

# Public Document Pack



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## GOVERNANCE AND AUDIT COMMITTEE

13 JANUARY 2011

A meeting of the Governance and Audit Committee will be held at **6.30 pm on Thursday, 13 January 2011** in the Austen Room, Council Offices, Cecil Street, Margate, Kent.

### Membership:

Councillor Savage (Chairman); Councillors: Mrs Russell (Vice-Chairman), Day, Mrs Johnston, Mrs Lodge-Pritchard, Mrs B Nicholson, Peppiatt and McCastree

## A G E N D A

Item  
No

Subject

1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF INTEREST**  
To receive any declarations of interest. Members are advised to consider the extract from the Standard Board Code of Conduct for Members, which forms part of the Declaration of Interest Form at the back of this Agenda. If a Member declares an interest, they should complete that Form and hand it to the Officer clerking the meeting.
3. **MINUTES OF PREVIOUS MEETING** (Pages 1 - 10)  
To approve the Minutes of the Governance and Audit Committee meeting held on 28 September 2010, copy attached.
4. **ACTION POINTS FROM PREVIOUS MEETINGS** (Pages 11 - 18)
5. **NATIONAL FRAUD INITIATIVE**  
To receive a presentation from Financial Services.
6. **QUARTERLY GOVERNANCE PROGRESS REPORT** (Pages 19 - 100)
7. **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) PROGRESS REPORT AND UPDATED TIMETABLE** (Pages 101 - 104)
8. **MID YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT REPORT** (Pages 105 - 116)

Item  
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Subject

9. **BUDGET AND RENT SETTING REPORT AND TREASURY MANAGEMENT STRATEGY REPORT 2011/12 - 2013/14** (Pages 117 - 136)
10. **INTERNAL AUDIT PROGRESS REPORT** (Pages 137 - 174)
11. **ANNUAL AUDIT LETTER 2009/10** (Pages 175 - 192)
12. **FUTURE ITEMS OR TRAINING FOR THE COMMITTEE**

**Declaration of Interest form - back of agenda**

# Agenda Item 3

## GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 28 September 2010 at 6.30 pm in Austen Room, Council Offices, Cecil Street, Margate, Kent.

**Present:** Councillor Jason Savage (Chairman); Councillors Mrs Russell, Day, Mrs Johnston, Mrs B Nicholson, Campbell and Mrs Kirby

**95. ALSO PRESENT:**

Sarah Martin – Financial Services Manager  
Nikki Morris – Corporate Governance and Risk Officer  
Sarah Carroll – Corporate Resources Manager  
Andy Mack - District Auditor – Audit Commission  
Lisa Robertson – Audit Manager – Audit Commission  
Christine Parker – Head of the East Kent Internal Audit Partnership

**96. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Mrs Lodge-Pritchard, Peppiatt and Cameron.

Councillor Campbell was substitute for Councillor Mrs Lodge-Pritchard and Councillor Mrs Kirby was substitute for Councillor Peppiatt.

**97. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**98. MINUTES OF PREVIOUS MEETINGS**

The minutes of the Governance and Audit Committee meetings held on 22 June and 29 June 2010, were approved and signed by the Chairman.

**99. ACTION POINTS FROM PREVIOUS MEETINGS**

The Governance and Audit Committee Action Plan indicated actions required from the meetings of the 22 June and 29 June 2010. The action to investigate re-instigation of Clean Food Awards is in progress and will be reported back to the December 2010 meeting. The position regarding a review of the provision of a crèche for staff is that although there are currently no plans for this provision, it may be considered in the future. It was emphasised by Members that this provision would make life easier for working families.

Members noted the report.

**100. EFFECTIVE AUDIT COMMITTEES**

Members received the presentation on 'Effective Audit Committee' from Christine Parker, Head of the East Kent Internal Audit Partnership. The difference between a Scrutiny

Committee and Governance and Audit Committee was emphasised. Governance is an opportunity for Members to robustly challenge the systems of internal control with an unbiased attitude. The terms of reference in respect of these committees clearly indicates the role expected of them.

A Governance and Audit Committee needs to have an unbiased attitude to auditors, Cabinet and Corporate Management Team but can challenge both Cabinet and CMT when required. An Audit Committee can scrutinise financial and non-financial performance and is a demonstration of good governance.

Corporate governance is effective leadership who are committed to do the right thing, the right way at the right time (with the right people in place).

An effective audit committee raises the profile and importance of internal control, risk management and financial reporting but it has to be independent of the Executive.

Members received the presentation.

## 101. **RISK MANAGEMENT PRESENTATION**

Members received a presentation from Nikki Morris, Corporate Governance and Risk Officer. The presentation included a quiz regarding Risk Management. Members participated and the following questions and results are shown below:-

### **Question 1 – What is a Risk**

	<u>Results</u>
1. The chance that something will happen, for good or bad	17%
2. The measure of the effect of something happening for good or bad	17%
3. Something that might happen	0%
4. An uncertain event that will affect the organisation and its objectives	67%

### Answer

*4 – an uncertain event that will affect the organisation and its objectives*

- If we knew the details of what a risk was, when it would occur and what the effect would be, then it would be a fact, not a risk. Risks are all about uncertainty.
- Risks are objectives, because they absorb resources, change perceptions and alter priorities. Hence, they can change what the objectives are, as well as if, how and when we achieve them.

### **Question 2 – Risks are...**

#### Results

1. Only ever bad	0%
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2.	Only ever good	0%
3.	Either bad or good	33%
4.	Both bad and good	67%

Answer

*4 – both good and bad*

- Risks have good and bad consequences.
- We tend to call “good” risks *opportunities*. The bad side of an opportunity is the failure to take or maximise it.
- “Bad” risks have a good side, by presenting opportunities;
  - knowing how to avoid the same situation in future
  - identifying where improvements can be made
  - giving staff new skills and experiences.
- However, risks are usually perceived as bad, not good.

<b><u>Question 3 – The aim of risk management is to...</u></b>		<u>Results</u>
1.	Manage the health and safety of people	0%
2.	Ensure the effect on the organisation achieving its objectives is minimised	50%
3.	Manage insured items, (people, buildings, vehicles, equipment)	17%
4.	Eliminate all risks	33%

Answer

*2 - Ensure the effect on the organisation achieving its objectives is minimised*

- Total elimination of risk is unachievable and unhealthy-we need risk as a stimulant for change and progress.
- Risks affect objectives, so risk management is about managing the status of the organisation and its ability to achieve those objectives.

<b><u>Question 4 – What percentage of risks is estimated to be uninsurable</u></b>		<u>Results</u>
1.	80%	0%
2.	50%	0%
3.	33%	33%

4. 20% 67%

Answer

1 – 80%

- Insurance applies to tangible assets – property, cars, money, etc. and liabilities, (the tangible costs of being responsible for something).
- However, insurance cannot cover the intangible – you cannot insure your reputation, loss of skills as staff leave the organisation, poor decision making, failure to exploit opportunities, etc.
- How much do these cost? How can you measure it?

**Question 5 – When you insure a risk, you...**

	<u>Results</u>
1. Transfer the cost and the responsibility	17%
2. Transfer some of the cost, but not the responsibility	67%
3. Reduce the likelihood of the risk	0%
4. Pay a premium up front, then nothing else, so fixing your costs	17%

Answer

2 - *Transfer some of the cost, but not the responsibility*

- Insurance is a “risk funding mechanism” – it pays out after the event, if an insured risk occurs.
- But, you cannot pass on all of your responsibilities to the insurer.
- For example, if we injure an employee through our negligence, who gets sued in court? If we commit a criminal offence, who pays the penalty? Who gets the criticism in the press? Not the insurer?

**Question 6 – How many stages are there in the risk management Process**

	<u>Results</u>
1. One	0%
2. Two	0%
3. Three	17%
4. Four	83%

Answer

4 – *Identification, assessment, control and monitoring & review of risks*

- Identify – what could happen?
- Assess – how likely it is to happen and how significant would it be if it did?
- Control – put into place appropriate actions to limit the risk or the effect it would have.
- Monitor & Review – feed back into the identification stage. Are the controls effective, has the ride changed.

**Question 7 – Who is responsible for managing risks**

**Results**

1.	Everyone – we all face risks in what we do	83%
2.	Staff at “the sharp end” – they are the ones more often at risk	0%
3.	Members and senior managers they control the organisation	0%
4.	Middle managers and budget holders – they control the deployment of resources	17%

**Answer**

*1 – everyone*

- Risks occur at all levels in an organisation, from the strategy set by the board down to the day-to-day actions of the staff at the “sharp end”.
- Some risks are common to all and require everyone to play their part, e.g. fire, access to premises, fraud.
- Some risks require different actions at different levels, e.g. a high level objective requires middle level tactics to be put into effect via lower level actions.
- However, we’re all involved.

**Question 8 – In managing risks; you can...**

**Results**

1.	Terminate the activity that gives rise to the risk	17%
2.	Reduce the likelihood and/or the impact of the risk	83%
3.	Accept the risk as it is	0%
4.	Pass the risk to someone else	0%

**Answer**

*1 (terminate), 2 (treat), 3 (tolerate) and 4 (transfer) – they should all be Considered for each risk*

- Terminate – not always an option, (statutory duties).
- Treat – often achievable, but the effort needs to be proportionate and cost effective.

- Tolerate – if the risk is low enough for you to tolerate, (or by default if you have no other choice!).
- Transfer – via contracts, indemnities, insurance, etc. (But remember that you can only pass some of the risk).

END.

Once the annual review is completed it will be published on the website.

Members received the presentation.

## 102. QUARTERLY GOVERNANCE PROGRESS REPORT

Nikki Morris outlined the report which provides the Governance and Audit Committee with progress on governance related issues. The table below provides a summary of the corporate risk register for the period June to August 2010 and takes into account the current climate. Although risks have increased in some areas control measures are in place.

Directorate	No of risks per area	Risk review overdue	Risk rating		
			Increased	Reduced	Remained the same
Community Services	1	0	0	0	1
Customer Services and Business Transformation	0	0	0	0	0
Finance and Corporate Services	16	0	4	2	10
Environmental Services	1	0	0	0	1
Regeneration Services	2	0	0	0	2
<b>Total</b>	<b>20</b>	<b>0</b>	<b>4</b>	<b>2</b>	<b>14</b>

Having identified the risks it is then necessary to assess which are going to pose the greatest threat or opportunity, by looking at both the **probability** of the risk occurring and the **impact** that might result, producing the overall **risk rating**. These scores are not intended to provide precise measurements of risk but to provide a useful basis for identifying vulnerabilities or opportunities, ensuring that any necessary actions are undertaken.

Members were asked to refer to the Governance and Audit Committee guidance pack which has a section on 'risk on a page' and summarises the strategy.

Each risk needs to be allocated an owner who will be responsible for and lead on the management of that risk, taking forward any required action to minimise the risk.

With the announcement of the disbanding of the Audit Commission the issues for Audit Committees in Local Government were discussed and the effects it could have.

The Partnership Framework for Thanet District Council at annex 6 to the report gives an overview to the process and the requirements if you are involved in partnership working or are looking to work in a partnership. The partnership assessment asks for confirmation of the significance of the partnership, whether Major, Moderate, Limited or Minor and for a review to be carried out on an annual basis of the contents of the Partnership database.



Moved by Councillor Mrs Johnston and seconded by Councillor Mrs Nicholson that:

“Members noted the content of annexes 1, 2, 5 and 6 and identified issues on which they required more clarification

– *Annex 6, Partnership Framework overview, definition of Major, Moderate, Limited and Minor in reference to the significance of the partnership*  
and

that Members approve the changes to the Risk Management Strategy and Process documents and recommended that the Strategy be sent to the 11 November 2010 Cabinet for approval”

MOTION ADOPTED.

### **103. TREASURY MANAGEMENT QUARTERLY UPDATE**

The Financial Services Manager, Sarah Martin summarised the report which updates Members on what Treasury activity has take place since the last Governance and Audit Committee meeting on 29 June 2010.

There is a possibility of a new fund opening called the ‘Public Sector Deposit Fund’. This is supposed to give a reasonable rate of return with low management fees and will operate in a similar way as a money market fund. This is something the council are closely following the progress of with a view to potentially invest in the fund if it meets our counterparty criteria. This would then come back to the Governance and Audit Committee.

Members noted the report.

### **104. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) PROGRESS REPORT AND UPDATED TIMETABLE**

Sarah Martin introduced the report which updated Members on progress in relation to the adoption of International Financial Reporting Standards (IFRS) for 2010/11.

In addition to the specified timetabled items (Annex 1) the criteria for classification of certain assets is much stricter under IFRS such that assets held for sale and investment properties may require reclassification as property plant and equipment. This exercise will be completed October-December 2010 as part of the accounts restatement.

Guidance confirms that existing leases where the authority is the lessor, that are signed before 1 April 2010 can continue to be treated as operating leases with rental income credited to general fund budgets, but leases signed after 1 April 2010 will need to be assessed under IAS517 to consider whether they need to be accounted for as finance leases, requiring an element of rental income being treated as a capital receipt. This means there is no impact on existing budgets but future income streams may be affected.

It was also noted that the Finance team were required to report on all annual leave and flexi leave that may be still outstanding at year end.

Members had some concerns with regard to valuations but Christine Parker, referring to the CIPFA Guidance, confirmed that considerable improvement had taken place over the last two years, with the valuation team having been significantly strengthened. Further

work is required to deal with some outstanding issues, which need to be addressed to maximise the portfolio's performance and enhance returns. These issues are being proactively managed, with a view to resolving them by the end of the current financial year.

Members asked that a valuation officer attend the next meeting of the Governance and Audit Committee (7 December 2010) to advise of the valuation process.

Members noted the report.

**105. FINAL AUDITED STATEMENT OF ACCOUNTS FOR 2009/10**

The District Auditor from the Audit Commission, Andy Mack summarised this report which is for Members to note amendments made to the approved Financial Statement of Accounts. This item was taken in conjunction with agenda item 13 – Annual Governance Report.

Members noted the report.

**106. INTERNAL AUDIT PROGRESS REPORT**

Christine Parker introduced the report which gives Members a summary of the internal audit work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the East Kent Audit Partnership to the 30 June 2010.

Of the 19 completed audits 5 received a substantial assurance level, 7 reasonable, 1 was Limited, 2 were split and 4 where an assurance level was not applicable. An emphasis on Employee Health and Safety processes had been taken due to insufficient progress being made in implementing the majority of the controls to reduce the identified risks. The original audit opinion stands as Limited Assurance.

This matter has now been escalated to the Council's s.151 Officer, Management Team (via Governance Group on 6 September 2010) and Members of the Governance and Audit Committee who had requested that this follow-up be reported upon within this East Kent Audit Partnership Audit quarterly report to the September 2010 meeting.

Management Response

Whilst the formal agreement is not yet in place in respect of this service, the council in partnership with the East Kent Shared HR Partnership have been making active improvement to the health and safety service and once embedded the Audit Partnership are confident that the measures taken will result in a much improved assurance level. Examples of the work which has been undertaken to date are at Annex 1 to the report.

Members had concerns regarding non-compliance of Contract Standing Orders. Christine advised that systems were now in place to ensure that procedures were correctly followed. Training had also been given to the relevant officers.

Moved by Councillor Campbell and seconded by Councillor Mrs Johnston that:

“Members receive the report

and

that the changes to the agreed 2010-11 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of the report be approved”

MOTION ADOPTED.

**107. AUDIT COMMISSION PROGRESS REPORT**

Lisa Robertson, Audit Manager from the Audit Commission introduced the report which provides the Governance and Audit Committee with a progress report against the audit plan.

Andy Mack advised Members that on 13 August 2010 the Secretary of State announced that the Government were abolishing the Audit Commission. At the end of the 2011/12 Audit it is anticipated that the Audit Commission would cease to exist in its current format. The onus would be on Local Authorities to explore various procurement options, possibly as individual Councils or in groups, East Kent or all across Kent for example. He added that the Audit Commission had a duty of care and would maintain focus. Updates would be given at future meetings. The possibility of a mutual organisation was being explored by the Audit Commission.

Members noted the report.

**108. ANNUAL GOVERNANCE REPORT 2009-10**

Andy Mack introduced the Annual Governance report to the Governance and Audit Committee. He gave his thanks to the S151 Officer, Sue McGonigal and Financial Services Manager, Sarah Martin for the hard work that they and their team had contributed.

At appendix 2 to the report it shows amendments to the draft accounts and included two adjusted misstatements. Andy confirmed that he believed the effects of the uncorrected financial statements misstatements listed are not material to the financial statements, whether individually or in aggregate. These misstatements have been discussed with those charged with governance within the Council.

Suggestions for possible improvements to next year's accounts were made and included:

- Depth of knowledge and experience on 'working papers'
- Training of staff building a team over time
- Allow more time for completion of accounts

Andy added that the Audit Commission were happy to sign the Statement of Accounts for 2009/10.

Moved by Councillor Campbell and seconded by Councillor Mrs Johnston that:

"Members note the revisions made to the Financial Statements for 2009/10

and

Members agree with Management's decision not to make the amendments for the errors shown at Appendix 3 to the Audit Commission's Annual Governance Report

and Members agree the draft letter of representation as shown at Annex 3 to the report"

MOTION ADOPTED.

**109. FUTURE ITEMS OR TRAINING FOR THE COMMITTEE**

Members were asked to consider future items or training for the Governance and Audit Committee. Suggestions for the December 2010 were:

- National Fraud Initiative
- International Financial Reporting Systems (IFRS)
- Governance Framework/Local Code of Corporate Governance

Members agreed that the 'National Fraud Initiative' would be the preferred option.

Meeting concluded : 8.55 pm

## Governance and Audit Committee Action Plan

G & A meeting	Action	Owner	Target date	Progress	Feedback / Comments
28-Sep-10	Consult through the next Staff Survey on the provision of creche facilities for staff. SC to discuss with SMcG.	SC	31-Aug-11	IP	
28-Sep-10	Partnership Framework to be amended to include a definition of the different significance assessments.	NM		C	Revised document emailed to Members - 08/10/10 by S Glover
28-Sep-10	The Risk Management Strategy be sent to Cabinet (11 November 2010) for approval.	NM	13-Oct-10	C	Emailed to Democratic Services 11/10/10 for inclusion on agenda. Agreed by Cabinet on 11 November 2010.
28-Sep-10	G & A requested that someone from Property Services attend the December meeting to update on property related issues, in particular the valuation process.	SG	13-Jan-11	C	Email sent to Brian White and Geoff Musk - 05/10/10 by S Glover. Agreed at the Governance Group - 7 December 2011, that BW provide a briefing note to be circulated with the agenda for the 13 January 2011 meeting.
22-Jun-10	Investigate re-instigation of Clean Food Awards	MH	13-Jan-11	C	We are unable to progress the score on the doors for Food Safety due to the cost which is in the region of £10,000. We do need to monitor this as there is possibly going to be a change of statute which will require us to do it.
22-Jun-10	Provide update from Cabinet report on tourism grants and how we are going to get this back.	HP	13-Jan-11	C	The Head of Legal & Democratic Services reviewed six tourism grants totalling £12,935 where Finance considered there was evidence of non compliance with the grant conditions. One of the grant recipients, Beeping Bush Limited, has since been dissolved and grant recovery will not be possible for this reason. So far as the five remaining grant recipients are concerned, it was noted in all but one case that 50% of the grant awarded was paid on approval and the balance paid on proof of implementation. In every case, the second tranche of grant funding had been paid over following certification by a Council Officer. In the fifth case payment had been made in four stages, the last three stages being paid on certification by the Council.

G & A meeting	Action	Owner	Target date	Progress	Feedback / Comments
					<p>Consequently, in the opinion of the Head of Legal &amp; Democratic Services, the Council does not have a reasonable prospect of successfully recovering any of these five grants for breach of the condition which entitles the Council to reclaim grant monies if the grant conditions are not complied with because certification and payment by the Council stands as evidence of compliance with the grant conditions, not evidence of non compliance.</p> <p>In addition, although the grant conditions also state that grants will be repayable in full if a proposal is not sustained for at least one year, there was no evidence on the grant files of any subsequent monitoring to establish how long a proposal had been sustained for. As it will be for the Council to prove that a proposal was not sustained for a year, not for the grant recipient to prove that it was, there is also no reasonable prospect of successfully recovering grant monies for breach of the condition requiring a proposal to be sustained for more than one year.</p> <p>As a result, it has not been necessary for the Head of Legal &amp; Democratic Services to consider whether any of the grant recipients could still be traced for the purpose of serving proceedings and he has recommended that these six debts are written off as irrecoverable.</p>

**Key:**

SMcG Sue McGonigal  
SM Sarah Martin  
CP Christine Parker  
SW Simon Webb  
SC Sarah Carroll  
HP Harvey Patterson  
NM Nikki Morris  
MH Madeline Homer  
SG Sue Glover

**Key:**

C Completed  
IP In progress

## THE VALUATION PROCESS

To: **Governance & Audit Committee - 13 January 2011**

Main Portfolio Area: **Regeneration and Economic Development**

By: **Justin Thomson**

Classification: ***Unrestricted***

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**Summary:** **At the meeting on the 28<sup>th</sup> September, the Committee was advised that a number of issues had been addressed, in relation to valuation. The Committee asked that a valuation officer be present at the next meeting.**

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### **1.0 Introduction and background**

1.1 Governance and Audit expressed interest in the purpose of property valuation, and how valuation operates at TDC.

1.2 This briefing note provides the information sought.

1.3 The Council's resources, like any other organisations' may be considered as;

- Cash
- Employees
- Property
- Equipment

1.4 TDC has a duty to ensure that it regularly monitors all of these assets to fulfil its statutory duty and shows residents that it is using resources effectively.

1.5 There are two sets of rules setting how property must be valued. These are:

- i) Accountancy Regulations: CIPFA Code of Practice for Local authority Accounting; (IFRS) International Financial Reporting Standards
- ii) Royal Institution of Chartered Surveyors Valuation Standards 6<sup>th</sup> Edition and Property Law

1.6 The s151 officer has a statutory duty to maintain the Council's asset register, together with accurate valuations of its property portfolio and to make sure that its financial accounts provide a fair and accurate representation of the Council's financial position.

1.6.1 The Council's portfolio has a total value of £69.3m, as at 31.3.2009. This is updated annually, on a rolling five year basis, at least 20% of the portfolio is valued each year.

## **2.0 Information**

### **2.1 The Asset Management Strategy**

All properties are entered on the Asset Register.

For each property the following details must be kept up to date.

- Valuation
- Repair/maintenance
- Rent reviews

Thanet had a backlog of incomplete records. In addition to this, it did not have up to date maintenance schedules for each property, could not ensure that it carried out rent reviews, within the prescribed time scale, under the terms of the lease (therefore risk of missing rent increases) and did not have up to date valuations on all property. Over the past three years these issues have been addressed.

### **2.2 Categories of Property**

The level of income derived from a property will depend on its use. Broadly, retail premises attract the highest rents, followed by offices and industrial premises. There may be exceptions to this generalisation, which are affected by local market conditions. All properties on Thanet's Asset Register fall into one of the following categories.

- i) Used for direct service delivery e.g. Margate Offices, Crematoriums etc.
- ii) Leased to Thanet Leisure Force e.g. Winter Gardens, Swimming Pool etc.
- iii) Commercial Properties e.g. industrial estates, the Port and Marina.
- iv) Community facilities e.g. Sea Cadets, Age Concern etc.
- v) Parks and Seafront promenades

### **2.3 Valuations**

These must be carried out by appropriately qualified surveyors, with relevant professional experience, in accordance with CIPFA and RICS guidance. At TDC there are three appropriately qualified surveyors, one Fellow of the Royal Institution of Chartered Surveyors and two Members of the Institution; who, between them, have well over 40 years of experience. This has been gained in both the public and private sectors, covering the full spectrum of the different types of property, including port operations.

The process, for a traditional freehold investment valuation, is as follows:



1 Check the physical extent of the asset.

2 Establish the rental value

i) Even if the property is let and income producing, the rent payable may be below its market value, so the valuation will reflect the prospect of an increased rent from the next review date or next opportunity to increase the rent.

3 Determine the investment yield that should be adopted.

i) This is done to calculate a multiplier that reflects the security of the income stream generated from the property, the calibre of the tenant, position of the property, market trends and other sales or rental evidence.

ii) Investment yields have historically varied from sub 4% to around 25% and sometimes more. This is relevant because the lower the yield, the higher the multiplier and vice versa. A yield of 4% produces a multiplier of 25 and conversely, a yield of 25% produces a multiplier of 4. This multiplier is then used to capitalise the rental income.

A low yield demonstrates a good secure investment, secured by modern lease terms, with potential for regular income growth; a financially robust tenant, who is likely to want to continue trading in a prime location, which is in demand, such as the High Street of a good market town, which has no vacant units.

Taking an example from the Thanet portfolio:

#### 2.4 **Former Marks and Spencers Store, High Street, Margate**

As has been recently publicised, Margate has the highest retail vacancy rate in the Southeast, which is reflected in the value of the property. At the peak of the market, the value of the M&S store might have attracted a yield in the region of 4%, giving a multiplier of 25. However, in the most recent valuation, the multiplier used was significantly below that figure and has more than halved i.e a much higher investment yield was adopted to reflect the lack of tenant and general uncertainty.

The reason for this is twofold:

1 There has been a large decline in values in the High Street, which has affected yields generally.

2 The store is no longer occupied or income producing and the rental value is now estimated to be half what it was, when let.

In this sort of situation, it is therefore necessary to make a judgement as to when the building might become income producing. So, the estimated rental value is deferred for that period. In this case, it has been estimated that the building would not be income producing for 2 years, so the multiplier has been deferred for that period to reflect that judgement. That further reduces an already reduced multiplier.

Therefore, considering the two main elements in the valuation; both the rent and the appropriate multiplier have been drastically reduced, to reflect:

- 1 Property is vacant and deterioration of the High Street
- 2 Rents have declined severely

- 3 The calibre of a future tenant's covenant that might be attracted
- 4 The relative insecurity of the potential income
- 5 The lack of current income and likely void before income could be expected
- 6 Costs of holding the property whilst vacant

This therefore has a triple negative impact on value. Firstly, the estimated rental value has fallen sharply. Secondly, that income stream will not be received immediately and therefore needs to be deferred. Third, the yield has also increased significantly to reflect these uncertainties, which results in a much lower multiplier. The current value is therefore significantly below what it was at the peak.

## 2.5 Specialised Properties

The rules of the Royal Institution of Chartered Surveyors stipulate that surveyors carrying out asset valuations need to be professionally qualified. Of equal importance, they are also required to have relevant, recent experience of valuing the types of property under consideration.

So, for example, the Port of Ramsgate requires periodic valuation, as with the rest of the portfolio. This consists of a lot of specialised structures, such as the pontoons and breakwaters, which require specialist valuers, to carry out the valuations. The Valuation Office has specialist building surveyors who are experienced in this type of work. They have therefore been instructed to carry out the current port valuation, in so far as this cannot be done 'in house'.

## 2.6 Rental Income

Over the last three years, rental income has remained relatively static, in spite of the worst recession for 70 years, at just over £1.1million p.a. This does not include income from property in the 'new port', to the west of the Royal Harbour. Two large lettings have been documented over the last year, which together, will add £163,000 p.a of income, when fully implemented towards the end of next year. Significant progress has also been made towards letting or selling long leases at the Eurokent Business Park, which is helping to maintain income.

In the current economic climate, it is difficult to predict the future, particularly as the recent public sector cuts that have been announced are likely to have an impact on the economy but this will take some time to be reflected in economic activity and gauge what effect they will have. In the last year more vacancies have occurred in our property but new lettings have also been achieved.

During this period, the Estate Department has also been able to catch up with outstanding rent reviews, which has helped to offset reductions that might have arisen due to vacancies. All of these factors, together are helping to maintain income against a background of very poor economic conditions. Further port related lettings are also anticipated, in the short term.

This emphasises the need to keep up to date with rent reviews and achieve lettings of vacant property, to take opportunities to increase income from the portfolio.

## 2.7 Conclusions

Significant progress has been made in bringing records up to date. These have been computerised, which makes the task of monitoring and entering any changes much easier. As has been demonstrated, good accurate information is a basic element of

good estate management and providing accurate valuations. This practice needs to continue.

In tandem with this, more control has been introduced into the rent review process, to enable all available income to be assessed and documented. As has been shown, income received bears a direct relationship to value and therefore it is imperative that good records are maintained and that rent reviews are implemented when they are due, so that values can reflect the maximum rents available.

### **3.0 Options**

3.1 This report is for information.

### **4.0 Corporate Implications**

#### **4.1 Legal**

The valuation process needs to be undertaken on an annual basis by qualified staff, to ensure the section 151 officer's statutory obligations are fulfilled.

#### **4.2. Corporate**

4.2.1. This process is consistent with effective asset management.

#### **4.4. Equity and Equalities**

There are no implications to be considered under this heading.

### **6.0 Decision-making Process**

There are no decisions required.

**Contact Officer:** Justin Thomson, Tel: (01843) (57)7053

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## QUARTERLY GOVERNANCE PROGRESS REPORT

To: **Governance and Audit Committee – 13 January 2011**

Main Portfolio Area: **Finance and Corporate Services**

By: **Corporate Governance and Risk Officer**

Classification: **Unrestricted**

Ward: Not applicable

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**Summary:** To provide Governance and Audit Committee with a progress report on governance related issues.

### For Information and Decision

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#### 1.0 Introduction and Background

1.1 This report provides Governance and Audit Committee with an update on governance related issues. The items covered in this report are:

- 2.1 Corporate risk register
- 2.2 Annual Governance Statement 2009/10 action plan
- 2.3 Governance Framework and Local Code of Corporate Governance annual review
- 2.4 Business Continuity Management Strategy and Policy

#### 2.0 The Current Situation

##### 2.1 Corporate risk register

2.1.1 Attached at **annex 1** is a copy of the corporate risk register. Governance and Audit Committee need to be confident that the risk management process is being followed, such as ensuring reviews are being undertaken and target dates for implementing control measures are met.

2.1.2 The table below provides a summary of the corporate risk register for the period September to December 2010.

Directorate	No of risks per area	Risk review overdue	Risk rating		
			Increased	Reduced	Remained the same
Community Services	1	0	0	0	1
Customer Services and Business Transformation	0	0	0	0	0
Finance and Corporate Services	15	0	0	2	13
Environmental Services	1	0	0	0	1
Regeneration Services	2	0	0	0	2
<b>Total</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>17</b>

## 2.2 Annual Governance Statement 2009/10 action plan (including G & A annual report half yearly monitoring)

- 2.2.1 For the period 2009/2010 the council prepared an Annual Governance Statement (AGS) which was agreed by Governance and Audit Committee on the 22 June 2010.
- 2.2.2 Within the Annual Governance Statement 2009/10 areas of concern identified from the numerous assessments into our governance arrangements were detailed within Section 6 'Significant governance issues'.
- 2.2.3 The council proposed to take steps to address these matters and report on the action plan to this Committee on a regular basis. The action plan is attached at **annex 2** for Members information.
- 2.2.4 The table below provides a summary of the Annual Governance Statement 2009/10 action plan.

Section	No of actions	Comment outstanding	Comment provided	No of actions completed
1.	2	0	2	0
2.	14	0	14	3
3.	4	0	4	4

1. Within this section are the governance issues identified in previous Annual Governance Statement action plans, which have not been completed for various reasons and will therefore be updated and incorporated into the 2009/10 action plan
2. The identified areas detailed below have arisen from our numerous assessments into the council's governance arrangements for 2009/10 and have been deemed to be significant by the Governance Group. These will be addressed during 2010/11 and for those already actioned an update has been provided.
3. To comply with best practice the Governance and Audit Committee determined that it would consider annually whether it meets its terms of reference and how it has impacted on the internal control environment. The Committee carried out the National Audit Checklist and identified some actions which it recommends will improve performance against best practice for the forthcoming year. These issues have already been actioned and an update is provided but will continue to be monitored to ensure they are effective.

## 2.3 Governance Framework and Local Code of Corporate Governance annual review

- 2.3.1 The Governance Framework (version 5) has undergone a review and is attached at **annex 3** with track changes for Members ease.
- 2.3.2 The Local Code of Corporate Governance (version 5) has also been reviewed and is attached at **annex 4**. The updates that have been made take into account any changes to processes, source documents or best practice guidelines, comments on actions throughout the previous year and any plans for improvement intended within the forthcoming period.
- 2.3.3 There are two processes detailed within the Local Code which are not currently in place, these being member role descriptions and continual professional development for members. As it states within the Code, it is suggested that this be taken forward after the elections in May 2011.

## **2.4 Business Continuity Management Strategy and Policy**

2.4.1 The council's approach to business continuity management has been reviewed, as the previous process was too unwieldy and was not fit for purpose. The work undertaken has simplified the process and ensures that the council is better able to respond to an incident should the need arise. The council has also carried out its first desk top exercise, which was very interesting.

2.4.2 A report was taken to Corporate Management Team on the 6 December, in which they were asked to approve the reviewed process documents, including the updated Strategy and Policy which is attached at **annex 5**. This document now comes before this Committee to agree, before going onto Cabinet for formal approval.

## **3.0 Options**

3.1 That Members note the content of annex 1, the Corporate Risk Register and identify any issues on which they require more clarification.

3.2 That Members note the content of annex 2, the Annual Governance Statement 2009/10 action plan and identify any issues on which they require more clarification.

3.3 That Members approve the changes to the Governance Framework (annex 3) and Local Code of Corporate Governance (annex 4).

3.4 That Members agree the revised Business Continuity Management Strategy and Policy (annex 5) and recommend forwarding this to Cabinet for their approval.

## **4.0 Corporate Implications**

### **4.1 Financial**

4.1.1 There are no financial implications arising directly from this report.

### **4.2 Legal**

4.2.1 There are no legal implications arising directly from this report.

### **4.3 Corporate**

4.3.1 The Annual Governance Statement Action Plan is a corporate document that addresses the areas of improvement identified as necessary through the Annual Governance Statement process.

### **4.4 Equity and Equalities**

4.4.1 There are no equity or equalities issues arising from this report.

### **4.5 Risks**

4.5.1 Failure to undertake these processes will impact on the council's approach to Corporate Governance.

## 5.0 Recommendation(s)

5.1 That Members note the content of annexes 1 and 2 and identify any issues on which they require more clarification.

5.2 That Members approve the changes to the Governance Framework and Local Code of Corporate Governance (annexes 3 and 4).

5.3 That Members agree the revised Business Continuity Management Strategy and Policy (annex 5) and recommend it be forwarded to Cabinet for their approval.

## 6.0 Decision Making Process

6.1 These recommendations do not involve the making of a key decision and may be taken by the Governance and Audit Committee.

