

Public Document Pack



Date: **2 December 2013**
Our ref: Governance and Audit Committee/agenda
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GOVERNANCE AND AUDIT COMMITTEE

11 DECEMBER 2013

A meeting of the Governance and Audit Committee will be held at **7.00 pm on Wednesday, 11 December 2013** in the Austen Room, 2nd floor, Council Offices, Cecil Street, Margate, Kent.

Membership:

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

A G E N D A

Item
No

1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF INTEREST**
'To receive any declarations of interest. Members are advised to consider the advice contained within the Declaration of Interest Form attached at the back of this Agenda. If a Member declares an interest, they should complete that form and hand it to the Officer clerking the meeting and then take the prescribed course of action.'
3. **MINUTES OF PREVIOUS MEETING** (Pages 1 - 8)
To approve the Minutes of the Governance and Audit Committee meeting held on 25 September 2013, copy attached.
4. **GOVERNANCE AND AUDIT COMMITTEE ACTION PLAN** (Pages 9 - 12)
5. **FOOD STANDARDS AGENCY AUDIT UPDATE** (Pages 13 - 32)
6. **INTERNAL AUDIT PROGRESS REPORT** (Pages 33 - 58)
7. **QUARTERLY GOVERNANCE UPDATE** (Pages 59 - 130)
8. **CIPFA CODE OF PRACTICE ON TREASURY MANAGEMENT (2011 EDITION)** (Pages 131 - 142)
9. **FINANCIAL RESILIENCE ACTION PLAN** (Pages 143 - 146)
10. **TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY-MID YEAR REVIEW REPORT 2013/14** (Pages 147 - 160)
11. **TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2014/15** (Pages 161 - 182)

Item
No

Subject

12. **ANNUAL AUDIT LETTER** (Pages 183 - 198)

Declaration of Interests Form

GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 25 September 2013 at 7.00 pm in Council Chamber,
Council Offices, Cecil Street, Margate, Kent.

Present: Councillor John Worrow (Chairman); Councillors Campbell, Lodge-Pritchard, D Saunders, W Scobie, S Tomlinson, Wise and M Tomlinson

303. TRAINING PRESENTATIONS

(a) Annual Governance Statement

A pre-meeting presentation was given by Nikki Morris, Business Support and Compliance Manager.

304. ALSO PRESENT:

Sarah Martin – Financial Services Manager & Deputy s151 Officer
Nikki Morris – Business Support and Compliance Manager
Christopher Parker – Deputy Head of the East Kent Internal Audit Partnership
Andy Mack – Director – Grant Thornton UK LLP
Lisa Robertson – Manager – Grant Thornton UK LLP
Craig George – Housing Services Manager

305. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Binks and Councillor Day.

Substituting for Councillor Binks was Councillor Wise and for Councillor Day was Councillor M Tomlinson.

306. DECLARATIONS OF INTEREST

Councillor Wise declared a disclosable pecuniary interest in Minute No. 309 – Audit Findings Report and Financial Resilience Report (Annex 1).

307. MINUTES OF PREVIOUS MEETING

The minutes of the Governance and Audit Committee meeting held on 26 June 2013, were approved and signed by the Chairman.

308. GOVERNANCE AND AUDIT COMMITTEE ACTION PLAN

In referring to item 2 on the Governance and Audit Committee Action Plan in relation to the Quarterly Governance Progress Report it was noted that the 'feedback/comments column stated:- 'Sue to look into any available training for Members re staff working excessive hours'. This should have said 'Managers'.

Sarah Martin, Financial Services Manager read the following response from Sue McGonigal in respect of the above action:

"The corporate risk register has been reviewed in the light of the latest information available, and as a result the 'current' rating for risk R1001 "The Council relies on staff consistently working longer than their contracted hours" has reduced from 9 to 4 as a result of the probability having reduced to unlikely and the impact reduced to significant.

The rationale for this is that the control framework has been strengthened through the provision of and regular discussion of workforce metrics at SMT level; this has enabled the current probability of this risk to 'unlikely'. As a result of early identification through the monitoring of indicators of stress and early intervention, the impact is reduced to 'significant'.

Further work is planned to identify specific hotspots for long hours working within the organisation and to target training and support for Managers and staff so that the impact of this risk can further be reduced.

In addition, clarity over the areas of priority will be shared with staff over the next few months as the staff restructure and budget development work progresses".

Members received an update from the Housing Services Manager on the action in relation to the Internal Audit Progress Report-Homelessness regarding a decision on what action is necessary to either terminate the contract for the Old Schools Lodge with Casa Support or seek to enforce the terms of conditions of this contract which Casa are currently in breach of having let a conflicting contract with Supporting People. Members asked whether a process/protocol was in place to ensure good governance on this issue and were assured by the Housing Services Manager that there is.

The action plan was noted.

309. INTERNAL AUDIT PROGRESS REPORT

Christopher Parker, Deputy Head of the East Kent Internal Audit Partnership, introduced the report which gives Members a summary of the internal audit work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 30th June 2013.

Members asked the following questions:-

Housing Allocations-Reasonable Assurance

What is the process regarding bedroom tax and changing of accommodation?

Is there a policy for speeding up this process for victims of domestic violence?

In addition Members asked whether the audit took account of recent changes in equalities legislation that had recently been presented on. Although the audit report made reference to housing allocation being efficient it was also necessary to have due regard in the process for whether it is equal.

Environmental Protection

Are dumped parked cars considered to be 'flytipping' and is it audited?

Christopher Parker agreed to get back to Members with answers for the above questions.

Members queried the figures on the balanced scorecard for quarter 1 as the percentage of staff qualified to relevant technician level seemed very low. Christopher Parker advised that he would find out and bring to the next meeting of the Governance and Audit Committee.

A further query raised by Members was that no Thanet District Council Members were representing on the Board of 'Your Leisure'. This is an item included in a report to Council 3 October 2013.

In regard to the number of satisfaction questionnaires completed and received, Members felt that much more should be done to ensure that Managers responded and that a score of 36% was not good enough.

Moved by Councillor Campbell and seconded by Councillor Wise that:

“6.1 the report be received by Members and

6.2 that any changes to the agreed 2013-14 internal audit plans, resulting from changes in perceived risk, detailed at 5.0 of the attached report be approved.”

AGREED

310. AUDIT FINDINGS REPORT AND FINANCIAL RESILIENCE REPORT

Andy Mack, Director of Grant Thornton UK LLP, introduced the report which provides Governance and Audit Committee with the audit findings report and financial resilience report and summarised the findings from the 2012/2013 audit.

Andy Mack gave thanks to Sarah Martin, Financial Services Manager and the finance team for the excellent work that had been done on the 'Statement of Accounts', which had been the main focus of the audit findings report. He added that considerable improvement had been achieved which had resulted in a tangible improvement in the quality of the statements and he was pleased at how officers had responded to the recommendations made last year regarding the capacity of the finance team and had now developed a clear action plan.

