

# Public Document Pack



Date: **3 December 2012**  
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## GOVERNANCE AND AUDIT COMMITTEE

**11 DECEMBER 2012**

A meeting of the Governance and Audit Committee will be held at **7.00 pm on Tuesday, 11 December 2012 (Training at 6.30pm)** in the Austen Room, Council Offices, Cecil Street, Margate, Kent.

### Membership:

Councillor Worrow (Chairman); Councillors: Binks (Vice-Chairman), Campbell, Day, Lodge-Pritchard, Moore, W Scobie, S Tomlinson and M Tomlinson

## A G E N D A

Item  
No

1. **TRAINING PRESENTATIONS**
- 1a **ANTI-FRAUD & CORRUPTION AND ANTI-BRIBERY**  
To receive a presentation from Sarah Martin – Financial Services Manager.
2. **APOLOGIES FOR ABSENCE**
3. **DECLARATIONS OF INTEREST**
4. **MINUTES OF PREVIOUS MEETING** (Pages 1 - 8)  
To approve the Minutes of the Governance and Audit Committee meeting held on 25 September 2012, copy attached.
5. **GOVERNANCE AND AUDIT COMMITTEE ACTION PLAN** (Pages 9 - 10)
6. **INTERNAL AUDIT PROGRESS REPORT** (Pages 11 - 40)
7. **QUARTERLY GOVERNANCE PROGRESS REPORT** (Pages 41 - 106)
8. **ANTI FRAUD AND CORRUPTION AND ANTI-BRIBERY POLICIES** (Pages 107 - 130)
9. **TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY - MID YEAR REVIEW REPORT 2012/13** (Pages 131 - 144)
10. **TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT & ANNUAL INVESTMENT STRATEGY FOR 2013/14** (Pages 145 - 164)

Item  
No

Subject

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

## GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 25 September 2012 at 7.00 pm in the Austen Room,  
Council Offices, Cecil Street, Margate, Kent.

**Present:** Councillor John Worrow (Chairman); Councillors Binks, Campbell,  
Day, Lodge-Pritchard, Moore, W Scobie, S Tomlinson and  
M Tomlinson

**237. ALSO PRESENT:**

Sue McGonigal – Chief Executive and Chief Financial Officer  
Philip Hamberger – Director of Corporate Services and Transformation  
Sarah Martin – Financial Services Manager & Deputy s151 Officer  
Nikki Morris – Business Support and Compliance Manager  
Linda Hogben – Senior Accountant  
Zoe Harrison – Senior Incomes Officer  
Andy Mack - District Auditor – Audit Commission  
Lisa Robertson – Audit Manager – Audit Commission  
Harpal Singh – Team Leader – Audit commission  
Simon Webb – Audit Manager – East Kent Audit Partnership

**238. NATIONAL FRAUD INITIATIVE**

A pre-meeting training presentation on the National Fraud Initiative was given by Zoe Harrison, Senior Incomes Officer.

**239. APOLOGIES FOR ABSENCE**

Apologies were received from Christine Parker, Head of East Kent Audit Partnership.

**240. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**241. MINUTES OF PREVIOUS MEETINGS**

**242. MEETING HELD ON 27 JUNE 2012**

The minutes of the Governance and Audit Committee meeting held on 27 June 2012, were approved and signed by the Chairman.

**243. MEETING HELD ON 21 AUGUST 2012**

The minutes of the Governance and Audit Committee meeting held on 21 August 2012, were approved and signed by the Chairman.

**244. MATTERS ARISING FROM MEETING 21 AUGUST 2012**

Members had been provided with answers to questions raised at the meeting of the 21 August 2012. However, it was noted that the query that had been raised regarding 'Heritage Assets' had not been answered fully and further details were requested.

Simon Webb, Audit Manager informed the Committee that an Audit was currently being carried out on the council's museums and that the findings would be brought to the December 2012 meeting of the Governance and Audit Committee. It was therefore agreed that Members would wait to see the results of this Audit in December.

**245. GOVERNANCE AND AUDIT COMMITTEE ACTION PLAN**

It was agreed that the first two items on the Governance and Audit Committee Action Plan were not part of the Terms of Reference of the Committee and were a 'monitoring and performance' issue.

At the June meeting of the Governance and Audit Committee Members had raised a question as to whether the corporate risk register was being overloaded, and unreasonable demands were being made of officers. A review of the corporate risk register was carried out on the 23 August 2012 by the Senior Management Team. Following on from this, Members asked whether the process for determining the risk register had been changed and were advised that yes, it had changed.

The Action Plan was noted.

**246. ROLE OF DEPUTY S151 OFFICER**

Following the recent restructure and the employment of Philip Hamberger as Director of Corporate Services and Transformation some Members had asked for clarification of the role of the Deputy s151 officer. The reporting process had previously been that the Financial Services Manager, Deputy s151 officer had reported directly to the Chief Executive and Members asked whether this had now altered. Sue McGonigal informed Members that this was still the case and that Sarah Martin, Financial Services Manager and herself met regularly for budget discussions as previously. Sue McGonigal advised that Philip Hamberger's role was to give a coherent approach to the Council's service improvement programme and to shape and direct the work of the Council's corporate and support functions to ensure that they remain fit for purpose.

**247. ANNUAL GOVERNANCE REPORT 2011/12**

Andy Mack, Audit Manager from the Audit Commission outlined the report which provides Governance and Audit Committee with a summary of the findings from the 2011/12 audit which is substantially complete.

Andy advised that the number and scale of amendments arising during the audit was greater than at most other Councils that he audited and that this reflects the scale and complexity of the accounts at Thanet District Council which is large, complex and multi-faceted with several partnerships and other projects in progress. Compared to other Councils there is a stretched capacity within the finance team which means that the team working on the accounts is relatively small and has a wide range of responsibilities in addition to the accounts.

Andy recommended that to reduce the number of amendments made to the draft accounts in future years a review and strengthening of the accounts closedown process could be focussed on, also identifying resource requirements for the closedown where appropriate to strengthen the capacity within the finance team to deal with the accounts production.

Members and officers gave their thanks to Linda Hogben, Senior Accountant for her contribution in the compilation of the Statement of Accounts.

Andy also gave thanks to Linda and the finance team officers who had worked tirelessly to ensure an unqualified opinion could be given.

Moved by Councillor Campbell and seconded by Councillor W Scobie that:

Members agree the recommendations at 3.0 as follows:

“3.1 take note of the adjustments to the financial statements which are included in the Annual Governance Report

3.2 approve the letter of representation

3.3 agree its response to the proposed action plan”

MOTION ADOPTED.

**248. COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS**

Sarah Martin introduced the report, the purpose of which is to seek Members’ approval to a draft response from the Chair of the Audit Committee to the Audit Commission regarding compliance with International Auditing Standards.

Moved by Councillor Campbell and seconded by Councillor W Scobie that:

“Members approve the response provided by the Governance and Audit Committee”

MOTON ADOPTED.

**249. FINAL AUDITED STATEMENT OF ACCOUNTS 2011/2012**

The draft Statement of Accounts for 2011/12 were scrutinised by Members of the Governance and Audit Committee on 21 August 2012. These accounts have now been audited and a number of amendments have been made as a result.

As highlighted within the Annual Governance Report, the number and scale of amendments arising during the audit was greater than expected. This was due to the complexity of the Council’s accounts and also to stretched resources within the Finance team, which were partly due to temporary staff absences. An action plan is being developed to review the final account process to provide flexibility within existing resources to strengthen the capacity within the team.

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

“5.1 Governance and Audit Committee approve the Statement of Accounts for 2011/12”

MOTION ADOPTED.

**250. ANNUAL GOVERNANCE STATEMENT 2011/12**

Nikki Morris introduced the report which provides Governance and Audit Committee with the Annual Governance Statement 2011/12 for approval.

Members referred to the process for the ‘Asset Management Strategy’ and the detail on the asset disposal process. Some Members were concerned that they didn’t have a ‘mirror’ on any capital projects.

Sarah Martin advised that the same process was used. Some Members still had concerns that the only Councillor involvement was a Cabinet Member and asked whether this was considered to be good governance. It was emphasised strongly by some members that they should all be involved in determining the ‘Asset Management Strategy’.

Sue McGonigal said that the role of the Governance and Audit Committee is to agree the process which had already been done and reported to Governance and Audit Committee before being agreed at Cabinet and then Council. Sue added that internal and external auditors as well as a finance team were paid to ensure that correct procedures and processes were adhered to and were fit for purpose. Sue also advised that she would not support Members of this Committee in their request to monitor officers.

Some Members went on to say that it was an issue of Governance in determination of the Capital Programme and asked whether it was good governance when only the Cabinet Portfolio Holder on the behest of the Leader was involved. In addition, other Committees have Members of the Council involved and it was a weakness of this Council not to have a Committee properly constituted to determine the Capital Programme.

Sue McGonigal added that she did not see this as a governance issue as it was an executive function of the Cabinet but that Members' views would be noted. It was suggested that if Members' wished this to be progressed, they would be advised to approach Cabinet to request that the process in drafting the Capital Programme be changed.

Moved by Councillor Campbell and seconded by Councillor M Tomlinson that:

"6.1 Members approve the Annual Governance Statement for 2011/2012 and associated action plan"

MOTION ADOPTED.

#### **251. QUARTERLY GOVERNANCE PROGRESS REPORT**

Nikki Morris summarised the report which provides Governance and Audit Committee with the progress on governance related issues.

Moved by Councillor Campbell and seconded by Councillor M Tomlinson that:

"Members approve the changes to the Risk Management Strategy and Process documents and recommend that the Strategy be sent to 8 November 2012 Cabinet for approval"

MOTION ADOPTED.

#### **252. INTERNAL AUDIT PROGRESS REPORT**

Simon Webb, Audit Manager from the East Kent Internal Audit Partnership, outlined the report which summarises the internal audit work completed by EKAP since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 30 June 2012.

An audit for East Kent Housing of their finance and ICT controls concluded 'Reasonable Assurance'.

At the time of the audit fieldwork, East Kent Housing was approaching the end of its first financial year. There was emerging evidence of work in progress and further decisions to be made within EKH Finance which could support a conclusion of Substantial Assurance once the recommendations contained within the audit report were implemented and had sufficient time to become embedded.

An audit for East Kent Housing of Tenant Health and Safety concluded a 'reasonable' assurance.

As was expected with the formation of a new organisation to manage the Council's Housing stock, EKH are currently seeking to implement consistent policies and procedures in this area, utilizing the examples of best practice present at each of the four partner Council sites.

An example of this is that the costs associated with the gas boiler servicing contract used by three Councils to monitor the contract appear very high in comparison with the in-house monitoring undertaken by the fourth partner Council. There is therefore scope for cost efficiencies in this area which East Kent Housing are actively pursuing.

Whilst Gas Safety checks are promptly undertaken for almost all Council properties and any instances in which access to the property is an issue are promptly dealt with, none of the partner Councils currently have a gas safety policy. The Council employ a contractor to monitor the gas servicing contracts in three authorities, however utilizing their service does not in itself negate the statutory responsibilities that the authorities have regarding gas safety.

Simon added that none of the Councils have a complete asbestos register and in addition to this the asbestos identified is not being regularly reviewed to ensure that the condition has not deteriorated. It was also noted that, at the time of the Audit there was an inconsistent approach to fire risk assessments throughout East Kent Housing with only three of the partner authorities ensuring that fire safety checks are carried out on a regular basis. East Kent Housing have an action plan in place to address this issue.

In summarising the findings of the audit regarding Visitor Information Arrangements, processes are generally working well and most of the expected controls are effective.

The level of information being maintained to monitor and/or report on the Margate Visitor Information Centre activities is excellent. Effective systems, processes and controls are in operation with just one area of weakness being identified regarding the need to improve stock controls. Visitors to Thanet have access to a wealth of information via information technology, publications and staff presence. A higher level of assurance may be achieved within this operational area once the benefits of implementing the Electronic Point of Sale system are fully realised. It is proposed to include a review of this system (EPOS) as part of the EKAP's recommendation follow up process, allowing a period of embedding and familiarisation with the new system.

Members asked, following on from the audit for East Kent Housing, whether electrical checks were carried out. Simon advised that he would find out and get back to Members.

Referring to the East Kent Services Housing Benefit Quarterly Testing, Simon informed Members that over the course of the 2011/12 financial year the EKAP completed a sample check of council tax, rent allowance and rent rebate as well as Local Housing Allowance benefit claims to support the Audit Commission's verification work.

For the fourth quarter of 2011/12 financial year (January to March 2012) 20 claims were selected by using Excel software to randomly select the various claims for verification. The same process was followed for the Quarter 1 testing of 2012/12 financial year where 100% of the 20 claims checked were found to have passed the criteria set by the Audit Commission's verification guidelines. No errors were found that would impact on the subsidy claim which is an extremely positive result for quarter 1.

On looking at the 'Balanced Scorecard' figures it was noted that of the 19 Satisfaction Questionnaires issued 7 had been received back.

Moved by Councillor Binks and seconded by Councillor Campbell that:

“6.1 the report be received by Members and

6.2 that any changes to the agreed 2012-13 internal audit plans, resulting from changes in perceived risk, detailed at point 5.0 of the attached report be approved”

MOTION ADOPTED.

**253. TREASURY MANAGEMENT UPDATE REPORT FOR THE FIRST QUARTER, 2012**

Sarah Martin, Financial Services Manager introduced the report which updates the Governance and Audit Committee with the Treasury Management activity that has occurred for the quarter ended 30 June 2012.

The report shows details of the Economic Background for the quarter ended 30 June 2012 including the following information:- ‘Employment rose and unemployment fell, but earning growth remained weak’ and ‘Gift yields fell on the back of deteriorating economic data and safe-haven flows from the euro-zone’. Also shown was the following Interest Rate Forecast provided by the Council’s treasury advisor:-

	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
<b>Bank rate</b>	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.25%	1.50%
<b>5yr PWLB rate</b>	2.10%	2.20%	2.20%	2.30%	2.40%	2.50%	2.60%	2.80%	3.00%	3.20%	3.40%
<b>10yr PWLB rate</b>	3.00%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	4.00%	4.20%	4.40%
<b>25yr PWLB rate</b>	4.20%	4.30%	4.30%	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%
<b>50yr PWLB rate</b>	4.30%	4.40%	4.40%	4.50%	4.60%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%

The Treasury Management Strategy Statement (TMSS) for 2012/13, which includes the Annual Investment Strategy, was approved by the Council on 19 January 2012. It sets out the Council’s investment priorities as being:

- Security of capital
- Liquidity; and
- Yield

The Council will also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate and the heightened credit concerns it is considered appropriate to keep investments short term with a maximum duration of 3 months.

This limit will apply to all entities on the suggested Sector Credit List with the following exceptions:

1. UK Government and related entities such as Local Authorities.
2. UK semi-nationalised institutions (Lloyds/RBS). We continue to view the current significant UK ownership of these entities as providing significant comfort to investors.
3. Money Market Funds.



Sarah added that the council has not taken out any new borrowing for the quarter ended 30 June 2012. Debt rescheduling opportunities have been limited in the current economic climate and structure of interest rates following increases in PWLB new borrowing rates in October 2012. During the quarter ended 30 June 2012, no debt rescheduling was undertaken by the council. A portion of the council's PWLB debt matures at the end of 2012 and options (including rescheduling and repayment) will be reviewed in due course in line with market conditions. In referring to the maturing of debts Members asked how much debt was due to mature. Sarah advised that she would come back to Members with this information.

The Governance and Audit Committee noted the report.

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

It was agreed that the 'Anti-Fraud and Corruption/Whistleblowing' and 'Governance Framework and Local Code' items for training be included in the 11<sup>th</sup> December 2012 meeting of the Governance and Audit Committee.

A training session on 'Treasury Management' is to be arranged outside of the Committee meetings. The training on 'External Audit introduction/update' is to be moved to the 21 March 2013 meeting of the Governance and Audit Committee.

Meeting concluded : 8.15 pm

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**Governance and Audit Committee Action Plan**

G & A meeting	Action	Owner	Target date	Progress	Feedback / Comments
25-Sep-12	Heritage Assets/Museums audit information.	SW			See Internal Audit Progress report on this agenda
25-Sep-12	EKH Audit - Are electrical checks carried out?	SW			Verbal update at the meeting 11 December 2012
25-Sep-12	Treasury Management Update Report-Maturing of Debts, how much due to mature?	SM		C	
25-Sep-12	Training for the Committee - Treasury Management outside of Committee-External Audit introduction/update on agenda 21 March 2013	SM	End of March 2013	IP	

**Key:**

**Key:**

- SM Sarah Martin
- SW Simon Webb

- C Completed
- IP In progress
- O Ongoing

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## INTERNAL AUDIT PROGRESS REPORT

To: **Governance and Audit Committee: 11<sup>th</sup> December 2012**

By: **Head of the Audit Partnership: Christine Parker**

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 2012.

### **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 2012.

#### **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 Senior Management Team, as well as an appropriate manager for the service reviewed.

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 fifteen internal audit assignments completed during the period. Of these: four concluded Substantial assurance, seven concluded Reasonable assurance and three gave rise to split assurance levels which were partially Limited. There was one additional piece of work which for which an assurance level was not applicable as it comprised quarterly housing benefit claim testing. Summaries of the report findings are detailed within Annex 1 to this report.

- 3.2 In addition, four follow-up reviews have been completed during the period.

- 3.3 For the six months to 30<sup>th</sup> September 2012, 179.97 chargeable days were delivered against the planned target of 320 days which equates to 56.24% plan completion.

- 3.4 The financial performance of the EKAP is on target at the present time.

### **4.0 Options**

- 4.1 That Members consider and note the internal audit update report.

- 4.2 That the changes to the agreed 2012-13 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of the attached report be approved.

- 4.3 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.

- 4.4 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 2012-13 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 any changes to the agreed 2012-13 internal audit plans, 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, Chief Executive (s.151 Officer) Ext. 7002

### **Annex List:**

Annex 1	East Kent Audit Partnership Update Report – 11-12-2012
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### **Background Papers:**

<b>Title</b>	<b>Details of where to access copy</b>
<i>Internal Audit Annual Plan 2012-13</i>	Previously presented to and approved at the 20 <sup>th</sup> March 2012 Governance and Audit Committee meeting
<i>Internal Audit working papers</i>	Held by the East Kent Audit Partnership

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**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 2012

**2.0 SUMMARY OF REPORTS**

	<b>Service / Topic</b>	<b>Assurance level</b>
2.1	Treasury Management	Substantial
2.2	Creditors and Construction Industry Scheme	Substantial
2.3	Bank Reconciliation	Substantial
2.4	Car Parking Income and Enforcement	Substantial
2.5	Contract Standing Order Compliance	Reasonable
2.6	EK Housing (Tenancy & Estate Management)	Reasonable
2.7	EK Housing (Rent Setting, Collection & Arrears Management)	Reasonable
2.8	EK Services – Customer Services	Reasonable
2.9	EK Services – ICT Procurement & Disposals	Reasonable
2.10	EK Services – ICT Physical & Environmental Controls	Reasonable
2.11	Partnerships and Shared Service Monitoring	Reasonable
2.12	Thanet Leisure Force – Monitoring and Performance Arrangements	Substantial/Limited
2.13	Data Protection Act Compliance	Reasonable/Limited
2.14	Dickens House and Margate Museums	Reasonable/Limited
2.15	EK Services – Housing Benefit Quarterly Testing (Qtr 2 of 2012-13)	Not Applicable

**2.1 Treasury Management – Substantial Assurance:**

2.1.1 Audit Scope

To ensure that various Treasury Management matters within the remit of the accountancy office are performed effectively & efficiently, in furtherance of the Council's Policies.

2.1.2 Summary of Findings

The Treasury Management process is working very well with all of the expected controls being in place and effective. There are clear controls in place that provide assurance that the risks of investing and borrowing funds are acknowledged and

monitored on a daily basis to operate an effective treasury management system with reduced risks.

## **2.2 Creditors and Construction Industry Scheme – Substantial Assurance:**

### 2.2.1 Audit Scope

To ensure that only bona-fide invoices are paid, and that the correct procedures have been applied in the way in which the expenditure was incurred.

### 2.2.2 Summary of Findings

The Purchase Ordering and Creditors processes both continue to work very well with all of the expected controls being in place and effective. There are clear controls in place that provide assurance to ensure that only bona fide creditors are set up in the payments system and that only bona fide invoices are paid.

## **2.3 Bank Reconciliation – Substantial Assurance:**

### 2.3.1 Audit Scope

To ensure that the bank reconciliation is calculated correctly.

### 2.3.2 Summary of Findings

The bank reconciliation process was found to be well established with almost all of the expected controls being fully effective and adequate evidence being in place to support the entries on the bank reconciliation.

## **2.4 Car Parking Income and Enforcement – Substantial Assurance:**

### 2.4.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that car park machine income (on-street and off-street), is adequately monitored and reconciled to expected income and that income trends are monitored for individual car parks for management information.

### 2.4.2 Summary of Findings

The Car Parking Income and Penalty Charge Notices process is generally working very well with effective controls in place.

There have been no changes to the supporting working practices associated with the overall control environment within Car Parks since the previous audit in 2011. Car Parks continue to work with established systems, processes and procedures supported by experienced staff and officers.

## **2.5 Contract Standing Order Compliance – Reasonable Assurance:**

### 2.5.1 Audit Scope

To provide assurance to Management that the Council's practices for the procurement of goods and services achieves economic cost and good value for money and that Contract Standing Order guidance and supporting procurement practices/user instructions are relevant and complied with as appropriate.

### 2.5.2 Summary of Findings

The process of CSO is generally working well following the implementation of the 2010 audit recommendations. The associated controls are effectively contributing to achieving CSO compliance. Satisfactory evidence was available to support the procurement process in obtaining the required quotations in all 14 cases tested.

The feasibility of using Civica W2 to script the required CSO process and to improve the audibility, accessibility and transparency of supporting information via scanned and referenced documents may be worthy of further consideration.

The overall exemption process is working effectively and can demonstrate compliance to those CSO's controlling the warranting of waiver application, their subsequent approval and the monitoring of those waivers that are time limited.

There is however some scope for improvement that could strengthen the existing controls and so reduce risk..

## **2.6 EK Housing (Tenancy & Estate Management) – Reasonable Assurance:**

### 2.6.1 Audit Scope

To review the tenancy and estate management arrangements using the Audit Commission's Tenancy and Estate Management KLOE (Key Lines of Enquiry) as a guide.

### 2.6.2 Summary of Findings

The audit reviewed present practices across the four partner Council areas. The audit accepted that there were many areas where improvements have been identified as needed and that the organisation is relatively early in its development stage for unifying practices where possible. Much good work is on-going and the completion of the Customer Excellence gap analysis and subsequent action plan is one major example of this which should allow resources to be concentrated on the relevant areas to drive forwards on delivering Customer Service Excellence.

Each Council maintains their own tenancy agreement documentation and sign up procedures; testing revealed some unsigned agreements. Similarly not every authority offers the same types of tenancy with Thanet presenting a different approach to signing tenancy agreements with the Council's residual housing service insisting that they must sign all tenancy agreements, despite this role having been delegated to EK Housing under the management agreement between the parties. This arrangement can lead to administrative problems. Individually these are not major issues but collectively they indicate the need to continue to pursue a common approach across all four districts.

At Thanet there were a large number of very small recurring debts on the rent accounts which never change, appearing on the weekly debtor print run; it would

enhance business efficiency to take action to remove them from the system either through collection or write off.

The procedure for ensuring that tenants request permission for alterations was well publicised but could be improved by having an Internet presence. Where professional guidance had been sought before approval for alterations was given, subsequent follow up inspections were not always carried out to confirm that the work had been undertaken to a satisfactory standard. The updating of the asset database to reflect such alterations was not undertaken with any regularity.

Tenant and leaseholder involvement is viewed as an integral and vital element of the service and each Council has developed its own environment in which this can flourish. There is a full review taking place to identify what is being offered, what is needed for the future and how to take the best practices forwards.

Cleaning of communal areas is undertaken in three authorities by the same contractor with each contract managed in a different way. The residents are presented with schedules and a free phone number for reporting failures in the service. At Thanet there is less clarity and information and this should be addressed.

For communal grounds maintenance there is again a variety of contractors undertaking the work; in-house in two areas and through external contractors managed by the residual authority at the other two. There appears to be no service level agreements at any site and this should be rectified. The contract specification is detailed at the other three partner Council sites but there is no specification at Thanet where the work is based on what was done historically, and again this should be rectified. Resident involvement is achieved through various inspection regimes, walkabouts, events and informal reporting and is an effective way to monitor service levels.

## **2.7 EK Housing (Rent Setting, Collection & Arrears Management) – Reasonable Assurance:**

### **2.7.1 Audit Scope**

To ensure that monies properly due in respect of housing rent are calculated, collected and accounted for correctly.

### **2.7.2 Summary of Findings**

The Rent Setting Process and Arrears Management processes are generally working well across the four partner councils.

Most of the expected controls are in place although there are some which could be improved upon in order to become more effective; there are examples of best practice across the four areas that can be ported between them to increase efficiency and effectiveness and this is work in progress.

The level of rent arrears has decreased across all four authorities since April 2011, which is a very positive accomplishment for EK Housing in its first year. The Level of Former Tenant Arrears (FTAs) has also generally shown improvement.

## **2.8 EK Services (Customer Services) – Reasonable Assurance:**

### 2.8.1 Audit Scope

To ensure that the processes and procedures established by EK Services are sufficient to provide the level of service required by the partner Councils and incorporate relevant internal controls regarding the interface with the public.

### 2.8.2 Summary of Findings

As part of the joint working arrangement put in place by Canterbury City Council, Dover District Council and Thanet District Council, EK Services provide the Customer Services function for the three authorities. This function has now been place for approximately one year.