Future Meeting if applicable:	Date: December 2011 (for annual review)
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Contact Officer:	Nikki Morris, Corporate Governance and Risk Officer, DDI 01843 577625
Reporting to:	Sarah Carroll, Corporate Resources Manager, DDI 01843 577188

### ***Annex List***

Annex 1	Corporate Risk Register
Annex 2	Annual Governance Statement 2009/10 action plan
Annex 3	Governance Framework (Version 5)
Annex 4	Local Code of Corporate Governance (Version 5)
Annex 5	Business Continuity Management Strategy and Policy

### ***Background Papers***

Title	Details of where to access copy
Annual Governance Statement 2009/10	Members Portal, Council website ( <a href="http://www.thanet.gov.uk">www.thanet.gov.uk</a> ) and hard copy within Corporate Resources, first floor, Cecil Street Offices, Margate
Delivering Good Governance in Local Government guidance and framework (CIPFA / SOLACE documents)	Within Corporate Resources, first floor, Cecil Street Offices, Margate

### ***Corporate Consultation Undertaken***

Finance	Not applicable
Legal	Not applicable



## Risk Register

Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p><b>Risk Ref:</b> COM0001</p> <p>There are a number of external funding streams which are used to fund a number of delivery elements. This includes both current and potential future funding streams.</p> <p><b>Next Review:</b> 10/01/2011 (Reviewed every 4 months)</p> <p><b>Risk Status:</b> Treat</p>	<p>Unable to secure anticipated future funding or current funding withdrawn</p>	<p>Mainstream services</p> <p>Funding issue</p> <p>Recruitment and retention issues</p> <p>Funding paid back</p> <p>Decision needs to be made</p> <p>Possible overspend due to mainstreaming</p> <p>Possible cessation of delivering service</p> <p>Dissatisfaction / complaints</p>	<p>Homer, Madeline</p>	<p style="text-align: center;">6 P(3) I(2)</p>	<p style="text-align: center;">6 P(3) I(2)</p>	<p><b>Existing Strategy for SSCF to be agreed by SSCF Board</b></p> <p><i>Implemented</i></p> <p><b>Target Date:</b></p> <p><b>Next Review:</b> (Reviewed every 0 months)</p> <p><b>Restructure staff within Community Services as part of the 2010/11 budget build</b></p> <p><i>In Progress</i> (80% complete)</p> <p><b>Target Date:</b> 30/11/2010</p> <p><b>Next Review:</b> 10/01/2011 (Reviewed every 4 months)</p>	<p>Wenham-Jones, Carla</p> <p>Homer, Madeline</p>	<p style="text-align: center;">3 P(3) I(1)</p>
<p><b>Risk Ref:</b> ENV0001</p> <p>Health and safety risk assessments not having been completed recently.</p> <p><b>Next Review:</b> 09/01/2011 (Reviewed every 4 months)</p> <p><b>Risk Status:</b> Treat</p>	<p>Member of staff injured undertaking Council duties</p>	<p>Possible corporate manslaughter</p> <p>Failure of statutory requirements</p> <p>Insurance claim against the Council</p> <p>Loss of reputation</p> <p>Adverse media</p>	<p>Seed, Mark</p>	<p style="text-align: center;">9 P(3) I(3)</p>	<p style="text-align: center;">9 P(3) I(3)</p>	<p><b>Liase with EKHRP to review H&amp;S risk assessment process</b></p> <p><i>In Progress</i> (75% complete)</p> <p><b>Target Date:</b> 31/12/2010</p> <p><b>Next Review:</b> (Reviewed every 4 months)</p> <p><b>Liase with EKHRP to implement recommendations from 2009 internal audit</b></p> <p><i>In Progress</i> (40% complete)</p> <p><b>Target Date:</b> 30/04/2011</p> <p><b>Next Review:</b> 13/03/2011 (Reviewed every 4 months)</p>	<p>Carroll, Sarah</p> <p>Carroll, Sarah</p>	<p style="text-align: center;">3 P(1) I(3)</p>

## Risk Register

Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p><b>Risk Ref:</b> FCS0001</p> <p>The Medium Term Financial Strategy contains a number of plans and assumptions around income and expenditure however there are a number of issues which if they occurred could impact on the plan. This could include issues around the capital programme, pay settlement, pension fund or government legislation changes. This is further impacted by the current economic volatility - 'credit crunch'.</p> <p><b>Next Review:</b> 18/01/2011 (Reviewed every 2 months)</p> <p><b>Risk Status:</b> Treat</p>	<p>Assumptions made differ from actual or something unexpected significantly impacts on the plan</p>	<p>Impact on reserves Requirement for remedial action Supplementary precept Need to prioritise / rationalise some areas Stop doing certain things Impact on service delivery Complaints Adverse media</p>	<p>Martin, Sarah</p>	<p>12 P(4) I(3)</p>	<p>12 P(4) I(3)</p>	<p><b>Regular liaison with budget Managers and Directors</b> <i>Implemented</i> <b>Target Date:</b> <b>Next Review:</b> 18/01/2011 (Reviewed every 2 months)</p> <p><b>Clear communication of financial position</b> <i>Implemented</i> <b>Target Date:</b> <b>Next Review:</b> 18/01/2011 (Reviewed every 2 months)</p> <p><b>Set up process to deliver savings</b> <i>Implemented</i> <b>Target Date:</b> <b>Next Review:</b> 18/01/2011 (Reviewed every 2 months)</p>	<p>Martin, Sarah</p> <p>Martin, Sarah</p> <p>Martin, Sarah</p>	<p>4 P(2) I(2)</p>

## Risk Register

Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p><b>Risk Ref:</b> FCS0002</p> <p>Procurement and contract management / monitoring are increasingly important and there is a need to measure and monitor effectiveness and value for money (VFM) on key contracts</p> <p><b>Next Review:</b> 13/01/2011 (Reviewed every 4 months)</p> <p><b>Risk Status:</b> Treat</p>	<p>Fail to adequately manage / monitor key contracts</p>	<p>Impact on VFM</p> <p>Tenant satisfaction falls</p> <p>Impact on reputation from tenants and marketplace</p> <p>Key contract fails</p> <p>Significant amount of time required to manage situation</p>	<p>Paton, Karen</p>	<p style="text-align: center;">9 P(3) I(3)</p>	<p style="text-align: center;">3 P(1) I(3)</p>	<p><b>Strengthen process for capturing contract details aligned with budget information</b> <i>In Progress</i> (50% complete) <b>Target Date:</b> <b>Next Review:</b> 13/03/2011 (Reviewed every 4 months)</p> <p><b>Increase the resource for monitoring compliance with CSOs</b> <i>In Progress</i> (10% complete) <b>Target Date:</b> <b>Next Review:</b> 13/01/2011 (Reviewed every 4 months)</p> <p><b>Contract Management Training</b> <i>Proposed</i> (0% complete) <b>Target Date:</b> <b>Next Review:</b> 04/03/2011 (Reviewed every 6 months)</p> <p><b>Periodic refresh of the Contract Register</b> <i>In Progress</i> (50% complete) <b>Target Date:</b> <b>Next Review:</b> 04/07/2011 (Reviewed every 8 months)</p>	<p>Paton, Karen</p> <p>McGonigal, Sue</p> <p>Paton, Karen</p> <p>Paton, Karen</p>	<p style="text-align: center;">2 P(1) I(2)</p>
<p><b>Risk Ref:</b> FCS0003</p> <p>Targets for efficiency savings over 3 years are part of the financial plan however there are costs that are currently funded externally as well as a high level of 'charged for' / demand led services where the removal of grant or reduction in demand could result in significant budget pressures.</p> <p><b>Next Review:</b> 11/02/2011 (Reviewed every 5 months)</p> <p><b>Risk Status:</b> Treat</p>	<p>Fail to deliver balanced budget or contain within available funding streams</p>	<p>Draw on reserves</p> <p>Difficult to balance budget</p> <p>Funds need to be secured from other areas</p> <p>Possible reduction in service areas</p> <p>Staffing implications</p> <p>Impact on morale / culture</p> <p>Service delivery affected</p>	<p>Martin, Sarah</p>	<p style="text-align: center;">8 P(4) I(2)</p>	<p style="text-align: center;">8 P(4) I(2)</p>	<p><b>Set out exit strategy for grant funded costs at the point of inception</b> <i>In Progress</i> (75% complete) <b>Target Date:</b> <b>Next Review:</b> 11/02/2011 (Reviewed every 5 months)</p> <p><b>By adopting a flexible approach to staffing in services where demand is volatile</b> <i>In Progress</i> (95% complete) <b>Target Date:</b> 31/05/2011 <b>Next Review:</b> 30/01/2011 (Reviewed every 4 months)</p>	<p>Martin, Sarah</p> <p>Carroll, Sarah</p>	<p style="text-align: center;">2 P(1) I(2)</p>

## Risk Register

Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p><b>Risk Ref:</b> FCS0004</p> <p>The organisation has made significant improvement in performance management, with a clearly defined 'golden thread' through service planning and performance. There is still some concern that the performance information isn't being used by managers, as a tool to manage.</p> <p><b>Next Review:</b> 09/01/2011 (Reviewed every 4 months)</p> <p><b>Risk Status:</b> Treat</p>	<p>Council doesn't have or make best use of performance information for service outcomes</p>	<p>Resources used for wrong priorities</p> <p>Missed opportunities (to save and improve)</p> <p>Unable to achieve key targets</p> <p>Don't manage performance effectively</p>	<p>Carroll, Sarah</p>	<p>6</p> <p>P(3) I(2)</p>	<p>6</p> <p>P(3) I(2)</p>	<p><b>Training of managers on the benefits of performance management</b></p> <p><i>Implemented</i></p> <p><b>Target Date:</b></p> <p><b>Next Review:</b> 31/03/2011 (Reviewed every 4 months)</p> <p><b>Work to change the culture of management around performance management</b></p> <p><i>In Progress</i> (30% complete)</p> <p><b>Target Date:</b> 31/03/2011</p> <p><b>Next Review:</b> 11/02/2011 (Reviewed every 5 months)</p>	<p>Tebbett, Stephen</p> <p>McGonigal, Sue</p>	<p>4</p> <p>P(2) I(2)</p>
<p><b>Risk Ref:</b> FCS0005</p> <p>The Council's financial position is severely compromised as a result of its pension liabilities.</p> <p><b>Next Review:</b> 13/01/2011 (Reviewed every 4 months)</p> <p><b>Risk Status:</b> Treat</p>	<p>The Council is unable to contain its costs within its funding level.</p>	<p>An unbalanced budget, or cuts in key services needed to balance the budget</p>	<p>Martin, Sarah</p>	<p>9</p> <p>P(3) I(3)</p>	<p>12</p> <p>P(3) I(4)</p>	<p><b>Allow sufficient growth in the Medium Term Financial Plan</b></p> <p><i>In Progress</i> (50% complete)</p> <p><b>Target Date:</b></p> <p><b>Next Review:</b> 18/03/2011 (Reviewed every 4 months)</p>	<p>Martin, Sarah</p>	<p>4</p> <p>P(2) I(2)</p>
<p><b>Risk Ref:</b> FCS0010</p> <p>Business Continuity Plans are not sufficiently drafted or robustly tested; or are not sufficiently understood across the organisation.</p> <p><b>Next Review:</b> 16/01/2011 (Reviewed every 2 months)</p> <p><b>Risk Status:</b> Treat</p>	<p>A business continuity incident occurs and the organisation fails to respond effectively</p>	<p>Confusion</p> <p>Mixed messages internally and externally</p> <p>Impact on key services</p> <p>Service failure</p> <p>Impact on vulnerable people</p> <p>Potential health and safety issues</p> <p>Possible corporate manslaughter</p> <p>Drop in standards</p> <p>Possible breach of contract</p>	<p>McGonigal, Sue</p>	<p>16</p> <p>P(4) I(4)</p>	<p>9</p> <p>P(3) I(3)</p>	<p><b>Review and revise the council's BCP</b></p> <p><i>In Progress</i> (70% complete)</p> <p><b>Target Date:</b></p> <p><b>Next Review:</b> 16/01/2011 (Reviewed every 2 months)</p> <p><b>Test the effectiveness of the BCP</b></p> <p><i>In Progress</i> (60% complete)</p> <p><b>Target Date:</b></p> <p><b>Next Review:</b> 16/01/2011 (Reviewed every 2 months)</p>	<p>Morris, Nikki</p> <p>Morris, Nikki</p>	<p>1</p> <p>P(1) I(1)</p>

## Risk Register

Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p><b>Risk Ref:</b> FCS0011</p> <p>Climate change is increasingly on the agenda and there is a balance between a willingness to address this against the resource requirements. The Council is signed up on a number of targets in the Kent Agreement</p> <p><b>Next Review:</b> 13/01/2011 (Reviewed every 4 months)</p> <p><b>Risk Status:</b> Treat</p>	<p>Fail to deliver leadership and corporate commitment on climate change</p>	<p>Unable to change behaviours internally and locally</p> <p>Not seen as a community leader on this issue</p> <p>Impact on Use of Resources (from 2010)</p>	<p>McGonigal, Sue</p>	<p style="text-align: center;">8 P(4) I(2)</p>	<p style="text-align: center;">4 P(4) I(1)</p>	<p><b>Assess what climate change measures are needed</b> <i>Implemented</i> <b>Target Date:</b> <b>Next Review:</b> 13/01/2011 (Reviewed every 4 months)</p> <p><b>Draft an action plan to deal with outstanding climate change related projects</b> <i>In Progress (50% complete)</i> <b>Target Date:</b> <b>Next Review:</b> 13/03/2011 (Reviewed every 4 months)</p> <p><b>Attempt to change the culture of the council's staff in relation to climate change</b> <i>In Progress (80% complete)</i> <b>Target Date:</b> <b>Next Review:</b> 13/03/2011 (Reviewed every 4 months)</p>	<p>McGonigal, Sue</p> <p>Wingate, Justine</p> <p>Wingate, Justine</p>	<p style="text-align: center;">2 P(2) I(1)</p>
<p><b>Risk Ref:</b> FCS0012</p> <p>The Council and other public sector bodies are all striving to deliver against key priorities and targets on both a local level, through the Corporate Plan, and at a county-wide level through the Community Strategy, Local Area Agreement (LAA). The restricted financial position could limit the resources available to do this, which in turn could have an impact on ability to meet the wide range of targets.</p> <p><b>Next Review:</b> 11/05/2011 (Reviewed every 6 months)</p> <p><b>Risk Status:</b> Tolerate</p>	<p>Thanet Corporate plan / BVPI's don't align with Community Strategy / LAA, resulting in too many (possibly conflicting) pieces of work being attempted.</p>	<p>Conflicting priorities</p> <p>Try to do too much</p> <p>Fail to achieve priorities</p> <p>Impact on CAA / Use of Resources</p> <p>Impact on election</p> <p>Adverse publicity</p> <p>Reputation damaged</p>	<p>McGonigal, Sue</p>	<p style="text-align: center;">3 P(3) I(1)</p>	<p style="text-align: center;">2 P(2) I(1)</p>	<p><b>Input into the development of the Community Strategy that have an impact on Thanet council and the area</b> <i>Implemented</i> <b>Target Date:</b> <b>Next Review:</b> (Reviewed every 6 months)</p> <p><b>Exercise to align new Corporate Plan with Vision and other key documents</b> <i>In Progress (55% complete)</i> <b>Target Date:</b> 31/08/2011 <b>Next Review:</b> 11/02/2011 (Reviewed every 3 months)</p>	<p>Chadwick, Sophie</p> <p>Halse, Adrian</p>	<p style="text-align: center;">1 P(1) I(1)</p>

## Risk Register

Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p><b>Risk Ref:</b> FCS0013</p> <p>The Council relies on staff consistently working for longer than their contracted hours</p> <p><b>Next Review:</b> 13/01/2011 (Reviewed every 4 months)</p> <p><b>Risk Status:</b> Treat</p>	<p>Increasingly due to staff numbers having reduced to make budget savings</p>	<p>Increased sickness absence</p> <p>Increased levels of overtime requests</p> <p>Potential health and safety issues</p> <p>Breach of contract</p> <p>Impact on service delivery</p> <p>Staff dissatisfaction</p> <p>Recruitment and retention issues</p> <p>Impact on VfM</p>	Carroll, Sarah	<p>9</p> <p>P(3) I(3)</p>	<p>12</p> <p>P(4) I(3)</p>	<p><b>Approve and implement flexible working arrangements</b></p> <p><i>In Progress</i> (95% complete)</p> <p><b>Target Date:</b> 30/04/2011</p> <p><b>Next Review:</b> 13/03/2011 (Reviewed every 4 months)</p> <p><b>Deliver training</b></p> <p><i>Proposed</i> (0% complete)</p> <p><b>Target Date:</b> 30/04/2011</p> <p><b>Next Review:</b> 13/03/2011 (Reviewed every 4 months)</p>	<p>Carroll, Sarah</p> <p>Carroll, Sarah</p>	<p>4</p> <p>P(2) I(2)</p>
<p><b>Risk Ref:</b> FCS0015</p> <p>The current economic climate may result in individuals and/or criminal fraternities taking greater risks and/or using more innovative technologies in order to obtain monies by illegal means.</p> <p><b>Next Review:</b> 05/07/2011 (Reviewed every 6 months)</p> <p><b>Risk Status:</b> Treat</p>	<p>The Council may not have sufficient resource dedicated to anti-fraud measures to deal with any increase in fraudulent activity; or may not have the capacity to keep up to date with new fraudulent methods.</p>	<p>Increase in incidence of successful frauds against the Council</p>	Martin, Sarah	<p>12</p> <p>P(4) I(3)</p>	<p>6</p> <p>P(3) I(2)</p>	<p><b>Raise staff awareness</b></p> <p><i>In Progress</i> (0% complete)</p> <p><b>Target Date:</b></p> <p><b>Next Review:</b> 05/03/2011 (Reviewed every 6 months)</p>	Martin, Sarah	<p>3</p> <p>P(3) I(1)</p>
<p><b>Risk Ref:</b> FCS0016</p> <p>Non compliance with local CSO's and public sector contract regulations (as written into UK Law) as and where applicable</p> <p><b>Next Review:</b> 09/01/2011 (Reviewed every 4 months)</p> <p><b>Risk Status:</b> Treat</p>	<p>Challenge around probity and transparency by stakeholders</p>	<p>Loss of reputation</p> <p>Financial penalty</p> <p>Cessation of contract (contract deemed ineffective)</p> <p>Additional resource and cost to correct</p> <p>Cost of defending challenge</p>	Paton, Karen	<p>9</p> <p>P(3) I(3)</p>	<p>6</p> <p>P(2) I(3)</p>	<p><b>Monitor the contract process</b></p> <p><i>In Progress</i> (50% complete)</p> <p><b>Target Date:</b></p> <p><b>Next Review:</b> 09/02/2011 (Reviewed every 4 months)</p> <p><b>Implement Audit recommendations</b></p> <p><i>In Progress</i> (75% complete)</p> <p><b>Target Date:</b></p> <p><b>Next Review:</b> 04/03/2011 (Reviewed every 3 months)</p>	<p>Paton, Karen</p> <p>Paton, Karen</p>	<p>3</p> <p>P(1) I(3)</p>

## Risk Register

Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p><b>Risk Ref:</b> FCS0017</p> <p>The Council is engaging in a shared services programme through a number of projects, with a number of other authorities, particularly at this point around Waste, Housing and HR and Payroll Services. This will have an impact on the viability of the remaining organisation, particularly around corporate support. The Council needs to corporately understand and agree the future shape of the organisation.</p> <p><b>Next Review:</b> 20/01/2011 (Reviewed every 3 months)</p> <p><b>Risk Status:</b> Treat</p>	Unable to corporately understand/agree the impact of this programme on the residual organisation	Lack of clarity Differing views Political impact Sub-optimal model Missed opportunities Financial impact Failure to make tough decisions Piecemeal solution Cannot support core function Impact on delivery	McGonigal, Sue	6 P(3) I(2)	6 P(3) I(2)	<p><b>Project teams identified</b>  <i>Implemented</i>  <b>Target Date:</b> 30/04/2011  <b>Next Review:</b> (Reviewed every 0 months)</p>	McGonigal, Sue	3 P(1) I(3)
<p><b>Risk Ref:</b> FCS0018</p> <p>The Council is engaged in a shared services programme with two other authorities.</p> <p><b>Next Review:</b> 15/01/2011 (Reviewed every 3 months)</p> <p><b>Risk Status:</b> Treat</p>	Shared service programme fails to deliver effectively to improve services and save money in shared areas	Financial loss Wasted resources Dissatisfaction Need to unwind and go back Failure of statutory responsibilities Unitary model imposed Political unrest	McGonigal, Sue	9 P(3) I(3)	9 P(3) I(3)	<p><b>Strategic Business Case</b>  <i>In Progress</i> (60% complete)  <b>Target Date:</b> 30/09/2010  <b>Next Review:</b> 18/02/2011 (Reviewed every 3 months)</p>	McGonigal, Sue	3 P(1) I(3)
<p><b>Risk Ref:</b> FCS0019</p> <p>Limited internal specialist support available (such as engineers, property, legal) at peak times.</p> <p><b>Next Review:</b> 11/05/2011 (Reviewed every 6 months)</p> <p><b>Risk Status:</b> Treat</p>	Possible claim against the Council under professional / officials indemnity	Delays in service delivery Unable to meet targets Non completion of corporate plan objectives Wasted resources Stop doing certain things Dissatisfaction / complaints Drop in standards	Carroll, Sarah	4 P(2) I(2)	4 P(2) I(2)	<p><b>Shared Services</b>  <i>Withdrawn</i>  <b>Target Date:</b>  <b>Next Review:</b> (Reviewed every 6 months)</p> <p><b>Recruitment / appointment process</b>  <i>Withdrawn</i>  <b>Target Date:</b>  <b>Next Review:</b> (Reviewed every 6 months)</p> <p><b>Take into account when drafting budget savings proposals</b>  <i>Implemented</i>  <b>Target Date:</b>  <b>Next Review:</b> 30/05/2011 (Reviewed every 6 months)</p>	Reed, Donna  Carroll, Sarah  Martin, Sarah	2 P(1) I(2)

## Risk Register

Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p><b>Risk Ref:</b> FCS0020</p> <p>The Council is involved in a number of partnerships and there is a reliance on these to deliver in a number of areas. There are concerns however around the level of resourcing required, the robustness of the management and governance around these and the ability / willingness of partners to participate fully</p> <p><b>Next Review:</b> 11/03/2011 (Reviewed every 4 months)</p> <p><b>Risk Status:</b> Treat</p>	<p>Council invests more time and resource into partnerships than the benefit received</p>	<p>Wasted resources Differing priorities Effort expended on other / lower priorities Direction of partnership changes Expend extra effort to manage partnership arrangements Frustration Unable to meet targets Loss of funding Loss of confidence</p>	<p>Carroll, Sarah</p>	<p style="text-align: center;">6 P(3) I(2)</p>	<p style="text-align: center;">6 P(3) I(2)</p>	<p><b>Use the performance management process to monitor the achievements of partnerships</b> <i>Proposed</i> (0% complete) <b>Target Date:</b> <b>Next Review:</b> 11/03/2011 (Reviewed every 4 months)</p> <p><b>Record the governance arrangements and agreed benefits / purpose of partnerships</b> <i>In Progress</i> (10% complete) <b>Target Date:</b> <b>Next Review:</b> 11/03/2011 (Reviewed every 4 months)</p> <p><b>Request outline business case to be produced to highlight resource requirements up front</b> <i>Implemented</i> <b>Target Date:</b> <b>Next Review:</b> 11/05/2011 (Reviewed every 6 months)</p>	<p>Morris, Nikki</p> <p>Morris, Nikki</p> <p>Carroll, Sarah</p>	<p style="text-align: center;">2 P(1) I(2)</p>
<p><b>Risk Ref:</b> LDS0001</p> <p>There are corporate standards, policies and procedures which need to be understood and applied consistently throughout the Council. The organisation has a history of focusing on delivery, not corporateness and there could be tensions, particularly with capacity constraints around key areas of focus.</p> <p><b>Next Review:</b> 13/03/2011 (Reviewed every 4 months)</p> <p><b>Risk Status:</b> Treat</p>	<p>Inconsistent application of corporate standards, policies and procedures</p>	<p>Some areas more robust than others Poorly tracked decisions Possible litigation Financial loss Qualified accounts Impact on Use of Resources Impact on management</p>	<p>Patterson, Harvey</p>	<p style="text-align: center;">8 P(4) I(2)</p>	<p style="text-align: center;">8 P(4) I(2)</p>	<p><b>Reinforce the need to follow corporate policy &amp; processes</b> <i>In Progress</i> (50% complete) <b>Target Date:</b> <b>Next Review:</b> 13/03/2011 (Reviewed every 4 months)</p> <p><b>Implement QA and compliance testing programmes</b> <i>Proposed</i> (0% complete) <b>Target Date:</b> <b>Next Review:</b> 13/03/2011 (Reviewed every 4 months)</p> <p><b>Manager / Officer Handbook</b> <i>Proposed</i> (0% complete) <b>Target Date:</b> <b>Next Review:</b> 16/01/2011 (Reviewed every 4 months)</p>	<p>Patterson, Harvey</p> <p>Patterson, Harvey</p> <p>Morris, Nikki</p>	<p style="text-align: center;">2 P(1) I(2)</p>



## Risk Register

Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p><b>Risk Ref:</b> LDS0002</p> <p>Loss of unencrypted memory stick, loss of laptop computer, loss of paper file, improper use of e-mail system , breach of data protection protocols</p> <p><b>Next Review:</b> 13/02/2011 (Reviewed every 2 months)</p> <p><b>Risk Status:</b> Treat</p>	<p>Personal data disclosed in response to FOIA Request in breach of the Data Protection Act , Using personal information for a more than one purpose without notifying the data subject of that intention, personal information not kept up to date, personal information held longer than necessary, failing to comply with a subject access request within the prescribed period</p>	<p>Reputational Damage, ICO Investigation and potential fines, Increased risk of compensation claims for breach of privacy</p>	<p>Patterson, Harvey</p>	<p>12 P(4) I(3)</p>	<p>12 P(4) I(3)</p>	<p><b>Up to date Data Protection Policy</b> <i>In Progress</i> (15% complete) <b>Target Date:</b> 11/01/2011 <b>Next Review:</b> 13/01/2011 (Reviewed every 1 months)</p> <p><b>Advanced Training</b> <i>Proposed</i> (0% complete) <b>Target Date:</b> 31/01/2011 <b>Next Review:</b> 13/01/2011 (Reviewed every 1 months)</p> <p><b>Acquire Data Protection Manual</b> <i>Proposed</i> (0% complete) <b>Target Date:</b> 30/11/2010 <b>Next Review:</b> 13/01/2011 (Reviewed every 1 months)</p> <p><b>Review Use of Privacy (formerly Fair Processing) Notices</b> <i>Proposed</i> (0% complete) <b>Target Date:</b> 24/12/2010 <b>Next Review:</b> 13/01/2011 (Reviewed every 1 months)</p> <p><b>Review Data Sharing Agreements with External Agencies</b> <i>Proposed</i> (0% complete) <b>Target Date:</b> 31/01/2011 <b>Next Review:</b> 13/01/2011 (Reviewed every 1 months)</p> <p><b>All Staff Training on Data Protection</b> <i>Proposed</i> (0% complete) <b>Target Date:</b> 31/01/2011 <b>Next Review:</b> 13/01/2011 (Reviewed every 1 months)</p>	<p>Patterson, Harvey</p> <p>Patterson, Harvey</p> <p>Patterson, Harvey</p> <p>Cordes, Gary</p> <p>Cordes, Gary</p> <p>Cordes, Gary</p>	<p>6 P(3) I(2)</p>

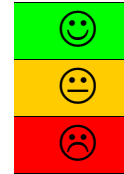
## Risk Register

Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p><b>Risk Ref:</b> REG0001</p> <p>Concerns that the Council is not investing sufficiently in the upkeep of its physical assets due to lack of financial resources.</p> <p><b>Next Review:</b> 28/02/2011 (Reviewed every 2 months)</p> <p><b>Risk Status:</b> Treat</p>	<p>Council has more property than it can afford. This is due to the repairs deficit, of over 4 million pounds. And community/ political tension over many potential asset dispoasls. Further during recession, our tenats in community buildings are requesting reduced rents, creating more budget pressures.</p>	<p>Gradual deterioration in quality and utility</p> <p>Decrease in value of property</p> <p>Loss of income</p> <p>Potential health and safety issues</p> <p>Political impact</p> <p>Loss of reputation</p> <p>Adverse publicity</p> <p>Impact on VfM</p> <p>Complaints</p>	White, Brian	12 P(3) I(4)	16 P(4) I(4)	<p><b>Asset Management Strategy</b></p> <p><i>In Progress</i> (60% complete)</p> <p><b>Target Date:</b></p> <p><b>Next Review:</b> 28/02/2011 (Reviewed every 2 months)</p>	White, Brian	4 P(2) I(2)
<p><b>Risk Ref:</b> REG0002</p> <p>The Council has a role to play within Emergency Planning, but there is a lack of clarity on this currently.</p> <p><b>Next Review:</b> 28/02/2011 (Reviewed every 2 months)</p> <p><b>Risk Status:</b> Treat</p>	<p>Council fails to fulfil it's emergency planning role</p>	<p>Council doesn't contribute as required</p> <p>Lack of understanding on requirements and arrangements</p> <p>Confusion on role in an incident</p> <p>Mixed messages internally and externally</p> <p>Impact on vulnerable people</p> <p>Potential health and safety issues</p> <p>Possible corporate manslaughter</p> <p>Drop in standards</p> <p>Possible breach of contract</p>	White, Brian	12 P(3) I(4)	4 P(1) I(4)	<p><b>Emergency Plan and processes updated and disseminated to staff.</b></p> <p><i>In Progress</i> (80% complete)</p> <p><b>Target Date:</b></p> <p><b>Next Review:</b> 04/02/2011 (Reviewed every 4 months)</p>	Humber, Mike	4 P(1) I(4)





Deadline met. Progress made in line with deadline date



Slightly off track but underway





Progress off track / deadline not met








Governance issue identified	Proposed action	Responsible officer / body	Sep - Nov quarter position / progress made	Deadline date	Completion date
<b>1. Within this section are the governance issues identified in previous Annual Governance Statement action plans, which have not been completed for various reasons and will therefore be updated and incorporated into the 2009/10 action plan.</b>					
Health and safety risk assessments need a thorough review to ensure they encompass lone working, out of hours and enforcement tasks and a corporate approach is needed, especially in high risk areas such as Grounds Maintenance, the Port and Harbour and Waste & Recycling.	The risk assessment process needs to be addressed and has been identified in the East Kent Human Resources Partnership Health and Safety Strategy, which is currently in draft to provide assurance to the Corporate Management Team.	EKHRP	The EKHRP health and safety case consultants continue to assist Thanet managers in undertaking and reviewing risk assessments relating to work activities, equipment, premises, events etc. Work has begun on a risk assessment approach that will be used across the four East Kent authorities, however the form and risk rating matrix that will be used is already being trialled in Thanet. Work is also beginning with the reformed H&S committee to create guidance for managers in managing the risk of lone working, out-of-hours work as well as sharing information on customers that pose a risk to visiting officers. This is due for completion early in the New Year. The H&S Strategy and SLA have now been accepted by all four partner authorities.		Ongoing
Member training and development needs, especially around specific areas such as planning, scrutiny and governance, needs to be enhanced to ensure that the committees are effective and that members are suitably able to undertake their roles within these committees.	The council plans on surveying members to identify future training and development needs, with a view to establishing a more formally structured Member development programme.	Glenn Back	The council plans on surveying members to identify future training and development needs, with a view to establishing a more formally structured Member development programme. In view of the proximity of the District elections, it is anticipated the survey will take place in June 2011.		Jun 2011 (survey)

Governance issue identified	Proposed action	Responsible officer / body	Sep - Nov quarter position / progress made	Deadline date	Completion date	
<b>2. The identified areas detailed below have arisen from our numerous assessments into the council's governance arrangements for 2009/10 and have been deemed to be significant by the Governance Group. These will be addressed during 2010/11 and for those already actioned an update has been provided.</b>						
The East Kent Audit Partnership's work throughout 2009/10 indicated areas of concern regarding systems of internal control in the following areas:	In each of the cases indicated above, actions plans have been agreed with Managers and are being progressed as directed.					
<ul style="list-style-type: none"> <li>CSO Compliance</li> </ul>		Karen Paton	September and October stats of orders monitored indicate 100% compliance.		31-Mar-11	
<ul style="list-style-type: none"> <li>Creative Margate CSO Arrangements</li> </ul>		Derek Harding	Action completed			01-Jun-10
<ul style="list-style-type: none"> <li>Overtime Claims</li> </ul>		Sarah Carroll	Current control system in place has raised the assurance level to reasonable. CMT continue to closely scrutinise overtime spend. A VfM review is in progress and KCC have been advised of the relevant Audit recommendations for purposes of claiming overtime through payroll. The overtime claim form has been revised by KCC to bridge the gap prior to self service implementation.		TBC	
<ul style="list-style-type: none"> <li>Environmental Health Food Safety</li> </ul>		Penny Button	The Food Safety Team have seen considerable changes in recent months regarding their work allocations and introductions of consistency & audit checks, there has been a significant improvement in the work undertaken. We have one outstanding item from the Audit which needs to be resolved completely, the shellfish sampling, work has been completed on risk assessments & the possibility of outsourcing has been investigated.		End Dec 2010	

Governance issue identified	Proposed action	Responsible officer / body	Sep - Nov quarter position / progress made	Deadline date	Completion date
<ul style="list-style-type: none"> <li>Homelessness</li> </ul>		Victoria May / Stuart Clifton	Actions are on target, but some need continual monitoring. More attention is being made to the recovery of Rent Deposit debts, following the corporate recovery policies, but a lack of resources within Housing Options means that effective early recovery of the Rent Deposit loans is difficult. Attempts are ongoing to obtain amounts from CASA support to show how underwriting charges have been calculated for previous years, but CASA cannot provide this information. Bond Scheme is still being worked on, though no longer with Credit Union as it was not cost effective to do so. Home Debt Help campaign has been launched, advertised and is underway to tackle issues of repossessions and rent arrears and project is working well. Homelessness prevention activity is continuing to increase.		Ongoing
A directory of key documents referred to should be produced with a brief summary of their content, purpose, application to managers and where the documents can be located. This should be referred to annually in the staff development notes/team briefings and should be published on TOM. It would also provide a useful induction tool.	Work on a manager / officer handbook to be undertaken during 10/11 which will inform officers of key documents, processes, systems and responsibilities.	Nikki Morris	Some initial research work has been undertaken. The Improvement Forum may be taking this forward as a project following it's meeting on 22 November.		31-Mar-11
The issue of compliance with corporate policies and procedures (especially CSOs and the Gifts and Hospitality procedure) needs to be reviewed to ensure consistency across the council.	To be considered by CMT and the use of sanctions for non-compliance to be made more explicit.	CMT (via Nikki Morris)	See comments below		

Governance issue identified	Proposed action	Responsible officer / body	Sep - Nov quarter position / progress made	Deadline date	Completion date	
<ul style="list-style-type: none"> <li>CSO awareness</li> </ul>	A formalised procurement programme be developed. Risk in procurement management to be added to the council's corporate risk register. A skills audit be undertaken for all managers involved in procurement activity, to be used to inform future training programmes.	Karen Paton	Purchase to Pay project progressing. Originators reduced. Training programme in preparation.		31-Mar-11	
<ul style="list-style-type: none"> <li>Gifts and Hospitality procedure</li> </ul>	Declaration of interest and gifts and hospitality register processes to be communicated as priority.	Glenn Back	Refresher session was delivered to senior managers at Senior Managers' Conference on 04/10/10. <b>Completed.</b>		01-Sep-10	04-Oct-10
A lack of capacity at the managerial level to undertake the statutory functions that the council is required to carry out could result in governance issues for the council.	Regular workforce reporting to CMT ensures that resources are allocated as appropriate.	CMT (via EKHRP)	Workforce reports provided to CMT on a monthly basis. EKHRP to attend each CMT meeting to present each report.		Ongoing	
There is a lack of knowledge of the council's staff charter, which details mutual expectations between employees and employer.	Due to time elapsed this needs to be revisited to ensure its relevance and communicated to all staff.	Sarah Carroll	The Council has now launched its core values and priorities. This clearly identifies how the council will conduct its business and has superseded the unpublished Staff Charter at this point in time.			No further action
There remains gaps across the organisation in staff that have undertaken child protection training. A substantial number of employees have done this training.	The Child Protection Committee should be charged with reviewing compliance and ensuring that this training is included in the induction programme. An annual compliance report is made to Cabinet.	Carla Wenham-Jones	All staff trained except Parks and Gardens. Guidance document created for them to read. Guidance document to be added to LAN Consent which provides evidence of training being provided. Induction package for new staff includes child protection training. Audit 2010 provided Reasonable Assurance for internal controls. 9 recommendations being actioned, most relate to EKHR.		End Sept 2010	

Governance issue identified	Proposed action	Responsible officer / body	Sep - Nov quarter position / progress made	Deadline date	Completion date	
The council has tried a number of approaches to carrying out value for money reviews, but there has been a lack of commitment to the process from some areas, which has impacted on the review programme and created problems for the resources allocated to undertake these reviews.	The council's approach and commitment to value for money needs to be discussed and agreed to ensure that future reviews and the overall programme are undertaken in a timely way and add value.	Nikki Morris	The Improvement Board, Improvement Project Team and Improvement Forum have now been established which will be looking at service improvements throughout the authority, taking into account value for money.		Ongoing	
Changes in staffing structures must be communicated appropriately to ensure there is no confusion over responsibilities and authorities. More changes are taking place and this is still a live issue and clarification needs to take place on the member and officer scheme of delegations.	Delegations to Cabinet Members and officers were reviewed by the Constitutional Review Working Party in 2009/10 for implementation in 2010/11. These will be placed on TOM as a reminder to managers. This also needs to be added to the corporate risk register.	Harvey Patterson	Following further changes to the composition of Cabinet, Council received a report on 15 July 2010 setting out the new Cabinet portfolios and a revised Scheme of Delegations for Cabinet Members. This will be added to TOM alongside the Scheme of Delegations to Officers approved by Council at the annual meeting on 13 May 2010.			
<b>3. To comply with best practice the Governance and Audit Committee determined that it would consider annually whether it meets its terms of reference and how it has impacted on the internal control environment. The Committee carried out the National Audit Checklist and identified some actions which it recommends will improve performance against best practice for the forthcoming year. These issues have already been actioned and an update is provided but will continue to be monitored to ensure they are effective.</b>						
The Audit Committee meets on a quarterly basis, however on occasions the agendas for these meetings are quite heavy and meetings tend to go on for a number of hours.	That the Committee consider increasing the number of times the Committee meet to relieve pressure on full agendas, and holding a separate meeting in June to deal with the Statement of Accounts.	G & A (via Nikki Morris)	Action completed. Governance and Audit Committee agenda will continue to be monitored.			June 2010
An induction checklist for new Audit Committee members should be available which details key things and explains their key roles and responsibilities	Training requirements to be discussed, a regular item on agenda entitled 'Future items or training for the Committee', making reference to the programme of reports and a Member guidance pack issued at the first meeting of the cycle.	G & A (via Nikki Morris)	Member guidance pack completed and provided to Committee Members. Presentation to be given to all members in May 2011 on the remit of Governance and Audit Committee.			June 2010

Governance issue identified	Proposed action	Responsible officer / body	Sep - Nov quarter position / progress made	Deadline date	Completion date
Members who have missed a meeting need to ensure they are appropriately briefed on the business conducted in their absence. The substitute who attends for the member feeds back on outcomes of the meeting.	Set up a pool of substitutes to ensure they receive appropriate training and ensure that substitutes are aware of their responsibilities to feed back.	G & A (via Nikki Morris)	Guidance on the use of substitutions and their responsibilities has been detailed within the member guidance.		June 2010
Ensure that the minutes clearly state all agreed actions, the responsible owner, when they will be done by and any advice given from any stakeholders.	Minutes are currently produced which note any actions required but need to ensure owners and timescales are noted within actions.	G & A (via Nikki Morris)	An action plan is prepared from each meeting which will feature as an item on the agenda to ensure members are confident actions have been carried out and reported back to the Committee.		June 2010



# Thanet District Council

## Governance Framework

Version 5  
January 2011



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Thanet District Council would like to acknowledge CIPFA / SOLACE in providing the 'Delivering Good Governance in Local Government' framework and guidance documents

## Foreword

Good governance is important to all officers and members of Thanet District Council. It is a key responsibility for the Leader and Chief Executive, and it is also important for other Members of Cabinet, full Council and Corporate Management Team, and in particular the Governance and Audit Committee who are responsible for monitoring and providing assurance on our governance arrangements.