Andy Mack added that the opinion on the Council's financial statements were as follows:

- they give a true and fair view of the financial position of Thanet District Council as at 31 March 2013, and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

A delay in formally concluding the audit and issuing an audit certificate was due to consideration of matters being brought to their attention by local authority electors. Andy Mack added that they are satisfied that these matters do not have a material effect on the financial statements or a significant impact on the value for money conclusion and that they would be signed off by the end of September 2013.

Members asked for assurance that the Transeuropa debt would not impact on the reserves set aside for other possible improvements.

Andy Mack advised that this would be covered in the following report on financial resilience and overall value for money conclusion. He added that whilst this authority, like any other authority, faces challenges, the financial statements are sound for the next 2-3 years and he would be proposing an unqualified value for money conclusion.

In summarising the value for money conclusion Andy Mack advised Members that the work includes a review to determine if the Council has proper arrangements in place for securing financial resilience. This work includes consideration on whether the Council

has robust financial systems and processes in place to manage its financial risks and opportunities, and to secure a stable financial position that enables it to operate for the foreseeable future. He added that a red/amber/green (RAG) rating system is used to identify the measure of risk.

In considering strategic financial planning the report states that the Council should continue to implement its service review programme to identify areas of transformational change required to address increasing financial pressures. The Council should also revisit whether the dual role of Chief Executive and s151 Officer remains appropriate, given the strategic demands upon the Chief Executive. Following a query raised by Members regarding the risk of combining these two posts they were advised by Andy Mack that three councils in Kent had these joint arrangements and that what was appropriate for one council may not be for another. He added Thanet District Council needed to make sure they had the capacity, which had changed in the last 12-18 months.

Other Members had concerns regarding the resilience of the council in relation to possible litigation but were assured by Sarah Martin that provision for any potentially unsuccessful outcomes had been made. A query was also raised regarding the need for a new director post to include the role of S151 at a cost of £100k . Andy Mack advised that this would be for the council to determine but that an option would be to maybe fill the post from within the authority. Other Members emphasised the pressure on the three senior management team members and said that appointing or promoting from within the council would be good governance.

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

“3.1 Members note the content of these reports and

3.2 that Members approve the letter of management representation”

AGREED.

311. GRANT CERTIFICATION PLAN 2012/13

Lisa Robertson, Manager, Grant Thornton UK LLP outlined the report which provides the Governance and Audit Committee with the grant certification work plan for 2012/13.

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

“Members noted the content of the report”

AGREED.

312. QUARTERLY GOVERNANCE PROGRESS REPORT

Nikki Morris, Business Support and Compliance Manager introduced the report which provides the Governance and Audit Committee with progress on governance related issues.

The Risk Management Strategy and Process annual review had commenced with initial discussions with the Policy and Business Planning Section with regards to the Inphase system, which holds the corporate risk register. It was established that it would be more appropriate for this review to take place following the amendments to the Inphase system to ensure that the planned changes which are due to take place are correctly reflected within the Risk Management Strategy Process documents. Therefore the documents would be brought to the December meeting of the Governance and Audit Committee.

A member asked why the CRR (Corporate Risk Register) was laid out the way it was, as some of the risks had been completed and dealt with. Nikki Morris explained that each risk will appear on the register until sufficient time has elapsed to ensure that the control measures taken are working.

Members asked that Charlie Greenway's (HR Business Partner) success be noted. Members also found that the document at annex 2 was very useful.

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

"5.1 Members noted the content of this report and identified any issues on which they required more clarification"

AGREED.

313. FINAL ANNUAL GOVERNANCE STATEMENT

Nikki Morris, Business Support and Compliance Manager, introduced the report which provides the Governance and Audit Committee with the Annual Governance Statement 2012/13 for approval and had also been the topic of the training presentation prior to the meeting.

The Draft Annual Governance Statement had been brought to the June Committee meeting. The external auditors, Grant Thornton had come back with one area that required enhancing regarding the Council's data quality framework as follows:

- The Council's data quality framework sets out the Council's requirement that any data used by the authority should be fit for purpose. Fitness for purpose of performance data is assured through the following activity:
 - Challenge of measure of definition when new indicators are identified through service planning;
 - Set up of measures at denominator and numerator level to ensure that calculations are not carried out manually;
 - Calculation checking through the data entry process;
 - Manager review of data entered by staff;
 - Training provided to managers and staff on how to use the data entry and reporting system;
 - Challenge through the target setting process;
 - Challenge through monthly monitoring of performance data;
 - Advice and support provided to staff and managers as requested on the capture and use of management data.

Members commented that the document was 'overly sanitized'. In response, Lisa Robertson, Manager, Grant Thornton UK LLP said that the council's Annual Governance Statement met the required criteria.

Moved by Councillor Campbell and seconded by Councillor D Saunders that:

"6.1 Members approve the Annual Governance Statement for 2012/2013 and associated action plan"

AGREED.

314. FINAL STATEMENT OF ACCOUNTS

Sarah Martin, Financial Services Manager introduced the report which asks for Members to approve the audited Statement of Accounts for 2013/13.

Sarah Martin advised Members of the Governance and Audit Committee of the adjustments that had been made to the accounts following the audit. These adjustments are movements between lines on the Balance Sheet and have no impact on the overall financial position of the Council.

- A short term grant of £3,070k was incorrectly included as a long term grant. This has now been moved to 'current liabilities' within the Balance Sheet from 'long term liabilities'.
- Both 'short term debtors' and short term creditors' were incorrectly overstated by £614k. The Balance Sheet has been adjusted accordingly.

The auditors identified a further adjustment during the audit but this adjustment has not been reflected in the accounts. The CIPFA code requires the disclosure of the expected rate of return for each of the different asset classes used by the Pension Fund within the Defined Benefit Pension Scheme note to the accounts (note 39). The actuary report does not include this information and as this split is no longer required under the CIPFA code from 2013/14, management propose to only show the total Expected Rate of Return. It is considered that this does not have any impact on the reader of the accounts, but Members are asked to approve management's proposed treatment.

Members asked for clarification as to why the decriminalisation reserve was named as such. Sarah Martin explained that this reserve was held in respect of on street car parking. The Council administers on street parking but this is on behalf of KCC. This reserve holds any unutilised revenues from parking charges and can be used to fund future parking, transport or environmental improvement related schemes'. Sarah Martin advised Members that she would find out the reason why it was called the decriminalisation reserve.

A further query raised by Members was regarding the VAT Reserve which has been set up to hold funds reimbursed in relation to our Fleming claim and will be used to cover any one off cost deemed appropriate. Members asked what this was. Sarah Martin explained that it was a sum paid to a number of local authorities where some years ago overpayment of VAT in respect of leisure and other services had been made and that this was the VAT reclaim.

