councillors and officers in their respective roles
- Provide financial information to the media, members of the public and the community.

Section 114 of the Local Government Finance Act 1988 requires the Executive Director Corporate Services to report to the full Council, executive and external auditor if the authority or one of its officers:

- has made, or is about to make, a decision which involves incurring unlawful expenditure;
- has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority;
- is about to make an unlawful entry in the authority's accounts.

Section 114 of the 1988 Act also requires:

- The Executive Director Corporate Services to nominate a properly qualified member of staff to deputise should he/she be unable to perform the duties under section 114 personally;
- The authority to provide the Executive Director Corporate Services with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

CONTACT: Solicitor to the Council

1.7 Scheme of Delegation

1.7.1 The Local Government Act 1972 as amended provides for a Scheme of Delegation where Council delegates to certain officers powers to undertake functions and duties on behalf of the authority. This delegation is completed annually.

1.7.2 Chief Officers must ensure that they comply with the approved Scheme of Delegation.

CONTACT: Solicitor to the Council

1.8 Accounting Policies

1.8.1 The Executive Director Corporate Services is responsible for the preparation of the authority's statement of accounts – including Whole of Government Accounts, in accordance with proper practices as set out in the format required by the *Code of Practice on Local Authority Accounting in the United Kingdom: (CIPFA/LASAAC)* based on International Financial Reporting Standards, for each financial year ending 31 March.

1.8.2 Key Controls
The key controls for accounting policies are:

a) Systems of internal control are in place that ensure that financial transactions are lawful;
b) Suitable accounting policies are selected and applied consistently;
c) Proper accounting records are maintained;
d) Financial statements are prepared which present fairly the financial position of the authority and its expenditure and income.

1.8.3 Responsibilities of the Executive Director Corporate Services

To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared at 31 March each year, and covers such items as:

a) Separate accounts for capital and revenue transactions;
b) The basis on which debtors and creditors at year end are included in the accounts;
c) Details on substantial provisions and reserves;
d) Fixed assets;
e) Depreciation;
f) Capital charges;
g) Work in progress;
h) Stocks and stores;
i) Deferred charges;
j) Accounting for value added tax;
k) Government grants;
l) Leasing/pensions.

1.8.4 Responsibilities of Chief Officers

To adhere to the accounting policies and guidelines approved by the Executive Director Corporate Services

CONTACT: Director of Finance

2. GENERAL GUIDANCE

2.1 Introduction

2.1.1 This guidance aims to help employees in their day to day work. Employees are required to comply at all times with the Council's financial regulations, and this guidance will help to ensure they do.

2.1.2 In this guidance there are three levels of requirements:

a) in some cases the guidance states that employees MUST comply with the requirement and therefore 100% compliance is expected;

b) in other cases employees SHOULD comply, but there will be times when compliance would not be possible or desirable; and

c) in the remaining cases it is stated that employees MAY wish to follow the guidance if it would be helpful, but it is purely at their discretion.

2.1.3 Employees must therefore take careful note whether the wording used in each section is MUST, SHOULD or MAY.

2.1.4 **If the guidance states a requirement MUST be complied with, employees should consult the Executive Director Corporate Services if there is particular difficulty. The Executive Director Corporate Services has authority to waive compliance and limits where necessary.**

2.1.5 Employees needing help to interpret or apply the guidance should contact their Chief Officer, Head of Internal Audit Services, or Executive Director Corporate Services.

2.1.6 The review and updating of Financial Regulations, Standing Orders and Financial Guidance will be completed by the Executive Director Corporate Services.

2.1.7 Throughout the guidance, reference is made to Chief Officers. A Chief Officer includes the Chief Executive, Executive Director Corporate Services, the Solicitor to the Council and Directors.

CONTACT: Head of Internal Services

2.2 Employees Responsibilities

2.2.1 Each Chief Officer must ensure that all his/her employees and any other agents acting on behalf of the Council are aware of the sections of this guidance that relate to their areas of work.

2.2.2 Chief Officers may delegate to other employees duties shown in this guidance, but the Chief Officer retains primary responsibility. Where the guidance places a duty on an employee, it is the Chief Officer's responsibility to ensure the existence of adequate procedures, documentation and supervision.

2.3 Miscellaneous

2.3.1 Chief Officers must ensure that lists of officers authorised to certify or approve orders, payments and records are updated at least on an annual basis. They must advise the Executive Director Corporate Services of changes such as **authorised signatories** leaving and propose new names, specimen signatures and monetary limits (where needed).

2.3.2 Any employee required to carry out checks such as **checks of documents** or calculations must sign/initial and date the relevant document (or use an electronic signature on electronic documents). The employee who prepares the document should also sign or initial, and date it.

2.3.3 Chief Officers must ensure that all **financial records** are completed promptly and accurately. Any amendment to a financial record or a document required in a payment process, including expense claims, timesheets and official returns must be made in ink. The original entry should be struck through with a single bold line and the correct entry written alongside. It must then be initialled and dated. Correction fluid or tape must never be used.

2.3.4 Chief Officers must ensure that all financial records are kept securely, and retained for the periods specified in the appendix attached. At the end of the period the records must be securely disposed of, e.g. by shredding. Arrangements for the disposal of any obsolete or surplus records, including unused items, should be agreed with the Executive Director Corporate Services.

2.3.5 All bank accounts relating to the Authority's transactions will be controlled and reconciled by the Executive Director Corporate Services. No other bank accounts are to be used.

2.3.6 If an employee is requested to give any **indemnities, guarantees or warranties** on behalf of the Council he/she must consult the Solicitor to the Council before taking any action.

2.3.7 Where there is a suspected fraud or other significant **criminal act**, the Chief Officer must consult the Head of Internal Audit Services or Executive Director Corporate Services on whether/when the Police should be informed. Employees should follow the Council's advice on fraud and corruption (Counter Fraud and Corruption Policy Statement, Strategy & Guidance Notes).

2.3.8 All employees must comply with the Information Security Policy.

2.3.9 All employees must comply with the Officer's Code of Conduct subject to any conflict with professional codes, which in such circumstances the professional obligations subsist over the Officer's Code of Conduct

2.3.10 In order to comply with the International Financial Reporting Standards, managers are required to consult on **any rentals, leases, use of assets to or from the authority**, prior to entering into an agreement with the Executive Director Corporate Services, especially where financial/operating leases are entered into as more advantageous financing could be sort.

CONTACT Director of Finance, Head of Internal Audit Services

3 RISK MANAGEMENT AND CONTROL OF RESOURCES

3.1 Risk Management

3.1.1 Risk Management is the planned and systematic approach to the identification, evaluation and control of risk. The Cabinet shall approve a Risk Management Policy Statement and Strategy for the Council and shall promote a culture of risk management awareness throughout the Council.

3.1.2 Key decisions taken must include an assessment of the risk.

3.1.3 The Head of Internal Audit Services is the focal point for developing and implementing the Risk Management Strategy throughout the authority. Her role is to advise others. All staff have a duty to co-operate so that risk is effectively managed in their areas, ensuring that all issues that they cannot resolve directly are brought to the attention of their managers.

3.1.4 The Corporate Management Team will be the forum where risk is performance managed.

3.1.5 Chief Officers are responsible for risk management and must have regard to advice from the Head of Internal Audit Services and other specialist employees (e.g. crime prevention, fire prevention, health & safety, cash handling and internal controls of various types).

3.1.6 Chief Officers are responsible for ensuring that regular and appropriate reviews of risk within their departments are completed and entered onto the Corporate Risk Register(Covalent). Additional guidance can be sought from the Head of Internal Audit Services on risk management issues.

3.1.7 The Audit & Governance Committee will review the management of risk within the Authority.

CONTACT: Head of Internal Audit Services

3.2 Insurances

3.2.1 The Executive Director Corporate Services is responsible for the arrangement of appropriate insurance cover through external insurance and internal funding. He shall, after such consultation as he thinks appropriate with other employees, settle all claims within individual policy excesses, and pass on all claims over individual policy excesses to the relevant insurer.

3.2.2 Chief Officers shall:

a) Give prompt notification to the Executive Director Corporate Services of all new risks, properties, vehicles, activities, functions, or any other assets which require to be insured and of any alteration affecting existing insurances (for example – safe limits being exceeded, loss of safe keys, temporary disablement of alarms);

b) Promptly notify the Executive Director Corporate Services in writing of any loss, liability or damage or any event likely to lead to a claim against the Council together with any information or explanation required by him or the Council's insurer's, and inform the police where necessary;

c) Ensure that all appropriate employees of the Council shall be included in a suitable fidelity guarantee insurance;

d) Consult the Executive Director Corporate Services in respect of any indemnity which the Council is requested to give;

e) Ensure that employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

3.2.3 It is the responsibility of the Executive Director Corporate Services to:

a) maintain a register of all insurance arranged by the Council and the property and risk covered by them;

b) at least annually, furnish Chief Officers with details of all insurances in force affecting their departments. Each Chief Officer shall review all such insurances, and any risks not insured against, or inadequately insured against, shall be notified immediately to the Executive Director Corporate Services;

c) Ensure the adequacy of all insurances entered into by contractors of the Council. An employee shall not authorise work to commence by a Contractor until the Executive Director Corporate Services has advised such an employee that the appropriate insurances have been effected to his satisfaction.

CONTACT: Operations Accountant

3.3 Internal Controls

3.3.1 The Council accepts that controls and control systems must be in place to ensure that its financial and other activities are carried out in a secure environment, in a manner that complies with the law and that fulfils its stewardship obligations. To achieve this the following key controls and control objectives and systems shall be in place:

a) Key controls shall be reviewed on a regular basis and the Council shall make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively which will feed into the Annual Governance Statement. Chief Officers are required to produce an annual statement in respect of the level of assurance on the adequacy of internal controls within their service areas in accordance with the Accounts & Audit Regulations 2011;

b) Managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities;

c) Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems;

d) An effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in the Auditing Practices Board's auditing guideline "Guidance for Internal Auditors, "Public Sector Internal Audit Standards" and with any other statutory obligations and regulations and professional standards.

3.3.2 Chief Officers are responsible for ensuring that they manage their processes to ensure that established controls are being adhered to and to evaluate their effectiveness, in order that they can be confident of the proper use of resources, achievement of objectives and management of risks.

3.3.3 They should also review existing controls in the light of changes affecting the authority and establishing and implementing new ones. Chief Officers are also responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.

3.3.4 Chief Officers must ensure that their staff have a clear understanding of the consequences of lack of control.

CONTACT: Head of Internal Audit Services

3.4 Internal Audit

3.4.1 The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs". The Accounts & Audit Regulations (Amendment) (England) 2011, regulation 6, more specifically requires that "a relevant body must undertake an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control".

3.4.2 Internal Audit 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.

3.4.3 Internal Audit is independent in its planning and operation. The Head of Internal Audit Services shall have direct access to the Head of Paid Service, all levels of management and elected members.

3.4.5 Internal Audit will comply with the Public Sector Internal Audit Standards (PSIAS).

3.4.5 Internal Auditors have the authority to:

a) enter at all reasonable times any Council establishment;

b) have access to all records, documents, information and correspondence relating to any financial and other transaction as considered necessary;

c) evaluate the adequacy and effectiveness of internal controls designed to secure assets and data to assist management in preventing and deterring fraud;

d) request explanations as considered necessary to satisfy themselves as to the correctness of any matter under examination;

e) require any employee of the Council to produce cash, materials or any other Council property in their possession or under their control;

f) access records belonging to third parties, such as contractors or partners, when required and appropriate;

g) directly access the Chief Executive and members.

3.4.6 The Head of Internal Audit Services will prepare the strategic and operational audit plans, which will take account of the relative risks of the audit areas and present this to the Audit & Governance Committee for approval.

3.4.7 Chief Officers have the responsibility:

a) of reporting any circumstances which may suggest the possibility of irregularity affecting cash, stocks or other property of the Council and any fraud or corrupt activities to the Executive Director Corporate Services. Further guidance can be found in the Counter Fraud and~~&~~ Corruption Policy Statement, Strategy & ~~and~~ Guidance Notes;

b) for ensuring that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purpose of their work;

c) for ensuring that auditors are provided with any information and explanations that they seek in the course of their work;

d) to consider and respond promptly to recommendations in audit reports;

and

e) for ensuring that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

3.4.8 The Head of Internal Audit Services will develop and maintain a Quality Assurance & Improvement Programme (QAIP) that covers al aspects of the internal audit activity and is designed to evaluate conformance with the PSIAS definition of Internal Audit and Code of Ethics. The QAIP must be internal on-going assessments reported to the Audit & Governance Committee with an external assessment to be completed in accordance with the frequency as determined by the Audit & Governance Committee (minimum at least every 5 years).

CONTACT: Head of Internal Audit Services

3.5 Treasury Management

3.5.1 The Council will conduct its Treasury Management Activities in accordance with the provisions laid down in statute and specifically as contained within the Local Government Act 2003.

Formatted: Justified, Right: -0 cm

CIPFA recommends that all public service organisations adopt, as part of their standing orders, financial regulations, or other formal policy documents appropriate to their circumstances, the following four clauses.

1. This organisation will create and maintain, as the cornerstones for effective treasury management:
   - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
   - suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
   - The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.

2. This organisation (i.e. full Council) will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

3. This organisation delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to full Council and for the execution and administration of treasury management decisions to the Executive Director Corporate Services, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

4. This organisation nominates Audit and Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

3.5.2 The Executive Director Corporate Services may report to Council at any time, as he considers necessary, upon matters relating to treasury management activities.

3.5.3 The Executive Director Corporate Services shall ensure that all treasury management transactions are recorded and that there is an effective division of duties between operations.

3.5.4 All securities which are the property of or in the name of the Council or its nominees shall be held in the custody of the Solicitor to the Council, except in the case of externally managed funds which shall be held by an independent custodian approved by the Executive Director Corporate Services.

3.5.5 Loans must not be made to third parties and interests must not be acquired in companies, joint ventures or other enterprises without the approval of the Cabinet, following consultation with the Executive Director Corporate Services.

CONTACT: Director of Finance

3.6 Prudential Code

3.6.1 Interlinked with the CIPFA Code of Practice for Treasury Management is the Prudential Code for Capital Finance in Local Authorities which plays a key role in capital finance to support Local Authorities in taking their decisions.

3.6.2 The Council is required by regulation to have regard to the said code when carrying out its duties under part 1 of the Local Government Act 2003.

3.6.3 The Prudential Code sets out a clear governance procedure for the setting and revising of prudential indicators. This is done by the full Council.

3.6.4 The Executive Director Corporate Services will be responsible for ensuring that all matters required to be taken into account are reported to the full Council for consideration, and for establishing procedures to monitor performance.

3.6.5 In setting or revising their prudential indicators, the Council is required to have regard to the following matters:

- affordability, e.g. implications for Council Tax / housing rents, including consideration of the impact for all resources (capital and ongoing revenue costs);
- prudence and sustainability, e.g. implications for external borrowing and whole life costing;
- value for money / potential 'spend to save' schemes, option appraisal;
- stewardship of assets, e.g. asset management planning;
- service objectives, e.g. strategic planning;
- risk and uncertainty needs to be considered;
- practicality, e.g. achievability of the forward plan.

3.6.6 The Executive Director Corporate Services is required to establish procedures to monitor both performance against all forward looking prudential indicators and the requirement that Council has adopted the CIPFA 'Treasury Management in the Public Services: Code of practice and Cross-Sectional Guidance Notes'. The Executive Director Corporate Services also needs to establish a measurement and reporting process that highlights significant deviations from expectations.

3.6.7 When considering capital spending Chief Officers must have regard to the capital process guidance, which includes the requirement to complete a capital appraisal. This appraisal ensures that consideration is given to:

- Full capital cost, including regard to external funding considerations;
- The revenue implications associated with the project – including costs and any additional income generation;
- Any implications with regard to the prudential code / use of prudential borrowing (including payback periods etc.);
- Staffing implications;
- Alternatives which could be considered e.g. leasing;
- Consultation with other officers / organisations;
- Project management and planning in order to ensure delivery in line with approved timescales;
- Evaluation of the project outcomes;
- An assessment of the risks associated with the project – a full Risk assessment is required;
- The contribution the project makes towards the achievement of the Council's corporate priorities, corporate capital strategy objectives and Government priorities.

3.6.8 In order to ensure that over the medium term, net borrowing will only be for capital purposes, the Council should ensure that net external borrowing does not, except in the short-term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

3.6.9 The Council shall set and monitor against the specified prudential indicators for capital expenditure, external debt and treasury management in accordance with the due processes to be followed, the matters required to be taken into account, affordability, prudence and in accordance with the definitions specified.

CONTACT: Director of Finance

4. REVENUE BUDGETS AND EXPENDITURE

4.1 Introduction

The key controls for budgets and medium-term planning are:

a) specific budget approval for all expenditure;
b) budget managers/Heads of Service to be consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the executive for their budgets and the level of service to be delivered;
c) a monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

4.2 Incurring Expenditure

4.2.1 Chief Officers and Heads of Service are authorised to incur expenditure:

a) in accordance with approved Council and service policies;

and

b) in line with the service net revenue budget.

Chief Officers and Heads of Service are authorised to make budget changes.

4.3 Budget Monitoring and Variances

4.3.1 The service net revenue budget is the key point for budget monitoring and reporting. The detail contained within the budget book is mainly to assist budget holders manage their budgets. Strict compliance with the detailed budget is not necessarily expected. **The main requirement is that Chief Officers and Heads of Service must seek approval for any change in approved service policy, standards or delivery, or other material departure from the service plan.**

4.3.2 Chief Officers and Heads of Service must monitor their budgets regularly throughout the year. The Director of Finance and Accountants will provide suitable regular reports giving details of actual expenditure and income compared to the budget. He/she will notify the Chief Officer/Head of Service of any significant variance which appears to require further attention.

4.3.3 The Chief Officer or Head of Service is responsible for dealing with actual or likely variances from budget and must take appropriate action. For example, he/she may decide to:

a) freeze spending on a discretionary item such as furniture and equipment to deal with a net overspend; or

b) meet an overspend under one expenditure heading from one or more actual or planned underspends elsewhere (see below); or
c) meet an overspend from increased income (within limits set below); or
d) do nothing in the case of a windfall increase in income.

In the case of b) & c) the manager should consider whether to adjust the budget through a virement (see below).

4.3.4 There is no limit for budget transfers within individual expenditure headings (cost centres) if there is no change in service policy, no detriment to service standards or delivery and no material departure from the service plan.

4.3.5 Where a significant variance is expected (even after taking appropriate action) the Chief Officer or Head of Service must report the circumstances formally to Members as soon as practicable. The report should indicate the options open to Members and their implications. For example in the case of an overspend it might suggest:

a) reducing activity levels, with an impact on service standards, to reduce expenditure; or

b) increasing activity on income-generating services or increasing prices to increase income; or

c) providing additional resources from an alternative source, e.g. balances.

4.3.6 The report should take into account the likely position in future years as well as the current year.

CONTACT: Director of Finance

4.4 Virement

4.4.1 A virement is defined as “the planned transfer of a budget approved for one purpose for use on a different purpose to that originally intended or approved”. A virement does not create additional budget; it changes the purpose for which the budget will be used compared to that originally intended.

4.4.2 A Chief Officer or Head of Service may authorise the transfer of up to £50,000 of budget (this is a cumulative amount i.e. in total for each cost centre for the year and not per transaction) to or from any individual expenditure heading (cost centre) within their service. The Director can approve virement (up to £50,000) across budgets within service activities within their Directorate and between Directorates with the approval of the Executive Director Corporate Services. The Chief Officer or Head of Service must notify the Executive Director Corporate Services in writing of all virements. **No further approval is needed if there is no change in service policy, no detriment to service standards or delivery, and no material departure from the service plan.**

4.4.3 The Executive Director Corporate Services also has authority to approve virements in excess of the above £50,000 limit – up to a total virement of £100,000 (this is a cumulative amount i.e. in total for each cost centre for the year and not per transaction).

4.4.4 **Virements can only be applied to direct expenditure & not to support service costs, capital charges and indirect income (i.e. recharges).**

4.4.5 Virements which fall outside of the above criteria will require Cabinet approval.

4.4.6 **Specific Contingency Budget**

Where a budget is identified as contingency and is intended for allocation during the year, its allocation will not be treated as a virement, provided that:

a) The amount is used in accordance with the purposes for which it has been established.

b) The Cabinet has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of the financial limits must be authorised by Cabinet.

c) The release of funding for specific identified contingency items is delegated to the Corporate Management Team in consultation with the Leader of the Council (Scheme of Delegation log).

d) The release of the contingency is approved by the S.151 Officer(Executive Director Corporate Services).