Good management, good performance and good financial controls all lead to good governance, and enable us to engage with our public and ultimately demonstrate good outcomes for our community. We can pursue our ambitions as set out in the Corporate Plan 2007 – 2011 effectively, whilst demonstrating our governance principles and management processes through the Local Code of Corporate Governance.

The Local Code of Corporate Governance has been prepared in line with principles of the CIPFA / SOLACE framework Delivering Good Governance in Local Government, and will be reported on through an Annual Governance Statement showing the effectiveness of our current arrangements and any improvements that can be made for the future.

Councillor Robert Bayford  
Leader of the Council

Richard Samuel  
Chief Executive

Thanet District Council  
20 / 12 / 2010

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## Introduction

Governance is about how we ensure that we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Good governance leads to:

- [effective leadership](#)
- good management,
- good performance,
- good stewardship of public money,
- good public engagement and,
- ultimately, good outcomes for our citizens and service users.

Good governance enables us to pursue our vision and corporate objectives effectively as well as underpinning these with mechanisms for the control and management of risk. Governance must be owned by all stakeholders, including senior management and members, thus forming the intrinsic core of the council. It should remain embedded in the culture of the council and applied within a transparent framework of legislative requirements, governance principles and management processes.

The [Local Code](#) defines the principles that underpin the governance of this authority. We will test our arrangements by:

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- Reviewing our existing governance arrangements against the [Local Code](#).
- Maintaining an up-to-date Local Code of Corporate Governance, including arrangements for ensuring its ongoing application and effectiveness.
- On an annual basis, prepare an Annual Governance Statement in order to report publicly on the extent to which we comply with the [Local Code](#), including how we have monitored the effectiveness of our governance arrangements in the year, and on any planned changes in the coming period.

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## Principles behind Governance

The **Cadbury Report (1992)** identified three fundamental principles of corporate governance as:

**Openness:** An open approach is required to ensure all interested parties are confident in the organisation itself. Being open in the disclosure of information leads to effective and timely action and lends itself to necessary scrutiny.

**Integrity:** This is described as both straightforward dealing and completeness. It should be reflected in the honesty of an organisation's annual report and its portrayal of a balanced view. The integrity of reports depends on the integrity of those who prepare and present them which, in turn, is a reflection of the professional standards within the organisation.

**Accountability:** This is the process whereby individuals are responsible for their actions. It is achieved by all parties having a clear understanding of those responsibilities, and having clearly defined roles through a robust structure.

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The Cadbury report defined these three principles in the context of the private sector, and, more specifically, of public companies, but they are as relevant to public service bodies as they are to private sector entities.

**The Nolan Committee (1995)** identified and defined seven general principles of conduct which should underpin public life, and recommended that all public service bodies draw up codes of conduct incorporating these principles. These principles of public life are:

**Selflessness:** Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

**Integrity:** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

**Objectivity:** In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

**Accountability:** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

**Openness:** Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and actions and restrict information only when the wider public interest clearly demands.

**Honesty:** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

**Leadership:** Holders of public office should promote and support these principles by leadership and example.

**The Relevant Authorities (General Principles) order 2001** outlined three additional principles of conduct to those identified by the Nolan Committee:

**Respect for others:** Holders of public office should promote equality by not discriminating unlawfully against any person, and by treating people with respect, regardless of their age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the authority's statutory officers and its other employees.

**Duty to uphold the law:** Holders of public office should uphold the law, and on all occasions, act in accordance with the trust that the public is entitled to place in them.

**Stewardship:** Holders of public office should do whatever they are able to do to ensure that their authorities use their resources prudently and in accordance with the law.

## Effective Governance

An effective governance framework will demonstrate the following attributes:

- A clear vision of our purpose and intended outcomes for citizens and service users that is clearly communicated, both within the council and externally.
- Arrangements are in place to review our vision and its implications for our governance arrangements.
- Arrangements exist for measuring the quality of services for users, for ensuring they are delivered in accordance with our objectives and for ensuring that they represent the best use of resources.
- The roles and responsibilities of the executive, non-executive, scrutiny and officer functions are clearly defined and documented, with clear delegation arrangements and protocols for effective communication.
- Codes of conduct defining the standards of behaviour for members and staff are in place, conform with appropriate ethical standards, and are communicated and embedded across the organisation.
- Standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which are reviewed and updated as appropriate, clearly define how decisions are taken and the processes and controls required to manage risks.
- The core functions of the Governance and Audit Committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities* (2005), are undertaken by members.
- Arrangements exist to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. All reports are considered for legal issues before submission to members.
- Arrangements for whistleblowing and for receiving and investigating complaints from the public are in place and are well publicised.
- Arrangements exist for identifying the development needs of members and senior officers in relation to their strategic roles, and are supported by appropriate training.
- Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- Governance arrangements with respect to partnerships and other group working are reflected in the authority's overall governance arrangements.

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## Annual Governance Statement

The Chief Executive, Deputy Chief Executive (S151 Officer), Directors, Head of Legal and Democratic Services (Monitoring Officer), Internal Audit and managers across the authority will have a role to play in this process. The overall assurance given is not a pass or fail. It is a narrative statement pointing to the council's strengths and weaknesses.

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The Annual Governance Statement will include the following information:

- an acknowledgement of our responsibility for ensuring there is a sound system of governance (incorporating the system of internal control);
- an indication of the level of assurance that the systems and processes that comprise our governance arrangements can provide;
- a brief description of the key elements of our governance framework, including reference to group activities where those activities are significant;
- a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements;
- an acknowledgement of the improvements that have been undertaken during the year;
- a plan of proposed actions to be taken, to deal with any significant governance issues.

Completion of the statement should flow from the normal business planning and review processes of the Council, Governance and Audit Committee, Standards Committees and the planned work of Internal Audit. The Service Plan is one of the central mechanisms for each Director managing their own area of activity and therefore sits at the centre of the governance process.

Governance is integral to the whole business management process and not an add-on. Hence it uses existing documents and procedures and the risks and control framework. In particular, it links to performance reporting as good governance promotes good service but poor service performance reflects a failure of governance. Effective internal controls are an important part of the governance process. Through their audit assurance work, Internal Audit will provide an opinion on the effectiveness of the systems of internal control.

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## Annual Governance Statement Preparation

The Annual Governance Statement that the Leader and Chief Executive will be required to sign will be compiled from the following:

### Internal Control Opinion

The Assurance Statement from the East Kent Audit Partnership, which will be compiled from the following evidence:

- The Internal Audit review of this council's governance arrangements;
- The Assurance Framework, built from the audit assurance statements on individual audits; and
- An assessment of the control and risk framework.

### Governance and Internal Control Framework

- Comment and recommendations from the Monitoring Officer and Section 151 Officer who have responsibility to oversee the operation of the governance framework and the Local Code of Corporate Governance; and contribute to the annual assessment process.
- Confirmation from Directors and Service Managers via an evidenced Managers Assurance Statement which has been discussed and approved by the Portfolio Holder.
- The Annual Reports from the Standards Committee, [Overview and Scrutiny Panel](#) and [Governance and Audit Committee](#).
- The Head of Legal and Democratic Services (Monitoring Officer) and Democratic Services Manager on the council's annual review of the Constitution.
- The annual statement of the council's Head of Legal and Democratic Services giving an opinion on the council's compliance with relevant laws and regulations, and its legal obligations and requirements.
- The annual statement of the [Head of the East Kent HR Partnership](#) giving an opinion on [compliance with policies and procedures with regard to the management of staff, staff conduct and ethical standards, sickness levels, training and health and safety](#).
- The annual statement of the Corporate Governance and Risk Officer giving an opinion on compliance with the council's Risk Management Strategy.
- The [Deputy Chief Executive's](#) (Section 151 Officer) review of the Effectiveness of [the council's Internal Audit arrangements](#)

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**Deleted:** the general principals of good conduct as outlined in:-¶ part 5 of the Constitution for Governance of Thanet District Council¶ Code of Conduct for Staff.

**Deleted:** Head of Legal and Democratic Services (Monitoring Officer) and Director of Finance and Corporate Services

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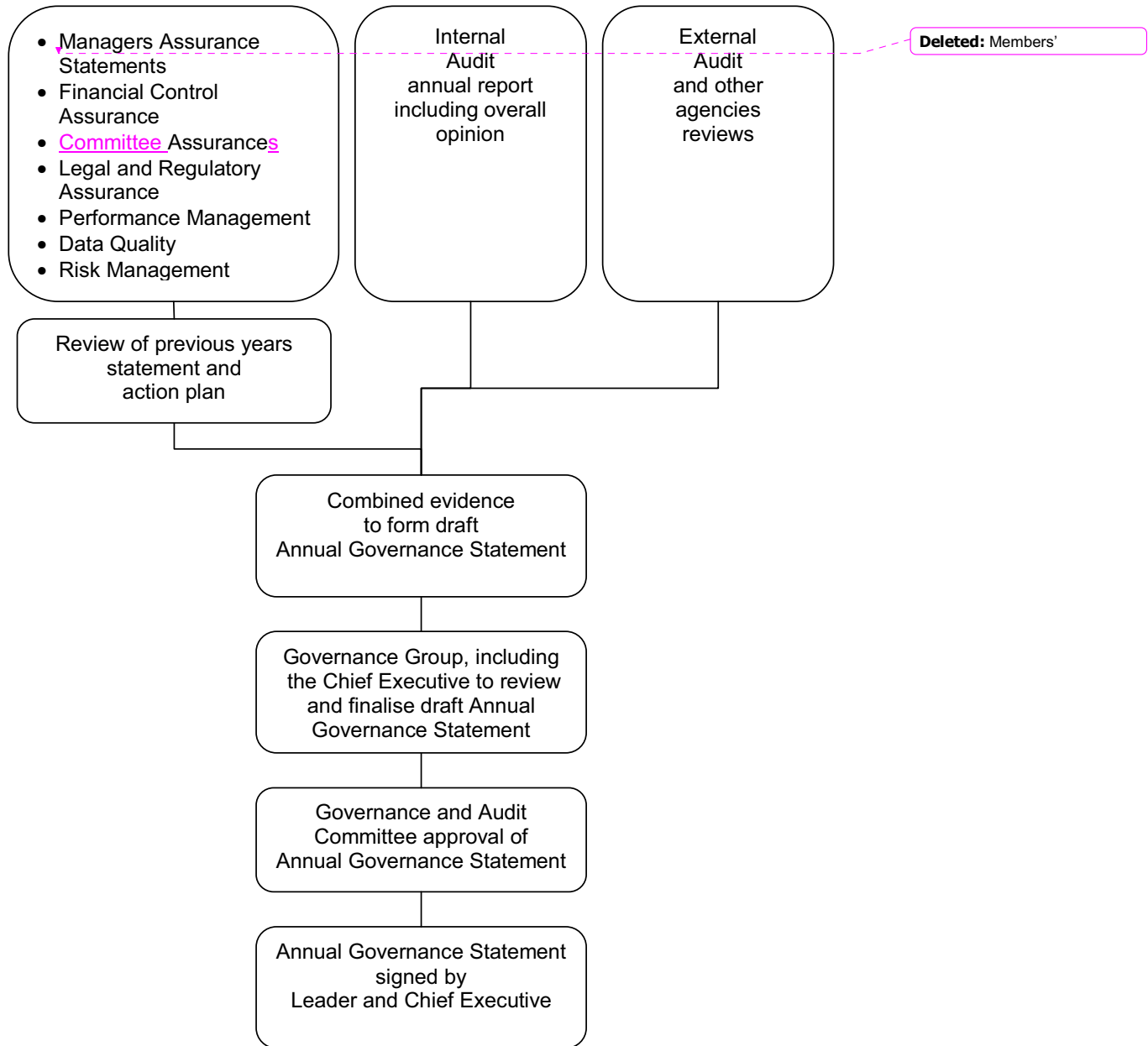


The Monitoring Officer and the S151 Officer will review the internal control opinion and principles framework evidence, including service assurance statements, the audit review of Corporate Governance, the Constitutional review, performance reporting, risk management arrangements and the individual audit and risk management assessments. This will ensure that all the necessary evidence is in place, there is consistency of reporting and that suitable action is being taken to address weaknesses.

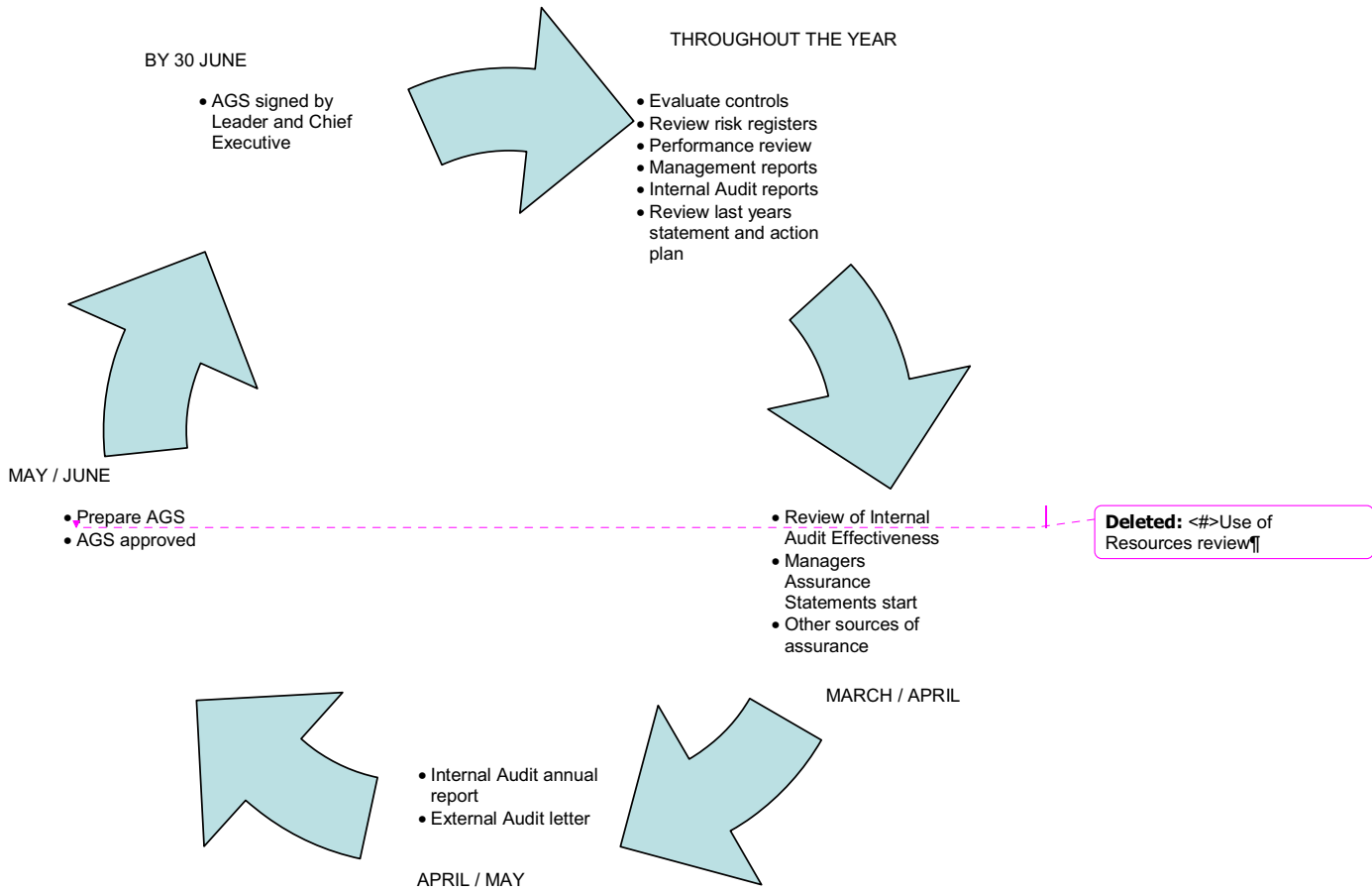
The Draft Annual Governance Statement will be prepared, based on the internal control framework, core and supporting principles, internal and external reviews and audit evidence provided. This will be considered by the Governance Group including the Chief Executive, and then Governance and Audit Committee will provide the final review, evaluation and approval for signature.

The Governance and Audit Committee will monitor the overall governance process and ensure that the process is robust and agreed actions identified are properly implemented. The final statements will then be signed before the end of June by the Leader and Chief Executive based on a clear evidence trail.

## Annual Governance Statement Process



# Annual Governance Statement Timetable



## Annual Review and Reporting

The Section 151 Officer and Monitoring Officer have been given responsibility to oversee the implementation and monitor the operation of the Local Code of Corporate Governance, and through the Governance Group and the East Kent Audit Partnership will periodically review these arrangements and each will contribute to the annual assessment process. The review of our governance arrangements is an ongoing process.

Annually, there will be a review of the effectiveness of the council's system of internal control, which shall inform the Annual Governance Statement, which the Leader and Chief Executive will be required to sign.

The outcome of the annual review is reported internally to the Governance and Audit Committee, and externally through the Annual Governance Statement within the published accounts, this provides an assurance that:

- governance arrangements are adequate and operating effectively in practice, and
- where the review has revealed gaps, action is planned that will ensure effective governance in future.

Following the annual review of the Governance Framework and Local Code of Corporate Governance all members and officers of the council will be notified through appropriate means, such as members briefings, staff development sessions, 'Staff matters' and 'TDC News' as examples.

## Document History

Version	Date	Agreed by	Minute ref
V1	10 Nov 2004 20 Jan 2005 17 Feb 2005	Cabinet Standards Council	CR/74 75 84
V2	5 Nov 2007 12 Dec 2007 31 Jan 2008 21 Feb 2008	Governance Group Governance and Audit Committee Cabinet Council	GG/07-08/4 R189 C16 86
V3	10 Nov 2008 9 Dec 2008 12 Mar 2009 23 Apr 2009	Governance Group Governance and Audit Committee Cabinet Council	Gov05 (10/11/08) R191 54 30.
V4	16 Nov 2009 8 Dec 2009	Governance Group Governance and Audit Committee	Gov07 51.
V5	7 Dec 2010 13 Jan 2011	Governance Group Governance and Audit Committee	

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# Thanet District Council

## Local Code of Corporate Governance

Version 5  
January 2011



# Contents

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2. Members and officers working together to achieve a common purpose with clearly defined functions and roles .....	<del>5</del>	<b>Deleted: 5</b>
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.....	<del>8</del>	<b>Deleted: 8</b>
4. Taking informed and transparent decisions which are subject to effective Scrutiny and managing risk.....	<del>10</del>	<b>Deleted: 10</b>
5. Developing the capacity and capability of members and officers to be effective.....	<del>13</del>	<b>Deleted: 13</b>
6. Engaging with local people and other stakeholders to ensure robust local public accountability .....	<del>15</del>	<b>Deleted: 15</b>
Supporting Evidence .....	<del>17</del>	<b>Deleted: 17</b>
Document History.....	<del>34</del>	<b>Deleted: 30</b>

Thanet District Council would like to acknowledge CIPFA / SOLACE in providing the 'Delivering Good Governance in Local Government' framework and guidance documents

## 1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

- **Supporting Principle:** exercise strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users.

- **The council is required to:** develop and promote the authority's purpose and vision.

### We will do this through the following:

- [Thanet Vision 2030](#)
- [Thanet Strategy](#)
- Corporate Plan
- Service plans
- [Sustainable Community Strategy](#)
- Local area or performance agreements
- [Thanet Community Safety Plan](#)

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- **The council is required to:** review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements

### We will do this through the following:

- Local Code of Corporate Governance
- [Thanet Vision 2030](#)
- [Thanet Strategy](#)
- [Corporate Plan](#)
- East Kent Joint Arrangements Committee

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- **The council is required to:** ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners

### We will do this through the following:

- Partnership Framework
- Local Code of Corporate Governance
- East Kent Joint Arrangements Committee
- East Kent Joint Management Team
- Individual service collaboration agreements and supporting SLA's for all East Kent Shared Services

- **The council is required to:** publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance

### We will do this through the following:

- Annual performance report
- [State of the District report](#)
- 'Your Services – Your Council Tax' publication
- [Statement of Accounts](#)
- Medium Term Financial [Plan](#)

**Deleted:** Annual financial statements

**Deleted:** Strategy

- **Supporting principle:** ensure that users receive a high quality of service whether directly, or in partnership or by commissioning
- **The council is required to:** decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available

**We will do this through the following:**

- Service plans
- Annual performance report
- Monthly performance monitoring
- Corporate Management Team
- Corporate dashboard report
- [Star Chamber](#)

**Deleted:** <#>Quarterly performance packs¶

- **The council is required to:** put in place effective arrangements to identify and deal with failure in service delivery

**We will do this through the following:**

- Customer feedback system
- Appraisal process
- [Improvement Forum](#)
- Performance reporting
- Performance Management Framework

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**Deleted:** <#>Use of Resources audits¶

- **Supporting principle:** ensure that the authority makes best use of resources and that tax payers and service users receive excellent value for money
- **The council is required to:** decide how value for money is to be measured and make sure that the authority has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions

**We will do this through the following:**

- Medium Term Financial [Plan](#)
- Value for Money (Efficiency) Strategy
- [Improvement Forum](#)
- [Improvement Board](#)
- Performance reporting
- Audit reports
- Value for Money audits

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**Deleted:** Value for Money programme

**Deleted:** Value for Money Programme Board terms of reference and minutes

**Deleted:** <#>Annual efficiency statements¶



## 2. Members and officers working together to achieve a common purpose with clearly defined functions and roles

- **Supporting principle:** ensure the effective leadership throughout the authority and being clear about Executive and Non-Executive functions and of the roles and responsibilities of the Scrutiny function
- **The council is required to:** set out a clear statement of the respective roles and responsibilities of the Executive and of the Executive's Members individually and the authority's approach towards putting this into practice

**We will do this through the following:**

- Constitution
- Record of decision making and supporting materials

- **The council is required to:** set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers

**We will do this through the following:**

- Job descriptions / specifications
- Publication of Corporate Management Team pay and member allowances
- **Committee** terms of reference
- East Kent Joint Arrangements Committee
- East Kent Joint Scrutiny Committee

- **Supporting principle:** ensure that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard

- **The council is required to:** determine a Scheme of Delegation and reserve powers within the Constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required

**We will do this through the following:**

- Constitution
- Local Code of Corporate Governance
- Member / officer protocol
- Scheme of Delegation

- **The council is required to:** make a Chief Executive or equivalent responsible and accountable to the authority for all aspects of operational management

**We will do this through the following:**

- Constitution
- Codes of Conduct
- **Core values and priorities**
- Scheme of Delegation
- Job descriptions / specifications
- Performance management system
- **Register of Interests**

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Staff Charter

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- [Whistleblowing Code](#)
- [Gifts and hospitality register](#)

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- **The council is required to:** develop protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained

**We will do this through the following:**

- Scheme of Delegation
- Member / officer protocol

- **The council is required to:** make a senior officer (the Section 151 Officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control

**We will do this through the following:**

- [Section 151 provision](#)
- Statutory reports
- Job descriptions / specifications
- Reports to members / officers on financial matters
- Standing Orders
- Financial Procedure Rules
- Scheme of Delegation
- Annual review of the effectiveness of [the council's internal audit arrangements](#)
- report
- Contract with East Kent Audit Partnership
- Internal Audit Plan

**Deleted:** Internal Control

- **The council is required to:** make a senior officer (usually the Monitoring Officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with

**We will do this through the following:**

- Monitoring Officer provision
- Job descriptions / specifications
- Scheme of Delegation
- Standing Orders

- **Supporting principle:** ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other

- **The council is required to:** develop protocols to ensure effective communication between members and officers in their respective roles

**We will do this through the following:**

- Member / officer protocol

- **The council is required to:** set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel (if applicable)

**We will do this through the following:**

- Pay and conditions policies and practices
- **The council is required to:** ensure that effective mechanisms exist to monitor service delivery

**We will do this through the following:**

- Appraisal process
- HR system / [i-Trent](#)
- [East Kent HR Partnership](#) Service Level Agreements
- Budget monitoring
- National indicators
- Local indicators
- Corporate Plan
- Performance reporting

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- **The council is required to:** ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated

**We will do this through the following:**

- [Thanet Vision 2030](#)
- [Thanet Strategy](#)
- Corporate Plan
- Service plans
- [Star Chamber](#)
- Medium Term Financial [Plan](#)
- Performance Management Framework
- Annual budget and Council Tax consultation
- Public consultation

**Deleted:** Vision for

**Deleted:** Strategy

**Deleted:** <#>Prioritisation matrix

- **The council is required to:** when working in partnership, ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority

**We will do this through the following:**

- Partnership Framework
- East Kent Joint Arrangements Committee
- East Kent Joint Scrutiny Committee

- **The council is required to:** when working in partnership:
  - ensure that there is clarity about the legal status of the partnership
  - ensure that representatives of organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions

**We will do this through the following:**

- Partnership Framework
- Partnership Register
- Collaboration agreements and supporting SLA's

### 3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- **Supporting principle:** ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance

- **The council is required to:** ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect

**We will do this through the following:**

- Whistleblowing [Code](#)
- Appraisal process
- Codes of Conduct
- Leadership programme

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- **The council is required to:** ensure that standards of conduct and personal behaviour expected of members and staff, or work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols

**We will do this through the following:**

- Codes of Conduct
- Performance management system
- Appraisal process
- Customer feedback system
- Anti-Fraud and Corruption Policy
- Member / officer protocol
- [Core values and priorities](#)

**Deleted:** <#>Staff Charter  
Managers Charter

- **The council is required to:** put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice

**We will do this through the following:**

- Standing Orders
- Codes of Conduct
- Financial regulations
- Gifts and hospitality register
- Declaration of interest protocols

- **Supporting principle:** ensuring that organisational values are put into practice and are effective

- **The council is required to:** develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners

**We will do this through the following:**

- Codes of Conduct
- Investors in People Status

- Charter Mark Standard for Customer Service Excellence
- Staff consultations
- Staff and member development briefings
- Staff conference
- Appraisal process
- Core values and priorities

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- **The council is required to:** put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice

**We will do this through the following:**

- Codes of Conduct
- Report template
- Professional body guidance documents (eg CIPFA)

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- **The council is required to:** develop and maintain an effective Standards Committee

**We will do this through the following:**

- Committee terms of reference
- Independent chair of Standards
- Regular reporting to the council

- **The council is required to:** use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority

**We will do this through the following:**

- Internal audit check of compliance and approved procedures and policies
- Approved procedures and policies
- Thanet Compact
- Kent Compact
- Partnership Framework

- **The council is required to:** in pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively

**We will do this through the following:**

- Thanet Compact
- Kent Compact
- Partnership Framework
- Individual partnerships / contractors show expected outcomes
- East Kent Joint Arrangements Committee

#### 4. Taking informed and transparent decisions which are subject to effective Scrutiny and managing risk

- **Supporting principles:** being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny
- **The council is required to:** develop and maintain an effective Scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible

**We will do this through the following:**

- Scrutiny Panel reports, minutes and working group papers

- **The council is required to:** develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based

**We will do this through the following:**

- Decision-making protocols
- Record of decision making and supporting materials

- **The council is required to:** put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice

**We will do this through the following:**

- Codes of Conduct
- Declaration of interest protocols

- **The council is required to:** develop and maintain an effective Audit Committee which is independent of the Executive and Scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee

**We will do this through the following:**

- Governance and Audit Committee terms of reference
- Annual review of the effectiveness of the Governance and Audit Committee [and Annual Report](#)
- Training for Committee members

- **The council is required to:** ensure that effective, transparent and accessible arrangements are in place for dealing with complaints

**We will do this through the following:**

- Customer feedback system
- You Said, We Did
- Report of Ombudsmen findings

- **Supporting principle:** having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants / needs
- **The council is required to:** ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for the purpose –

relevant, timely and gives clear explanations of technical issues and their implications

**We will do this through the following:**

- Report template
- Approved procedures and policies
- Member / officer protocol
- Partnership Framework

- **The council is required to:** ensure that proper professional advice on matters that have legal and financial implications is available and recorded well in advance of decision making and used appropriately

**We will do this through the following:**

- Use of 'legal' and 'financial' implications in report

- **Supporting principle:** ensuring that an effective risk management system is in place

- **The council is required to:** ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs

**We will do this through the following:**

- Risk Management Strategy
- Risk Management Process
- Up to date risk register
- Governance Group

- **The council is required to:** ensure that effective arrangements for whistleblowing are in place to which officers, staff and all those contracting with or appointed by the authority have access

**We will do this through the following:**

- Whistleblowing Code
- Core values and priorities

Deleted: Policy

Deleted: Staff Charter

- **Supporting principle:** using their legal powers to the full benefit of the citizens and communities in their area

- **The council is required to:** actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities

**We will do this through the following:**

- Constitution
- Monitoring Officer provision
- Section 151 provision
- Standing Orders

- **The council is required to:** recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law

**We will do this through the following:**

- Monitoring Officer provision
  
- **The council is required to:** observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of administrative law - rationality, legality and natural justice - into their procedures and decision making process

**We will do this through the following:**

- Monitoring Officer provision
- Job descriptions / specifications



## 5. Developing the capacity and capability of members and officers to be effective

- **Supporting principle:** making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles
- **The council is required to:** provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis

### **We will do this through the following:**

- Training Development Plan for members and officers
- Induction programmes
- Staff and member development briefings
- Job descriptions / specifications
- Internal Communicators Network

- **The council is required to:** ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority

### **We will do this through the following:**

- Job descriptions / specifications
- Continual Professional Development
- Talent management programme
- Training needs analysis as part of appraisal
- Service plans

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- **Supporting principle:** developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group
- **The council is required to:** assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively

### **We will do this through the following:**

- Training Development Plan for members and officers

- **The council is required to:** develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed

### **We will do this through the following:**

- Training Development Plan for members and officers

- **The council is required to:** ensure that effective arrangements are in place for reviewing the performance of the Executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs

**We will do this through the following:**

- Performance management system
- Appraisal process
- [Member role descriptions](#)
- [Members continual professional development](#)
- [Training Development Plan for members and officers](#)

- **Supporting principle:** encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing and renewal

- **The council is required to:** ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority

**We will do this through the following:**

- Partnership Framework
- Stakeholders' forums' terms of reference
- Area forums' roles and responsibilities
- Residents panel
- Community Portal
- [Equality Impact Assessments](#)

- **The council is required to:** ensure that career structures are in place for members and officers to encourage participation and development

**We will do this through the following:**

- Leadership programme
- [Change management programme](#)

## 6. Engaging with local people and other stakeholders to ensure robust local public accountability

- **Supporting principle:** exercising leadership through a robust Scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develop constructive accountability relationships
  - **The council is required to:** make clear to themselves, all staff and the community to whom they are accountable and for what
    - We will do this through the following:**
      - Constitution
      - East Kent Joint Scrutiny Committee
      - [Committee](#) terms of reference
  - **The council is required to:** consider those institutional stakeholders to whom they are accountable and assess the effectiveness of the relationship and any changes required
    - We will do this through the following:**
      - [Committee](#) terms of reference
  - **The council is required to:** produce an annual report on the activity of the Scrutiny function
    - We will do this through the following:**
      - Overview and Scrutiny annual report
- **Supporting principle:** taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning
  - **The council is required to:** ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that they operate effectively
    - We will do this through the following:**
      - [Sustainable](#) Community Strategy
      - Corporate Plan
      - Public consultation
      - Processes for dealing with competing demands within the community
      - [Partners and Communities Together \(PACT\) meetings](#)
  - **The council is required to:** hold meetings in public unless there are good reasons for confidentiality
    - We will do this through the following:**
      - Public meetings
  - **The council is required to:** ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have

different priorities and establish explicit processes for dealing with these competing demands

**We will do this through the following:**

- Residents panels
- [Community forums](#)
- [Equality Impact Assessments](#)
- [Partners and Communities Together \(PACT\) meetings](#)

- **The council is required to:** establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result

**We will do this through the following:**

- Partnership Framework
- Communication Strategy

- **The council is required to:** on an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period

**We will do this through the following:**

- Annual performance report
- [Statement of Accounts](#)
- Medium Term Financial [Plan](#)
- Corporate Plan

**Deleted:** Annual financial statements

**Deleted:** Strategy

- **The council is required to:** ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so

**We will do this through the following:**

- Constitution
- Local Code of Corporate Governance
- Internet protocol
- Communication Strategy
- [Publication Scheme](#)
- [Freedom of Information process](#)

- **Supporting principle:** making best use of human resources by taking an active and planned approach to meet responsibility to staff

- **The council is required to:** develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making

**We will do this through the following:**

- Trade Union recognition agreement
- Workforce Forum
- Communication Strategy

- Employee Council terms of reference

## Supporting Evidence

The table below provides the supporting evidence for the source documents, good practices adopted and the processes that Thanet District Council has in place.