Finding the balance between improving service delivery to the public whilst reducing the actual cost is a difficult thing to do. However EK Services has put in place a business plan and various service delivery projects for the 2012/13 financial year that it is hoped will drive the service forward with smarter joined up working practices and improved performance (i.e. Abandoned rate calls) whilst delivering the budget savings as required by the three authorities.

There are several issues that need to be addressed and these are highlighted in the report, which could assist in helping EK Services to meet their desired outcomes.

## **2.9 EK SERVICES (ICT Procurement & Disposals) – Reasonable Assurance:**

### 2.9.1 Audit Scope

To ensure that the procedures and internal controls established by EK Services are sufficient to provide the level of service required by the partner Councils in respect of the procurement and disposal of ICT equipment on behalf of the partners.

### 2.9.2 Summary of Findings

EK Services took over the ICT function for Canterbury City Council, Dover District Council, Thanet District Council and East Kent Housing from April 2011.

As the partner authorities each have their own processes in place for procurement, EK Services are unable to have one process in place for purchasing ICT equipment. However they have worked with each partner to create a process for each, which works effectively. EK Services do not currently have access to all financial systems and therefore all queries have to be redirected to the Authority.

EK Services ensure that when purchasing any item three quotes are always obtained to make certain that they are receiving value for money regardless of whom they are procuring it for. Every month EK Services also send out a hardware specification to a number of IT suppliers for them to provide quotes on the specific items, the cheapest quote is then used by EK Services if any of the hardware items are required.

Some recommendations have been made regarding the disposal of the equipment to ensure that it is reviewed prior to disposal and then reconciled to the disposal certificate provided.

## **2.10 EK SERVICES (ICT Physical & Environmental Controls) – Reasonable Assurance:**

### 2.10.1 Audit Scope

To ensure that the physical and environmental controls over the actual ICT assets, including the servers are robust and are sufficient to enable EK Services to provide the level of ICT service required by the partner authorities.

### 2.10.2 Summary of Findings

The level of service to be provided by EK Services ICT and responsibilities of EK Services and the three partner authorities is determined in the EK Services Collaborative agreement. The ICT Service Level Agreement (SLA) forms part of this document. The SLA gives a broad indication of how EK Services will achieve the desired outcomes to certain standards. It is intentionally not specific about exactly how these outcomes will be achieved, as EK Services need the flexibility to choose the most effective way of working to reach the goals set – and this may change with technological, legal and generational developments.

A number of recommendations to strengthen internal controls have been made in this report that requires action from both EK Services and the partner authorities to ensure successful implementation.

EK Services has adopted Thanet's Information and IT Security Policies whilst Dover and Canterbury still apply their own IT Security Policies. All vary slightly and require officers working across partners to have knowledge of these variations. EK Services have identified this as a concern and aim to harmonise these policies, with the agreement of the partner authorities.

There is no annual requirement for staff to read and accept the IT Security Policies. As a result staff may forget their responsibilities and 'bad habits' may creep in.

EK Services inherited the inventories maintained by each partner authority. The validated information is now being manually recorded on TrackIT. All new purchases have been recorded on TrackIT since April 2012.

Prior to July 2011 each of the partner authorities managed their own service desk systems. EK Services has since created and now maintain a single version of TrackIT for service desk control. Individual item failures or problems are recorded in TrackIT although parameters that are captured may not always provide 'forensic' visibility. Some maintenance work that is non-user affecting is not captured and some is. EK Services ICT continues to work to improve this.

The insured levels were sufficient to cover the equipment declared on the schedules provided by EK Services to the Insurance Officers at each partner authority, both on and off site, with one exception which could not be determined as sufficient data was not provided, despite numerous requests. However, EK Services have only recently undertaken a physical audit of equipment which is yet to be reconciled to the inventories provided by the partner authorities; the results of which may impact on the levels of insurance required.

## **2.11 Partnerships & Shared Service Monitoring – Reasonable Assurance:**

### 2.11.1 Audit Scope

To ensure that the Council maximises its use of resources through its shared services and partnership arrangements.

### 2.11.2 Summary of Findings

The Service Level Agreements in place for EK Services (EKS), EK Human Resources (EKHR) and East Kent Housing Limited (EKH) are all well referenced, well documented and readily available to the staff charged with monitoring them. It was also found that the performance monitoring being undertaken was largely effective. Managers have built up good working relationships and effective communication channels between the Council and each of the shared service providers and these seemed to be working well. There are however some areas for improvement which have been identified.

#### *East Kent Housing:*

The relationship between the Council and EK Housing is not like the relationships with EKS / EKHR as EK Housing are a separate legal entity. The performance of the service is regularly scrutinised by management, SMT, an Area Board and the EKH Board. Instead of conducting an annual review of performance (as is the case with EKS and EKHR), the Council works informally with Management at EK Housing to adjust the indicators (as necessary) during the course of the year. A Delivery Plan also sets out what EK Housing intend to achieve and how they intend to achieve it.

#### *EK Services:*

One of the main mechanisms to drive service improvements for EKS is through the annual review of the service level agreements and performance indicators. The effectiveness of the first annual review seemed however to differ between the different elements of the shared service. For example, the ICT review was robust and effective with evidence of a previously ineffective performance indicator being replaced with more meaningful indicators.

The first annual review for Customer Services saw a drop in service performance expectations which whilst agreed with officers (who do have delegated authority in this area) was not formally endorsed by elected Members of the Council although (in the interests of good governance) this could have been considered by the Shared Services Working Party. EKS is in the process of piloting a new customer self service telephone system which management are hoping should increase performance levels. The Council should work with EKS to ensure that performance levels increase to the levels achieved prior to the transfer of Customer Services to EKS.

The Council should consider introducing 'poor performance triggers' for both EKS and EKHR which would essentially identify a level of performance the Council is prepared to accept and a level of poor performance which the Council is not prepared to accept, which would subsequently require escalation either to SMT or even possibly elected Members if considered to be a very significant decrease in performance. The auditor found an example during 2011 where performance dipped below the standard set by the Council for EKS and was not formally escalated. Acceptable reasons were however given for these dips in performance.

#### *EK Human Resources:*

During 2011 the HR service had been adapting and dealing with various challenges and issues relating to the withdrawal of one partner. As a direct result;

- i) there were two occasions where performance levels did not meet agreed service levels;
- ii) the Council had to conduct its own annual survey on behalf of EKHR;
- iii) the annual survey subsequently produced a very low level of overall customer satisfaction; and
- iv) an annual review of the Performance Indicators was not undertaken by EKHR.

The performance reports provided by EKHR contain sensitive data relating to individual employees together with the performance data relating to the performance of the HR service. It had been recommended that the report be split in to two separate reports; a performance report on the performance of the HR service and a separate report containing the sensitive data relating to employee performance. This has recently been addressed and will minimise the risk of a data protection breach and would allow the Council to publish the report on EKHR performance without having to re-write a new report. It should be noted that the EKHR service has recently moved under the umbrella and control of EKS. As a result it has been recommended that the Council works closely with the Head of EKS to align the performance reporting processes and report content with that already in place for EKS.

Whilst the Council has established a Shared Service Working Party to scrutinise the performance of EKS, EKHR and EK Housing, their views are not being reported or noted by the Cabinet. The governance arrangements changed on 1<sup>st</sup> October 2012 due to the dissolution of EKJAC and therefore this is considered the ideal opportunity for the Council to review its governance arrangements and the way it reports to Members. The Executive and Scrutiny need to be clearly accountable for setting, monitoring and challenging performance levels.

### *Partnerships*

A light touch review was carried out on Partnerships as an audit was completed in 2008/2009 on partnerships alone. This review found that the Partnership Register on-line was only partially completed and Partnership documents held on the intranet were out of date and some of the links did not work. It has therefore been recommended that the Council conducts a review of the Partnerships page held on the intranet using the previous audit report from 2008/2009 as guidance.

<b>2.12 Thanet Leisure Force (Monitoring and Performance Arrangements) – Substantial/Limited Assurance:</b>
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#### 2.12.1 Audit Scope

To ensure that Thanet Leisure Force are operating the Council's indoor leisure centres, outdoor leisure facilities and Entertainment and Catering venues in accordance with the provisions contained within their leases and associated grant condition agreements; and that as a result the Council's leisure arrangements are economic, efficient and effective in meeting the needs of the residents of Thanet.

#### 2.12.2 Summary of Findings

Management can have:



- **Limited Assurance** that the Council currently has in place an up to date lease and terms and conditions of grant which both the Council and Thanet Leisure Force are fully compliant with.
- **Limited Assurance** that there are sufficient processes and indicators in place to ensure that the Council's Corporate Plan - Priority 9 can be met.
- **Substantial Assurance** that Thanet Leisure Force (TLF) are fulfilling their requirements to manage the Council's facilities.

The last audit of this area took place in March 2010. In the resulting audit report, six recommendations were made, all of which concerned the terms and conditions of the lease between the Council and TLF. Whilst these recommendations were accepted, they still remain to be implemented.

A full review of the lease and grant conditions has not been completed. The 2010 Audit report highlighted that they were out of date and required reviewing to ensure that they reflect the current contractual arrangements between the Council and TLF, however despite several efforts over the intervening years this has not been completed and accordingly the 2004 lease remains in force. At the time of their introduction the grant conditions were appropriate, however the service and the working relationship has changed considerably (including the number of sites managed by TLF) and many of the conditions are no longer proportionate nor practical.

The Council has recently approved acting as a loan guarantor for the leisure centre developments at both Hartsdown and Ramsgate. These loans currently however run longer than the existing leases and this should be rectified through the suggested lease review process. Also of concern in this area is that the projected surplus from the enhancements to the Hartsdown Leisure Centre (which were funded by the loan guaranteed by the Council) are currently not being achieved. Whilst the expected income levels have been surpassed, the associated expenditure has also exceeded expectations resulting in a deficit (as opposed to the projected surplus), which has increased in size in each of the last two years and is now projected to increase again this year.

The responsibility for overseeing the contract between the Council and TLF has changed several times over recent years and again recently, resulting in a lack of continuity and background knowledge on TLF; because of this it is therefore difficult to obtain details of how the contract and working relationship with TLF has evolved over the years.

The Council's Corporate Plan 2012-16, Priority 9 states 'We will support a broad range of sports and leisure and coastal facilities and activities.' In order to meet this objective by 2016 progress will be monitored on the following measures over the next 4 years: -

- An increase in the number of people taking part in sport and active recreation.
- An increase in the number of visits to leisure facilities owned by the council.
- An increase in satisfaction levels for sports and leisure facilities

At present however, very little action has been taken to ensure there are relevant performance indicators and targets in place to monitor achievement against this Corporate Priority. Action is going to be taken to collate the information on performance indicators from the individual service plans for each Corporate Plan Priority and these will be monitored to ensure that the Council is fulfilling its

commitments. However, the service plan of Community Development currently only includes one performance indicator – ‘visits to TLF run leisure centres’ and an action to ‘review lease for TLF’. These alone are very unlikely to demonstrate achievement of the targets set out in Priority 9.

TLF have received Quest accreditation for both the Ramsgate Sports Hall and Hartsdown Leisure Centre. The last report at Ramsgate was in February 2011 and at Hartsdown was May 2011. Both of the reports stated that Thanet Leisure Force has been ‘Highly Commended’ scoring 79% and 81%. The scores have risen by 1% and 2% respectively since the previous inspections. Recommendations were made by Quest in both reports where improvements could be made to increase the score for their next visit.

From the 1<sup>st</sup> April 2013 TLF and Vista are becoming one organisation. Councillors at Thanet have been advised of the change, however because there are no changes to the contracts between the Council and TLF a report does not have to be taken to Cabinet.

The Council provided a loan for £75,000 to TLF in 2004 to assist them with essential works, which were required at the Winter Gardens. The agreement states that the monies will be paid back in 7 instalments of £12,228.50 and a final payment of £6,114.25 will be due six months after the seventh annual payment. Although the 7 payments have been received, the last one being paid on 13.12.11, no action has been taken to recover the final amount due.

## **2.13 Data Protection Act Compliance – Reasonable/Limited Assurance:**

### **2.13.1 Audit Scope**

The audit will examine and evaluate the procedures and controls established by management to ensure that the Council creates, holds and maintains personal information about living individuals in accordance with the requirements of the Data Protection Act 1998 (DPA) and deals with the subject access requests and information sharing requests in accordance with the Act.

### **2.13.2 Summary of Findings**

Management can place Limited Assurance on the systems of internal control in operation to safeguard personal data held on computer equipment, and Reasonable Assurance on the controls in place with regard to the personal data physically held within the Council building.

#### **Personal data stored on Computer Equipment**

The number of USB memory sticks used within the Council is unknown due to their being no inventory of what has been issued either prior to 1<sup>st</sup> April 2011 by Thanet ICT department or since then by EK Services. The Removable Media Policy states that all data stored on removable media devices must be encrypted. Although there is a pool of encrypted memory sticks held by the ICT Engineers at Thanet if a request from a member of staff at Thanet is received by EK Services for a memory stick then a non-encrypted one will be issued.

EK Services took over the management of the ICT contract for Thanet in April 2011. At this time a list of ICT equipment issued to Council staff was provided to them. All

ICT equipment purchased for Thanet from April 2011 has been procured by EK Services and tagged with their own unique id. In order to create an inventory a PC health check was carried out at all sites managed by EK Services and this included all PC's in the building as well as any laptops, which had been brought in specifically for the check. From undertaking the health check a list was created of all ICT equipment in the Thanet premises detailing the id number, the model, serial number, the user, when it was purchased and whether it needed replacing. This information is to be used by EK Services to create a new inventory on their Track It system; however this may not be comprehensive as there may still be laptops, which have not been checked and cannot be accounted for.

ICT equipment is not reviewed prior to it being disposed of to ensure that no data has been stored on it. An outside contractor is used to dispose of redundant ICT equipment and although a certificate is received by EK Services to confirm that it has been disposed of this does not prevent data getting into the wrong hands once the Council has signed the equipment over.

The Council's systems are not 'locked down' and therefore any peripheral IT equipment (whether Council owned or private) can be used on the network, i.e. laptops, USB memory sticks, hard drives etc.

An IT Equipment Security Policy has been created and is available on the Intranet, however this is not included on the Induction Checklist for new starters and there is no method to ensure that members of staff have read and understood the guidance.

Many departments use the Civica system to store their hardcopy documents, which are received by the Council electronically. The paper documents are held by the mailroom securely until disposal in accordance with the SLA for each department. This reduces the risk of personal information being misappropriated, as the documentation is not easily available unless you have access to the Council systems and specific areas within Civica. However it does not prevent staff with access to the system downloading the information on to portable media and using it for other means, as this is not policed.

Officers who leave the Council, EK Services and EKH who have been allowed access to the network do not have their account disabled in a timely manner. This allows for the opportunity of Council information being stolen and misappropriated.

### **Physical Security of Personal Information**

Access to the Thanet District Council offices in Cecil Street is generally well controlled with all main access points and stairwell swipe card protected and access to areas such as Revenues and Benefits are further restricted.

However, a report was generated from the computer system detailing all of the cards in use and it highlighted various issues, such as: -

- Officers have been issued on various occasions with a new card and the previous ones still remain active.
- General contractor and temporary passes have been issued.

This therefore presents a security issue as once entry has been gained to the building there are only a few areas, which cannot be accessed.

## **2.14 Dickens House and Margate Museums – Reasonable/Limited Assurance:**

### **2.14.1 Audit Scope**

The audit will examine and evaluate the procedures and controls established by management in respect of Dickens House and Margate Museum.

### **2.14.2 Summary of Findings**

Management can place Reasonable Assurance on the system of internal controls in operation within the Dickens House Museum and Limited Assurance on the system of internal controls in operation within the Margate Museum.

Many of the issues affecting control effectiveness are historical and inherited weaknesses within the operation of the museums themselves. On a positive note attempts are now being made to make improvements, most significantly at the Margate Museum. This however is not an overnight process and it is acknowledged that this will take time, is subject to budgetary restrictions, officer availability and the goodwill of those volunteers involved in the operational running of the museums.

#### **Dickens House Museum**

Generally the Dickens House Museum is run to a satisfactory standard, albeit that many of the working practices and supporting procedures are antiquated, manual and/or paper based. There are areas of improvement that are currently being taken forward and these have been cited against the relevant control objectives. The auditor made a site visit to the Museum and a tour was provided by the Curator who was found to be a very enthusiastic and knowledgeable person with a number of ideas for developing the museum further. The museum was well presented with a number of volunteers in attendance. The intention is for the Museum to be self-financing although there was a deficit between expenditure and income of £1,386 in 2011/12.

Attention is required to address the Curator's lack of employee contract as, without this formal footing, responsibilities are not clearly defined and could adversely impact on service standards and expected performance.

The existing insurance arrangements require attention to ensure the museum collection is appropriately insured. Discussion with the Curator confirmed that there has been no recent revaluation of the museum artefacts – believed this was probably about 2006. There is concern therefore that insurance on individual artefacts and the collection as a whole may not be adequate.

The Curator is responsible for the management of the museum with the Community Development Officer providing an arms length-overseeing role on behalf of the Council. In addition to the existing monitoring activities, introduction of the following would enhance control effectiveness by ensuring satisfactory standards and procedures within working practice are being maintained: -

- An inspection programme to ensure agreements regulating the loan of artefacts are followed and complied with;
- An independent check to ensure that money banked reconciles to the transaction takings/supporting documentation at the museum;

- Check that the programme of works has been carried out to ensure security systems have been recently checked and any identified maintenance works have been carried out.

### **Margate Museum**

Prior to May 2011 this museum was closed for a period of two years following the failure of the previous management trust and the subsequent handing back of control to the Council. This museum was reopened in May 2011 by The Friends of Margate Museum (TFofMM) and is run by volunteers. The TFofMM is a fully constituted group.

Lessons were learnt from the previous trust that had left the museum and its records in disarray. This museum is managed in a very different way to the Dickens House Museum with the Community Development Officer having a much more hands on approach that includes regular contact with the co-ordinator, several times a week, in addition to attendance at the Group's Executive meetings as the Council's representative.

Observations from the tour of the museum clearly showed the historical lack of attention and neglect of this museum and its internal management. TFofMM are to be commended for taking on the museum in its state of disarray and for their work to bring the museum into service.

Attention is required to address the lack of formal contract detailing the agreed management arrangements between the Council and TFofMM. There needs to be clearly specified parameters and authority delegation controlling the day-to-day running of the museum and the development of the museum service. The Council's interest should be properly protected.

On taking over the museum from the previous trust, there were found to be no reliable records cataloguing the artefacts owned by the Council. To address the issue TFofMM are undertaking the cataloguing of artefacts as part of a two-year project. The Council however has a responsibility to safeguard its assets and, with the collection valuation estimated to be £400,000 together with the associated insurance risks, alternative options should be sought to shorten the two-year time scale and reduce the risk of loss; whether or not the collection is complete cannot be assessed however due to the lack of reliable documentation and systems historically, it is certainly possible that exhibits have gone missing in the past. Option considerations must ensure that the Council's interests are adequately protected.

The proposed introduction of a system based cataloguing process (to replace the current paper based versions) will provide a number of opportunities to improve overall control effectiveness and the management of the associated risks that have been referenced within this report i.e.

- Incorporate the revaluation assessment of the artefact collection to give an overall and individual artefact value that can be used to inform the Inventory of Assets required by the Council's Finance Department when renewing the annual insurance cover;
- Improved procedures for the recording of artefacts i.e. clear identification of those that are the property of the Council and those that have been donated and/or are on loan from a personnel collection;
- Incorporation of Exhibit Registers for the recording and monitoring of those artefacts on loan;

- Introduce a consistency in working practice throughout the two Council museums;
- All artefacts will be referenced to the physical item and the number reference applied using the proper recommended security ink; and
- Contingency arrangement to protect the loss of the Artefact Catalogue data i.e. appropriate back up and storage of data.

The Museum Accreditation Scheme sets nationally agreed standards for museums in the United Kingdom. To qualify, museums must meet clear basic requirements on how they care for and document their collections, how they are governed and managed, and on the information and services they offer to their users. It is understood that a long-term goal is to apply for Museum Accreditation Status. This would subsequently provide the information of other accredited museums on which benchmarking could be undertaken, if appropriate.

## 2.15 EK Services Housing Benefit Quarterly Testing (Quarter 2 of 2012-13):

2.15.1 Over the course of the 2012/13 financial year the East Kent Audit Partnership will be completing 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.

For the second quarter of 2012/13 financial year (July to September 2012) 20 claims including new and change of circumstances of each benefit type were selected by using Excel software to randomly select the various claims for verification.

Of the claims which were tested, only one (5%) was found to have failed the criteria set by the Audit Commission's verification guidelines as an error was found which would impact upon the subsidy claim.

### 3.0. FOLLOW UP OF AUDIT REPORT ACTION PLANS:

3.1 As part of the period's work, four 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	Original Number of Recs		No of Recs Outstanding	
a)	EK Housing Governance Arrangements	Reasonable	Reasonable	H M L	6 3 2	H M L	1 1 1
b)	EK Housing - Finance and ICT Controls	Reasonable	Substantial	H M L	0 2 3	H M L	0 1 2
c)	Insurance and Inventories of Portable Assets	Reasonable	Reasonable	H M L	6 3 0	H M L	2 1 0
d)	EK Housing -	Limited	Reasonable	H	3	H	0

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs Outstanding	
	Leasehold Services			M	1	M	0
				L	0	L	0

- 3.2 Details of any individual High priority recommendations outstanding after follow-up are included at Appendix 1 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 Members' of the Governance and Audit 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.

#### **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: Business Continuity and Emergency Planning, Payroll, ICT – Software Licences, VAT, Income, Council Tax, Partnerships and Shared Service Monitoring, Dog Warden and Litter Enforcement, Let Properties and Concessions, and Grounds Maintenance.

#### **5.0 CHANGES TO THE AGREED AUDIT PLAN:**

- 5.1 The 2012-13 internal audit plan was agreed by Members at the meeting of this Committee on 20<sup>th</sup> March 2012.
- 5.2 The Head of the Audit Partnership meets on a monthly basis with the Section 151 Officer or their nominated representative 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 3.

#### **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 new unplanned work arising during the period quarter to bring to Members attention at the present time.

#### **8.0 INTERNAL AUDIT PERFORMANCE**

- 8.1 For the six months to 30<sup>th</sup> September 2012, 179.97 chargeable days were delivered against the planned target of 320 days which equates to 56.24% plan completion.
- 8.2 The financial performance of the EKAP is on target at the present 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 2012-13 is attached as Appendix 5. The East Kent Audit Partnership has performed well against its targets for the 2011-12 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 4.