4.4.7 **Capital Contingency Budget (Block Allocation)**

a) Where amounts are required for transfer from Specific Contingency/ General Contingency then Cabinet approval must be obtained, including approval of a capital appraisal form detailing the financial and organisational impact of the scheme.

b) Please note that the impact of drawing from this contingency budget has to be highlighted to members in order for them to make an informed decision.

c) These reports will also require S.151 Officer (Executive Director Corporate Services) sign off (due to their impact on the 5-year budget / balances / forecast).

CONTACT: Director of Finance

4.5 Income Generation

4.5.1 Income may be received above the budget level in a number of circumstances. The potential uses for the extra income (within the limits set below) depend on the situation:

a) Pure windfall income, which is received without any additional service activity or conditions is not available for use by the Chief Officer or Head of Service and he/she should not normally authorise any additional expenditure from that windfall. The main exception would be to meet an unavoidable overspend. In other cases the excess income would return to Council balances.

b) Where an increase in demand results in increased service workload, additional income may be used to offset the impact of the extra workload. For example the manager may appoint temporary employees or purchase additional or improved equipment to improve efficiency or working conditions.

c) Where the Chief Officer or Head of Service expects an increase in income to result from increased activity, the Chief Officer or Head of Service may approve additional expenditure where it will generate enough income to cover the costs.

d) Where 'ring fenced' grant income is received which requires specific actions/spending, the Chief Officer or Head of Service may approve additional expenditure, where there is no net additional cost to the Council.

4.5.2 Chief Officers/Heads of Service have authority to approve budget adjustments for excess income up to a limit of £50,000 per occasion. The excess income and additional expenditure must be reported explicitly within the monthly budget monitoring variance analysis.

4.5.3 The Executive Director Corporate Services also has authority to approve budget adjustments in excess of the above £50,000 limit – up to a total budget adjustment of £100,000 per occasion.

4.5.4 Any budget adjustments above this amount will require Chief Officers and Heads of Service to ask Members for formal budget adjustment to reflect the revised position.

CONTACT: Director of Finance

5. CAPITAL BUDGETS AND PROJECTS

5.1 Definition of Capital

5.1.1 Capital projects include the purchase or construction of assets such as buildings, vehicles and computer equipment and major repairs/refurbishment, which extend the life of an asset or increase its value. In each case the Council must get the benefit from the new or refurbished asset over more than one year. The total cost of the project must also exceed £10,000. This figure includes amounts spent on design and supervision and other fees for professional services (whether provided by Council employees or external contractors). Spending of up to £10,000 on a single project should be treated simply as revenue (except where it forms part of a minor works programme which exceeds £10,000).

5.1.2 The Corporate Capital Strategy - link Corporate Capital Strategy 2008-13.

5.1.3 The Capital Process Guidance is included within the Corporate Capital Strategy and can be found on the intranet.

CONTACT: Director of Finance

5.2 Leasing/Rental Agreements

5.2.1 Chief Officers and Heads of Service must consult the Executive Director Corporate Services before entering into **any** leasing or rental agreement to or from the authority in order to comply with the International Financial Reporting Standards.

5.2.2 **All** lease/ hire of equipment/ rental agreements, for the use of assets that the Authority has not bought, must be signed by the Executive Director Corporate Services.

5.2.3 Obtaining an asset through a finance lease is regarded as capital expenditure and as such it must be included in the capital programme.

CONTACT: Director Finance

5.3 Authority to Incur Capital Spend

5.3.1 The law requires councils to treat capital spending differently from revenue so different authorisation procedures are used. Chief Officers and Heads of Service are authorised to spend money on a capital project only if the project is included in the capital programme, or for minor projects, they have sufficient revenue funds. In either case special rules apply.

5.3.2 The Executive Director Corporate Services is responsible for ensuring that a capital programme is prepared on an annual basis for consideration of the full council's policy framework.

5.3.3 All capital projects and spending must comply with the guidance on Procurement and Contracts. Expenditure must be in line with the approved scheme (Capital

Programme) as agreed by Council and will require an adequately detailed Capital Appraisal Form including any revenue implications arising from the scheme. The Appraisal Form should identify any key processes/deliverables to be incurred with appropriate financial information (i.e. sub projects within the main programme). The detail of projects above £50,000 must comply with the Procurement Strategy. In the event that as part of an approved scheme, there is a contingency amount in excess of £20k, then prior approval must be obtained from Cabinet for the spend to go ahead. Chief Officers or Heads of Service must then notify the relevant portfolio holder of the preferred tenderer. The Procurement and Contracts Section gives further guidance.

5.3.4 If a Chief Officer or Head of Service wishes to incur minor new capital spend (ie. between £10,000 and £50,000) from a revenue budget the Executive Director Corporate Services must first be informed in writing and there must be no change in service policy, or detriment to service standards or delivery. If these conditions are not met, Council must be asked to add the project to the capital programme.

5.3.5 Council have delegated authority to Cabinet to approve/add new capital schemes to the capital programme where grant funding is received and there is no net additional cost to the Council.

5.3.6 Some Chief Officers and Heads of Service are responsible for several capital projects at the same time. Where any single scheme needs up to £50,000 above its capital allocation to complete it, the Chief Officer or Head of Service may approve a virement for the additional spend provided other schemes within his/her control will under-spend by at least that amount.

5.3.7 A Chief Officer or Head of Service may authorise the virement of up to £50,000 of budget per occasion to or from any individual scheme within their service. The Director can approve virement (up to £100,000) across budgets within service activities within their Directorate & between Directorates **with** the approval of the Executive Director Corporate Services. The Chief Officer or Head of Service must notify the Executive Director Corporate Services in writing of all virements. **No further approval is needed if there is no change in service policy, no detriment to service standards or delivery, and no material departure from the service plan.**

5.3.8 Where 'ring fenced' grant income is received for an existing scheme which requires specific actions/spending, the Chief Officer or Head of Service may approve additional expenditure up to £50,000 (with a further £50,000 only with the Executive Director Corporate Services approval), where there is no net additional cost to the Council. Spending of grant which fall outside of the above criteria will require Cabinet approval.

CONTACT: Director of Finance

5.4 Monitoring

5.4.1 Chief Officers and Heads of Service are responsible for delivering capital projects within agreed timescales and within budget. Chief Officers and Heads of Service must therefore continuously monitor both the progress of projects and spend against budget.

5.4.2 The Executive Director Corporate Services and Service Accountants will provide suitable regular reports giving details of actual expenditure and income compared to the budget. He/she will notify the Chief Officer and Heads of Service of any significant variance which appears to require further attention.

5.4.3 Chief Officers and Heads of Service are responsible for dealing with actual or likely variances from budget or from the project delivery plan.

5.4.4 Where a significant variance is expected (even after taking appropriate action) the Chief Officer and Heads of Service must report the circumstances formally to Members as soon as practicable. The report should indicate the options open to Members and their implications. For example in the case of a projected overspend it might suggest amending the specification to come within budget.

5.4.5 Outstanding expenditure relating to the previous financial year should be notified to the Executive Director Corporate Services as soon as possible after 31st March in line with the timetable determined by the Executive Director Corporate Services.

5.4.6 It is required that a post implementation review (PIR) is completed for all capital projects where learning is identified which could assist future projects or where there is a significant financial or political impact. The Asset Strategy Group will decide, on an annual basis, the projects that require a PIR to be completed.~~A requirement of the Capital Process is for a Post Implementation Review to be completed. A Post Implementation Review is an essential stage in the capital process.~~ Results of the review should be circulated to CMT ~~and BRG~~ and, if appropriate, Cabinet and/or Scrutiny Committees. More detailed guidance on the Post Implementation Review process can be found in the Capital Process Guidance.

CONTACT: Director of Finance

5.5 External Funding

5.5.1 External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the authority. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies such as the National Lottery provide additional resources to enable the authority to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the authority's overall plan.

5.5.2 Where external funding may be available for a project in the capital programme the Chief Officer or Head of Service is responsible for submitting any bid required. Consultation with the Executive Director Corporate Services is required before submission.

5.5.3 Any bid must match the capital programme approval in all material respects. If the bid differs materially from the capital programme or the project is not in the capital programme, then should the bid be successful, Council approval must obtained to add the project to the capital programme.

5.5.4 Where a project relies on external funding, it must not commence until final written confirmation has been received that the external funding will be provided.

5.5.5 If the external funding approval differs materially from the bid, Council approval must be received before any spending on the project is committed. The Chief Officer or Head of Service should seek advice from the Executive Director Corporate Services as to whether any difference should be regarded as material.

5.5.6 Council has delegated authority to Cabinet to approve/add new capital schemes onto the capital programme where grant funding is received and there is no net additional cost to the Council.

5.5.7 Claims for payment must be made as soon as practicable. The budget manager who submitted the bid is responsible for submitting the claim, by the due date unless otherwise agreed with the Executive Director Corporate Services.

5.5.8 The Chief Officer or Head of Service should ensure that the project progresses in accordance with the agreed project delivery plan and that all expenditure is properly incurred and recorded.

5.5.9 Copies of all documentation such as bids, approvals, claims and correspondence must be sent immediately to the Executive Director Corporate Services to ensure that all funding notified by external bodies is received and properly recorded in the authority's accounts and to ensure that audit requirements are met.

5.5.10 The Chief Officer or Head of Service must ensure that the key conditions of funding and any statutory requirements are complied with and the responsibilities of the accountable body are clearly understood. Funds should only be acquired to meet the priorities approved in the policy framework by the full council. Any match-funding requirements should be given due consideration prior to entering into long-term agreements and future revenue budgets should reflect these requirements.

5.5.11 Further details on external funding can be found in the External Funding Strategy.

CONTACT: Director of Finance

5.6 Disposal of Capital Assets

5.6.1 Disposals require the same level of approval as capital spend. Chief Officers and Heads of Service should therefore propose any necessary capital disposals for inclusion in the capital programme. All disposals are required to be approved by the Budget Review Group and Cabinet.

5.6.2 Chief Officers and Heads of Service must obtain the best possible price for disposals, in accordance with section 123 of the Local Government Act 1972(where relevant), which will normally be the market value. Chief Officers and Heads of Service must consult with the relevant specialist officer before commencing a disposal, e.g. the Director – Assets and Environment for land or buildings and the Director, Technology & Corporate Programmes for IT equipment. In most cases the specialist manager should assume responsibility for the disposal.

5.6.3 The disposal of low value items is dealt within the Assets and Equipment chapter.

CONTACT: Director of Finance

6. PROCUREMENT AND CONTRACTS

6.1 Introduction

6.1.1 This section supplements the Council's contract standing orders and Procurement Strategy and Procurement Guidance and Procedures on the Intranet (which provide more detailed guidance and requirements on purchasing, procurement and contracting processes).

6.1.2 Each Chief Officer/Head of Service is under a duty to "Promote greater efficiency and value for money in all activities including the procurement of goods and services" (Fin. Reg. 7).

6.1.3 The essence of the system, which must be maintained by all Chief Officers/Heads of Service is to demonstrate that:

a) Best value for public money spent is achieved;
b) no favouritism is shown to any potential supplier; "brand names" or any potential discriminatory requirements/standards are not used;
c) the highest standards of integrity are consistently applied;
d) there is compliance to legal requirements;
e) non-commercial considerations do not influence any contracting decision;
f) corporate and departmental aims and policies are supported;
g) compliance with the Procurement Strategy is maintained; and
h) the arrangements for supply and payment are clear to all parties.

6.1.4 This guidance applies to all procurement and purchasing activities undertaken for, or by, the Council including cases where the Council either acts as an agent (e.g. work for Staffs. County Council) or employs an agent such as an external architect or clerk of works, or acts on behalf of other organisation and bodies working in partnership ~~with~~ (for example the Local Strategic Partnership and Crime and Disorder Partnership).

6.1.5 Values quoted in this guidance should be considered as the estimated spend on an item, service, or material for the period over which the known requirements exist~~s~~, or the total value of a one-off supply. Consideration should be given to the ~~This is often referred to as the~~ "whole life cost" which includes, for example, the cost of associated consumables required, cost of disposal/ decommissioning, etc. In some cases, it is clear that a grouping together of items is both sensible and within the spirit of the regulations. For example, it is appropriate to consider the purchase of desks and chairs as office furniture rather than as individual items. The guidance applies to both revenue and capital items. For more significant items of expenditure it is reasonable to consider the sum total of the Council's requirements for works, services and supplies across Directorates when assessing the estimated value and whole life costs of these requirements.

6.1.6 All IT purchases (software and hardware) must be approved by the Director Technology & Corporate Programmes.

6.1.7 All potential contracts and partnership agreements (whether formal or informal) which utilise the handling of the Council's data/information (paper based or electronic) by a third party must ensure formal, contractual provision is made outlining the obligations placed on that third party. The Corporate Information Security Manager~~Procurement Team~~ must be consulted in any such case at the outset of the process.

6.1.8 All proposals, developments, capital works, contracts and changes affecting the information we use, hold and process must have the agreement of the Director, Technology & Corporate Programmes or deputy, and, where appropriate, be monitored for compliance.

6.1.9 All suppliers, partners, third-party organisations and contractors with whom we have/will have a relationship by which they have access to or process (as defined by the Data Protection Act 1998) personal or commercially sensitive information belonging to or under the control of the Council ~~will be required to provide~~will be required to comply with the relevant principles (e.g. Cyber Security Essentials/ ISO 27001) ~~their compliance with ISO27001~~ either by production of certification or by submission of a statement of compliance. In addition, they must acknowledge and agree their responsibilities and obligations to the Council in relation to Principle 7 of the Data Protection Act (1998) in relation to Information Security. Any request to waive these requirements requires the agreement of both the Security Management Group and Cabinet. Implementation of these arrangements is immediate in relation to all contracts not yet let, Invitation to Tenders not yet published, agreements not yet implemented, or proposed contract extensions. At the end of the contract, all information used by the contractor but belonging to the Council will be returned to the Council. Chief Officers are responsible for ensuring that the contractor provides assurance that they do not hold any personal or commercially sensitive information - either manually or electronically, that belongs to the Council. Advice can be obtained from the Corporate Information Security Manager.

6.1.10 Any consultants, agents, contractual partners used by the Council shall be appointed in accordance with the requirements of Contract Standing Orders and Financial Guidance. Where the Council uses consultants to act on its behalf in relation to any procurement, the Chief Officer shall ensure that the consultants also comply with these requirements. No consultant shall make any decision on whether to award a contract or to whom a contract should be awarded ~~to~~. The Chief Officer shall ensure that the consultant's performance is monitored.

6.1.11 Some definitions of terms used and a list of officers who can provide assistance are shown at 6.17 and 6.18.

6.1.12 ~~With effect from 1st April 2009 all tenders (namely £10,000 or over)~~ All tenders or invitations to quote of £4000 or above~~whether above or below EU thresholds~~, for works, services, supplies, utilities and design contracts, will be tendered electronically through the e-tendering system, InTend. Where a tender warrants a detailed specification, then the quick quote process must be used. "Paper based" tender exercises will be used for tenders between £2,000 and £3,999, unless a waiver to financial regulations is obtained from ~~Cabinet.~~the Executive Director Corporate Services or the Director of Finance. ~~from which point traditional "paper based" tender exercises will cease unless a waiver to financial regulations is obtained from Cabinet.~~ All transactions associated with such invitations to quote or tenders above £4000 will be conducted via the e-tendering system from the initial advertisement, expressions of interest, pre-qualification of suppliers, invitation to tender/ quote or negotiate, submission of quotations/ tenders, quotation/ tender opening, ~~-~~ contract award and subsequent contract management. The Procurement Team must be notified in writing at least six months before the commencement of any tendering exercise with an expected value of £50k or over and will give direction as to the procurement route to be followed. This notification will include information for both capital and revenue expenditure proposals as is required under the capital appraisal process, so that an accurate assessment of the requirements can be made. Where the procurement is likely to exceed EU thresholds the period of notice will be at least six months in order to allow compliance with EU timescales.

~~6.1.13 With effect from April 2012 all quotations and tenders between £2,000 and £10,000 for works, services, supplies, utilities and design contracts will be tendered electronically through the e-tendering system (and from which point traditional "paper based" quotation exercises will cease unless agreed in writing by the Director of Finance and the Executive Director Corporate Services). The quotation process will be used mainly where price is the sole criteria for determining the award of contract. All transactions associated with quotations will be conducted via the e-tendering system from the initial advertisement/request to quote, pre-qualification of suppliers where necessary, invitation to quote, submission of quotations, quotation opening, contract award and subsequent contract management.~~

Formatted: Bullets and Numbering

~~6.1.14~~6.1.13 E~~With effect from April 2010 the e-tendering system will be extended to provide e~~lectronic or e-auctions via the InTend system ~~and this facility~~ will be made available to service areas by agreement with the Director of Finance. E-auctions can be a useful way of securing savings and efficiencies and are best applied where the product or service is capable of being specified accurately and can be provided by a range of suppliers with a common understanding of what the requirement is, for example, paper, IT hardware and consumables, and utilities. E-bidding is another variant, where "once only" bids are sought electronically.

6.1.14 The e-tendering/quotation system includes a browser based supplier website where any supplier wishing to register an interest in doing business with the Council can do so electronically, with a password protected, secure area of the website for them to fill out their company details (this includes information on their company, address, contact points, business types, banking, insurance, certificates, accreditation and other details. The supplier is able to update these details whenever it logs on to the e-tendering system. This, together with the introduction of corporate contracts, and partnering arrangements with suppliers, supersedes the practice of having and maintaining an "Approved Supplier" list or lists. ~~The information on the supplier website also includes an electronic version of a pre-qualification questionnaire to express interest in tenders/quotations, which when completed can be used and updated whenever the company wishes to express an interest in a new business opportunity). This, together with the introduction of corporate contracts, and partnering arrangements with suppliers, supersedes the practice of having and maintaining an "Approved Supplier" list or lists.~~

Formatted: Indent: Left: 0 cm, Hanging: 1.25 cm, Outline numbered + Level: 3 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0 cm + Tab after: 1.51 cm + Indent at: 1.51 cm, Tab stops: 1.25 cm, List tab + Not at 1.51 cm

6.1.15 Chief Officers should ensure that current and potential suppliers register their company details on the supplier website which can be found at the following internet site https://in-tendhost.co.ok/tamworthbc. ~~From June 2012, r~~Relevant suppliers are~~will~~ also ~~be~~ able to use Constructionline to maintain and update key ~~Pre Qualification Questionnaire (PQQ) information.~~corporate information.

6.1.16 New business opportunities are to be advertised on the website via the Procurement Team and therefore must be notified in accordance with the timescales noted above.

6.1.17 Where Tamworth BC is conducting a tendering or quotation exercise in partnership with another public or private body (for example joint procurement of services) then the e-tendering system can be used as part of the normal procurement processes followed by the Council by agreement with the Director of Finance.

6.1.18 Where the Council is funding/assisting a body such as the Local Strategic Partnership or the Crime and Disorder Partnership and there is an expectation on the part of the Council to ensure probity in the use of monies on projects which are publicly funded/routed via Tamworth BC then the e-tendering system can be used as part of the assistance provided by the Council by agreement with the Director of Finance.

CONTACT: Corporate Procurement Officer

6.2 Summary of Requirements

6.2.1 The following table shows the action needed at differing values. Further detail follows. ~~Please refer to the timetable for implementing electronic tendering and quotation exercises referred to in section 6.1~~. Before initiating any tender / quote process officers should review the Contract Register to see if there are any comparable contracts or agreements in place which must be used unless there is an auditable reason not to.