Source documents / good practice / processes in place:	In place Yes / No	Comments / Plans for improvement	
Annual budget and Council Tax Consultation	Yes	Each year the council undertakes a consultation on the Summary of Accounts and also on the spending priorities for Thanet District Council.	Deleted: ook
Statement of Accounts	Yes	The Statement of Accounts are approved by the Governance and Audit Committee. This meets the statutory requirement under the Accounts and Audit Regulations. Anticipated future requirements for the financial position of the council are published in the annual budget and Medium Term Financial Plan. In March 2009 the Government published a consultation paper to seek views on amending the Accounts and Audit Regulations 2003 to improve transparency of reporting of remunerations of Senior official in some public bodies. The outcome will be taken on board and the annual statement of accounts will include information about the remuneration of senior officers.	Deleted: Annual efficiency statements ... [1] Deleted: is Deleted: Strategy
Annual performance report	Yes	At the end of each year the council produces an annual performance report. Up to 2006 this was called the Best Value Performance Plan (BVPP) but it is now called the Annual Performance Report. It details our performance and achievements over the past year and sets out our goals for the coming year.	Deleted: Annual Financial Strategy ... [2]
Annual review of the effectiveness of the Governance and Audit Committee and Annual Report	Yes	This report summarises the achievements of the Governance and Audit Committee against its terms of reference and details the impact that it has made on the overall system of internal control in operation for that period. The sub committee considered the self assessment checklist by the National Audit Office. The outcome is reported on to Governance and Audit Committee and is taken to Full Council each year in an annual report.	Deleted: is based on Deleted: self assessment Deleted: ,
Annual review of the effectiveness of the council's internal audit arrangements report	Yes	The auditors are independent to the management of the council and have direct access to the Chair of the Governance and Audit Committee if required. They provide a regular update to the Committee at each of the quarterly meetings, and attend any special meetings that may be convened during the year.	Deleted: Internal Control
Anti-Fraud and Corruption Policy	Yes	An anti-fraud and corruption policy is in place and has been communicated to the authority. This document was reviewed in June 2010 and it is planned that it will	Deleted: September 2007

Source documents / good practice / processes in place:	In place Yes / No	Comments / Plans for improvement
		be reviewed on a regular basis. This is also highlighted through the induction programme.
Appraisal process	Yes	The appraisal system is designed to ensure that everyone knows what they are required to do and how this helps us achieve our goals, as well as how performance will be assessed.
Approved procedures and policies	Yes	There are numerous approved procedures and policies in place throughout the council. The council has in place a Publication scheme, which facilitates the proactive release of this type of information and plays a crucial role in supporting and providing greater openness and transparency across the public sector.
Area forums' roles and responsibilities	Yes	The Thanet Compact was developed jointly by Thanet District Council and its statutory and voluntary and community sector partners to improve the way the two sectors work together. <u>Recently refreshed following national consultation, the commitments contain undertakings by both sectors on how they will work together more effectively.</u>
Audit reports	Yes	These can be viewed through the agenda for Governance and Audit Committee. For each Audit review, management agrees a report, and where appropriate, an action plan detailing proposed action(s) and implementation dates relating to each recommendation.
Budget monitoring	Yes	Regular meetings are held between budget holders and accountancy, which is then reported to Corporate Management Team.
<u>Thanet Community Safety Plan</u>	Yes	Annual plan setting out <u>achievements and priorities</u> for tackling anti-social behaviour, <u>violence in the night time community, domestic abuse, community engagement and substance misuse</u> based on strategic assessment and resident consultation.
<u>Change management programme</u>	Yes	<p><u>In support of the significant organisational change over the forthcoming months, East Kent HR Partnership have organised a Change Programme.</u></p> <p><u>There are half day programmes that:</u></p> <ul style="list-style-type: none"> <li>• <u>support people in understanding the impact of change and to provide some tools for managing personal change and supporting others,</u></li> <li>• <u>support leaders and managers of people in understanding the impact of change, to define the role of the people manager and to provide tools for managing personal change and supporting the</u></li> </ul>

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Source documents / good practice / processes in place:	In place Yes / No	Comments / Plans for improvement
		team,
Charter Mark Standard for Customer Service Excellence	Yes	Charter mark status was awarded in May 2008 for a term of 3 years. The council was assessed by the Cabinet Office against a strict set of customer service criteria. We are looking to extend obtaining Charter Mark Standards throughout the authority.
Codes of Conduct	Yes	There are Member and Officer Codes of Conduct in place within the Constitution which are reviewed regularly.
Communication Strategy	Yes	The council has a communications strategy in place which was approved by Corporate Management Team in August and launched to staff in November 2010.
Internal Communicators Network	Yes	Representatives from across the council meet on a bi-monthly basis to discuss any internal communications issues. The Group act as ambassadors to promote new initiatives, policies and campaigns.
Community Database	Yes	The council has a Community Database of approximately 1,000 local groups, organisations and clubs who are communicated with on a regular basis. This database is managed by the Community Development Team. The database contains a wide variety of interest groups and organisations including a number of harder to reach and more vulnerable groups e.g. young/old people, disability groups, ethnic minorities.
Community Forums	Yes	The council have regular representation at a number of local fora, these include the Senior Citizens Forum, the Thanet Disability Forum, Engage Youth Forum etc. These groups are generally externally co-ordinated and represent a number of the harder to reach community groups. Officers attend to provide a channel of communication between these groups and the council. Feedback is then used to help improve the service the council provides to specific groups in the community and to ensure that they have a voice in council consultations and campaigns.
Community Portal	Yes	The council has a Community Portal of approximately 400 local groups and organisations. This portal is self managed so members are able to update any details or information about the group they represent and to promote specific activities or events. As above these groups represent a number of harder to reach people within the community.

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Source documents / good practice / processes in place:	In place Yes / No	Comments / Plans for improvement
<u>Sustainable</u> Community Strategy	Yes	A Sustainable Community Strategy for East Kent, was adopted by the Council in October 2009.
Constitution	Yes	The Constitution is regularly reviewed and updated.
Continual Professional Development	Yes	Maintenance of CPD records for <u>officers</u> in line with their professional body.
Contract with East Kent Audit Partnership	Yes	Outlines the level of service to be obtained by Internal Audit.
<u>Core values and priorities</u>	<u>Yes</u>	<p><u>Prioritising our efforts to ensure our limited resources are directed to those areas that can make the biggest difference, our focus will be on:</u></p> <p><u>Prosperity: Attracting employment, especially by supporting tourism and the green economy</u></p> <p><u>Place: Keeping Thanet beautiful by making the place clean, green and a healthy place to be</u></p> <p><u>People: Working together to make Thanet safe and improve the quality of life for all</u></p> <p><u>Performance: Delivering services we are proud of; that make a difference and provide value for money for our residents</u></p> <p><u>The Council will conduct its business in accordance with the following core values:</u></p> <p><u>We will be:</u>  <u>Fair</u>  <u>Respectful and considerate</u>  <u>Focussed on quality</u>  <u>Interested in listening to your views</u>  <u>Measured and thoughtful</u>  <u>Committed to do the right thing, the right way at the right time,</u></p>
Corporate dashboard report	Yes	<u>There are proposals for a live monthly presentation of performance to Corporate Management Team commencing in November 2010.</u>
Corporate Management Team	Yes	This group meets on a <u>weekly</u> basis to agree policy and deals with decision making. Outside presenters also attend to present on particular topics relevant to the council.

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Source documents / good practice / processes in place:	In place Yes / No	Comments / Plans for improvement
Corporate Plan	Yes	<p><u>The Council's current corporate plan will come to an end in March 2011. Work has already begun in preparing a new plan to take its place. It is anticipated that this will be a rolling plan (rather than a fixed term 4 year plan) enabling it to tie in more closely to the budget setting process.</u></p> <p><u>The new Corporate Plan will be influenced by a variety of pieces of work. These include the recently produced State of the District report which sets out in depth some of the key facts and figures about Thanet and its people and shows how the district compares to other areas. A further piece of work is currently underway to analyse the gaps between the State of the District and the 2030 Vision for Thanet.</u></p>
Customer feedback system	Yes	<p>Thanet District Council wants to provide the best service it can to the Community and the Customer Feedback process has been in place since August 2007. The internal process has been reviewed and went live on 1 October 2008, which includes complaints, compliments and comments. This has been expanded with effect from the 1 October 2009 to include member contact. Service improvements are taking place as a direct result of customer feedback received and are published on the Web and Members Portal.</p>
Decision-making protocols	Yes	<p>Decision making process is detailed within the council's Constitution.</p>
Declaration of interest protocols	Yes	<p>There are formal protocols in place for both members and officers available on request.</p>
East Kent Joint Arrangements Committee	Yes	<p>The first EKJAC held on the 25 June 2008 agreed the procedure rules and terms of reference, operating arrangements and administrative processes and also proposed arrangements for the EK Joint Scrutiny Committee looking at shared services. The operating arrangements allow the strategic aims of each participating authority to be achieved without compromising any other party.</p>
East Kent Joint Management Team	Yes	<p>In order to progress actions from the East Kent Joint <u>Arrangements</u> Committee, a Joint Management Team has been established.</p>
East Kent Joint Scrutiny Committee	Yes	<p>The East Kent Joint Scrutiny Committee meets;</p> <ul style="list-style-type: none"> <li>• To monitor, review and scrutinise the actions and decisions of the East Kent (Joint Arrangements) Committee;</li> <li>• To make recommendations for re-consideration of any decisions made or actions taken and to make recommendations for improvement and/or changes</li> </ul>

**Deleted:** The current Corporate Plan was agreed by Cabinet (14 June 2007) and Council (25 June 2007). A refresh of the Corporate Plan was agreed by Cabinet on the 12 February 2009 and Council on the 26 February 2009. A review is taking place towards the end of 2009 and will be reported to Cabinet on 11 February 2010 and the 25 February 2010 meeting of Council.

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Source documents / good practice / processes in place:	In place Yes / No	Comments / Plans for improvement
		in responsibilities and functions of the East Kent (Joint Arrangements) Committee; <ul style="list-style-type: none"> <li>To prepare reports and recommendations to the parties on the performance and delivery of shared services provided by the East Kent (Joint Arrangements) Committee;</li> <li>To propose an annual budget for the East Kent (Joint Scrutiny) Committee in accordance with the requirements of the parties;</li> <li>To prepare an annual report to the parties on the performance of these arrangements; and</li> <li>To facilitate the exchange of information about the work of the East Kent (Joint Scrutiny) Committee and to share information and outcomes from reviews.</li> </ul>
Employee Council terms of reference	Yes	Agreed by Management and Unison, and contained within the Trade Union recognition agreement as published on TOM.
<u>Equality Impact Assessments</u>	<u>Yes</u>	<u>This process helps the council check whether new, or existing services, procedures or policies have a negative impact upon anyone because of their age, gender, race, sexuality, religion or belief.</u>
Financial Procedure Rules	Yes	Financial Procedure Rules are detailed within the council's Constitution.
Financial regulations	Yes	Related Party Transaction returns can be viewed within the Financial Statement.
<u>Freedom of Information process</u>	<u>Yes</u>	<u>Thanet Council routinely publishes a great deal of information. Information may be able to be found through the council's Publication Scheme or elsewhere on the website. However, if the information that is wanted cannot be found a request can be made through the 'Request for information' process.</u>
Gifts and hospitality register	Yes	A Gifts and Hospitality Register is in place with Democratic Services for members and officers. This is available for viewing <u>by appointment</u> .
Governance and Audit Committee terms of reference	Yes	The terms of reference for the Governance and Audit Committee <u>are prepared</u> in line with CIPFA guidance and are reviewed on a regular basis.
Governance Group	Yes	The Governance Group meet on a quarterly basis <u>prior to the Governance and Audit Committee. The purpose of the Group is to support the council by monitoring and reviewing the risk, control and governance processes which have been established and address any upcoming processes as required.</u>

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Source documents / good practice / processes in place:	In place Yes / No	Comments / Plans for improvement
<u>East Kent HR Partnership HR System / j-Trent</u>	Yes	Monthly reports provided to CMT cover establishment, sickness, <u>additional employee expenditure and health and safety, as well as other areas of interest.</u>
<u>Improvement Board</u>	Yes	<u>The Improvement Board will be led by the Deputy Chief Executive and comprise the Chief Executive, the Leader and the Corporate Resources Manager. Taking into account the council's priorities / values, outcomes of the Star Chamber, benchmarking data, performance information and the Shared Service agenda, the Board will commission a variety of independent reviews.</u>
<u>Improvement Forum</u>	Yes	<u>The Improvement Forum provides an exciting opportunity for staff to rise to the challenge and be at the heart of a constructive programme of activity to explore and discuss areas for improvement. Staff will also be involved in a variety of projects aimed at delivering savings and / or improved service delivery. The Improvement Forum will also be responsible for investigating and solving any wider issues affecting the improvement of the council.</u>
Independent chair of Standards	Yes	The Standards Committee promote and maintain high standards of conduct by councillors and co-opted members. The Committee is chaired by an independent member.
Individual service collaboration agreements and supporting SLA's for all East Kent Shared Services	Yes	These set out the service level expectations <u>for all shared services.</u>
Individual partnerships / contractors show expected outcomes	Yes	The council <u>has in place</u> a Partnership Register to collect all relevant partnership details and enable reporting on performance. <u>The council also has in place a contracts register which includes contracts above a certain minimum value, currently £30k over the contract duration.</u>
Induction programmes	Yes	This process has been reviewed and a booklet produced to support the individuals induction.
Internal Audit check of compliance and approved procedures and policies	Yes	The East Kent Audit Partnership report on a regular basis to the Governance and Audit Committee. This includes quarterly reports and an annual report.
Internal Audit Plan	Yes	To undertake a regular appraisal of the effectiveness of internal controls <u>in place.</u>

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Source documents / good practice / processes in place:	In place	Comments / Plans for improvement
	Yes / No	
Internet protocol	Yes	The council encourages the use of electronic communication via the Internet and email wherever possible. In accordance with its Code of Practice, it will look to enable its transactions to be undertaken electronically.
Investors in People Status	Yes	Status originally granted in March 2005. In 2008 the council successfully retained Investors in People Status – reflecting that learning and development is high on the corporate agenda. Assessors specifically acknowledge that the objectives of the organisation are communicated to all levels of staff and people have a clear understanding of how their objectives cascade down.
Job descriptions / specifications	Yes	Job descriptions are in place for all staff including the Chief Executive, Monitoring Officer and Section 151 Officer, all of which have been reviewed as part of the senior management structural changes which are published on the Internet. An agreed job description template and guidance is in place for the council.
Kent Compact	Yes	The Thanet Compact is implemented within the District and is working well and moving forward at a good pace. But as well as this, we also remain involved in the Kent Partners Compact and attend their committee meetings to be able to share best practice.
Leadership programme	Yes	Senior management and leadership training and development opportunities are available through working with Kent County Council.
Local area or performance agreements	Yes	Thanet District Council has signed up to the Kent Agreement 2 for Kent and is working with the Kent Partnership to deliver its contribution to the <u>final year of the Agreement</u> .
Local Code of Corporate Governance	Yes	The Local Code of Corporate Governance has been prepared in line with CIPFA guidelines. It is reviewed on an annual basis and approved by Governance and Audit Committee.
Local indicators	Yes	Local indicators are captured and monitored through the performance management system.
Medium Term Financial Plan	Yes	The council has in place a Medium Term Financial Plan for the period 2010 to 2015, <u>which sets out the council's strategic approach to the management of its finances and presents indicative budgets and Council Tax levels for the medium term.</u>
Members continual professional development	No	<u>It is suggested this be taken forward after the elections in May 2011.</u>
Member role description	No	<u>It is suggested this be taken forward after the elections in May 2011.</u>

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Source documents / good practice / processes in place:	In place Yes / No	Comments / Plans for improvement
Member / officer protocol	Yes	Protocol on member / officer relations in place within the Constitution.
Monitoring Officer provision	Yes	Officer's responsibilities in place within the Constitution.
Monthly performance monitoring	Yes	Monthly performance monitoring is undertaken looking at local and national PI's, also showing some cross cutting indicators by service.
National indicators	Yes	<u>Key</u> national indicators are captured and monitored through the performance management system.
Overview and Scrutiny annual report	Yes	Thanet's Overview and Scrutiny Panel (OSP) will make an annual report to the Annual Meeting of Council. This report summarises the key achievements of the Overview and Scrutiny Panel during the previous year and indicates the Panels' suggested priorities for forthcoming year.
Partnership Framework	Yes	The Partnership Framework demonstrates the governance arrangements that we are committed to as a council and allows our partners and the public to see the key principles and standards that we aim to achieve.
Partnership Register	Yes	The Partnership Register captures pertinent information for each partnership including which Corporate Plan theme it is linked to, what type of partnership (strategic or operational), the purpose of the partnership, the organisations involved, insurance considerations and if group accounts are required.
<u>Partners and Communities Together (PACT) meetings</u>	<u>Yes</u>	<p><u>Partners and Communities Together (PACT) Meetings were introduced a few years ago to ensure that the Police and Council were visible, accessible and fully aware of local concerns. The 'PACT' process sits in line with neighbourhood policing and council engagement objectives and is designed to be a highly visible and accessible way of identifying local priorities and giving collective ownership of the issues. Each panel sets aims for that area and works with the lead officers to further understand challenges and overcome problems.</u></p> <p><u>Every panel has a police lead and a council officer lead and at most panels elected members also attend. Representation from other partners such as Kent Fire and Rescue Service, local youth groups or officers from other police or council departments are invited by the lead officer to attend the panels when there is a need resulting from a particular issue.</u></p>

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Source documents / good practice / processes in place:	In place Yes / No	Comments / Plans for improvement
Pay and conditions policies and practices	Yes	The senior management structure is currently made up of a Chief Executive, Deputy Chief Executive, four Directors and one Head of Service. The council used an independent review body to recommend appropriate salary levels which considered job size and general market position in this region for similar posts. Recommendations were approved through the General Purposes Committee.
Performance Management Framework	Yes	The Performance Management Framework is available to view through the council's intranet site and was reviewed and reported to the March 2010 Governance and Audit Committee meeting alongside the Data Quality Framework, and will be reviewed on an annual basis.
Performance management system	Yes	The council's performance management system has been upgraded and is producing a variety of graphical reports.
Performance reporting	Yes	Monthly performance monitoring of local and national PI's is undertaken and monthly performance packs produced for each service. A corporate performance pack is produced each quarter.
Processes for dealing with competing demands within the community	Yes	The council undertook a consultation on the Summary of Accounts and also on the spending priorities for Thanet District Council.
Professional body guidance documents (eg CIPFA)	Yes	Where documents are required to be in line with guidance documents this is undertaken. There are various professional bodies across the authority and these can be viewed upon request.
Publication of Corporate Management Team pay and member allowances	Yes	The council publishes information about the salaries and expenses of the Chief Executive and other members of the Corporate Management Team. The job purpose and principle duties and accountabilities of all Corporate Management Team and statutory appointments are also published. Member allowances are also published in accordance with Regulation 15(3) of the Local Authorities (Member Allowances) (England) Regulations 2003 in respect of basic, special responsibility, co-optees', travelling and subsistence and dependant carers' allowances.

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Source documents / good practice / processes in place:	In place Yes / No	Comments / Plans for improvement
Public consultation	Yes	<p>A full programme of consultation is undertaken by Thanet District Council <u>each year</u> to ensure that our customers, local residents, partners and staff have an opportunity to have their say on the planning, delivery and improvement of our services.</p> <p>All consultation is identified from objectives set out in the Service Plans and links directly to Thanet District Council's Corporate Plan and Vision. <u>Each consultation is carried out in accordance with the council's corporate consultation guide and is fully evaluated on completion.</u></p> <p>The council carries out a regular programme of consultation each year with its residents <u>which</u> is used to measure levels of satisfaction year on year. <u>As well as this regular programme of consultation, the council also carries out ad-hoc consultation in response to one off campaigns or initiatives.</u></p> <p>Some consultations are full community wide campaigns ensuring the council engages with a wide audience across the whole of Thanet. Other consultations are targeted specifically to certain groups/council customers.</p> <p><b>Consultations completed so far:</b></p> <ul style="list-style-type: none"> <li>• Summary of accounts</li> <li>• Youth Survey</li> <li>• <u>Dalby Square Conservation Area</u></li> <li>• <u>Shop Local First scheme</u></li> <li>• Gateway customer satisfaction <u>(carried out every 6 months)</u></li> </ul> <p><b>Consultations on-going:</b></p> <ul style="list-style-type: none"> <li>• <u>Selective Licensing Scheme</u></li> <li>• Asset Management <u>consultations (e.g. Minnis Bay)</u></li> <li>• <u>Lettings Procedure</u></li> <li>• <u>New Residents Panel</u></li> <li>• <u>Council communications and Thanet Matters</u></li> </ul> <p><b>Consultations still to be carried out this year:</b></p> <ul style="list-style-type: none"> <li>• <u>Budget</u></li> <li>• Night time flying</li> <li>• <u>Extension to Cliftonville Conservation Area</u></li> <li>• <u>Gateway customer satisfaction (carried out every 6 months)</u></li> </ul>

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Joint working arrangements for Housing

Source documents / good practice / processes in place:	In place Yes / No	Comments / Plans for improvement
Public meetings	Yes	Detailed within the Constitution - members of the public and press may only be excluded either in accordance with the Access to Information Rules in Part 4 of this Constitution or Rule 28 (Disturbance by Public). In the case of Planning Committee, for important cases, extra rooms are made available with a live televised link.
<u>Publication Scheme</u>	<u>Yes</u>	<p><u>The Publication Scheme sets out the classes of information which Thanet District Council publishes, or intends to publish, which has been approved by the Information Commissioner. The Publication Scheme lists:</u></p> <ul style="list-style-type: none"> <li>• <u>How to get hold of information,</u></li> <li>• <u>Indicates if there is a charge for information.</u></li> </ul> <p><u>The Publication Scheme is regularly reviewed and updated as new items are published. More information is added as we understand better what information is wanted.</u></p>
Record of decision making and supporting materials	Yes	Thanet Council's Democratic Services Unit is responsible for maintaining the minutes of Council and other committee meetings as a true record of past decisions.
<u>Register of Interests</u>	<u>Yes</u>	<u>There is a process in place for members and officers to declare an interest which could bring about a conflict with the council's interests.</u>
Regular reporting to the council	Yes	Thanet District Council holds meetings on a regular basis which are minuted as a true record of proceedings.
Report of Ombudsmen findings	Yes	An annual report is presented to Corporate Management Team on the findings of Ombudsmen complaints.
Reports to members / officers on financial matters	Yes	Finance Services report on a regular basis to CMT and Cabinet on financial matters, including significant variances which are clearly identified in these reports.
Report template	Yes	A report template is in place for Thanet District Council which requests the author to consider legal, governance and financial implications.
Residents panels	Yes	Community Matters is a consultative panel of <u>Thanet</u> residents, which aims to give local people a chance to have their say about life in the District and about local public services. Thanet District Council set up and runs the panel. The <u>former</u> Residents Panel has run for <u>five</u> years <u>and is currently being</u> refreshed in line with best practice. This is to ensure that its members are still <u>as</u> statistically representative of Thanet and to give more residents the opportunity to get involved. A core group of <u>150</u> members from the <u>former</u> panel <u>have agreed to be kept on as an 'experts panel'</u> .

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Source documents / good practice / processes in place:	In place Yes / No	Comments / Plans for improvement
Risk Management Process	Yes	The council has a Risk Management process in place which is reviewed on an annual basis and ratified by the Governance and Audit Committee.
Risk Management Strategy	Yes	The council first approved its Risk Management Strategy in 2004 and since 2006 it has been reviewed annually.
Scheme of Delegation	Yes	Scheme of Officer Delegation is in place within the Constitution which is reviewed annually.
Scrutiny Panel reports, minutes and working group papers	Yes	Thanet Council's Democratic Services Unit is responsible for maintaining the minutes of Council and other Committee meetings as a true record of past decisions.
Section 151 provision	Yes	Detailed within the officers responsibilities in the Constitution.
<u>East Kent HR Partnership Service Level Agreements</u>	Yes	In June / July 2009 Cabinet and Council agreed to delegate HR (including Training, Health and Safety and Payroll) to EKJAC. HR is provided by the East Kent HR Partnership and Payroll is provided by Kent County Council. Collaboration agreements / SLA's have been agreed. A project group and strategic board <u>are in place</u> . Thanet has retained the role of the Corporate Resources Manager to act in a client management and commissioning role to set, monitor and review the service standards provided by the shared service.
Service plans	Yes	Service Plans are in place, they are reviewed annually in line with the Corporate Plan refresh and budget setting process. The Service Planning process <u>was</u> reviewed for 2010/11 and service aims, actions and performance indicators will be captured and monitored through the performance system.
Staff and member development briefings	Yes	Staff development sessions take place on a monthly basis, with member sessions every quarter. In addition to this, training is delivered to members of the Governance and Audit Committee on finance, risk and governance issues.
Staff conference	Yes	An annual staff conference takes place, which is informed in part by the Workforce Forum and details future corporate issues and reflects on the achievements of staff during the previous year. <u>This is currently being reviewed as part of the work undertaken by the Improvement Forum.</u>
<u>Staff consultations</u>	Yes	<u>Staff are consulted on specific issues, projects and initiatives on an on-going basis. Consultations are generally carried out by online survey or staff poll (on TOM) although paper copies of each survey are always available on request and are promoted to those staff without access to computers. Consultations include</u>

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Source documents / good practice / processes in place:	In place Yes / No	Comments / Plans for improvement
		<p><u>regular surveys like the Internal Communications survey as well as one off surveys e.g. ICT services, Thanet Matters, Compliments and Complaints etc. Major public consultations are also promoted to TDC staff as part of a regular update in the staff information sessions.</u></p> <p><u>A staff survey is currently undertaken annually which will be delivered by the East Kent HR Partnership.</u></p>
Stakeholders' forums' terms of reference	Yes	<p><u>The Internal Equality and Diversity Group (EDG) meets quarterly with representation from each directorate. The EDG ensures that the Council's approach to equalities is co-ordinated, consistent and good practice is shared across departments.</u></p> <p><u>Representation on other equality groups within the district is being sought.</u></p>
Standing Orders	Yes	Prescribed and other Standing Orders detailed in the Constitution.
<u>Star Chamber</u>	<u>Yes</u>	<p><u>Star Chamber sessions were held in August 2010 where service managers were asked to justify their service. They were asked about every part of their spending, where service cuts could be made and whether their service could be delivered in a different way.</u></p> <p><u>Directors and service managers have now been tasked with discussing the recommendations from the Star Chamber with their Portfolio Holder and progressing those that could improve their service delivery or reduce spend within their areas.</u></p>
<u>State of the District report</u>	<u>Yes</u>	<p><u>A 'State of the District' report has been compiled which summarises recent data for key indicators of social wellbeing in Thanet, comparing the most recently available data with other districts and county averages. The report is intended to be the first in an annual series aimed at helping improvement of local reporting by Thanet District Council.</u></p> <p><u>The report will be published on the Thanet website in chapters over the coming months. It will be combined with material already on the website in the 'knowledge hub' section, to give a fuller picture of comparative population, employment, crime, educational attainment, health, and housing data, as well as Thanet lifestyles and residents' perceptions of Thanet.</u></p>
Statutory reports	Yes	Statutory reports can be viewed through the council's agenda and minutes page.

**Deleted:** bi-

**Deleted:** This is moving to an annual process in lines with best practice.

**Deleted:** An initial meeting of the Equalities Forum has taken place and the possibility of other equalities groups is being pursued.

**Formatted:** English (U.K.)

Source documents / good practice / processes in place:	In place	Comments / Plans for improvement
	Yes / No	
<u>Committee</u> terms of reference	Yes	The terms of reference for all Committees are detailed within the Constitution.
Thanet Compact	Yes	The Compact provides a framework for improving working relations between local public and Voluntary and Community Sector (VCS) organisations to strengthen relationships between partners for mutual advantage by establishing codes of practice that set out what partners can expect from each other. By following the codes and working within the "spirit" of the Compact, partner relations will change for the better and it will improve how partners engage, behave and work together at individual, organisational and partnership level.
<u>Talent management</u> programme	<u>No</u>	<u>Currently Corporate Management Team are working closely with the East Kent HR Partnership to develop a talent management programme across the organisation.</u>
<u>Thanet Strategy</u>	<u>Yes</u>	<u>At the Staff Conference in June 2010 the Thanet Strategy was launched to staff. This strategy details the council's priorities and core values for taking the council to a new level.</u>
Trade Union recognition agreement	Yes	This agreement recognises GMB and Unison for the purpose of collective bargaining, and has been approved by CMT. The council complies with legislation on collective and individual consultation.
Training Development Plan for members and officers	Yes	Member development sessions are programmed on a quarterly basis to ensure issues such as equalities, child protection and other governance processes are communicated as necessary to members. A wide range of other member development activities are undertaken, including a number of recent and planned sessions on ethical standards and the Code of Conduct. Also training takes place with the Governance and Audit Committee on a regular basis.  The development needs of officers is undertaken as part of the appraisal process and of senior officers in relation to their strategic roles which have been identified and the Learning and Development Strategy 2007-2011 outlines activities to be implemented

**Deleted:** Thanet Manager

**Deleted:** Yes

**Deleted:** Thanet Manager is a unique leadership course which commenced in 2006. People undertook the course achieving either diplomas or CMI certificates in management and recently received a regional National Training Award. The course has resulted in a number of benefits to the council, including better communication with colleagues and residents, more efficient handling of workloads and projects, and greater understanding of the requirements and responsibilities of other services and departments.

Source documents / good practice / processes in place:	In place	Comments / Plans for improvement
	Yes / No	
Up to date risk register	Yes	The council has been using the JCAD Risk system since November 2004. This system enables officers to take responsibility for risks and control measures assigned to them and review these on a regular basis. Periodic workshops are held to refresh managers understanding of risk management and to challenge / update the corporate risk register.
Use of 'legal' and 'financial' implications in report	Yes	The council has a report template in place, and also guidance notes to help with the report writing process. There is a process in place for the Finance and Legal Departments demonstrate that they have been consulted upon and have signed off the report. Such consultation is mandatory for all executive decisions.
Value for Money (Efficiency) Strategy	Yes	A Value for Money (Efficiency) Strategy has been approved that outlines the steps that will be taken over the medium term to maximise the gains realisable from efficiency measures, and to provide evidence of the council's performance in achieving Value for Money. Such an approach will strengthen the council's corporate processes for managing its resources and achieving value for money that will bring benefits to the cost and quality of the services it delivers.
Value for Money audits	Yes	In addition to key control audits the East Kent Audit Partnership have been carrying out Value for Money audits.
Thanet Vision 2030	Yes	The Thanet Vision document was adopted by Council in July 2009. This document sets out future plans for what Thanet will look and be like in 2030. It was consulted on widely with TDC staff and members, the residents' panel, TDC partners and stakeholders including Kent County Council, Police, NHS, Manston Airport, Highways Agency and Transeuropa. Details of the consultation were covered in a full page spread in spring 2009 edition of Thanet Matters (delivered to 64,000 properties) and was published on the front page of TDC's website throughout the consultation period and the consultation pages featured an online survey for residents/partners to complete.
Whistleblowing Code	Yes	Governance and Audit Committee approved the revised Whistleblowing Code in June 2010. The Code is proactively communicated to staff, members and those contracting with the council.
Workforce Forum	Yes	This Group provides the mechanism for staff consultation within the council. The Forum is represented by a member or members of staff from each service, as well as representatives from Unison and GMB.

**Deleted:** Use of Resources assessments ... [7]

**Deleted:** Each year a

**Deleted:** is

**Deleted:** Value for Money programme ... [8]

**Deleted:** Vision for

**Deleted:** Policy

**Deleted:** Council have approved an updated Code which has an annual review process of this document is in place.

**Deleted:** also

Source documents / good practice / processes in place:	In place Yes / No	Comments / Plans for improvement
You Said, We Did	Yes	Service improvements are taking place as a direct result of customer feedback received and are published on the Web and Members Portal.
Your Services – Your Council Tax publication	Yes	A collaborative document produced by district councils, including Thanet, which also featured information from the Fire Service and Police on Council Tax spend.

## Document History

Version	Date	Agreed by	Minute ref
V1	10 Nov 2004	Cabinet	CR/74
	20 Jan 2005	Standards	75
	17 Feb 2005	Council	84
V2	5 Nov 2007	Governance Group	GG/07-08/4
	12 Dec 2007	Governance and Audit Committee	R189
	31 Jan 2008	Cabinet	C16
	21 Feb 2008	Council	86
V3	10 Nov 2008	Governance Group	Gov05 (10/11/08)
	9 Dec 2008	Governance and Audit Committee	R191
	12 Mar 2009	Cabinet	54
	23 Apr 2009	Council	30
V4	16 Nov 2009	Governance Group	Gov07
	8 Dec 2009	Governance and Audit Committee	51.
V5	7 Dec 2010	Governance Group	
	13 Jan 2011	Governance and Audit Committee	

<b>Page 17: [1] Deleted</b>		<b>nmorris</b>	<b>10/11/2010 10:33:00</b>
Annual efficiency statements	Yes	National Indicator 179 measures the total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008/09 financial year. This indicator requires biannual data collection as follows: <ul style="list-style-type: none"> <li>• July - Actual gains achieved since 1 April 2008 up to the end of the previous financial year.</li> <li>• October - Forecast cumulative position at end of current financial year.</li> </ul>	
Annual financial statements Statement of Accounts	Yes	The Statement of Accounts are approved by the Governance and Audit Committee. This meets the statutory requirement under the Accounts and Audit Regulations. Anticipated future requirements for the financial position of the council isare published in the annual budget and Medium Term Financial StrategyPlan. In March 2009 the Government published a consultation paper to seek views on amending the Accounts and Audit Regulations 2003 to improve transparency of reporting of remunerations of Senior official in some public bodies. The outcome will be taken on board and the annual statement of accounts will include information about the remuneration of senior officers.	
<b>Page 17: [2] Deleted</b>		<b>nmorris</b>	<b>10/11/2010 10:33:00</b>
Annual Financial Strategy	Yes	The council's Financial Strategy balances the council's commitment to a regime of financial rigour, prudence and discipline with the need to facilitate innovation and strong financial management.	
<b>Page 24: [3] Deleted</b>		<b>nmorris</b>	<b>10/11/2010 11:20:00</b>
Managers Charter	Yes	The Managers Charter has been in place since 2008, and details the competencies / behaviour expected of all managers in carrying out their duties.	
<b>Page 26: [4] Deleted</b>		<b>nmorris</b>	<b>10/11/2010 11:35:00</b>
Prioritisation matrix	Yes	This tool was developed by the Audit Commission and adopted by the council, to generate strategic options in relation to the council's functions and services.	
<b>Page 28: [5] Deleted</b>		<b>nmorris</b>	<b>10/11/2010 11:37:00</b>
Quarterly performance packs	Yes	A corporate performance pack is produced for quarters 1 - 3 and the Annual Performance report for quarter 4. These monitor the council's performance against the Corporate Plan.	
<b>Page 29: [6] Deleted</b>		<b>nmorris</b>	<b>10/11/2010 11:42:00</b>
Staff Charter	Yes	The Staff Charter articulates the relationship between Thanet District Council as an employer and its employees.	
<b>Page 32: [7] Deleted</b>		<b>nmorris</b>	<b>10/11/2010 11:48:00</b>

Use of Resources assessments	Yes	The outcomes from the Use of Resources assessments have been used to target areas of improvement.
<b>Page 32: [8] Deleted</b>		
<b>nmorris</b> <span style="float: right;"><b>10/11/2010 11:49:00</b></span>		
Value for Money programme	Yes	A programme of value for money reviews is in place that the council is working to, and this is monitored through the Value for Money Programme Board, then taken to the Scrutiny Working Party.
Value for Money Programme Board terms of reference and minutes	Yes	The Value for Money Programme Board meet on a regular basis to monitor the review programme and also the results of the reviews undertaken. Terms of reference for this group are in place and minutes taken for each meeting.
Vision for Thanet Vision 2030	Yes	The Vision for Thanet Vision document was adopted by Council in July 2009. This document sets out future plans for what Thanet will look and be like in 2030. It was consulted on widely with TDC staff and members, the residents' panel, TDC partners and stakeholders including Kent County Council, Police, NHS, Manston Airport, Highways Agency and Transeuropa. Details of the consultation were covered in a full page spread in spring 2009 edition of Thanet Matters (delivered to 64,000 properties) and was published on the front page of TDC's website throughout the consultation period and the consultation pages featured an online survey for residents/partners to complete.



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## CHAPTER 1: BUSINESS CONTINUITY MANAGEMENT STRATEGY AND POLICY

UPDATED	December 2010
AUTHOR	Nikki Morris, Corporate Governance and Risk Officer
DOCUMENT OWNER	Nikki Morris, Corporate Governance and Risk Officer
VERSION No	V1.1
NEXT REVIEW	To be agreed

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## 1.1.0 Background

The Business Continuity Management (BCM) Strategy and Policy sets the framework for our BCM programme. It is vital to have top management buy-in to the implementation of the BCM programme and to make a public statement of intent, endorsed by the Chief Executive and Leader.

The main elements and purpose of the BCM Strategy and Policy are to:

1. appoint an executive with overall responsibility and accountability for BCM
2. gain buy-in to and get a strategic statement of support for BCM
3. identify other key roles and responsibilities
4. gain assurance that the BCM programme is aligned with the organisations strategic objectives.

The key outcomes

- gain strategic, top level management support for the whole BCM programme; signed off by the Chief Executive and Leader
- set the framework for compliance with best practice guidelines, produced by the British Standards Institute (BS 25999).

This document is structured as follows:

Section 1: Business Continuity Management Strategy

Appendix 1.A: Business Continuity Management Policy Statement

## 1.2.0 Section 1: Business Continuity Management Strategy

### 1.2.1 Introduction

This Business Continuity Strategy provides the framework within which Thanet District Council can comply with best practice guidelines, produced by the British Standards Institute (BS 25999), and which is consistent with corporate governance best practice. Business continuity plans will ensure that the organisation can continue to deliver a minimum level of service in its critical functions in the event of any disruption.

The Strategy requires senior managers to demonstrate that they have considered the need for business continuity planning to cover each functional process within their area of responsibility. The focal point for the production, coordination, validation and review of the council's business continuity activity strategy will be the Corporate Governance and Risk Officer.

Corporate business continuity is closely linked to corporate risk management and this Strategy should be read in conjunction with the council's Risk Management Strategy.

The basic principles<sup>1</sup> of the Business Continuity Strategy have been accepted by the Corporate Management Team, Governance and Audit Committee and Cabinet.

### 1.2.2 Scope

This Strategy applies to all parts of the council as all areas play a key role in maintaining service delivery. The requirement to plan applies to activities identified as critical through the council's business continuity methodology and agreed by the Corporate Management Team, Governance and Audit Committee and Cabinet.