### **Attachments**

- Appendix 1 Summary of High priority recommendations outstanding after follow-up.  
Appendix 2 Summary of services with Limited / No Assurances  
Appendix 3 Progress to 30<sup>th</sup> September 2012 against the agreed 2012-13 Audit Plan.  
Appendix 4 EKAP Balanced Scorecard of Performance Indicators to 30<sup>th</sup> September 2012.  
Appendix 5 Assurance statements



SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING AFTER FOLLOW-UP - APPENDIX 1		
Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<b>EK Housing Governance Arrangements – August 2012</b>		
EKH specific Data Protection and Freedom of Information policies should be introduced.	EKH is currently working to the adopted policies of the sponsoring councils. An EKH specific policy will be provided to the Employment and Corporate Services sub-Committee in the final quarter of 2011/12. <b>Responsibility:</b> Company Secretary. <b>Target date:</b> 29 February 2012	The analysis of the four separate sets of policies identified a more complex baseline that we needed to move from. An outline report is being discussed at the Employment and Corporate Services Sub-Committee on 23 May 2012, with targets to compile an overarching framework containing a single data protection policy, retention schedule, publication scheme and FOI procedure for EKH by September 2012.
<b>Insurance and Inventories of Portable Assets – September 2012</b>		
Full reconciliation should be undertaken of insurance schedules /Asset Register /Inventories for renewal year 2012. An appropriate timeframe for completing this exercise should be set, monitored and reported upon accordingly.	Insurance schedules will be sent out to service units in July for confirmation. Inventory lists will be sent out to service units in August for return in September.  <b>Responsibility:</b> Finance Manager - HRA, Capital & External Funding (NW) <b>Target date:</b> September 2012.	Currently working on reconciliations. This should be completed by the end of October otherwise escalated beginning of November.  <b>Revised Implementation Date</b> 31 October 2012.
Where incomplete inventory listings for 2012 are submitted to the Insurance Liaison Officer they	A deadline for completion is set and outstanding items have previously been escalated through	Currently working on reconciliations. This should be completed by the end

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING AFTER FOLLOW-UP - APPENDIX 1**

<b>Original Recommendation</b>	<b>Agreed Management Action , Responsibility and Target Date</b>	<b>Manager's Comment on Progress Towards Implementation.</b>
<p>should be returned for full completion. A deadline for completion of this work should be set after expiry of which any outstanding items should be escalated to SMT Performance Board</p>	<p>the Capital and Asset Management Group. In future outstanding items will be escalated to SMT.  <b>Responsibility:</b>                      Finance Manager - HRA, Capital &amp; External Funding (NW)  <b>Target date:</b>                      September 2012.</p>	<p>of October otherwise escalated beginning of November.   <b>Revised Implementation Date</b>                      31 October 2012.</p>

**SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED – APPENDIX 2**

<b>Service</b>	<b>Reported to Committee</b>	<b>Level of Assurance</b>	<b>Management Action</b>	<b>Follow-up Action Due</b>
Homelessness	March 2012	Reasonable/No Assurance	On-going management action in progress to remedy the weaknesses identified.	Work-in-Progress
Payroll	June 2012	Reasonable/Limited	On-going management action in progress to remedy the weaknesses identified.	Work-in-Progress as part of planned 2012-13 audit review
Thanet Leisure Force – Monitoring and Performance Arrangements	December 2012	Substantial/Limited	On-going management action in progress to remedy the weaknesses identified.	Quarter 4
Data Protection Act Compliance	December 2012	Reasonable/Limited	On-going management action in progress to remedy the weaknesses identified.	Quarter 4
Dickens House and Margate Museums	December 2012	Reasonable/Limited	On-going management action in progress to remedy the weaknesses identified.	Quarter 4

**PROGRESS TO DATE AGAINST THE AGREED 2012-13 AUDIT PLAN – APPENDIX 3**

**THANET DISTRICT COUNCIL:**

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-09-2012	Status and Assurance Level
<b>FINANCIAL SYSTEMS:</b>				
Car Parking & Enforcement	12	12	8.16	Finalised - Substantial
Capital	5	5	0.17	Work-in-Progress
Treasury Management	5	5	5.22	Finalised - Substantial
Bank Reconciliation	5	5	0.39	Finalised - Substantial
Creditors and CIS	8	8	6.43	Finalised - Substantial
External Funding Protocol	8	8	0.45	Work-in-Progress
Miscellaneous Income/Cash Collection and Internet Payments	8	8	0.17	Work-in-Progress
VAT	8	8	0.17	Work-in-Progress
<b>RESIDUAL HOUSING SERVICES:</b>				
Housing Allocations/ Choice Based Lettings	10	10	0	Quarter 4
<b>GOVERNANCE RELATED:</b>				
Data Protection	10	10	10.94	Finalised – Reasonable/Limited
Provision for either a VfM Strategy audit/VfM project works or a Project Management audit	10	0	0	Deleted from plan to accommodate unplanned work
Partnerships and Shared Services Monitoring	10	10	14.01	Finalised - Reasonable
Scheme of Officer Delegations	7	0	0	Deleted from plan to accommodate unplanned work
Risk Management	10	10	0.24	Quarter 4
Corporate Advice/SMT	2	2	1.33	Work-in-Progress throughout 2012-13
s.151 Officer Meetings and Support	9	9	4.31	Work-in-Progress throughout 2012-13
Governance & Audit Committee Meetings and Report Preparation	12	12	6.3	Work-in-Progress throughout 2012-13
Audit Plan and Preparation Meetings	9	9	0	Quarter 4
<b>CONTRACT RELATED:</b>				
Contract Standing Order Compliance	12	12	11.67	Finalised - Reasonable

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-09-2012	Status and Assurance Level
<b>SERVICE LEVEL:</b>				
Child Protection and CRB Checks	9	9	0	Quarter 4
Dog Warden & Litter Enforcement	8	8	12.76	Work-in-Progress
Environmental Health - Food Safety and AirPort Health Control	10	10	0	Postpone to 2013-14 due to Food Standards Agency Inspection in Quarter 4 of 2012-13
Environmental Health - Health & Safety at Work	8	8	4.98	Work-in-Progress
Business Continuity & Emergency Planning	8	8	0.24	Work-in-Progress
Grounds Maintenance	10	10	1.03	Work-in-Progress
Dalby Square Heritage Grants (Advice on control framework)	3	3	1.59	Work-in-Progress
Dickens House and Margate Museums	10	10	12.11	Finalised – Reasonable/Limited
Commercial Properties and Concessions	10	10	7.24	Work-in-Progress
Thanet Leisure Force	12	12	10.36	Finalised – Substantial/Limited
Visitor Information Arrangements	10	10	12.09	Finalised - Reasonable
Waste Management	10	10	9.71	Finalised - Reasonable
Youth Development Strategy	8	0	0	Deleted from plan to accommodate unplanned work
<b>OTHER :</b>				
Liaison With External Auditors	3	2	0.11	Work-in-Progress throughout 2012-13
Follow-up Reviews	20	20	4.37	Work-in-Progress throughout 2012-13
<b>UNPLANNED WORK:</b>				
Housing Repairs & Maintenance	0	22	21.79	Work-in-Progress
<b>FINALISATION OF 2011-12 AUDITS:</b>				
Days under delivered in 2011-12	0	0	-7.21	Completed
Absence Management	0	0	7.79	Finalised - Limited
<b>EK HUMAN RESOURCES:</b>				
Recruitment	5	5	0.12	Quarter 4
Payroll, SMP and SSP	5	5	1.14	Work-in-Progress

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-09-2012	Status and Assurance Level
Pay & Reward - Equality Impact Assessment	8	8	9.79	Finalised
HR Systems Development – i-Trent	3	3	0	Deleted from plan to accommodate unplanned work
<b>TOTAL - THANET DISTRICT COUNCIL RESIDUAL DAYS</b>	<b>320</b>	<b>320</b>	<b>179.97</b>	<b>56.24% Complete as at 30-09-2012</b>
<b>UNPLANNED ADDITIONAL WORK</b>				
Interreg Grant – Tudor House	4	4	3.41	Work-in-Progress throughout 2012-13
Interreg Grant – Maritime (Off-Shore Wind Farm)	4	4	3.04	Work-in-Progress throughout 2012-13
Interreg Grant – Maritime (Yacht Valley)	4	8	6.05	Work-in-Progress throughout 2012-13
English Heritage Grant - Margate Arts Heritage and Culture Project	0.5	2.2	2.2	Finalised

**EAST KENT HOUSING LIMITED:**

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-12	Status and Assurance Level
<b>Planned Work:</b>				
Audit Committee/EA liaison/follow-up	4	7	7.97	Work-in progress throughout 2012-13
Repairs and Maintenance – Planned, responsive and Cyclical repairs.	30	30	0	Quarter 4 of 2012-13
Sheltered and Supported Housing	16	0	0	Delay until 2013-14
Tenancy and Estate Management	30	30	30.88	Finalised
<b>Finalisation of 2011-12 Audits:</b>				
Rent Calculation, Collections and Arrears Management	17.35	9.85	7.05	Finalised
Finance and ICT			1.15	Finalised
<b>Responsive Work:</b>				
Canterbury Capital and Revenue Budget Overspend Investigation	0	8	7.88	Finalised

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-12	Status and Assurance Level
Thanet Repairs and Maintenance	0	10	10	Draft Report
Former Tenant Arrears Policy Advice	0	1	0.68	Finalised
Current Tenant Arrears Policy Advice	0	1.5	1.49	Finalised
<b>Total</b>	<b>97.35</b>	<b>97.35</b>	<b>67.10</b>	

#### EK SERVICES:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-12	Status and Assurance Level
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#### Planned Work:

Housing Benefits - Payments	15	15	0	Work-in-Progress
Housing Benefits – Admin & Assessment	30	30	0	Quarter 4
Council Tax	30	30	1.97	Work-in-Progress
ICT – Network Security	15	15		Quarter 4
ICT – Procurement & Disposals	15	6	1.92	In Progress
ICT – Software Licensing	15	15	0.57	Work-in-Progress
ICT – Internet / Email Forum	0	3	0.24	Work-in-Progress throughout 2012-13
Corporate / Committee	0	3	0.18	Work-in-Progress throughout 2012-13
Follow up	0	3	0.51	Work-in-Progress throughout 2012-13
DDC / TDC HB Quarterly testing	40	40	27.84	Work-in-Progress
Prior Year b/fwd	0	25.10	25.10	Completed
<b>Total</b>	<b>160</b>	<b>185.10</b>	<b>58.31</b>	

**BALANCED SCORECARD – QUARTER 2**

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2012-13 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2012-13 Actual</u>	<u>Target</u>
	<b>Quarter 2</b>				
Chargeable as % of available days	84%	80%	Cost per Audit Day (Reported Annually)		£309.15
Chargeable days as % of planned days					
CCC	36%	50%			
DDC	48%	50%			
SDC	41%	50%			
TDC	56%	50%			
EKS	21%	50%			
EKH	62%	50%			
Overall	44%	50%			
Follow up/ Progress Reviews;					
• Issued	30	-			
• Not yet due	15	-			
• Now overdue for Follow Up	17	-			
Percentage compliance with the CIPFA Code for Internal Audit 2006	97%	97%			



**BALANCED SCORECARD – QUARTER 2**

<u>CUSTOMER PERSPECTIVE:</u>	<u>2012-13 Actual</u>	<u>Target</u>	<u>INNOVATION &amp; LEARNING PERSPECTIVE:</u>	<u>2012-13 Actual</u>	<u>Target</u>
	Quarter 2			Quarter 2	
Number of Satisfaction Questionnaires Issued;	38		Percentage of staff qualified to relevant technician level	75%	75%
Number of completed questionnaires received back;	13 =34%		Percentage of staff holding a relevant higher level qualification	33%	33%
Percentage of Customers who felt that;			Percentage of staff studying for a relevant professional qualification	13%	13%
<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	1.46	3.5
	77%	90%	Percentage of staff meeting formal CPD requirements	33%	33%
	77%	100%			



**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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## QUARTERLY GOVERNANCE PROGRESS REPORT

To: **Governance and Audit Committee – 11 December 2012**

Main Portfolio Area: **Business Services**

By: **Business Support and Compliance Manager**

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 2011/12 action plan
- 2.3 Governance Framework and Local Code of Corporate Governance annual review
- 2.4 Risk Management Strategy

#### **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.

##### **2.2 Annual Governance Statement 2011/12 action plan**

2.2.1 For the period 2011/12 the council prepared an Annual Governance Statement (AGS) which was agreed by Governance and Audit Committee on the 25 September 2012.

2.2.2 Within the Annual Governance Statement 2011/12 areas of concern identified from the numerous assessments into our governance arrangements were detailed within Section 9 '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.

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

2.3.1 The Governance Framework (version 7) has undergone a review and is attached at **annex 3**.

- 2.3.2 The Local Code of Corporate Governance (version 7) has also been reviewed and is attached at **annex 4**. The changes to the Code have resulted from the 'Application Note to Delivering Good Governance in Local Government: Framework' document which was developed to advise on the application of the 'Statement on the Role of the Chief Financial Officer in Local Government'. The Application Note illustrates:
- how the governance requirements to support the principles in the CFO statement build on the governance requirements that need to be reflected in an authority's local code set out in the CIPFA/SOLACE Framework and Guidance Note,
  - how the Annual Governance Statement can reflect compliance with the CFO statement for reporting purposes.
- 2.3.3 Following approval of the reviewed documents they will be published on the council's website.

## **2.4 Risk Management Strategy**

- 2.4.1 The reviewed Risk Management Strategy that was agreed at the September 2012 Governance and Audit Committee meeting went to Cabinet for approval on the 8 November 2012. Cabinet approved the reviewed document and in addition to the highlighted changes, suggested a further change to clarify the role of Elected Members and this is included within the roles and responsibilities section within the Risk Management Strategy. The revised version is attached for Members information at **annex 5**.

## **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 2011/12 action plan and identify any issues on which they require more clarification.
- 3.3 That Members approve the reviewed Governance Framework (annex 3) and Local Code of Corporate Governance (annex 4).
- 3.4 That Members note the amendment to the Risk Management Strategy at annex 5.

## **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 Local Authorities must be able to demonstrate compliance with the statutory principles of good governance. Local government has been undergoing significant change and the environment in which it works is increasing in complexity. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with control and the management of risk.

### **4.3 Corporate**

- 4.3.1 The processes and documents covered within this report all contribute to the council's governance arrangements that lead to good management, good performance and good financial controls and enable us to engage with the public and ultimately demonstrate good outcomes for our community.

4.3.2 Failure to undertake these processes or review the attached documents will impact on the council's approach to corporate governance, and our ability to demonstrate compliance with our own corporate processes.

#### 4.4 Equity and Equalities

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

#### 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 reviewed Governance Framework and Local Code of Corporate Governance (annexes 3 and 4).

5.3 That Members note the amendment to the Risk Management Strategy at annex 5.

#### 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:
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Contact Officer:	Nikki Morris, Business Support and Compliance Manager, DDI 01843 577625
Reporting to:	Barry Mileham, Business Information and Improvement Manager, DDI 01843 577620
Service Manager:	Sarah Carroll, Strategic Organisational Development Manager, DDI 01843 577188

#### **Annex List**

Annex 1	Corporate Risk Register
Annex 2	Annual Governance Statement 2011/12 action plan
Annex 3	Governance Framework (version 7)
Annex 4	Local Code of Corporate Governance (version 7)
Annex 5	Risk Management Strategy (version 9)

#### **Background Papers**

Title	Details of where to access copy

#### **Corporate Consultation Undertaken**

Finance	Sarah Martin, Financial Services Manager
Legal	Gary Cordes, Legal Services Manager
Communications	Justine Wingate, Corporate Information and Communications Manager

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Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p><b>RI005</b></p> <p>Review frequency: Annually</p> <p><b>Risk Status:</b> Treat</p>	<p>* The Council is involved in a number of partnerships including a shared services programme with other LAs, 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>* Partners financial difficulties</p> <p>* Partners political difficulties</p> <p>* Partners dissatisfied with performance/quality of service</p> <p>* Non-compliance with Equality Act and PSED by partners and third party providers.</p>	<p>* Shared service programme fails to deliver effectively to improve services and save money in shared areas - for example, TDC invests more time and resource into partnerships than the benefit received.</p> <p>* Council invests more time and resource into partnerships than the benefit received</p> <p>* Breach of a main statutory responsibility</p> <p>* Lack of DPA compliance by other shared service authorities when using TDC personal data puts TDC at risk of breach of DPA with attendant risk of ICO penalty up to £500,000</p> <p>* Do not have capacity within resources to ensure compliance</p> <p>* Disinvestment in partnerships</p> <p>* Failing to make reasonable adjustments</p> <p>* Partnership arrangements providing inaccessible services and/or failure to respond appropriately to access complaints</p> <p>* Exhibiting discriminatory practices contrary to Equality Act &amp; PSED requirements</p> <p>* Making non-compliant business/service decisions</p> <p>* Partner(s) decide to withdraw from a shared service</p>	<p>* Financial loss, wasted resources, or loss of funding</p> <p>* Additional financial responsibilities for remaining partners</p> <p>* Effort expended on other / lower priorities</p> <p>* Inability to meet targets</p> <p>* Reduction of service quality/performance</p> <p>* Differing priorities - so effort is expended on other/lower priorities</p> <p>* Expend extra effort to manage partnership arrangements</p> <p>* Dissatisfaction/Frustration and loss of confidence</p> <p>* Need to unwind and reverse strategic direction</p> <p>* Failure of statutory responsibilities</p> <p>* Partners direction changes adversely</p> <p>* Unitary model imposed</p> <p>* Political unrest</p> <p>* Differing priorities</p> <p>* Direction of partnership changes</p> <p>* Withdrawal of partners</p> <p>* Expend extra effort to manage partnership arrangements</p> <p>* Legal costs</p> <p>* Cancellation of projects from unclear partnership agreements and lack of exit strategy</p>	Karen Paton	<p><b>9</b></p> <p>P(3) I(3)</p>	<p><b>12</b></p> <p>P(3) I(4)</p>	<p>RI005.02 Maintain clientside capacity for effective partnership management <i>In Progress (80% complete)</i> Target date: 31-Mar-13 Review frequency: Half yearly</p> <p>RI005.03 Review governance arrangements &amp; monitoring after transfer of HR to EK Services <i>In Progress (10% complete)</i> Target date: 31-Oct-12 Review frequency: Quarterly</p> <p>RI005.06 Donna Reed to attend Senior Management Team and Managers Exchange <i>Implemented</i> Target date: 31-Mar-13 Review frequency: Half yearly</p> <p>RI005.07 On-going work at CEx level for increasing partnership working <i>In Progress (75% complete)</i> Target date: 31-Mar-13 Review frequency: Half yearly</p> <p>RI005.08 Use the performance management process to monitor the achievements of partnerships</p>	<p>Sophie Chadwick</p> <p>Sophie Chadwick</p> <p>Sue McGoniga</p> <p>Sue McGoniga</p> <p>Sophie Chadwick</p>	<p><b>3</b></p> <p>P(1) I(3)</p>



Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
Page 47							<p><i>In Progress (75% complete)</i>                      Target date: 31-Mar-13                      Review frequency: Half yearly</p>		
							<p>RI005.09 Record the governance arrangements and agreed benefits / purpose of partnerships  <i>In Progress (40% complete)</i>                      Target date: 31-Mar-13                      Review frequency: Annually</p>	Sophie Chadwick	
							<p>RI005.10 Request outline business case to be produced to highlight resource requirements up front  <i>Implemented</i>                      Target date: 30-Sep-12                      Review frequency: Monthly</p>	Sarah Carroll	
							<p>RI005.11_CST07.02 Refresh procurement strategy annually to meet changing needs of the organisation  <i>In Progress (5% complete)</i>                      Target date: 31-Mar-13                      Review frequency: Annually</p>	Karen Paton	
							<p>RI005.12 Contract/ partnership management to ensure arrangements for compliance PSED &amp; Equality Act  <i>Implemented</i>                      Target date: 31-Mar-13                      Review frequency: Annually</p>	Sophie Chadwick	

Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
Page 48							RI005.13 Ensure all staff know about compliance with Equality duty <i>In Progress (50% complete)</i> Target date: 31-Mar-13 Review frequency: Half yearly	Sophie Chadwick	
							RI005.14 Continued attendance at East Kent Chief Exec forum <i>In Progress (50% complete)</i> Target date: 31-Mar-13 Review frequency: Half yearly	Sue McGonigal	
							RI005.15 Continued client side meetings <i>Implemented</i> Target date: 31-Mar-13 Review frequency: Annually	Sophie Chadwick	
							RI005.16 Undertake annual review of partnering for sensitivity and risk <i>In Progress (50% complete)</i> Target date: 31-Mar-13 Review frequency: Annually	Sophie Chadwick	
							RI005.17 Refresh Partnership Framework and update Partnership Register <i>In Progress (90% complete)</i> Target date: 31-Mar-13 Review frequency: Annually	Sophie Chadwick	

**Corporate Risk Register**

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
							RI009.03_CST07.02_RI005.11 Refresh procurement strategy annually to meet changing needs <i>In Progress (5% complete)</i> Target date: 31-Mar-13 Review frequency: Biennial 31/03/01	Karen Paton	
<b>RI007</b> Review frequency: Half-yearly <b>Risk Status:</b> Treat  Page 49	With the need for the Council to reduce expenditure, and amend processes as a result of this, there is an increased likelihood of industrial action.	* Failure to follow agreed industrial relations consultation mechanism * Lack of compliance with agreed processes for staffing issues * Challenge to business decisions by staff * Increase in applications to Employment Tribunals	* Worsening employee/ industrial relations * Damage to Reputation * Financial Cost * Political controversy	Karen Paton	<b>6</b> P(3) I(2)	<b>6</b> P(3) I(2)	RI007.01 Robust HR policies and procedures <i>In Progress (80% complete)</i> Target date: 31-Mar-13 Review frequency: Annually  RI007.02 Performance monitoring of workforce information <i>In Progress (99% complete)</i> Target date: 31-Mar-13 Review frequency: Quarterly  RI007.03 Culture Change Programme <i>In Progress (50% complete)</i> Target date: 31-Mar-13 Review frequency: Quarterly  RI007.04 Ongoing Employee Council forum meetings <i>In Progress (75% complete)</i> Target date: 31-Mar-13 Review frequency: Annually	Karen Paton  Karen Paton  Barry Mileham  Sarah Carroll	<b>4</b> P(2) I(2)

Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
							RI007.05 Learning & Development programme <i>In Progress (20% complete)</i> Target date: 31-Mar-13 Review frequency: Quarterly  RI007.06 Management Development programme <i>In Progress (50% complete)</i> Target date: 31-Mar-13 Review frequency: Quarterly	Barry Mileham           Barry Mileham	
<b>RI008</b> Review frequency: Half-yearly <b>Risk Status:</b> Treat	Health and safety procedures are not followed.	Member of staff injured undertaking Council duties	* Possible corporate manslaughter * Failure of statutory requirements * Insurance claim against the Council * Loss of reputation * Adverse media * Financial/ reputational loss due to change in HSE requirements	Mark Seed	<b>9</b> P(3) I(3)	<b>6</b> P(2) I(3)	RI008.01 Use Health and Safety weeks to improve knowledge <i>In Progress (20% complete)</i> Target date: 31-Dec-13 Review frequency: Half yearly  RI008.02 Liaise with EKHRP to review H&S risk assessment process <i>In Progress (75% complete)</i> Target date: 31-Mar-13 Review frequency: Half yearly  RI008.03 Maintain Health & Safety Committee <i>In Progress (10% complete)</i> Target date: 31-Mar-13 Review frequency: Half yearly	Mark Seed           Mark Seed           Mark Seed	<b>3</b> P(1) I(3)

**Corporate Risk Register**

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
							RI008.04 Liaise with EKHRP to implement recommendation from 2009 internal audit <i>In Progress (90% complete)</i> Target date: 31-Jan-13 Review frequency: Half yearly	Mark Seed	
<b>RI010</b> Review frequency: Half-yearly <b>Risk Status:</b> Treat  Page 51	There is a mismatch between the large number of assets owned by the council and the low level of funding available to maintain these appropriately. This increases the investment needs for the future to keep these fit for purpose, and to prevent the development of significant health and safety risks. This is particularly relevant for fixed assets that do not generate significant income, but still need to be maintained.	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 disposals. Further during recession, our tenants in community buildings are requesting reduced rents, creating more budget pressures.	* Gradual deterioration in quality and utility * Decrease in value of property * Loss of income * Potential health and safety issues * Political impact * Loss of reputation * Adverse publicity * Impact on VfM * Complaints	Mark Seed	<b>12</b> P(3) I(4)	<b>9</b> P(3) I(3)	RI010.01 Draft & Implement Asset Management Strategy <i>In Progress (50% complete)</i> Target date: 31-Jul-14 Review frequency: Half yearly  RI010.02 Prioritise maintenance spending on assets to increase revenue returns <i>In Progress (25% complete)</i> Target date: 31-Mar-14 Review frequency: Half yearly	Mark Seed  Mark Seed	<b>4</b> P(2) I(2)

Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<b>RI011</b> Review frequency: Quarterly Risk Status: Treat	Emergency Plans and Functional Plans are out of date, and need annual review. Business Continuity plans are out of date, and need annual review.	A business continuity incident occurs and the organisation fails to respond effectively An emergency incident occurs and the organisation fails to respond effectively because the emergency plan is inadequate	* Confusion occurs over responsibilities, and Council doesn't contribute as required * Lack of clear understanding links to mixed messages internally and externally * Impact on key services, service failure * Impact on vulnerable people * Potential health and safety issues * Possible corporate manslaughter * Drop in standards * Possible breach of contract	Mike Humber	<b>16</b> P(4) I(4)	<b>6</b> P(2) I(3)	RI011.01 Review and revise the council's BCP <i>In Progress (30% complete)</i> Target date: 31-Mar-13 Review frequency: Quarterly	Paul Morgan	<b>3</b> P(1) I(3)
							RI011.02 Test effectiveness of Business Continuity Plan <i>In Progress (10% complete)</i> Target date: 31-Mar-13 Review frequency: Quarterly	Paul Morgan	
							RI011.03 Undertake annual review of Emergency Plans and Functional Plans <i>In Progress (50% complete)</i> Target date: 31-Mar-13 Review frequency: Quarterly	Paul Morgan	
							RI011.04 Test effectiveness of emergency plans <i>In Progress (50% complete)</i> Target date: 31-Mar-13 Review frequency: Monthly	Paul Morgan	
<b>RI012</b> Review frequency: Quarterly Risk Status: Treat	Requirement to roll-out new waste and recycling collection system by December 2013	Failure to complete roll-out of required waste & recycling system by December 2013	* Financial penalties under East Kent five-way agreement * Reputational damage * Reduced recycling rates * Political controversy	Jay Jones	<b>9</b> P(3) I(3)	<b>9</b> P(3) I(3)	RI012.01 Implement effective management of project <i>Implemented</i> Target date: 30-Sep-12 Review frequency: Monthly	Jay Jones	<b>6</b> P(2) I(3)

Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
							RI012.02 Procurement of waste collection fleet <i>In Progress (10% complete)</i> Target date: 30-Sep-13 Review frequency: Quarterly	Jay Jones	
<b>RI013</b> Review frequency: Quarterly <b>Risk Status:</b> Treat	Market conditions prevent the Council from realising the value of its East Kent Opportunities assets	Market values remain depressed over the medium or long term	* Inability to sell or let property on realistic terms * Loss of income * Frustration of capital asset strategy * Reputational loss * Failure to meet obligations * Damaged Partner relationships	Madeline Homer	<b>9</b> P(3) I(3)	<b>9</b> P(3) I(3)	RI013.01 Monitor implementation of management plan <i>In Progress (5% complete)</i> Target date: 31-Mar-13 Review frequency: Quarterly	Madeline Homer	<b>3</b> P(3) I(1)
<b>RI015</b> Review frequency: Half-yearly <b>Risk Status:</b> Treat	Housing Intervention Project fails to achieve outcomes	* Government policy works against local initiatives (eg Benefit changes adversely affects people's ability to pay for housing) * Judicial review of selective licensing decides against our model for housing intervention * Double dip recession adversely impacts on housing affordability * Loss of staffing resources	* Cliftonville West housing market remains unbalanced * Reputational damage * The Council is unable to deliver the project * Political Controversy	Tanya Wenham	<b>9</b> P(3) I(3)	<b>9</b> P(3) I(3)	RI015.01 Monitor effects of Policy & adjust practices <i>In Progress (30% complete)</i> Target date: 31-Mar-17 Review frequency: Quarterly  RI015.02 Lobbying of appropriate department of central government via MPs <i>Approved (0% complete)</i> Target date: 31-Dec-13 Review frequency: Quarterly	Tanya Wenham  Madeline Homer	<b>6</b> P(2) I(3)

Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p><b>RI017</b></p> <p>Review frequency: Quarterly</p> <p><b>Risk Status:</b> Treat</p>	<p>Failure to make progress on the Dreamland site</p>	<p>* Planning appeal determination rules against the Council's Compulsory Purchase Order (CPO)</p> <p>* Planning appeal determination rules in favour of the Council's Compulsory Purchase Order (CPO) but the owners start a legal challenge against the determination</p> <p>* Insufficient funding from the Council</p>	<p>* Further delays to start of work on the site</p> <p>* Further costs</p> <p>* Reputational damage</p> <p>* Political controversy</p>	<p>Robert Hetherington</p>	<p><b>8</b></p> <p>P(2) I(4)</p>	<p><b>8</b></p> <p>P(2) I(4)</p>	<p>RI017.01 Clear recording of TDC decisions</p> <p><i>In Progress (25% complete)</i></p> <p>Target date: 31-Mar-13</p> <p>Review frequency: Monthly</p> <p>RI017.02 Regular monitoring of Dreamland project</p> <p><i>In Progress (10% complete)</i></p> <p>Target date: 31-Dec-16</p> <p>Review frequency: Quarterly</p>	<p>Robert Hetherington</p> <p>Robert Hetherington</p>	<p><b>4</b></p> <p>P(1) I(4)</p>
<p><b>RI018</b></p> <p>Review frequency: Quarterly</p> <p><b>Risk Status:</b> Treat</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 may also include the possibility of one of the council's major customers going out of business. This is further impacted by the current economic volatility - 'credit crunch'.</p>	<p>*Assumptions made in the Medium Term Financial Strategy differ from actual or something unexpected significantly impacts on the plan</p> <p>* Further funding cuts by central government</p>	<p>* Impact on reserves</p> <p>* Requirement for remedial action</p> <p>* Supplementary precept</p> <p>* Need to prioritise / rationalise some areas</p> <p>* Stop doing certain things</p> <p>* Impact on service delivery - cuts in services, staff reductions, inability to achieve objectives</p> <p>* Complaints</p> <p>* Adverse media</p>	<p>Sarah Martin</p>	<p><b>12</b></p> <p>P(4) I(3)</p>	<p><b>6</b></p> <p>P(2) I(3)</p>	<p>RI018.01 Regularly attending finance groups to obtain insight into positions on government funding</p> <p><i>In Progress (50% complete)</i></p> <p>Target date: 31-Mar-13</p> <p>Review frequency: Quarterly</p> <p>RI018.02 Implement reviews to identify efficiencies and economies</p> <p><i>In Progress (10% complete)</i></p> <p>Target date: 31-Oct-12</p> <p>Review frequency: Monthly</p> <p>RI018.04 Monitoring of finance position of the Council</p> <p><i>In Progress (50% complete)</i></p> <p>Target date: 31-Mar-13</p> <p>Review frequency: Monthly</p>	<p>Sarah Martin</p> <p>Philip Hamberger</p> <p>Sarah Martin</p>	<p><b>4</b></p> <p>P(2) I(2)</p>



**Corporate Risk Register**

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating	
<b>RI019</b> Review frequency: Half-yearly <b>Risk Status:</b> Treat	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. An officer or member may also be more inclined to offer or accept a bribe.	The Council may not have sufficient resource dedicated to anti-fraud and anti-bribery measures to deal with any increase in fraudulent or bribery activity; or may not have the capacity to keep up to date with new fraudulent or bribery methods.	Increase in incidence of successful frauds or bribery against the Council	Sarah Martin	<div style="background-color: red; color: white; text-align: center; padding: 2px;"> <b>12</b>                      P(4) I(3)                 </div>	<div style="background-color: orange; color: black; text-align: center; padding: 2px;"> <b>6</b>                      P(3) I(2)                 </div>	RI019.01 Ensure anti-fraud & anti-bribery policies remain fit for purpose <i>In Progress (50% complete)</i> Target date: 31-Dec-12 Review frequency: Half yearly	Sarah Martin	<div style="background-color: yellow; color: black; text-align: center; padding: 2px;"> <b>4</b>                      P(2) I(2)                 </div>	
							RI019.02 Raise staff awareness of fraud risks & anti-bribery policy & procedure <i>In Progress (80% complete)</i> Target date: 31-Dec-12 Review frequency: Half yearly			Sarah Martin
							RI019.03 Provide regular training to managers re fraud & anti-bribery awareness <i>In Progress (75% complete)</i> Target date: 31-Mar-13 Review frequency: Quarterly			Sarah Martin
							RI019.04 Carry out checks of ghost employees <i>Implemented</i> Target date: 30-Apr-12 Review frequency: Half yearly			Sarah Martin
							RI019.05 Raise Members' awareness of fraud issues & of anti-bribery policy & procedure <i>Implemented</i> Target date: 30-Sep-12 Review frequency: Half yearly			Sarah Martin

**Corporate Risk Register**

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<b>RI020</b> Review frequency: Quarterly <b>Risk Status:</b> Treat	The Council fails to approve a new localised council tax discount scheme by 31 January 2013 for implementation with effect from 1 April 2013. The scheme is to deliver welfare entitlement savings of 10% whilst at the same time protecting payments to pensioners and other (yet to be defined) vulnerable groups. The implementation of a revised scheme is dependent on the software suppliers being able to make the necessary changes to the system within a very tight timeframe.	* The council's software supplier is unable to make the necessary changes within the required deadline. * Members fail to agree a scheme that delivers the required level of savings.	The council would need to find the savings required (which are approximately £230k) from within existing budgets or from raising council tax.	Sarah Martin	<b>9</b> P(3) I(3)	<b>6</b> P(2) I(3)	RI020.01 Monitoring of Council's financial Position in respect of CT discounts <i>In Progress (10% complete)</i> Target date: 31-Mar-14 Review frequency: Monthly	Sarah Martin	<b>4</b> P(2) I(2)
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Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p><b>RI022</b></p> <p>Review frequency: Quarterly</p> <p><b>Risk Status:</b> Treat</p>	<p>1) Welfare Reform Legislation impacting on regeneration</p> <p>2) Universal Credit System's direct payment to claimants</p> <p>3) Local Housing Allowance changes</p> <p>4) Welfare reform - causing income shortfalls &amp; exposing inability to cope</p>	<p>1) The Welfare Reform could have an effect on the regeneration within the Margate Central / Cliftonville West.</p> <p>2) Migration from other Local Authorities and natural migration (to cheaper areas, which could impact on regeneration).</p> <p>3) Management of monies by individuals - priority of payments issue.</p> <p>4) Priority of debt - Rent versus Council Tax</p> <p>5) Probation releasing into area (specific to MC / CW - MTF, others areas Housing Options) as most cost-effective placement area.</p> <p>6) Reduction in Council Tax grant</p> <p>7) Social Sector Size Criteria (commonly known as Bedroom Tax) (affecting local authority and housing association tenants).</p> <p>8) Benefit Cap (maximum limit on the total amount of benefit that people can get).</p> <p>9) Demographics of local area (increased pressures on the match between household structure and housing provision).</p> <p>10) Contrary to Council policy on 1 bed housing provision.</p> <p>11) TDC tenants: income shortfall due to bedroom tax, benefit cap and direct payment AND tenant inability to manage universal credit</p>	<p>1) Increase in workload for the Housing Regeneration Team due to lack of property maintenance.</p> <p>2) Increase in empty properties leading to potential areas of dereliction.</p> <p>3) Increase in Community Safety issues, such as domestic abuse, alcohol and drug abuse.</p> <p>4) Potential for an increase in rate of turnover of tenancies.</p> <p>5) Attempts to address social issues are less effective due to an increase in deprivation impacting on resources.</p> <p>6) Contrary to council policy on 1 Bed provision in Cliftonville, which is unlikely to be reviewed because of the broader issues of deprivation in the area</p> <p>7) Pressure on support structures - internal and external (waste and recycling, housing, council tax, street scene) (social services, health, schools)</p> <p>8) Increase in pressure on Housing Options team, on TDC Housing Management team, and on Community Safety.</p> <p>9) Bed and breakfast costs increase / problem of sourcing temporary accommodation</p> <p>10) Charge for temporary accommodation exceeds the benefit cap which impacts on the General Fund</p> <p>11) Increase in demand for cheapest accommodation - eg Demand for 1 bedroom</p>	Janice Wason	<p><b>16</b> P(4) I(4)</p>	<p><b>16</b> P(4) I(4)</p>	<p>RI022.01 Selective Licencing Initiative (subject to judicial review outcome)</p> <p><i>In Progress (50% complete)</i></p> <p>Target date: 31-Mar-16</p> <p>Review frequency: Monthly</p> <p>RI022.02 Margate Task Force activities addressing deprivation</p> <p><i>In Progress (15% complete)</i></p> <p>Target date: 31-Mar-16</p> <p>Review frequency: Monthly</p> <p>RI022.03 Increase enforcement by Housing Regeneration team</p> <p><i>In Progress (10% complete)</i></p> <p>Target date: 13-Mar-15</p> <p>Review frequency: Monthly</p> <p>RI022.04 Analysis of 'Your Home Your Health' data</p> <p><i>In Progress (35% complete)</i></p> <p>Target date: 31-Dec-12</p> <p>Review frequency: Monthly</p> <p>RI022.05 Tracking property price and rental values &amp; correlation with supported income levels</p> <p><i>Not Started (0% complete)</i></p> <p>Target date: 30-Jun-13</p> <p>Review frequency: Monthly</p>	<p>Tanya Wenham</p> <p>Janice Wason</p> <p>Tanya Wenham</p> <p>Stephen Tebbett</p> <p>Stephen Tebbett</p>	<p><b>9</b> P(3) I(3)</p>

Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating	
Page 58			accommodation increases due to the capping of benefit provision for under 35's 12) Increase in HMO's to meet the demand for 1 bedroom accommodation 13) Lack of available stock will push people to where stock is available - increasing social issues 14) Lack of stock available if required for transfers and mutual exchange 15) Void problems: Increase in voids to mitigate bedroom tax; Increase in unit cost of voids; Increase council tax payable on void properties. 16) Problems with bad debt provision (TDC) 17) Increasing bad debt provision (Shared Services) 18) Significant loss of HRA income-Increase in rent arrears 19) Increase in defaults on council tax 20) Impacts on Housing business plan from increase in debts. 21) Impacts on affordable housing 22) Increased pressure on private landlords, where mortgages aren't covered leading to more empty properties and properties in receivership 23) Private Landlords do not undertake repairs / maintenance of properties - properties go into disrepair 24) Increase in evictions from TDC stock 25) Increase in evictions from private rented dwellings				RI022.06 Increase empty property work (linked to Housing Intervention Project) <i>Not Started (0% complete)</i> Target date: Review frequency: Monthly	Tanya Wenham		
							RI022.07 Local Plan policy reflects evidence of need and demand <i>Not Started (0% complete)</i> Target date: 31-Mar-15 Review frequency: Monthly	Simon Thomas		
							RI022.08 Protocol with other local authorities with regard to people placing in Thanet <i>Not Started (0% complete)</i> Target date: 31-Mar-15 Review frequency: Monthly	Craig George		
							RI022.09 TDC Housing service review to make internal processes more efficient and effective <i>Not Started (0% complete)</i> Target date: 31-Mar-14 Review frequency: Monthly	Craig George		
							RI022.10 Proactive Approach: Write to affected tenants with details of welfare reform <i>Not Started (0% complete)</i> Target date: 31-Mar-13 Review frequency: Monthly	Craig George		

Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
Page 59			26) Increase in loanshark activity and high costs lenders (Wonga, Brighthouse, Cash / cheque exchange shops)				RI022.11 Use homeworking within housing <i>Not Started (0% complete)</i> Target date: 31-Mar-14 Review frequency: Monthly	Craig George	
			27) Increase in costs for debt recovery						
			28) Food security - mothers starve themselves to feed their families - health issues						
			29) Fuel security - vulnerability of heating & hot water supply						
			30) Young single men (16-35) most vulnerable (ghettos, criminal profile, most likely suicide risk)						
		31) Increase in problems at crime hotspots - drink / drug related issues AND anti-social behaviour							
		32) Increase in services required from community / voluntary sector, therefore demand for TDC funds rises (political impact)					RI022.12 Review other options for temporary accommodation specifically using TDC stock <i>Not Started (0% complete)</i> Target date: 31-Mar-14 Review frequency: Monthly	Craig George	
		33) Increased pressure on support structures / agencies involved in dealing with poverty, when funding is vulnerable							
		34) Benefits staffing resources challenges & resourcing impact on EKHousing					RI022.13 Your Home Your Health referrals to appropriate agencies or services <i>Not Started (0% complete)</i> Target date: 31-Mar-14 Review frequency: Monthly	Tanya Wenham	
		35) Direct financial losses to TDC: impact on HRA estimated at £22,000 could be higher if the number of empty dwellings increases.							
		36) Increase in demand on discretionary housing payment (DHP) pot					RI022.14 Increase housing options advice provision <i>Not Started (0% complete)</i> Target date: Review frequency: Monthly	Craig George	
		37) Direct financial losses to residents: Estimated £5,500 pw reduction in housing benefit (potential loss of £300,000 per annum); 6% reduction in					RI022.15 Investigate partnership working with utility companies <i>Not Started (0% complete)</i> Target date: 31-Mar-14 Review frequency: Monthly	Janice Wason	

Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
Page 60			working age benefit; removal of empty homes and second homes discounts; Shortfall of up to £23.53 pw for benefit claimants to find (affecting 500 tenants); Affect on Housing Association tenants, which is unknown at this point in time; 38) Reduction in payments to the local economy / impact on local businesses				RI022.16 Clarify linkage to Health & Wellbeing Board <i>Not Started (0% complete)</i> Target date: 31-Mar-14 Review frequency: Monthly	Janice Wason	
							RI022.17 Explore potential for Probationary Services & Police to put safeguarding in place <i>Not Started (0% complete)</i> Target date: 31-Mar-14 Review frequency: Monthly	Craig George	
							RI022.18 Seek KCC Agreement to underwrite Council Tax any scheme growth & fund any extra staff <i>Not Started (0% complete)</i> Target date: 31-Mar-14 Review frequency: Monthly	Sarah Martin	
							RI022.19 Concentrate benefit staff resources on chasing bad debt <i>Not Started (0% complete)</i> Target date: 31-Mar-14 Review frequency: Monthly	Sophie Chadwick	
							RI022.20 Work with CAB & relevant agencies to help people manage their personal budgets <i>Not Started (0% complete)</i> Target date: Review frequency: Monthly	Janice Wason	

Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
Page 61							RI022.21 Monitor & review as necessary % reduction in working age benefit <i>Not Started (0% complete)</i> Target date: 31-Mar-14 Review frequency: Monthly	Sarah Martin	
							RI022.22 Communications Strategy for Housing Benefits, EKH & Housing Associations <i>Not Started (0% complete)</i> Target date: 31-Mar-14 Review frequency: Monthly	Sophie Chadwick	
							RI022.23 Data sharing and analysis of who is affected by housing benefits, EKH and H <i>Not Started (0% complete)</i> Target date: 31-Mar-14 Review frequency: Monthly	Sophie Chadwick	
							RI022.24 Consider options in relation to letting of properties as part of Tenancy Strategy <i>Not Started (0% complete)</i> Target date: 31-Mar-14 Review frequency: Monthly	Craig George	
							RI022.25 Monitor impact of welfare reform on local business community	Robert Hetherington	

Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
Page 62							<p><i>Not Started (0% complete)</i> Target date: 31-Mar-14 Review frequency: Monthly</p>		
							<p>RI022.26 Review options for the disturbance allowance &amp; assistance with moves <i>Not Started (0% complete)</i> Target date: 31-Mar-14 Review frequency: Monthly</p>	Craig George	
							<p>RI022.27 Seek to develop appropriate sized units to meet needs <i>Not Started (0% complete)</i> Target date: 31-Mar-15 Review frequency: Monthly</p>	Craig George	
							<p>RI022.28 Communications Strategy for Housing Benefits, EKH &amp; Housing Associations <i>Not Started (0% complete)</i> Target date: 31-Mar-15 Review frequency: Monthly</p>	Craig George	
							<p>RI022.29 Review &amp; re-commission grants to community/voluntary sector <i>Not Started (0% complete)</i> Target date: 31-Mar-15 Review frequency: Monthly</p>	Janice Wason	



Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
Page 63							RI022.30 Check whether ALMO surplus could be used for welfare support <i>Not Started (0% complete)</i> Target date: 31-Mar-15 Review frequency: Monthly	Craig George	
							RI022.31 Housing Strategy <i>Not Started (0% complete)</i> Target date: 31-Mar-13 Review frequency: Monthly	Craig George	
							RI022.32 Review of HRA asset strategy <i>Not Started (0% complete)</i> Target date: 31-Mar-15 Review frequency: Monthly	Craig George	
							RI022.33 Mandatory licensing of HMO's & enforcement of management regulation <i>Not Started (0% complete)</i> Target date: 31-Mar-13 Review frequency: Monthly	Tanya Wenham	
							RI022.34 Enforcement of overcrowding legislation <i>Not Started (0% complete)</i> Target date: 31-Mar-14 Review frequency: Monthly	Tanya Wenham	

Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
Page 64							RI022.35 Monitor impact of local housing allowance changes & work with health professionals <i>Not Started (0% complete)</i> Target date: 31-Mar-14 Review frequency: Monthly	Janice Wason	
							RI022.36 Work with Community Safety Partnership to mitigate impacts <i>Not Started (0% complete)</i> Target date: 31-Mar-14 Review frequency: Monthly	Janice Wason	
							RI022.37 Working with agencies such as CAB around money advice <i>Not Started (0% complete)</i> Target date: 31-Mar-14 Review frequency: Monthly	Janice Wason	
							RI022.38 CAB agreement reviewed and updated <i>Not Started (0% complete)</i> Target date: 31-Mar-13 Review frequency: Monthly	Janice Wason	
							RI022.39 Anti-loanshark referral initiative <i>Not Started (0% complete)</i> Target date: 31-Mar-14 Review frequency: Monthly	Tanya Wenham	

Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p style="text-align: center;">Page 65</p>							RI022.40 Ensure good local access to low cost lenders & provide advice <i>Not Started (0% complete)</i> Target date: 31-Mar-14 Review frequency: Monthly	Janice Wason	

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# Agenda Item 7

## Annex 2

GV Governance Statement Action Plan: 2011-2012 November 30 <sup>th</sup> 2012						
Action Ref & Description	Action Owner	Start Date	Due Date	Estimated Completion	Stage	Latest Update
GOV01.01 EKHR Partnership to report Workforce Information to SMT	Paton, Karen	Jul-12	Mar-13	Mar-13	Implemented	Now EKHR reports via EKS, reviewing EKHR Governance aligning to EKS approach to client meeting/approval processes. This includes regular reporting of workforce information to SMT.
GOV02.01 Review the current staff induction process & toolkit for manager deployment	Carroll, Sarah	Aug-12	Dec-13	Dec-13	Approved	Induction toolkit has been developed. Next steps require approval through SMT process.
GOV03.01 Regular review of sickness absence data by SMT	Paton, Karen	Sep-12	Mar-13	Mar-13	In Progress	This is included in regular reporting of workforce information to SMT.
GOV03.02 Review officer evening meetings attendance & draw up action plan	Hamberger, Philip	Sep-12	Mar-13	Mar-13	Approved	
GOV03.03 Use stress audit to inform improvement plan (monitor by H&S Committee)	Seed, Mark	Jul-12	Mar-13	Mar-13	In Progress	Stress survey has been completed and planning for analysis of results.
GOV04.01 Review & Consolidate business continuity plans	Morgan, Paul	Sep-12	Mar-13	Mar-13	In Progress	On target for Year end.
GOV05.01 Embed H&S actions through H&S Committee, H&S week, and Audit follow-up	Seed, Mark	Jul-12	Mar-13	Mar-13	In Progress	The H&S committee occurs every 3 months and ensures that outstanding actions are reviewed and taken forward. This covers delivering recommendations within the H&S Audit follow up as well as corporate and staff issues raised at the meeting. These actions are reflected in reports to SMT as well as information being provided on the Intranet for staff on the specially devoted section of this site. This work has also involved 2 health and safety weeks being undertaken during 2012 with one planned each year to coincide with the relevant European week for promoting H&S issues.
GOV06.01 Communicate use of Public Sector Equality Duty toolkit	Carroll, Sarah	Sep-12	Dec-13	Dec-13	In Progress	Being undertaken as part of ongoing targeted training on equalities
GOV06.02 Review framework for progressing equalities	Carroll, Sarah	Aug-12	Oct-13	Oct-13	In Progress	Framework is currently being evaluated
GOV07.01 Management Accountants work closely with services to fully understand projects/initiatives	Martin, Sarah	Aug-12	Mar-13	Mar-13	In Progress	Management accountants are attending departmental management meetings to understand what projects are going on and supporting these in a business partner capacity
GOV07.02 Performance Board review of corporate, service plan and project targets	Martin, Sarah	Aug-12	Mar-13	Mar-13	In Progress	Performance is discussed at SMT on a monthly basis
GOV08.01 Committee report drafts & decision notices quality check	Hamberger, Philip	Jul-12	Jul-13	Jul-13	In Progress	
GOV09.01 Regular updating of common standards for TDC & shared services	Paton, Karen	Jul-12	Mar-13	Mar-13	Implemented	EKS 2012-2013 service plan is in place. HR Service Plan for 2012-13 has been requested.

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# Thanet District Council

## Governance Framework

Version 7  
December 2012



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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 Senior 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 2012 - 2016 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 Clive Hart  
Leader of the Council

Sue McGonigal  
Chief Executive / Chief Financial Officer

## 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:

- 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.

## 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.

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.

## Annual Governance Statement

Members, the Chief Executive (S151 Officer), Directors, the 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.

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 Committee, Overview and Scrutiny Panel 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.

## 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

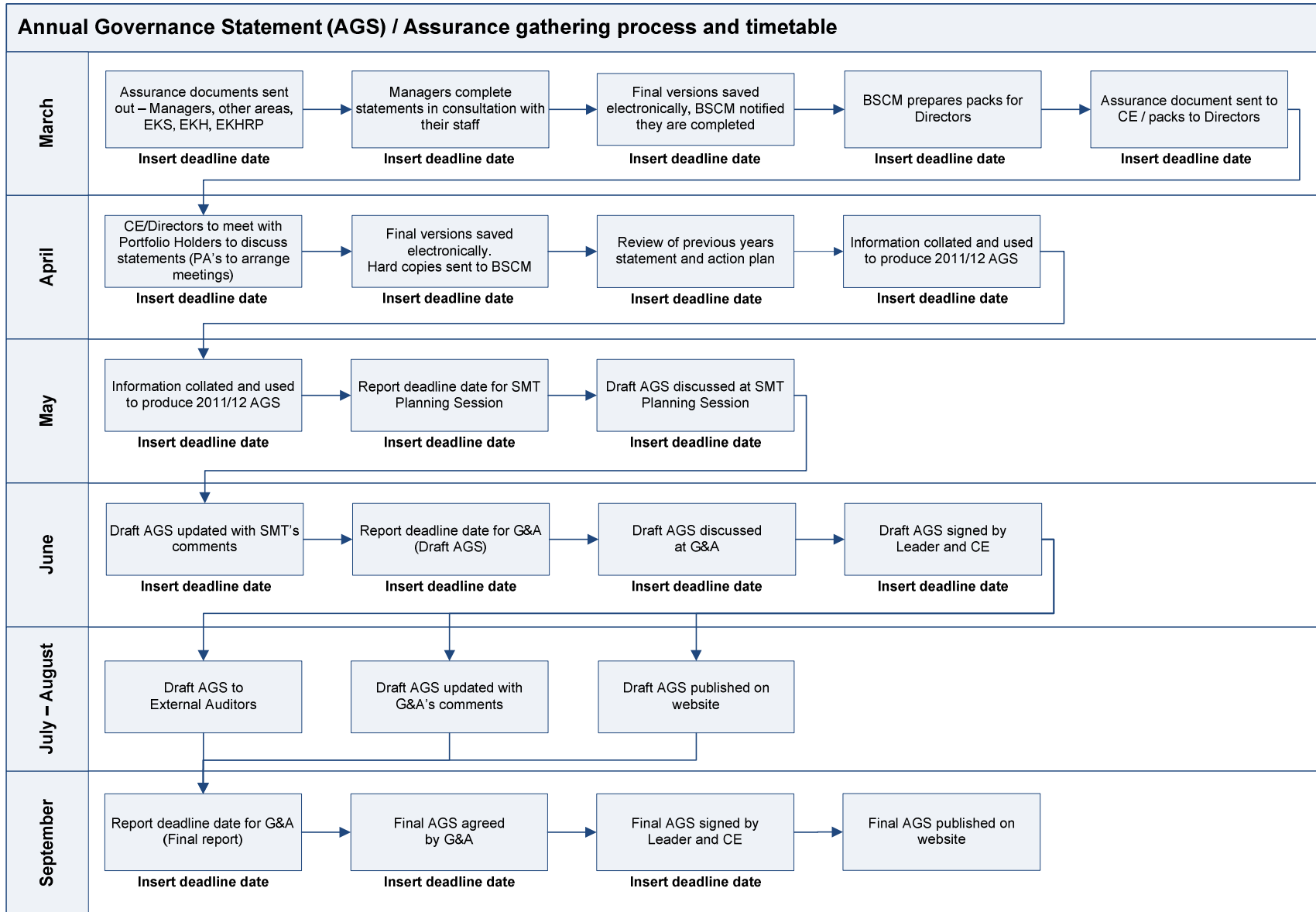
- Comments and recommendations from the Monitoring Officer and Section 151 Officer who have responsibility to oversee the operation of the governance framework and the Local Code of Corporate Governance; and contribute to the annual assessment process.
- Confirmation from Directors and Managers via an 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 Corporate and Regulatory Services Manager (Monitoring Officer) and Democratic Services and Scrutiny Manager on the council's annual review of the Constitution.
- The annual statement of the council's Corporate and Regulatory Services Manager 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 Business Support and Compliance Manager giving an opinion on compliance with the council's Risk Management Strategy.
- The Chief Executive's (Section 151 Officer) review of the Effectiveness of the council's Internal Audit arrangements

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 Senior Management Team, and then Governance and Audit Committee will provide the final review, evaluation and approval for signature by the end of June.