6.2.2

Value	Contact Other Officers	Process for Obtaining Prices	Contract Issues	Supply Process
£0- £~~1~~3,999	Should contact Procurement Team if similar expenditure is likely to be incurred by others to check if a corporate contract is in place or desirable	Should obtain at least 3 quotations or estimates - these may be verbal up to £1,999. £1,999 is cumulative within the financial year~~Should obtain at least 3 quotations or estimates - these may be verbal. Up to £1,999 is cumulative within the financial year~~	No requirement for formal written contract. Standard form may be considered in some cases and an annual supply arrangement may be appropriate.	Must be via official order generated by General Ledger or as per contract.
£~~2~~4,000 - £9,999	**Must** consult the Procurement team to seek guidance as to the appropriate procurement route to follow.~~Should contact Procurement Team if further similar expenditure is likely to be incurred by self and/or others to check if a corporate contract is in place or desirable~~	Tendering **must** be considered, alternatively, written quotations must be obtained using Quick Quote on the Intend system using the correct invitation to quote template. The authorisation form **must** be completed and returned to the Procurement team	No requirement for contract but use of standard quotation documents must be used especially where access to personal / confidential information is involved or warranties or indemnities are given/received	Must be via official order generated by General Ledger or as per contract.
£10,000 - £~~4~~19,999	**Must** consult the Procurement Team to seek guidance as to the appropriate procurement route to follow.	Advice from Procurement and, where appropriate, Legal **must** first be obtained. Tendering **must** be considered. **Must** use the standard quotation / tender documents. The Authorisation Form **must** be completed and returned to the Procurement team.~~After consultation with the Procurement Team - either tenders or written quotations **must** be requested via the Intend system using the correct Invitation to Tender or Invitation to Quote templates. The Tender Authorisation Form **must** be completed and returned to the Procurement team.~~	Depending on the complexity, risk and value, a written contract is required,~~must be considered~~ subject to consultation with the Procurement Team and Legal. Above £20,000 a formal written contract which can be signed by the relevant CMT member **MUST** be used. Consult with Procurement team as to the relevant type of contract.	Must be via printed official order generated by General Ledger or as ~~per~~specified in the contract.
~~£20,000 - £49,999~~	~~**Must** consult the Procurement Team to seek guidance as to the appropriate procurement route to follow~~	~~Advice from Procurement and Legal **must** first be obtained Tendering **must** be considered, and **must** use the standard quotation / tender~~	~~**Must** be formal written contract which can be signed by the relevant CMT member. Consult with Procurement team as to the relevant type of contract.~~	~~As specified in formal contract~~

		~~documents.~~ ~~The Tender Authorisation Form~~ ~~**must** be completed and returned to the Procurement team.~~		
£50,000 and over	**Must** advise Procurement Team in writing as soon as the spend requirement is identified – this is at least a 6 month period and where spend is going to exceed the EU threshold, a longer period of notice would be expected – the Procurement Team must be contacted for guidance as to the appropriate procurement route to follow. The Procurement Team may direct and/or administer the whole process	Member endorsement of contract brief required. Use of the Invitation to Tender Documentation **must** be used. The ~~Tender~~ Authorisation Form **must** be completed and returned to the Procurement team.	**Must** be a formal written contract duly approved by the Solicitor to the Council and executed as a Deed under Seal.	As specified in formal contract

6.2.3 Any of the guidance may be applied for purchases at a lesser value. For example, it may be appropriate for certain low value requirements to be purchased by inviting tenders. Similar procedures to those outlined should then be followed. (The guidance does not necessarily cover such situations in full).

6.2.4 If there is an existing contract available for the required goods, services or works, it must be used in the first instance. Some contracts let by other public authorities may also be available (see 6.3.1).

6.2.5 A list of corporate contracts can be ~~found i~~on ~~the~~Covalent~~ Contracts Register, stored on the S Drive~~. If it is intended not to use a corporate contract, the Procurement Team must be consulted at the outset.

6.2.6 A suitable contract specification must be completed in all cases. The level of detail required within the specification will be commensurate with the complexity, risk and value of the purchase.

See the following section on Alternative ~~Suppliers~~Purchasing Arrangements. Advice in either case is available from the Procurement Team.

6.2.7 Chief Officers should maintain a register to record all quotations and estimates (including verbal estimates) up to £~~1~~3,999. Copies of written versions ~~should~~ must be securely retained, and entries should be signed and dated by both the recording officer and the authorising officer. The details contained in any quotation or estimate must not be made known to any other party. All quotations and estimates received should be retained in the register until the Accounts have been signed off for that financial year. The Quick-Quote and Contract registers on Covalent ~~for purchases of £2,000 or over, or the Contract Register, as appropriate should~~will be used to record details of tenders/contracts awarded.

6.2.8 The most economically advantageous tender must be accepted. Advice on how to determine this can be sought from the Procurement Team.

CONTACT: Corporate Procurement Officer

Further Guidance

6.2.9 Under £~~2~~4,000

Different practices will apply at different levels:

- The petty cash procedure may be used for very minor items. See the section on cash advances, etc.
- The three estimates for a supply up to £1,999 may come from telephone contact with companies advertising in the local paper, trade journal or yellow pages.
- Verbal quotations/estimates may only be sought for goods/services up to a cumulative value of £1,999 within the financial year.

6.2.10 £~~2~~4,000 - £9,999

The Chief Officer ~~should~~ must contact the Procurement Team if further similar expenditure is also likely to be incurred by themselves or others to check if a corporate contract is in place or is desirable. Tendering must be considered and the Procurement team will advise on the suitability of tendering. Alternatively, written quotations must be obtained by using ~~the~~ Quick Quote on the Intend system and using the correct Invitation t~~T~~o Quote template. The Authorisation form must be completed and authorised, and received by the Procurement Team, and a tender/ QQ reference number established, before the procurement process is initiated on In-Tend.

6.2.11 The standard form of contract is particularly recommended in situations where protection against a poorly performing supplier is important or where the procurement carries particular risks e.g. where the supplier would have access to confidential/personal information, or where price is not the only criteria being considered.

6.2.12 £10,000 - £4~~1~~9,999

The Chief Officer should appoint a Project Officer with overall responsibility for the procurement. The Procurement Team must be advised in writing in all cases and guidance sought on the appropriate procurement route to be followed. Tendering must be considered and the Procurement Team will advise where tendering is not necessary. Alternatively, written quotations must be obtained using the Quick Quote on the Intend system using the correct Invitation t~~T~~o Quote template. The ~~Tender~~ Authorisation Form must be completed and returned to the Procurement Team, and a tender/QQ reference number established, before the procurement process is initiated on In-Tend. A written specification must be included in the Invitation to Quote/ Tender document. *Formal Terms and Conditions of Contract* must be used.

~~. A written specification must be included in the Invitation To Quote document. *Formal Terms and Conditions of Contract* must be used.~~

~~6.2.13£20,000 - £49,999~~

~~The Chief Officer should appoint a Project Officer with overall responsibility for the procurement. The Procurement Team must be advised in writing in all cases and guidance sought on the appropriate procurement route to be followed. Tendering must be considered and the Procurement Team will advise where tendering is not necessary. In exceptional circumstances, written quotations must be obtained using the Quick Quote on the Intend system using the correct Invitation To Quote template and standard quotation/tender documents. The Tender Authorisation Form must be completed and returned to the Procurement Team. A written specification must be included in the Invitation To Quote document. *Formal Terms and Conditions of Contract* must be used.~~

Formatted: Bullets and Numbering

6.2.14~~3~~ £50,000 plus

The Chief Officer must appoint a Project Officer with overall responsibility for the procurement. The Procurement Team must be advised in writing in all cases, at the initiation of the project, and guidance sought on the appropriate procurement route to follow. This is to enable an assessment of whether or not the European Union regulations come into play and to ensure the most appropriate procurement solutions are sought. Where the EU threshold is expected to be exceeded, the Procurement Team should be contacted in the first instance. A supply for an individual Service area may be below the threshold, but similar needs in another Service area may mean EU aggregation rules apply. EU procedures **must** be followed if they apply, and, due to their complexity, the Procurement Team **must** be involved in such projects. A formal tender exercise is compulsory, as is a formal written contract.

The Solicitor to the Council must have a minimum of 2 weeks notice to consider the draft contract before engrossment.

CONTACT: Corporate Procurement Officer

6.3 Alternative Purchasing Arrangements

6.3.1 Other organisations in the public sector are also under a duty to secure value for money in terms of purchasing. In the right circumstances and where provision has been made for the agreement to be used by other authorities, i.e. where it will provide best value and is consistent with other key requirements such as on contract terms and conditions, managers may use their purchasing arrangements.

6.3.2 These other organisations may include ~~Government Procurement Services~~Crown Commercial Services, ESPO, YPO, Central Government (via their G-Cat and S-Cat, and L-Cat processes), local authorities such as Staffs. County Council and bodies such as the National Health Service. Chief Officers/Heads of Service may contract directly with such suppliers but **~~should~~ must** consult with/ involve the Procurement Team because of potential issues such as the requirement to conduct a mini-competition under a framework agreement, delivery charges, minimum order levels and so on. Contract details will also need to be recorded on Covalent for monitoring purposes and to ensure that details can be reported as part of our obligations under the Local Government Transparency Code.~~.~~

6.3.3 Goods or services may also be procured jointly with other such organisations to obtain best value ~~and~~ but must meet the requirements of the Council's own rules on procurement.

6.3.4 Other variations of procurement may be considered but officers must approach the Procurement Team for guidance before the commencement of alternative procurement routes.

CONTACT: Corporate Procurement Officer

6.4 Appraisal of Potential Contractors

6.4.1 It is important that potential suppliers are able to meet the Council's needs. Suppliers should, therefore, be vetted in financial and performance terms (including health and safety) to various levels commensurate with the criticality and risk of the purchase/supply, prior to any firm commitment. **Please contact the Procurement Section for guidance.**

6.4.2 The financial appraisal checks that the supplier operates on a sound financial footing by assessing profit levels, the ability to pay bills and so on. It will also assess the supplier's capacity to deliver a contract without incurring unreasonable financial risk and recommend a maximum value contract that should be considered in order to protect the contractor from becoming too reliant on the Council for its business. The Executive Director Corporate Services will undertake or arrange these appraisals on receipt of the last two years audited accounts. The appropriate Chief Officer is responsible for ensuring that all relevant documents are submitted to the Executive Director Corporate Services in a timely manner. The Chief Officer must advise the Executive Director Corporate Services if the contract value exceeds £100,000, since a higher level appraisal is then required.

6.4.3 In addition to the financial details submitted, the contractor is also required to submit details of Employers Liability, Public Liability Insurance and Professional Indemnity cover which must be appropriate to the contract type, size and the nature of the contract, copies of which should be submitted along with the financial details to the Executive Director Corporate Services. The Chief Officer must check that the certificates are valid for the period of work. If they expire during the period the Chief Officer must check before expiry that they have been renewed. Further advice and guidance can be sought from the Director of Finance.

6.4.4 In terms of performance appraisal, the Chief Officer needs to satisfy him/herself that the contractor has a history of sound performance of similar supplies in the recent past. The Chief Officer should therefore request bank references, trade references and make other enquiries deemed necessary to become satisfied.

6.4.5 Some contractors are required to hold a valid tax exemption certificate. Certificates should be checked prior to the start of the contract and a copy of the certificate should be forwarded to the Executive Director Corporate Services. The Chief Officer must check that the certificate is valid for the period of work. If it expires during the period the Chief Officer must check before expiry that it has been renewed. Further guidance is available from the Executive Director Corporate Services.

6.4.6 In addition to the specific issues referred to within this section, the Chief Officer must ensure that appropriate steps are taken in all cases to assess the suitability of prospective suppliers. The risks involved in the procurement should advise the necessary level of assessment. For instance, even for lower value purchases Chief Officer should still consider the need to obtain assurance that a business is bona fide, or has appropriate health and safety arrangements and insurance cover

CONTACT: Corporate Procurement Officer

6.5 Supplier Register

6.5.1 The names of contractors who have expressed an interest in doing work for the Council are retained on a supplier register within the e-tendering system (In-tend). Any contractor who expresses an interest to be included is automatically added to the Supplier Register. There is no pre-set requirement for contractors when signing up to the register. Appropriate ~~A~~appraisal criteria~~ / pre-qualification questionnaires~~ should be considered at the start of the tendering / quotation stage.

6.5.2 All Supplier Registers shall be maintained in an open, fair and transparent manner and be open to public inspection.

CONTACT: Corporate Procurement Officer

6.6 Framework Agreements

6.6.1 The terms of a Framework Agreement must not generally exceed four years and, while an agreement may be entered into with one provider, where an agreement is concluded with several organisations, there must be at least three in number.

6.6.2 Contracts based on Framework Agreements may be awarded by either:

- Applying the terms laid down in the Framework Agreement (where such terms are sufficiently precise to cover the particular call-off) and where value for money can be clearly determined without reopening competition, or
- Where the terms laid down in the Framework Agreement are not precise enough to complete for the particular call off, by holding a mini competition in accordance with the following procedure:
    - Inviting the organisations within the Framework Agreement that are capable of executing the subject of the contract to submit written tenders
    - Fixing a time limit which is sufficiently long to allow Tenders for each specific contract to be submitted, taking into account factors such as the complexity of the subject of the contract
    - Awarding each contract to the tenderer who has submitted the best Tender on the basis of the award criteria set out in the specifications of the Framework Agreement.

CONTACT: Corporate Procurement Officer

6.7 Tender Procedures

6.7.1 For contracts over £50,000 Chief Officers must advise the Procurement Team in writing at the outset but at least six months before the required commencement date. An Invitation to Tender advert ~~or PQQ~~ is placed to invite potential contractors or suppliers to register their interest in tendering for the relevant requirement.

6.7.2 The Invitation to Tender should contain details of the principal elements of the procurement requirement in order that it primarily attracts those contractors who are in a position to satisfy these requirements. It should therefore contain as a minimum:

- a sufficiently detailed requirement or specification for the type of goods, services or works required;
- a price schedule;
- standard conditions of contract that will apply in the event of a contract being awarded;
- instructions to tenderers including the date of commencement of the contract and possible duration; technical and financial information; the closing date for tender submissions, and a list of the evaluation criteria and sub-criterion together with the weightings to be used.

6.7.3 The evaluation criteria together with the weightings must be referred to in the Invitation to Tender and must not be altered after the Invitation to Tender has been issued. All criteria chosen to be used in the evaluation of tenders must be relevant to the service and/or goods required.

6.7.4 The Chief Officer must set a detailed evaluation methodology prior to inviting tenders. He/she should set out explicitly how price and quality elements will be balanced in the final decision in order to help demonstrate selection of the most economically advantageous tender. Appropriate and sufficient information must be requested for inclusion in the supplier's ~~tender~~ submission to enable all criteria to be evaluated. Advice is available from the Procurement Team.

6.7.5 Large contracts may require the tenderers to submit a schedule of rates. To compare them properly and allow the total cost to be assessed, the Chief Officer should construct a model of work likely to be required over a set period, for example, one year. This model must be set before tenders are invited, and must be issued with the Invitation to Tender.

6.7.6 Contracts awarded will be required to be published in accordance with the Government's Transparency agenda.

European Union Procurement Procedures

6.7.7 The relevant EU Directives on procurement must be adhered to when awarding a contract where the anticipated value is close to or exceeds the thresholds indicated below.

Thresholds	Supplies (£)	Services (£)	Works (£)
Contract Value	172,514	172,514	4,332,012

6.7.8 These figures apply from 1 January 2014. The Procurement Team must be advised in writing at least six months in advance of the supply and guidance sought as to the appropriate values and procedures ~~are~~ used. Further information on EU Procurement Procedures and guidance on the use of the open, restricted, competitive dialogue, competitive dialogue with negotiation, innovation partnership and negotiated without prior publication ~~and negotiated~~ procurement routes, together with design contests and works concessions, should be obtained from the Procurement Team. The Procurement team must be involved in all procurement projects under EU regulations due to the complexities and legal implications involved.

6.7.9 In appropriate cases, Chief Officers may engage with the market prior to initiating the tendering process in order to make use of innovative approaches in~~to~~ achieving best value in the provision of a supply or service. This could involve consulting with stakeholders including customers, potential suppliers and interested groups. The Director of Finance must be fully consulted and involved in any such proposals, which must comply with corporate guidance and EU Procurement Procedures.

6.7.9 Under the provisions of the Public Services (Social Value) Act 2012, the Authority is required to have regard to economic, social and environmental well-being in connection with EU public service contracts.

This requires the Authority to consider:-

(a) How what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area;

(b) How, in conducting the process of procurement, it might act with a view to securing that improvement; and

(c) Whether to undertake any consultation regarding a) and b) above.

The provisions require that any actions are relevant and proportionate to the proposed procurement. Further advice and guidance should be obtained from the Corporate Procurement Officer.

Development of Contract Brief

6.7.10 Where there is a variation from the agreed budget each Chief Officer must seek Cabinet endorsement prior to tendering. The report should comment upon:

a) the detailed proposals for the scheme, including objectives, targets, milestones, design details and its contribution to the corporate and service plans;

b) the financial appraisal of the revenue and capital implications, prepared in conjunction with the Executive Director Corporate Services, and compared to budgets;

c) risk associated with the scheme;

d) the tender evaluation mechanism and the decision criteria.

6.7.11 Approval at this stage will normally include authority to invite tenders and to accept the most economically advantageous tender.

6.7.12 Chief Officers should consult the Director of Finance and the Solicitor to the Council for advice.

~~6.7.13 Arrangements have been made for submission and control of tenders and quotations by electronic means, and for e-auctions, in accordance with any process approved by the Director of Finance, Executive Director Corporate Services and the Solicitor to the Council and guidance provided by the Council. Such processes provide an increased level of security, transparency, accountability and fairness to the prescribed "paper-based" tendering process.~~

Extension to Tender Period

6.7.1~~3~~4 The Solicitor to the Council or Executive Director Corporate Services (~~-~~or his nominated deputy) only can approve the extension of a tender period. All potential tenderers must be informed of the extension to the tendering period.

Amendments to Tenders (by Contractors)

6.7.1~~4~~5 Any amendment a contractor wishes to make to a submitted tender must be received before the closing date and time for ~~tender~~ responses. In-tend will provide this facility to ~~supliers~~suppliers ~~tenderers~~.

Tender opening – Electronic

6.7.1~~5~~6 All tenders for an individual contract must be opened at the same time by at least 2 officers. This should include a representative from Legal Services for purchases that are subject to EU procedures.

6.7.17 A tender received after the specified time may be only opened and considered at the discretion of the Solicitor to the Council.

Sub-Contractors and Nominated Suppliers

6.7.18 Nominated sub-contractors and suppliers must not be used where this would be anti-competitive, discriminatory or in breach of procurement regulations.

6.7.19 If a Chief Officer wishes to nominate a specific sub-contractor or supplier a written request must be sent to and be approved by the Director of Finance who will assess any risks involved. The request must show how this will give best value/value for money.

Amendments to Tender Documents (by the Authority)

6.7.20 Minor corrections and amendments to any part of the Invitation to Tender may be required during the tender period. Chief Officers must consult with Procurement, and where appropriate the Director of Finance, and if necessary the Solicitor to the Council on such matters, and all tenderers must be advised of all agreed amendments in writing at the same time. Acknowledgement of receipt of the amendments will be recorded on the electronic tendering system. In responding to clarifications and queries, the response should be addressed to all tendering organisations, and issued at the same time via the Intend system. All correspondence will be sent electronically.

6.7.21 The Invitation to Tender amendments must not contain anything which may materially affect the tender process or unduly affect open and fair competition. No fundamental changes to the Invitation to Tender documentation should be made by the information contained within the ~~tender~~ amendment.

6.7.22 A record is retained electronically by In-tend of all correspondence with t~~T~~enderers throughout the tender process (including e-mails).

Tender Evaluation

6.7.23 Chief Officers should ensure that at least two people carry out the evaluation of tenders. For major contracts involving a project team, the manager should consider involving the whole team. All tender evaluations carried out should be evidenced.

6.7.24 Tender evaluation is completed using a spreadsheet available from the Procurement team. The Procurement t~~T~~eam should be contacted to provide advice and guidance.

6.7.25 Tenders should be checked to ensure they are complete and that all price calculations are correct. They must be evaluated objectively in line with the specified evaluation model, ensuring fair and equitable treatment for each tender.

6.7.26 If an arithmetical error is discovered in the financial submission, the Chief Officer should consult the Executive Director Corporate Services. The contractor must be notified in order to enable him/her to:

a) agree the amendment; or
b) allow the original figure to stand; or
c) withdraw the tender.

6.7.27 If a Tenderer notifies the Council of an error/amendment which materially affects the submission, the Chief Officer must consult with appropriate officers, for example, the Corporate Procurement Officer, Director of Finance, the Solicitor to the Council or Executive Director Corporate Services and should normally implement one of the following options:

a) all other Tenderers are allowed to retender (in the case of the Council's error); or
b) the Tenderer is required to stand by the original Tender; or
c) the Tenderer withdraws the Tender, or

d) (where an error is found before completion of tender evaluation) to correct an error which can be corrected simply by confirming which of two conflicting figures (e.g. a multiplier or product, or carried forward or brought forward) is right, or

e) (where the error is found before completion of tender evaluation) to correct an obvious omission (e.g. a failure to insert any price where a space for a price is provided).

6.7.28 During the evaluation process, clarification may be sought on any of the tenders received. The questions and answers should always be submitted via the In-Tend system and incorporated into the tender documentation.

6.7.29 There must be no fundamental change to the contract specification or award criteria. Amendments to the specification or terms of the supply, which do not distort competition or are not considered material changes or fundamental to the contract can be made, and shall be put to all Tenderers prior to the submission deadline and in good time for them to make any necessary changes to their tender. Guidance is available from the Director of Finance or Solicitor to the Council.

6.7.30 At the conclusion of the evaluation process, the Chief Officer should be able to, and is expected to, select the tender which is the most economically advantageous to the Council, as indicated by the evaluation model.