In referring to the Museum Artefacts and Art Collections section in the Statement of Accounts, Members asked for an explanation regarding the museums' curators as no curator was appointed. Sarah Martin said that although no curator was appointed, specific members of staff were responsible for those areas.

Members asked how the overpayment of £1.5 million in housing benefit had arisen. Sarah Martin advised that she would get back to Members with a response to this query. A further query was raised regarding whether a process and/or protocol was in place for dealing with the sensitive issue of reclaiming overpayments. Sarah Martin advised that processes were in place and that some of the repayments in respect of HB overpayments are made over a long period of time.

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

"5.1 Governance and Audit Committee approve the Statement of Accounts for 2012/13, including the proposed non full disclosure as highlighted in paragraph 2.3 of the report"

AGREED.

315. TREASURY MANAGEMENT UPDATE FOR QUARTER 1, 2013

Sarah Martin, Financial Services Manager introduced the report which is to update the Governance and Audit committee with the Treasury Management activity that has occurred for the quarter ended 30 June 2013.

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

“11.1 the Governance and Audit Committee notes this report”

AGREED.

316. REVISION TO FINANCIAL PROCEDURE RULES ON REPORTING OF BALANCE SHEET DEBTS

Sarah Martin, Financial Services Manager introduced the report which asks for the Governance and Audit Committee to consider a revision of the Financial Procedure Rules to require the reporting of aged debts over £150,000 to Council.

The report was brought to the Governance and Audit Committee at the request of the Constitutional Review Working Part who met on 21 August 2013.

The report proposes that when a debt over £150,000 becomes ‘aged’ it will be reported to the next available ordinary council meeting. It is proposed that for those debts over £150,000 with payment terms of 30 days are reported to Council at day 60. At this stage the debt has been passed to EK Services and the first formal reminder letter has been sent. For those few debtors where the payment terms are 60 days, THEY will be reported to Council if the debt exceeds £150,000 at day 90. If however, the payment is made before the report to Council it will still be reported.

Although Members felt this was a good idea it was suggested that Members should be made more aware of the Council’s potential large liabilities. Sarah Martin advised that she would take this comment back to the Chief Executive for consideration.

Moved by Councillor Campbell and seconded by Councillor D Saunders that:

“5.1 the Governance and Audit Committee considered the amendment to the Financial Procedure Rules to require the reporting of all aged debt over £150,000 to the next available ordinary Council meeting and

5.2 that the Governance and Audit Committee considered that the timeline for reporting debts shall be 60 days for those debts with standard payment terms of 30 days and 90 days for those debts with payment terms of 60 days”

AGREED.

Meeting concluded : 8.30 pm

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ACTION POINTS FROM GOVERNANCE & AUDIT COMMITTEE MEETING HELD ON 25 SEPTEMBER 2013

Minute No.	Action	Owner	Target Date	Progress	Feedback/Comments
309	<p><u>INTERNAL AUDIT PROGRESS REPORT</u></p> <p>The following questions were asked by Members:</p> <p><u>Does EK Services have a process regarding the changes to applicants for the bedroom tax reductions?</u></p> <p>They can apply for Discretionary Housing Payments to cover the shortfall. Naturally we would look into their household finances and outgoings to check that they couldn't afford it themselves and would always give the caveat that DHPs are not to be considered a long term solution and that the customer should be actively taking steps to move/find other accommodation as well. (Assistant Director)-EK Services)</p> <p><u>Regarding the Housing Allocations Policy</u></p> <p>Any households effected by bedroom tax and that are under occupying will be placed into Band B on the housing register if requested. (Housing Options Manager)</p> <p><u>Question - Also any assistance in speeding up the process for the victims of domestic abuse?</u></p> <p>Answer - Any household experiencing domestic abuse is able to approach the local authority for advice and assistance and we can explore their housing options, this is a statutory requirement. We have a Service Level Agreement in place with our local womens refuge to ensure when victims are ready to leave this supported environment they are appropriately prioritised which places them into band B on our housing register. (Housing Options Manager)</p>	Christopher Parker-EKAP	11 December 2013	Complete	Answers emailed to Democratic Services on 2 October 2013 and forwarded to G & A Members on the same day.
309	<p><u>Question - In the Environmental Protection review was the</u></p>	Christopher Parker-	11 December	Complete	Answers emailed to

<p>continued</p>	<p><u>removal of abandoned cars covered?</u></p> <p>Answer - The audit of Environmental Protection did not cover abandoned vehicles. The Council operates regular 'Cubit' operations which are administered by a different Council department to the Environmental Protection team.</p> <p><i>Question - Whether or not the Housing Allocation audit took account of recent changes in equalities legislation that we were given a presentation on last year. The audit report made reference to housing allocation being efficient but we also need to have due regard in the process for whether it is equal?</i></p> <p>Answer - No but we have a full audit of Equality and Diversity scheduled for Quarter 4.</p> <p><i>Question - Re the balanced scorecard – the staff qualifications target of 75% has not been changed for some time, why not more, who is not qualified?</i></p> <p>Answer - There are two members of staff who do not hold any relevant professional qualification within the team, however they are qualified by experience and with one of these Auditors leaving in December the qualification base will change over the coming months at the auditor level.</p>	<p>EKAP</p>	<p>2013</p>		<p>Democratic Services on 2 October 2013 and forwarded to G & A Members on the same day.</p>
<p>314</p>	<p><u>FINAL STATEMENT OF ACCOUNTS</u></p> <p>Members asked for clarification as to why the decriminalisation reserve was named as such. Sarah Martin explained that this reserve was held in respect of on street car parking. The Council administers on street parking but this is on behalf of KCC. This reserve holds any unutilised revenues from parking charges and can be used to fund future parking, transport or environmental improvement related schemes'. <i>Sarah Martin advised Members that she would find out the reason why it was called the decriminalisation reserve.</i></p> <p>Members asked how the overpayment of £1.5 million in housing</p>	<p>Sarah Martin, Financial Services Manager</p>	<p>11 December 2013</p>	<p>Complete</p>	<p>This relates to the decriminalisation of car parking under the Road Traffic Act 1991</p>