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 Annual Governance Statement will then be signed before the end of September by the Leader and Chief Executive based on a clear evidence trail.

# Annual Governance Statement / Assurance gathering Process and 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 Senior Management Team 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 accompanying 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 and staff development sessions, 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	GOV04 117b
V6	8 Nov 2011 13 Dec 2011	Governance Board Governance and Audit Committee	6. 200.
V7	22 Nov 2012 11 Dec 2012	Senior Management Team Governance and Audit Committee	

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# Thanet District Council

## Local Code of Corporate Governance

Version 7  
December 2012

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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

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

<b>Supporting Principle:</b> exercise strategic leadership by developing and clearly communicating the authority's purpose, vision and its intended outcome for citizens and service users.	
<b>The council is required to:</b>	<b>We will do this through the following:</b>
<ul style="list-style-type: none"> <li>develop and promote the authority's purpose and vision</li> </ul>	<ul style="list-style-type: none"> <li>Annual performance report</li> <li>Corporate Plan</li> <li>East Kent Chief Executives</li> <li>Individual service collaboration agreements and supporting SLA's for all East Kent Shared Services</li> <li>Information Exchange</li> <li>Local area or performance agreements</li> <li>Local Code of Corporate Governance</li> <li>Medium Term Financial Plan</li> <li>Partnership Framework</li> <li>Service plans</li> <li>State of the District report</li> <li>Statement of Accounts</li> <li>Sustainable Community Strategy</li> <li>Thanet Community Safety Plan</li> <li>Core values and behaviours</li> <li>Thanet Vision 2030</li> <li>'Your Services – Your Council Tax' publication</li> </ul>
<ul style="list-style-type: none"> <li>review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements</li> </ul>	
<ul style="list-style-type: none"> <li>ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners</li> </ul>	
<ul style="list-style-type: none"> <li>publish annual accounts on a timely basis to communicate the authority's activities and achievements, its financial position and performance</li> </ul>	
<b>Supporting principle:</b> ensure that users receive a high quality of service whether directly, or in partnership or by commissioning	
<b>The council is required to:</b>	<b>We will do this through the following:</b>
<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Annual performance report</li> <li>Appraisal process</li> <li>Customer feedback system</li> <li>i-Net</li> <li>Monthly performance monitoring</li> <li>Performance Board</li> <li>Performance Management Framework</li> <li>Senior Management Team</li> <li>Service plans</li> </ul>
<ul style="list-style-type: none"> <li>put in place effective arrangements to identify and deal with failure in service delivery</li> </ul>	
<b>Supporting principle:</b> ensure that the authority makes best use of resources and that tax payers and service users receive excellent value for money	
<b>The council is required to:</b>	<b>We will do this through the following:</b>
<ul style="list-style-type: none"> <li>decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively</li> </ul>	<ul style="list-style-type: none"> <li>Annual Audit Letter (External Audit)</li> <li>Audit reports</li> <li>Capital Investment Strategy</li> <li>Corporate report consultation process</li> <li>External Funding Protocol Capital bids and programme</li> <li>Financial Procedure Rules</li> <li>i-Net</li> <li>Medium Term Financial Plan</li> <li>Performance reporting</li> <li>Service Review programme</li> <li>Treasury Management Strategy</li> </ul>
<ul style="list-style-type: none"> <li>ensure that timely, accurate and impartial financial advice and information is provided to assist in decision making and to ensure that the authority meets its policy and service objectives and provides effective stewardship of public money and value for money in its use</li> </ul>	

<ul style="list-style-type: none"> <li>ensure that the authority maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action when necessary</li> </ul>	<ul style="list-style-type: none"> <li>Value for Money (Efficiency) Strategy</li> <li>Value for Money audits</li> </ul>
<ul style="list-style-type: none"> <li>ensure compliance with CIPFA's Code on a Prudential Framework for Local Authority Capital Finance and CIPFA's Treasury Management Code</li> </ul>	

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

<p><b>Supporting principle:</b> 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</p>	
<p><b>The council is required to:</b></p>	<p><b>We will do this through the following:</b></p>
<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Chief Executive / Chief Financial Officer chairs Senior Management Team meetings</li> <li>Chief Executive / Chief Financial Officer job description</li> <li>Committee terms of reference</li> </ul>
<ul style="list-style-type: none"> <li>set out a clear statement of the respective roles and responsibilities of other authority members, members generally, senior officers and of the leadership team and its members individually</li> </ul>	<ul style="list-style-type: none"> <li>Constitution</li> <li>Job descriptions / specifications</li> <li>Publication of Senior Management Team pay and member allowances</li> </ul>
<ul style="list-style-type: none"> <li>ensure that the CFO reports directly to the chief executive and is a member of the leadership team with a status at least equivalent to other members. If different organisational arrangements are adopted, explain the reasons publicly, together with how these deliver the same impact</li> </ul>	<ul style="list-style-type: none"> <li>Record of decision making and supporting materials</li> <li>SMT Structure</li> </ul>
<p><b>Supporting principle:</b> 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</p>	
<p><b>The council is required to:</b></p>	<p><b>We will do this through the following:</b></p>
<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Annual review of the effectiveness of the council's internal audit arrangements report</li> <li>Budget monitoring process</li> <li>Chief Executive / Chief Financial Officer chairs Senior Management Team meetings</li> <li>Codes of Conduct</li> <li>Constitution</li> </ul>
<ul style="list-style-type: none"> <li>make a Chief Executive or equivalent responsible and accountable to the authority for all aspects of operational management</li> </ul>	<ul style="list-style-type: none"> <li>Contract with East Kent Audit Partnership</li> <li>Core values and behaviours</li> <li>Corporate Structure</li> </ul>
<ul style="list-style-type: none"> <li>ensure that the authority's governance arrangements allow the CFO direct access to the CEO and to other leadership team members</li> </ul>	<ul style="list-style-type: none"> <li>Financial Procedure Rules</li> <li>Financial Risk Assessment</li> <li>Gifts and hospitality register</li> <li>Internal Audit Plan</li> </ul>

<ul style="list-style-type: none"> <li>▪ 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</li> </ul>	<ul style="list-style-type: none"> <li>▪ Internal Audits of financial systems</li> <li>▪ Job descriptions / specifications</li> <li>▪ Local Code of Corporate Governance</li> <li>▪ Member / officer protocol</li> <li>▪ Monitoring Officer provision</li> <li>▪ Officer Employment Procedure Rules</li> <li>▪ Performance management system</li> <li>▪ Performance reporting</li> <li>▪ Register of Interests</li> <li>▪ Reports to members / officers on financial matters</li> <li>▪ Scheme of Delegation</li> <li>▪ Section 151 provision</li> <li>▪ SMT/Cabinet</li> <li>▪ Standing Orders</li> <li>▪ Statutory reports</li> <li>▪ Whistleblowing Code</li> </ul>
<ul style="list-style-type: none"> <li>▪ 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</li> </ul>	
<ul style="list-style-type: none"> <li>▪ appoint a professionally qualified CFO whose core responsibilities include those set out in the Statement on the Role of the CFO in Local Government and ensure that they are properly understood throughout the authority</li> </ul>	
<ul style="list-style-type: none"> <li>▪ ensure that the CFO:                             <ul style="list-style-type: none"> <li>▪ leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively</li> <li>▪ has a line of professional accountability for finance staff throughout the organisation</li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>▪ ensure that budget calculations are robust and reserves adequate, in line with CIPFA's guidance</li> </ul>	
<ul style="list-style-type: none"> <li>▪ ensure that appropriate management accounting systems, functions and controls are in place so that finances are kept under review on a regular basis. These systems, functions and controls should apply consistently to all activities including partnerships arrangements, outsourcing or where the authority is acting in an enabling role</li> </ul>	
<ul style="list-style-type: none"> <li>▪ 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</li> </ul>	
<p><b>Supporting principle:</b> ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other</p>	
<p><b>The council is required to:</b></p>	<p><b>We will do this through the following:</b></p>
<ul style="list-style-type: none"> <li>• develop protocols to ensure effective communication between members and officers in their respective roles</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual budget and Council Tax consultation</li> <li>▪ Appraisal process</li> <li>▪ Budget monitoring</li> <li>▪ Collaboration agreements and supporting SLA's</li> <li>▪ Core values and behaviours</li> <li>▪ Corporate Plan</li> </ul>
<ul style="list-style-type: none"> <li>• 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)</li> </ul>	

<ul style="list-style-type: none"> <li>ensure that effective mechanisms exist to monitor service delivery</li> </ul>	<ul style="list-style-type: none"> <li>East Kent HR Partnership HR system / i-Trent</li> <li>East Kent HR Partnership Service Level Agreements</li> <li>Government Single List indicators</li> <li>Local indicators</li> <li>Medium Term Financial Plan</li> <li>Member / officer protocol</li> <li>Partnership Framework</li> <li>Partnership Register</li> <li>Pay and conditions policies and practices</li> <li>Performance Management Framework</li> <li>Performance reporting</li> <li>Public consultation</li> <li>Service plans</li> <li>Thanet Vision 2030</li> </ul>
<ul style="list-style-type: none"> <li>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</li> </ul>	
<ul style="list-style-type: none"> <li>establish a medium term business and financial planning process to deliver strategic objectives including: <ul style="list-style-type: none"> <li>a medium terms financial strategy to ensure sustainable finances</li> <li>a robust annual budget process that ensures financial balance</li> <li>a monitoring process that enables this to be delivered</li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>ensure that these are subject to regular review to confirm the continuing relevance of assumptions used</li> </ul>	
<ul style="list-style-type: none"> <li>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</li> </ul>	
<ul style="list-style-type: none"> <li>when working in partnership: <ul style="list-style-type: none"> <li>ensure that there is clarity about the legal status of the partnership</li> <li>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</li> </ul> </li> </ul>	

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

<b>Supporting principle:</b> ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	
<b>The council is required to:</b>	<b>We will do this through the following:</b>
<ul style="list-style-type: none"> <li>ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect</li> </ul>	<ul style="list-style-type: none"> <li>Annual Governance Statement</li> <li>Anti-Fraud and Corruption Policy</li> <li>Appraisal process</li> <li>Codes of Conduct</li> <li>Core values and behaviours</li> <li>Customer feedback system</li> <li>Declaration of interest protocols</li> <li>Financial regulations</li> <li>Gifts and hospitality register</li> <li>Leadership programme</li> <li>Member / officer protocol</li> <li>Performance management system</li> </ul>
<ul style="list-style-type: none"> <li>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</li> </ul>	
<ul style="list-style-type: none"> <li>put in place arrangements to ensure that members and employees of the authority</li> </ul>	



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	<ul style="list-style-type: none"> <li>▪ Senior Management Team</li> <li>▪ Standing Orders</li> <li>▪ Whistleblowing Code</li> </ul>
<b>Supporting principle:</b> ensuring that organisational values are put into practice and are effective	
<b>The council is required to:</b>	<b>We will do this through the following:</b>
<ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>▪ Appraisal process</li> <li>▪ Approved procedures and policies</li> <li>▪ Audit reports</li> <li>▪ Charter Mark Standard for Customer Service Excellence</li> <li>▪ Codes of Conduct</li> <li>▪ Committee terms of reference</li> <li>▪ Core values and behaviours</li> <li>▪ Financial Procedure Rules</li> <li>▪ Independent chair of Standards</li> <li>▪ Individual partnerships / contractors show expected outcomes</li> <li>▪ Internal audit check of compliance and approved procedures and policies</li> <li>▪ Investors in People Status</li> <li>▪ Kent Compact</li> <li>▪ Partnership Framework</li> <li>▪ Policy Board</li> <li>▪ Professional body guidance documents (eg CIPFA)</li> <li>▪ Regular reporting to the council</li> <li>▪ Report template</li> <li>▪ Staff and member development briefings</li> <li>▪ Staff consultations</li> <li>▪ Standards Committee annual report</li> <li>▪ Thanet Compact</li> </ul>
<ul style="list-style-type: none"> <li>• put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice</li> </ul>	
<ul style="list-style-type: none"> <li>• ensure that systems and processes for financial administration, financial control and protection of the authority’s resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice</li> </ul>	
<ul style="list-style-type: none"> <li>• develop and maintain an effective Standards Committee</li> </ul>	
<ul style="list-style-type: none"> <li>• 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</li> </ul>	
<ul style="list-style-type: none"> <li>• 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</li> </ul>	

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

<b>Supporting principles:</b> being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny	
<b>The council is required to:</b>	<b>We will do this through the following:</b>
<ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual review of the effectiveness of the Governance and Audit Committee and Annual Report</li> <li>▪ Codes of Conduct</li> <li>▪ Customer feedback system</li> <li>▪ Decision making protocols</li> <li>▪ Declaration of interest protocols</li> <li>▪ East Kent Audit Partnership’s Balanced Scorecard</li> <li>▪ Governance and Audit Committee terms of reference</li> <li>▪ Overview and Scrutiny Panel annual report</li> </ul>
<ul style="list-style-type: none"> <li>• ensure an effective internal audit function is resourced and maintained</li> </ul>	
<ul style="list-style-type: none"> <li>• develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based</li> </ul>	

<ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>▪ Record of decision making and supporting materials</li> <li>▪ Regular meetings between Chief Executive and External Audit</li> <li>▪ Regular meetings between Deputy 151 Officer and Internal Audit</li> <li>▪ Regular pre-meets between Chief Executive and Chair of Governance and Audit Committee</li> <li>▪ Report of Ombudsmen findings</li> <li>▪ Scrutiny Panel reports, minutes and working group papers</li> <li>▪ Training Development Plan for members and officers</li> <li>▪ You Said, We Did</li> </ul>
<ul style="list-style-type: none"> <li>• 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</li> </ul>	
<ul style="list-style-type: none"> <li>• ensure that the authority’s governance arrangements allow the CFO direct access to the audit committee and external audit</li> </ul>	
<ul style="list-style-type: none"> <li>• ensure that effective, transparent and accessible arrangements are in place for dealing with complaints</li> </ul>	
<p><b>Supporting principle:</b> having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants / needs</p>	
<p><b>The council is required to:</b></p>	<p><b>We will do this through the following:</b></p>
<ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>▪ Approved procedures and policies</li> <li>▪ Article 12 – Officers</li> <li>▪ Budget and Policy Framework Procedure Rules</li> <li>▪ Budget monitoring</li> <li>▪ Financial Procedure Rules</li> <li>▪ Medium Term Financial Plan</li> <li>▪ Member / officer protocol</li> <li>▪ Partnership Framework</li> <li>▪ Performance Board</li> <li>▪ Performance reporting</li> <li>▪ Report template</li> <li>▪ Use of ‘legal’ and ‘financial’ implications in report</li> </ul>
<ul style="list-style-type: none"> <li>• ensure the provision of clear, well presented, timely, complete and accurate information and reports to budget managers and senior officers on the budgetary and financial performance of the authority</li> </ul>	
<ul style="list-style-type: none"> <li>• 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</li> </ul>	
<ul style="list-style-type: none"> <li>• ensure the authority’s governance arrangements allow the CFO to bring influence to bear on all material decisions</li> </ul>	
<ul style="list-style-type: none"> <li>• ensure that advice is provided on the levels of reserves and balances in line with good practice guidelines (LAAP – Local Authority Reserves and Balances)</li> </ul>	
<p><b>Supporting principle:</b> ensuring that an effective risk management system is in place</p>	
<p><b>The council is required to:</b></p>	<p><b>We will do this through the following:</b></p>
<ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual Audit Letter (External Audit)</li> <li>▪ Annual Governance Statement</li> <li>▪ Annual Internal Audit Report</li> <li>▪ Authorised Signatory process</li> <li>▪ Budget management devolvement</li> <li>▪ Core values and behaviours</li> <li>▪ Financial Procedure Rules</li> <li>▪ Financial Services Team structure</li> <li>▪ Medium Term Financial Plan</li> <li>▪ Procurement Strategy</li> </ul>
<ul style="list-style-type: none"> <li>• ensure the authority’s arrangements for financial and internal control and for managing risk are addressed in annual governance reports</li> </ul>	

<ul style="list-style-type: none"> <li>ensure the authority puts in place effective internal financial controls covering codified guidance, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval process</li> </ul>	<ul style="list-style-type: none"> <li>Risk Management Process</li> <li>Risk Management Strategy</li> <li>Senior Management Team</li> <li>Treasury Management Strategy</li> <li>Up to date risk register</li> <li>Whistleblowing Code</li> </ul>
<ul style="list-style-type: none"> <li>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</li> </ul>	
<p><b>Supporting principle:</b> using their legal powers to the full benefit of the citizens and communities in their area</p>	
<p><b>The council is required to:</b></p>	<p><b>We will do this through the following:</b></p>
<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Constitution</li> <li>Job descriptions / specifications</li> <li>Monitoring Officer provision</li> <li>Section 151 provision</li> <li>Standing Orders</li> </ul>
<ul style="list-style-type: none"> <li>recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law</li> </ul>	
<ul style="list-style-type: none"> <li>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</li> </ul>	

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

<p><b>Supporting principle:</b> making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles</p>	
<p><b>The council is required to:</b></p>	<p><b>We will do this through the following:</b></p>
<ul style="list-style-type: none"> <li>provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis</li> </ul>	<ul style="list-style-type: none"> <li>Appointment process</li> <li>Appraisal process</li> <li>Chief Executive / Chief Financial Officer job description</li> </ul>
<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Competency Framework</li> <li>Continual Professional Development</li> <li>Financial Procedure Rules</li> <li>Financial Services Team structure</li> <li>Induction programme</li> </ul>
<ul style="list-style-type: none"> <li>ensure the CFO has the skills, knowledge, experience and resources to perform effectively in both the financial and non financial areas of their role</li> </ul>	<ul style="list-style-type: none"> <li>Job descriptions / specifications</li> <li>Personal Development Plans</li> <li>Post Entry Training</li> <li>Service plans</li> </ul>
<ul style="list-style-type: none"> <li>review the scope of the CFO's other management responsibilities to ensure financial matters are not compromised</li> </ul>	<ul style="list-style-type: none"> <li>Staff and member development briefings</li> <li>Talent management programme</li> <li>Training Development Plan for members</li> </ul>

<ul style="list-style-type: none"> <li>provide the finance function with the resources, expertise and systems necessary to perform its role effectively</li> </ul>	and officers
<p><b>Supporting principle:</b> developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group</p>	
<p><b>The council is required to:</b></p> <ul style="list-style-type: none"> <li>assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively</li> <li>embed financial competencies in person specifications and appraisals</li> <li>ensure that councillors' roles and responsibilities for monitoring financial performance/budget management are clear, that they have adequate access to financial skills and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities</li> <li>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</li> <li>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</li> </ul>	<p><b>We will do this through the following:</b></p> <ul style="list-style-type: none"> <li>Appraisal process</li> <li>Financial Procedure Rules</li> <li>Governance and Audit Committee training sessions</li> <li>Job description template</li> <li>Member role descriptions</li> <li>Performance management system</li> <li>Training Development Plan for members and officers</li> </ul>
<p><b>Supporting principle:</b> encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal</p>	
<p><b>The council is required to:</b></p> <ul style="list-style-type: none"> <li>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</li> <li>ensure that career structures are in place for members and officers to encourage participation and development</li> </ul>	<p><b>We will do this through the following:</b></p> <ul style="list-style-type: none"> <li>Area forums' roles and responsibilities</li> <li>Change management programme</li> <li>Community Portal</li> <li>Equality Impact Assessments</li> <li>Leadership programme</li> <li>Partnership Framework</li> <li>Residents panel</li> <li>Stakeholders' forums' terms of reference</li> </ul>

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

<p><b>Supporting principle:</b> exercising leadership through a robust Scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develop constructive accountability relationships</p>	
<p><b>The council is required to:</b></p> <ul style="list-style-type: none"> <li>make clear to themselves, all staff and the community to whom they are accountable and for what</li> </ul>	<p><b>We will do this through the following:</b></p> <ul style="list-style-type: none"> <li>Committee terms of reference</li> <li>Constitution</li> <li>Overview and Scrutiny annual report</li> </ul>

<ul style="list-style-type: none"> <li>consider those institutional stakeholders to whom they are accountable and assess the effectiveness of the relationship and any changes required</li> </ul>	
<ul style="list-style-type: none"> <li>produce an annual report on the activity of the Scrutiny function</li> </ul>	
<p><b>Supporting principle:</b> 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</p>	
<p><b>The council is required to:</b></p>	<p><b>We will do this through the following:</b></p>
<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Annual performance report</li> <li>Communication Strategy</li> <li>Community Database</li> <li>Community forums</li> <li>Constitution</li> <li>Corporate Plan</li> <li>Equality Impact Assessments</li> <li>Freedom of Information process</li> <li>Internet protocol</li> <li>Local Code of Corporate Governance</li> <li>Medium Term Financial Plan</li> <li>Partners and Communities Together (PACT) meetings</li> <li>Partnership Framework</li> <li>Processes for dealing with competing demands within the community</li> <li>Public consultation</li> <li>Public meetings</li> <li>Publication Scheme</li> <li>Residents panels</li> <li>Statement of Accounts</li> <li>Sustainable Community Strategy</li> </ul>
<ul style="list-style-type: none"> <li>hold meetings in public unless there are good reasons for confidentiality</li> </ul>	
<ul style="list-style-type: none"> <li>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</li> </ul>	
<ul style="list-style-type: none"> <li>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</li> </ul>	
<ul style="list-style-type: none"> <li>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</li> </ul>	
<ul style="list-style-type: none"> <li>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</li> </ul>	
<p><b>Supporting principle:</b> making best use of human resources by taking an active and planned approach to meet responsibility to staff</p>	
<p><b>The council is required to:</b></p>	<p><b>We will do this through the following:</b></p>
<p>develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making</p>	<ul style="list-style-type: none"> <li>Communication Strategy</li> <li>Employee Council terms of reference</li> <li>Trade Union recognition agreement</li> <li>Workforce Forum</li> </ul>

## Document History

Version	Date	Agreed by	Minute ref
V1	10 Nov 2004	Cabinet	CR/74
	20 Jan 2005	Standards	75
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V2	5 Nov 2007	Governance Group	GG/07-08/4
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	12 Mar 2009	Cabinet	54
	23 Apr 2009	Council	30
V4	16 Nov 2009	Governance Group	Gov07
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V5	7 Dec 2010	Governance Group	Gov04.
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# Risk Management Strategy

Version 9  
November 2012



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## Foreword

Risk management is an important aspect of all our lives. We are exposed to risk both in terms of **threats** to service provision and from the potential of **lost opportunities**. It is essential that we can demonstrate to our citizens that we are fully considering the implications of risk as we deliver our business for the benefit of the residents of our community.

The council introduced its first Strategy for addressing risk management in November 2004. Since then, steady progress has been made in embedding risk management throughout the council, and risk management is now an integral part of our service planning process and project management toolkit.

Ultimately, **effective risk management** will help to ensure that the council **maximises its opportunities**, and **minimises the risks it faces**, thereby improving our ability to **deliver our priorities and improve outcomes**.

Councillor [Michelle Fenner](#)  
Cabinet Portfolio Holder  
Member Risk Champion

Deleted: Martin Wise

Sue McGonigal  
Chief Executive (Section 151 Officer)  
Officer Risk Champion

## Statement of Commitment

Thanet District Council is committed to adopting best practice in the identification, evaluation and cost effective control of risks to ensure that they are reduced to an acceptable level or eliminated, and also maximise opportunities to achieve the council's objectives and deliver core service provisions. It is acknowledged that some risks will always exist and will never be eliminated.

All employees must understand the nature of the risk and accept responsibility for risks associated with their area of work. In doing this they will receive the necessary support, assistance and commitment from senior management and members.

The council's risk management objectives are a long term commitment and an inherent part of good management and governance practices. The objectives need the full support of members and active participation of managers.

The council, as a corporate body, is bound by legal obligations to provide for the health and safety of its members, employees and those that it serves. The council is also obliged to protect its material assets and to minimise its losses and liabilities.

## Definitions

### Governance

Governance is the system by which local authorities fulfil their purpose and achieve their intended outcomes for citizens and service users and operate in an effective, efficient, economic and ethical manner. Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users.

Ensuring that the right thing, is done in the right way, for the right people, in an open, honest and timely manner.

### Risk

Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. The objective of risk management is to secure the assets and reputation of the organisation and to ensure the continued financial and organisational well-being of the council.

Risk the **chance** of something happening that will have an **impact** on the **council's business or objectives**.

## Risk Management

Good risk management is about identifying what might go wrong, what the consequences might be of something going wrong and finally, deciding what can be done to reduce the possibility of something going wrong. If it does go wrong, as some things inevitably will, making sure that the impact is kept to a minimum.

Risk management should ensure that an organisation makes cost effective use of a risk framework that has a series of well-defined steps. The aim is to support better decision making through a good understanding of risks and their likely impact.

Risk management should be a continuous and developing process which runs throughout the organisation's strategy and the implementation of that strategy, methodically addressing all risks surrounding the council's activities past, present and future.

The process of identifying and managing risk, is to increase the probability of success and reduce the opportunity of failure.

## Our Objectives

Thanet District Council is committed to establishing and maintaining a systematic approach to the identification and management of risk.

The council's risk management objectives are to:

- Ensure that risk management is clearly and consistently integrated and evidenced in the culture of the council.
- Manage risk in accordance with best practice.
- Anticipate and respond to changing social, environmental and legislative requirements.
- Consider compliance with health and safety, insurance and legal requirements as a minimum standard.
- Prevent death, injury, damage and losses, and reduce the cost of risk.
- Inform policy and operational decisions by identifying risks and their likely impact.
- Raise awareness of the need for risk management by all those connected with the council's delivery of service.