*[This includes the management of outsourced contracts, and requires those responsible for negotiating and managing them to ensure appropriate business continuity standards are included in contracts so that the service provider is able to deliver acceptable standards of service following a disruption to the organisation or the supplying company.]*

### 1.2.3 Definition of Business Continuity Management (BCM)

Business continuity management (BCM) can be defined as:

'A holistic management process that identifies potential threats to an organisation and the impacts to business operations that those threats, if realised, might cause, and which provides a framework for building organisational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value creating activities.'

*BS 25999 Business continuity management – Part 1: Code of Practice - British Standards Institute*

It is therefore about the council preparing for a disaster, incident or event that could affect the delivery of services. The aim being that at all times key elements of service are maintained at an emergency level, and brought back up to an acceptable level as soon as possible.

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<sup>1</sup> BS25999 Part 1: Code of Practice

### 1.2.4 Benefits of Business Continuity Management

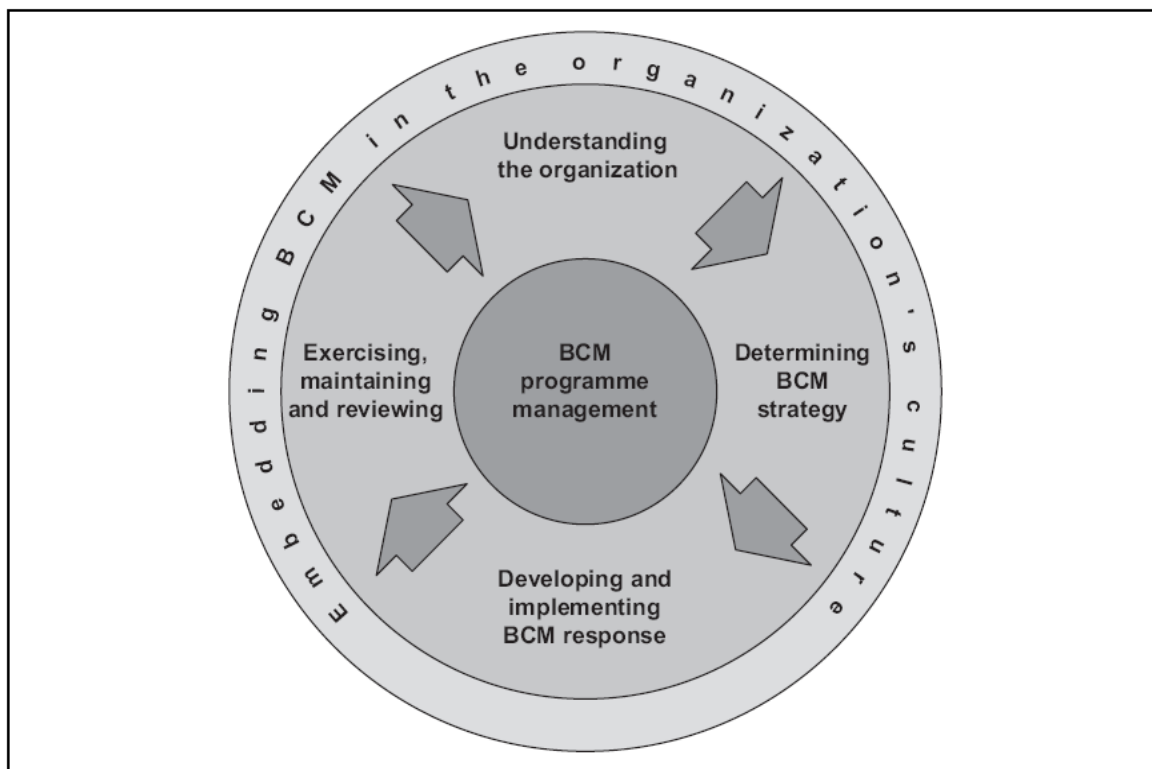
Effective business continuity management delivers a number of tangible and intangible benefits to individual services and to the council as a whole, including:

- a. develops a clearer understanding of how the council works (business process analysis)
- b. protects the council, ensuring that it can help others in an emergency (facilitated by the BCP)
- c. protects the reputation of the council (facilitated by the BCP)
- d. produces clear cost benefits (business impact analysis)
- e. facilitates legislative compliance and good corporate governance (implementation of BCP and subsequent management).

### 1.2.5 Delivering the Strategy – Methodology

The process being used within the council is based on the BCM model outlined in BS 25999 Business continuity management – Part 1: Code of Practice published by the British Standards Institute – see below.

Figure 1 The business continuity management lifecycle



This process involves the following activities:

a. BCM programme management

This includes:

- assigning responsibilities for implementing and maintaining the BCM programme within the council
- implementing business continuity in the council – including the design, build and implementation of the programme
- the ongoing management of business continuity – including regular review and updates of business continuity arrangements and plans.

b. Understanding the organisation

The use of business impact and risk assessments (see below) to identify critical deliverables, evaluate priorities and assess risks to service delivery.

- Business Impact Analysis (BIA) – identifying the critical processes and functions and assessing the impacts on the council if these were disrupted or lost. BIA is the crucial first stage in implementing BCM, and helps measure the impact disruptions on the organisation
- Risk assessment – once those critical processes and functions have been identified, a risk assessment can be conducted to identify the potential threats to these processes.

c. Determining BCM Strategy

The identification of alternative strategies to mitigate loss, and assessment of their potential effectiveness in maintaining the council's ability to deliver critical service functions.

The council's approach to determining BCM Strategies will involve:

- implementing appropriate measures to reduce the likelihood of incidents occurring and/or reduce the potential effects of those incidents
- taking account of mitigation measures in place
- providing continuity for critical services during and following an incident
- taking account of services that have not been identified as critical.

d. Developing and implementing a BCM Response

Developing individual service responses to business continuity challenges and overarching Business Continuity Plan to underpin this.

This Business Continuity Plan ensures that actions are considered for:

- the immediate response to the incident

- interim solutions or maintaining an emergency level of service, leading on to
- reinstating full services.

e. Exercising, maintaining and reviewing

Ensuring that the business continuity plan is fit for purpose, kept up to date and quality assured. An exercise programme will enable the council to:

- demonstrate the extent to which strategies and plans are complete, current and accurate and
- identify opportunities for involvement.

f. Embedding BCM in the council's culture

The embedding of a continuity culture by raising awareness throughout the council and offering training to key staff on BCM issues.

This could also include:

- incorporating BCM in the staff induction process
- items in Governance Matters
- e-mail bulletins
- pages on TOM
- booklets and prompt cards
- staff development sessions.

## 1.2.6 Implementation Timetable

This process has been achieved through the following implementation timetable:

Date	Meeting / Workshop	Action	Attendees / Responsibility for action	Outcomes / next steps
02/06/09	Stage 1 – Initial policy meeting		Deputy CE / Director F&CS / CG&RO	<ul style="list-style-type: none"> <li>Book in stage 2 workshop</li> </ul>
04/08/09	Stage 2 – Business impact analysis workshop		See sign in sheet	<ul style="list-style-type: none"> <li>MCA's identified</li> <li>BC risks and threats identified</li> <li>Book in stage 3 workshop</li> </ul>
03/09/09	Stage 3 – Business continuity strategies options analysis		See sign in sheet	<ul style="list-style-type: none"> <li>Recovery strategies prepared</li> <li>Preparation of IMP</li> <li>Book in stage 4 workshop</li> </ul>
20/10/09 05/11/09	Stage 4 – Business continuity plans		See sign in sheet	<ul style="list-style-type: none"> <li>BCP completed for MCA's</li> <li>Book in stage 5 workshop</li> </ul>
16/11/09	Report to Governance Group on reviewed process			<ul style="list-style-type: none"> <li>Agree report can go forward to Governance and Audit Committee</li> </ul>
08/12/09	Report to Governance and Audit Committee on progress made			<ul style="list-style-type: none"> <li>Note content of the report</li> </ul>
19/01/10	Stage 5 – Business continuity plan testing		CMT and designated officers	<ul style="list-style-type: none"> <li>Test undertaken and report produced on outcomes</li> <li>Chapters 1 – 4 document revised in line with test report recommendations</li> </ul>
22/09/10	BC/EP launch		CE, CG&RO, EPO	<ul style="list-style-type: none"> <li>Awareness raised with staff</li> </ul>
30/09/10	BC/EP drop in surgery		CG&RO, EPO	<ul style="list-style-type: none"> <li>Awareness raised with staff</li> <li>Questions answered</li> <li>Clearer knowledge of roles and responsibilities</li> </ul>



Date	Meeting / Workshop	Action	Attendees / Responsibility for action	Outcomes / next steps
TBC	Report to Corporate Management Team with questions and actions to be resolved or agreed.		CMT, CG&RO	<ul style="list-style-type: none"> <li>• Agree the corporate process</li> <li>• Launch / Staff training</li> <li>• Identify review programme</li> </ul>
13/01/11	Report to G & A to approve BCM Strategy and Policy		G & A, CG&RO	<ul style="list-style-type: none"> <li>• Chapter 1 published</li> </ul>

### **1.2.7 Roles and Responsibilities**

Responsibility for the business continuity management within the council rests as follows:

- a. The council is responsible for maintaining plans to ensure that it can continue to perform its critical functions in the event of an emergency so far as reasonably practicable.
- b. Responsibility for the effective delivery of services remains with the respective managers who appoint a staff member to carry out regular and systematic reviews of their respective business continuity plans. Such reviews will be included as part of the risk management periodic review process.
- c. The Deputy Chief Executive (Section 151 Officer) is the lead for business continuity within the council and is responsible for the:
  1. review and development of the council's Business Continuity Policy in line with industry best practice and the organisation's priorities
  2. monitoring standards and compliance with Policy
  3. provision of support and guidance to senior managers
  4. production of the organisation's overarching BCP using analysis and assessment work completed within individual service level business continuity plans.

### **1.2.8 Development of Plan**

This plan has been prepared by the Finance and Corporate Services Directorate with assistance from key business support areas. The individual departmental based plans are the responsibility of the functional area planning for recovery.

### **1.2.9 Maintenance**

Ensuring that the plan reflects ongoing changes within the business is crucial. This task includes updating the plan and revising this document to reflect updates; testing the updated plan; and training personnel. The Corporate Governance and Risk Officer is responsible for this comprehensive maintenance task.

Each Department is responsible for keeping its contact lists up to date and issuing off site documentation to new members of staff. Quarterly, the Corporate Governance and Risk Officer will ensure that the Plan undergoes a more formal review to confirm the incorporation of all changes since the prior quarter. Annually, the Corporate Governance and Risk Officer will initiate a complete review of the plan, which could result in major revisions to this document. These revisions will need to be then distributed to all authorised personnel, who exchange their old plans for the newly revised plans. At that time, the Deputy Chief Executive (Section 151 Officer) will provide an annual status report on continuity planning to Thanet District Council's Cabinet.

### **1.2.10 Testing**

Testing the disaster recovery plan is an essential element of preparedness. A comprehensive exercise of Thanet District Council's continuity capabilities and support at the designated recovery facility needs to be performed on an annual basis.

### **1.2.11 Links with emergency planning**

Local authorities at both county and district council level have a statutory requirement under the Civil Contingencies Act 2004 (as well as the Local Government Act of 1972 and the Local Government and Housing Act of 1989) to produce plans to deal with the effects of disasters and to train the people who would carry out these plans. Local authority senior managers therefore have a responsibility to see that these activities are carried out.

Under the Civil Contingencies Act, Thanet District Council (along with the emergency services, all local authorities, the NHS and the Environment Agency) is what is known as a 'Category 1 responder'.

As such Thanet District Council has a duty to:

- Assess the risk of an emergency occurring, for inclusion within a 'Community Risk Register'.
- Make, maintain and publish plans for the response to emergencies.
- Ensure that business continuity arrangements are in place to enable the council to continue to maintain normal levels of service provision in the event of an emergency.
- Maintain arrangements to warn, inform and advise the public relating to an emergency.
- Co-operate with other Category 1 responders relative to these duties.
- Provide advice and assistance on business continuity to business and voluntary organisation within the district.

In the immediate aftermath of a disaster local authorities have a number of major concerns. These include support for the emergency services, support and care for the local and wider community, the use of resources to mitigate the effects of the emergency and co-ordination of the response by organisations other than the emergency services. As time goes on, and the emphasis switches to recovery, the local authority will take a leading role in rehabilitating the community and restoring the environment.

Because of this, Thanet District Council has developed a Major Emergency Plan which describes how the TDC response is structured and managed. It is supported by a number of functional plans which provide more detailed management advice for each particular aspect of the council's function, such as media management, temporary shelter and oil pollution.

A copy of the Thanet District Council Major Emergency Plan and all the functional plans can be found:

- On the emergency planning page on the intranet.
- In the storage cupboard within the District Emergency Centre (Austen Room, 2<sup>nd</sup> floor, Cecil Street offices, Margate).

**1.2.12 Version History**

<b>Version</b>	<b>Date</b>	<b>Agreed by</b>	<b>Minute ref</b>
V1.0	16/11/09 08/12/09	Governance Group Governance and Audit Committee	GOV06 50.
V1.1	TBC 13/01/11	Corporate Management Team Governance and Audit Committee	

# Appendix 1.A: Business Continuity Management Policy Statement

1. The council is committed to ensuring robust and effective business continuity management as a key mechanism to restore and deliver continuity of key services in the event of a disruption or emergency.
2. The business continuity plan will be based upon the following standards:
  - a. BS 25999 Business continuity management - Part 1: Code of Practice
  - b. Recognised standards of corporate governance.
3. Each service delivery process within the council is owned by a respective manager who will ensure that their part of the overall BCP meets a minimum acceptable standard of service delivery for critical processes.
4. Each senior manager will contribute to an annual review of the BCP with the assistance of the Corporate Governance and Risk Officer.
5. Contracts for goods and/or services deemed critical to business continuity will include a requirement for each nominated supplier to provide, for evaluation, a business continuity plan covering the goods and/or services provided. Every tender for business continuity critical goods and/or services will include business continuity as an element of the tender evaluation model.
6. All staff must be made aware of the plans that affect their service delivery areas and their role following invocation.
7. The council will implement a programme of BCP testing exercises including crisis management and workspace recovery tests.

**Signed** \_\_\_\_\_  
**Richard Samuel, Chief Executive**

**Date** \_\_\_\_\_

**Signed** \_\_\_\_\_  
**Robert Bayford, Leader**

**Date** \_\_\_\_\_

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## **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) PROGRESS REPORT AND UPDATED TIMETABLE**

To: **Governance and Audit Committee – 13 January 2011**

Main Portfolio Area: **Finance and Corporate Services**

By: **Financial Services Manager**

Classification: **Unrestricted**

---

**Summary:** This report provides an update on progress in relation to the adoption of International Reporting Standards (IFRS) for 2010/11.

### **For Information**

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#### **1.0 Introduction**

1.1 The move to adopt International Financial Reporting Standards in the public sector for the preparation of the annual financial statements requires local authorities to produce their accounts based on IFRS for the first time in 2010/11. First time adopters must comply with IFRS 1, which requires comparative data to be produced from the date of transition (1 April 2009). In order to plan for these changes a project plan was put in place and reported to this committee in September 2009, and is regularly monitored and updated to reflect changes in guidance.

1.2 The CIPFA Code of Practice on Local Authority Accounting based on International Financial Reporting Standards was published in December 2009. Further more detailed guidance is due to be published late December 2010.

#### **2.0 Update on Progress**

2.1 The absence of a qualified Capital Accountant and the late publication of detailed guidance continues to have an impact on the IFRS implementation project. The original timetable has therefore been revised accordingly (see **Annex 1** attached). Progress on the project is summarised below:

2.1.1 CIPFA recently held a workshop on the Presentation of the Statement of Accounts under IFRS. Areas covered were the suggested format of the core statements, as well as an update on the latest guidance on the accounting entries required to restate the 2009/10 accounts. Work has since started on the new draft format for 2010/11.

2.1.2 The Kent wide IFRS Working Group continues to liaise with the next meeting scheduled for 20<sup>th</sup> January 2011. The Audit Commission now send a representative to inform discussion on common issues.

- 2.1.3 Component accounting for general fund assets is being adopted as part of the annual revaluation exercise currently being carried out by Property Services in accordance with RICS and IFRS guidance. HRA componentisation is being addressed as part of the Beacon valuations.
- 2.1.4 The Audit Commission have confirmed that the review of the restated 1 April 2009 balances and the 2009/10 core statement comparatives, new accounting policies and additional disclosure notes will be scheduled for March 2011.
- 2.1.5 Existing code hierarchies are being amended, and new codes are being set up in the financial information system to enable the accounting entries required for transition to be input into 2009/10 on a unique journal reference to satisfy the audit requirement to reconcile to UK GAAP.

### **3.0 Corporate Implications**

#### **3.1 Financial**

- 3.1.1 The purpose of this report is to raise members' awareness of the financial accounting changes under IFRS and inform them of progress on the implementation timetable. There are no costs associated with the implementation of these changes as they will be dealt with within existing staff resources, although there may be future budget implications dependant on the result of ongoing reviews.

#### **3.2 Legal**

- 3.2.1 There are no legal implications.

#### **3.3 Corporate**

- 3.3.1 The Statement of Accounts is a statutory document and therefore failure to prepare the accounts in accordance with proper accounting practice could lead to the accounts being qualified by the Audit Commission which in turn could lead to considerable public censure.

#### **3.4 Equity and Equalities**

- 3.4.1 There are no equity or equality issues arising from this report

#### **3.5 Risks**

- 3.5.1 Failure to produce IFRS compliant accounts that meet statutory requirements may result in qualification.

### **4.0 Recommendations**

- 4.1 That Governance and Audit Committee note the report and the updated timetable to implement the changes required under IFRS.**

Contact Officer:	Sarah Martin, Financial Services Manager, DDI 01843 577617
Reporting to:	Sue McGonigal, Director of Finance and Corporate Services, DDI 01843 577790

#### ***Annex List***

Annex 1	Revised IFRS Implementation Plan
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## Revised IFRS Implementation Plan

Stage	Task	Revised Target Date	Date Achieved	Comments
<b>Ongoing</b>	Raise awareness of IFRS and train key staff. Cascade information within Accountancy.		Ongoing	Training and workshops attended on an ongoing basis.
	Engage with staff affected by the IFRS implementation – Property, Engineers, Procurement, HR.		Ongoing	In House and Kent Wide Working Group continues to meet on regular basis.
<b>Transition Balance Sheet</b>	Agree treatment and estimation basis with auditors.	Ongoing	Ongoing	Liaising with Audit Commission on an ongoing basis.
	Compile restated Balance Sheet including reconciliation to GAAP basis.	Mid Dec 2010		On target to complete by mid December.
	External Audit verification.	March 2011		Date now agreed with Audit Commission.
<b>2009/10 Closedown</b>	Restate 09/10 accounts on an IFRS compliant basis adopting new format, policies and disclosures, with reconciliation to UK GAAP.	March 2011		To be completed ready for auditing in March 2011.
<b>2010/11 Closedown</b>	Design draft IFRS statement of accounts including statement of Accounting policies.	March 2011		Work has already started on the draft format of the accounts.
	Test and implement permanent changes required to systems and procedures.	Feb 2011		Required Financial Information System changes currently being identified
	Produce 2010/11 Accounts on an IFRS basis.	June 30 <sup>th</sup> 2011		

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## MID YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT

To: **Governance and Audit Committee – 13<sup>th</sup> January 2011**

Main Portfolio Area: **Finance and Corporate Services**

By: **Treasury and Capital Accountant**

Classification: **Unrestricted**

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**Summary:** **To inform Governance and Audit Committee about the Treasury Management activity in the first half of 2010-11, and for the approval of any change to the prudential indicators.**

### **For Information**

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#### **1.0 Introduction and Background to the Report**

1.1 Revisions to the regulatory framework of treasury management during 2009 introduced a requirement that the Council receive a mid year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury report that were required previously.

This report meets that requirement and only discusses the Treasury Management activity for the first half of this financial year. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PI's). The treasury strategy and PI's were previously reported to Council on 25<sup>th</sup> February 2010. Where changes to these indicators were approved by Council on 7<sup>th</sup> October 2010, the approved indicators have been incorporated into this report.

The capital expenditure plans and prudential indicators for capital expenditure are set out initially, as these provide the framework for the subsequent treasury management activity. The actual treasury management activity follows the capital framework (and the position against treasury management indicators shown at the end).

The underlying purpose of the report supports the objective in the revised CIPFA Code of Practice on Treasury Management and the CLG Investment Guidance. These state that Members receive and adequately scrutinise the treasury management service.

The underlying economic environment remains difficult for the Council, foremost being the improving, but still challenging, concerns over investment counterparty risk. This background encourages the Council to continue maintaining investments short term and with high quality counterparties. The downside of such a policy is that investment returns remain low.

The Deputy Chief Executive can report that the basis of the treasury management strategy, the investment strategy and the Prudential Indicators are not materially changed, except for the borrowing need in line with capital expenditure. This has reduced by £600,000 which is due to the authority no

longer being required to fund the construction of the pontoon as part of the London Array agreement.

- 1.2 This report is structured to highlight the key changes to the Council's capital activity (the prudential indicators {PI's}), the economic outlook and the actual and proposed treasury management activity (borrowing and investment).

The Key Prudential Indicators 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 PIs and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

## 2.0 Key Prudential Indicators

### 2.1 Capital Expenditure (PI)

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 £m	2010/11 Original Estimate	Current Position	2010/11 Revised Estimate
Customer Services and Business Transformation	0.087	0.087	0.087
Community Services	2.685	2.811	2.814
Environmental Services	0.140	0.140	0.260
Regeneration and Economic Development	8.605	11.092	10.731
Finance and Corporate Services	0.070	0.082	0.082
HRA	4.888	4.888	4.884
<b>Total</b>	<b>16.475</b>	<b>19.100</b>	<b>18.858</b>

The original estimate reflects the capital budgets that were approved by Council on 25<sup>th</sup> February 2010. The current position is the current capital budgets, as approved by Cabinet on 23<sup>rd</sup> September 2010 and the revised estimates reflects the capital expenditure that is expected by 31<sup>st</sup> March 2011. The material changes in relation to "Regeneration and Economic Development" are due to an increase in capital expenditure for the coastal defences and breakwater projects. The change in "Community Services" capital expenditure is due to an increased Disabled Facility Grant allocation to that which was expected. The capital budgets are approved by Cabinet every quarter, with full details of any changes in the capital programme being reported as part of those capital budget monitoring reports.

### 2.2 Impact of Capital Expenditure Plans - 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. The 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.

<b>Capital Expenditure</b>	<b>2010/11 Original Estimate</b>	<b>Current Position</b>	<b>2010/11 Revised Estimate</b>
<b>£m</b>			
Supported	1.703	1.703	1.703
Unsupported	14.772	17.397	17.155
<b>Total spend</b>	<b>16.475</b>	<b>19.100</b>	<b>18.858</b>
<b>Financed by:</b>			
Capital receipts	1.826	1.826	1.826
Capital grants	8.021	10.893	10.893
Capital Reserves	2.605	2.605	2.605
Revenue	0.100	0.229	0.229
<b>Total Financing</b>	<b>12.552</b>	<b>15.553</b>	<b>15.553</b>
<b>Borrowing Need</b>	<b>3.923</b>	<b>3.547</b>	<b>3.305</b>

The reduction in the borrowing need is due to there no longer being a requirement for the authority to fund the construction of the pontoon as part of the London Array agreement, reducing the forecast capital expenditure by £600,000.

### 2.3 **Changes to the Capital Financing Requirement (PI), External Debt and the Operational Boundary (PI)**

The table in 2.5 below shows the CFR, which is the underlying external need to borrow for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

### 2.4 **Prudential Indicator – Capital Financing Requirement**

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

### 2.5 **Prudential Indicator – External Debt / the Operational Boundary**

	<b>2010/11 Original Estimate</b>	<b>Current Position</b>	<b>2010/11 Revised Estimate</b>
<b>Prudential Indicator – Capital Financing Requirement</b>			
CFR – Non Housing	17.411	N/A	23.378
CFR – Housing	23.966	N/A	22.263
<b>Total CFR</b>	<b>41.377</b>	<b>N/A</b>	<b>45.641</b>
<i>Net movement in CFR</i>	2.252	N/A	4.264
<b>Prudential Indicator – External Debt / the Operational Boundary</b>			
Borrowing	26.646	26.646	26.646
Other long term liabilities*	0.000	3.418	3.418
<b>Total Debt 31 March</b>	<b>26.646</b>	<b>30.064</b>	<b>30.064</b>

\* - On balance sheet PFI schemes and finance leases etc.

## 2.6 Limits to Borrowing Activity

The first key control over the treasury activity is a PI to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose\*. Net 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 2010/11 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.

	2010/11 Original Estimate	Current Position	2010/11 Revised Estimate
Gross Borrowing	28.003	26.646	26.646
Plus Other Long Term liabilities*	0.000	3.418	3.418
Less Investments	7.000	7.000	7.000
Net Borrowing	21.003	23.064	23.064
CFR* (year end position)	41.380	45.641	45.641

\* - Includes on balance sheet PFI schemes and finance leases etc.

The Deputy Chief Executive reports that no difficulties are envisaged for the current or future years in complying with this Prudential Indicator.

A further PI 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  £m	2010/11 Original Indicator	Current Position	2010/11 Revised Indicator
Borrowing	44.000	44.000	44.000
Other long term liabilities*	0.000	3.418	3.418
Total	44.000	47.418	47.418

\* - Includes on balance sheet PFI schemes and finance leases etc.

These limits were approved by Council on 7<sup>th</sup> October 2010 as a result in changes to the accounting treatment of the Spine Road and car park leases.

## 2.7 Interest Rate Movements and Expectations

UK short-term interest rates fluctuated in a very narrow range in the first half of the financial year. Bank Rate was held at its record low of 0.5% in spite of above target inflation and evidence of a recovery of activity in most industrialised economies. The tenuous nature of the economic upturn, confidence that price pressures will abate and the still fragile state of the financial sector supported the case for the maintenance of an accommodative monetary policy.

Long-term interest rates peaked in the early stages of the financial year. The rise was reversed in May. Confidence that the change of government will prompt a more aggressive approach to deficit reduction encouraged new investment in gilt-edged securities. More important, however, was the financial crisis in the euro-zone, triggered by the threat of a sovereign debt default by Greece. This, together with evidence of decelerating growth in the US, ensured continued demand for high quality government debt. Gilt yields and PWLB rates subsided towards their 2009 lows as a result.

Short-term rates are expected to remain on hold for a considerable time. The recovery in the economy is likely to remain insipid. The danger of a double-dip recession is fading but the crisis in the euro-zone, the prospects of tight economic policies at home and tenuous consumer confidence means the threat has not evaporated completely.

Long-term interest rates will continue to benefit from these considerations and might be pressured lower in the event of a fresh programme of Quantitative Easing. Nevertheless, without this additional support, yields are probably close to their low point. Disappointment with the UK's inflation performance and the absence of QE would return yields to a gradually rising trend before the year is out.

## 2.8 Medium-Term Rate Estimates

Annual Average %	Bank Rate	Money Rates			PWLB Rates*	
		3 month	1 year	5 year	20 year	50 year
2009/10	0.5	0.7	1.3	3.0	4.4	4.5
2010/11	0.5	0.7	1.5	2.4	4.2	4.3
2011/12	1.1	1.3	2.2	3.1	4.8	4.9
2012/13	2.3	2.5	3.3	4.0	5.0	5.1
2013/14	3.3	3.5	4.0	4.5	5.0	5.0
2014/15	4.0	4.2	4.5	4.8	5.0	5.0
2015/16	4.0	4.2	4.5	4.5	4.8	4.7

## 3.0 Treasury Strategy 2010/11 – 2012/13

### 3.1 Debt Activity during 2010/11

The expected borrowing need is set out below:

	2010/11 Original Estimate	Current Position	2010/11 Revised Estimate
CFR (year end position)	41.377	45.641	45.641
Less Other Long Term Liabilities*	0.000	3.418	3.418
Net Adjusted CFR (y/e position)	41.377	42.223	42.223
Borrowed at 30/09/10	26.646	26.646	26.646
Under/(over) borrowing	14.731	15.577	15.577
Expected need	2.059	0.000	0.000
Total Borrowing	28.705	26.646	26.646

\* - Includes on balance sheet PFI schemes and finance leases etc.

The Council is currently under-borrowed to address investment counterparty risk and the cost of carry on investments (investments yield up to 1%, long term borrowing rates are approximately 4.5%). There is interest rate risk, as longer term borrowing rates may rise, this position is being carefully monitored.

During the first half of 2010/11 the Council has taken advantage of borrowing rates to repay maturing debt. The details are as follows:

Lender	Principal	Type	Interest Rate	Maturity
PWLB	£1m	Fixed interest rate	2.75%	5 years
PWLB	£1m	Fixed interest rate	3.84%	9.6 years

The revised budget position for debt charges is:

Debt charges	2010/11 Original Estimate	Current Position	2010/11 Revised Estimate
Borrowing	1.554	1.503	1.503
Other long term liabilities*	0.000	0.000	0.000
Total	1.554	1.503	1.503

#### 4.0 Investment Strategy 2010/11 – 2012/13

##### 4.1 Key Objectives

The objectives of the Council's investment strategy are the safeguarding the re-payment of the principal and interest of its investments on time – the investment return being a secondary objective. Following on from the economic background above, the current investment climate has one overriding risk consideration, that of counterparty risk. As a result of these underlying concerns officers continue to implement an operational investment strategy which tightens the controls already in place in the approved investment strategy.



#### 4.2 Current Investment Position

The Council held £24.152m of investments as at 30<sup>th</sup> September 2010, and the constituent parts of the investment position were as follows:

Sector	Country	Up to 1 year	1 - 2 years	2 - 3 years
Banks	UK	£5.952m	Nil	Nil
Money Market Funds	UK	£17.200m	Nil	Nil
Debt Management Office	UK	£1.000m	Nil	Nil
<b>Total</b>		<b>£24.152m</b>	<b>£0m</b>	<b>£0m</b>

The revised budget position for investment income is:

Interest Receivable	2010/11 Original Estimate	Current Position	2010/11 Revised Estimate
Income	0.195	0.085	0.128
Total	0.195	0.085	0.128

#### 4.3 Risk Benchmarking

A regulatory development is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are new requirements to the Member reporting, although the application of these is more subjective in nature. These were first set in the Treasury Strategy Report 25<sup>th</sup> February 2010.

The current position against the benchmarks originally approved is discussed below.

#### 4.4 Security

The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, was set as follows:

- 0.05% historic risk of default when compared to the whole portfolio.

The Deputy Chief Executive can report that the investment portfolio was maintained within this overall benchmark during this year to date.

#### 4.5 Liquidity

In respect of this area the Council set liquidity facilities/benchmarks to maintain:

- Bank overdraft - £0.5m

- Liquid short term deposits of at least £5m available with a week's notice.
- Weighted Average Life benchmark is expected to be 0.3 years, with a maximum of 1.0 year.

The Deputy Chief Executive can report that liquidity arrangements were adequate during the year to date.

Yield - Local measures of yield benchmarks are:

- Investments – Internal returns above the 7 day LIBID rate.

The Deputy Chief Executive can report that return to date averages 0.74%, against a 7 day LIBID to end June 2010 of 0.423%.

The security benchmarks for each individual year were set as:

Benchmarks	1 year	2 years	3 years	4 years	5 years
Maximum (current)	0.05%	0%	0%	0%	0%
Maximum (revised)	0.05%	0%	0%	0%	0%

The Deputy Chief Executive can report that these benchmarks were not breached during the year to date.

Note: The benchmarks are an average risk of default measure, and would not constitute an expectation of loss against a particular investment. The benchmarks are embodied in the criteria for selecting cash investment counterparties and these will be monitored and reported to Members. As this data is collated, trends and analysis will be collected and reported. Where counterparty is not credit rated a proxy rating will be applied.

## 5.0 Treasury Management Indicators

### 5.1 Actual and estimates of the ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (financing costs net of interest and investment income) against the net revenue stream.

	2010/11 Original Indicator	2010/11 Revised Indicator
Non-HRA	4%	4%
HRA	10%	10%

We are on target to achieve the original forecast for ratio of financing costs to net revenue.

## 6.0 Treasury Management Prudential Indicators:

6.1 **Upper Limits on Variable Rate Exposure** – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments.

**Upper Limits on Fixed Rate Exposure** – Similar to the previous indicator this covers a maximum limit on fixed interest rates.

Both of these are shown in the below table:

	2010/11 Original Indicator	Current Position	2010/11 Revised Indicator
<b>Prudential indicator limits based on debt only</b>			
Limits on fixed interest rates	31.000	41.418	41.418
Limits on variable interest rates	6.000	6.000	6.000
<b>Prudential indicator limits based on investments only</b>			
Limits on fixed interest rates	5.000	32.000	32.000
Limits on variable interest rates	32.000	32.000	32.000

The changes to these prudential indicators have already been amended and approved as part of the report sent to Council on 7<sup>th</sup> October 2010.

## 6.2 Maturity Structures of Borrowing

These gross limits are set to reduce the Council's exposure to large fixed rate loans (those instruments which carry a fixed interest rate for the duration of the instrument) falling due for refinancing.

	2010/11 Original Indicator	Current Position	2010/11 Revised Indicator
<b>Maturity Structure of fixed borrowing</b>			
Under 12 months	20%	0%	20%
12 months to 2 years	25%	13.55%	25%
2 years to 5 years	35%	16.36%	35%
5 years to 10 years	45%	22.58%	45%
10 years to 20 years	45%	20.32%	45%
20 years to 30 years	45%	18.16%	45%
30 years to 40 years	50%	9.03%	50%
40 years to 50 years	50%	0%	50%
50 years and above	50%	0%	50%

The original and revised indicators in the above table give the upper limit of fixed borrowing. The current position shows the actual percentage of fixed rate debt the authority has within each maturity span. None of the upper limits have been breached and no changes to the current indicators are required.

## 6.3 Total Principal Funds Invested

These limits are set to reduce the need for early sale of an investment, and show limits to be placed on investments with final maturities beyond each year-end.

	2010/11 Original Indicator	Current Position	2010/11 Revised Indicator
<b>Maximum principal sums invested &gt; 364 days<sup>1</sup></b>	£0	£0	£0

This authority does not currently place investments for more than one year due to the credit, security and counterparty risks of placing such investments. As such, this indicator was set to nil and does not require alteration.

## **7.0 Benchmarking**

7.1 A benchmarking exercise was completed to compare the investment and debt profiles of Thanet District Council compared to other Kent authorities. Only 5 authorities responded to the request for information for the comparison exercise. These were Canterbury City Council, Dover District Council, Gravesham Borough Council, Medway Council and Kent Fire Authority. This exercise was based on debt and investments held on 19<sup>th</sup> October 2010 and so only shows the benchmarking for that one day as investments will be changing daily.

7.2 The findings from the investment comparison were that:

- TDC has the 3rd highest principal balance out of the 6 authorities.
- TDC has £8.7 million less than the average principal balance. This is largely distorted by Medway who have principal balances at least 4 times higher than the other 5 authorities.
- If Medway was excluded, TDC would actually be shown to have the 2nd highest principal balance and would have £2 million more principal balances than the average. (However, £1 million of this is the SFP security deposit which is a contractual obligation and is likely to have to be repaid). Also a large proportion of TDC balances are HRA reserves and so are ring-fenced.
- TDC appear to achieve the 2nd lowest average rate of investment at 0.86%, which is 0.39% less than the average investment rate achieved by all of the authorities together. However, this is being distorted by the SFP security deposit. 0.39% equates to £10.68 per daily, per £1 million.
- This is a contractual obligation and as part of that obligation we are required to place the money in the safest account possible. This is the DMO which in turns has the lowest rate of return. If this investment was excluded from the comparison, TDC would be seen to be achieving an average rate of interest of 1.01%. We would then be achieving the 4th highest rates of interest, of only 0.15% less than the average. This equates to £4.10 per day, per £1 million.
- The risk comparison shows that TDC have the 2nd most secure investments, with only 0.01% risk. Medway have 18 times more risk but only achieve an average investment rate of 1.08% - this is only 0.07% higher than TDC's when the SFP monies are excluded (i.e. £1.92 per £1 million). Canterbury and Dover achieve the highest interest rates but take on more risk than TDC.
- When looking at the counterparties that authorities are investing in, TDC has most of its investments with Money Market Funds, which will spread the risk over a greater number of counterparties than we would otherwise be able to access. However, other authorities concentrate their investments within a couple of counterparties.
- For example, Dover places nearly half of their total balances with Natwest. So should Natwest default, half of their investment balances

would be lost. They also place a third of their investments with Lloyds TSB, so again, if Lloyds were to default a third of their money could be lost with very little to fall back on.