	<p>benefit had arisen.</p> <p><i>Sarah Martin advised that she would get back to Members with a response to this query</i></p>				<p>The overpayment of HB relates to an accounting adjustment in respect of previous years where the level of HB overpayments was understated.</p>
316	<p><u>REVISION TO FINANCIAL PROCEDURE RULES ON REPORTING OF BALANCE SHEET DEBTS</u></p> <p>The report proposes that when a debt over £150,000 becomes 'aged' it will be reported to the next available ordinary council meeting. It is proposed that for those debts over £150,000 with payment terms of 30 days are reported to Council at day 60. At this stage the debt has been passed to EK Services and the first formal reminder letter has been sent. For those few debtors where the payment terms are 60 days, THEY will be reported to Council if the debt exceeds £150,000 at day 90. If however, the payment is made before the report to Council it will still be reported. Although Members felt this was a good idea it was suggested that Members should be made more aware of the Council's potential large liabilities.</p> <p><i>Sarah Martin advised that she would take this comment back to the Chief Executive for consideration.</i></p>	<p>Sarah Martin, Financial Services Manager</p>	<p>11 December 2013</p>	<p>Complete</p>	<p>The other potential liabilities have been captured within the financial risk assessment of reserves which will be going to Cabinet on 14 November 2013</p>

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Food Standards Agency Audit Update

To: **Governance & Audit – 11 December 2013**

By: **Penny Button, Environmental Health Manager**

Classification: **Unrestricted**

Ward: **All Wards**

Summary: **To seek postponement of the internal audit of Thanet District Council's Food Safety Service following the Food Standards Agency audit of November 2011.**

For Decision

1.0 Introduction and Background

- 1.1 The East Kent Audit Partnership undertook an audit of the food service in October 2009 and placed limited assurance on the systems of internal controls in operation and during the six month review in 2010 this was raised to reasonable assurance.

In November 2011 an Audit of our Food Service was carried out by the Food Standards Agency (FSA). The Audit report showed the service that had been provided as poor and much work has been carried out to improve the service including investment within the team. An informal review in August 2012 provided reassurance that the Authority was making progress and would have increased capacity to improve in the future and catch up on our backlog of inspections.

New officers were employed in August/September 2012, one of whom was fully qualified, one part qualified and one beginning the qualification training. Unfortunately at this time one member of the team had a period of long term sickness absence.

The audit resulted in a significant action plan being agreed with the FSA to improve the service provided. This was reported to Full Council and support was given to implement the action plan.

On January 1st 2013 we also became a designated point of entry at Manston Airport which meant providing a service for seven flights a week over 6 days. This service took two members of staff away from the team every day, one of which had to be a fully qualified officer. There was no forward planning for this service as it was thrust upon us by a combination of a change in legislation and the FSA. This service is now managed by one of the officers recruited in 2012 and we are again seeking replacement staff for the Public Protection Team.

2.0 The Current Situation

- 2.1 In July 2013 the Food Standards Agency undertook a re-inspection and concern was raised regarding the levels of outstanding inspections that we have as they have increased dramatically since the visit of last 2012. This culminated in an escalation meeting with the Head of Auditing at the FSA.

The impact of DPE and a year long period of sickness absence has had a significant negative impact on the Public Protection Team's ability to meet these performance indicators as well as meet the levels of inspections required under the Code of Practice.

The Public Protection Team are working hard to manage the expectations of the Food Standards Agency, meet the requirements of the audit and the backlog of inspections. We are in regular contact with the FSA and they are pleased with our progress so far.

Food Safety was identified in the 2012-13 internal audit plan for review in the last quarter. Environmental Health requested a delay due to the FSA inspection which was agreed and the internal review was moved over to this year 2013-14 for the last quarter.

We are continuing to prioritise the implementation the results of the FSA audit and remain being scrutinised by them until they are happy with the entire service. With the level of scrutiny that they have placed the team under it would have a detrimental effect to continue with an internal audit. An internal audit would also take up key officer time which is needed to implement the FSA audit. There is also concern around the duplication of work.

3.0 Options

- 3.1 Continue with the EKAP internal audit which will have a detrimental effect on the team and duplicate work.
- 3.2 Remove the internal audit of food safety from the EKAP audit programme until the FSA have completed their audit and then return it the cycle.

5.0 Corporate Implications

5.1 Financial and VAT

- 5.1.1 There are no financial implications.

5.2 Legal

- 5.2.1 The statutory duty is imposed on the Council under the Food Safety Act 1990 to ensure the effective implementation of Government Strategy on food safety issues, having regard to the Food Law Code of Practice issued by the Food Standards Agency and guidance issued by the Local Authority Co-ordinating Body and Regulatory Services (LACORS).
- 5.2.2 If the Food Standards Agency considers that the Council is not offering a satisfactory service it can provide the service itself and recharge the full cost to the Council which is likely to be significantly more expensive than the options set out in this report.

5.3 Corporate

- 5.3.1 Failure to comply with the effective implementation of the Food Safety Act 1990 and the relevant guidance and codes of practice leaves the authority open to challenge by the Food Standards Agency. More importantly though it leaves our residents and visitors at risk of food poisoning and in worse case death due to the poor hygiene standards practiced in food premises.

Delivering the National Food Hygiene Rating Scheme is a corporate priority within the Corporate Plan which cannot be met without adequate resources. The Food Service Plan is a policy framework document which describes how the Council will deliver the service in accordance with legal requirements and best practice.

5.4 Equity and Equalities

- 5.4.1 The Service Plan details the level of Service businesses and the public can expect from the Public Protection Team with regard to food safety. The Plan ensures that high risk premises are inspected with more regularity than those posing a lower risk to public health. The standard of food premises impacts on everyone in society as poor standards & practices increase the likelihood of a food poisoning outbreak.

6.0 Recommendation(s)

- 6.1 The removal of the food safety audit from the EKAP 2013/14 audit programme until the FSA have completed their audit and then return it the cycle.

Contact Officer:	<i>Penny Button, Environmental Health Manager</i>
Reporting to:	<i>Harvey Patterson, Corporate & Regulatory Services Manager</i>

Annex List

Annex 1	FSA Audit Action Plan
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Background Papers

Title	Details of where to access copy
<i>FSA Audit Report</i>	<i>www.food.gov.uk</i>

Corporate Consultation Undertaken

Finance	<i>Sarah Martin</i>
Legal	<i>Harvey Patterson, Corporate & Regulatory Services Manager</i>

Updated Action Plan for Thanet District Council

Audit date: 23-24 November 2011

Action Plan updated: 24 October 2013

TO ADDRESS RECOMMENDATION (INCLUDING STANDARD PARAGRAPH)	BY (DATE)	PLANNED IMPROVEMENTS	PROGRESS	ACTION TAKEN TO DATE
3.1.9(i) Ensure that future Food Service Plans are in full accordance with the Service Planning Guidance in the Framework Agreement and include details of the Authority's food premises profile and risk ratings; the demands on the service including details of the annual food premises intervention programme; an accurate estimate of the staffing resources required to deliver the food law enforcement service compared with the staffing resources available to the Authority. [The Standard – 3.1]	Completed	The Food Service Plan is currently under review and being re-written by Public Protection (PP) Team Leader to take into account the review of food law enforcement activities, staffing resources and the food premises profile.	Completed and ongoing	Food Service Plan is drawn up in accordance with the Service Planning Guidance in the Framework Agreement. The Plan has been constantly under review since March 2012. Staffing resources have been unstable since Manston Airport was designated a DPE in January 2013. Service plan will continue to be reviewed whilst staffing resources are finalised. Will be back in the corporate reporting cycle for March 2014.