These objectives will be achieved by:

- Clearly defining the roles, responsibilities and reporting lines within the council for risk management.
- Including risk management issues when writing reports and considering decisions.
- Continuing to demonstrate the application of risk management principles in the activities of the council, its employees and members.
- Reinforcing the importance of effective risk management as part of the everyday work of employees and members.
- Maintaining a register of risks linked to the council's business, corporate and operational objectives, also those risks linked to working in partnership.

## Thanet District Council – Risk Management Strategy

- Maintaining documented procedures of the control of risk and provision of suitable information, training and supervision.
- Maintaining an appropriate system for recording health and safety incidents and identifying preventative measures against recurrence.
- Preparing contingency plans to secure business continuity where there is a potential for an event to have a major impact upon the council's ability to function.
- Monitor arrangements continually and seek continuous improvement.

## Our Approach

It is essential that a single risk management approach be utilised at all levels throughout the council. By effectively managing our risks and opportunities, which is all part of good governance, we will be in a stronger position to deliver our objectives, provide improved services to the public, work better as a partner with other organisations and achieve value for money. This approach to risk management will inform the council's business processes, including:-

- Strategic planning
- Financial planning
- Service planning
- Policy making and review
- Performance management
- Project management
- Partnership working

For those with responsibility for achieving objectives, responsibility also lies for identifying and assessing risks and opportunities; developing and implementing controls and warning mechanisms; and reviewing and reporting on progress. The identified risks and relevant control measures will be managed through a database holding the council's Risk Register.

Some objectives could be reliant upon external groups that the council may work with, such as other organisations, partners, contractors etc. This partnership working could affect the achievement of an objective and therefore the risk management process has been incorporated into the way the council works within these partnerships through the Partnership Framework.

The management of risk will become an integral part of corporate policy decisions and the initiation of major projects, which will include a statement on risk to help inform the decision making process.

This will assist members and officers to ensure that new risks are detected and managed, by providing more detail on the process for managing risk, where each stage builds upon the other and provides basic practical guidance on how to identify, assess and treat risks, and monitor their progress. To assist with this approach to risk management and to ensure consistency across the council, a guidance document on the risk management process has been prepared, which will be reviewed on an annual basis and reported to the Governance and Audit Committee for approval and adoption.

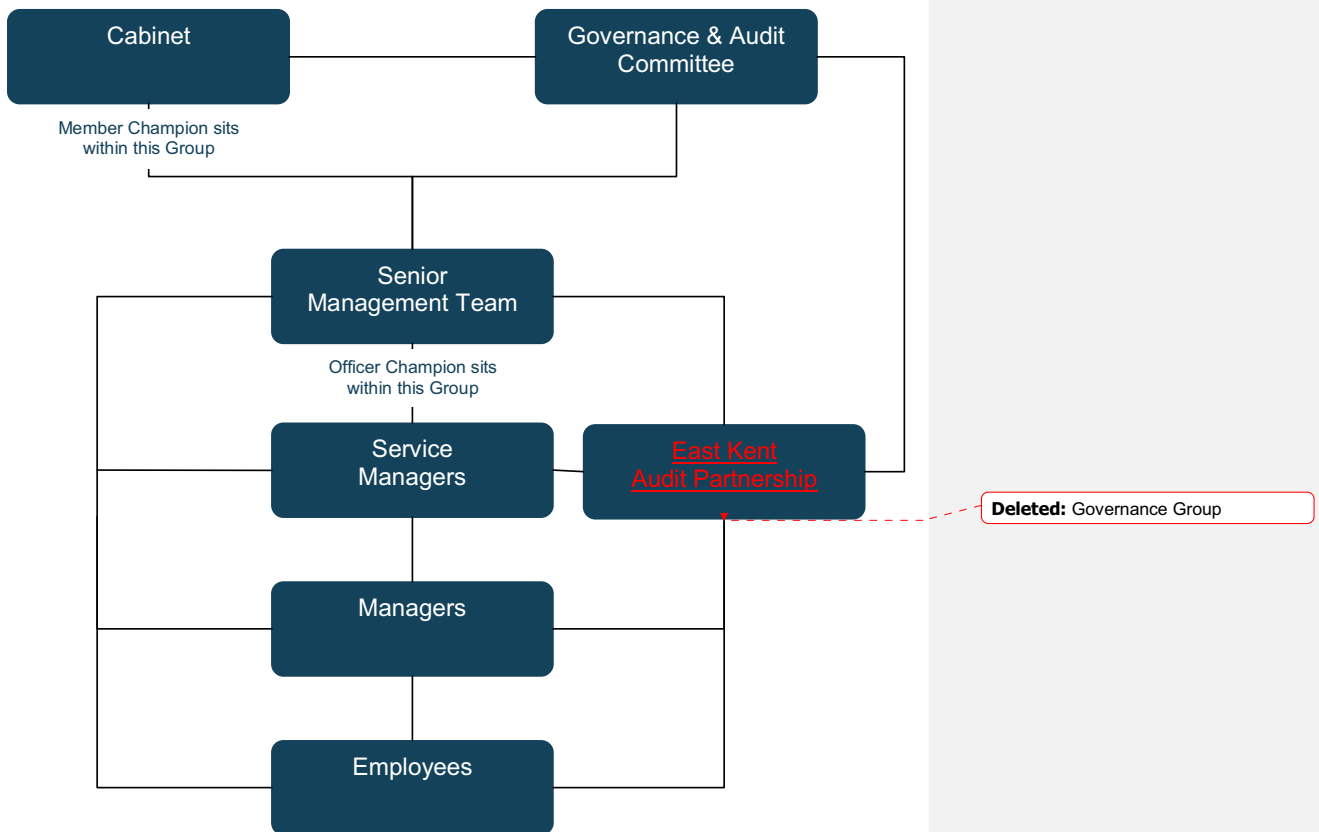
## The Benefits



## Roles and Responsibilities

Responsibility for risk management should run throughout the council. Clear identification of roles and responsibilities will ensure the successful adoption of risk management and demonstrate that it is embedded in the culture of the council.

Everyone has a role to play in the risk management process.



## Thanet District Council – Risk Management Strategy

GROUP OR INDIVIDUAL	ROLE
<b>Member Champion</b>	Gain an understanding and promote risk management and its benefits throughout the council, ensuring members take risk management into consideration when making decisions.
<b>Cabinet</b>	Oversee the effective management of risk throughout the council, and gain an understanding of its benefits, ensuring officers develop and implement an all encompassing approach to risk management.
<b>Elected Members</b>	<u>To understand the importance of risk management in all that the council does and to champion the cause of risk management as part of the fulfilment of the role of members.</u>
<b>Governance and Audit Committee</b>	Provide independent assurance of the risk management framework and associated control environment, independent scrutiny of the council's financial and non-financial performance, and oversee the financial reporting process.
<b>Senior Management Team</b>	Gain an understanding and promote the risk management process and its benefits, oversee the implementation of the risk management strategy and agree any inputs and resources required supporting the work corporately.  Support the development of the risk management process, share experience on risk, and aid / advise in the review of risk management issues. Identify areas of overlapping risk and share good practice on all aspects of risk management.
<b>Officer Champion</b>	Champion the risk management process throughout the council with both members and officers, ensuring the process is embedded and effective.
<b>Section 151 Officer</b>	Ensure that the risk management processes are considered as specified in the Finance Procedure Rules.
<b>Directors</b>	Ensure that the risk management process is promoted, managed and implemented effectively in their service areas within the organisation. Liaising with external agencies to identify and manage risk. Disseminating relevant information to service managers and employees.
<b>Managers</b>	Raise awareness, manage and implement the risk management process effectively in their service areas, recommending any necessary training for employees on risk management. Incorporating risk ownership through the appraisal scheme with employees and share relevant information with colleagues in other service areas.
<b>Employees</b>	Manage risk effectively in their jobs, liaising with their manager to assess areas of risk in their job. Identify new or changing risks in their job and feed these back to their line manager.
<b>East Kent Audit Partnership</b>	Challenge the risk management process, including the identification and evaluation of risk and provide assurance to officers and members on the effectiveness of controls.
<b>Business Support and Compliance Manager</b>	Support the council and its services in the effective development, implementation and review of the council's risk management processes. Identify and communicate risk management issues to services, and assist in undertaking risk management activity through training or direct support.

Deleted: and Elected Members

## Links to Governance issues

### Internal Control

#### Controls

Ensure that the processes and procedures operate in an orderly and efficient manner, statutory and management requirements are complied with, assets are safeguarded, completeness and accuracy of records are secured and identifies and corrects when something has gone wrong.

#### Systems of internal control

A term to describe the totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.

#### Control environment

The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:

- establishing and monitoring the achievement of the organisations objectives;
- the facilitation of decision ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the organisation, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
- ensuring the economic, effective and efficient use of resources and ensuring continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;
- the financial management of the organisation and the reporting of financial management;
- the performance management of the organisation and the reporting of performance management.

Managers will be responsible for ensuring that proper controls are in place to ensure that resources are used appropriately, to provide value for money and delivery of the council's objectives. The controls will be reported through the Annual Governance Statement, to ensure that the systems and services they are responsible for deliver consistent, predictable, effective results in or to meet service or corporate objectives.

An audit process exists which independently monitors the controls and procedures across the council to enhance value for money, ensure systems' reliance, minimise risk and act upon suspicion of fraud or corruption. External Audit relies on the audit processes in place in formulating their opinion of the council's control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives.

**Deleted:** The Audit Commission



## Performance Monitoring

Performance monitoring of risk management activity will ensure that the treatment of risk remains effective and the benefits of implementing risk control measures outweigh the costs of doing so. Performance monitoring is a continual review not only of the whole process, but also of individual risks or projects and of the benefits gained from implementing risk control measures. The section regarding the communications process includes reporting, which aids the achievement of performance monitoring.

## Project Management

Ensuring that we are capable of delivering major and complex projects across many of our services is key to achieving the council's objectives. Achievement of these projects is only possible because good managers take the time to plan, organise and manage their projects well. A project management toolkit has been established for the council, which draws on many areas of good practice that already exist across the council and provides a practical reference point for managers and staff embarking on projects. This tool includes provision for undertaking and continually reviewing the risk management process throughout the life of the project.

## Data Quality

The council needs to ensure that the data we use for performance monitoring and to inform decision making is accurate, reliable and fit for purpose. If the information is misleading, decision making may be flawed, resources may be wasted, poor services may not be improved and policy may be ill-founded. These could represent significant risks to the council. There is also a danger that good performance may not be recognised and rewarded. The council has a Data Quality framework which sets out the measures in place to ensure that data is fit for purpose.

**Deleted:** This framework is reviewed annually by the Governance and Audit Committee.

## Anti-Fraud and Corruption

The council has an anti-fraud and corruption framework, which will direct the council towards ensuring a professional and ethical approach to combating fraud. The council has adopted a strategic approach in order to minimise the risk of losses through fraud and corruption.

To further ensure a comprehensive approach to tackling fraud and corruption, it is paramount that the full range of action is taken, integrating all the different strands. The council recognises that this is an ongoing process, with each element building and feeding back to others in a continuous improvement cycle.

## Whistleblowing

Thanet District Council is committed to the highest possible standards of propriety and accountability in the conduct of its activities for the community. Employees are often the first to realise that something wrong may be happening within the council. The Whistleblowing Code is intended to help employees who have concerns over any potential wrong-doing within the council.

## Anti Bribery

The council is committed to the prevention, deterrence and detection of bribery. We have zero-tolerance towards bribery. We aim to maintain anti bribery compliance ‘business as usual’, rather than as a one off exercise.

## Money Laundering

The council’s policy is to do all that it can to prevent, wherever possible, the organisation and its staff being exposed to money laundering, to identify the potential areas where it may occur, and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.

## Business Continuity

The business continuity process is essentially risk management applied to the whole organisation and its ability to continue with its service provision in the event of a catastrophic event. The council must ensure risk management processes are applied throughout the business continuity lifecycle.

## Reporting

The structure for reporting risk management effectively ~~is~~ as follows:-

**Deleted:** could exist

Timeframe	Description	Involvement from
Every 12 weeks within meeting cycle	Review of the Corporate Risk Register	<del>Senior Management Team,</del>
Annually September	Review of the risk management strategy and process document to identify and agree major changes	Governance & Audit Committee Cabinet
Quarterly June September December March	Risk Register reports to member committee with responsibility for risk management	Governance & Audit Committee
Ad hoc	Risk / Opportunity reviews	Risk / Control measure owners

**Deleted:** (Governance Board)

## Document History

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## **ANTI-FRAUD AND CORRUPTION AND ANTI-BRIBERY POLICIES**

To: **Governance and Audit Committee: 11 December 2012**

By: **Financial Services Manager**

Classification: **Unrestricted**

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**Summary:** **To present a revised Anti-Fraud and Corruption Policy and Anti-Bribery Policy for Members' approval.**

### **For Decision**

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#### **1.0 Introduction**

1.1 The Council's Anti-Fraud and Corruption Policy and Anti-Bribery Policy should be regularly reviewed. Consequently both have been updated and are now presented to this Committee for Members' approval.

#### **2.0 The Revised Policy**

2.1 It is a concern that during times of financial hardship or recession, instances of fraud or bribery may increase and therefore staff, Members and the public need to be able to report any suspected incident of fraud and bribery easily and in confidence.

2.2 The Council's Anti-Fraud and Corruption Policy has been updated to reflect the current climate and is attached at Annex 1 to this report.

2.3 Appendix 1 to the policy presents the Benefits Prosecution Policy Statement which details how the Council will try to ensure that the money paid out in benefits only goes to those entitled to receive it.

2.4 Appendix 2 to the policy presents the Council's Whistleblowing Code which details how employees should report any concerns they may have of wrongdoings within the Council.

2.5 The Anti-Bribery Policy has also been updated and is attached at Annex 2 to this report.

2.4 The revised Anti-Fraud and Corruption Policy and Anti-Bribery Policy, once approved, will be made available on the Council's website and will be re-launched to all staff. Members are receiving training on both policies as part of this meeting.

#### **3.0 Corporate Implications**

##### **3.1 Financial**

3.1.1 There are no financial implications arising directly from this report, other than the fact that the policies herewith described should reduce the Council's exposure to fraud and consequent financial loss.

### **3.2 Legal**

- 3.2.1 The policy refers to the relevant statutes in relation to the responsibilities of staff and Members in protecting the Council from fraud, corruption and bribery and also in relation to whistleblowing.

### **3.3 Corporate**

- 3.3.1 All council staff and Members are responsible for protecting the Council from fraud and corruption and bribery.

### **3.4 Equity and Equalities**

- 3.4.1 There are no equity and equalities implications arising from this report.

### **4.0 Recommendation**

- 4.1 **Members are asked to approve the revised Anti-Fraud and Corruption Policy and Anti-Bribery Policy.**

Contact Officer: Sarah Martin, Financial Services Manager Ext. 7617

# Thanet District Council

## Anti-Fraud and Corruption Policy

November 2012

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## **ANTI-FRAUD AND CORRUPTION POLICY**

### **Background**

Thanet District Council takes its responsibilities for protecting public money very seriously. It recognises that the public has the right to expect that the Council's Members, Senior Management and employees shall:

- At all times fully comply with all the legislation to which they are subject;
- Conduct business in a totally honest and ethical manner;
- Maintain the Council's business free from the adverse effects of fraud and corruption;
- Positively encourage prevention;
- Devise cultures and procedures to enable detection;
- Vigorously investigate substantiated complaints;
- Conduct confidential and fair investigations;
- Take all appropriate actions where fraud and corruption is suspected.

This policy sets out the Council's approach to fraud and corruption and is designed to encourage prevention, assist detection and identify a defined route for investigation.

### **Introduction**

The Council requires all staff, Members and contractors to act honestly at all times and protect the public resources they are responsible for. Fraud is an ever-present threat to these resources.

The Council is committed to ensuring that money paid out in Benefits goes to those entitled to receive it. The Council's policy statement on prosecuting those who commit benefit fraud is attached at Appendix 1 to this document.

The Council is fully committed to the provisions of the Public Interest Act 1998 (known as the "Whistleblowing" Act) and its Members and Officers are positively encouraged to report any suspicions or concerns that they may have about such matters as:

- The committing of a criminal offence
- Non-compliance with a legal obligation
- The perpetration of a miscarriage of justice
- The endangering of health and safety
- The damaging of the environment
- The concealing of any information relating to any of the above matters.

The Council's Whistleblowing Policy is attached at Appendix 2 to this document.

### **Definitions**

In law, a person is guilty of fraud if they are in breach of any of the following:

- False representation
- Failing to disclose information
- Abuse of position

**Fraud** occurs where a person unlawfully obtains money or other property belonging to another person or organisation by knowingly giving false information or omitting to declare information. It may include stealing, forgery and falsification of records.

**Corruption** involves the offering and acceptance of a reward for doing something or perhaps not doing something and would usually occur in connection with contracts.

Fraud and corruption in its many forms may mean that public money, which otherwise would be spent on important services for our community, is lost.

**Whistleblowing** in this policy refers to the disclosure, by staff, of malpractice, illegal acts or omissions at work.

## **Responsibilities**

### **The Council's responsibilities**

The Council will develop and maintain effective controls to prevent fraud and make sure that if it does occur, it will be detected quickly. If fraud is suspected, a prompt and vigorous investigation will be carried out. Appropriate legal and disciplinary action will be taken in all cases where justified and, if necessary, the police will be informed.

The Council has established systems for recording and subsequently monitoring all discovered cases of fraud. The investigation will always consider if there has been a failure of supervision and if so, disciplinary action will be taken. Changes to systems and procedures will also be made to ensure similar frauds do not happen again.

The Council has whistle blowing procedures in place as detailed at Appendix 2.

### **Members**

Members of the Council are expected to fully understand and strictly comply with the requirements of all regulations and rules which have as their objective the prevention of fraud and corruption. Principal amongst these are:

- The Council's Standing Orders
- The National Code of Local Government Conduct
- Sections 94-96 of the Local Government Act 1972
- Local Authorities' Members' Interest Regulations 1992
- Section 106 of the Local Government Finance Act 1992.

The Council will give due emphasis in the induction of new Members to the provisions of these measures and will maintain a Member Handbook in which the measures are clearly explained.

No Member will meet a third party who is looking to promote a cause without an officer being present.

### **Management**

The Council recognises that a key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential staff, in terms of their propriety and integrity. In this regard, temporary and contract staff should be treated in the same manner as permanent staff. The appropriate procedure, which will include obtaining written references, will be laid down by the East Kent HR Partnership.

Management must ensure that all their staff are fully conversant with the rules, regulations and procedures in place for the prevention of fraud and corruption.

Managers are responsible for making sure an adequate system of internal control exists within their areas of responsibility and that such controls operate effectively. There is a need for all managers to assess the types of risk involved in the operations for which they are responsible; to regularly review and test the control systems for which they are responsible; to ensure that controls are being complied with; and to satisfy themselves that their systems continue to operate effectively.

In terms of establishing and maintaining effective controls; wherever possible, managers should ensure that:

- There is a regular rotation of staff, particularly in key posts;
- There are separation of duties so that control of a key function is not vested in one individual;
- Backlogs are not allowed to accumulate;
- When designing any new system, consideration is given to building in safeguards against internal and external fraud.

It is accepted that a reduction in staff numbers may make the above impractical, but every effort should be made to ensure that internal controls remain adequate for the prevention and detection of fraud.

### **Employees**

Staff are required to comply strictly with all regulations, rules and instructions that are promulgated with the objective of preventing fraud and corruption. Principal amongst these are:

- The Employee's Code of Conduct and Gifts and Hospitality rules
- Contract Standing Orders and Financial Procedure Rules
- Section 117 of the Local Government Act 1972 (Disclosure of Interest in Contracts)
- Any Code of Conduct or Practice of a professional body of which the employee is a member.

As stewards of public funds, employees must have, and be seen to have, high standards of personal integrity. Staff should not accept gifts, hospitality or benefits of any kind from a third party that might be seen to compromise their integrity.

Every employee has a duty to ensure public funds are safeguarded, whether they are involved with cash or payments systems, receipts, stocks or dealings with contractors or suppliers. Staff should alert their line manager where they believe the opportunity for fraud exists because of poor procedures or controls.

Where IT systems are being used, all parties are required to comply with the requirements of the Data Protection Act.

Staff are expected to raise concerns that they may have about the way the service is provided, or about possible impropriety or serious breach of procedures.

The Council will consider disciplinary action against the employee raising the allegation in circumstances where:

- They are shown to have acted maliciously; or
- They are acting for personal gain.

### **Internal Control Systems**

The Council has developed and is committed to systems and procedures which incorporate efficient and effective internal controls. These include adequate separation and rotation of duties to safeguard against error or impropriety. It is the responsibility of senior management to ensure that such controls, including those in a computerised environment, are properly maintained and documented. The S151 Officer shall regularly review the existence, appropriateness and effectiveness of these internal controls and attempt to identify those systems which are at greatest risk of fraudulent activity.

The Council has Contract Standing Orders and Financial Procedure Rules in place that require employees, when dealing with the Council's affairs, to act in accordance with best practice and adhere to the agreed internal control systems.

The Chief Finance Officer (Chief Executive) has a statutory responsibility under Section 151, Local Government Act 1972, for the proper administration of the Council's financial affairs. This responsibility is partly exercised through Internal Audit (provided by the East Kent Audit Partnership), which is in itself an important internal control system, providing assurance independently to the Council, management, external audit and the public.

The Council's Monitoring Officer has a duty to act if anything appears to them to be unlawful, in breach of a statutory code, or maladministration.

### **The East Kent (EK) Audit Partnership**

To ensure that the systems in place in the Council are effective at preventing and highlighting attempted fraud, the EK Audit Partnership complete a plan of work, based on a strategic audit plan of three to five years, which aims to cover all risk areas. In addition, specific work-around areas which are key to the Council's operations, or which are vulnerable to attempted fraud, are audited each year.

The EK Audit Partnership are responsible for:

- Carrying out audit assignments using due professional care and in such a way as to be alert to the possibility of fraud and misconduct;
- Reviewing procedures to safeguard assets so as to ensure that cost-effective measures are in place to prevent, detect or deter fraud;
- Ensuring that the prevention, detection and deterrence of fraud are also taken into account when new systems are designed or changes made to existing systems;
- Providing assistance where required by management, in the investigation of fraud.

### **Working with Others**

An essential part of maintaining a positive approach to tackling fraud is to maintain good working relationships with other bodies administering public funds, or with investigation responsibilities. These include:

- Police;
- Auditor networks;
- Audit Commission;
- Department for Works and Pensions;
- Jobcentre Plus;
- Other local authorities.

The Council also participates in the National Fraud Initiative, which is a data matching exercise largely around housing benefit claimants, employees and suppliers, and which complies with data protection requirements.

### **Detection and Investigation**

It is often the alertness of staff, Members and the public to indicators of fraud and corruption that enables detection to occur and the appropriate action to take place.

Despite the best efforts of managers and auditors, many frauds are discovered by chance or by tip-off or whistle blowing. The Council has in place arrangements to enable such information to be properly dealt with.

The Council expects:

- Any suspected incidence of fraud and corruption to be promptly and fully investigated;
- That, if fraud or corruption is found to have occurred, disciplinary action will be taken without delay;
- That the findings of an investigation will in most cases be submitted to the police for consideration for prosecution.

The Section 151 Officer or the Deputy Section 151 Officer should be immediately informed of any suspected fraud or corruption and this officer, together with the appropriate senior manager, will make arrangements for an investigation to take place. This will normally be undertaken by the EK Audit Partnership (in order to ensure independence and investigative consistency).

The Council expects the fullest co-operation from all Members and officers who are called upon to assist with an investigation into suspected fraud and corruption.

### **Training**

The Council recognises that the continuing success of its Anti-Fraud and Corruption Policy and its general credibility will depend largely on the effectiveness of programmed training and responsiveness of staff throughout the organisation. To facilitate this, Members and employees receive training on their responsibilities and duties in this respect as part of the induction process. This training is also reinforced regularly. Employees actively engaged in the prevention and detection of fraud are adequately trained in the special skills necessary to carry out these functions.

### **Conclusion**

This policy statement outlines the emphasis and importance that the Council places on integrity, propriety and accountability in the conduct of its business. The Council

has in place a clear network of systems and procedures to assist it in the fight against fraud and corruption. It is determined that these arrangements will keep pace with any future developments in both preventative and detection techniques regarding fraudulent or corrupt activity that may affect its operation. The Council will therefore periodically review and update its arrangements for the detection and prevention of fraud and corruption.

## **BENEFITS PROSECUTION POLICY STATEMENT**

Thanet District Council is committed to ensuring that money paid out in Benefits goes to those entitled to receive it. Persons who deliberately commit fraud as opposed to those who make an innocent mistake, may be prosecuted.

The right to prosecute is inherent in common law and this Council, therefore, has the right to prosecute. In addition, Section 222 of the Local Government Act 1972, gives authorities the right to prosecute or appear in any legal proceedings. Alternatively, the Crown Prosecution Service may take on the proceedings for criminal offences.

### **Detection and Investigation**

Officers charged with the duty of investigating suspected fraud will:

- Establish the facts.
- Gather sufficient admissible evidence to support criminal proceedings.
- Investigate all cases in accordance with the investigation procedures laid down by the Council.

### **Prosecutions**

Where an offence has been committed the Council will seriously consider prosecuting the offender. The more serious the offence, the more likely it is that a prosecution will be needed. The factors that apply will depend on the facts of each case.

Factors to be considered:

- The overpayment is substantial.
- The fraud has continued over a long period.
- The fraud was calculated and deliberate.
- Organised fraud is involved.
- The case involves collusive landlords, agents or employers.
- The suspect has previous convictions for related frauds.
- The suspect was in a position of trust.
- The suspect was a ring-leader.
- There are grounds for believing that the offence is likely to be continued or repeated, for example, by a history of recurring conduct.
- The offence, although not serious in itself, is widespread in the area it was committed.