- It appears that Medway, Gravesham and Thanet try to share equal risk across their counterparties.
- The only counterparties being used by other authorities that TDC do not currently use are Nationwide, Clydesdale, Svenska and Royal Bank of Scotland (RBS). RBS are the same banking group as Natwest and we have facilities already set up with Natwest, hence we would prefer to use Natwest in place of RBS. They offer the same rates and products at present. The others have call and notice accounts that have attractive rates that vary between 0.75%-0.85%, but the rates on their longer term deposits are much less attractive.

7.3 The findings from the debt comparison exercise were that:

- TDC has the third highest level of debt out of 6 authorities that responded.
- It follows that TDC also has the third highest average rate of borrowing, and annual interest payable too.
- Authorities appear to be starting to use EIP loans for new borrowing rather than maturity loans.
- The principal investment balances are only one day's balances. These will vary throughout the year so the interest received that has been calculated in the above table is likely to change. Likewise, the average rate of investment was only the average rate for that one particular day. Our current yearly average is less than that (0.75%).
- All authorities are paying more for debt than they are earning on investments as expected.
- TDC has more debt than investment balances as do Canterbury and Medway. All of the other authorities have higher levels of investment balances than debt.
- It appears that some of the authorities are still borrowing rather than using investment balances e.g. Medway, Canterbury.
- TDC now uses investment balances rather than borrowing, however, given that we are in the same position as Medway and Canterbury this suggests that in the past we have borrowed instead of using balances. (However, this is only an assumption based on the trends identified with Canterbury and Medway.)

## **8.0 Options**

8.1 That Members note the content of this report and agree the prudential indicators that are shown.

## **9.0 Corporate Implications**

### **9.1 Financial**

9.1.1 There are no financial implications arising directly from this report.

## **9.2 Legal**

9.2.1 The Council is legally obliged to have regard to the relevant CIPFA codes of practice and to any guidance issued by the Secretary of State.

## **9.3 Corporate**

9.3.1 The Council would like to continue to improve on its score for Use of Resources, and improving its risk management processes will help towards this.

## **9.4 Equity and Equalities**

9.4.1 There are no equity or equalities issues arising from this report.

## **9.5 Risks**

9.5.1 Failure to undertake this process will impact on the Council's compliance with the Treasury Management Code of Practice.

## **10.0 Recommendation(s)**

10.1 The Governance and Audit Committee is asked to recommend the following to Council:

“Note the report, the treasury activity and recommend approval of any changes to the prudential indicators. “

## **11.0 Decision Making Process**

11.1 Under the treasury Management Code of Practice it is required that the Governance and Audit Committee note this report before it is sent to Council for approval.

Contact Officer:	Sarah Medus, Capital and Treasury Accountant, DDI 01843 577271
Reporting to:	Sarah Martin, Financial Services Manager DDI 01843 577617

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## **BUDGET AND RENT SETTING REPORT AND TREASURY MANAGEMENT STRATEGY REPORT 2011/12-2013/14**

To: **Governance and Audit Committee – 13<sup>th</sup> January 2011**

Main Portfolio Area: **Finance and Corporate Services**

By: **Treasury and Capital Accountant**

Classification: **Unrestricted**

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**Summary:** This report is to provide the Governance and Audit Committee with the proposed Treasury Management Strategy Report for 2011-12 for their approval.

### **For Decision**

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#### **1.0 Introduction and Background**

1.1 This report outlines the Council's prudential indicators for 2011/12 – 2013/14 and sets out the expected treasury operations for this period. It fulfils four key legislative requirements:

- The reporting of the **prudential indicators**, setting out the expected capital activities (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities – as per section 2.0 of this report). The treasury management prudential indicators are now included as treasury indicators in the CIPFA Treasury Management Code of Practice;
- The Council's Minimum Revenue Provision (MRP) Policy, which sets out how the Council will pay for capital assets through revenue each year (as required by Regulation under the Local Government and Public Involvement in Health Act 2007 – Also within section 2.0 of this report);
- The treasury management strategy statement which sets out how the Council's treasury service will support the capital decisions taken above, the day to day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the Authorised Limit, the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. This is the Affordable Borrowing Limit required by s3 of the Local Government Act 2003. This is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code and is shown in section 3.0 of this report;
- The investment strategy which sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the CLG Investment Guidance and is also shown in section 3.0 of this report.

The above policies and parameters provide an approved framework within which the officers undertake the day to day capital and treasury activities.

## **2.0 The Capital Prudential Indicators 2011/12 – 2013/14**

### **2.1 Introduction**

The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and produce prudential indicators. Each indicator either summarises the expected capital activity or introduces limits upon that activity, reflecting the outcome of the Council's underlying capital appraisal systems. This report updates currently approved indicators and introduces new indicators for 2013/14.

Within this overall prudential framework there is an impact on the Council's treasury management activity as it will directly impact on borrowing or investment activity. As a consequence the treasury management strategy for 2011/12 to 2013/14 is included as section 3.0 within this report, to complement these indicators. Some of the prudential indicators are shown in the treasury management strategy to aid understanding.

### **2.2 The Capital Expenditure Plans**

The Council's capital expenditure plans are summarised below and this forms the first of the prudential indicators. A certain level of capital expenditure is grant supported by the Government; any decisions by the Council to spend above this level will be considered unsupported capital expenditure. This unsupported capital expenditure needs to have regard to:

- Service objectives (e.g. strategic planning);
- Stewardship of assets (e.g. asset management planning);
- Value for money (e.g. option appraisal);
- Prudence and sustainability (e.g. implications for external borrowing and whole life costing);
- Affordability (e.g. implications for the council tax and rents);
- Practicality (e.g. the achievability of the forward plan).

The revenue consequences of capital expenditure, particularly the unsupported capital expenditure, will need to be paid for from the Council's own resources.

This capital expenditure can be paid for immediately (by applying capital resources such as capital receipts, capital grants, or revenue resources etc.), but if these resources are insufficient any residual capital expenditure will add to the Council's borrowing need.

The key risks to the plans are that the level of Government support has been estimated and therefore may be subject to change. Similarly some estimates for other sources of funding, such as capital receipts, may also be subject to change over this timescale. For instance anticipated asset sales may be postponed due to the poor condition of the property market.

Due to the current financial restrictions the authority is facing, the capital programme has been revised to ensure that the projects of highest corporate priority and that are income generating are completed first. All other projects are to remain on hold but are kept in order of priority so that should the capital receipts exceed expectations, then the first project on that reserve list will be started.

The Council is asked to approve the summary capital expenditure projections below. This forms the first prudential indicator:



<b>Capital Expenditure £m</b>	<b>2010/11 Original</b>	<b>2010/11 Revised</b>	<b>2011/12 Estimate</b>	<b>2012/13 Estimate</b>	<b>2013/14 Estimate</b>
Non-HRA	12.022	16.755	10.065	3.963	1.523
HRA	4.773	4.968	3.266	2.660	2.660
<b>Total</b>	<b>16.795</b>	<b>21.723</b>	<b>13.331</b>	<b>6.623</b>	<b>4.183</b>
<b>Financed by:</b>					
Capital receipts	1.796	2.636	0.760	0.770	0.500
Capital grants	8.494	13.391	4.452	3.223	1.023
Capital reserves	2.595	3.013	3.116	2.130	2.160
Revenue	0.100	0.980	1.000	0.500	0.500
<b>Net financing need for the year</b>	<b>3.810</b>	<b>1.703</b>	<b>4.003</b>	<b>0.000</b>	<b>0.000</b>

### 2.3 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. The capital expenditure above which has not immediately been paid for will increase the CFR.

Following accounting changes the CFR includes any other long term liabilities (e.g. finance leases and PFI schemes) that are brought onto the balance sheet. Whilst this increases 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 this scheme. The Council currently has £3.418m of such schemes within the CFR.

The Council is asked to approve the CFR projections below:

<b>£m</b>	<b>2010/11 Original</b>	<b>2010/11 Revised</b>	<b>2011/12 Estimate</b>	<b>2012/13 Estimate</b>	<b>2013/14 Estimate</b>
<b>Capital Financing Requirement</b>					
CFR – Non Housing	17.411	20.196	23.502	22.782	21.813
CFR - Housing	23.966	23.966	23.966	23.966	23.966
<b>Total CFR</b>	<b>41.377</b>	<b>44.162</b>	<b>47.468</b>	<b>46.748</b>	<b>45.779</b>
<b>Movement in CFR</b>	<b>1.529</b>	<b>1.029</b>	<b>3.306</b>	<b>(0.720)</b>	<b>(0.969)</b>

<b>Movement in CFR represented by</b>					
Net financing need for the year (above)	2.059	1.703	4.003	0.000	0.000
Less MRP/VRP and other financing movements	(0.530)	(0.674)	(0.697)	(0.720)	(0.969)
<b>Movement in CFR</b>	<b>1.529</b>	<b>1.029</b>	<b>3.306</b>	<b>(0.720)</b>	<b>(0.969)</b>

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 - MRP), although it is also allowed to undertake additional voluntary

payments if required (Voluntary Revenue Provision - VRP). No revenue charge is required for the HRA.

CLG Regulations have been issued which require full Council to approve an **MRP Statement** in advance of each year. A variety of options are provided to councils to replace existing Regulations, 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);

This option provides 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);

This option provides for a reduction in the borrowing need over the asset's life approximately.

Principal repayments of any loan will impact on the balance sheet by reducing the authority's long term liabilities and also its cash balances. The key issue for the authority is whether it has sufficient cash balances at the time to make the repayment. This will need to be considered before any new borrowing is pursued.

The Minimum Revenue Provision (MRP) charge to the General Fund is the amount shown in the accounts for the principal debt repayment, that hits the bottom line, and so is part of the Council Tax calculations. By using the asset life method, the MRP spreads the cost over more financial years so that the impact on the General Fund is reduced.

However, the interest that must be paid on borrowing is a true cost to the general fund. This must be budgeted for and where borrowing is required for capital projects, an income stream will need to be identified to pay for this.

## 2.4 The Use of the Council's Resources and the Investment Position

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.

<b>Year End Resources</b>	<b>2010/11</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
<b>£m</b>	<b>Original</b>	<b>Revised</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
Fund balances	1.883	1.883	1.883	1.883	1.883
Capital receipts	1.826	2.636	0.760	0.770	0.500
Earmarked reserves	3.095	3.095	1.718	1.464	1.464
<b>Total Core Funds</b>	<b>6.804</b>	<b>7.614</b>	<b>4.361</b>	<b>4.117</b>	<b>3.847</b>
Working Capital*	<b>20.377</b>	<b>21.099</b>	<b>19.405</b>	<b>19.688</b>	<b>19.720</b>

Under/over borrowing	13.377	14.099	13.405	12.688	11.720
<b>Expected Investments</b>	<b>7.000</b>	<b>7.000</b>	<b>6.000</b>	<b>7.000</b>	<b>8.000</b>

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

## 2.5 Affordability Prudential Indicators

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

## 2.6 Actual and Estimates of the 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 (the amount to be met from local taxpayers and central government grant, and rent income for the HRA).

%	2010/11 Original	2010/11 Revised	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate
Non-HRA	4%	4%	3%	2%	2%
HRA	10%	10%	9%	9%	8%

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

## 2.7 Estimates of the incremental impact of capital investment decisions on the 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 are not published over a three year period.

### Incremental impact of capital investment decisions on the Band D Council Tax

£m	Original 2010/11	Proposed Budget 2010/11	Forward Projection 2011/12	Forward Projection 2012/13	Forward Projection 2013/14
Council Tax - Band D	0	0	0	0	0.65

## 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 Housing Rent levels

£	Original 2009/10	Proposed Budget 2009/10	Forward Projection 2010/11	Forward Projection 2011/12	Forward Projection 2012/13
Weekly Housing Rent levels	0	0	0	0	0

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

### 3.0 Treasury Management Strategy 2011/12-2013/14

3.1 The treasury management service is an important part of the overall financial management of the Council's affairs. The prudential indicators in section 2.0 consider the affordability and impact of capital expenditure decisions, and set out the Council's overall capital framework. The treasury service considers the effective funding of these decisions. Together they form part of the process which ensures the Council meets its balanced budget requirement under the Local Government Finance Act 1992.

The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). This Council adopted the revised Code of Practice on Treasury Management on the 25/02/2010.

As a result of adopting the Code, the Council also adopted a Treasury Management Policy Statement (21/08/2003). This adoption is the requirements of one of the prudential indicators.

The Constitution requires an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming 3 years. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. A further treasury report is produced after the year-end to report on actual activity for the year, and a new requirement of the revision of the Code of Practice is that there is a mid-year monitoring report.

This strategy covers:

- The Council's debt and investment projections;
- The Council's estimates and limits on future debt levels;
- The expected movement in interest rates;
- The Council's borrowing and investment strategies;
- Treasury performance indicators;
- Specific limits on treasury activities;

### 3.2 Debt and Investment Projections 2011/12 – 2013/14

The borrowing requirement comprises the expected movement in the CFR and any maturing debt which will need to be re-financed. The table below shows this effect on the treasury position over the next three years. The expected maximum debt position during each year represents the Operational Boundary prudential indicator, and so may be different from the year end position. The table also highlights the expected change in investment balances.

£m	2010/11 Revised	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate
<b>External Debt</b>				
Debt at 1 April	26.646	26.646	30.646	30.646
Expected change in debt	0.000	4.000	0.000	0.000
<b>Debt at 31 March</b>	<b>26.646</b>	<b>30.646</b>	<b>30.646</b>	<b>30.646</b>
<b>Operational Boundary</b>	<b>37.000</b>	<b>43.000</b>	<b>41.000</b>	<b>42.500</b>
<b>Investments</b>				
Total Investments as at 31 March	7.000	6.000	7.000	8.000
<b>Investment change</b>	<b>0.000</b>	<b>(1.000)</b>	<b>1.000</b>	<b>1.000</b>

The related impact of the above movements on the revenue budget is:

£m	2010/11 Revised	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate
<b>Revenue Budgets</b>				
Interest on Borrowing	1.503	1.602	1.512	1.470
Related HRA Charge	0.563	0.966	0.870	0.839
Net General Fund Borrowing Cost	0.940	0.636	0.642	0.631
Investment income	0.128	0.126	0.175	0.280

### 3.3 Limits to Borrowing Activity

Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well defined limits

For the first of these 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 2010/11 and the following two financial years (the relevant comparative figures are highlighted). This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

£m	2010/11 Revised	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate
External Loans	26.646	30.646	30.646	30.646
Plus Other long term liabilities	3.418	3.418	3.418	3.418
Gross Borrowing	30.064	34.064	34.064	34.064
Less Investments	7.000	6.000	7.000	8.000
<b>Net Borrowing</b>	<b>23.064</b>	28.064	27.064	26.064
<b>CFR*</b>	44.162	47.468	47.468	<b>46.748</b>

\* - Under the Prudential Code revision any falls in the CFR are ignored.

The Section 151 Officer reports that the Council has complied with this prudential indicator in the current financial year and does not envisage difficulties in the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

The Authorised Limit for External Debt – A further key prudential indicator represents a control on the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. It

reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

The Authorised Limit 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 no control has yet been exercised.

The Council is asked to approve the following Authorised Limit:

<b>Authorised limit £m</b>	<b>2010/11 Revised</b>	<b>2011/12 Estimate</b>	<b>2012/13 Estimate</b>	<b>2013/14 Estimate</b>
Borrowing	27.000	36.000	36.000	36.000
Other long term liabilities	20.418	15.000	14.000	14.000
Total	47.418	51.000	50.000	50.000

Borrowing in advance of need – The Council has some flexibility to borrow funds this year for use in future years. The Section 151 Officer may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. Whilst the Section 151 Officer will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities. Borrowing in advance will be made within the constraints that:

- The authority would not look to borrow more than 18 months in advance of need.

Risks associated with any advance borrowing activity will be subject to appraisal in advance and subsequent reporting through the mid-year or annual reporting mechanism.

### 3.4 Expected Movement in Interest

#### Medium-Term Rate Estimates (averages)

<b>Annual Average %</b>	<b>Bank Rate</b>	<b>Money Rates</b>		<b>PWLB Borrowing Rates</b>		
		<b>3 month</b>	<b>1 year</b>	<b>5 year</b>	<b>25 year</b>	<b>50 year</b>
2010/11	0.5	0.7	1.5	2.6	4.6	4.7
2011/12	0.7	1.0	1.8	3.3	5.3	5.4
2012/13	1.7	2.0	2.8	4.2	5.5	5.6
2013/14	3.1	3.2	3.7	4.8	5.6	5.7
2014/15	4.0	4.2	4.5	5.6	5.6	5.8
2015/16	4.0	4.2	4.2	5.3	5.5	5.5

Short-term rates are expected to remain on hold for a considerable time. The recovery in the economy has commenced and recent growth data has come in at the high side of expectations. Nevertheless, this higher rate is unlikely to be sustained, with growth expected to revert back to more insipid levels. The danger of a double-dip recession is fading but the crisis in the euro-zone, the prospects of tight economic policies at home and tenuous consumer confidence means the threat has still not evaporated completely.

The Office for Budget Responsibility has presented a realistically downbeat view of the economy's recovery prospects over the short and medium term, projecting that growth will struggle to exceed its trend rate in the current Parliament. The Government's determination to cut the size of the public sector deficit considerably quicker than its predecessor will be a drag upon activity in the medium term.

The void left by significant cuts in public spending will have to be filled by a number of alternatives – corporate investment, rising exports and consumers' expenditure. In terms of sheer magnitude, the latter is the most important and a strong recovery in this area is by no means certain. The combination of the desire to reduce the level of personal debt and continued job uncertainty is likely to weigh heavily upon spending. This will be amplified by fiscal policy tightening, outlined in the Budget and expanded upon in the 20 October 2010 Comprehensive Spending Review. Without a rebound in personal spending, any recovery in the economy is set to be weak and protracted.

The Bank of England admits that inflation will remain above target until 2012. Inflation performance remains a key risk to the future course of interest rates. Nevertheless, the perceived need to counter the fiscal squeeze via accommodative monetary policy suggests that barring deterioration from the current situation, the MPC will be prepared to hold rates at very low levels until the latter stages of 2011.

The outlook for long-term interest rates is favourable in the near term but is set to deteriorate in the latter part of 2011. Yields will be suppressed by continued investor demand for safe haven instruments following the uncertainties and unfolding tensions within the entire Eurozone. In addition to this, the market has been underpinned by evidence of decelerating activity in major economies and the coalition government's apparent determination to deal with the parlous state of public sector finances. These two factors will restrict any deterioration in gilt market performance in the near term.

However, while the UK's fiscal burden will almost certainly ease, it will be a lengthy process and deficits over the next two to three financial years will still require a very heavy programme of gilt issuance. The latest Bank Inflation Report suggests the market will not be able to rely upon Quantitative Easing indefinitely to alleviate this enormous burden.

Eventually, the absence of the Bank of England as the largest buyer of gilts will shift the balance between supply and demand in the gilt-edged market. Other investors will almost certainly require some incentive to continue buying government paper.

This incentive will take the form of higher yields. The longer end of the curve will suffer from the lack of support from the major savings institutions – pension funds and insurance companies - who will continue to favour other investment instruments as a source of value and performance.

The front end of the curve will benefit from heavy purchases by banks as they seek to meet the FSA's proposed liquidity requirements. This will be a major benefit to the Government's gilt funding operations in the near term and will ensure the steeply-positive incline of the yield curve remains intact.

### **3.5 Borrowing Strategy 2011/12 – 2013/14**

The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy.

Long-term fixed interest rates are at risk of being higher over the medium term, and short term rates are expected to rise, although more modestly. The Section 151 Officer, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. It is likely that shorter term fixed rates may provide lower cost opportunities in the short/medium term.

With the likelihood of long term rates increasing, debt restructuring is likely to focus on switching from longer term fixed rates to cheaper shorter term debt, although the Section 151 Officer and treasury consultants will monitor prevailing rates for any opportunities during the year.

Following the Comprehensive Spending Review the PWLB increased borrowing interest rates by approximately 1%, without changing debt redemption interest rates. This will make PWLB debt rescheduling more problematic in the future.

The option of postponing borrowing and running down investment balances will also be considered. This would reduce counterparty risk and hedge against the expected fall in investments returns.

#### 4.0 Investment Strategy 2011/12 – 2013/14

##### 4.1 Key Objectives

The Council's investment strategy primary objectives are safeguarding the repayment of the principal and interest of its investments on time, and then ensuring adequate liquidity, with the investment return being the final objective. Following the economic background above, the current investment climate has one over-riding risk, counterparty security risk. As a result of these underlying concerns officers are implementing an operational investment strategy which tightens the controls already in place in the approved investment strategy.

##### 4.2 Risk Benchmarking

A development in the revised Codes and the CLG Investment Guidance is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are new requirements to the Member reporting, although the application of these is more subjective in nature. Additional background in the approach taken is attached in section 6.0 of this report.

These benchmarks are simple guides to maximum risk and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report.

Security - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- **0.05% historic risk of default when compared to the whole portfolio.**

Liquidity – In respect of this area the Council seeks to maintain:

- Bank overdraft - £0.5m
- Liquid short term deposits of at least £5m available with a week's notice.
- Weighted Average Life benchmark is expected to be 0.5 years, with a maximum of 1.0 years.

Yield - Local measures of yield benchmarks are:

- Investments – Internal returns above the 7 day LIBID rate

And in addition that the security benchmark for each individual year is:

	1 year	2 years	3 years	4 years	5 years
<b>Maximum</b>	<b>0.05%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>



Note: This benchmark is an average risk of default measure, and would not constitute an expectation of loss against a particular investment.

#### 4.3 Investment Counterparty Selection Criteria

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure:

- **It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.**
- **It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.**

The Section 151 Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. This criteria is separate to that which chooses Specified and Non-Specified investments as it provides an overall pool of counterparties considered high quality the Council may use rather than defining what its investments are.

The rating criteria use the **lowest common denominator** method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance a negative rating watch applying to a counterparty at the minimum Council criteria will be removed from the list, with all others being reviewed in the light of market conditions.

The criteria for providing a pool of high quality investment counterparties (both Specified and Non-specified investments) are:

- Banks 1 – Good Credit Quality – the Council will only use banks which:
  - i. Are UK banks; and/or
  - ii. Are non-UK and domiciled in a country which has a minimum Sovereign long term rating of AAA

and have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):

- i. Short Term – F1
- ii. Long Term – A
- iii. Individual/Financial Strength – C (Fitch/Moody's only)
- iv. Support – 3 (Fitch only)

- Banks 2 – Guaranteed Banks with suitable Sovereign Support – In addition, the Council will use banks whose ratings fall below the criteria specified above if all of the following conditions are met:
  - (a) wholesale deposits in the bank are covered by a government guarantee;
  - (b) the government providing the guarantee is rated “AAA” by all three major rating agencies (Fitch, Moody’s and Standard & Poors); and
  - (c) the Council’s investments with the bank are limited to amounts and maturities within the terms of the stipulated guarantee.
- Banks 3 – Eligible Institutions - The organisation was considered an Eligible Institution for the HM Treasury Credit Guarantee Scheme initially announced on 13 October 2008, with the necessary short and long term ratings required in Banks 1 above. These institutions were subject to suitability checks before inclusion.
- Banks 4 – The Council’s own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- Bank Subsidiary and Treasury Operations – the Council will use these where the parent bank has the necessary ratings outlined above.
- Building Societies – the Council will *use* all Societies which:
  - i. meet the ratings for banks outlined above
- Money Market Funds – AAA
- UK Government (including gilts and the DMADF)
- Local Authorities, Parish Councils etc
- Supranational institutions

A limit of 0% will be applied to the use of Non-Specified investments as it is the Council’s policy not to invest for longer than a one year period at this time.

#### 4.4 **Country and sector considerations**

Due care will be taken to consider the country, group and sector exposure of the Council’s investments. In part the country selection will be chosen by the credit rating of the Sovereign state in Banks 1 above. In addition:

- no more than 10% will be placed with any non-UK country at any time;
- limits in place above will apply to Group companies;
- Sector limits will be monitored regularly for appropriateness.

#### 4.4 **Use of additional information other than credit ratings**

Additional requirements under the Code of Practice require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

#### 4.5 **Time and Monetary Limits applying to Investments**

The time and monetary limits for institutions on the Council’s Counterparty List are as follows (these will cover both Specified and Non-Specified Investments):

	Fitch, Moody's, Standard & Poor's respectively	Money Limit	Time Limit
<b>Upper limit Category</b>	F1+, P1, A1+	<b>£6m</b>	<b>1 yr</b>
<b>Middle Limit Category</b>	F1, P1, A1	<b>£5m</b>	<b>1 yr</b>
<b>Debt Management Account Deposit Facility</b>	-	<b>No Limit</b>	<b>6 months</b>
<b>Money Market Funds</b>	AAA	<b>£5m</b>	<b>1 yr</b>
<b>Guaranteed Organisations (Eligible Institutions)</b>	-	<b>£4m</b>	<b>1 yr</b>

The proposed criteria for Specified and Non-Specified investments are shown in section 5.0 for approval.

In the normal course of the council's cash flow operations it is expected that both Specified and Non-specified investments will be utilised for the control of liquidity as both categories allow for short term investments.

The use of longer term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will not be used by the Council.

#### 4.6 **Economic Investment Considerations**

Expectations on shorter-term interest rates, on which investment decisions are based, show likelihood of the current 0.5% Bank Rate remaining flat but with the possibility of a rise in mid/late-2011. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts.

The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Whilst Members are asked to approve this base criteria above, under the exceptional current market conditions the Section 151 Officer may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly the time periods for investments will be restricted.

Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMADF – a Government body which accepts local authority deposits), Money Market Funds, and strongly rated institutions. The credit criteria have been amended to reflect these facilities.

#### 4.7 **Sensitivity to Interest Rate Movements**

Future Council accounts will be required to disclose the impact of risks on the Council's treasury management activity. Whilst most of the risks facing the treasury

management service are addressed elsewhere in this report (credit risk, liquidity risk, market risk, maturity profile risk), the impact of interest rate risk is discussed but not quantified. The table below highlights the estimated impact of a 1% increase/decrease in all interest rates to the estimated treasury management costs/income for next year. That element of the debt and investment portfolios which are of a longer term, fixed interest rate nature will not be affected by interest rate changes.

£m	2011/12 Estimated + 1%	2011/12 Estimated - 1%
<b>Revenue Budgets</b>		
Interest on Borrowing	0.045	(0.045)
Net General Fund Borrowing Cost	0.045	(0.045)
Investment income	0.140	(0.126)

#### 4.8 Treasury Management Limits on Activity

There are four further treasury activity limits, which were previously prudential indicators. The purpose of these are to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an 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 – Similar to the previous indicator this covers a maximum limit on fixed interest rates.
- Maturity structures 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.
- 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 limits:

£m	2011/12	2012/13	2013/14
<b>Interest rate Exposures</b>			
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
Limits on fixed interest rates:			
• Debt only	51.000	50.000	50.000
• Investments only	35.000	35.000	35.000
Limits on variable interest rates			
• Debt only	51.000	50.000	50.000
• Investments only	35.000	35.000	35.000
<b>Maturity Structure of fixed interest rate borrowing 2011/12</b>			
	<b>Lower</b>	<b>Upper</b>	

Under 12 months	0%	25%	
12 months to 2 years	0%	30%	
2 years to 5 years	0%	40%	
5 years to 10 years	0%	50%	
10 years to 20 years	0%	45%	
20 years to 30 years	0%	45%	
30 years to 40 years	0%	50%	
40 years to 50 years	0%	50%	
50 years and above	0%	50%	
<b>Maximum principal sums invested &gt; 364 days for 2011-12, 2012-13, 2013-14</b>			
Principal sums invested > 364 days	£0	£0	£0

#### 4.9 Performance Indicators

The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. Examples of performance indicators often used for the treasury function are:

- Debt – Borrowing - Average rate of borrowing for the year compared to average available
- Debt – Average rate movement year on year
- Investments – Internal returns above the 7 day LIBID rate

The results of these indicators will be reported in the Treasury Annual Report.

#### 4.10 Treasury Management Advisers

The Council uses Sector as its treasury management consultants. The company provides a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments;
- Credit ratings/market information service comprising the three main credit rating agencies;

Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council. This service is subject to regular review.

#### 4.11 Member and Officer Training

The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date

requires a suitable training process for Members and officers. This Council has addressed this important issue by:

- a. Using our treasury management consultants to provide training for our Members as appropriate. The last training course was held on the 25<sup>th</sup> January 2010. Members may also attend the basic treasury management training course held by Sector in London.
- b. The officer responsible for the daily treasury management function has completed the Association of Corporate Treasurers qualification: International Treasury Management for Public Finance certificate.

## **5.0 Treasury Management Practice (TMP) 1 – Credit and Counterparty Risk Management**

- 5.1 The CLG issued Investment Guidance in 2010, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which are under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for Councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the Code and will apply its principles to all investment activity. In accordance with the Code, the Section 151 Officer has produced its treasury management practices (TMPs). This part, TMP 1(5), covering investment counterparty policy requires approval each year.

## **5.2 Annual Investment Strategy**

The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

**Strategy Guidelines** – The main strategy guidelines are contained in the body of the treasury strategy statement.

- 5.3 **Specified Investments** – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's or Fitch rating agencies.
5. A body that is considered of a high credit quality (such as a bank or building society. For category 5 this covers bodies with a minimum short term rating of F1 (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies.

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. This criteria is:

	Fitch, Moody's, Standard & Poor's respectively	Money Limit	Time Limit
<b>Upper limit Category</b>	F1+, P1, A1+	<b>£6m</b>	<b>1 yr</b>
<b>Middle Limit Category</b>	F1, P1, A1	<b>£5m</b>	<b>1 yr</b>
<b>Debt Management Account Deposit Facility</b>	-	<b>No Limit</b>	<b>6 months</b>
<b>Money Market Funds</b>	AAA	<b>£5m</b>	<b>1 yr</b>
<b>Guaranteed Organisations (Eligible Institutions)</b>	-	<b>£4m</b>	<b>1 yr</b>

#### 5.4 Non-Specified Investments

Non-specified investments are any other type of investment (i.e. not defined as Specified above). The Council do not use non-specified investments.

#### 5.5 The Monitoring of Investment Counterparties

The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Sector as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Section 151 Officer, and if required new counterparties which meet the criteria will be added to the list.

#### 5.6 Use of External Fund Managers

It is the Council's policy not to use external fund managers for any part of its investment portfolio.

**6.0 Security, Liquidity and Yield Benchmarking**

**6.1 Benchmarking and Monitoring Security, Liquidity and Yield in the Investment Service**

A proposed development for Member reporting is the consideration and approval of security and liquidity benchmarks.

These benchmarks are targets and so may be breached from time to time. Any breach will be reported, with supporting reasons in the Annual Treasury Report.

Yield – These benchmarks are currently widely used to assess investment performance. Local measures of yield benchmarks are:

- Investments – Internal returns above the 7 day LIBID rate

Security and liquidity benchmarks are already intrinsic to the approved treasury strategy through the counterparty selection criteria and some of the prudential indicators. However they have not previously been separately and explicitly set out for Member consideration. Proposed benchmarks for the cash type investments are below and these will form the basis of future reporting in this area. In the other investment categories appropriate benchmarks will be used where available.

Liquidity – This is defined as “having adequate, though not excessive cash resources, borrowing arrangements, overdrafts 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” (CIPFA Treasury Management Code of Practice). In respect of this area the Council seeks to maintain:

- Bank overdraft - £0.5m
- Liquid short term deposits of at least £5m available with a week’s notice.

The availability of liquidity and the term risk in the portfolio can be benchmarked by the monitoring of the Weighted Average Life (WAL) of the portfolio – shorter WAL would generally embody less risk. In this respect the proposed benchmark is to be used:

- WAL benchmark is expected to be 0.5 years, with a maximum of 1.0 years.

Security of the investments – In context of benchmarking, assessing security is a much more subjective area to assess. Security is currently evidenced by the application of minimum credit quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody’s and Standard and Poors). Whilst this approach embodies security considerations, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council’s investment strategy. The table beneath shows average defaults for differing periods of investment grade products for each Fitch/Moody’s Standard and Poors long term rating category over the period 1990 to 2009.

Years	1	2	3	4	5
<b>AAA</b>	0.00%	0.01%	0.05%	0.10%	0.17%
<b>AA</b>	0.03%	0.06%	0.08%	0.14%	0.20%
<b>A</b>	0.08%	0.22%	0.37%	0.52%	0.70%
<b>BBB</b>	0.24%	0.68%	1.19%	1.79%	2.42%
<b>BB</b>	1.22%	3.24%	5.34%	7.31%	9.14%
<b>B</b>	4.06%	8.82%	12.72%	16.25%	19.16%
<b>CCC</b>	24.03%	31.91%	37.73%	41.54%	45.22%

The Council’s minimum long term rating criteria is currently “A” meaning the average expectation of default for a one year investment in a counterparty with a “A” long term



rating would be 0.08% of the total investment (e.g. for a £1m investment the average loss would be £300). This is only an average - any specific counterparty loss is likely to be higher - but these figures do act as a proxy benchmark for risk across the portfolio.

The Council's maximum security risk benchmark for the whole portfolio, when compared to these historic default tables, is:

- 0.05% historic risk of default when compared to the whole portfolio.

And in addition that the security benchmark for each individual year is:

	1 year	2 years	3 years	4 years	5 years
<b>Maximum</b>	0.05%	0%	0%	0%	0%

These benchmarks are embodied in the criteria for selecting cash investment counterparties and these will be monitored and reported to Members in the Investment Annual Report. As this data is collated, trends and analysis will be collected and reported. Where a counterparty is not credit rated a proxy rating will be applied.

## **7.0 Options**

7.1 Set out the various possible options (if any) [Note: on reports to Cabinet and individual Cabinet Members also give reasons why the option(s) not recommended should be rejected.]

## **8.0 Corporate Implications**

### **8.1 Financial**

8.1.1 There are no financial implications arising directly from this report.

### **8.2 Legal**

8.2.1 There are no legal implications arising directly from this report.

### **8.3 Corporate**

8.3.1 The Council would like to continue to improve on its score for Use of Resources, and improving its risk management processes will help towards this.

8.3.2 Failure to undertake this process will impact on the Council's compliance with the Treasury Management Code of Practice.

### **8.4 Equity and Equalities**

8.4.1 There are no equity or equalities issues arising from this report.

## **9.0 Recommendation(s)**

9.1 The Governance and Audit Committee is recommended to approve each of the key elements of these reports, and recommend these to Council:

1. The Prudential Indicators and Limits for 2011/12 to 2013/14 contained within Appendix A of the report, including the Authorised Limit Prudential Indicator.

2. The Minimum Revenue Provision (MRP) Statement contained within Appendix A which sets out the Council's policy on MRP.
3. The Treasury Management Strategy 2011/12 to 2013/14, and the treasury Prudential Indicators contained within Appendix B.

The Investment Strategy 2011/12 contained in the treasury management strategy (Appendix B), and the detailed criteria included in Annex B1.

#### **10.0 Decision Making Process**

- 10.1 Under the treasury Management Code of Practice it is required that the Governance and Audit Committee note this report before it is sent to Council for approval.
- 10.2 Following the Governance and Audit Committee's approval, this report must go to Cabinet and then Council as part of the Medium Term Financial Strategy.

Future Meeting if applicable: Cabinet	Date: 10/02/2011
And then Council	Date: 24/02/2011

Contact Officer:	Sarah Medus, tel: 01843 577271
Reporting to:	Sarah Martin, tel: 01843 577617

#### **11.0 Corporate Consultation Undertaken**

Finance	Nicola Walker
Legal	Peter Reilly

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## INTERNAL AUDIT PROGRESS REPORT

To: **Governance and Audit Committee: 13<sup>th</sup> January 2011**

By: **Director of Financial and Corporate Services (s.151 Officer): Sue McGonigal**

Subject: **INTERNAL AUDIT PROGRESS REPORT OF THE HEAD OF THE AUDIT PARTNERSHIP.**

Classification: **Unrestricted**

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**Summary:** This report gives Members a summary of the internal audit work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 30<sup>th</sup> September 2010.

### **For Information**

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#### **1.0 Introduction**

1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 30<sup>th</sup> September 2010.

#### **2.0 Audit Reporting**

2.1 For each Audit review, management has agreed a report, and where appropriate, an Action Plan detailing proposed actions and implementation dates relating to each recommendation. Reports continue to be issued in full to each member of Corporate Management Team, as well as an appropriate manager for the service reviewed. Attached as Appendix 1 to the EKAP report is a summary of the Action Plans agreed in respect of the reviews covered during the period.

2.2 Follow-up reviews are performed at an appropriate time, according to the status of the recommendation, timescales for implementation of any agreed actions and the risk to the Council.

2.3 An Assurance Statement is given to each area reviewed. The assurance statements are linked to the potential level of risk, as currently portrayed in the Council's risk assessment process. The assurance rating given may be Substantial, Reasonable, Limited or No assurance.