Post Tender Negotiation & Clarification

6.7.31 After the tenders have been returned and evaluated, further clarification from tenderers, in relation to the tender bid may be required. Clarifying information can include the following:

price
specification
delivery date/start date
payment terms
software licences

6.7.32 All tender bids which are covered by the EU Directives are subject to the more restrictive approach specified by the European Union, which states all negotiations with t~~T~~enderers on fundamental aspects of contracts, variations of which are likely to distort competition and in particular on price, shall be ruled out. However, discussions with t~~T~~enderers may be held, only for the purpose of clarifying or supplementing the content of their tenders or the requirements of the contracting authorities, and provided this does not involve discrimination. There must be no fundamental change to the contract specification or contract award criteria.

6.7.33 The spirit of the above EU interpretation on post tender negotiation should also be followed for tenders under the EU threshold.

6.7.34 Where a tender return is unclear or there are minor sections which have been omitted with no explanation included, it is recommended that the tendering organisation is contacted for clarification, this must be done via the electronic tendering system. In the case of numerous or sizable omissions, guidance must be sought from the Director of Finance and Procurement before clarification is requested.

6.7.35 All tendering organisations must be treated fairly and equally in all circumstances.

6.7.36 An electronic record will be kept of any query on a tender on In-Tend and any information supplied by the company must be confirmed via the electronic tendering system.

6.7.37 Where it is necessary to meet Tenderers to discuss their submission further, at least two authorised officers must be present and minutes taken. In all instances, the Procurement Team must be consulted.

6.7.38 In some cases it may be necessary to vary, by agreement, some minor details of the work required. Consultation with the Procurement t~~T~~eam and the Solicitor to the Council must be made prior to any agreement being made.

6.7.39 Advice should always be sought from the Procurement Team, Director of Finance or the Solicitor to the Council before entering into negotiations.

~~.~~6.7.40 Chief Officers must not enter into negotiations except:

a) with the preferred tenderer(s) under the evaluation model and after all unsuccessful tenderers have been informed; or
b) when using the negotiated procedure under EU rules, in which case those procedures must be followed.

The Chief Officer must ensure that:

c) negotiations are carried out by at least two authorised officers, and guidance on separation of duties is followed;
d) the decisions taken at relevant meetings are documented;
e) changes in specification and price are agreed by both parties;

and

f) all records are incorporated into contract documents.

6.7.41 Where post tender negotiation results in a fundamental change to the specification (or contract terms) the contract must not be awarded but re-tendered.

Tender Acceptance

6.7.46 **Where the tender price exceeds the estimated budget by the lower of £10,000 or 5% the Executive Director Corporate Services MUST be informed and has the discretion to authorise that the tender be accepted and a contract entered into.**

6.7.42 A Chief Officer may accept the winning tender after evaluation if it meets all material aspects of the specification and is within the budget provision. If the amount is higher than budgetary provision, the guidance on Budgets must be followed. If only one tender is received, advice and guidance MUST be obtained from the Solicitor to the Council and the Director of Finance of the process to be followed.

6.7.43 When requesting approval to procure contracts, officers must ensure that approval is obtained from Cabinet to award the contract to the successful tenderer (in compliance with delegated procedures). With all income generating projects, i.e. the disposal of material operating assets/ activities, ~~–~~ Cabinet must approve the preferred tenderer.

6.7.44 Where the procurement is conducted under EU procedures, advice **MUST** be sought from the Director of Finance or the Procurement Team prior to any notification of an award of contract being issued. All tenderers shall simultaneously be provided with a written standstill notice of the Authority's intention to award the contract to the successful tenderer. The standstill notice must be issued electronically to tenderers (i.e. e-mail, I~~i~~n-T~~t~~end) who must be provided with a period of 10 calendar days to review, and, if considered necessary, to challenge the decision before the contract is awarded. Day one of the period shall commence on the day following issue of the standstill notice. The tenth day must fall on a working day and the 10 day standstill period should be extended, where necessary, to ensure that this happens. If the decision is challenged, then the contract shall not be awarded and advice must immediately be sought from the Solicitor to the Council and the Corporate Procurement Officer ~~team~~.

6.7.45 The standstill notice must contain a precise statement of when the 10 day standstill period will end i.e. midnight at the end of (date) together with the following information:

- the criteria for the award of the contract;
- reasons for the decision including the characteristics and relative advantages of the successful tenderer;
- in conjunction with the above, the score of the unsuccessful tenderer (including criterion and sub-criterion) and that of the successful tenderer to be awarded the contract;~~,~~
- the reasons why (if any) the unsuccessful tenderer did not meet the technical specifications;~~,~~
- the name of the successful tenderer to be awarded the contract.

The standstill notice must always be prepared in consultation with the Corporate Procurement Officer~~team~~.

CONTACT: Corporate Procurement Officer

6.8 Post Tender and Contracts

Preparation of Contract

6.8.1 Where a tender has been subject to EU procedures and the standstill period has been completed without a challenge, then all tenderers must be informed once the contract has been awarded. More generally, having decided to accept a tender/quotation the Chief Officer must advise tenderers of the outcome of the process and must finalise a contract. This might involve simple acceptance of a standard form of contract, minor amendment agreed via correspondence or it might require meetings with the successful tenderer. Where an industry standard form of contract and terms and conditions are available, eg JCT or ICE contracts, they should be used in place of the Council's standard forms (and should be specified in the Invitation to Tender documents). All agreed amendments must be recorded in writing and formally incorporated into the contract. Advice should be sought from the Corporate Procurement Officer~~Team~~, and where necessary, the Solicitor to the Council.

6.8.2 The Chief Officer should ensure that all approvals that remain outstanding (such as planning permission) are obtained prior to the completion of the contract documents.

6.8.3 In addition, every relevant contract over £50,000 must also state clearly as a minimum:

Prices and/or rates together with any adjustment mechanisms that shall apply during the term of the contract;
Invoice procedures;
Performance indicators and/or service levels required;
Conditions of contract that shall include:

- That the contractor may not assign or sub-contract without prior written consent
- Insurance requirements
- Health and safety requirements
- Ombudsman requirements
- Data protection requirements, if relevant
- Charter standards are to be meet, if relevant
- Equalities & Diversity Policy requirements
- Children & Vulnerable Adults Policy requirements, if relevant
- Conflict of Interests requirements
- Freedom of Information Act requirements
- Bribery Act requirements
- Right of access to relevant documentation and records of the contractor for monitoring and audit purposes if relevant.

Where agents are used to let contracts, agents must comply with the council's contract procedures rules.

Insurance

6.8.4 Chief Officers must ensure that the contractor has Employers Liability and Public Liability insurance, **normally** to a minimum value of £10 million and £5 million respectively; and should seek the advice of the Executive Director Corporate Services wherever there is doubt. Other insurances, for example, professional indemnity may be desirable.

6.8.5 The responsibility for obtaining contractor insurance details including renewals lies with the appropriate Chief Officer. The Chief Officer should ensure that all insurance details are passed to the Executive Director Corporate Services without delay.

Bonds and Parent Companies Guarantees

6.8.6 The officer must consult the Executive Director Corporate Services about whether a Parent Company Guarantee is necessary when a contractor is a subsidiary of the parent company and:

the total value exceeds £250,000, or

the award is based on evaluation of the parent company, or

there is some concern about the stability of the contractor.

6.8.7 The Officer must consult the Executive Director Corporate Services about whether a bond is needed:

where the total value exceeds £1,000,000, or

where it is proposed to make stage or other payments in advance of receiving the whole of the subject matter of the contract and there is concern about the stability of the contractor.

Signing of Contracts

6.8.8 The Solicitor to the Council should check and endorse contracts before engrossment valued at £50,000 or above for signature. Contracts below £50,000 should be signed by the relevant member of the Corporate Management Team(CMT). If, in the latter case, a number of members of CMT are involved, then the contract should be signed by the main user.

6.8.9 The officer signing the contract must notify all interested managers it has taken place. The Director of Finance must be notified in every case.

Site Possession

6.8.10 On completion of the contract documents the Chief Officer should where relevant arrange a site possession date. Chief Officers must not allow entry onto the Council's land or commencement of work prior to the completion of a written contract. In exceptional circumstances, this may be authorised by the Chief Executive.

Document Retention (all formal contracts)

6.8.11 Chief Officers must ensure the original copies of all formal contracts are placed in the Council's strong room for all contracts over 12 months/over £50,000. Where a consultant has been engaged to manage the contract on the Council's behalf, it must be ensured that both the contractor and Chief Officer have necessary access to contract documents to enable their functions to be performed.

Contract Amendments

6.8.12 Contracts may need amending after signing. The circumstances will dictate the level of approval needed for the change. The relevant Chief Officer should seek appropriate advice, for example, from the Solicitor to the Council, before proceeding.

CONTACT: Corporate Procurement Officer, Operations Accountant

6.9 Project/Contract Implementation & Payment

6.9.1 A separate file should be maintained by the relevant Chief Officer for each project, including copies of such contracts making up the project. The file should contain the following information: -

a) a record of instalments due and paid;

b) the working papers substantiating payments; and

c) the details of payments to consultants, internal fees & other payments.

6.9.2 Chief Officers must only authorise payments that conform to the terms of the contract.

6.9.3 The Chief Officer must only make payments to contractors for Buildings & Engineering works on the basis of a valuation certificate detailing:

(a) the total value of the contract;
(b) the value of work executed to date;
(c) the amount paid to date;
(d) the amount now certified;
(e) any retention monies;
(f) whether the work is subject to VAT or Liquidated and Ascertained Damages (together with details of the calculation of damages).

6.9.4 Where the work is subject to VAT the Chief Officer must ensure that either a VAT invoice or receipt is obtained in order to substantiate the VAT reclaimed.

6.9.5 Where liquidated and ascertained damages are to be deducted, the Chief Officer must ensure that the contractor is notified as soon as possible and given details of the basis of calculation. Any liquidated damages applied at any stage of a contract must be deducted from any subsequent valuation certificate before any payment is made.

Contract Monitoring and Variations (including claims)

6.9.6 The Chief Officer must monitor expenditure under a contract and take action where appropriate to ensure the final contract sum or the level of expense incurred in any financial year does not exceed the approved budget/available resources.

During the life of the contract, the officer must monitor in respect of:

- performance
- compliance with specification and contract
- cost
- any Value for Money requirements
- user satisfaction and risk management.

Contracts of a high value or high risk should be subject to formal monthly review with the contractor.

For contracts over £50,000, contract managers must:

- maintain a risk register on the Covalent system during the contract period
- undertake appropriate risk assessments and for identified risks
- ensure contingency measures are in place.

6.9.7 Subject to the provisions of the contract, every extra cost or variation should be authorised in writing by the Chief Officer. Copies of the approved delegated decision that permits officers to authorise variations or extra costs should be forwarded to the Executive Director – Corporate Services by the Chief Officer or the delegated officer.

6.9.8 If the revised project cost exceeds the budget/available resources, the guidance on capital budgets and projects must be followed.

6.9.9 Where a contract requires a contractor to meet specified outcomes or service levels (e.g. in a partnering –type arrangement) appropriate arrangements must be made by the Chief Officer to ensure that the expected outcomes/service levels are provided or that clear processes exist for reporting and approving any variations from these outcomes/service levels and their financial effect. Any proposals to provide financial incentives or profit sharing arrangements with partners must be subject to appropriate approval and budget processes. Such arrangements must provide appropriate levels of probity and transparency.

6.9.10 Where payment under a partnering arrangement is based upon an agreement of target prices between the Council and the external partner then written evidence shall be provided to demonstrate that the target price represents value for money.

6.9.11 Where a consultant is contracted to monitor a contract on the Council's behalf, the Chief Officer must ensure that the consultant contractor complies with this financial guidance.

CONTACT: Director of Finance, Head of Internal Audit Services

6.10 Final Account

6.10.1 Payment of the final account (where relevant) effectively closes the contract and it must be correct. The Chief Officer must ensure that adequate checks are carried out to ensure the final account/payment is correct and has been accurately calculated. He/she must also ensure there is adequate separation of duties in preparing and agreeing the final account. Management within the relevant Directorate will, on an annual basis review the Contracts Register maintained by the Executive Director Corporate Services and sample test a number of payments (this process should be adequately evidenced).

6.10.2 For building and engineering work the relevant project manager must prepare a detailed statement of account before a final certificate (where required) is issued showing variations against the original contract price, payments made to date and any further payments due. It should be sent to the client Chief Officer within one month of the issue of the certificate of practical completion.

6.10.3 The client Chief Officer should approve and agree the contract final account within the retention period and ensure the final payment and certificate are sent to the contractor by the due date. In case of difficulty, advice should be sought from relevant officers, for example, the Solicitor to the Council or Executive Director Corporate Services.

6.10.4 Final account outturn should be reported in accordance with the Corporate Capital Strategy.

CONTACT: Director of Finance

6.11 Post Contract

6.11.1 Claims from the contractor in respect of matters not clearly within the terms of any existing contract should be referred to the Solicitor to the Council for consideration of the authority's legal liability.

CONTACT: Solicitor to the Council

6.12 Partnerships

6.12.1 Partnerships have a key role in delivering community strategies and in helping to promote and improve the well-being of the area. The authority is and will be increasingly working with others – public agencies, private companies, community groups and voluntary organisations.

6.12.2 The main reasons for entering into partnerships are:

- The desire to find new ways to share risk
- The ability to access new resources
- To provide new and better ways to deliver services
- To forge new relationships.

6.12.3 A partner is either:

- An organisation (either private or public) undertaking, part funding or participating as a beneficiary in a project; or
- A body whose nature or status gives it a right or obligation to support the project.

6.12.4 Partners participate by:

- Acting as a project deliverer, provider or sponsor, solely or in connection with others;
- Acting as a project funder, part funder, commissioner or joint commissioner;
- Being the beneficiary group of the activity undertaken in a project.

6.12.5 Partners have common responsibilities:

- To be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation;
- To act in good faith at all times and in the best interest of the partnership's aims and objectives;
- To be open about any conflict of interest that may arise;
- To encourage joint working and promote the sharing of information, resources and skills between the public, private and community sectors;
- To hold confidentially any information received as a result of the partnership activities or duties that is of a confidential or commercially sensitive nature;
- To act wherever possible as ambassadors for the project.

6.12.6 Chief Officers should be aware of:

- Their responsibilities with regard to the authority's financial regulations and contract standing orders;
- The requirement for them to identify and evaluate all known risks associated with the partner arrangements, and take action deemed appropriate to deal with these risks;
- Ensuring that project appraisal techniques are in place to assess the viability of the project in terms of resources, staffing and expertise;
- Their role in agreeing and accepting formally the roles and responsibilities of each of the partners involved before the commencement of the project;
- Their need to communicate regularly throughout the project so that problems can be identified and shared to achieve their successful resolution.

6.12.7 Managers should ensure that:

- Potential partners are assessed for the financial viability in the same way as contractors;
- Internal audit roles and responsibilities are documented within the contract documentation;
- Partners and contractors are made aware of the Authority'~~ie~~s Whistleblowing and Counter Fraud and ~~&~~ Corruption P~~p~~olicy Statement, Strategy & Guidance Notes~~ies~~;
- Arrangements for ownership after the project has ended are identified and documented;
- Partnership agreements and arrangements are appropriately authorised and documented and do not impact adversely upon the services provided by the authority;
- Appropriate information is provided to the Executive Director Corporate Services to enable a note to be entered into the authority's statement of accounts concerning material matters;
- There are robust and transparent arrangements for partnership governance which comply in all material respects with the Council's own rules on such matters;
- There are sound arrangements for monitoring, reviewing and reporting upon the activities and performance of the partnership;
- They refer to the indemnity and conduct/conflict of interest issues;~~.~~
- They maintain and update the partnership database for their significant partnerships.

6.12.8 Corporate processes for approving, reviewing and reporting upon partnership arrangements and commitments under these must be complied with.

CONTACT: Head of Partnerships & Commissioning

6.13 Orders for Supply from External Sources

6.13.1 Official orders must be issued for all work, goods or services to be supplied to the Council except:

7.3.5 where a contract specifies otherwise;

7.3.5 supplies of public utility services;

7.3.5 payments such as rent or rates;

7.3.5 petty cash purchases; or

7.3.5 other exceptions approved by the Executive Director Corporate Services.

6.13.2 Individuals must not use official orders to obtain goods or services for their private use.

6.13.3 Official orders to suppliers for goods and services must be raised on the EFinancials ~~s Finance~~ System and promptly issued to the supplier/contractor. This ensures that the commitment is raised on the financial system and so aids the control and monitoring of budgets.

6.13.4 Verbal orders should only be given in urgent cases, and any such order must be confirmed by an official order and endorsed "Confirmation Order". All authorised signatories together with any restricting financial limits must be notified to the Executive Director Corporate Services.

6.13.5 Orders must detail the work/goods/services ordered, refer to appropriate terms and conditions, be priced in accordance with estimates, quotations and so on, and contain the delivery address which must be a Council property. Expenditure must be coded to the correct detailed budget heading, even if there is no budget under that heading or it has been committed, including those required by statute or court order.

6.13.6 Before authorising an order the authorising officer must be satisfied that best value has been achieved, goods/ services are appropriate to the service and genuinely required, appropriate quotations/tenders have been received and that there is appropriate budget provision. For guidance where there is insufficient budget provision, refer to the section on Budgets.

CONTACT: Director of Finance

6.14 Receiving goods and services

Deliveries

6.14.1 Any employee who accepts deliveries of goods must obtain a delivery note, which should be signed by the supplier and receiver at the time. The Chief Officer who ordered the supplies must ensure they are checked as to quantity, quality and compliance with specification at the time of delivery, or as soon as possible thereafter. Where it is not possible to carry out this check at the time of the delivery, the employee should ensure this is made clear on the delivery note.

Goods receipting

6.14.2 As soon after delivery as possible, the financial system must be updated to show that the goods have been received (refer to the Guidance on Separation of Duties). Receipting goods on the financial system~~,~~ ensures that expenditure is accrued. This enables managers to monitor and control their budgets more effectively. The employee recording goods receipt on the financial system must be satisfied that the quality, quantity and specification of the goods/services delivered is as ordered.

CONTACT: Head of Internal Audit Services, Operations Accountant

6.15 Advance Payments

6.15.1 Advance payments should only be used for minor supplies such as course fees, seminars and publications. Chief Officers should consult the Executive Director Corporate Services for advice if in doubt. Where advance payment is made then the whole cost, including VAT, must be charged to the expenditure code. The Chief Officer must request an authenticated VAT receipt and send it to the Executive Director Corporate Services to correct the accounting entries.

CONTACT: Director of Finance

6.16 Funding to Voluntary and Community Sector Organ~~s~~isations

Funding to voluntary and community sector organisations can be paid in advance (where appropriate). Where the provision of services on behalf of Tamworth Borough Council is to be delivered in partnerships between a voluntary and community sector organisation and a private sector organisation then subject to an appropriate partnership agreement being in place funding can be paid in advance. Performance management arrangements must be stipulated in each funding agreement or contract in accordance with the ~~Voluntary and Community~~Tamworth Public Sector Commissioning Framework. Evidence must be obtained for expenditure incurred.

CONTACT: Head of Partnerships & Commissioning

6.16 Orders from Internal Suppliers

6.16.1 The same principles apply to orders from internal suppliers and they should, as far as possible, be treated the same as other orders.

CONTACT: Operations Accountant

6.17 Some Definitions

6.17.1 The following table gives the definition for terms used in this guidance.

Word	Definition
Quotation	A value for the supply of a service, goods or materials which must be held for a period of time.
Estimate	A value for the supply of a service, goods or materials which may be varied following the supply. This is appropriate where it is not possible to give a precise quotation prior to the supply.

CONTACT: Operations Accountant

6.18 Further Advice and Guidance

6.18.1 The Council employs a number of officers who have responsibilities in a variety of areas connected with procurement and purchasing. The following table is a quick reference guide.

Issue	Contact	Comments
Significant departure (either actual or potential) from this guidance	Executive Director Corporate Services, Director of Finance	
Procurement and purchasing - General procedures/EU procedures/joint procurement and partnerships	Director of Finance	Chief Officers must not enter into any arrangement for procuring works, goods or services over the £50,000 tender threshold without seeking guidance from the Director of Finance at least six months in advance of the proposed supply. The Procurement team can provide relevant advice and guidance, including- standard forms and procedure details.
Advice on control systems and administration	Head of Internal Audit Services	
The law and legal opinion and sealing and retention of documents	Solicitor to the Council	
Printing requirements	Communications Manager	Chief Officers must not commit to purchase external printing supplies without consulting with the Communications Manager
Information technology	Director, Technology & Corporate Programmes	Chief Officers must not commit to purchase IT supplies (hardware and software) without consulting the Director, Technology & Corporate Programmes.
Coding, budgets, insurance, VAT, general ledger issues and financial appraisals	Executive Director Corporate Resources	

CONTACT: Director of Finance

7 PAYMENT OF ACCOUNTS

7.1 Introduction

7.1.1 One of the main requirements of a sound system of expenditure control is that at any point in time, a budget holder knows:

(a) what has been ordered, including the likely cost;

(b) what has been received, and is therefore due for payment; and

(c) what has been paid.