TO ADDRESS RECOMMENDATION (INCLUDING STANDARD PARAGRAPH)	BY (DATE)	PLANNED IMPROVEMENTS	PROGRESS	ACTION TAKEN TO DATE
<p>3.1.9(ii) Carry out a documented performance review at least once a year based on the Food Service Plan, which is submitted to either the relevant Member forum or senior officer where responsibility for approval is delegated to them. Any variance in meeting the Plan should be addressed in the following year's Plan. [The Standard - 3.2 and 3.3]</p>	31/03/13	<p>A documented performance review will be carried out at the end of each financial year and submitted to the Environmental Health (EH) Manager who will then discuss with the Director and Portfolio Holder.</p>	Completed	<p>Ongoing performance reviews are being carried out and reported to senior managers. These highlight the resource issues and shortfalls in food premises inspections which impact on our targets for implementing the Food Hygiene rating scheme (FHRS).</p>

TO ADDRESS RECOMMENDATION (INCLUDING STANDARD PARAGRAPH)	BY (DATE)	PLANNED IMPROVEMENTS	PROGRESS	ACTION TAKEN TO DATE
<p>3.1.9(iii) Ensure that the Service has a sufficient number of suitably qualified, experienced and competent officers to carry out the work set out in the Food Service Plan. [The Standard – 5.3]</p>	<p>30/09/12</p>	<p>Awaiting recommendations and decisions from senior management and Chief Executive (CE) after the meeting with the FSA and CE on 01/02/12.</p> <p>Approval given by Full Council on 19/04/12 for the addition of one EHO and one Public Protection Officer, and we will be recruiting to all empty posts.</p>	<p>Revised date for completion: 31/12/13</p>	<p>A recruitment drive took place, 3 new officers were employed and further officers are being appointed.</p> <p>The Service has been re-organised into two teams, one working at the DPE and the other continuing to carry out core food hygiene enforcement duties. Two officers are now back on the core team with a replacement for the third being sought. All staff should be in post by January 2014 which will enable renewed progress to be made in addressing shortfalls in the food premises inspection programme.</p>

TO ADDRESS RECOMMENDATION (INCLUDING STANDARD PARAGRAPH)	BY (DATE)	PLANNED IMPROVEMENTS	PROGRESS	ACTION TAKEN TO DATE
3.1.12(i) Review, expand and revise the Public Protection Team procedures to ensure the documents accurately reflect the Food Law Code of Practice and centrally issued guidance, and contain sufficient detail to provide adequate operational guidance for staff in relation to all food law enforcement activities carried out. [The Standard – 7.4 and 15.2]	30/09/12	Resources requested for an EHO to be employed on a six month contract to review and re-write the current procedure manual and in addition to add notes on how to make correct entries onto the food premises database to ensure an accurate LAEMS return. The CE has committed to this expenditure. Officers will also need to train, review and comment on the manual during the six months.	Revised date for completion: 31/03/14	The services of a local consultant have been secured who is familiar with the Service's practical procedures. They will begin working on the development of a comprehensive procedure manual in January 2014 which will cover the areas required by the Standard in the Framework Agreement.
3.1.12(ii) Set up and implement a control system for all documentation relating to food law enforcement activities. Ensure that documented policies and procedures across all enforcement activities are reviewed at regular intervals, and whenever there are changes to legislation or centrally issued guidance. [The Standard – 4.1 and 4.2]	30/09/12	The document control system will be set up and included in the review 3.1.12(i) above. The review of the procedure manual will be included as an agenda item for the monthly food team meeting, and legislation, guidance and any changes will be reviewed.	Revised date for completion: 31/03/14	As above.

TO ADDRESS RECOMMENDATION (INCLUDING STANDARD PARAGRAPH)	BY (DATE)	PLANNED IMPROVEMENTS	PROGRESS	ACTION TAKEN TO DATE
3.1.18(i) Review and update current officer authorisations as necessary to ensure that all officers are appropriately authorised under relevant current legislation in accordance with their individual level of qualification, experience and competency. [The Standard – 5.1 and 5.3]	30/04/12		Completed	Existing authorisations have been reviewed and updated and are also being issued to all new staff in line with their individual levels of authorisation.
3.1.18(ii) Ensure that all relevant officers have the necessary specialist knowledge in relation to the approval and inspection of establishments in accordance with Regulation (EC) No. 853/2004, and in specialist or complex processes relevant to the area, including the Authority's role as a UK point of entry. [The Standard – 5.2]	Completed (Budget implementation) Ongoing (Identifying training)	Implementation of a training budget and encouragement of staff to attend relevant training across all food law enforcement areas.	Completed and ongoing	Officers have been receiving a broad range of relevant training, in particular on imported food. It has not been possible to source an appropriate training course on enforcement in approved establishments, and an alternative means of ensuring this specialist knowledge is maintained in the core food team is being explored following the re-organisation.
3.1.18(iii) Ensure that officers receive appropriate training needed to maintain the competencies necessary to deliver the technical aspects of the work in which they are involved. [The Standard – 5.4]	30/04/12	As part of our restructure we are implementing a competency based development plan for all staff.	Completed and ongoing	As above. Training needs are discussed and identified as part of the performance review process.

TO ADDRESS RECOMMENDATION (INCLUDING STANDARD PARAGRAPH)	BY (DATE)	PLANNED IMPROVEMENTS	PROGRESS	ACTION TAKEN TO DATE
3.1.18(iv) Maintain records of relevant qualifications, training and experience of each authorised officer in accordance with the Food Law Code of Practice. [The Standard – 5.5]	Completed	A central record of qualifications to be set up for each officer. Instructions to be sent to each officer on updating the central record.	Completed and ongoing	Comprehensive records are now being maintained for all officers. These include copies of relevant qualifications and CPD certificates. A summary sheet records all the courses attended and dates.
3.2.6(i) Set up maintain and implement a documented procedure to ensure that its food premises database is accurate, reliable and up to date. [The Standard – 11.2]	30/09/12	A documented procedure to be developed and implemented to improve database accuracy. (see 3.1.12 (i)). Improved liaison with Planning, Building Control and Margate Task Force to ensure accurate and up to date information.	Revised date for completion: 31/03/14	Some procedural guidance on entering FHRS data onto the database has been produced and additional guidance on maintaining the accuracy of the database will be provided as part of the development of the procedure manual.