In order to prosecute there must be sufficient admissible evidence to provide a reasonable prospect of conviction. The prosecution must be in the public interest. It must be within the time limits, if applicable.

### **Other considerations**

The Council will consider any mitigating circumstances, social factors, and the suspect's physical and mental condition.

### **Cases suitable for prosecution**

Having applied the factors above, if a case is suitable for prosecution the case summary together with the evidence, will be submitted to the Senior Investigation Officer (East Kent Services), who will review the case and pass it with a recommendation to the Investigation/Control Manager (East Kent Services), who will decide the most appropriate course of action.

If the prosecution is agreed, proceedings will be initiated as soon as possible, as unreasonable delays may result in the case failing in court.

### **Cases not suitable for prosecution**

Where an offence has been committed but the case is not suitable for prosecution, having considered the factors above, the case summary will be passed to the Senior Investigation Officer (East Kent Services) who will review the case. Where the case is deemed unsuitable for prosecution the Senior Investigation Officer (East Kent Services) will discuss the alternatives below with the Investigation/Control Manager (East Kent Services), who will authorise the decided action:

- Administrative penalties
- Formal Caution
- Close case, no further action

### **Publicity**

Considerations will be given to publicising all successful prosecutions, as a deterrent. This will be decided by the Benefits Manager and the Press Officer.



## WHISTLEBLOWING CODE

### Introduction

**Thanet District Council is committed to the highest possible standards of propriety and accountability in the conduct of its activities for the community. Employees are often the first to realise that something wrong may be happening within the Council. This Code is intended to help employees who have serious concerns over any potential wrong-doing within the Council involving matters such as where:**

- a criminal offence (for example, fraud, corruption or theft) has been/is likely to be committed
- a miscarriage of justice has occurred or is likely to occur
- the health or safety of any individual has been/is likely to be endangered
- the environment has been/is likely to be damaged
- public funds are being used in an unauthorised manner
- the Council's Constitution has been or is being breached by Members and/or officers
- sexual, verbal or physical abuse or bullying of any member of staff or service recipient is taking place
- unlawful discrimination is occurring to any member of staff or service recipient on grounds of sex, race or disability
- information relating to any of the above is being deliberately concealed or attempts are being made to conceal the same.

The Council had adopted this Code so as to enable you to raise your concerns about such wrongdoing at an early stage and in the right way.

If something is seriously concerning you, which you think we should know about or look into, please use this Code. If, however, you are aggrieved about your personal position, please use the Grievance Procedure. This Whistleblowing Code is primarily for concerns where the interests of others or of the organisation itself are at risk.

### Aims of the Whistleblowing Code

The Code aims to:

- encourage employees to feel confident in raising serious concerns
- provide ways for employees to raise those concerns and get feedback on any action taken as a result
- reassure employees that if they raise any concerns in good faith and reasonably believe them to be true, they will be protected from possible reprisals or victimisation.

### **Who is covered by the Code?**

All employees of the Council may use this Code. This includes permanent and temporary staff. It also covers agency staff and staff seconded to a third party.

Contractors working for the Council may also use the provisions of this Code to make the Council aware of any concerns that the contractor's staff may have with regard to any contractual or other arrangement with the Council.

### **What assurance do you get?**

If you raise a concern under this Code, you will not be at risk of losing your job or suffering any form of retribution as a result, provided that:

- the disclosure is made in good faith
- you reasonably believe that information, and any allegations contained in it, are substantially true; and
- you are not acting for personal gain.

The Council will not tolerate the harassment or victimisation of anyone raising a genuine concern. However, we recognise that you may nonetheless want to raise a concern in confidence under this Code. If you ask us to protect your identity by keeping your confidence, we will not voluntarily disclose it without your consent. If the situation arises where we are not able to resolve the concern without revealing your identity (for instance, because your evidence is needed in court), we will discuss with you whether and how we can proceed.

As concerns expressed anonymously are much less powerful, individuals are encouraged to put their names to all concerns raised. Matters raised anonymously may nevertheless be considered at the discretion of the Council. In exercising this discretion, the factors to be taken into account include:

- the seriousness of the issues raised
- the credibility of the concern
- the likelihood of being able to confirm the allegations from other, attributable sources.

### **What is the legal background?**

The Public Interest Disclosure Act 1998 (referred to as 'the Whistleblowers Act') protects employees against detrimental treatment or dismissal as a result of any disclosure of normally confidential information in the interests of the public. The Act only covers protected disclosures under six categories, namely: crime, illegality, miscarriage of justice, damage to health and safety, damage to the environment, and 'cover-ups' about these issues.

A disclosure to the employer will be protected if the whistleblower has an honest and reasonable suspicion that malpractice has occurred, is occurring or is likely to occur.

If as a result of a disclosure the Council dismisses or victimizes the employee or fails to protect him/her from victimization from colleagues, the Act provides that action can be taken against the Council.

### **How should an employee raise a concern?**

As soon as you become reasonably concerned you should firstly raise the issue with your line manager (unless she/he is the potential transgressor, in which case it should be raised with your director or the Council's S151 Officer (the Chief Executive)).

Concerns may be raised verbally or preferably in writing. Employees who wish to raise a concern should explain as fully as possible:

- the background and history of the concern (giving relevant dates), and
- the reason why they are particularly concerned about the situation.

### **How will the Council respond?**

If the concern is raised verbally, the person receiving the information should put it in writing as soon as practicable to ensure that it properly reflects the concerns that have been raised. The employee must also indicate if the concern is to be treated in confidence. The limit of that confidence will be checked out by the person receiving the information.

Once you have told us of your concern, we will look into it to assess initially what action should be taken. An acknowledgement should be sent to you within two working days. We will tell you who may be handling the matter, how you can contact him/her and whether your further assistance may be needed. If you request it, we will write to you summarising your concern(s) and setting out how we propose to handle it.

When you raise the concern you may be asked how you think the concern(s) might best be resolved. If you do have any personal interest in the matter, we do ask that you tell us at the outset. Should your concern fall within another policy or procedure of the Council (for example, the Grievance Procedure), we will tell you.

While the purpose of this Code is to enable us to investigate possible malpractice and take appropriate steps to deal with it, we will give you as much feedback as we properly can. If requested, we will confirm our response to you in writing. Please note, however, that we may not be able to tell you the precise action we take where this would infringe a duty of confidence owed by us to someone else or where it may impede an investigation.

Concerns raised may:

- be investigated by management, internal audit, the S151 Officer or through the disciplinary process
- be referred to the Police
- be referred to the external auditor
- form the subject of an independent enquiry.

### **What safeguards are there for the employee?**

- The Council will not tolerate any harassment or victimisation (including informal pressures) and will take appropriate action to protect those who raise a concern in good faith.
- Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary or redundancy procedures already taking place concerning the employee.
- No action will be taken against anyone who makes an allegation in good faith, reasonably believing it to be true, even if the allegation is not subsequently confirmed by the investigation. However, allegations made maliciously or which are deliberately false will be dealt with under the Council's Disciplinary Procedures.
- Every effort will be made to ensure confidentiality as far as this is reasonably practical.
- Help will be provided to you in order to minimise any difficulties which you may experience. This may include advice on giving evidence if needed. Meetings may, if necessary, be arranged off-site with you and with you being represented, if you so wish.

### **How can a concern be taken further?**

If you are unsure whether to use this Code or you want independent advice at any stage, you may contact:

- if applicable, your relevant trade union lawyer;
- other bodies prescribed by the Secretary of State;
- the independent charity Public Concern at Work on 020 7404 6609. Their lawyers can give you free confidential advice at any stage about how to raise a concern about serious malpractice at work.

An employee who is not satisfied with the action taken by the Council and feels it right to question the matter further, may consider the following possible contact points:

- the Council's S151 Officer
- Internal Audit and/or the External Auditor
- the employee's trade union
- the Citizens' Advice Bureau and/or law centre/firm
- a government department
- the Local Government Ombudsman
- the Information Commissioner
- the Health and Safety Executive

- the Data Protection Registrar

This Code is intended to provide an avenue within the Council to raise concerns. If an employee takes the matter outside the Council, he/she should ensure that no disclosure of confidential information takes place and should seek advice, as the Public Interest Disclosure Act does not provide blanket protection and could leave employees vulnerable to disciplinary or other action, if they disclose confidential information in circumstances not covered by the Act.



## **Thanet District Council**

# **ANTI BRIBERY POLICY & PROCEDURES**

Document Owner: Finance Manager  
Version: 2.1  
Date: November 2012

# THANET DISTRICT COUNCIL

## **ANTI BRIBERY POLICY & PROCEDURES**

### **Policy Statement - Anti Bribery**

Bribery is a criminal offence. We do not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor do we or will we, accept bribes or improper inducements.

To use a third party as a conduit to channel bribes to others is a criminal offence. We do not, and will not, engage indirectly in or otherwise encourage bribery.

We are committed to the prevention, deterrence and detection of bribery. We have zero-tolerance towards bribery. We aim to maintain anti-bribery compliance “business as usual”, rather than as a one-off exercise.

### **Objective of this policy**

This policy provides a coherent and consistent framework to enable the Council’s members and employees to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable members and employees to identify and effectively report a potential breach.

We require that all personnel, including those permanently employed, temporary agency staff and contractors:

- act honestly and with integrity at all times and to safeguard the Council’s resources for which they are responsible
- comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the Council operates, in respect of the lawful and responsible conduct of activities

### **Scope of this policy**

This policy applies to all of the Council’s activities. For partners, joint ventures and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this policy.

Within the Council, the responsibility to control the risk of bribery occurring resides at all levels of the organisation. It does not rest solely within assurance functions, but in all business units and corporate functions.

This policy covers all personnel, including all levels and grades, those permanently employed, temporary agency staff, contractors, non-executives, agents, Members (including independent members), volunteers and consultants.

### **The Council’s commitment to action**

The Council commits to:

- Setting out a clear anti-bribery policy and keeping it up to date

- Making all members and employees aware of the Council's Policy and Procedures and their responsibilities to adhere strictly to this policy at all times
- Encouraging its members and employees to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately
- Rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution
- Taking firm and vigorous action against any individual(s) involved in bribery
- Provide information to all members and employees to report breaches and suspected breaches of this policy
- Include appropriate clauses in contracts to prevent bribery.

## **Bribery**

Is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.

### **The Bribery Act**

[http://www.opsi.gov.uk/acts/acts2010/ukpga\\_20100023\\_en\\_1](http://www.opsi.gov.uk/acts/acts2010/ukpga_20100023_en_1)

There are four key offences under the Act:

- bribery of another person (section 1)
- accepting a bribe (section 2)
- bribing a foreign official (section 6)
- failing to prevent bribery (section 7)

The Bribery Act 2010 makes it an offence to offer, promise or give a bribe (Section 1). It also makes it an offence to request, agree to receive, or accept a bribe (Section 2). Section 6 of the Act creates a separate offence of bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business.

There is also a corporate offence under Section 7 of failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation. This is what is known as a "strict liability" offence. This means that there is no need to prove negligence or management complicity. An organisation will have a defence to this corporate offence if it can show that it had in place adequate procedures designed to prevent bribery by or of persons associated with the organisation.

### **Is the Council a "commercial organisation"?**

The guidance states that a "commercial organisation" is any body formed in the United Kingdom and "...it does not matter if it pursues primarily charitable or educational aims or purely public functions. It will be caught if it engages in commercial activities, irrespective of the purpose for which profits are made." There are circumstances in which we will be a commercial organisation



for the purposes of section 7. This policy is intended to ensure that we have in place the necessary procedures to act as a defence to a section 7 offence.

### **Anti-Bribery Procedures**

The Council's procedures cover six principles:-

#### ***Proportionality***

The Council has procedures in place to prevent bribery by persons associated with it. These are proportionate to the bribery risks faced by the Council and to the nature, scale and complexity of the Council's activities. They are also clear, practical, accessible, effectively implemented and enforced.

#### ***Top level commitment***

The Chief Executive and Directors are committed to preventing bribery by persons associated with it. They foster a culture within the organisation in which bribery is never acceptable.

#### ***Risk Assessment***

The nature and extent of the Council's exposure to potential external and internal risks of bribery on its behalf by persons associated with it is periodically assessed. This includes financial risks but also other risks such as reputational damage.

#### ***Due diligence***

The Council takes a proportionate and risk based approach, in respect of persons who perform or will perform services for or on behalf of the organisation, in order to mitigate identified bribery risks.

#### ***Communication (including training)***

The Council seeks to ensure that its bribery prevention policies and procedures are embedded and understood throughout the organisation through internal and external communication, including training that is proportionate to the risks it faces.

#### ***Monitoring and review***

Procedures designed to prevent bribery are monitored and reviewed and improvements are made where necessary.

### **Penalties**

An individual guilty of an offence under sections 1, 2 or 6 is liable:

- On conviction in a magistrates court, to imprisonment for a maximum term of 12 months (six months in Northern Ireland), or to a fine not exceeding £5,000, or to both.
- On conviction in a crown court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both

The Council, if convicted under sections 1, 2 or 6 will also face the same level of fines and, if guilty of an offence under section 7, is liable to an unlimited fine.

### **Bribery is not tolerated**

It is unacceptable to:

- give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given

- give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure
- accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them
- accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by us in return
- retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy
- engage in activity in breach of this policy.

### **Facilitation payments**

Facilitation payments are not tolerated and are illegal. Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions.

### **Gifts and hospitality**

The Council's policy regarding the requirements for gifts and hospitality is set out within the Code of Conduct Policy.

### **Public contracts and failure to prevent bribery**

Under the Public Contracts Regulations 2006 (which gives effect to EU law in the UK), a company is automatically and perpetually debarred from competing for public contracts where it is convicted of a corruption offence. There are no plans to amend the 2006 Regulations for this to include the crime of failure to prevent bribery. Organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts. This Council has the discretion to exclude organisations convicted of this offence.

### **Staff responsibilities**

The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the Council or under its control. All staff are required to avoid activity that breaches this policy.

You must:

- ensure that you read, understand and comply with this policy
- raise concerns as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future.

As well as the possibility of civil and criminal prosecution, staff that breach this policy will face disciplinary action, which could result in dismissal for gross misconduct.

### **Raising a concern**

This Council is committed to ensuring that all of us have a safe, reliable, and confidential way of reporting any suspicious activity. We want each and every member of staff to know how they can raise concerns.

We all have a responsibility to help detect, prevent and report instances of bribery. If you have a concern regarding a suspected instance of bribery or corruption, please speak up – your information and assistance will help. The sooner you act, the sooner it can be resolved.

Please refer to the Whistleblowing policy

[http://www.thanet.gov.uk/council\\_democracy/performance/financial\\_services/anti\\_fraud\\_and\\_corruption/whistleblowing\\_code.aspx](http://www.thanet.gov.uk/council_democracy/performance/financial_services/anti_fraud_and_corruption/whistleblowing_code.aspx)

Concerns can be anonymous. In the event that an incident of bribery, corruption, or wrongdoing is reported, we will act as soon as possible to evaluate the situation. We have clearly defined procedures for investigating fraud, misconduct and non-compliance issues and these will be followed in any investigation of this kind.

If you have any questions about these procedures, please contact Matthew Sanham (Finance Manager) on **01843 577227** ([matthew.sanham@thanet.gov.uk](mailto:matthew.sanham@thanet.gov.uk)).

#### **Other relevant strategies and policies**

Anti-Fraud and Corruption Policy

Anti Money Laundering Policy

Risk Management Strategy

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## TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY – MID YEAR REVIEW REPORT 2012/13

To: **Governance & Audit Committee – 11<sup>th</sup> December 2012**

Main Portfolio Area: **Finance**

By: **Capital & Treasury Finance Officer**

Classification: **Unrestricted**

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**Summary:** **This report summarises treasury management activity and prudential/treasury indicators for the first half of 2012/13.**

### **For Information**

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#### **1 Background**

- 1.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.
- 1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.3 As a consequence treasury management is defined as:  
  
"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

#### **2 Introduction**

- 2.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management has been adopted by this Council.
  - 2.2 The primary requirements of the Code are as follows:
    - Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
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- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
  - Receipt by the full council of an annual Treasury Management Strategy Statement (including the Annual Investment Strategy and Minimum Revenue Provision Policy) for the year ahead, a **Mid-year Review Report** and an Annual Report (stewardship report) covering activities during the previous year.
  - Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
  - Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Governance and Audit Committee.
- 2.3 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
- An economic update for the first six months of 2012/13;
  - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
  - The Council's capital expenditure (prudential indicators);
  - A review of the Council's investment portfolio for 2012/13;
  - A review of the Council's borrowing strategy for 2012/13;
  - A review of any debt rescheduling undertaken during 2012/13;
  - A review of compliance with Treasury and Prudential Limits for 2012/13.
- 2.4 There have not been any key changes to the Treasury and Capital Strategies during the first half of 2012/13.

### **3 Sector's Economic Update (issued by Sector on 17 September 2012)**

#### **3.1 Economic performance to date (issued by Sector on 17 September 2012)**

- 3.1.1 Economic sentiment, in respect of the prospects for the UK economy to recover swiftly from recession, suffered a major blow in August when the Bank of England substantially lowered its expectations for the speed of recovery and rate of growth over the coming months and materially amended its forecasts for 2012 and 2013. It was noted that the UK economy is heavily influenced by worldwide economic developments, particularly in the Eurozone, and that on-going negative sentiment in that area would inevitably permeate into the UK's economic performance.
- 3.1.2 With regard to the Eurozone, investor confidence remains weak because successive "rescue packages" have first raised, and then disappointed, market expectations. However, the uncertainty created by the continuing Eurozone debt crisis is having a major effect in undermining business and consumer confidence not only in Europe and the UK, but also in America and the Far East/China.
- 3.1.3 In the UK, consumer confidence remains very depressed with unemployment concerns, indebtedness and a squeeze on real incomes from high inflation and low pay rises, all taking a toll. Whilst inflation has fallen considerably (CPI @ 2.6% in July), UK GDP fell by 0.5% in the quarter to 30 June, the third quarterly fall in succession. This means that the UK's recovery from the initial 2008 recession has been the worst and slowest of any G7 country apart from Italy (G7 = US, Japan, Germany, France, Canada, Italy and UK). It is also the slowest

recovery from a recession of any of the five UK recessions since 1930 and total GDP is still 4.5% below its peak in 2008.

- 3.1.4 This weak recovery has caused social security payments to remain elevated and tax receipts to be depressed. Consequently, the Chancellor's plan to eliminate the annual public sector borrowing deficit has been pushed back further into the future. The Monetary Policy Committee has kept Bank Rate at 0.5% throughout the period while quantitative easing was increased by £50bn to £375bn in July. In addition, in June, the Bank of England and the Government announced schemes to free up banking funds for business and consumers.
- 3.1.5 On a positive note, despite all the bad news on the economic front, the UK's sovereign debt remains one of the first ports of call for surplus cash to be invested in and gilt yields, prior to the European Central Bank (ECB) bond buying announcement in early September, were close to zero for periods out to five years and not that much higher out to ten years.

### **3.2 Outlook for the next six months of 2012/13 (issued by Sector on 17 September 2012)**

- 3.2.1 The risks in economic forecasts continue unabated from the previous treasury strategy. Concern has been escalating that the Chinese economy is heading for a hard landing, rather than a gentle slowdown, while America is hamstrung by political deadlock which prevents a positive approach to countering weak growth. Whether the presidential election in November will remedy this deadlock is debatable but urgent action will be required early in 2013 to address the US debt position. However, on 13 September the Fed. announced an aggressive stimulus programme for the economy with a third round of quantitative easing focused on boosting the stubbornly weak growth in job creation, and this time with no time limit. They also announced that it was unlikely that there would be any increase in interest rates until at least mid 2015.
- 3.2.2 Eurozone growth will remain weak as austerity programmes in various countries curtail economic recovery. A crunch situation is rapidly developing in Greece as it has failed yet again to achieve deficit reduction targets and so may require yet another (third) bail out. There is the distinct possibility that some of the northern European countries could push for the ejection of Greece from the Eurozone unless its financial prospects improve, which does not seem likely at this juncture. A financial crisis was also rapidly escalating over the situation in Spain. However, in early September the ECB announced that it would purchase unlimited amounts of shorter term bonds of Eurozone countries which have formally agreed the terms for a bailout. Importantly, this support would be subject to conditions (which have yet to be set) and include supervision from the International Monetary Fund. This resulted in a surge in confidence that the Eurozone has at last put in place the framework for adequate defences to protect the Euro. However, it remains to be seen whether the politicians in charge of Spain and Italy will accept such loss of sovereignty in the light of the verdicts that voters have delivered to the politicians in other peripheral countries which have accepted such supervision and austerity programmes. The Eurozone crisis is therefore far from being resolved as yet. The immediate aftermath of this announcement was a rise in bond yields in safe haven countries, including the UK. Nevertheless, this could prove to be as short lived as previous "solutions" to the Eurozone crisis.

3.2.3 The Bank of England Quarterly Inflation Report in August pushed back the timing of the return to trend growth and also lowered its inflation expectations. Nevertheless, concern remains that the Bank's forecasts of a weaker and delayed robust recovery may still prove to be over optimistic given the world headwinds the UK economy faces. Weak export markets will remain a drag on the economy and consumer expenditure will continue to be depressed due to a focus on paying down debt, negative economic sentiment and job fears. The Coalition Government, meanwhile, is likely to be hampered in promoting growth by the requirement of maintaining austerity measures to tackle the budget deficit.

3.2.4 The overall balance of risks is, therefore, weighted to the downside:

- We expect low growth in the UK to continue, with Bank Rate unlikely to rise in the next 24 months, coupled with a possible further extension of quantitative easing. This will keep investment returns depressed.
- The expected longer run trend for PWLB borrowing rates is for them to eventually rise, primarily due to the need for a high volume of gilt issuance in the UK and the high volume of debt issuance in other major western countries. However, the current safe haven status of the UK may continue for some time, tempering any increases in yield.
- This interest rate forecast is based on an assumption that growth starts to recover in the next three years to a near trend rate (2.5%). However, if the Eurozone debt crisis worsens as a result of one or more countries having to leave the Euro, or low growth in the UK continues longer, then Bank Rate is likely to be depressed for even longer than in this forecast.

### 3.3 Sector's interest rate forecast (issued by Sector on 17 September 2012)

	17.9.12 actual	Dec- 12	Mar- 13	Jun- 13	Sep- 13	Dec- 13	Mar- 14	Jun- 14	Sep-14	Dec-14	Mar- 15
BANK RATE	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00
3m LIBID	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.70	0.90	1.10	1.40
6m LIBID	0.85	0.85	0.85	0.85	0.85	0.85	1.00	1.10	1.30	1.50	1.80
12m LIBID	1.30	1.30	1.30	1.30	1.40	1.50	1.70	1.90	2.10	2.30	2.60
5yr PWLB	1.89	1.50	1.50	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.30
10yr PWLB	2.91	2.50	2.50	2.50	2.60	2.70	2.80	2.90	3.00	3.20	3.30
25yr PWLB	4.15	3.70	3.70	3.70	3.80	3.80	3.90	4.00	4.10	4.20	4.30
50yr PWLB	4.32	3.90	3.90	3.90	4.00	4.00	4.10	4.20	4.30	4.40	4.50

The above Sector forecasts for PWLB rates incorporate the introduction of the **PWLB certainty rate** in November 2012 which will reduce PWLB borrowing rates by 0.20% for most local authorities. The actual PWLB rates on 17.9.12 ought therefore to be reduced by 20bps to provide a true comparison to the forecasts.



*(Gilt yields have also risen significantly after the recent ECB bond buying policy announcement but Sector feel that yields are likely to fall back after this initial bounce.)*

#### **4 Treasury Management Strategy Statement and Annual Investment Strategy update**

- 4.1 The Treasury Management Strategy Statement (TMSS) for 2012/13 was approved by this Council on 19 January 2012.
- 4.2 The underlying TMSS approved previously requires revision in the light of economic and operational movements during the year. The proposed changes are set out below:
- 4.2.1 A negative rating watch applying to a counterparty at the minimum Council criteria may be, rather than will be, removed from the list. The decision on whether to remove the counterparty will be in line with advice from the Council's external treasury consultancy (Sector).
- 4.2.2 Clarification that any reference to a sovereign AAA rating requirement does not apply to the UK.
- 4.2.3 Add a new counterparty category of 'part nationalised UK banks' (Lloyds Banking Group and Royal Bank of Scotland Group) which can be included on the counterparty list if they continue to be part nationalised or meet the other criteria required for inclusion on the list. The category of 'part nationalised UK banks' to have a money limit of £7m, time limit of 1 year and no ratings criteria.
- 4.2.4 Increase the minimum level of short term deposits (available with a week's notice) from £5m to £10m.
- 4.2.5 Increase the limit on 'fixed interest rate' investments from £35m to £45m, and increase the limit on 'variable interest rate' investments from £35m to £45m.
- 4.2.6 Increase the maturity limits for fixed rate borrowing as shown in the table below:

<b>Maturity structure</b>	<b>Upper limit (current)</b>	<b>Upper limit (proposed)</b>
Under 1 year	25%	50%
12 months to under 2 years	30%	50%
2 years to under 5 years	40%	50%
5 years to under 10 years	50%	55%
10 years to under 20 years	45%	50%
20 years to under 30 years	45%	50%
30 years to under 40 years	50%	50%
40 years to under 50 years	50%	50%
50 years and above	50%	50%

- 4.2.7 Remove Eligible Institution as an investment classification (in line with Sector advice) but allow the use of UK Banks / Building Societies (and/or those that are non-UK and domiciled in a country which has a minimum sovereign long term rating of AAA) which have, as a minimum, the ratings below (where rated), each with a money limit of £4m and time limit of 1 year:
- Short term credit rating from Fitch, Moody's and S&P : F1 (or equivalent)

- Long term credit rating from Fitch, Moody's and S&P : A (or equivalent)
- Viability (Fitch) / Financial Strength (Moody's): bb- (Fitch), C- (Moody's)

## 5 The Council's Capital Position (Prudential Indicators)

5.1 This part of the report is structured to update:

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

### 5.2 Prudential Indicator for Capital Expenditure

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

Capital Expenditure by Service	2012/13 Original Estimate £m	Current Position - Actual at 30/09/12 £m	2012/13 Revised Estimate £m
General Fund	8.045	1.704	15.194
HRA	2.740	0.597	5.258
<b>Total</b>	<b>10.785</b>	<b>2.301</b>	<b>20.452</b>

Revised estimate includes £8m General Fund carry-forward from the previous year.