2.4 Those services with either Limited or No Assurance are monitored, and brought back to Committee until a subsequent review shows sufficient improvement has been made to raise the level of Assurance to either Reasonable or Substantial. A list of those services currently with such levels of assurance is attached as Appendix 2 to the EKAP report.

2.5 The purpose of the Council's Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control

environment, independent review of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

- 2.6 To assist the Committee meet its terms of reference with regard to the internal control environment an update report is regularly produced on the work of internal audit. The purpose of this report is to detail the summary findings of completed audit reports and follow-up reviews since the report submitted to the last meeting of this Committee.

### **3.0 Summary of Work**

- 3.1 There have been ten Internal Audit assignments completed during the period. Of these: four concluded Substantial assurance, two concluded Reasonable Assurance, two concluded Limited Assurance, and one reviews resulted in a split Assurance level. Additionally, there was one audit assignments for which an assurance level was not applicable. Summaries of the report findings and the recommendations made are detailed within Annex 1 to this report.

- 3.2 In addition, fourteen follow-up reviews have been completed during the period. Of these, one related to an area which was originally assessed as giving rise to Limited assurance and the assurance level for this business area remains unchanged.

- 3.3 The Thanet District Council audit plan for 2010-11 was 58.53% complete as at 30<sup>th</sup> September 2010. The performance figures for the East Kent Audit Partnership for 2010-11 show excellent performance against target.

### **4.0 Options**

- 4.1 That members consider and note the internal audit update report.
- 4.2 That the changes to the agreed 2010-11 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of the attached report be approved.
- 4.3 That the changes to the agreed 2010-11 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of the attached report are not approved.
- 4.4 That Members consider (where appropriate) requesting an update from the relevant Director/s to the next meeting of the Committee in respect of any areas identified as still having either limited or no assurance following follow-up.
- 4.5 That Members consider registering their concerns with Cabinet in respect of any areas of the Council's corporate governance, control framework or risk management arrangements in respect of which they have on-going concerns after the completion of internal audit follow-up reviews and update presentations from the relevant Director.

### **5.0 Corporate Implications**

#### **5.1 Financial Implications**

- 5.1.1 There are no financial implications arising directly from this report. The costs of the audit work have been met from the Financial Services 2009-10 and 2010-11 budgets.

#### **5.2 Legal Implications**

5.2.1 The Council is required by statute (under the Accounts and Audit Regulations and section 151 of the Local Government Act 1972) to have an adequate and effective internal audit function.

5.3 Corporate Implications

5.3.1 Under the Local Code of Corporate Governance accepted by Cabinet on 8<sup>th</sup> December 2009, the Council is committed to comply with requirements for the independent review of the financial and operational reporting processes, through the external audit and inspection processes, and satisfactory arrangements for internal audit.

6.0 Recommendations

6.1 That the report be received by Members.

6.2 That the changes to the agreed 2010-11 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of the attached report be approved.

Contact Officers:	Christine Parker, Head of the Audit Partnership, ext. 7190 Simon Webb, Audit Manager, ext 7190
	Sue McGonigal, Director of Financial and Corporate Services (s.151 Officer) Ext. 7790

**Annex List:**

Annex 1	East Kent Audit Partnership Update Report – 13-01-2011
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**Background Papers:**

<b>Title</b>	<b>Details of where to access copy</b>
<i>Internal Audit Annual Plan 2010-11</i>	Previously presented to and approved at the 16 <sup>th</sup> March 2010 Governance and Audit Committee meeting
<i>Internal Audit working papers</i>	Held by the East Kent Audit Partnership



## INTERNAL AUDIT UPDATE REPORT FROM THE HEAD OF THE EAST KENT AUDIT PARTNERSHIP

### 1.0 INTRODUCTION AND BACKGROUND

1.1 This report provides Members with an update of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 30<sup>th</sup> September 2010.

### 2.0 SUMMARY OF REPORTS

	<b>Service / Topic</b>	<b>Assurance level</b>
2.1	Disabled Facilities Grants	Substantial
2.2	Officers' Code of Conduct, Register of Interests, Gifts and Hospitality and Whistle blowing Arrangements	Substantial
2.3	Bank Reconciliation	Substantial
2.4	Business Rates	Substantial
2.5	Housing Repairs and Maintenance	Reasonable
2.6	Maritime – Visiting Yachts	Reasonable
2.7	Homelessness and the Rent Deposit Scheme	Reasonable/Limited
2.8	Public Health Burials	Limited
2.9	Employee Benefits-in-Kind	Limited
2.10	Housing Benefits – 2010-11 Quarter 2 Testing	Not Applicable

#### **2.1 Disabled Facilities Grants – Substantial Assurance:**

##### 2.1.1 Audit Scope

To ensure that Disabled Facility Grants are efficiently and effectively administered to maximise the funds available to make the most difference to those in need of the scheme.

##### 2.1.2 Summary of Findings

The Disabled Facilities Grant process is working very well with expected controls effectively implemented within the established procedures and working practices. The information provided to applicants on DFG's is clear, detailed and appropriately repeated throughout the grant stages either through the use of the internet, standardised process documentation, or direct contact with the DFG Officer.

The granting of Disabled Facilities Grants (DFG's) is regulated under the Housing Grants, Construction and Regeneration Act 1996. The Department of Communities

and Local Government is responsible for DFG policy in England but Local Councils are responsible for administering DFG's.

In February 2008 a package of changes to modernise the DFG programme was published. Although the longer term proposals have yet to reach fruition what has changed, and is now in place, includes:

- The raising of the maximum grant to £30, 000.
- The means test incorporating a passporting facility that is based on benefits received for applicants on low income ie housing/council tax benefit and tax credits.
- The placing of a limited charge on properties where grants have been issued.
- Access to a garden is now included as a specific criterion for grant entitlement.
- Removal of the 60:40 funding split whereby local authorities had to match fund; and
- Removal of the ring fencing of DFG funding.

Implementation of the changes mentioned above was demonstrated as effectively embedded within the current DFG working practices and procedures.

Currently TDC still provides its own budget in addition to the government grant although 60:40 fund matching is no longer a requirement. The current demand for DFG's outstrips the available funding and, at the time of this review, £4 million would be required to clear the waiting list. With Government funding of only £1m and £400,000 by TDC this year, the ring fence removal has not been implemented and grant monies remain dedicated to the approval of DFG's specifically. TDC continues to be amongst one of the highest grant receiving local authorities in Kent.

At the time of this review (August 2010) there were 156 DFG applications on the Waiting List. During 2009/10 122 DFG grants were completed with a further 30 completed to date for 2010/11.

### 2.1.3 Management Response

As a result of the substantial assurance, a management response is not required.

## **2.2 Officers' Code of Conduct, Register of Interests, Gifts and Hospitality and Whistle blowing Arrangements – Substantial Assurance:**

### 2.2.1 Audit Scope

To provide assurance that the key controls and operating procedures surrounding officer compliance with the Code of Conduct and Statement on the Prevention of Fraud & Corruption are found to be operative throughout the year and that the business objectives were met.

### 2.2.2 Summary of Findings

The Council has laid strong foundations through the adoption of an Anti-Fraud and Corruption Policy, Whistle blowing code and Officers' Code of Conduct.

The Council is proactive in raising the standards of ethical conduct among staff including the provision of ethics training.

The Council has a track record for effective action in response to Whistle blowing arrangements, and there are effective arrangements for receiving and acting upon disclosures from members of the public and officers alike.

### 2.2.3 Management Response

As a result of the substantial assurance, a management response is not required.

## **2.3 Bank Reconciliation– Substantial Assurance:**

### 2.3.1 Audit Scope

To ensure the bank reconciliation is calculated correctly.

### 2.3.2 Summary of Findings

The bank reconciliation process is well established, effective and adequately evidenced.

### 2.3.3 Management Response

As a result of the substantial assurance, a management response is not required.

## **2.4 Business Rates – Substantial Assurance:**

### 2.4.1 Audit Scope

To ensure that the Business Rates function is performed effectively, efficiently and in line with the Council's policies and the prevailing legislation.

### 2.4.2 Summary of Findings

The Business Rates joint working arrangement between Dover District Council and Thanet District Council is generally working well. The expected controls were found to be working effectively. Operational management are actively addressing the unresolved reconciliation issues between Dover District Council's Rating List and the Valuation Office records.

### 2.4.3 Management Response

As a result of the substantial assurance, a management response is not required.

## **2.5 Housing Repairs and Maintenance – Reasonable Assurance:**

### 2.5.1 Audit Scope

To provide assurance that housing stock is well maintained, provides a good level of service to Council tenants, in partnership with the Council's contractors and in accordance with Council policy and procedures.

### 2.5.2 Summary of Findings



The Housing Repairs and Maintenance process is generally working well and most of the expected controls are effective. Testing has been undertaken from data within the new contract, so in some cases the base data is very small. However, it is clear that the service is clearly trying to achieve the best service possible for the tenants and the Council.

The contract is “Price Per Property”. This style of contract does drive contractor performance, with “right first time” being the key driver for the making the contract a financial success; however, at the time of the review the contract payments had all been made at 1/12th of the tendered value despite the disposal of houses and garages since this time. If the overpayments in the first quarter continued for the remainder of the financial year the total over payment would be £6,381.54.

The Housing Team are working hard at driving “Value for Money” from the new contract. Examples have been evidenced during the review, for example, works that are in excess of the contract are procured through the normal Contract Procedure Rules. The Contractor is also invited to quote, but any elements that are included in the responsive repairs contract specification would not be included in the price.

### 2.5.3 Management Response

I am pleased that the positive work undertaken by the Maintenance Department has been recognised in this report. We are working with the contractor to provide a first class repairs services to our residents ensuring that we achieve value for money in the new contract. There have been some early teething troubles but we have put measures in place to ensure that these do not reoccur. We welcome the comments and views of the audit report and will ensure that the recommendations are implemented.

## **2.6 Maritime Services (Visiting Yachts/Ancillary Services) – Reasonable Assurance:**

### 2.6.1 Audit Scope

To ensure that the following services at Ramsgate Harbour are administered effectively and are cost efficient:

- Visiting Yachts;
- Boat Hoist;
- Boat Park;
- Fuel Barge;
- Ancillary Charges.

### 2.6.2 Summary of Findings

The administrative processes governing Visiting Yachts and Ancillary Charges are generally working well. Some control effectiveness has been weakened due to inconsistent application of the income stream reconciliations. The established working practices appear to work well linking in the external information source via Port Control, the onsite activities of the Dock Masters and the recording and monitoring functions performed by the Harbour Office staff.

### 2.6.3 Management Response

Management welcomes the results of the audit and are in the process of implementing the agreed action plan of recommendations.

## **2.7 Homelessness and Rent Deposit Scheme – Reasonable/Limited Assurance:**

### 2.7.1 Audit Scope

To undertake a review of the Homelessness function and strategy to ensure that they meet the requirements for homeless people within the district and to provide assurance that the strategies, policies and procedures currently in place meet the requirements of KLOE 8 as well as the new 'Fair and Flexible' guidance.

### 2.7.2 Summary of Findings

- a. Management can place **Reasonable Assurance** that the Council are complying with the statutory requirements in respect of housing homeless persons;
- b. Management can place **Limited Assurance** on the management of the financial controls surrounding the housing of homeless persons in both the local Hostel and Bed and Breakfast accommodation; and
- c. Management can place **Limited Assurance** in respect of the system of controls governing the Rent Deposit Scheme

#### a) Statutory Requirements – Reasonable Assurance:

Homelessness in Thanet has reduced over recent years and Thanet Council have succeeded in reaching the targets set by Government in housing homeless in temporary accommodation.

The audit has reviewed the procedures in place to ensure that the Council is taking suitable steps to fulfil its statutory duty to provide temporary accommodation to people where an assessment of their housing need has identified them as unintentionally homeless or faced with being homeless.

#### b) Financial Controls – Limited Assurance:

Temporary accommodation is provided by a hostel which is run by an outside organisation. The Council is approximately 9 years into a twenty five year contract with the Housing Association who own the hostel, under the terms of which an Agent has been appointed to oversee the running of the contract.

The Council is responsible for any shortfalls in funding every year upon the receipt of audited accounts. However, no audited accounts have been provided in the past, yet despite this, £42,443 was paid to the hostel at the end of 2006/07, £28,639 was paid across in respect of 2007/08 and £19,422 was paid for 2008/09.

Furthermore the Council have now been advised that there will be no charge for 2009/10 without any further explanation. This raises concerns as testing has revealed that there are voids which would incur costs to Council and the Agent Support have not provided any reason why these charges are not being made when they were made previously despite not being supported by the requisite supporting information required by the signed agreement.

Bed and Breakfast accommodation is being used as emergency accommodation for homeless persons and the rates charged to the Council were found to be significantly

less than those which other Kent Councils are being charged. However the main B & B premises previously used has now closed down and the Council has been forced to use other B & B providers at a higher cost. The current average charge per person per night is £28.13 which is still slightly lower than neighbouring authorities. However, use of the hostel should be maximised before incurring additional cost to the council by housing people in B & B accommodation.

Further audit testing of the placing of homeless persons between April and August 2010 (21 weeks) was examined to ascertain what level of usage is obtained from Old School Lodge (hostel) and Thanet's bed and breakfast accommodation. From the testing the following results were revealed in respect of the Hostel for this 21 week period; 69.84 % of rooms were used for housing homeless persons; 15.19% of rooms were void; 10.20% of rooms were ready to let; and 4.76% of rooms were out of commission. Room 13 was permanently out of commission. There are on average 2 rooms per week ready to let, 14 rooms per week are accommodated and 3 rooms per week are void.

It is evident that homeless persons are being housed in bed and breakfast when there are vacant rooms at the Old School Lodge. The agent are selective about who they house and when; this is based upon their own risk assessment to investigate further, therefore not accepting a referral immediately. This may be for valid reasons, for example a homeless person may have a criminal record and it may not be wise to house them near a family. However these reasons are not documented and there are no records to explain why rooms are being left vacant and bed and breakfast accommodation is being used unnecessarily and at a higher cost to the Council.

Most persons assessed as homeless are entitled to the full amount of Housing Benefit. However housing benefit regulations state that the benefit entitlement must be reduced by the breakfast element. Therefore the shortfall between the amount of housing benefit paid and the cost of B&B accommodation is approximately £1.15 per person per night. There is no legal responsibility for the Council to bear this cost. Management have confirmed that they have not recovered this in the past because it is considered uneconomical to collect; the concern is that Council funds are being used to fund what could be considered as Ultra Vires expenditure and the write off of these funds is not being shown within the Council's accounts as these debts are not being raised or written off in accordance with Financial Procedure Rules.

The same stance is taken by other neighbouring authorities perhaps because it is considered uneconomical to attempt to collect £1.15 per day from a person that has been assessed as homeless and is considered vulnerable. However change in legislation from 01 April 2010 now results in the weekly shortfall rising to approximately £14 per person per week. Management have confirmed that they have accepted that with the increased charge the shortfall should be recovered. Enquiries made by the auditor have returned conflicting answers and there is no evidence of the recovery of these funds, therefore it can only be concluded that this unacceptable practice is still continuing.

When the charges already made by the Hostel are compared against the cost of providing B&B accommodation, from 01 April 2010 at a cost of £28.13 per person per night, the amount paid to the hostel in the last three years represents the same cost to the Council as 3,217 nights B&B accommodation for a person in receipt of full Housing Benefit or 181 rent deposits at £500 each. Therefore a recommendation has been made within this report that the Housing Options Manager reviews the contract with Casa Support and that all vacant rooms are used before people are housed using B & B accommodation.

The change in legislation regarding the amount of Housing Benefit/Local Housing Allowance which can be paid in respect of short term leased properties used as temporary accommodation for homeless persons, has meant that there is potential for the Council to generate an excess of income which could be used to fund other homeless prevention schemes. At least one other Council in Kent is already using this legislation to generate an income in excess of £100,000 per annum to fund other homeless prevention schemes. The excess is generated as a result of the difference between the rent paid to the private landlord for the properties being leased and the amount of Local Housing Allowance payable in respect of those 63 leased properties. Thanet Council currently uses only 6 properties which are managed through an agent; therefore no income is generated through the use of these properties despite there being the possibility of doing so. The Housing Options Manager has looked into this and has been in contact with other authorities regarding Private Sector Leasing. A PSL Scheme has been drawn up, for temporary accommodation, detailing the pros and cons. This has been sent to Legal and to Finance for advice and guidance where appropriate; however, no decision can be made until after the comprehensive spending review in October 2010. The Housing Options Manager will be undertaking more work on this before she leaves on maternity leave.

c) Rent Deposit Scheme – Limited Assurance:

A large amount of preventative work is undertaken by staff to prevent Homelessness in the first instance. Part of this work includes referrals to the Rent Deposit Scheme. Since its inception, nearly 500 rent deposits have been issued to persons or families assessed as being potentially or actually homeless. Therefore the scheme has assisted in the prevention of homelessness for every successful application, many of which will have been made by a family. However, as part of the scheme, the applicant is made aware of the requirement to repay in full back to the Council the amount of the rent deposit loaned to them on a weekly basis at a typical rate of £5 per week. Despite this a large level of debt in respect of the scheme remains outstanding. From a sample of 20 rent deposits tested, a total of £11,866 was issued in rent deposits, of this £8,918 remains outstanding. From the 20 deposits tested, whilst 14 were being repaid, 6 applicants have not made any payment back to the Council.

Further Testing has revealed that 492 rent deposits have been issued since 2005/06 at a value of £256,115.12, of which 366 have been referred to debtors at a value of £160,866.97 for recovery. 5 deposits were written on in 2009/10 to the value of £2295 and 18 have been repaid in full at a value of £10,177. Tighter controls are needed to ensure that these rental deposits are being reviewed, monitored and recovered in a cost effective and efficient manner.

2.7.3 Management Response

The status of Limited Assurance in respect of the financial controls surrounding the local hostel is accepted, this is a complicated matter which we are currently investigating, a final meeting has been arranged with the Housing Association in January 2011 to conclude the issue. It should be noted that following a meeting with KCC regarding the local hostel and supporting people provision we are not permitted to use the accommodation for temporary accommodation therefore other options for temporary accommodation are being sought, such as using own stock, but as this cannot be accessed on the day of the homelessness approach and B&B placements will be needed. Equally we accept and have responded to the need for improved controls for the rent deposit scheme. We are working with the recovery team and

have implemented a new civica process which helps us to trace rent deposit debts. The Housing Options Manager is also currently looking at the schemes other local authorities are using with a view to adopting good practice.

## **2.8 Public Health Burials – Limited Assurance:**

### 2.8.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established for Public Health Act Burials, ensuring that any burials in 2009/10 were performed in line with procedures, and sufficient records maintained to safeguard the officer(s) making arrangements / fulfil statutory requirements should there be any estate.

### 2.8.2 Summary of Findings

Whilst the control framework governing this area had improved since 2006, (when the assurance level was assessed as Nil), the Council is not adequately demonstrating that it is taking all appropriate measures to avoid expenditure in this non-priority area; additionally, there also still remains an unacceptable lack of documentation resulting in an incomplete management information trail on all of the case files examined.

A control sheet is placed on the front of each Public Health burial file which should provide effective control; however, completion of this form was found to be inconsistent and of the ten files examined the control sheet was not complete in every respect of any of these ten cases examined.

The documented procedure notes clearly state that *'When a close relative is found (e.g. husband/wife/mother/father) ensure that they contact Social Security to see if help is available from the Social Fund'*. There was no evidence on any of the ten case files examined that this had been undertaken. Additionally, there was no documented evidence of refusal from the Social Security for any of the ten cases examined – this is also a requirement of the procedure notes. Far more therefore needs to be done by the Council to avoid incurring expenditure in this non priority area (which has no linkage to any theme within the Corporate Plan and is only undertaken due to legislative necessity) and wherever possible to ensure that the relatives of the deceased accept responsibility for the burial arrangements.

In one example the daughter of the deceased clearly stated in writing that she and her brother would 'be able to cover the cost of having (their father) cremated rather than buried, which they understand would be approximately £480'. Despite this, the Council paid for the full cost of the burial arrangements and there is no evidence on file of any attempt to recover costs from the relatives of the deceased or from his estate despite the fact that the deceased owned a property.

The documented procedure notes also clearly state that *'Where death occurs in hospital, under any circumstances, the Council does NOT become involved. The hospital authorities have the same responsibilities for disposal of deceased after admission to hospital as the Council does before admission. A firm stand must be taken on this as the hospital will do everything they can to evade their responsibility'*. In one case the death certificate states that the deceased died at the QEQM. Despite this the funeral was paid for by the Council and not the NHS Primary Care Trust.

There is no evidence on file to confirm whether or not the deceased died 'prior to admission' at the QEQM.

In six of the cases examined it was applicable to submit a form DB8 (Registration or Notification of Death) to the JobCentre Plus seeking payment to the Council of any accrued benefits owed to the deceased and in all six cases this had been done however no reply was on file for any of these six cases and only in one instance had a reminder letter been issued.

In certain circumstances (i.e. where there is sufficient value in the deceased's estate), the Council levies an administration charge of £100 as a contribution towards the officer time consumed in arranging the burial. The application of an administration charge was applicable to two of the sample of ten cases examined but had only been levied in one instance. In respect of one case, an administration charge was not levied although there was a copy of a Post Office statement on file indicating that there were more than sufficient funds to cover both the costs of the burial (which were recovered) and an administration fee.

There was insufficient evidence on any of the files examined to indicate that the responsible department were communicating with other Council departments in respect of the affairs of the deceased e.g. Housing Benefits, Council Tax and Housing. This would be beneficial to ensure that other departments are aware of the death and are advised of any funds which may be available to claim against should there be outstanding Council Tax or rent due to the Council.

Notwithstanding the above, there are positive indications that the Environmental Protection Manager and the Systems and Operational Support Manager are actively seeking to improve the control framework in this area through the introduction of procedures including the following:

- All requests for Council assistance with a Public Health Burial will be recorded by the administration team on the M3 database; and
- The Public Health Officer (ES) will be accompanied on all visits

These additional control measures are welcomed and their implementation - together with strict adherence to the stated procedures - should quickly enable a Reasonable level of assurance to be achieved in this area.

### 2.8.3 Management Response

The EH management team have fully embraced this audit and had requested that it was brought forward as work had already begun in identifying risks & inconsistencies within the service.

The provision of Public Health Funerals is a statutory requirement under the Public Health (Control of Disease) Act 1984 and therefore the use of the term non-priority is slightly misleading as the implications of a failure to comply with the legislation would lead to a risk in the spread of infection & disease.

The Officer responsible for carrying out these functions has been struggling with ill health for quite sometime but has maintained a presence in work whilst coping with his illness, there has been some improvement in recent months with regard to his health and this has been noticed in his work load. There is no excuse for inadequate record keeping and this will be improved.

We are working to improve this service and in the last year procured a 3 year contract rather than a yearly one to ensure compliance with our procurement procedures and provide a better value for money service.

We are keen to improve the service and are already producing new working practices and procedures to address the issues.

## **2.9 Employee Benefits-in-kind – Limited Assurance:**

### **2.9.1 Audit Scope**

To provide management with assurance that the Council complies with all prevailing legislation in respect of income tax and national insurance liabilities arising on benefits-in kind.

### **2.9.2 Summary of Findings**

The review was undertaken simultaneously with a review at Dover, and has identified errors in the current payroll system which are isolated to TDC, errors that effect both authorities and errors that are due to processes adopted between TDC and KCC.

Mileage payments for TDC officers that are in receipt of cash for car payments are below the HMRC set rate of 40p a mile. This is an area where significant savings of TAX and NI for the employee and NI savings for the employer can be achieved. HMRC have set a tax free mileage payment of 40p for the first 10,000 miles, and then on 25p a mile. No Officers have claimed in the excess of the 10,000 miles.

With the Council recently approving a new mileage scheme that includes a rate of less than 40p per mile for Casual users as well as Cash for Cars the number of Officers these potential savings affect will increase significantly. Therefore, Employer NI savings will be available.

From a sample selection of just twenty expense claims, six processing errors have been identified. This has included overpayments of expenses and failure to treat payments correctly for TAX and NI purposes. Please see finding 2.

With the current processes adopted with KCC making all payments for expenses via the payroll, the Council are not in the position to reclaim VAT, apart from mileage claims. Dover do not have this issue as all non-mileage expense claims are processed via creditors which may be the most effective way forward for Thanet.

HMRC deem uniforms as a taxable benefit, unless a “Tax Tag” logo is on the clothing. Whilst most of the uniforms throughout the Council are compliant with this requirement some weaknesses have been identified that could result in a taxable benefit charge being made against Officers.

### **2.9.3 Management Response**

The recommendations arising from the audit have been shared with both the HR Partnership and KCC and will be taken forward within the relevant timescales.

## **2.10 Housing Benefit Testing (Quarter 2 of 2010-11) – An assurance level is not applicable for this work:**

- 2.10.1 Over the course of the 2010/11 financial year the East Kent Audit Partnership completed a sample check of council tax, rent allowance and rent rebate and Local Housing Allowance benefit claims to support the Audit Commission's verification work.
- 2.10.2 For the second quarter of the 2010/11 financial year (July to September 2010) five claims including new, cancellation and change of circumstances of each benefit type were randomly selected for verification.
- 2.10.3 In total 20 benefit claims were checked and of these 5 failed the criteria set by the Audit Commission's verification guidelines as they impact on the subsidy claim and 2 failed on data quality.
- 2.10.4 Overall for 2010/11 there have been 40 benefit claims checked thus far of which there have been 7 failures identified that affect the subsidy claim. This is a failure rate of 17.5% an increase of 5% on the previous year's figures.

### 3.0. **FOLLOW UP OF AUDIT REPORT ACTION PLANS:**

- 3.1 As part of the period's work, fourteen follow up reviews have been completed of those areas previously reported upon to ensure that the recommendations made have been implemented, and the internal control weaknesses leading to those recommendations have been mitigated. Those completed during the period under review are shown in the following table.

Service/ Topic		Original Assurance level	Revised Assurance level	No of Recs Implemented		No of Recs Outstanding	
a)	Business Continuity	Limited	Limited	H	1	H	2
				M	1	M	3
				L	1	L	0
b)	Debtors	Reasonable	Reasonable	H	4	H	0
				M	1	M	0
				L	0	L	0
c)	Creditors	Substantial	Substantial	H	0	H	0
				M	1	M	0
				L	1	L	0
d)	Car Parks	Reasonable	Reasonable	H	2	H	0
				M	0	M	0
				L	0	L	0
e)	Payroll	Reasonable	Reasonable	H	1	H	0
				M	0	M	0
				L	0	L	0
f)	Choice Based Lettings	Substantial	Substantial	H	0	H	0
				M	0	M	2
				L	0	L	3
g)	Capital	Reasonable	Reasonable	H	2	H	0
				M	1	M	0
				L	0	L	0
h)	Housing Benefit Overpayments	Substantial	Substantial	H	0	H	1
				M	0	M	0
				L	0	L	0
i)	Maritime	Reasonable	Reasonable	H	1	H	0



Service/ Topic		Original Assurance level	Revised Assurance level	No of Recs Implemented		No of Recs Outstanding	
	Services – Permanent Berths			M L	0 0	M L	0 0
j)	ICT Network Security	Reasonable	Reasonable	H M L	3 4 0	H M L	0 0 0
k)	Risk Management	Reasonable	Reasonable	H M L	Partial 0 0	H M L	Partial 0 0
l)	Garden Waste Collection Service	Substantial	Substantial	H M L	0 0 1	H M L	0 0 0
m)	Let Properties and Concessions	Reasonable	Reasonable	H M L	5 2 1	H M L	0 0 0
n)	Housing Rents	Substantial	Substantial	H M L	0 2 1	H M L	0 2 1

- 3.2 Details of each of the individual High priority recommendations outstanding after follow-up are included at Appendix 2 and on the grounds that these recommendations have not been implemented by the dates originally agreed with management, they are now being escalated for the attention of the s.151 officer and Member's of the Governance Committee.

The purpose of escalating outstanding high-risk matters is to try to gain support for any additional resources (if required) to resolve the risk, or to ensure that risk acceptance or tolerance is approved at an appropriate level.

- 3.3 As highlighted in the above table, those areas previously reported as having a Limited or No assurance have been reviewed and Members are advised as follows:

a) Business Continuity:

The final report contained 8 agreed management actions to reduce the identified risks. The table below shows how these were categorised and whether or not they have been implemented to date: -

Thus far, only three of the original eight recommendations have been implemented and management have proposed extended implementation dates for the remaining five recommendations which should now all be implemented by December 2011.

As there are five areas where insufficient action has yet been taken to implement the recommendations (of which two are high priority and three medium priority), these outstanding high-risk recommendations are being escalated to the Council's s.151 officer, and Members of Governance and Audit Committee.

Overall, controls have not improved sufficiently in this area and consequently the identified risks remain of concern. Work is underway and the remaining five recommendations should hopefully be implemented by December 2011 however this

is considerably later than the original implementation dates agreed by management. Therefore, the original audit opinion remains as Limited Assurance.

#### Business Continuity – Management Response:

Following the restructure of the organisation, management are proposing that an annual test programme be implemented, followed by a review of the plans ensuring they are kept up to date.

#### **4.0 WORK-IN-PROGRESS:**

- 4.1 During the period under review, work has also been undertaken on the following topics, which will be reported to this Committee at future meetings: Cemeteries and Crematoria, Creditors, Leasehold Charges, Creditors and CIS, Equalities and Diversity, Planning and Building Control, Coast Protection, Members' Code of Conduct and Standards Arrangements and the HRA Business Plan.

#### **5.0 CHANGES TO THE AGREED AUDIT PLAN:**

- 5.1 The 2010-11 internal audit plan was agreed by Members at the meeting of this Committee on 16<sup>th</sup> March 2010.
- 5.2 The Head of the Audit Partnership meets on a monthly basis with the Section 151 Officer to discuss any amendments to the plan. Members of the Committee will be advised of any significant changes through these regular update reports. Minor amendments have been made to the plan during the course of the year as some high profile projects or high-risk areas have been requested to be prioritised at the expense of putting back or deferring to a future year some lower risk planned reviews. The detailed position regarding when resources have been applied and or changed are shown as Appendix 4.

#### **6.0 FRAUD AND CORRUPTION:**

There are no known instances of fraud or corruption to bring to Members attention at the present time.

#### **7.0 UNPLANNED WORK:**

There was no newly arising unplanned work arising during the period.

#### **8.0 INTERNAL AUDIT PERFORMANCE**

- 8.1 For the six month period to 30<sup>th</sup> September 2010, 257.88 chargeable days were spent out of a planned total of 440.57. Approximately 58.53% of the plan has therefore been completed. All of the recommendations made within reports to management have been accepted by them.
- 8.2 The financial performance of the EKAP is on target and there are no concerns to highlight at this time.
- 8.3 As part of its commitment to continuous improvement and following discussions with the s.151 Officer Client Group, the EKAP has established a range of performance indicators which it records and measures. The performance against each of these indicators for the first quarter of 2009-10 is attached as Appendix 5. There are no concerns regarding the resources engaged or outputs achieved at this time, and the

East Kent Audit Partnership is performing well at this time against its targets for the 2009-10 financial year.

- 8.4 The EKAP audit maintains an electronic client satisfaction questionnaire which is used across the partnership. The satisfaction questionnaires are sent out at the conclusion of each audit to receive feedback on the quality of the service. Current feedback arising from the customer satisfaction surveys is featured in the Balanced Scorecard attached as Appendix 5.