7.1.2 Small transactions can be dealt with from petty cash (see the section on Cash Advances, etc), and in some situations, payments can be made via direct debit or other electronic means – the Executive Director Corporate Services will advise on these processes. This section of the guidance deals with the most common form of payment, i.e. payment by BACS or cheque drawn on the Council's bank account.

7.1.3 All officers must encourage suppliers of goods and services to receive payment by BACs – this is the most economical means for the authority.

7.1.4 Corporate credit cards can be used in the day to day business of the Authority and are intended to facilitate transactions only in limited circumstances. Corporate credit cards are to be used chiefly to provide an alternative means of sourcing and paying for goods/services in connection with official business of the Authority, and may be used for purchases to obtain benefit of discount, payment via the Internet, etc. . The Corporate Credit Card Procedures must be followed..

7.1.5 All requests for direct debits against the authority's bank account should be made via the Accountancy section.

CONTACT: Director of Finance

7.2 Security and Good Practice

7.2.1 The Council's creditor payment system is set up so that the 3 stages of order, goods receipt and payment to be separately processed with password input and authorisation controls in line with the appendix on Separation of Duties. Passwords are often used in place of actual initials and signatures and must not be made known to any other person. (See also the Information Security Policy.).

7.2.2 Each Chief Officer must inform the Executive Director Corporate Services, in writing, of the names of employees permitted to undertake each of the stages, to input orders, authorise orders and confirm goods receipt. The Manager must promptly notify the Executive Director Corporate Services of any changes, for example, resignations. The Executive Director Corporate Services should annually prompt each Chief Officer to review the named employees.

7.2.3 Chief Officers may also wish to limit the values input or authorised by some employees, and/or restrict the expenditure codes which some employees can access. This information should also be passed to the Executive Director Corporate Services.

7.2.4 The Executive Director Corporate Services must ensure that the payments system:

(a) conforms with the controls contained in the Appendix on Separation of Duties; and
(b) checks budget availability.

CONTACT: Operations Accountant

7.3 Invoice Processing

7.3.7 Each Chief Officer must ensure that the receipt of any service, material or item of goods is promptly recorded on the payment system, and that, where applicable, stock records and inventories are updated immediately.

7.3.7 Each Chief Officer must ensure that invoices received are promptly passed to Corporate Services Directorate for processing. Any disputed invoices should be notified to the Executive Director Corporate Services immediately to aid performance monitoring.

7.3.2 Before any order is goods receipted, the officer receiving the goods/services must satisfy him/herself that the payment is properly due, and that the work, goods or services have been received and/or carried out in accordance with the order/contract/schedule of rates and this has been evidenced.

7.3.3 Officers must ensure that in respect of charges for gas, electricity, water, etc. adequate records are be maintained to ensure the charges are correct and the following checks are undertaken:

i) any standing charges are correct,
ii) consumption is charged on the correct tariff,
iii) that the consumption recorded is reasonable in light of current and previous readings;

7.3.7 Officers should ensure that all credit notes are immediately claimed against invoices or a cheque reimbursement should be requested;

7.3.5 The Accountancy section will check the payee, prices, quantities, trade discounts, other allowances, credits and tax are correct; not previously paid, properly incurred and within the budget provision. They will also check any copy/facsimile invoices to ensure that they have not been previously paid and that payments are not made against suppliers' statement of accounts.

7.3.6 The Accountancy section will ensure that where the invoice includes VAT, it is correctly calculated. Where a VAT invoice is not supplied, the full cost of the invoice including the VAT must be charged to the budget code. The Chief Officer must ensure that an authenticated VAT receipt is subsequently obtained to support this payment is passed to the –Accountancy section immediately on receipt so that the accounting entry can be adjusted;

7.3.7 The controls over invoice processing also applies to work done on our behalf by partners.

Amendments

7.3.8 VAT invoices must not be amended. If an incorrect VAT invoice is received, the supplier must be asked to send:

(a) a corrected invoice, or

(b) a credit note.

7.3.9 Any amendment to a non-VAT invoice must be made in ink and initialled by the officer making it, stating reasons briefly where they are not self-evident.

Year End

7.3.10 Each Chief Officer must ensure that where goods and services (goods, materials, services and works, including electricity, gas water etc) have been received by 31st March, that commitment orders and goods receipt notes have been processed within the financial system.

7.3.11 Each Chief Officer must, as soon as possible after 31st March and not later than 15th April in each year notify the Executive Director Corporate Services of all outstanding expenditure relating to the previous financial year. Outstanding expenditure consists of the value of all goods, materials, services and works (including electricity, gas, water etc.) that has been received at 31 March, but has not yet been paid.

CONTACT: Operations Accountant

7.4 Electronic Payment Mechanisms

7.4.1 Payments to suppliers must be completed by BACs transfer, as it is the most cost effective payment method. Payments will be made by cheques in exceptional circumstances.

7.4.2 Information relating to suppliers bank details should be directed to the Executive Director Corporate Services.

CONTACT: Operations Accountant

8. PAYMENT OF SALARIES AND ALLOWANCES

8.1. Salaries

8.1.1 Salaries and other reimbursements are paid by the Director Transformation & Corporate Performance on behalf of each Chief Officer. The Director Transformation & Corporate Performance is responsible for maintaining the establishment list of the Authority, and for the details of standing payments to make. All forms of payment must conform with Council policy and Chief Officers should consult with the Director Transformation & Corporate Performance if change is sought.

8.1.2 It is the responsibility of Chief Officers to ensure that adequate and effective systems and procedures are operated so that:

a) payments are only authorised to bona fide employees;
b) payments are only made where there is a valid entitlement;
c) conditions and contracts of employment are correctly applied;
d) employees names listed on the payroll are checked at regular intervals to verify accuracy and completeness.

8.1.3 Each Chief Officer must tell the Director Transformation & Corporate Performance immediately of any changes to his/her employees or the basis upon which they are employed. The Chief Officer is accountable for any losses to the Council or hardships incurred by an employee resulting from a failure to notify changes promptly.

Examples are:

i. appointments, resignations, dismissals, suspensions, secondments and transfers;
ii. sickness and other absences apart from approved leave with pay;
iii. changes in pay etc, other than normal increments and general pay awards.
iv. Any changes that may affect pensions of employees/former employees.

8.1.4 Chief Officers must ensure that all forms used to generate payments are either as supplied by the Director Transformation & Corporate Performance or are reviewed and sent annually for approval to the Director Transformation & Corporate Performance. They must ensure that completed forms are checked, calculations confirmed and payments properly authorised. Otherwise payment will not be made. Claims for payroll payments more than three pay periods old, will not be considered unless approval is made by the Director Transformation & Corporate Performance or the Executive Director Corporate Services. Claims that do not meet pay deadlines (as advised by the Director Transformation & Corporate Performance) may not be paid until the following pay period.

8.1.5 In exceptional circumstances, for example, if likely to suffer severe hardship, an employee may request his/her Chief Officer for an advance of salary. The Chief Officer may wish to seek advice from the Director Transformation & Corporate Performance or Executive Director Corporate Services. If the request is supported, the Chief Officer should ask the Director Transformation & Corporate Performance to make the arrangements. The Director Transformation & Corporate Performance should ensure that any advance is recovered from the next payment due.

8.1.6 A Chief Officer may certify payment of overtime to officers on spinal column point 35 and above only where prior written approval is obtained from a member of the Corporate Management Team. This would normally be in exceptional circumstances for work of a specific nature such as in covering for a long-term vacancy.

8.1.7 Chief Officers may request additional payments such as honoraria for additional responsibility incurred by employees. These must be approved by the Chief Executive for a period of up to six months who should inform the –Director Transformation & Corporate Performance of the basis for such payments.

8.1.8 All payroll transactions should be processed through the payroll system. Chief Officers should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. All such matters should be referred the –Director Transformation & Corporate Performance for guidance.

8.1.9 The Director Transformation & Corporate Performance must be notified of details of any employee benefits in kind, to enable full and complete reporting within the income tax self assessment system.

CONTACT: Payroll Manager

8.2 Allowances and Expense Claims

8.2.1 Employees must submit expense claims in the pay period after which they were incurred in order to assist budget monitoring. Because of the difficulty in verifying old claims, claims more than three pay periods old, will not be considered unless approval is made by the Director Transformation & Corporate Performance or the Executive Director Corporate Services. Claims that do not meet pay deadlines (as advised by the Director Transformation & Corporate Performance) may not be paid until the following pay period. All car allowance claims must be supported with a VAT invoice for the fuel used.

8.2.2 Managers must only authorise claims they can certify as being correct – ie. Journeys were authorised, expenses necessarily incurred and claims are properly payable by the Council. The accuracy of any mileage claimed and any calculations must be checked. Therefore, it is essential that all car allowance claim forms must show details of the trip undertaken, the duties carried out, both the opening and closing odometer readings and the deduction of any "ordinary commuting miles"(if applicable). Managers must also ensure that officers claiming both casual and essential allowances have appropriate and up to date documents to include a valid driving licence, certificate of motor insurance that covers business use, valid MOT and vehicle registration document.

8.2.3 Chief Officers should ensure that the most appropriate means of travel in terms of cost and benefit is used. For example, long journeys may be better undertaken by train, for example, to reduce the length of the working day or allow the employee to work during the journey. (see guidance in Subsistence Policy).

8.2.4 Where subsistence and other associated travel expenses are claimed, they must be supported by VAT receipts. The Council will not reimburse any expenditure relating to alcohol. Guidance on subsistence rates that can be claimed can be found in the Subsistence Policy which is appended to this guidance. The maximum limits will be updated on an annual basis in line with the RPI.

8.2.5 Claims relating to Post Entry Training must be sent to the Director Transformation & Corporate Performance to authorise the claim. The Chief Officer must ensure the scheme is authorised and an agreement has been signed by the employee. Where the scheme provides for the repayment of expenses, the Director Transformation & Corporate Performance must arrange recovery of any sums due before the employee leaves. The Organisational Development Unit will supply guidance on amounts that can be claimed on an annual basis.

8.2.6 Personal expenses incurred in entertaining guests will not be reimbursed without the prior approval of the Executive Director Corporate Services.

CONTACT: Payroll Manager

8.3 Members Allowances

8.3.1 The Solicitor to the Council must check and certify claims submitted by Members. He/she must give the Director Transformation & Corporate Performance details of regular payments, such as responsibility allowances, and must immediately notify any changes. Expenses claims must be submitted monthly to aid budget monitoring. Expenses claim forms must be completed in full e.g. detailing journeys made, opening and closing milometer readings and any other expenses claimed. Claims can only be made for approved duties as defined in the Constitution. All car allowance claims must be supported with a VAT invoice for the fuel used. Claims in excess of three ~~four~~ months will not be considered unless approved by the Executive Director Corporate Services or the Chief Executive.

8.3.2 Members wishing to attend a conference, etc must advise the Solicitor to the Council, after consultation with the Cabinet if necessary, may approve the payment of the cost of attendance at Conferences and training events and the payment of travelling, subsistence and attendance allowance(s) in the rates prescribed by the Secretary of State.

8.3.3 Wherever possible the Chief Officer should arrange overnight conference accommodation on behalf of Members and ensure invoices are sent direct to the Council.

CONTACT: Solicitor to the Council

9. CASH ADVANCES, CASH FLOATS AND PETTY CASH

9.1 Purpose

9.1.1 Small amounts of cash currently need to be held in service units to:

a) provide a cash float in tills;

b) pay minor expenses.

9.2 Processes

9.2.1 A Chief Officer needing a cash advance must send a written request to the Executive Director Corporate Services. The manager receiving the cash advance must sign for the receipt of all cash advances. A copy of the receipt must be forwarded to the Finance section for accounting purposes. He/she is responsible for the security of the cash and may be held responsible for making good any shortages.

9.2.2 Only minor items of expenditure may be paid out of petty cash. Petty cash must not be used to carry out recurring purchases of a similar nature. Chief Officers must not authorise any individual payment over £100 without the agreement of the Executive Director Corporate Services or the Director of Finance. Where reimbursement of expenditure exceeds £100, this should be processed through the payroll system. Claims for expenses should be completed using the expenses claim form. VAT receipts for all expenses must be attached. Expenses will be reimbursed through the Payroll system with salary payments.

9.2.3 Payments out of petty cash must be supported by a receipt or other voucher. Wherever possible a VAT receipt should be obtained. Income received must not be paid into a petty cash account.

9.2.4 The Chief Officer must keep full records of all transactions. Records must be kept fully up-to-date, showing the current balance in the account. The expenditure details and receipts/vouchers must be sent to the Executive Director Corporate Services with the claim for reimbursement.

9.2.5 The Chief Officer must ensure that the balance is checked at least monthly by an officer without other responsibilities for petty cash. All checks made should be evidenced. Any discrepancies must be investigated and reported as necessary.

9.2.6 At 31 March each year the officer carrying out the check must send written confirmation to the Executive Director Corporate Services of the balance held and an explanation of any discrepancy.

9.2.7 No float should be used to cash personal cheques or make personal loans. The only payments in to the account are for the reimbursement of the float and any change relating to purchase where an advance has been made.

9.2.8 Any transfers of floats between officers should be evidenced by signature of both parties involved and a copy retained by the transferor. A copy should be sent to the Executive Director Corporate Services to ensure that records remain up to date.

CONTACT: Director of Finance

10. INCOME, CHARGING AND DEBTS

10.1 Fees and Charges

10.1.1 The setting and reviewing of fees, charges and other income sources must be authorised in accordance with the detail set out in the Constitution and the Scheme of Delegation.

10.1.2 Chief Officers must ensure that all relevant charges are clearly displayed at service payment points. Employees must charge all people using the service the approved amounts.

10.1.3 All VAT due should be correctly identified and accounted for.

CONTACT: Director of Finance

10.2 Receiving Payment

10.2.1 The Council accepts payment by cheque, debit card, credit card and cash (cash is only accepted at certain locations). Officers handling payments must follow the procedures below and any local procedures, including those needed for computerised systems. They must complete all records fully and accurately at the time. Chief Officers must ensure adequate local procedures are in place at all stages, having sought necessary advice from the Executive Director Corporate Services.

10.2.2 Ideally, subject to adequate controls, income should be received in advance or at the time of service provision.

10.2.3 Where possible, a forged note detector should be used.

10.2.4 Cash drawers should be closed in between transactions.

10.2.5 Supervisory keys for cash registers should be held by supervising officer and not by cashiers.

10.2.6 All voids, refunds and exceptions should be reviewed by the supervising officer and this review should be evidenced.

<u>All Methods</u>

10.2.7 The officer must immediately issue an official receipt or ticket. Change may only be given for payment by cash.

10.2.8 All official receipts should be properly controlled and accounted for.

10.2.9 All official receipts should be in a format approved by the Executive Director Corporate Services

10.2.10 Transfers of cash between staff must be evidenced by signature of both staff involved and a copy retained by the transferor.

Cheque Payment Against An Invoice/Account

10.2.11 The officer must ensure the cheque is:

a) made payable to "Tamworth Borough Council" (and should be crossed account payee only);

b) dated correctly;

c) the correct amount;

d) signed;

and the officer must:

e) record on the back of the cheque the receipt number (and location if necessary) and payment/invoice reference.

Cheque – Other Payment

10.2.12 As well as the above requirements the officer must ensure:

a) the cheque is signed at the counter;

b) a cheque card is presented with
- the same signature,
- the same code number as the cheque,
- a valid expiry date,
- a limit sufficient to cover the cheque;

and the officer must:

c) record the card number on the back of the cheque.

Debit and Credit Cards

10.2.13 For payments in person the officer must ensure:

a) the card has not expired;

b) the receipt signature matches the card signature;

c) the card is not on a current stop listing (or if so, follow the instructions with the listing);

d) the receipt number is recorded against the transaction;

e) the credit card surcharge is recovered in line with approved policy

10.2.14 For telephone payments the officer must ensure:

a) that payments are processed at the time of call;

b) all relevant security checks are completed.

CONTACT: Operations Accountant

10.3 Postal Payments

10.3.1 All post is to be opened centrally in the designated post room. Exceptions to this include private and confidential post and where it is deemed that post should not be opened.

10.3.2 Post must only be opened when two officers are present.

10.3.3 All income received through the post should be recorded immediately on to the cash receipting system.

CONTACT: Head of Customer Service

10.4 Cashing-Up Procedures

10.4.1 At each payment point, the Chief Officer must ensure there are adequate daily cashing-up procedures. The two stages should be carried out by two different employees. The cashier should total the contents of the till and by deducting the cash float, find out the day's takings. A second officer should confirm the actual cash takings with the total takings recorded on the receipts given out. Signatures of both officers involved should be recorded on the paying in slip. The local supervisor must immediately investigate any material discrepancies and advise the Chief Officer, the Executive Director Corporate Services and the Head of Internal Audit Services). All discrepancies must be recorded in a cashiers overs/unders book, signed daily by the supervisor.

10.4.2 Small overs/unders balances up to £5 may be held locally, at the discretion of the Chief Officer. Any balance over £5 should be banked.

CONTACT: Head of Internal Audit Services

10.5 Depositing Money

10.5.1 All money received must be banked direct. Employees must follow guidance from the Executive Director Corporate Services on cash collection, control, deposit and records.

10.5.2 Chief Officers/employees must ensure that all money received (other than permitted over/unders balances) is deposited in full, without anything being deducted. For example cash from a till must never be used to meet petty cash expenses or to top-up petty cash.

10.5.3 If there is a need to depart from this rule, the Chief Officer must get the written authorisation of the Executive Director Corporate Services.

10.5.4 Takings should be banked daily. Where this is not practicable Chief Officers may agree an alternative arrangement with the Executive Director Corporate Services, provided:

a) takings are banked at least weekly; and

b) maximum cash holdings specified by the Executive Director Corporate Services (for insurance purposes) are not exceeded.

10.5.5 The cashier must prepare a daily cash summary/return and attach relevant till readings or equivalent. The return must detail the amount of cash and the amount in cheques. A supervising officer must verify this return.

10.5.6 Chief Officers must in any event ensure maximum cash holdings are not exceeded.

10.5.7 The cashier must certify the paying in slip, which should be checked and evidenced by a supervising officer.

10.5.8 Where banking bags are used, seals and the authority's details should be recorded in accordance with the collection company's procedures.

CONTACT: Operations Accountant

10.6 Money Laundering

10.6.1 Money laundering is the term used for a number of offences involving the proceeds of crime and terrorist funds. The following acts constitute the act of money laundering:

- Concealing, disguising, converting, transferring or removing criminal property from England and Wales, or from Scotland, or from Northern Ireland;
- Becoming concerned in an arrangement in which someone knowingly or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person;
- Acquiring, using or possessing criminal property.

10.6.2 Although the term "money laundering" is generally used when describing the activities of organised crime – for which the legislation and regulations were first and foremost introduced – to most people who are likely to come across it or be affected by it, it involves a suspicion that someone they know, or know of, is benefiting financially from dishonest activities.

10.6.3 A likely indicator that money laundering may be taking place is the deposit of large amounts of cash. The limit on a payment made by cash is £5,000. Any large cash payments that raise concern below this amount should be brought to the attention of the Solicitor to the Council however attempt to pay above this amount must be approved by the Solicitor to the Council.

10.6.4 The Council will do all it can to prevent, wherever possible, the organisation and its staff from being exposed to money laundering to identify potential areas where it may occur, and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases. However, it is every member of staff's responsibility to be vigilant.

10.6.5 The Solicitor to the Council is the nominated officer to act as the Council's Money Laundering Reporting Officer.

10.6.6 If a case of money laundering is suspected, the Solicitor to the Council should be consulted immediately.

CONTACT: Solicitor to the Council

10.7 Invoices, Debtors and Other Sums Due

10.7.1 It is the responsibility of each Service Unit to ensure that income for services etc is received prior to the service being completed. Where payment in advance is not possible, all necessary information in order to raise an account should be obtained from the customer prior to the provision of the service, except where statute dictates otherwise.

10.7.2 All Service Units must maintain a record of why the account has been raised. All accounts must be accurately created either prior to the service being delivered or, in the case of post-service charging, within 5 working days of the delivery of the service. Where possible, debtor accounts should not be raised for less than £100 in accordance with the Corporate Credit Policy.