TO ADDRESS RECOMMENDATION (INCLUDING STANDARD PARAGRAPH)	BY (DATE)	PLANNED IMPROVEMENTS	PROGRESS	ACTION TAKEN TO DATE
3.2.6(ii) Ensure that its electronic food premises database is managed and operated in such a way as to enable the uploading of accurate information to the Local Authority Enforcement Monitoring System (LAEMS). This should include a robust means of verification of the accuracy and completeness of the returns by a senior officer before submission to the Agency. [The Standard – 6.3]	Completed and ongoing with regard to monthly checking	As above 3.2.6(i) PP Manager to carry out monthly checks on the data to look for anomalies. Officer from the hub will produce a report each month for the PP Manager. The LAEMS report is to be checked by a senior manager before submission.	Completed	Notable improvements in database accuracy have been made. All data input is now being routinely audited for accuracy.

TO ADDRESS RECOMMENDATION (INCLUDING STANDARD PARAGRAPH)	BY (DATE)	PLANNED IMPROVEMENTS	PROGRESS	ACTION TAKEN TO DATE
<p>3.3.8 Ensure that food hygiene interventions at food premises in their area are carried out at a frequency which is not less than that determined under the intervention rating scheme set out in the Food Law Code of Practice. [The Standard – 7.1]</p>	30/04/13	The Food Service Plan identifies the level of resource required and this went to Full Council on 19/04/12. We will now recruit to the posts identified and this will ensure we are able to meet with the level of food hygiene interventions required.	Revised date for completion: 30/04/14	There have been challenges in meeting the inspection programme following the designation of Manston Airport as a DPE and ongoing staffing issues, which has made it difficult to plan and implement the food premises inspection programme. Two teams have now been created one of which will concentrate on core food hygiene delivery. Recruitment process ongoing, but have successfully taken on more staff, and requested extra resource to assist with the backlog.

TO ADDRESS RECOMMENDATION (INCLUDING STANDARD PARAGRAPH)	BY (DATE)	PLANNED IMPROVEMENTS	PROGRESS	ACTION TAKEN TO DATE
3.3.15(i) Further develop and fully implement its documented procedures for the inspection of general food premises and approved establishments to provide operational guidance to officers that is in line with the Food Law Code of Practice and centrally issued guidance. [The Standard – 7.4]	30/09/12	Discussed and agreed that procedure manual needs to be updated; resources being sought.	Revised date for completion: 30/04/14	Resources sought for development of procedure manual, see 3.1.12(i). Procedures for the implementation of the FHRS have already been developed.
3.3.15(ii) Assess the compliance of food businesses to legally prescribed standards to confirm compliance with current legislation, the Food Law Code of Practice and centrally issued guidance. [The Standard – 7.2 and 7.3]	Completed	We need to review our aide-memoire and lengthen the time allocated to inspections and re-train officers for consistency purposes. The procedure manual is key to this task. Consistency and compliance to be on team meeting agenda each month. Ongoing routine monitoring will be undertaken of the adequacy of officers' assessments of business compliance.	Revised date for completion: 31/03/14	Inspection documents have been improved and updated and are currently being used and adjusted by the team. There are however still improvements required to ensure the consistent quality of interventions undertaken and the level of detail recorded of officers' assessments on the inspection aide-memoire. Weekly consistency meetings for whole team carried out.

TO ADDRESS RECOMMENDATION (INCLUDING STANDARD PARAGRAPH)	BY (DATE)	PLANNED IMPROVEMENTS	PROGRESS	ACTION TAKEN TO DATE
3.3.15(iii) Ensure that product-specific establishments subject to approval under Regulation (EC) No. 853/2004 are inspected and approved in accordance with relevant legislation, the Food Law Code of Practice and centrally issued guidance. [The Standard – 7.2]	30/09/12	<p>Procedures to be put in place and ongoing training to take place on approved premises for all officers. Aide-memoire for general premises inspections to include questions that would prompt an officer to question whether approval may be needed. Procedure manual will include ‘approved premises’ awareness and procedures.</p> <p>Enforcement activities in relation to approved establishments will form part of ongoing routine monitoring.</p>	Completed and ongoing	<p>There have been significant improvements in the approach to enforcement in approved establishments. Comprehensive files have been produced on individual establishments and approval status reviewed.</p>
3.3.15(iv) Maintain up to date, accurate and comprehensive records for all establishments including those approved under Regulation (EC) No. 853/2004. The records should detail the determination of compliance with legal requirements and comprehensive reports of all inspections, visits and where relevant the basis for approval, in accordance with the Food Law Code of Practice and centrally issued guidance. [The Standard –16.1]	31/03/13	<p>A single box file of information will be set up for each approved premises to contain intervention records, research and decisions on each AP.</p> <p>The quality of records for interventions in general and approved establishments will form part of routine monitoring activities.</p>	Revised date for completion: 31/03/14	<p>Records for approved establishments have significantly improved, however further improvements are still required to ensure adequately detailed records of general premises assessments are consistently made. To be subject to routine monitoring and corrective actions as necessary.</p>

TO ADDRESS RECOMMENDATION (INCLUDING STANDARD PARAGRAPH)	BY (DATE)	PLANNED IMPROVEMENTS	PROGRESS	ACTION TAKEN TO DATE
3.3.15(v) Ensure that observations made and/or data obtained in the course of an inspection/intervention are legible and stored in such a way that they are easily retrievable. [The Standard – 7.5]	31/03/13	<p>The carbon copies are of poor quality and a decision needs to be made on whether we no longer use these and what alternatives there are (See 3.5.20). Laptops and printer for field officers would aid legibility and storage.</p> <p>We are currently looking at mobile working solutions so that we can carry out inspections electronically and upload straight to the central computer system. Our software supplier is currently inputting our proformas so that we can try the system</p> <p>The quality and legibility of records will be subject to routine internal monitoring.</p>	Completed	All inspections are scanned directly to premises records onto the food premises database. This has greatly improved the legibility and retrievability of records.
3.4.3 Further develop the documented procedural guidance for officers on all formal enforcement options in accordance with the Food Law Code of Practice and centrally issued guidance. [The Standard – 15.2]	30/09/12	A graduated approach to enforcement needs to be clarified in a clear procedure based on the previous inspections and database records. Procedure manual needs to be updated to include guidance on available enforcement options. PP Manager to review and update the enforcement policy.	Revised date for completion: 31/03/14	This has been arranged to begin in January 2014. See 3.1.12(i).