### 5.3 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.

Capital Expenditure	2012/13 Original Estimate £m	Current Position - Actual at 30/09/12 £m	2012/13 Revised Estimate £m
Unsupported	10.785	2.301	20.452
<b>Total spend</b>			
Financed by:			
Capital receipts	1.675		2.379
Capital grants	2.809		8.773
Capital reserves	2.140		3.575
Revenue	0.600		2.748
<b>Total financing</b>	<b>7.224</b>		<b>17.475</b>
<b>Borrowing need</b>	<b>3.561</b>		<b>2.977</b>

Revised estimate includes £8m General Fund carry-forward from the previous year.

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

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

##### Prudential Indicator – Capital Financing Requirement

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

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

	2012/13 Original Estimate £m	Current Position – Actual at 30/09/12 £m	2012/13 Revised Estimate £m
<b>Prudential Indicator – Capital Financing Requirement</b>			
CFR – non housing	22.111		21.529
CFR – housing	23.388		23.041
Total CFR	45.499		44.570
<b>Net movement in CFR</b>	<b>3.248</b>		<b>2.319</b>
<b>Prudential Indicator – External Debt / the Operational Boundary</b>			
Borrowing		26.720	
Other long term liabilities*		3.266	
<b>Total debt</b>	<b>43.000</b>	<b>29.986</b>	<b>43.000</b>

\* On balance sheet PFI schemes and finance leases etc. Actual balance as at 31/03/12.

#### 5.5 Limits to Borrowing Activity

The first key control over treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. 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 2012/13 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.

	2012/13 Original Estimate £m	Current Position – Actual at 30/09/12 £m	2012/13 Revised Estimate £m
Gross borrowing	30.625	26.720	29.097
Plus other long term liabilities*	3.185	3.266	3.185
Less investments	8.000	28.506	20.000
Net borrowing	25.810	1.480	12.282
CFR* (year end position)	45.499		44.570

\* Includes on balance sheet PFI schemes and finance leases etc. Actual balance as at 31/03/12.

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

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

Authorised limit for external debt	2012/13 Original Indicator	Current Position – Actual at 30/09/12	2012/13 Revised Indicator
Borrowing	36.000	26.720	36.000
Other long term liabilities*	14.000	3.266	14.000
Total	50.000	29.986	50.000

\* Includes on balance sheet PFI schemes and finance leases etc. Actual balance as at 31/03/12.

## 6 Investment Portfolio 2012/13

- 6.1 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out in Section 3, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate. The continuing Euro zone sovereign debt crisis, and its potential impact on banks, prompts a low risk and short term strategy. Given this risk adverse environment, investment returns are likely to remain low.
- 6.2 The Council held £28.506m of investments as at 30 September 2012 (£19.276m at 31 March 2012). The yield on deposits for the first six months of the year is 0.81% against a benchmark (average 7-day LIBID rate) of 0.43%. The constituent investments are:

Sector	Country	Up to 1 year	1-2 years	2-3 years
<b>Banks</b>	UK	£10.146m	£0m	£0m
<b>Money Market Funds</b>	UK	£18.360m	£0m	£0m
<b>Total</b>		<b>£28.506m</b>	<b>£0m</b>	<b>£0m</b>

6.3 The Chief Financial Officer confirms that, apart from the proposed change in section 4.2.1, the approved limits within the Annual Investment Strategy were not breached during the first six months of 2012/13.

6.4 The Council's budgeted deposit return for 2012/13 is £0.179m, and performance for the first half of the financial year is above budget at £0.116m.

### 6.5 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 Member reporting, although the application of these is more subjective in nature. These were set in the Treasury Management Strategy Report in January 2012.

The mid-year position against these benchmarks is given below.

### 6.6 Security

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

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

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.

The Chief Executive can report that the investment portfolio was maintained within this overall benchmark for the first half of this financial year.

### 6.7 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.

The Chief Executive can report that liquidity arrangements were adequate for the first half of this financial year.

This authority does not currently place investments for more than one year due to the credit, security and counterparty risks of placing such investments.

## **6.8 Yield**

Local measures of yield benchmarks are:

- Investments – Internal returns above the 7 day LIBID rate

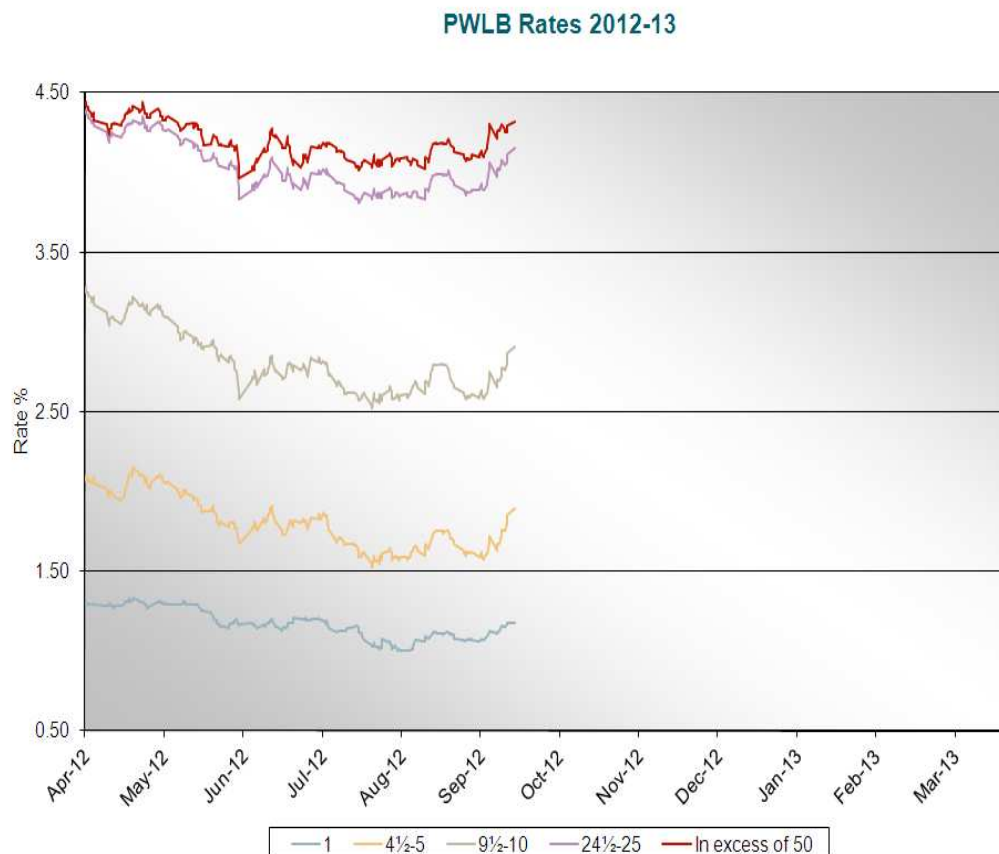
The Chief Executive can report that the yield on deposits for the first half of the financial year is 0.81% against a benchmark (average 7-day LIBID rate) of 0.43%.

## **6.9 Investment Counterparty criteria**

Proposed changes to the current investment counterparty criteria selection approved in the TMSS are shown in section 4 of this report.

## **7 Borrowing**

- 7.1 The Council's capital financing requirement (CFR) original estimate for 2012/13 is £45.499m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. Table 5.5 shows the Council has borrowings of £26.720m and has utilised £28.506m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate.
- 7.2 No new external borrowing was undertaken from the PWLB / market in the first half of this financial year.
- 7.3 As outlined below, the general trend has been a reduction in interest rates during the six months, across all maturity bands.
- 7.4 It is anticipated that further borrowing will be undertaken during this financial year.
- 7.5 The graph and table below show the movement in PWLB rates for the first six months of the year (to 10.9.12):



- 7.6 Debt rescheduling opportunities have been limited in the current economic climate and consequent structure of interest rates. During the first six months of the year, no debt rescheduling was undertaken. The Council is currently under-borrowed to address investment counterparty risk and the differential between borrowing and investment interest rates. This position is carefully monitored.
- 7.7 A portion of the council's PWLB debt matures at the end of 2012. It is intended to repay this debt although options will be reviewed in due course in line with market conditions.
- 7.8 The Council's budgeted debt interest payable for 2012/13 is £1.396m and performance for the first half of the financial year is £0.086m below budget.

## 7.9 Treasury Management Indicators

### 7.9.1 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).

%	2012/13 Original Indicator	2012/13 Revised Indicator
Non-HRA	4.0%	3.8%
HRA	11.5%	8.3%

**7.9.2 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:

	2012/13 Original Indicator £m	Current Position – Actual at 30/09/12 £m	2012/13 Revised Indicator £m
<b>Prudential indicator limits based on debt only</b>			
Limits on fixed interest rates	50.000	22.220	50.000
Limits on variable interest rates	50.000	4.500	50.000
<b>Prudential indicator limits based on investments only</b>			
Limits on variable interest rates	35.000	25.301	35.000

### 7.9.3 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.

	2012/13 Original Indicator	Current Position – Actual at 30/09/12	2012/13 Revised Indicator
<b>Maturity Structure of fixed borrowing</b>			
Under 12 months	25%	19.08%	25%
12 months to 2 years	30%	7.18%	30%
2 years to 5 years	40%	3.59%	40%
5 years to 10 years	50%	32.34%	50%
10 years to 20 years	45%	16.17%	45%
20 years to 30 years	45%	14.45%	45%
30 years to 40 years	50%	7.19%	50%
40 years to 50 years	50%	0.00%	50%
50 years and above	50%	0.00%	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.

## **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 and VAT**

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

### **9.2 Legal**

9.2.1 This report is required to be brought before the Governance and Audit Committee, Cabinet and Council for approval, under the CIPFA Treasury Management Code of Practice.

### **9.3 Corporate**

9.3.1 This report evidences that the Council continues to carefully manage the risk associated with its treasury management activities.

### **9.4 Equity and Equalities**

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

## **10.0 Recommendation(s)**

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

- Note the report, the treasury activity and recommend approval of any changes to the prudential indicators.
- Recommend approval of any changes to the investment criteria.
- Recommend approval of any other changes of treasury management policy.

## **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.

## **12.0 Disclaimer**

12.1 Neither Thanet District Council nor any of its officers or employees makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein (such information being subject to change without notice) and shall not be in any way responsible or liable for the contents hereof and no reliance should be placed on the accuracy, fairness or completeness of the information contained in this document. Any opinions, forecasts or estimates herein constitute a judgement and there can be no

assurance that they will be consistent with future results or events. No person accepts any liability whatsoever for any loss howsoever arising from any use of this document or its contents or otherwise in connection therewith.

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

To: **Governance & Audit Committee – 11<sup>th</sup> December 2012**

Main Portfolio Area: **Finance**

By: **Capital & Treasury Finance Officer**

Classification: **Unrestricted**

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**Summary:** This report is to provide the Governance & Audit Committee with the proposed Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2013/14 for approval.

### **For Decision**

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## **1 INTRODUCTION**

### **1.1 Background**

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

CIPFA defines treasury management as:

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

### **1.2 Reporting requirements**

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

**Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

**A mid year treasury management report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision.

**An annual treasury report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

### **Scrutiny**

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Governance and Audit Committee.

## **1.3 Treasury Management Strategy for 2013/14**

The strategy for 2013/14 covers two main areas:

### **Capital issues**

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) strategy.

### **Treasury management issues**

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

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

## **1.4 Training**

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury

management. This especially applies to members responsible for scrutiny. Training is arranged as required.

The training needs of treasury management officers are also periodically reviewed.

## 1.5 External service providers

The Council uses Sector as its external treasury management advisors.

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

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

The Council uses the ICD Portal to invest or redeem trades in its Money Market Funds (MMFs). The portal provides advanced reporting tools so that the authority can assess its exposure to certain banks or countries, which is vital in the current Eurozone crisis.

Some investments via the ICD portal are made via JP Morgan who act as a clearing house for four of the six MMFs the Council currently uses. The clearing house allows the authority to make several investments in different MMFs but only requires one payment to the clearing house, therefore saving the authority costs in CHAPS fees.

## 2 THE CAPITAL PRUDENTIAL INDICATORS 2013/14 – 2015/16

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

### 2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure £m	2012/13 Original	2012/13 Revised	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
<b>Non-HRA</b>	<b>8.045</b>	<b>13.394</b>	<b>15.013</b>	<b>2.826</b>	<b>2.593</b>
<b>HRA</b>	<b>2.740</b>	<b>5.258</b>	<b>5.973</b>	<b>2.468</b>	<b>2.422</b>
<b>Total</b>	<b>10.785</b>	<b>18.652</b>	<b>20.986</b>	<b>5.294</b>	<b>5.015</b>

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

Capital expenditure £m	2012/13 Original	2012/13 Revised	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Non-HRA	8.045	13.394	15.013	2.826	2.593
HRA	2.740	5.258	5.973	2.468	2.422
<b>Total</b>	<b>10.785</b>	<b>18.652</b>	<b>20.986</b>	<b>5.294</b>	<b>5.015</b>
<b>Financed by:</b>					
Capital receipts	1.675	2.379	1.283	0.688	0.558
Capital grants	2.809	8.773	7.728	2.083	1.499
Capital reserves	2.140	3.575	3.106	2.325	2.325
Revenue	0.600	2.748	3.023	0.198	0.227
<b>Net borrowing need for the year</b>	<b>3.561</b>	<b>1.177</b>	<b>5.846</b>	<b>0.000</b>	<b>0.406</b>

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

If any additional funding for the capital programme is identified, the capital programme will be amended accordingly and reported to members for approval.

## 2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

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

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council has £3.267m of such schemes within the CFR (as per 31 March 2012).

The Council is asked to approve the CFR projections below:

£m	2012/13 Original	2012/13 Revised	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
<b>Capital Financing Requirement</b>					
CFR – non housing	22.111	19.729	24.837	23.629	22.617
CFR – housing	23.388	23.041	23.041	23.041	23.041
<b>Total CFR</b>	<b>45.499</b>	<b>42.770</b>	<b>47.878</b>	<b>46.670</b>	<b>45.658</b>
<b>Movement in CFR</b>	<b>3.248</b>	<b>0.519</b>	<b>5.108</b>	<b>(1.208)</b>	<b>(1.012)</b>

<b>Movement in CFR represented by</b>					
Net financing need for the year (above)	3.561	1.177	5.846	0.000	0.406
Less MRP/VRP and other financing movements	(0.659)	(0.658)	(0.738)	(1.208)	(1.418)
<b>Movement in CFR</b>	<b>2.902</b>	<b>0.519</b>	<b>5.108</b>	<b>(1.208)</b>	<b>(1.012)</b>

### 2.3 Minimum revenue provision (MRP) policy statement

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

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

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Existing practice** - MRP will follow the existing practice outlined in former CLG regulations (option 1).

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 approximately the asset's life.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place).

For authorities who participate in the Local Authority Mortgage Scheme (LAMS) using the cash backed option, the mortgage lenders require a five year deposit from the local authority to match the five year life of the indemnity. The deposit placed with the mortgage lender provides an integral part of the mortgage lending, and is treated as capital expenditure and a loan to a third party. The Capital Financing Requirement (CFR) will increase by the amount

of the total indemnity. The deposit is due to be returned in full at maturity, with interest paid either annually or on maturity. Once the deposit matures and funds are returned to the local authority, the returned funds are classed as a capital receipt, and the CFR will reduce accordingly. As this is a temporary (five years) arrangement and the funds will be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP application. The Council is currently investigating the possibilities of LAMS. In the event that the scheme looks to be beneficial for Thanet then member approval will be sought.

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

## 2.4 Core funds and expected investment balances

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

Year End Resources £m	2012/13 Original	2012/13 Revised	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Fund balances / reserves	2.177	2.177	2.177	2.177	2.177
Capital receipts	1.675	2.379	1.283	0.688	0.558
Earmarked reserves	3.990	3.990	9.480	6.992	8.466
<b>Total core funds</b>	<b>7.842</b>	<b>8.546</b>	<b>12.940</b>	<b>9.857</b>	<b>11.201</b>
Working capital*	19.689	32.206	34.178	33.760	33.960
Under/over borrowing**	11.689	12.206	14.178	13.760	13.960
<b>Expected investments</b>	<b>8.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</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 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.

%	2012/13 Original	2012/13 Revised	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Non-HRA	4.0	3.8	5.7	7.7	8.3
HRA	11.5	8.3	7.8	6.6	5.8



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

## 2.7 Incremental impact of capital investment decisions on council tax.

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

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

£	2012/13 Estimate	2012/13 Revised	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
<b>Council tax - band D</b>	0	(0.79)	5.72	5.78	7.03

## 2.8 Estimates of the incremental impact of capital investment decisions on housing rent levels.

Similar to the council tax calculation, this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in this budget report compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

### Incremental impact of capital investment decisions on housing rent levels

£	2012/13 Estimate	2012/13 Revised	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
<b>Weekly housing rent levels</b>	0	0	0.12	0.11	0.45

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

## 3 BORROWING

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

### 3.1 Current portfolio position

The Council's treasury portfolio position at 1 April 2012, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the

Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	2012/13 Original	2012/13 Revised	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
<b>External Debt</b>					
Debt at 1 April	27.068	26.720	27.297	30.433	29.643
Expected change in Debt	3.557	0.577	3.136	(0.790)	(1.212)
Other long-term liabilities (OLTL)	3.185	3.267	3.267	3.267	3.267
Expected change in OLTL	0.000	0.000	0.000	0.000	0.000
<b>Total Debt at 31 March</b>	<b>33.810</b>	<b>30.564</b>	<b>33.700</b>	<b>32.910</b>	<b>31.698</b>
<b>The Capital Financing Requirement</b>	<b>45.499</b>	<b>42.770</b>	<b>47.878</b>	<b>46.670</b>	<b>45.658</b>
<b>Under / (over) borrowing</b>	<b>11.689</b>	<b>12.206</b>	<b>14.178</b>	<b>13.760</b>	<b>13.960</b>

<b>Total investments at 31 March</b>					
Investments	<b>8.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>
Investment change		12.000	0.000	0.000	0.000

<b>Net Debt</b>	<b>25.810</b>	<b>10.564</b>	<b>13.700</b>	<b>12.910</b>	<b>11.698</b>
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Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its total debt, net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2013/14 and the following two financial years (shown as net borrowing above). This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

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

### 3.2 Treasury Indicators: limits to borrowing activity

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

Operational boundary £m	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Debt	32.000	35.000	35.000	34.000
Other long term liabilities	11.000	11.000	11.000	11.000
Total	43.000	46.000	46.000	45.000

**The authorised limit for external debt.** A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not

desired, could be afforded in the short term, but is not sustainable in the longer term.

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

Authorised limit £m	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Debt	36.000	39.000	39.000	38.000
Other long term liabilities	14.000	14.000	14.000	14.000
Total	50.000	53.000	53.000	52.000

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

HRA Debt Limit £m	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Total	27.792	27.792	27.792	27.792

### 3.3 Sector's economic and interest rate forecast (issued by Sector on 20 November 2012)

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

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

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

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

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

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

### **3.4 Borrowing strategy**

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high.

Against this background and the risks within the economic forecast, caution will be adopted with the 2013/14 treasury operations. The Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast*, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

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

#### **Treasury management limits on activity**

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

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

£m	2013/14	2014/15	2015/16
<b>Interest rate exposures</b>			
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
Limits on fixed interest rates:			
• Debt only	53.000	53.000	52.000
• Investments only	45.000	45.000	45.000
Limits on variable interest rates			
• Debt only	53.000	53.000	52.000
• Investments only	45.000	45.000	45.000
<b>Maturity structure of fixed interest rate borrowing 2013/14</b>			
	<b>Lower</b>	<b>Upper</b>	
Under 12 months	0%	50%	
12 months to 2 years	0%	50%	
2 years to 5 years	0%	50%	
5 years to 10 years	0%	55%	
10 years to 20 years	0%	50%	
20 years to 30 years	0%	50%	
30 years to 40 years	0%	50%	
40 years to 50 years	0%	50%	
50 years and above	0%	50%	

### 3.5 Policy on borrowing in advance of need

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

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 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 constraint that:

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

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

### **3.6 Debt rescheduling**

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

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

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

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

## **4 ANNUAL INVESTMENT STRATEGY**

### **4.1 Investment policy**

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

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies. Using the Sector ratings service potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

Further, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor

on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

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

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

The intention of the strategy is to provide security of investment and minimisation of risk.

Investment instruments identified for use in the financial year are listed in section 5 under the ‘specified’ and ‘non-specified’ investments categories. Counterparty limits will be as set through the Council’s treasury management practices.

## **4.2 Creditworthiness policy**

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 that:

- 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; and
- 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. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

The minimum rating criteria uses 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. Credit rating information is supplied by Sector, 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 may be suspended from use, with all others being reviewed in 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. Viability (Fitch) / Financial Strength (Moody's) – bb- (Fitch) / C- (Moody's)
  - 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 the following conditions are met:
  - (a) wholesale deposits in the bank are covered by a government guarantee;
  - (b) the government providing the guarantee is the UK government or is rated AAA by all three major rating agencies (Fitch, Moody's and Standard and 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 – Part nationalised UK banks – Lloyds Banking Group and Royal Bank of Scotland Group. These banks can be included if they continue to be part nationalised or they meet the above criteria.
- 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 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
- Local Authority Mortgage Scheme. This is classified as being a service investment, rather than a treasury management investment, and is therefore outside of the specified / non specified categories.

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.



**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 a group of companies;
- sector limits will be monitored regularly for appropriateness.

**Use of additional information other than credit ratings.** Additional requirements under the Code 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.

**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 Long term Rating (or equivalent)	Fitch Viability Rating / Moody's Financial Strength Rating	Money Limit	Time Limit
<b>Higher quality</b>	<b>AA-</b>	<b>bb+ / C</b>	<b>£6m</b>	<b>1yr</b>
<b>Medium quality (1)</b>	<b>A</b>	<b>bb+ / C</b>	<b>£5m</b>	<b>1yr</b>
<b>Medium quality (2)</b>	<b>A</b>	<b>bb- / C-</b>	<b>£4m</b>	<b>1yr</b>
<b>Part nationalised</b>	<b>N/A</b>	<b>N/A</b>	<b>£7m</b>	<b>1yr</b>
<b>Debt Management Account Deposit Facility</b>	<b>AAA</b>	<b>N/A</b>	<b>unlimited</b>	<b>6 months</b>
<b>Guaranteed Organisations</b>	<b>N/A</b>	<b>N/A</b>	<b>£4m</b>	<b>1yr</b>
<b>Money market Funds</b>	<b>AAA</b>	<b>N/A</b>	<b>£5m</b>	<b>1 yr</b>

The proposed criteria for specified and non-specified investments are shown in section 5 for approval.

#### **4.3 Country limits**

The Council has determined that it will only use approved counterparties from the UK (irrespective of the UK sovereign credit rating) or other countries with a minimum sovereign credit rating of AAA from Fitch (or equivalent). This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

#### **4.4 Investment strategy**

**In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

**Sector's investment returns expectations (issued by Sector on 30 November 2012).** Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 4 of 2014. Bank Rate forecasts for financial year ends (March) are:

- 2012/13 0.50%
- 2013/14 0.50%
- 2014/15 0.75%
- 2015/16 1.75%

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

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

2012/13	0.50%
2013/14	0.50%
2014/15	0.60%
2015/16	1.50%

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

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

<b>Maximum principal sums invested &gt; 364 days</b>			
<b>£m</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
Principal sums invested > 364 days	£0	£0	£0

#### **4.5 Investment risk benchmarking**

These benchmarks are simple guides to maximum risk, so they 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 £10m available with a week's notice.
- Weighted average life benchmark is expected to be 0.5 years, with a maximum of 1.0 year.

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.

#### **4.6 End of year investment report**

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

### **5 TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT**

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 operate 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.

#### **5.1 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 that 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.

## **5.2 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, as set out in this report.

## **5.3 Non-Specified investments**

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

## **5.4 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.

## **5.5 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 OPTIONS**

That the Governance and Audit Committee:

- Approve this report and recommend that it is approved by full Council.
- Do not approve this report and do not recommend that it is approved by full Council, thereby not complying with the Treasury Management Code of Practice.

## **7 CORPORATE IMPLICATIONS**

### **7.1 Financial**

The financial implications are highlighted within this report.

### **7.2 Legal**

There are no legal implications arising directly from this report.

### **7.3 Corporate**

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

### **7.4 Equity and Equalities**

There are no equity or equality issues arising from this report.

## **8 RECOMMENDATIONS**

The Governance and Audit Committee is recommended to approve each of the key elements of this report and recommend them to Council:

- The Prudential Indicators and Limits for 2013/14 to 2015/16, including the Authorised Limit prudential indicator.
- The Minimum Revenue Provision (MRP) statement which sets out the Council's policy on MRP.
- The Treasury Management Strategy for 2013/14 to 2015/16 and the treasury Prudential Indicators.
- The Investment Strategy for 2013/14 contained in the Treasury Management Strategy, including the detailed criteria.

## **9 DECISION MAKING PROCESS**

Under the Treasury Management Code of Practice it is required that the Governance and Audit Committee approves this report before it is sent to Council for its approval.

Following the Governance and Audit Committee's approval, this report must go to Council as part of the Medium Term Financial Strategy.

## **10 DISCLAIMER**

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