10.7.3 It is essential that all accounts issued are timely; therefore, accounts raised after the service has been completed should be raised within five working days.

10.7.4 Timescales for the recovery process are detailed in the Corporate Credit Policy.

10.7.5 At the start of each financial year, Chief Officers must promptly supply information to the Executive Director Corporate Services on amounts due where a debtors account has not yet been raised for the previous financial year within the required deadlines.

Credit Policy

10.7.6 Cabinet on 25 April 2007 approved a new Corporate Credit Policy (see Appendix). Chief Officers must ensure appropriate local guidance is in place and employees must follow the Policy and the local guidance.

CONTACT: Head of Revenues

10.8 Debt Write-Off

10.8.1 Debts may only be written-off in line with the appropriate policy – e.g. the Corporate Credit Policy.

10.8.2 Except where an approved policy dictates otherwise, the following authorisations are needed to write-off debt:

Authority	Limit
Chief Officer (or authorised delegated officer)	up to £5,000
Executive Director Corporate Services	£5,001 - £10,000
Cabinet	over £10,000

Note that these limits apply to each transaction.

All write-offs should be completed with adherence to the Accounts & Audit Regulations 2011.

An annual report of write offs between £5,001 and £10,000 should be submitted to Council for information.

CONTACT: Head of Revenues

11. ASSETS AND EQUIPMENT

An up to date asset register is a pre requisite for proper fixed asset accounting and sound asset management. Assets need to be valued in accordance with *the Code of Practice on Local Authority Accounting in the United Kingdom: (CIPFA/LASAAC based on International Financial Reporting Standards).* Any assets purchased with a value of over £10,000 should be notified in writing to the Executive Director Corporate Services so that they can be added to the asset register.

CONTACT: Director of Finance

11.1 Responsibilities

11.1.1 Each Chief Officer is responsible for the records, use and storage of all assets and equipment within their control and/or used in their service delivery. Each Chief Officer must ensure that a physical check of all significant assets and equipment is undertaken on at least an annual basis to confirm their location and condition and to ensure that inventory records are accurate. This check should be evidenced.

11.1.2 Each Chief Officer must ensure that inventory records are maintained for all assets and equipment in any format specified by the Executive Director Corporate Services, to ensure the details shown below are included in each case and that all appropriate items are clearly and securely marked.

Inventory details:

- Description
- Purchase date
- Purchase price
- Serial number (if applicable)
- Asset number (if applicable)
- Condition
- Date of disposal

11.1.3 Chief Officers should ensure that contingency plans for the security of assets and continuity of service in the event of a disaster or system failure are in place.

11.1.4 In order to comply with the International Financial Reporting Standards, managers are required to consult on **any rentals, leases, use of assets to or from the authority**, prior to entering into an agreement with the Executive Director Corporate

Services, especially where financial/operating leases are entered into as more advantageous financing could be ~~sort~~sought.

CONTACT: Director of Finance

11.2 Scope

11.2.1 All furniture, fittings, equipment and plant and machinery with an original and individual value of £50 or more should be included, with the sole exception of Information Technology (I.T.) hardware and software, which must be recorded by the Director, Technology & Corporate Programmes. Chief Officers should consider whether it is appropriate to include other items of a portable and desirable nature which may have a lower value.

11.2.2 Any change in the use or location of any I.T. hardware or software must be completed by the Technology & Corporate Programmes Service who will update their records accordingly.

11.3 Use

11.3.1 Items are only to be used on Council business and in line with accepted procedures and manufacturers instructions, and must not be removed without the specific approval of the Chief Officers.

11.4 Disposal

11.4.1 The disposal of all surplus items must be in line with the following guidelines which should be applied by:

a) the Director Technology & Corporate Programmes for all IT equipment;

b) the Chief Officer for all other items;

c) the Executive Director Corporate Services for all other items with a value in excess of £1,000.

11.4.2 Each Chief Officer must record the disposal details on the inventory records and must maintain adequate records such as receipts and formal bids. Disposals should be notified to the Executive Director Corporate Services to ensure that appropriate accounting entries are made to remove the value of disposed assets from the authority's records and to include the sale proceeds if appropriate.

Disposal Guidelines

11.4.3 A disposal policy is in place for the disposal of land and property (Asset Disposal Policy). The Asset Disposal Policy must be followed in these instances.

The disposal of any other surplus assets or equipment should be arranged in the manner most useful to the Council, taking into account the value, condition and usefulness of the item. Further guidance is appended.

11.4.5 All IT equipment must be passed to the Technology & Corporate Programmes Service for disposal to ensure that all information retained on disk drive is deleted in accordance with the Data Protection Act 1998.

11.4.6 Particular care must be taken to ensure the Council is not exposed to risk, for example by passing an unsafe item to another body. Any internal sale must be scrupulously fair and open. The guide to the disposal of assets (excluding land and buildings) is appended to this guidance. Advice is available from the Head of Internal Audit Services or Director Assets & Environment.

CONTACT: Director of Finance, Head of Internal Audit Services, Director Assets & Environment

12. STOCKS AND STORES

12.1 Responsibilities

12.1.1 The aim of controls over stocks and stores is to ensure:

a) necessary materials are available when they are needed;
b) purchase costs are minimised;
c) stock holding costs are minimised;
d) waste and other loss is minimised

e) To achieve this Chief Officers must ensure:

a) the correct quantities are purchased at the correct times (to gain discounts and avoid delivery and administration costs);
b) excessive levels are not held (taking account of shelf life, storage costs and service needs);
c) stocks are held and handled securely;
d) adequate records are maintained including:
   i) purchases and additions
   ii) issues
   iii) write-offs.

12.1.3 The Executive Director Corporate Services can advise on these matters, particularly on the financial records.

12.1.4 Chief Officers must also ensure that movements of stores are properly authorised and documented and that the records note the employee(s) involved in the process. The Head of Internal Audit Services can advise on these aspects.

CONTACT: Head of Internal Audit Services

12.2 Stocktaking

12.2.1 **All** stocks must be checked at least once a year at the end of the financial year in order to compare actual levels to recorded levels and Chief Officers should consider more frequent checks of valuable, desirable and portable items. Large stores, such as those held at the depots, could achieve this by an agreed process of rolling stocktakes. The Head of Internal Audit Services will advise if necessary.

12.2.2 Stocktakes must be monitored and checked by employees who are independent of the storekeeping roles. This checking role must include the comparison of actual stocks to the recorded levels.

12.2.3 All discrepancies should be investigated by the line manager. Any material discrepancies (over £100 or desirable commodities) should be reported to the Executive Director Corporate Services who will advise on the appropriate procedures to follow, and who may inform the Head of Internal Audit Services of the facts.

CONTACT: Head of Internal Audit Services

12.3 Obsolete and Unserviceable Stock

12.3.1 The disposal of stocks and stores should be in line with the guidance contained in the section on Assets and Equipment.

12.3.2 Obsolete/damaged stock should be written off prior to year-end and should not be included in year-end stock balances.

12.4 Intellectual Property

12.4.1 Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property.

12.4.2 Certain activities undertaken within the authority may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

12.4.3 Chief Officers must ensure that controls are in place to ensure that staff do not carry out private work in council time and that staff are aware of an employer's rights with regard to intellectual property.

CONTACT: Head of Internal Audit Services, Director Technology & Corporate Programmes

13 SECURITY

13.1 All staff must wear their ID pass at all times within Council establishments. Identification should be requested for all visitors to council establishments. Where applicable, visitors must sign the visitors book both on entry and exit of the building. If appropriate, the visitor must be provided with an identification badge which must be returned on departure. The person issuing the badge should ensure that the badge is returned.

13.2 All temporary identification badges should be retained securely.

13.3 All building alarms should be linked to Homelink, the police station or directly to the alarm company. Managers should ensure that these links are maintained.

13.4 The knowledge of alarm codes should be restricted to relevant staff. Each member of staff must have their own ID for the alarm. If a member of staff leaves the authority, their ID should be deleted from the system.

13.5 Alarm usage reports should be generated on a regular basis. These reports should reviewed by management who must evidence this review.

13.6 All cash handling areas should be secured. All access to cash areas should be locked and access restricted to authorised staff.

13.7 Safes should be located out of site of the public and should be locked at all times. Access to safes must be restricted to authorised personnel. Each member of staff needing access to the safe must be issued with a key. The issue of safe keys should be documented detailing the date issued and the holder. The holder must sign for the receipt of the key. Safe keys **must not** be retained on the premises overnight. Retention of safe keys on unoccupied premises renders the insurance invalid.

13.8 Any transfer of keys between staff should be recorded. On termination or transfer of employment, all keys issued to that member of staff should be handed back to the line manager. The key register should be updated to reflect the hand over.

13.9 Managers are responsible for ensuring that the cash limit for the safe is not exceeded.

13.10 Where a cash collection company is used, managers are responsible for ensuring that the names and signatures of the cash collection staff are up to date.

13.11 The guidance on physical and environmental security contained within the Information Security Policy gives more guidance.

CONTACT: Director Assets & Environment

14 DATA QUALITY

14.1 All employees have a responsibility for ensuring the information we process is accurate and up to date. The Data Quality Policy addresses this.

14.2 The consequence of poor quality of data impacts not only the way the council works, but also anyone who conducts their business with us.

14.3 Data Quality Standards possess six essential characteristics, these are:

- **Completeness** – Data quality systems should have in place monitoring to ensure that no data is missing, incomplete or invalid records included.
- **Accurate** – Data should be accurate for the purpose it is intended, and to be captured as close to the source as possible.
- **Validity** – Data should be compliant with requirements and within the parameters laid down in any criteria.
- **Reliability** – Data should be consistent across all collection points and over time. Appropriate controls should be in place to check outputs/inputs, sampling and is compliant with the criteria set out.
- **Timeliness** – Data should be captured as soon as possible, and available to recipients within the agreed timeframe.
- **Relevance** – Data captured should be relevant to the purpose for which it is used. Reviews need to take place to ensure the quality reflects any changing needs.

CONTACT: Corporate Information Security Manager

Equality Impact Assessment

Formatted: Font: Arial

Is this a new or existing policy?		**EXS**	
1. Briefly describe the aims, objectives and purpose of the policy?	To promote best value, service delivery and delivery of the Council's vision; To provide sound arrangements for all the Council's financial affairs and to be able to demonstrate that proper controls are in place; To safeguard Members and officers by setting out procedures which meet the Council's expected standards.		
2. Are there any associated policy/ procedure/ practice which should be considered whilst carrying out this equality impact assessment?			
3. Who is intended to benefit from this policy and in what way?	TBC Employees Council – improved efficiency, increased resilience Council customers – VFM		
4. What are the desired outcomes from this policy?	Transparency, consistency of application		
5. What factors/ forces could contribute/ detract from the outcomes?	Different management interpretations of the guidance ICT not available		
6. Who are the main stakeholders in relation to the policy?	All employees and Chief Officers of TBC, members, contractors, partners and residents of the borough		
7. Which individuals/ groups have been/ will be consulted with on this policy?	Chief Officers, members		
8. Are there concerns that the policy could have a differential impact on racial groups?		**N**	
9. Are there concerns that the policy/ procedure/ practice could have a differential impact due to gender?		**N**	
10. Are there concerns that the policy could have a differential impact due to them being transgender or transsexual?		**N**	
11. Are there concerns that the policy could have a differential impact due to disability?		**N**	
12. Are there concerns that the policy could have a differential impact due to sexual orientation?		**N**	
13. Are there concerns that the policy could have a differential impact due to age?		**N**	
14. Are there concerns that the policy could have a differential impact due to religious belief?		**N**	
15. Are there concerns that the policy could have a differential impact on Gypsies/ Travellers?		**N**	

16. Are there concerns that the policy could have a differential impact due to dependant/caring responsibilities?		N	
17. Are there concerns that the policy could have a differential impact due to them having an offending past?		N	
18. Are there concerns that the policy could have an impact on children or vulnerable adults?		N	
19. Does any of the differential impact identified cut across the equality strands (e.g. elder BME groups)?		N	
20. Could the differential impact identified in 8 – 19 amount to there being the potential for adverse impact in this policy/ procedure/ practice?		N	
21. Can this adverse impact be justified: • on the grounds of promoting equality of opportunity for one group? • For any other reason?	Y	N	N/A
22. As a result of carrying out the equality impact assessment is there a requirement for further consultation?		N	
23 As a result of this EIA should this policy be recommended for implementation in it's current state?	Y		

Formatted: Bullets and Numbering

Formatted: Font: Arial

This page is intentionally left blank

AUDIT AND GOVERNANCE COMMITTEE

THURSDAY 26 MARCH 2015

REPORT OF THE HEAD OF INTERNAL AUDIT SERVICES

AUDIT & GOVERNANCE COMMITTEE SELF ASSESSMENT

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.

RECOMMENDATION

That Members of the Committee complete the self assessment checklist at Appendix A in order to formulate 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 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 in order to formulate an improvement plan if required.

RESOURCE IMPLICATIONS

None

LEGAL/RISK IMPLICATIONS BACKGROUND

None

SUSTAINABILITY IMPLICATIONS

None

BACKGROUND INFORMATION

None

REPORT AUTHOR

Angela Struthers, Head of Internal Audit Services ex 234

LIST OF BACKGROUND PAPERS

None

APPENDICES

Appendix A - Audit & Governance Committee Self Assessment 2014/15

Appendix A

Audit & Governance Committee Self Assessment 2014/15

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

Regulatory Framework Does the Committee take a role in overseeing • Risk management strategies • Annual Governance Statement • Anti-fraud arrangements • Confidential reporting policy • Financial regulations • Constitution • Complaints handling/ombudsman's report	
Accounts Does the Committee take a role in overseeing the annual statement of accounts	
Membership Has the membership of the committee been formally agreed and a forum set Is the chair free from executive or scrutiny functions Are members sufficiently independent of the other key committees of the council Have all members' skills and experiences been assessed and training given for identifying gaps	

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

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

AUDIT & GOVERNANCE COMMITTEE

26 MARCH 2015

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 re-adopted the 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.

Executive Summary

The Office of the Surveillance Commissioner (OSC) conducted an inspection into the RIPA policy, procedures, documentation and training on 6 October 2014 utilised at the Council. The outcome of the inspection was reported to Council on 16 December 2014. The recommendations arising from the inspection have been implemented and reported back to the OSC. The policy has been updated in line with the recommendations of the Commissioner and has been published. Training took place on 14 January 2015 for officers who previously had no RIPA training and for members with refresher training being delivered for those officers previously trained. The feed back form the training has been positive ad going forward training for RIPA will be added to the Corporate Training Programme.

Options Considered

Obligations arsing under RIPA for the authority are statutory therefore the only option is compliance.

Resource Implications

Support for the RIPA obligations and functions are met from existing budget and existing staff resources.

Legal/Statutory and Risk Implications

The recording of applications, authorisations, renewals and cancellations of investigations using covert surveillance techniques or involving the acquisition of communications data is covered by the Regulation of Investigatory Powers Act 2000.

The Regulation of Investigatory Powers Act was introduced to regulate existing surveillance and investigation in order to meet the requirements of Article 8 of the Human Rights Act. Article 8 states: Everyone had the right for his private and family life. His home and his correspondence, There shall be no interference by a public authority with the exercise of this right except such as in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic well-being of the Country, for the prevention of disorder or crime, for the protection of health or morals, or for the protection of the rights and freedoms of others.

RIPA investigations can only be authorised by a local authority where it is investigating criminal offences which (1) attract a maximum custodial sentence of six months or more or (2) relate to the sale of alcohol or tobacco products to children.

There are no risk management nor Health and Safety implications.

Sustainability Implications

The legislation requires the Authority to record and monitor all RIPA applications, keep the records up to date and report quarterly to a relevant Committee.

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 period from 1 January 2015 to the date of this report. The position will be updated at the meeting on 26 March 2015.

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.

Steps are being undertaken to compile a list of all equipment in use by the Council that could be used in surveillance. The list will ensure that equipment is stored and used properly this avoiding any breaches of the Code of Practice or legislation

Financial year 2014/15

Month	**Service**	**Reason**

No applications

Background papers

None

"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"

This page is intentionally left blank

AUDIT & GOVERNANCE COMMITTEE

26 March 2015

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 17 March 2015 in relation thereto.

Recommendation

That Audit and Governance Committee endorse the report of the Independent Remuneration Panel and the recommendations adopted by Council on 17 March 2015.

Background Information

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.

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.

The Members Remuneration Panel was convened on 22 December 2014.
It is a statutory requirement that a summary of the remuneration panel recommendations are published in a local newspaper. The recommendations will be published in the next edition of the Tamworth Herald.

The Council at its meeting on 17 March 2015 considered the report and determined a revised Scheme of Members Allowances, which will have effect from the start of the 2015/16 municipal year on 11 May 2015. The Council resolved to accept the recommendations of the panel which will reconvene in four years given that the allowances rely on indexation.

The Council determined a Basic Allowance per annum of £5,171 with 10% discount applied then repaid for all members who achieve 75% attendance at all of their scheduled meetings.

The Council determined an allowance of £45 per meeting under four hours duration and £90 for each meeting over four hours duration for Chairs of Licensing Sub-Committees and Co-optees.

For Members with special responsibilities the following Special Responsibility Allowances (SRA) per annum were determined as follows:

SRA Payable with 10% Discount applied then repaid when 75% attendance achieved in Municipal Year

	SRA £
SRA's PayableLeader (1)	12,942
Deputy Leader (1)	9,706
Other Cabinet Member (3)	8,412
Chair of Scrutiny (2)	5,823
Chair Planning	5,823
Chair Licensing	1,294
Chair Audit & Governance	3,235
Leader of Larger Opposition Group	5,823
Deputy Leader of Larger Opposition Group	3,235
Leader Minor Opposition Group	1,294

The Council determined removal of access to the Local Government Pension Scheme for members.

The Mileage Allowance for attending approved duties within the Borough is discontinued. For journeys taken by members outside the Borough the current rates of pay for travel and subsistence allowances and the approved duties to which they may be claimed are maintained.

That the following indices are applied to the remuneration and allowances:- Basic allowance, SRA AND Co-optees allowance indexed to the annual percentage pay rise for local government staff implemented from 1 April of the following year to which it applies to staff; Dependents Carer Allowance indexed to the hourly minimum wage applicable to the age of the carer; mileage allowance be indexed to the HMRC mileage rates and subsistence rates for Members be paid at the same rates as that of Officers.

Appendices

Appendix 1
A Review of Member's Allowances for Tamworth Borough Council; The Sixth Report by the Independent Remuneration Panel.
Appendix 2

Report to Council dated 17 March 2015
<u>Appendix 3</u>
Costing of recommended changes to Members Allowances Scheme for 2015/16

"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"

This page is intentionally left blank

A Review of

Members' Allowances

For

Tamworth
Borough Council

The Sixth Report

By the

Independent Remuneration Panel

Dr Declan Hall (Chair)
Navin Kalia
Stan Orton

March 2015

Foreword

This is the sixth report produced by the statutory Independent Remuneration Panel (the Panel) for Tamworth Borough Council. The first report (May 2002) was required by the *Local Government Act 2000*, 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.

The *Local Authorities (Members' Allowance) (England) Regulations 2003*[1] required the Council to reconvene the Panel to make recommendations on certain associated allowances before 31 December 2003. The limited recommendations (see 2nd Report December 2003) were again accepted by the Council. The third review in November 2005 arose out of changes in Council political structures. 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 the Council to seek fresh authority for indexation of allowances under what is known as the '4-year rule.' In addition to indexation the Council also accepted the Panel's other substantive recommendation mainly relating to the Leaders' SRA. The fifth review (March 2013) was also driven by the '4-year rule.' The Council also asked the Panel to take an overview of the whole Tamworth Borough Council Members' Allowances scheme to consider whether it was still fit for purpose. The Panel concluded that by and large it was fit for purpose *except* for one area: the Panel recommended that the Council introduce a performance element for their remuneration and that it would revisit it in 12-18 months time to assess its success and whether it needed amended or even extending, particularly in light of further implementation of the Localism Act 2011.

This (sixth) review is that revisiting of the performance related element of remuneration. The Panel is pleased to note that performance related remuneration for Members has not only been accepted in principle but appears to be working in practice. The Panel despite some support to do otherwise has decided not to extend performance related remuneration. The Council continues to face challenging times both financially and in terms of its governance. To further develop performance related remuneration at this stage is not appropriate - the current system is still bedding in. Consequently the Panel has recommended only minor changes that if accepted will result in some savings. This is however a reflection of changing pattern of work rather than an overt objective to find savings. The Council has done this and the Panel has accepted these policy decisions. Yet, as ever, the Panel continues to be cognisant of the need to balance this understandable principle by seeking to ensure financial barriers are not put in place for current and future Members to serve on Tamworth Borough Council.