TO ADDRESS RECOMMENDATION (INCLUDING STANDARD PARAGRAPH)	BY (DATE)	PLANNED IMPROVEMENTS	PROGRESS	ACTION TAKEN TO DATE
3.4.7 Ensure that officers carry out formal food law enforcement actions in accordance with the Food Law Code of Practice, centrally issued guidance and the Authority's own enforcement policy. [The Standard – 15.3 and 15.4]	30/09/12	Procedure manual to be updated as above. The quality and appropriateness of enforcement actions will be subject to routine internal monitoring.	Revised date for completion: 31/03/14	The procedure manual has been commissioned for January 2014. Some improvements are still required on formal enforcement actions to ensure they are taken in line with Food Law Code of Practice requirements. These will be subject to routine internal monitoring.
3.5.5(i) Set up, maintain and implement documented internal monitoring procedures in accordance with Article 8 of Regulation (EC) No. 882/2004 (Official Feed and Food Controls), the Food Law Code of Practice and centrally issued guidance. [The Standard – 19.1]	30/09/12	Internal monitoring of all food law enforcement activities to be included within the procedure manual. Procedures to be implemented.	Revised date for completion: 31/03/14	The procedure manual has been commissioned for January 2014, auditing of inspections and their outcomes is now implemented.

TO ADDRESS RECOMMENDATION (INCLUDING STANDARD PARAGRAPH)	BY (DATE)	PLANNED IMPROVEMENTS	PROGRESS	ACTION TAKEN TO DATE
3.5.5(ii) Verify its conformance with the Standard, relevant legislation, the Food Law Code of Practice, centrally issued guidance and the Authority's own documented policies and procedure across all the Authority's food law enforcement activities. [The Standard – 19.2]	31/03/12	Review of conformance with the Standard, relevant legislation, the Food Law Code of Practice etc., to be added as agenda items for the monthly team meetings as discussed at 3.1.12(ii). Internal monitoring covering all aspects of food law enforcement to be carried out routinely. The FSA document 'Every Inspection Counts' to be used as guidance. Monthly auditing of records and completion of forms. Introduction of competency based development plans for all staff which will highlight any training needs with regard to conformance.	Revised date for completion: 31/03/14	We undertake an auditing process following best practice sought from other local authorities. Team meetings and risk rating consistency meetings are routinely held.
3.5.5(iii) Ensure that records of monitoring activities are maintained. [The Standard – 19.3]	30/09/12	Records to be maintained on all internal monitoring activities, including any corrective actions.	Revised date for completion: 31/03/14	Auditing procedures in place and records maintained.

TO ADDRESS RECOMMENDATION (INCLUDING STANDARD PARAGRAPH)	BY (DATE)	PLANNED IMPROVEMENTS	PROGRESS	ACTION TAKEN TO DATE
3.5.9 Ensure that all complaints received about food and hygiene at food premises are investigated in accordance with the Food Law Code of Practice and centrally issued guidance. [The Standard – 8.2]	30/09/12	We are unable to adequately resource complaint work given the available current staffing levels of 2 FTE EHO's (1 temp). The staffing levels at 3.1.9 (iii) have been reviewed and agreed at Full Council on 19/04/12 and vacant posts will be advertised.	Revised date for completion: 31/03/14	Complaints are investigated in accordance with the Food Law Code of Practice. Some improvements still required to ensure consistent approach by all officers. To be subject to routine monitoring and corrective actions as necessary.

TO ADDRESS RECOMMENDATION (INCLUDING STANDARD PARAGRAPH)	BY (DATE)	PLANNED IMPROVEMENTS	PROGRESS	ACTION TAKEN TO DATE
<p>3.5.17(i) Set up, maintain and implement a documented sampling programme in accordance with the Food Law Code of Practice and centrally issued guidance. Ensure that the sampling programme takes into account the statutory sampling obligations in respect of shellfish monitoring and imported food controls at the Authority's points of entry. Appropriate action should be taken on any non-compliance found in accordance with the Authority's enforcement policy. [The Standard – 12.4]</p>	30/09/12	<p>This issue has been discussed by the CE, EH Manager and will now be referred and discussed by the EH Manager with the Economic Development team to find a way forward. There are currently no resources of funding to carry out this work (See 3.1.9 (iii)).</p> <p>As previously stated vacant posts will now be advertised, as the staffing levels suggested in the Food Service Plan have been agreed at Full Council on 19/04/12. Shellfish sampling will be addressed once these positions are filled. We will be working with FSA and CEFAS with regard to monitoring points and issues around dangerous areas to sample.</p>	Revised date for completion: 31/03/14	<p>Imported food sampling is undertaken at the DPE in accordance with 669/2009.</p> <p>Shellfish sampling has been discussed with the trade and at present there is no demand for re-classification of the beds due to low shellfish stocks.</p> <p>Some general food sampling has been undertaken, but further development of a sampling programme required as staffing resources improve.</p>
<p>3.5.17(ii) Set up, maintain and implement documented procedures for the procurement or purchase of food samples, continuity of evidence and the prevention of deterioration or damage to samples whilst under their control in accordance with the Food Law Code of Practice and centrally issued guidance. [The Standard – 12.5]</p>	30/09/12	The Procedure Manual will include procedures for food sampling activities.	Revised date for completion: 31/03/14	Procedure manual commissioned for January 2014. See 3.1.12(i).

TO ADDRESS RECOMMENDATION (INCLUDING STANDARD PARAGRAPH)	BY (DATE)	PLANNED IMPROVEMENTS	PROGRESS	ACTION TAKEN TO DATE
3.5.17(iii) Carry out food sampling in accordance with its documented sampling policy, procedures and programme, the Food Law Code of Practice and centrally issued guidance. [The Standard – 12.6]	30/09/12	<p>Routine sampling other than shellfish sampling is not considered a high priority statutory function because resources are not available for this at the current time.</p> <p>Routine sampling will be looked at again when staffing levels have increased with a view to supporting the sampling programme.</p>	Revised date for completion: 31/03/14	Some sampling carried out in May 2013; further development of a sampling programme required as staffing resources improve.
3.5.20 Maintain up to date, accurate records in retrievable form for all food establishments and related food law enforcement activities in accordance with the Food Law Code of Practice. Records for individual premises should be linked to enable their easy retrieval and provide a complete history of food law enforcement activity. [The Standard – 16.1]	30/09/12	<p>Refer to EH Manager for possible procurement of a scanner for our own staff to transfer information onto the food premises database. There would be no cost implications in resources as the scanning would take the same length of time as the filing and trawling of the current 'pinks' (carbon copies).</p> <p>Training for all food officers will be included in the monthly team meeting agenda to ensure accurate records are kept from now on. In addition the quality of records will form part of routine internal monitoring activities.</p>	Completed	Records now scanned and directly linked to the premises record on the database to ensure ease of retrieval.

INTERNAL AUDIT PROGRESS REPORT

To: **Governance and Audit Committee: 11th December 2013**

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

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

Classification: **Unrestricted**

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 30th September 2013.**

For Information

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 30th September 2013.

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 ten internal audit assignments completed during the period. Of these: four concluded Substantial assurance, four concluded Reasonable assurance. There was one additional piece of work 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, five follow-up reviews have been completed during the period.