#### **Attachments**

- Appendix 1 Summary of High priority recommendations resulting from the period's work.
- Appendix 2 Summary of High priority recommendations outstanding after follow-up.
- Appendix 3 Summary of services with Limited / No Assurances
- Appendix 4 Progress to 30<sup>th</sup> September 2010 against the agreed 2010-11 Audit Plan.
- Appendix 5 EKAP Balanced Scorecard of Performance Indicators to 30th September 2010.
- Appendix 6 Assurance statements

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK  
APPENDIX 1**

RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
<b>Disabled Facilities Grants – September 2010</b>		
<p>Appropriate notification by the OT regarding the vulnerable status of an applicant should be discussed at the next OT liaison meeting. Procedures should be introduced to ensure the Grant Officer can make an informed decision as to whether or not lone visiting to an applicant is appropriate.</p>	<p>The issue of vulnerability has been raised at the OT meeting on 2<sup>nd</sup> September and minuted. The OT service has agreed to flag any cases where a joint visit is appropriate. This is also due to be picked up at a strategic meeting at the end of September where a more formal working protocol will be discussed. This will take longer to implement.</p>	<p>Target Date: Verbal and minuted commitment from the OT service gained on 2<sup>nd</sup> September.</p> <p>More detailed working protocol as part of wider DFG strategy to be implemented by March 2011</p> <p>Housing Regeneration Manager / DFG Grant Officer</p>

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK  
APPENDIX 1**

RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
<b>Homelessness and Rent Deposit Scheme – September 2010</b>		
The Council should make the necessary arrangements to recover the breakfast element charged by either insisting that the proprietors collect this money themselves or the council re-negotiates a room only charge that does not include any meals.	As of 1 September 2010 all B&B establishments used by TDC for emergency accommodation have been instructed that the agreed price is a room only basis. A letter will be sent for the B&B to confirm this arrangement.	October 2010 Housing Options Manager
The Housing Options Manager should continue to review the options available (and the costs associated with each) for the provision of temporary accommodation to ensure that the most cost efficient temporary accommodation is used and that the Council can actively demonstrate value for money	This is a key area that is being explored through the EK Homeless Forum  Will continue to reduce B&B & utilising OSL homeless hostel by making early referrals.  Also exploring the opportunities of temporary insecure tenancies.	EKHF / Housing Options Manager/Team leader  June 2011
The Council should request a written explanation of why there are no charges for 2009/10 in respect of host accommodation and to also see the audited set of accounts for this year in keeping with the terms of the contract.	A letter has been sent 16 September 2010 to the Head of Casa requesting this information. Awaiting response, to chase 18 October via telephone or follow up letter.	October 2010 Housing Options Manager
The Housing Options Manager should ensure that use of the hostel is maximised before placement in B & B accommodation is secured incurring additional cost to the council. There should be no placements in B & B's when there are available rooms to let at the hostel.	Whilst we endeavour to do this, there are delays due to Casa Supports risk assessment process and refusal of placement. Scheme Manager returns from Sick leave on 4 <sup>th</sup> Oct and this will be raised at the next performance meeting.	December 2010 Housing Options Manager

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK  
APPENDIX 1**

<b>RECOMMENDATION/ WEAKNESS</b>	<b>ACTION TO BE TAKEN</b>	<b>RESPONSIBILITY AND TARGET DATE</b>
<p>Further investigation should be undertaken in respect of obtaining the certified accounts for years 2006/07, 2007/08 &amp; 2008/09 and Casa Support should be required to provide a detailed breakdown of how the individual amounts were calculated for each year. If the council is unable to substantiate the figures charged and paid, it should take steps to reclaim the amounts already paid. Any future charges should be supported by audited accounts in keeping with the terms and conditions of the agreement to ensure that the amounts previously paid to the Hostel for deficits in funding are correct.</p>	<p>These have been requested over email 3 times and nothing has materialised. A letter has been sent 16 September 2010 to the Head of Casa requesting this information. Awaiting response, to chase on 18 Oct via telephone call or follow up letter.</p> <p>There has also been a request for a meeting from the Head of Supporting People with the Director of Community Services and Casa Support to thrash out finance and performance.</p>	<p align="center">October 2010</p> <p align="center">Housing Options Manager</p>
<p>The Housing Options Manager in consultation with the Revenues Manager and Income Management Group should review the current recovery processes to ensure that adequate resource is allocated to review all outstanding rent deposits and attempts to make contact with the original Rent Deposit applicants at their current address to recover all amounts outstanding. If it is considered uneconomical to pursue the debt after making contact with the debtor, the debt should be considered for write off</p>	<p>Ongoing work with Recovery and the Income Management Group.</p> <p>All up to date deposits paid are being monitored closely and the officer is trying to keep on top of it.</p>	<p align="center">March 2011</p> <p align="center">Housing Options Manager / Recovery</p>
<p>Tighter controls need to be put in place when issuing the rent deposits ensuring that each tenant signs and commits to pay the £5.00 each week and they will be responsible for the full amount if the landlord retains part of or the full deposit.</p>	<p>This is being done for each rent deposit. The monitoring side is very difficult as there is lack of resources to complete this. Whilst I can incorporate this into the bond scheme the staff capacity will still be an issue.</p>	<p align="center">April 2011</p> <p align="center">Housing Options Manager</p>
<p>When a tenant defaults on payments this should be identified at the earliest opportunity and action taken immediately. No further rent deposits should be awarded for any tenant that has defaulted in the past unless full recovery has resulted.</p>	<p>This will be incorporated in the bond scheme. In the meantime a standing order form will be sent by the Housing Strategy Officer once an account has been set up.</p>	<p align="center">October 2010</p> <p align="center">Housing Options Manager</p>

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK  
APPENDIX 1**

<b>RECOMMENDATION/ WEAKNESS</b>	<b>ACTION TO BE TAKEN</b>	<b>RESPONSIBILITY AND TARGET DATE</b>
Landlords should to be reminded that they must immediately inform the council when a tenant moves out of their property and any retention of rent deposit is made. Any retention must be substantiated and documentary evidence provided, at all times by the landlord to satisfy the collection of these funds from the tenant.	Awareness has been raised since the Audit in April and the Strategy Officer is requesting written information from landlords and agents if a deposit is not being returned. With the Civica process in place as well, this has increased the checking of payments.	December 2010  Housing Options Manager
<b>Housing Repairs and Maintenance – October 2010</b>		
Housing Services should ensure that the next contract payment takes into consideration the reduction in stock for both Houses and Garages since the completion of the tender process. Overpayments have already been made to the Contractor.	We are currently in the process of reviewing all payments that have been made to Mears as part of the new contract; this will not only look at the one twelve payments but also all additional works. Once this process has been completed we will be in the position to demonstrate we have been credited any overpayments made.	Housing Maintenance Manager (EA)  Nov 2010
Housing Services should ensure that regular reconciliations of the housing stock are undertaken and notified to the Contractor so that monthly billing can be inline with the price per property and the number of houses and garages within the stock.	Linked to response from recommendation three.	Housing Maintenance Manager (EA)  Nov 2010
Accountancy should review with Housing Services the stock figures for the year end process to confirm accuracy in future years as the figure stated within the accounts is different to that within the housing stock reports from the year end.	We will advise accountancy of the stock figures at year end to ensure that there is no discrepancy in the figures. This will be undertaken in March 2011 and will be undertaken by Housing.	Housing Support Services Officer (WT)  Housing Maintenance Manager (EA)  March 2011

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK  
APPENDIX 1**

RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
<b>Maritime Services (Visiting Yachts and Ancillary Services) – October 2010</b>		
<p>Full reconciliation of any differences between Cedar e-financials and Harbour Office records should be undertaken and adjustments made to ensure the accuracy and completeness of records for Visiting Yachts. Reconciliation processes should ensure:</p> <ul style="list-style-type: none"> <li>i). Adjustments are included within the spreadsheet information for transparency of the reconciliation process</li> <li>ii). Evidence is available to support implementation of the active reconciliation programme of all income streams</li> <li>iii). Evidence of sign off of the income stream reconciliations by Maritime Services Accountant as part of the monitoring routine</li> </ul>	<p>On the whole the Harbour Office staff do not have formal accountancy training and so I have introduced these measures to them as time has gone along. The idea is that they are responsible for reconciling the accounts they work on, and so there is an incentive to keep them tidy. This is working much better than it did before, though they are still learning.</p> <p>The evidence of the reconciliations is there in that staff are asked to place prints of them in the GL recs file from time to time. I could sign them off but unless I work through the accuracy of each spreadsheet and the GL extraction I would merely be evidencing what was done at a particular time. They are live spreadsheets which are worked on as time allows around other tasks and customer care. We are striving to reconcile the main income streams, and that is pretty much what is being achieved.</p>	<p>N/A Maritime Services Accountant</p>
<b>Public Health Burials – December 2010</b>		



**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK  
APPENDIX 1**

<b>RECOMMENDATION/ WEAKNESS</b>	<b>ACTION TO BE TAKEN</b>	<b>RESPONSIBILITY AND TARGET DATE</b>
<p>As a short term measure, all Public Health Burial case files should be reviewed and signed off by the Environmental Protection Manager until there is a demonstrable improvement in the quality of documentation. Thereafter, it would be advisable for a random sample of files to be examined periodically.</p>	<p>This will be fully introduced as part of the revision of the procedure. However with immediate effect all funerals will be authorised by EHM before order being placed with Dignity.</p>	<p>Immediate effect full completion by February 2011 as above</p>
<p>(a) If the next of kin are not prepared to arrange and pay for the funeral they should be asked to make a written statement to confirm this and confirm TDC's first claim on any monies to recover its expenses and that they fully understand what the funeral arranged by TDC consists of.</p> <p>(b) The Council should ensure that it only undertakes a public health burial after every robust attempt has been made to ensure that any next of kin (or the NHS if the deceased dies in hospital) accept their responsibility to deal with the burial of the deceased themselves.</p>	<p>As a whole these two items are undertaken but the need to undertake them on all occasions is understood therefore this will be included in the revised procedure</p>	<p>Complete implementation by February 2011</p> <p>Environmental Health Manager with Environmental Protection Team &amp; Business Support Team</p>
<p>The Public Health Officer should communicate with other Council departments in respect of the affairs of the deceased e.g. Housing Benefits, Council Tax and Housing and adequately document this. This would be beneficial to ensure that other departments are aware of the death and are advised of any funds which may be available to claim against should there be outstanding Council Tax or rent due to the Council.</p>	<p>This will be introduced fully in the new procedures but the Public Health Officer has been advised to begin undertaking this with immediate effect.</p>	<p>Complete implementation by February 2011</p> <p>Environmental Health Manager with Environmental Protection Team &amp; Business Support Team</p>

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK  
APPENDIX 1**

RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
In cases in which it is applicable to submit a form DB8 (Registration or Notification of Death) to the JobCentre Plus seeking payment to the Council of any accrued benefits owed to the deceased a reply should be obtained or reminder letters issued.	This will be included in the new procedure but public Health Officer has been advised with immediate effect	Complete implementation by February 2011 Environmental Health Manager with Environmental Protection Team & Business Support Team
Where there is sufficient value in the deceased's estate, the Council should consistently levy an administration charge of £100 as a contribution towards the officer time consumed in arranging the burial.	This will be introduced fully in the new procedures but the Public Health Officer has been advised to begin undertaking this with immediate effect.	Complete implementation by February 2011 Environmental Health Manager with Environmental Protection Team & Business Support Team
In instances in which the possessions of the deceased are sold, a receipt must be obtained for these items which is either on headed paper or contains the name and address of the person to whom the goods were sold.	An immediate reminder to the Public Health Officer & inclusion in the new procedures.	Complete implementation by February 2011 Environmental Health Manager with Environmental Protection Team & Business Support Team
<b>Employee Benefits-in-Kind – December 2010</b>		
TDC/EKHRP should notify KCC of all Officers that are entitled to Cash Alternative mileage rates, so that adjustments can be made to date for the overpayment of TAX, NI and Employer NI.	Completed	Completed  Confirmation facilitated by the Auditor.

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK  
APPENDIX 1**

RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
<p>KCC should immediately amend the treatment of cash for car mileage claims paid to date for PAYE &amp; NI purposes to ensure that full relief is obtained, including back dating for the year to date.</p>	<p>The Cash for Cars Mileage scheme is correctly setup for Thanet. The named users in the audit are correctly processed for PAYE and NI on the scheme we were advised to allocate them to at system setup. What has been established is that KCC were advised the incorrect scheme for these individuals which has impacted them.</p> <p>We are happy to make amendments to this scheme when advised of all officers entitled to Cash Alternative Mileage rates as per item 10 for TDC below.</p>	<p>Confirmation needed by 05/11/10 to make changes for November payroll run.</p> <p>Confirmation facilitated by the Auditor.</p> <p>KCC to implement and to confirm completion to the EKHR Strategic Board.</p>
<p>KCC should immediately amend the treatment of cash for car mileage claims paid to date for employers NI to reduce the amount payable by the authority, including back dating for the year to date.</p>	<p>This has been amended with immediate effect for all new claims. All authorities have been reviewed and amended where necessary.</p> <p>This was caused by a single error to the master scheme that was the base consistently replicated across all authorities</p>	<p>Confirmation needed by 05/11/10 to make changes for November payroll run.</p> <p>Confirmation facilitated by the Auditor.</p> <p>KCC to implement and to confirm completion to the EKHR Strategic Board.</p>
<p>KCC should ensure and provide sufficient evidence to TDC that when the new mileage rates are updated on to the Itrent system that casual mileage rates, which will be moving from a taxable benefit to a payment that is entitled to tax relief, are working accurately to save employees' TAX and NI and Employers NI.</p>	<p>Information on new rates has been received and will be actioned in line with the change control process for November's pay.</p> <p>Screen prints can be provided if requested.</p>	<p>November pay day.</p> <p>KCC to implement and to confirm completion to the EKHR Strategic Board.</p>

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK  
APPENDIX 1**

<b>RECOMMENDATION/ WEAKNESS</b>	<b>ACTION TO BE TAKEN</b>	<b>RESPONSIBILITY AND TARGET DATE</b>
<p>All errors identified within this review for expense payments made by KCC for TDC expenses should be corrected, and evidenced to EKAP.</p>	<p>The expenses errors in this report do not contain sufficient information for these to be investigated so it is not possible to confirm the corrections.</p> <p>Information such as the individual's name, and the date of the claim stated is needed to fully investigate this.</p> <p>However, a key audit control with SDC, CCC and DDC is their current rule (pending self service) or reviewing and collating claims into spreadsheets before submitting, in order to ensure that the organisation retains some control of payments and prevents incorrect completion. We would suggest that this may be an acceptable control for TDC also pending self service</p>	<p>Confirmation needed by 05/11/10 to make changes for November payroll run.</p> <p>Confirmation facilitated by the Auditor.</p> <p>KCC to implement and to confirm completion to the EKHR Strategic Board.</p>

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK  
APPENDIX 1**

<b>RECOMMENDATION/ WEAKNESS</b>	<b>ACTION TO BE TAKEN</b>	<b>RESPONSIBILITY AND TARGET DATE</b>
<p>All previous Basic Food Hygiene courses provided by TDC Officers should be amended via the payroll to ensure that the correct TAX and NI treatment is adopted. Note: a previous audit report in respect of Food Safety had questioned the on-going justification for these payments.</p>	<p>The current expense claim form shows only one possible entry for 'Basic Food Hygiene' but there are two possible uses 1) attendees expenses and 2) facilitator expenses.</p> <p>The TAX and NI treatment of these is different. It is the responsibility of the manager authorising the claim to ensure that claims are accurately submitted.</p> <p>We are happy to review and make amendments to this if details are provided of what claims have submitted and which claims are for which purpose.</p> <p>It is our recommendation that the expense claim form is reviewed to ensure accuracy for future claims.</p>	<p>KCC need to better understand the number of claims affected.</p> <p>Confirmation needed by 05/11/10 to make changes for November payroll run.</p> <p>Confirmation facilitated by the Auditor.</p> <p>KCC to implement and to confirm completion to the EKHR Strategic Board.</p>
<p>KCC should confirm that the mileage payment for 478 miles not paid as at the time of the review has now been paid.</p>	<p align="center">Completed</p>	<p>Completed and provided evidence to the Auditor.</p>
<p>KCC should confirm that the mileage claim for 478 miles that has not been processed under the TDC Officer Doug Brown has not been processed under a different Officer. The outcome of this enquiry should be notified to the Auditor.</p>	<p>This mileage claim has been checked and operating under the assumption that information provided by TDC is correct, this was processed in September's pay.</p>	<p>Completed.</p>

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTADING AFTER FOLLOW-UP  
APPENDIX 2**

Original Recommendation	Agreed Management Action at the Time of the Final Report	Responsibility and Original Target Date	Manager's Comment on Progress Towards Implementation.
<b>Business Continuity Follow-up – November 2010</b>			
The Council must ensure that all senior management undertake training in implementing Business Continuity policies and ensure that they fully understand what is expected of them should a disruption occur.	Zurich have been commissioned to work with TDC to put a simpler process in place. Once completed, appropriate training will take place.	March 2010  Corporate Governance Officer	Training to take place once Corporate Business Continuity Plan is finalised and approved by CMT.  <b>Revised date: March 2011</b>
Take steps to evaluate and review each service area's business continuity plan, bringing it up to date and test it to ensure it's usability and effectiveness in the event of an emergency situation arising.	This will be dealt with by the work undertaken with Zurich and CMT and the appropriate service managers.	March 2010  Corporate Governance Officer	There was a delay with a service area in completing their BCP's. Now these have been done a review of all BCP's is to be undertaken shortly.  <b>Revised date: March 2011</b>
<b>Housing Benefit Overpayments – October 2010</b>			
The Financial Procedure Rules within the Constitution should be reviewed to ensure that there is clarity over the limits and who has responsibility for approving write offs for different types of debt.	Cycle of Constitution review meetings to be set for the 2009 review of the Constitution which will include incorporating the current write off powers and limits to the Section 151 Officer and her delegated officers within the Financial Procedure Rules and the Scheme of Delegations to officers.	December 2009  Head of Legal and Democratic Services	The Head of Legal & Democratic Services has reviewed the Council's Financial Procedure Rules (FPR) and consulted with the Chief Financial Officer (CFO). He has drafted amendments to the FPR to introduce and make transparent that debts under £20k may only be written off by a Director or Service Head in consultation with the CFO, that debts between £20 and 30K may only be written of by the CFO and that debts in excess of £30k can only be written off by the Cabinet.

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING AFTER FOLLOW-UP  
APPENDIX 2**

Original Recommendation	Agreed Management Action at the Time of the Final Report	Responsibility and Original Target Date	Manager's Comment on Progress Towards Implementation.
			The proposed amendments to the FPR will be presented to the Constitutional Review Working Party in February 2011 from where it will be reported to the Standards Committee and Governance & Audit Committee prior to adoption by full Council.
<b>Risk Management – December 2010</b>			
<p>A deadline for completing the corporate risk entries in the database should be established.</p> <p>In addition a programme, for compiling and entering all data for service level risks in Riskweb, should be established with an early completion date.</p>	<p>The corporate risks identified through the workshop with Zurich have now been transferred into the refreshed risk register system, and a report prepared for CMT on the way forward.</p> <p>This will follow on from the corporate process. Arrangements will be made to attend directorate service manager meetings to communicate the process and engage with the managers to take this forward.</p>	<p>30 September 2009 Corporate Governance Officer</p> <p>31 January 2010 Corporate Governance Officer.</p> <p>Revised completion date 30 April 2011</p>	<p>Completed: 25 August 2010</p> <p>This has been delayed. New risk register system currently being considered, which has also contributed to delay. Completion by: 31 January 2011.</p> <p>With regard to this, we had a meeting in early December 2010 to discuss the possibility of changing the risk system and it has been agreed that we will continue with the current system, which was the reason behind the delay in</p>

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING AFTER FOLLOW-UP  
APPENDIX 2**

Original Recommendation	Agreed Management Action at the Time of the Final Report	Responsibility and Original Target Date	Manager's Comment on Progress Towards Implementation.
			<p>completing this action. However due to the proposed restructure of council services recently announced it would be prudent to take this into consideration and as such extend the deadline to the end of April 2011, which will enable this action to be undertaken thoroughly within the new structure. The current database does contain service level risks for Landlord Services; Sustainable Neighbourhoods; ICT; Revenues and Benefits; Legal and Democratic Services; Building Control and Property Services as well as Strategic risks.</p>



**SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED – APPENDIX 3**

Service	Reported to Committee	Level of Assurance	Management Action	Follow-up Action Due
Compliance with CSOs	September 2010	Nil	<u>Assurance level Limited at the time of the last three audits.</u> On-going management action required.	Work in Progress
Data Protection	September 2010	Limited	On-going management action in progress to remedy the weaknesses identified.	Early 2011
Homelessness and the Rent Deposit Scheme	January 2011	Reasonable/ Limited	On-going management action in progress to remedy the weaknesses identified.	Early 2011
Public Health Burials	January 2011	Limited	On-going management action in progress to remedy the weaknesses identified.	Early 2011
Employee Benefits-in-Kind	January 2011	Limited	On-going management action in progress to remedy the weaknesses identified.	Early 2011

**PROGRESS TO DATE AGAINST THE AGREED 2010-11 AUDIT PLAN – APPENDIX 4**

Area	Original Planned Days	Revised Budgeted Days as at 30-09-10	Actual days to 30-09-10	Status and Assurance Level
<b>FINANCIAL SYSTEMS:</b>				
Housing Benefits – Shared Revenues and Benefits Database with Dover District Council	5	3.5	2.63	Finalised
Housing Benefits – Quarterly Testing	20	17	8.91	2009-10 Quarter 4 – Finalised 2010-11 Quarter 1 – Finalised 2010-11 Quarter 2 - Finalised
Payroll	5	5	4.14	Work-in-Progress
Car Parking and PCNs	8	8	0.17	Quarter 4
Bank Reconciliation	5	5	1.35	Finalised - Substantial
Creditors and CIS	8	8	0.17	Work-in-Progress
Miscellaneous Income/Cash Collection	8	0	0	April 2011 – Fund from 2011-12 plan
Financial Stewardship	8	6.10	6.10	Finalised
Council Tax	12	12.68	12.68	Finalised – Substantial
Business Rates	12	12	4.46	Finalised - Substantial
External Funding Protocol	8	4.35	4.35	Finalised – Reasonable
<b>HOUSING SERVICES:</b>				
Housing Rents	10	9.89	9.89	Finalised – Substantial
Housing Repairs and Maintenance	10	10.53	10.53	Finalised - Reasonable
Leasehold Services	10	10	1.01	Work-in-Progress
HRA Business Plan	8	8	2.28	Draft Report - Substantial
Rent Deposit Scheme/Homelessness	5	7.63	7.63	Finalised – Reasonable/Limited
Housing Estate Management	8	0	0	April 2011 – Fund from 2011-12 plan
<b>ICT SYSTEMS:</b>				
ICT Change Control and File Security	8	8	0	Quarter 4
<b>HUMAN RESOURCES RELATED:</b>				
Recruitment and CRB	8	0	0.17	Delete from plan due to low levels of recruitment at the present time. CRB element covered by Child Protection audit.

Area	Original Planned Days	Revised Budgeted Days as at 30-09-10	Actual days to 30-09-10	Status and Assurance Level
Employee Benefits-in-Kind	8	10	9.91	Finalised - Limited
<b>GOVERNANCE RELATED:</b>				
Asset Management	8	12.23	12.23	Finalised - Reasonable
Members' Code of Conduct and Standards Arrangements	8	8	0	Work-in-Progress
Officers' Code of Conduct and Whistleblowing Arrangements	8	4.99	2.61	Finalised - Reasonable
Performance Management	9	9	0	Work-in-Progress
Corporate/CMT/Committee	30	30	23.72	Work-in-Progress throughout 2010-11
East Kent Shared Services – Validation of Performance Indicators for Tranche 1 Services	2	2	0	Finalised
<b>CONTRACT RELATED:</b>				
Contract Standing Order Compliance	10	0	0	April 2011 – Fund from 2011-12 plan
Contract Monitoring	10	10	0	Work-in-Progress
Procurement	10	10	0.17	Quarter 4
<b>SERVICE LEVEL:</b>				
Accommodation Strategy	7	5.04	5.04	Finalised - Substantial
Members' Allowances	8	8	0.17	Work-in-Progress
Public Health Burials	6	7.01	7.01	Finalised - Limited
Coast Protection/Management	9	9	0.17	Work-in-Progress
Cemeteries and Crematorium	9	9	1.18	Work-in-Progress
Planning and Building Control (including s.106 Agreements)	20	20	0.17	Work-in-Progress
Events Management	10	10.43	10.43	Finalised - Reasonable
Electoral Registration	8	8	0	Delete from plan to accommodate higher risk reviews
Equality and Diversity	8	8	0.17	Work-in-Progress
Thanet Works	9	14.84	14.84	Finalised - Reasonable
Disabled Facilities Grants	9	9.57	9.57	Finalised - Substantial
Maritime – Visiting Yachts and Ancillary Services	10	11	10.48	Finalised - Reasonable

Area	Original Planned Days	Revised Budgeted Days as at 30-09-10	Actual days to 30-09-10	Status and Assurance Level
Maritime – Permanent Berths and let Properties	10	10.89	10.89	Finalised - Reasonable
Waste Management	10	10	0	Quarter 4
<b>OTHER</b>				
Liaison With Audit Commission	5	2.5	0.98	Work-in-Progress throughout 2010-11
Follow-up Reviews	13	18	14.28	Work-in-Progress throughout 2010-11
<b>FINALISATION OF 2009-10 AUDITS</b>				
Child Protection	20.57	41.31	7.38	Finalised – Reasonable
Homelessness			0.39	Finalised - Limited
Housing Benefit – Fraud Investigation Arrangements			1.11	Finalised – Reasonable
Thanet Leisure Force			6.75	Finalised – Substantial/Limited
Information Management, FOI and Data Protection			4.36	Finalised – Substantial/Reasonable/Limited
CSO Compliance			12.89	Finalised – Limited
Green Waste Service			0.61	Finalised – Substantial
Local Code of Corporate Governance			0.10	Finalised - Substantial
Choice Based Lettings			7.72	Finalised - Substantial
<b>UNPLANNED WORK</b>				
Creative Margate Consultancy Arrangements (Balance of time from 2009-10 audit)	0	0.07	0.07	Finalised - Limited
Overtime	0	6.01	6.01	Finalised – Reasonable
<b>Total (Including 10.57 days brought forward from 2009-10)</b>	<b>440.57</b>	<b>440.57</b>	<b>257.88</b>	<b>58.53% Complete as at 30-09-10</b>
<b>UNPLANNED ADDITIONAL WORK</b>				
Meridian Village	2	2.07	2.07	Audit verification of costs deductible from income arising from development
Interreg Grant – Customer Services	4	6	4.44	First Level Controller sign off charged to project
Interreg Grant – Tudor House	4	4	3.51	First Level Controller sign off charged to project
Interreg Grant – Maritime (Off-Shore Wind Farm)	4	4	0.75	First Level Controller sign off charged to project

**BALANCED SCORECARD – QUARTER 2**

<b>INTERNAL PROCESSES PERSPECTIVE:</b>	<b><u>2010-11 Actual</u></b>	<b><u>Target</u></b>	<b>FINANCIAL PERSPECTIVE:</b>	<b><u>2010-11 Actual</u></b>	<b><u>Target</u></b>
	<b>Quarter 2</b>				
Chargeable as % of available days	87%	75%	Cost per Audit Day (Reported Annually)		£300
Chargeable days as % of planned days	58%	50%			
Follow up Reviews;					
<ul style="list-style-type: none"> <li>• Issued</li> <li>• Not yet due</li> <li>• Now overdue for Follow Up</li> </ul>	14 9 9	- - 0			
Percentage compliance with the CIPFA Code for Internal Audit 2006	97%	97%			

**BALANCED SCORECARD – QUARTER 2**

<u>CUSTOMER PERSPECTIVE:</u>	<u>2010-11 Actual</u>	<u>Target</u>	<u>INNOVATION &amp; LEARNING PERSPECTIVE:</u>	<u>2010-11 Actual</u>	<u>Target</u>
	Quarter 2				
Number of Satisfaction Questionnaires Issued;	29		Percentage of staff qualified to relevant technician level	76%	75%
Number of completed questionnaires received back;	11		Percentage of staff holding a relevant higher level qualification	32%	32%
Percentage of Customers who felt that;			Percentage of staff studying for a relevant professional qualification	24%	24%
<ul style="list-style-type: none"> <li>• Interviews were conducted in a professional manner</li> <li>• The audit report was 'Excellent or Very Good'</li> <li>• That the audit was worthwhile.</li> </ul>	100%	100%	Number of days technical training per FTE	1.72	3.5
	100%	90%	Percentage of staff meeting formal CPD requirements	32%	32%
	100%	100%	Number of business efficiency/ service Improvement recommendations introduced	19	-



## AUDIT ASSURANCE

### Definition of Audit Assurance Statements

#### **Substantial Assurance**

From the testing completed during this review a sound system of control is currently being managed and achieved. All of the necessary, key controls of the system are in place. Any errors found were minor and not indicative of system faults. These may however result in a negligible level of risk to the achievement of the system objectives.

#### **Reasonable Assurance**

From the testing completed during this review most of the necessary controls of the system in place are managed and achieved. There is evidence of non-compliance with some of the key controls resulting in a marginal level of risk to the achievement of the system objectives. Scope for improvement has been identified, strengthening existing controls or recommending new controls.

#### **Limited Assurance**

From the testing completed during this review some of the necessary controls of the system are in place, managed and achieved. There is evidence of significant errors or non-compliance with many key controls not operating as intended resulting in a risk to the achievement of the system objectives. Scope for improvement has been identified, improving existing controls or recommending new controls.

#### **No Assurance**

From the testing completed during this review a substantial number of the necessary key controls of the system have been identified as absent or weak. There is evidence of substantial errors or non-compliance with many key controls leaving the system open to fundamental error or abuse. The requirement for urgent improvement has been identified, to improve existing controls or new controls should be introduced to reduce the critical risk.

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## ANNUAL AUDIT LETTER

To: **Governance and Audit Committee – 13 January 2011**

Main Portfolio Area: **Finance and Corporate Services**

By: **Audit Manager, Audit Commission**

Classification: **Unrestricted**

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**Summary:** **To present the Audit Commission's Annual Audit Letter 2009/10.**  
**For Information**

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### 1.0 Introduction

1.1 The Audit Commission's Annual Audit Letter summarises the findings from the 2009/10 audit. It includes messages arising from the audit of the Financial Statements and the results of the work undertaken to assess the arrangements to secure Value for Money in the Use of Resources.

### 2.0 Corporate Implications

#### 2.1 Financial

2.1.1 There are no financial implications arising directly from this report.

#### 2.2 Legal

2.2.1 There are no legal implications arising directly from this report.

#### 2.3 Corporate

2.3.1 This report summarises the key findings and conclusions for the three Use of Resources themes. An action plan for addressing the recommendations made has been agreed.

#### 2.4 Equity and Equalities

2.4.1 There are no equity and equalities implications arising from this report.

### 3.0 Recommendation(s)

#### 3.1 That Members note the report.

Contact Officer:	Andy Mack, District Auditor, Audit Commission
Reporting to:	Sue McGonigal, Deputy Chief Executive and s151 Officer

### ***Annex List***

Annex 1	Audit Commission Annual Audit Letter
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# Annual Audit Letter

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**Thanet District Council**

**Audit 2009/10**

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

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

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

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# Key messages

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

- **the audit of your financial statements (page 3 and 4);**  
**and**
- **my assessment of your arrangements to achieve value for money in your use of resources (pages 5 to 8).**

## **Audit opinion and financial statements**

**1** I issued an unqualified opinion on the financial statements on 29 September 2010. In the course of my audit I identified two material accounting misstatements, as well as some non-material accounting and disclosure errors. These were corrected by management and did not impact on the Council's overall reported financial balance.

## **Value for money**

**2** I issued an unqualified value for money conclusion stating that the Council has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources during the year ending 31 March 2010. The Council has made good progress in terms of its governance and use of natural resources. It has also demonstrated good financial management, delivering budget savings and efficiencies in difficult external circumstances.

## **Future prospects**

**3** The Council is currently revisiting its medium term financial strategy in the light of the Chancellor's recent comprehensive spending review. The scale of savings required is unprecedented in recent memory and difficult choices will be required regarding future service delivery. The success of this will be critical to the future of the Council.

# Financial statements and annual governance statement

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

**I gave an unqualified opinion on the Council's 2009/10 financial statements on 29 September 2010.**

## **Overall conclusion from the accounts audit**

**4** Officers worked hard to present a comprehensive set of accounts and working papers for audit. I am pleased to report that working papers showed an improvement on previous years and officers were responsive and helpful in dealing with queries from my team. There is still scope for greater consistency in working paper preparation across departments.

**5** The quality of the statements was broadly consistent with last year. The draft accounts submitted for audit contained two material misstatements which officers subsequently corrected. They also contained a number of other non material misstatements or disclosure errors.

**6** The misstatements identified during my audit did not impact on the Council's year-end balance and I am satisfied that the Council has a good understanding of its financial position. Reducing the number of errors, resulting in amendments required to the statements, will free up capacity to deal with complex accounting treatments. Addressing this will be particularly important in view of the introduction of International Financial Reporting Standards (IFRS) in 2010/11.

## **Other recommendations from the accounts audit**

**7** In addition to requiring amendments to the draft statements, I also made two recommendations to the Governance and Audit Committee in my Annual Governance Report. These related to:

- the need for more timely completion of Related Party Transaction returns by Members; and
- the need to review and determine the required accounting treatment for East Kent Opportunities LLP, particularly in preparation for IFRS.

**8** The Council is taking appropriate action to address both my recommendations.

## **Preparing for IFRS**

**9** The Audit Commission carried out a national survey during 2010 to assess the Council's preparation for implementing IFRS with effect from 2010/11. This is a complex new area which will require significant input from staff in finance and across the Council over the next year. Key areas will include the accounting for leases, staff benefits and fixed assets.

**10** As part of this survey I have assessed the Council's performance as 'Amber'. The Council has a comprehensive implementation plan for IFRS and – whilst there have been some delays to the original timetable – is on track for final production of draft statements in June 2011. I will continue to work with Council over the coming months as it finalises its restated accounts.



# Value for money

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

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

## **2009/10 use of resources assessments**

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

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

**13** I report the significant findings from the work I have carried out to support the vfm conclusion.

## **VFM conclusion**

**14** I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission. The Audit Commission specifies each year which Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body.

**15** I concluded that the Council has adequate arrangements in all the areas I assessed. This is shown in the following table.

Criteria	Adequate arrangements?
<b>Managing finances</b>	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial Reporting	Yes
<b>Governing the business</b>	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
<b>Managing resources</b>	
Natural Resources	Yes

**16** I issued an unqualified conclusion stating that the Council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

**17** Key findings from my review are set out below.

### **Managing Finances**

**18** During 2009/10 the Council revisited its priorities and used these to update its Medium Term Financial Strategy (MTFS). The Council achieved a balanced budget for 2009/10 and as at 31 March 2010 had general reserves of £2.1 million, housing revenue reserve of £8 million and specific revenue reserves of £8 million. This provides contingency against difficult financial circumstances ahead.

**19** The Council engages well and has a good understanding of the needs of its local community. It uses this to identify corporate priorities and invest in priority services. The Council has a good track record on delivering efficiencies. There is clear ownership at political and managerial level for the efficiency agenda and efficiency savings for 2009/10 exceeded £750,000.

## **Governing the Business**

**20** The Council uses data effectively to aid decision making. Data security is robust – for example the Council is connected to the Government Secure Extranet – and appropriate information is provided for Members.

**21** Internal audit identified and reported on some weaknesses in governance arrangements at departmental level during 2009/10. Senior management have dealt with this swiftly, taking appropriate action resulting in improved compliance.

**22** Risk management arrangements have been significantly strengthened over the last year and Members take an active role in risk management. This has resulted in improved CPR compliance and more effective insurance arrangements.

## **Managing Resources**

**23** The council's environment policy and strategy is included within the Corporate Plan and sets out clearly the environmental impacts of its use of resources. It has a green strategy, action group and issues are incorporated into staff appraisals. Comprehensive actions range from changing the culture and attitudes among staff and residents, to the larger, longer-term and high impact projects, such as the accommodation strategy.

**24** The authority's approach to managing its improvement to the environment is strong, underpinned by sound information. Action plans are monitored. Partnership work with a number of other agencies on the successful Gateway Plus has reduced the use of floor space between agencies and the need for customers to make multiple journeys. The Accommodation Review is ahead of schedule and the council has achieved its target of getting 70 per cent of office based staff into the offices in 2009/10. There have been clear reductions in gas, electricity, water and printing. This comprehensive approach is cutting costs and reducing environmental impact

## **Approach to local value for money work from 2010/11**

**25** Given the scale of pressures facing public bodies in the current economic climate, the Audit Commission has reviewed its work programme for 2010/11 onwards. This review has included discussions with key stakeholders of possible options for a new approach to local value for money (VFM) audit work. The Commission will introduce a new, more targeted and better value approach to our local VFM audit work.

**26** Our work will be based on a reduced number of reporting criteria, specified by the Commission, concentrating on:

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

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

# Current and future challenges

## Future challenges

**28** During 2009/10 the Council has demonstrated good financial management in difficult circumstances. However, in common with the rest of the public sector, it is facing significant financial challenges ahead. The scale of the financial savings required by the government's Comprehensive Spending Review are unprecedented. This is exacerbated by the fact that demand for some services, notably benefits, is increasing and the income from fees and charges may reduce. Efficiency savings alone will therefore not be sufficient to balance the books.

**29** Both Members and officers realise that difficult decisions will be required regarding spending priorities. My audit team and I will work with you over the coming months, sharing good practice where appropriate and providing support as a 'critical friend' where we can.

## Closing remarks

**30** I have discussed and agreed this letter with the Chief Executive and the Director of Finance and Corporate Services. I will provide copies to all members by 30 November 2010 and present this letter at the Governance and Audit Committee on 13 January 2011 and Cabinet on 10 February 2011.

**31** Full detailed findings, conclusions and recommendations in the areas covered by my audit were included in the reports I issued to the Council during the year.

Report	Date issued
Audit Fee Letter	June 2009
Opinion Audit Plan	June 2010
Annual Governance Report	September 2010

**32** The Council has taken a positive and helpful approach to my audit. I wish to thank the Council staff for their support and cooperation during the last year.

Andy Mack  
District Auditor  
November 2010

# Appendix 1 Audit fees

	Actual	Original Proposed	Variance
Financial statements and annual governance statement	106,000	106,000	0
Value for money	37,200	37,200	0
Whole of Government Accounts	1,800	1,800	0
<b>Total</b>	<b>145,000</b>	<b>145,000</b>	<b>0</b>

## Appendix 2 Glossary

### **Annual governance statement**

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

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

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

### **Audit opinion**

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

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

### **Financial statements**

The annual accounts and accompanying notes.

### **Qualified**

The auditor has some reservations or concerns.

### **Unqualified**

The auditor does not have any reservations.

### **Value for money conclusion**

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



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



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November 2010

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## THANET DISTRICT COUNCIL DECLARATION OF INTEREST FORM

### Do I have a personal interest?

You have a **personal interest** in any business of your authority where it relates to or is likely to affect:

- a) An interest you must **register**.
- b) An interest that is not on your register, but where the well-being or financial position or you, members of your family (spouse; partner; parents; in laws; step/children; nieces and nephews), or people with whom you have a close association (friends; colleagues; business associates and social contacts that can be friendly and unfriendly) is likely to be affected by the business of your authority more than it would affect the majority of:
  - Inhabitants of the ward or electoral division affected by the decision (in the case of the authorities with electoral divisions or wards.)
  - Inhabitants of the authority's area (in all other cases)

These two categories of personal interests are explained in this section. If you declare a personal interest you can remain in the meeting, speak and vote on the matter, unless your personal interest is also a prejudicial interest.

### Effect of having a personal interest in a matter

You must declare that you have a personal interest, **and the nature of that interest**, before the matter is discussed or as soon as it becomes apparent to you except in limited circumstances. Even if your interest is on the register of interests, you must declare it in the meetings where matters relating to that interest are discussed, unless an exemption applies.

### When an exemption may be applied

An exemption applies where your interest arises solely from your Membership of, or position of control or management on:

1. Any other body to which you were appointed or nominated by the authority.
2. Any other body exercising functions of a public nature (e.g. another local authority)

### Is my personal interest also a prejudicial interest?

Your personal interest will also be a **prejudicial interest** in a matter if all of the following conditions are met:

- a) The matter does not fall within one of the **exempt categories** of decisions
- b) The matter affects **your financial interests** or relates to a **licensing or regulatory matter**.
- c) A member of public, who knows the relevant facts, would **reasonably think your personal interest is so significant** that it is likely to prejudice your judgement of the public interest.

### What action do I take if I have a prejudicial interest?

- a) If you have a **prejudicial interest** in a matter being discussed at a meeting, you must declare that you have a prejudicial interest as the nature of that interest becomes apparent to you.
- b) You should then leave the room, **unless members of the public are allowed to make representations, give evidence or answer questions about the matter**, by statutory right or otherwise. If that is case, you can also attend the meeting for that purpose.
- c) However, you must immediately leave the room once you have finished or when the meeting decides that you have finished (if that is earlier). You cannot remain in the public gallery to observe the vote on the matter.

d) In addition you must not seek to **improperly influence** a decision in which you have a prejudicial interest.

**This rule is similar to your general obligation not to use your position as a Member improperly to your or someone else's advantage or disadvantage.**

**What if I am unsure?**

If you are in any doubt, Members are strongly advised to seek advice from the Monitoring Officer or the Democratic Services Manager well in advance of the meeting.

**DECLARATION OF PERSONAL AND, PERSONAL AND PREJUDICIAL INTERESTS**

**MEETING** .....

**DATE**..... **AGENDA ITEM** .....

**IS YOUR INTEREST:**

**PERSONAL**

**PERSONAL AND PREJUDICIAL**

**NATURE OF INTEREST:**

.....  
.....  
.....

**NAME (PRINT):** .....

**SIGNATURE:** .....

Please detach and hand this form to the Committee Clerk when you are asked to declare any interests.