Dr Declan Hall
Chair of the Tamworth Borough Council Independent Remuneration Panel
March 2015

[1] See Statutory Instruments 2003 Nos. 1021 for further details.

Executive Summary: Recommended Basic Allowance and SRAs 2015/16

Post	Basic Allowance	Special Responsibility Allowance	Maximum Total Per Member
All Members (30)	£5,171		£5,171
Leader (1)	£5,171	£12,942	£18,113
Deputy Leader (1)	£5,171	£9,706	£14,877
Other Cabinet Member (3)	£5,171	£8,412	£13,583
Chair of Scrutiny (2)	£5,171	£5,823	£10,994
Chair of Planning (1)	£5,171	£5,823	£10,994
Chair of Licensing (1)	£5,171	£1,294	£6,465
Chairs of Licensing Sub Committees (3)	£5,171	£45/£90 p/meeting	Variable
Chair of Audit & Governance (1)	£5,171	£3,235	£8,406
Leader of (Larger) Opposition Group (1)	£5,171	£5,823	£10,994
Deputy Leader (Larger) Opposition Group (1) *(when Group has 8 or more Members)*	£5,171	£3,235	£8,406
Deputy Leader (Larger) Opposition Group (1) *(when Group has 7 or less Members[2])*	*£5,171*	*£1,941*	*£7,112*
Leader Of (Minor) Opposition Group (1) *(when group has 4 or more Members)*	£5,171	£1,294	£6,465

The Panel also recommends

No change to the member performance framework
The Panel is not recommending at this stage that the performance framework is extended and the 75% attendance threshold is retained at least until experience of how the new expectation for Members to attend training seminars is gained.

Confirmation and exception to the 1-SRA only rule
The 1-SRA only rule is confirmed with *the exception* of the SRAs that are paid for chairing the Licensing Sub Committees.

[2] At present the (larger) Opposition Group has more than 7 Members so the higher SRA (3,235) is payable. If the (larger) Opposition Group was to have 7 or less Members then the Deputy Leader of that Group would be paid the lower SRA (£1,941). Similarly, the recommended SRA (£1,294) is only payable if that group has 4 or more Members).

Removal of reference to access to the Local Government Pension Scheme
That paragraph 6.12 "Local Government Superannuation Scheme" is removed from the published allowances scheme.

Co-optees' Allowance
The Co-optees' Allowance of £45 per meeting under 4 hours and £90 per meeting 4 hours or more is maintained.

Travel and Subsistence Allowances
The mileage allowance for attending approved duties within the Borough is discontinued. For journeys taken by Members outside the Borough the current rates payable for travel and subsistence allowances and the approved duties for which they may be claimed are maintained.

Moreover, the allowances scheme is explicitly clarified to reflect the expectation that Members are to submit relevant petrol receipts when they make mileage claims and to submit relevant receipts when claiming subsistence allowances. Furthermore, all travel and subsistence claims are to be submitted within the same time frame that is required from Officers. Exceptions will only be permitted with the approval of the Monitoring Officer.

The Dependants' Carers' Allowance (DCA)
No change to levels payable and scope of the Dependants' Carers Allowance.

Indexation
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, SRAs and Co-optees' Allowances:
- Indexed to the annual percentage salary increase for local government staff, where an annual increase is agreed, as published by the National Council for Local Government Services (at spinal column 49) to be implemented from 1 April of the following year to which it applies to staff.

Dependants' Carers' Allowance:
- Indexed to the hourly minimum wage applicable to the age of the carer.

Mileage Allowance:
- Mileage allowances rates indexed to the HMRC mileage rates.

Subsistence Allowances:

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

Implementation
That the recommendations contained within this Report be implemented from the first working day (11 May 2015) following the 7 May 2015 elections.

Refining the Model – Review in 2 years
That the Panel reconvenes in 2 years time to review the Members' Allowances scheme with specific reference to assessing whether to continue or extend the performance related element of remuneration and impacts of any changes in governance arrangements.

The Sixth Review of Members' Allowances

By the

Independent Remuneration Panel

For

Tamworth Borough Council

March 2015

Terms of Reference

1. This (sixth) report is a synopsis of the deliberations and recommendations made by the Panel reconvened by Tamworth Borough Council to advise the Council on its current Members' Allowances scheme in accordance with the recommendations of the fifth review of allowances (paragraph 33, March 2013) which states:

> 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.

2. Accordingly Panel has been convened to specifically assess the success of the performance element of remuneration and to consider whether revisions if any are required.

3. The Council took the opportunity to present the Panel with general terms of reference, namely to review the key elements of the Members' Allowances scheme, taking into account any recent changes in governance or workloads and to make any necessary amendments necessary in relation to the following:

A. As to the amount of basic allowance that should be payable to 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

The Panel

4. Tamworth Borough Council reconvened its statutory Independent Remuneration Panel consisting of the following Members, namely:

- Navin Kalia:
  - an accountant with the University Hospitals Birmingham NHS Foundation Trust
- Declan Hall PhD (Chair):
  - a former academic at Institute of Local Government, The University of Birmingham, now an independent consultant specialising in members' allowances and support
- Stan Orton:
  - retired and a North Warwickshire resident with an interest and background in local government

5. The Panel was supported by Lara Allman, Democratic and Election Services Officer and Jane Hackett, Solicitor to the Council and Monitoring Officer. The Panel would like to record its gratitude to the Members and Officers of Tamworth Borough Council for making themselves available to meet with the Panel and supporting its work during this review.

Process and Methodology

6. As a limited review the approach adopted was based on the principle that the resources devoted to the review should match the probable conclusions, i.e., recommending only minor amendments. 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 outcome.

7. As per the fifth review the Panel Chair undertook the initial planning, research, benchmarking and considering the evidence and writing up the first draft of report. In doing so the Chair visited the authority on 24 June 2014 to obtain an initial briefing from Officers to scope out the review. There was a subsequent visit on 8 December 2014 by the Chair to meet with a number of leading Members to discuss the terms of reference. The interviews obtained the views of the groups on Council and raised a number of specific concerns. In addition, all Members were invited to make written submissions to the Panel. Appendix 1 lists those Members and Officers who met with the Chair and Panel, and those Members who made a written submission.

8. Finally, all the evidence and representations have been reviewed and evaluated within the comparative context. 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 - which in turn was subsequently reviewed by the full Panel. See Appendix 2 for the list of written information the Panel considered.

9. Consequently, the Panel convened on 22 December 2014 at Marmion House, Tamworth, to meet with 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.

Key Messages and Observations

Recognising the economic climate - council and panel driven savings

10. Ideally, the role of the Panel is to assess what the roles and posts under review are worth based on the evaluation of the evidence, taking into account such variables as workloads and responsibility. However, the Panel cannot *but* be sensitive to the current economic climate, a point emphasized by all the interviewees. The Council has already agreed and continues to explore a number of measures that will automatically decrease spending on members' allowances regardless of the recommendations of this review. Specifically the Council has agreed as of 10 December 2014 to reduce the number of Cabinet Members from 6 to 5 (including Leader and Deputy Leader). While each of the remaining Cabinet Members will take on extra responsibilities there was no suggestion their SRA should be increased proportionately. It is a policy decision to seek savings by trying to 'do more with less', a policy decision the Panel has accepted and has not sought to compensate by reallocating the inherent savings across fewer post holders

11. Similarly, there is a proposal to reduce the number of Overview and Scrutiny Committees from 2 to 1. At this juncture, it is simply that - a proposal but it is

envisaged that all of the current remit and workloads carried out by 2 Overview and Scrutiny Committees would be carried out by its single successor committee. The Panel understands that part of the driver behind this proposal is to seek further savings. Consequently, the case to increase the SRA for a single Chair of Overview and Scrutiny on a proportional basis is limited. If there was a single Overview and Scrutiny Committee there may be a stronger case to pay the Vice Chair a small SRA. However, the proposal on Overview and Scrutiny has not yet been accepted, it might not be adopted or could be adopted in a different form and the Panel has no way of knowing what the impacts will be if the proposal is adopted. So the Panel is not recommending any change to the SRA to the Chair[s] of the Overview and Scrutiny Committee whether there are 1 or 2 committees going forward. The Panel will revisit the impact of any changes in structures in its next review.

12. Regardless, the Panels' recommendations, if adopted by the Council, will lead to further identifiable savings of at least £3,236[3] on the current spend on Members' Allowances (see below for details). This has not been driven by a desire to find savings but arises out anomalies in the current scheme due to changing member roles.

The Localism Act 2011 - Limited Impacts at this stage

13. Previously the Panel also flagged up that it would assess the staged implementation of the Localism Act 2011. In general, the Localism Act 2011 has yet to have major impacts on the roles of Members across the board. The power of general competence, changes in how planning policies are developed, enhanced powers for local communities, new freedoms for local area committees where established and the ability of the Council to return to the old committee system if it wishes has not had a noticeable impact on the roles of all Members with the exception of the Chair of Audit & Governance which the Panel has addressed (see below).

Benchmarking

14. Benchmarking - see Appendix 3 - by and large shows that compared to the comparator group of authorities that the levels payable in Tamworth is either marginally above (e.g., Basic Allowance) or noticeably above (e.g., Cabinet Members) the average paid in the comparator group. However, the Panel is content that these apparent anomalies can stand up to public scrutiny and that Tamworth Members Allowances are not excessive in the comparative context. In particular, there are fewer Members in Tamworth than in the comparator authorities and the number of SRAs payable is limited in Tamworth. While the SRAs for the Chair of Licensing and the Deputy Leader of the (Larger)

[3] This figure does not include savings arising from any changes in structures implemented by the Council, the discontinuation of the travel allowance for within the Borough and any penalties imposed for not reaching 75% attendance threshold. Nor does it include the £45 per meeting for the Chairs of Licensing Sub Committees.

Opposition Group are addressed below the few SRAs that remain as outliers need to be taken in context:

- Cabinet Members - As of 10 December 2014 there is one less cabinet member, leaving five in total which is half the legal maximum and insofar as can be ascertained all the comparator councils have more cabinet members where they operate an executive model. Thus, although Tamworth pays a higher SRA (£8,412) to Cabinet Members compared to the average (£6,745) in the benchmarking group the total spent on the executive function is less due to fewer executive members in Tamworth.

- Chairs of Overview and Scrutiny - While the SRA (£5,823) paid the Chairs of Overview and Scrutiny in Tamworth is higher than the average (£4,303) paid in the benchmarking group Tamworth is unusual in only having two such committees; many of the comparator councils have more than 2 scrutiny committees or also remunerate their Vice Chair[s] of Scrutiny. Again, the total allowances spent on the overview and scrutiny function is less than that in many comparator authorities. Moreover, if the Council does go down to a single Overview and Scrutiny Committee, the total spent on that function will be reduced further.

Minor amendments only required

15. The key message gained from reviewing all the oral and written evidence and representations received was that the current scheme remains broadly fit for purpose taking into account the current financial context and there should only be minor adjustments to the scheme. This was a unanimous view of all the Member interviewees.

Recommendations

No change to the member performance framework

16. The performance element of remuneration has now been in operation since May 2013. The Panel is pleased to note that the performance element of remuneration has been successful in that two key concerns have been met:

- Improved attendance: The first year of operation (2013/14) for the member performance framework has had a degree of success regarding its first objective: boosting Members attendance at meetings. There was a noticeable improvement in Members attendance in 2013/14 compared to 2012/13. Last year only 4 Members fell below the 75% attendance threshold compared to 7 Members failing to do so in 2012/13.[4] No Member in receipt of an SRA has failed to reach the 75% attendance target. This

[4] There was an 8th Member who failed to attend 75% of meetings in 2012/13 but that was due to bad health, which the performance framework takes into account and therefore not counted for the penalty to be applied.

improvement has been maintained so far this year and may well be bettered by the year's end.

- Non-attendance penalised: The second objective, establishing a link between attendance and remuneration, has also been realized. Members not reaching the 75% attendance threshold last year had financial penalties implemented, via the withholding of the 12th monthly instalment of the Basic Allowance, a deduction of £431 apiece. Saying that non-attendance has been penalised it a sign of success after the principle was adopted by the Council may appear to be an exercise in circular logic. However, it must be remembered that collectively Members are the final arbiter of their own remuneration and the acceptance of a lower remuneration by Members not reaching the 75% attendance target represents a step change in a context where Members have traditionally been paid the same Basic Allowance regardless of whether they attend one approved duty every six months (the statutory minimum) or one approved duty every other day. It is not uncommon for councils to insert a penalty clause in their allowances scheme for when Members do not attend a certain percentage of meetings but it is uncommon for the clause to be implemented when there is no compulsion on the part of Members to do so.

17. The majority of representations received supported the view that the performance framework for remuneration has been successful and generally accepted by all Members. However, a number of representations argued that the current performance framework should extended, partly as a further money saving exercise, in a number of ways:

Adding a second financial penalty below a 50% attendance threshold

18. There was a view that as the performance framework had worked it should be extended further principally through adding a second lower attendance threshold penalty trigger. In other words, if 75% of approved duties are not attended the current penalty of £517 would still apply to the Basic Allowance and if applicable relevant SRAs *and* if 50% of approved duties are not attended then a second penalty of £517 would be imposed with a similar parallel provision extended to SRAs. The suggestion that a lower 2nd threshold of 50% attendance is needed is not borne out by the improvement in attendance - all Members for 2013/14 and so far this year are either attending in excess of 50% of their scheduled meetings or are on target to do so.

Cover the whole meeting and more types of meetings

19. There were three distinct points raised here:

- Include meetings of the Licensing Sub Committees: currently those Members who sit on the 3 Member Licensing Sub Committees do not have those meetings included in their formal attendance figures for performance purposes. This is appropriate due to the ad-hoc nature of the Licensing Sub Committees. They are not scheduled meetings, they meet as and when. Members attend on a voluntary basis based on availability. They should not be included within the performance framework.

- Include training seminars: as Members are now expected to undertake training relevant to their committee then it was argued that training seminars should be included in the performance framework. The Panel notes that training is going to be treated more seriously but was informed that if a Member does not undertake the relevant training then they will be asked to step down from the relevant committee. Consequently, at this stage, the Panel has decided to see how the expectation to attend training plays out and whether it is an issue for the future.

- Attendance for whole meeting: There should be a requirement it was argued, to attend the whole meeting for it to count towards the 75% threshold for the full Basic Allowances to be payable. If a Member signs out after 10-15 minutes, as it was suggested some do, then it should not count as an 'official' attendance. This is a repeat of the criticism of the old attendance allowance, and one reason it was abolished. To ensure all Members attend meetings for their full length becomes resource intensive both to monitor and enforce and places an overemphasis on formal attendance at meetings.

20. Moreover, the balance of representation received indicated that it was not the right time for the performance framework to be extensively developed. There will be savings in any case through the reduction in cabinet members (and by one less Overview and Scrutiny Committee if proposal is accepted) as well as through further recommendations of this review (see below). In addition, there is a possibility in the next year or so that the total number of councillors will be reduced which in itself will result in savings and the Panel would want to see how a reduction in councillor numbers impacts on workloads before it extended the performance framework. It must be remembered that Tamworth Borough Council by creating a stronger link between members' allowances and their performance is in the vanguard of member performance remuneration - to push too far too quickly could leave the Council overexposed.

21. **Consequently, the Panel is not recommending at this stage that the performance framework is extended. Moreover, that threshold remains unchanged at 75% at least until experience of how Members are meeting the new requirement to attending training seminars is gained**.

Refining the Model – Review in 2 years

22. Now that the principle of having a performance framework for Members remuneration has been established the Panel is keen to revisit the whole area in light of potential changes to the council over the next 2 years.

23. **The Panel recommends it convenes in 24 months to review the Members' Allowances scheme with specific reference to assessing whether to continue or extend the performance related element of remuneration and to refine accordingly in light of further governance changes**.

Special Responsibility Allowances - Chair of Audit and Governance Committee

24. Previously, the Panel flagged up it would revisit its recommended SRA for the Chair of the Audit and Governance Committee. The committee has expanded its remit since the last review. The audit function has developed in accordance with new government audit guidelines in that Audit and Governance Committee now has to approve financial returns. Generally there is a greater emphasis on audit with for example the committee being involved in the preparation of audit reports and annual governance statement (self assessment). A sign of this is that the external auditors now attend the meetings of the committee and the Chair is required to liaise more with the external auditors.

25. In addition the Audit and Governance Committee has acquired responsibility for the residual Standards functions not otherwise assigned to the Monitoring Officer and Independent Person (IP) under the requirements of the Localism Act 2011. While this has not significantly impacted on the responsibility of the Chair of Audit and Governance it does have the potential to do so.

26. All this adds up to a strong case to pay a larger SRA to the Chair of the Audit and Governance Committee, a view also supported in the representations made to the Panel. In setting the appropriate level benchmarking is of limited value as the mean SRA (£2,247) paid to Chairs of Audit in the comparator authorities does not compare like with like, as some councils retain a separate Standards Committee with a remunerated chair, e.g., Newcastle Under Lyme £2,830, while not all the other benchmarked Audit Committees have responsibility for governance. The model adopted in Tamworth is distinctive.

27. The Panel has decided that current ratio utilised (15%% of the Leader's SRA) to set the SRA for the Chair of Governance and Audit should be increased to 25% of the Leader's SRA, which equals £3,235. **It is recommended that the SRA for the Chair of Audit and Governance be increased to £3,235**.

The Chair of the Licensing Committee

28. The nature of this committee has also changed. The Licensing Committee now meets less frequently (typically twice per year), with the bulk of the work regarding licensing applications being dealt with by Licensing Sub Committees. The SRA for this post is currently £5,823 which is no longer defendable. The

Panel has decided this SRA should be reduced to reflect not simply the workload which is minimal but also the potential responsibility regarding licensing policy and set it at 10% of the Leader's SRA.

29. **The Chair of the Licensing Committees' recommended SRA is £1,294**.

Chairs of the Licensing Sub Committees (3)

30. Conversely, much of the on-going work of Licensing is handled by the Licensing Sub Committees. They consist of 3 or 4 Members and appoint a Chair on the day and deal with licensing applications when any objections are made. There is a case to take some of the savings resulting in the lower recommended SRA for the Chair of Licensing and assign it to the Chairs of the Licensing Sub Committees. However, the variation in who chairs the Licensing Sub Committees and in how often they meet makes it difficult to recommend a standard sum. For instance, in the past 2 years one Member chaired 15 Licensing Sub Committees while One Member only chaired two in total during the same period. Similarly, last year the Licensing Sub Committees met 16 times with 5 further meetings cancelled or applications withdrawn. This year so far there have only been 4 Licensing Sub Committees with 3 cancelled or withdrawn.

31. Benchmarking is of limited value as none of the comparator authorities remunerate their Licensing Sub Committee Chairs. This is either because licensing appeals are not a big issue or the Chair and often the Vice Chair have a lead role in the appeals process for which they receive their SRA.

32. Due to the ad hoc nature of the Licensing Sub Committees and the practice of appointing a Chair on the day the Panel has decided that the current arrangements in remunerating Co-optees (£45 per meeting) should be replicated in determining the appropriate SRA for the Chairs of the Licensing Sub Committees. **It is recommended that the Chairs of the 3 Licensing Sub Committees receive an SRA of £45 per meeting that lasts under 4 hours and £90 for meetings of 4 or more hours**.

Deputy Leader of the (larger) Opposition Group - a 2 tier SRA

33. The current SRA (£3,235) for to the Deputy Leader of the (larger) Opposition Group is on a par with the recommended SRA for the Chair of the Audit & Governance Committee. Benchmarking shows this SRA is somewhat of an anomaly. It is a post that is only paid in two of the comparator councils and even then at a lower level, Lichfield £570 and North Warwickshire £1,745.

34. The relatively high SRA for the Deputy Leader of the (larger) Opposition Group dates to when there was no overall control of the Council and the Deputy Leader of the (larger) Opposition Group has a council business role and was generally more high profile. As things stand the (larger) Opposition Group

remains substantial in size (12) and the Deputy Leader of the (larger) Opposition Group has a notable role to play mostly through assisting Leader of the (larger) Opposition Group in specific duties as required and set out in the role profile. In this case the Panel has decided that there should be no change the current SRA payable as long as the (larger) Opposition Group has 25% (8) or more of the council membership.

35. **It is recommended that where the (larger) Opposition Group has at least 25% of council membership (8 or more Members) then the SRA payable to the Deputy Leader of the (larger) Opposition Group remains at £3,235**.

36. However, if the larger Opposition Group was to decrease in size to less than 25% of council membership, or less than 8 members, then the current SRA should be reduced to 15% of the Leader's SRA which is £1,941.

37. **It is recommended that if the (larger) Opposition Group falls below 8 Group Members then the SRA payable to the Deputy Leader of the (larger) Opposition Group be reduced to £1,941**.

Leader of Other (minor) Opposition Group - 4 or more members

38. The Panel received representation that there could be a scenario whereby the Leader of the Other (minor) Opposition Group merited an SRA, namely if it reached a critical mass. The Panel accepted the argument in principle and benchmarking shows that this post is paid in just under half the comparator councils with the average SRA being £2,305. Moreover, it is a not uncommon for such an SRA to be payable once a minor opposition group has a certain percentage of council membership. e.g., 10% in East Staffordshire and Newcastle-under-Lyme and the Panel proposes that a similar approach is adopted in Tamworth in that an SRA to the Leader of the Other (minor) Opposition Group becomes payable if the group has more than 10% of the council membership, which is 4 Members. In determining the appropriate level the Panel has maintained its methodology in arriving at SRAs by setting as a ratio of the Leader's SRA, in which case 10%.

39. **The Panel recommends that if the Other (minor) Opposition Group attains 4 or more members that the Group Leader receives an SRA of £1,294**.

Other Special Responsibility Allowances

40. The Panel considered whether there was a case to consider revision of other SRA or add posts to or omit posts from the current SRA schedule but no evidence was received to make a compelling case for further reform.

41. **The Panel recommends that the current scope and levels of other SRAs remain the same for 2015/16 subject any application of an index**.

Exception to the 1-SRA only Rule

42. **The Panel confirms the 1-SRA only rule *with the exception* of the SRAs paid for chairing the Licensing Sub Committees**.

Removal of reference to access to the Local Government Pension Scheme

43. Since April 2014, membership of the Local Government Scheme (LGPS) has been closed to new Members and those Members already in the LGPS will have to leave once their current term of office ends. For Tamworth, it only affects a handful of elected Members. Nonetheless, the allowances scheme needs up dating to reflect changes in legislation.

44. **The Panel recommends that paragraph 6.12 "Local Government Superannuation Scheme" is removed from the published allowances scheme**.

Co-optees' Allowance

45. Currently, the allowance scheme contains provision for a Co-optees' Allowance payable as follows:

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

46. At present it is only payable to Co-opted Members on the Nominations Committee which meets as and when. No evidence was received to suggest the Co-optees' Allowance required amendment. **The Panel recommends that the Co-optees' Allowance of £45 per meeting if under 4 hours and £90 per meeting if 4 hours or more is maintained.**

Travel and Subsistence Allowances

The Mileage Allowance - within the Borough

47. The Panel received representation that one means of saving further money on the allowances would be to discontinue the right of Members to claim a travel allowance for attending approved duties within the Borough. The Panel had sympathy with this argument, not necessarily on cost savings grounds; rather on grounds of it being rarely claimed. The reality is that Tamworth Borough Council is less than 12 square miles and travel to and from approved duties within the Borough does not impose an onerous cost upon Members, for many it is negligible. For the vast majority of Members, such as the Leader and other senior Members, where travel from home to council offices may impose a

perceptible cost they are in receipt of an SRA which is largely to compensate for their time and responsibility must also be seen to bear some of the marginal costs of holding such a post.

48. **The Panel recommends that the mileage allowance for attending approved duties within the Borough is discontinued**. This does not preclude Members claiming for public transport costs it they are required to attend approved duties in the Borough subject to the agreement of the Monitoring Officer.

Petrol and Subsistence receipts and timely claims

49. Representation was received to the effect that if Members attach relevant petrol receipts when the submit claims for mileage it makes it easier to claim back the VAT. Similarly, when subsistence claims are made receipts should be submitted. Also, it would be administratively less cumbersome for the Council if relevant travel and subsistence claims were submitted in a timely fashion. The Panel recognises that it is not always possible to produce petrol receipts for every vehicle journey undertaken and there may be valid reasons in delaying submission of travel and subsistence claims yet both of these practices are standard procedures that Officers observe and Members should be expected to abide by them. **Consequently, the Panel recommends that the allowances scheme is clarified to alert Members to the fact that they are normally expected to submit relevant petrol receipts when they make mileage claims and it is requirement for subsistence claims. In addition, all travel and subsistence claims will be submitted within the same time frame that is applicable to Officers. Exceptions will only be permitted with the approval of the Monitoring Officer**.

50. **The Panel recommends that the current rates payable for travel and subsistence allowances when attending approved duties outside the Borough are maintained**.

The Dependants' Carers' Allowance (DCA)

51. Legislation specifically enshrines the right of Members to claim a Dependants' Carers' Allowance (DCA) to assist with the costs caring for any dependents 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.

52. **The Panel recommends no change to the scope and levels payable for the Dependants' Carers Allowance, including the relevant indices**.

Indexation

53. While the Panel provided authority to index allowances for 4 years from 1 April 2013 the Panel has decided to provide further authority for another 4 years from 1 April 2015.

54. The Panel points out that if the principle of indexing allowances is not adopted by the Council it will not be 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.

55. **The Panel recommends that authority for the Council to index allowances is refreshed and the following indices applied to the remuneration and allowances paid to Members of Tamworth Borough Council**:

Basic Allowance, SRAs and Co-optees' Allowances:

- Indexed to the annual percentage salary increase for local government staff, where an annual increase is agreed, as published by the National Council for Local Government Services (at spinal column 49) to be implemented from 1 April of the following year to which it applies to staff.

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 mileage rates.

Subsistence Allowances:

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

Implementation

56. **The Panel recommends that the recommendations contained within this Report be implemented from the first working day (11 May 2015) following the 7 May 2015 local government elections**.

Appendix One

Members and Officers who met with the Chair and Panel

Members

Cllr Danny Cook:	Leader of Council and Conservative Group
Cllr Chris Cooke:	Leader of Independent Group
Cllr Marion Couchman:	Labour Member
Cllr Maureen Gant:	Chair of Audit & Governance Committee (Conservative)
Cllr John Faulkner:	Deputy Leader of the (Labour) Opposition Group

Written Submissions from Members

Cllr Tina Clements:	Chair of Aspire & Prosper Committee & Licensing Committee Member (Conservative)
Cllr Marion Couchman:	Labour Member
Cllr Maureen Gant:	Chair of Audit & Governance Committee (Conservative)
Cllr Michael Greatorex:	Heritage Champion & Conservative Member
Cllr Tony Madge:	UKIP Member
Cllr Patrick Standen:	Labour Member

Officers

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

Appendix Two

Information Received and Reviewed by the Panel for Tamworth Borough Council – Member Allowances Review 2015

1. Panels’ terms of reference

2. Consolidated Guidance for panels re-issued 2006 by Department Of Local Government and Communities.

3. Statutory Instrument 2003 No. 1021, *The Local Authorities (Members' Allowances) Regulations 2003*

4. Tamworth Borough Council Members’ Allowances scheme 2014/15

5. Copies of Allowances schemes (2013/14) paid in comparator authorities

6. The Fifth Report by the Independent Remuneration Panel, March 2013

7. Summary of Members’ Attendance records 2012/13 and 2013/14 and to end of calendar year 2014

8. Breakdown of number of Licensing Sub Committee meeting, including who was appointed Chair, for 2013/14 and so far this year up to end of 2014

9. Schedule of meetings and list of Committees, including membership for 2013/14 and 2014/15

10. Member role profiles including post holder, where available

11. Revised portfolios of Leader, Deputy Leader and 3 other Cabinet Members

Appendix Three: Allowances paid the Staffordshire and Immediate Neighbour Districts 2014/15

BM 1: Tamworth BC Comparator Group: BA plus Executive, Scrutiny & Civic Head SRAs 2014/15

Authority	Basic Allowance	Leader	Leader Total	Deputy Leader	Other Cabinet Members	Cabinet Member w/o Portfolio	Chair[s] of Scrutiny	V/Chair Scrutiny	Chair Health Scrutiny	Chair Council	V/Chair Council
East Staffs	£4,540	£18,417	£22,957	£9,208	£9,208		£1,842				
Cannock Chase	£5,339	£18,150	£23,489	£9,260	£8,025		£6,791		£1,853		
Lichfield	*£3,020*	*£11,360*	*£14,380*	*£6,820*	*£6,250*		*£2,270*			*£2,740*	*£820*
North Warwickshire	*£4,942*	*£10,987*	*£15,929*		*NA*		*£4,983*		*£1,745*		
North West Leicestershire	*£3,699*	*£14,795*	*£18,494*	*£9,247*	*£5,548*		*£4,808*			*£3,699*	*£462*
Newcastle Under Lyme	*£3,285*	*£13,590*	*£16,875*	*£9,510*	*£5,660*	*£2,830*	*£2,830*	*£1,130*			
South Derbyshire	*£6,034*	*£18,096*	*£24,130*	*£9,947*	*£9,039*	*£2,259*	*£9,039*	*£2,259*			
South Staffs	*£5,000*	*£10,000*	*£15,000*		*£5,000*		*£2,500*				
Stafford	*£3,837*	*£8,800*	*£12,637*	*£7,278*	*£5,529*		*£3,103*				
Staffordshire Moorlands	*£2,902*	*£9,565*	*£12,467*	*£5,739*	*£4,783*		*£3,348*	*£1,913*		*£1,435*	
Tamworth BC	*£5,171*	*£12,942*	*£18,113*	*£9,706*	*£8,412*		*£5,823*				
Highest	£6,034	£18,417	£24,130	£9,947	£9,208	£2,830	£9,039	£2,259		£3,699	
Lowest	£2,902	£8,800	£12,467	£5,739	£4,783	£2,259	£1,842	£1,130		£1,435	
Mean	£4,343	£13,337	£17,679	£8,524	£6,745	£2,545	£4,303	£1,767		£2,625	
Median	£4,540	£12,942	£16,875	£9,247	£5,955	£2,545	£3,348	£1,913		£2,740	

BM 2: Tamworth BC Comparator Group: Main Regulatory SRAs

Authority	Chair of Planning	V/Chair of Planning	Chair of Licensing	V/Chair Licensing	Chair of Audit	Chair HR or Employment Appeals	Members HR Appeals	Chair Public Protection or Appeals	V/Chair Public Protectio n	Chair Standards	V/Chair Standards
East Staffs	£5,526		£5,526		£924					£924	
Cannock Chase	£4,322		£1,853		£1,853						
Lichfield	£6,250	£2,270	£2,270	£570	£2,270	£2,270				£50 p/meeting	
North Warwickshire	£4,983		N/A				£260			£293	
North West Leicestershire	£4,808		£4,808		£4,808						
Newcastle Under Lyme	£4,230	£1,410	£3,430	£1,130	£2,830			£3,430	£1,130	£2,830	£1,130
South Derbyshire	£9,039	£2,259	£2,259								
South Staffs	£2,500		£2,500		£2,500					£2,500	
Stafford	£4,067	£3,385	£1,523		£2,223	£3,611		£1,523		£902	
Staffordshire Moorlands	£3,348	£957	£3,348	£957		£1,913				£2,391	£478
Tamworth BC	*£5,823*		*£5,823*		*£1,941*						
Highest	£9,039	£3,385	£5,823	£1,130	£4,808	£3,611				£2,830	
Lowest	£2,500	£957	£1,523	£570	£924	£1,913				£293	
Mean	£4,991	£2,056	£3,334	£886	£2,419	£2,598				£1,640	
Median	£4,808	£2,259	£2,924	£957	£2,247	£2,270				£1,658	

BM 3: Tamworth Comparator Group Opposition & Other SRAs & Co-optees 2014/15					
Authority	**Main Opposition Leader**	**Main Opposition Deputy Leader**	**Other Opposition Group Leaders**	**Area Chairs**	**Other SRAs/Comments**
East Staffs	£9,208		£1,842		Co-optees £211
Cannock Chase	£6,791				Chair Policy Development £1,853
Lichfield	£2,270	£570			£570 SRA to Chair of Parish Forum Co-optees £44 per meeting
North Warwickshire	£1,162 + £233 p/mbr	£1,745	£1,162 + £233 p/mbr	£873	£1,745 SRA to Chairs of Housing + Safer Communities Sub Committee
North West Leicestershire	£3,699				50% of 2nd SRA payable
Newcastle Under Lyme	£1,130		£1,130		Vice Chair of Audit £1,130
South Derbyshire	£9,039				Tele Allow £300
South Staffs	£2,500				
Stafford	£4,400		£2,900		£1,523 SRA to Chair of Joint Parking. SRAs for Planning Chair & Employee Appeals paid quarterly only if post holder has chaired a meeting that quarter
Staffordshire Moorlands	£3,348		£3,348		£1,913 SRA to Chair Constitution Review WP + Member Development Champion V/Chair of Employment Appeals £478
Tamworth	*£5,823*	*£3,235*			*Co-optees £45 p/meeting*
Highest	£9,208	£3,235	£3,348		
Lowest	£1,130	£570	£1,130		
Mean	£4,821	£1,850	£2,305		
Median	£4,050	£1,745	£2,371		

Page 263

This page is intentionally left blank

COUNCIL

17 March 2015

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 as **Appendix 1**,

Recommendations

Council is recommended to consider the Panel's report and:

a) **Adopt the recommendations in full or**
b) **Adopt the recommendations in part and put forward alternative recommendations for those not accepted or**
c) **Reject the recommendations in full and put forward alternative recommendations.**

Executive Summary

The Members Remuneration Panel was convened on 22 December 2014 and their recommendations and deliberations are attached as **Appendix 1** to this report.

It is a statutory requirement that a summary of the independent remuneration panel recommendations, whether the authority has made or amended the Scheme of Allowances, and the period of time for which the scheme will have effect, are all published in a local newspaper. This will be undertaken following the Council meeting.

Council is requested to consider the recommendations of the panel and after taking regard thereof either accept the proposals or put forward reasonable alternatives.

The amended scheme (either as approved following the Panel's recommendations or following Council Proposals) is to be adopted following the elections on 7 May 2015.

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

Options considered

This is a statutory obligation and a legal requirement.

Implications of this report

Should the Council decide to adopt the proposed scheme to come into effect from 11 May 2015, the financial implications would mean a reduction in budget for Members Allowances from 2015 / 16 onwards of £3,235.. This saving has been built in to base budget following approval of the Medium Term Financial Strategy (MTFS) by Council on 24th February 2015.

Other recommended changes e.g. discontinuing mileage allowance for attending approved duties within the Borough and paying an SRA of £45 per meeting under 4 hours/ £90 per meeting of 4 hours or more to the Chair of Licensing Sub-Committees are not easily quantifiable given that they depend on the level of duties and claims in the year, but should not have a significant financial effect. **Appendix 2** contains a summary of the proposals for easy reference

It should be noted that the panel is recommending it reconvene in 2 years time to review the Members Allowance Scheme. The legislation allows an authority where the allowances have regard to indices to rely on the indexation for a period of four years before seeking a further recommendation of the panel. Accordingly the Council has to decide whether a review in two years time is appropriate.

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.

Background Information

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

All Councils are required to convene an Independent Remuneration 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.

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

List of Background Papers

The Local Government and Housing Act 1989
The Local Government Act 2000
The Local authorities (Members' allowances) (England) Regulations 2003

Appendices

Appendix 1
A Review of Member's Allowances for Tamworth Borough Council; The Sixth Report by the Independent Remuneration Panel.
Appendix 2
Costing of recommended changes to Members Allowances Scheme for 2015/16

This page is intentionally left blank

Appendix 2

Costing of recommended changes to Members Allowances Scheme for 2015/16

Role	Current Special Responsibility Allowance (SRA)	Recommended SRA	Change for budget 2015/16
Leader of the Council	£12,942	£12,942	£0
Deputy Leader of the Council	£9,706	£9,706	£0
Member of Cabinet (other than Leader and Deputy)	£8,412	£8,412	£0
Chairs of Scrutiny Committees	£5,823	£5,823	£0
Chair of Planning Committee	£5,823	£5,823	£0
Chair of Audit & Governance Committee	£1,941	£3,235	£1,294
Chair of Licensing Committee	£5,823	£1,294	-£4,529
Chairs of Licensing Sub-Committees	£0	£45/90 per meeting	New proposal
Leader of the (larger) Oppositions Group	£5,823	£5,823	£0
Deputy Leader of the (larger) Opposition Group	£3,325	£3,325	£0
Deputy Leader of the (larger) Opposition Group (when group has 7 or less members	£0	£1,941	New proposal
Leader of Minor Opposition Group (when group has 4 or more members	£0	£1,294	New proposal
Effect on budget 15/16			-£3,235

Other proposed changes

Removal of reference to access to the Local Government Pension Scheme.

Discontinuance of mileage allowance for approved duties within the Borough.

Basic Allowance, SRA's and Co-optees Allowances indexed to the annual percentage salary increase for local government staff.

Dependant Carer Allowance indexed to the hourly minimum wage applicable to the age of the carer.

Mileage Allowance indexed to HMRC mileage rates.

Subsistence Allowances indexed to the same rates applicable to Officers.

NO CHANGE

To the member basic allowance currently £5,171

To the member performance framework.

The 1-SRA only rule confirmed with the exception of the SRA's paid to Chairs of Licensing Sub-Committees.

Co-optees allowance maintained at existing rates.

REVIEW

The Panel seeks to reconvene in 2 years time.

Planned Reports to Audit & Governance Committee (Draft)

	Report	Committee Date	Report of	Comments
1	Internal Audit annual & quarterly update	**May**	Head of Internal Audit	
2	Risk Management quarterly update	**May**	Head of Internal Audit	
3	Review of the effectiveness of Internal Control Environment	**May**	Head of Internal Audit	To include the review of the effectiveness of internal audit, compliance with PSIAS, roles of the CFO and HIAS
4	Counter Fraud update	**May**	Head of Internal Audit	
5	Role of the Audit Committee	**May**	Grant Thornton	Presentation/training
1	Draft Annual Statement of Accounts	**June**	Executive Director Corporate Services	
2	Annual Governance Statement & Code of Corporate Governance	**June**	Head of Internal Audit	
3	Review of the Constitution & Scheme of Delegation for Officers	**June**	Solicitor to the Council and Monitoring Officer	
4	Audit & Governance Committee Update	**June**	Grant Thornton	
5	Fee Letter	**June**	Grant Thornton	
6	RIPA Quarterly Report	**June**	Solicitor to the Council and Monitoring Officer	

	Report	Committee Date	Report of	Comments
1	Annual Statement of Accounts	**September**	Executive Director Corporate Services	
2	Audit Findings Report	**September**	Grant Thornton	
3	Internal Audit quarterly update	**September**	Head of Internal Audit	
4	Risk Management quarterly update	**September**	Head of Internal Audit	
6	Treasury Management Strategy Statement and Annual Investment Strategy Mid-year Review Report 2013/14	**September**	Executive Director Corporate Services	
7	RIPA Quarterly Report	**September**	Solicitor to the Council and Monitoring Officer	
8	Local Government Ombudsman's Annual Review and Report 2013/14	**September**	Solicitor to the Council and Monitoring Officer	
1	Annual Audit Letter 2013/14	**October**	Grant Thornton	
2	Internal Audit quarterly update	**October**	Head of Internal Audit	
3	Risk Management quarterly update	**October**	Head of Internal Audit	
4	Annual Governance Statement update	**October**	Head of Internal Audit	

	Report	Committee Date	Report of	Comments
5	Members/Standards	**October**	Solicitor to the Council & Monitoring Officer	
6	Anti Money Laundering Policy	**October**	Solicitor to the Council & Monitoring Officer	
1	Audit Report on Certification Work 2013/14	**January**	Grant Thornton	
2	Audit Progress Report	**January**	Grant Thornton	
3	Internal Audit quarterly update	**January**	Head of Internal Audit	
4	Risk Management quarterly update	**January**	Head of Internal Audit	
5	Counter Fraud update	**January**	Head of Internal Audit	To include review of Counter Fraud Policy and Whistleblowing Policy
6	Review of Financial Guidance	**January**	Head of Internal Audit	
7	RIPA Quarterly Report	**January**	Solicitor to the Council and Monitoring Officer	
8	Treasury Management mid year monitoring report	**January**	Executive Director Corporate Services	
1	Final Accounts 2014/15 – Action Plan	**March**	Director of Finance	
2	Draft Audit Plan	**March**	Grant Thornton	
3	Draft Certification Work Plan	**March**	Grant Thornton	

	Report	Committee Date	Report of	Comments
4	Audit Committee Update	**March**	Grant Thornton	
5	Auditing Standards	**March**	Grant Thornton	
6	Internal Audit Charter and Audit Plan	**March**	Head of Internal Audit	
7	Audit & Governance Committee Self Assessment	**March**	Head of Internal Audit	
8	RIPA Quarterly Report	**March**	Solicitor to the Council and Monitoring Officer	
9	Treasury Management Strategy and Prudential Indicators	**March**	Executive Director Corporate Services	

Portfolio Holder CS - Portfolio Holder for Corporate Services & Assets