- 3.3 For the six month period to 30th September 2013, 137.78 chargeable days were delivered against the planned target of 300 days which equates to 45.92% 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 2013-14 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 after 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 2013-14 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 8th 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 2013-14 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, Deputy Head of Audit, Ext 7190
	Sue McGonigal, Chief Executive (s.151 Officer) Ext. 7002

Annex List:

Annex 1	East Kent Audit Partnership Update Report – 11-12-2013
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Background Papers:

Title	Details of where to access copy
<i>Internal Audit Annual Plan 2013-14</i>	Previously presented to and approved at the 21 st March 2013 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 30th September 2013

2.0 SUMMARY OF REPORTS

Service / Topic		Assurance level
2.1	Cemeteries and Crematorium	Substantial
2.2	Building Control	Substantial
2.3	Local Code of Corporate Governance	Substantial
2.4	EK Services – Council Tax Reduction Scheme	Substantial
2.5	Officer Code of Conduct & Whistleblowing Arrangements	Reasonable
2.6	Performance Management	Reasonable
2.7	Child Protection	Reasonable
2.8	Service Contract Monitoring & Management	Reasonable
2.9	Public Health Burials	Limited
2.10	EK Services – Housing Benefit Quarterly Testing (Qtr 2 of 2013-14)	Not Applicable

2.1 Cemeteries and Crematorium – Substantial Assurance:

2.1.1 Audit Scope

To ensure that the Council's cemetery and crematoria activities are undertaken efficiently and effectively in accordance with Council policy and procedures.

2.1.2 Summary of Findings

The Council operates the Thanet Crematorium and cemeteries at Ramsgate and Margate. The crematorium deals with approximately 1,500 cremations per year and there are approximately 160 burials. Total budget for the Cemeteries and Crematorium Service for 2013/14 is £1,150,000 income and £486,000 expenditure. The Council is a member of the Institute of Cemeteries and Crematorium Management (I.C.C.M.) and their *Charter For The Bereaved* as well as the Federation of Burial and Cremation Authorities (F.B.C.A.).

The primary findings giving rise to this Substantial assurance opinion are as follows:

- The income collection procedures were considered adequate and robust;
- The cash handling, cash collection, cash reconciliation and subsequent security arrangements were working effectively;
- Extensive examination of the fees and charges revealed no major compliance issues;
- Budgets Monitoring was well exercised;
- All files and documentation are retained and maintained in compliance with legal requirements; and
- Examination of the various processes revealed no major issue

There were no significant weaknesses however some small scope for improvement was identified in the following areas:

- One fee for an additional service needs to be formally approved;
- The need to review the debt monitoring processes; and
- The need to reflect some of the operational risks within the risk register.

2.2 Building Control – Substantial Assurance:

2.2.1 Audit Scope

To provide assurance that Building Control procedures are operated in accordance with the Building Act 1984 and the organisation's Financial regulations and approved policy.

2.2.2 Summary of Findings

In 2010 the Building (Local Authority Charges) Regulations 2010 were introduced; this changed the way charges were calculated for building control applications. The Regulations meant that the Council was now responsible for setting their own charges and this would be done on an individual application basis. The new Regulations also introduced refunds of charges if the fee was greater than the amount of work undertaken.

The number of building control applications received in 2012/13 totalled 14,123, which is slightly more than the number of applications received the previous year 2011/12 of 13,083. The total income collected for 2011/12 was £325,774.27 compared to £278,606.38 in 2012/13.

The service area has efficient procedures and controls in place to ensure that all aspects of the building control function are effective.

The primary findings giving rise to the Substantial Assurance opinion are as follows:

- There are effective processes in place to ensure that all income is banked promptly and that building control applications are dealt with effectively.
- Completion certificates are not issued unless all monies due to the Council have been paid in full.
- No VAT is deducted from regularisation fees.
- Only two refunds have been made in this financial year

Scope for improvement was however identified in the following area:

- The target for the service is to break even, however any surplus income generated, should be ring fenced to offset any deficit in a subsequent year.
- The central support services charges allocated to the service have increased significantly from 2011/12. The methodology behind how the charges are calculated must be reviewed to ensure that the charges are appropriate for the service.

2.3 Local Code of Corporate Governance – Substantial Assurance:

2.3.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established in the systems, to ensure that the Council's governance arrangements are adequately designed to lead to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users.

2.3.2 Summary of Findings

Good governance should enable an authority to pursue its vision effectively as well as underpinning that vision. CIPFA / SOLACE produce the 'Delivering Good Governance in Local Government' framework and guidance documents. These guidance notes refer to the 6 core principles of good Corporate Governance and this audit has reviewed how the Council ensures that these core principles have been achieved.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- The Local Governance Code is based on the guidelines provided by CIPFA / SOLACE;
- The Corporate Plan is prepared by the Leader and his Cabinet;
- The Authority has set out a clear statement of the respective roles and responsibilities of the executive and of members;
- Codes of Conduct exist in the Council's Constitution; and
- The Authority maintains effective scrutiny, risk management and whistleblowing functions.

Scope for improvement was however identified in the following areas:

- Updating the current list of supporting documents; and
- Providing hyperlinks on the Internet to those documents which evidence compliance with the code.

2.4 EK Services – Council Tax Reduction Scheme – Substantial Assurance

2.4.1 Audit Scope

To ensure that the recently introduced Council Tax Reduction Scheme has been implemented correctly by EK Services as intended by the partner authorities of Canterbury CC, Dover DC and Thanet DC.

2.4.2 Summary of Findings

As part of the Welfare Reform Act 2012 the Government announced that from 1st April 2013 council tax benefit would be abolished and councils would need to design and operate their own local Council Tax Support Scheme. The new scheme had to be created and adopted by councils by the 31st January 2013 in order to be eligible for support funding. Applications were made by all three EK authorities for support funding, these were approved and the monies were paid to the councils in April 2013.

EK Services developed a scheme which was approved by all three partner authorities. The relief reduction agreed was:-

- Canterbury City Council – 5%
- Dover District Council – 6%
- Thanet District Council – 5.5%

The primary findings giving rise to this Substantial Assurance opinion are as follows:

- New Council Tax Reduction Schemes were developed and adopted by the deadline set by the Department of Communities and Local Government.
- The new parameters were robustly and extensively tested prior to them being loaded into the live systems for the commencement of the scheme on the 1st April 2013.
- All relevant staff were provided with detailed training and guidance notes on the new scheme.
- Monthly management information is being produced by EK Services for the partner authorities to review and monitor the number of 'new payers'.

2.5 Officer Code of Conduct & Whistleblowing Arrangements – Reasonable Assurance:

2.5.1 Audit Scope

To provide assurance that the key controls and operating procedures surrounding officer compliance with the Code of Conduct and Statement on the Prevention of Fraud & Corruption are found to be operative throughout the year and that the business objectives were met.

2.5.2 Summary of Findings

Counter Fraud and Corruption:

The Council's Fraud and Corruption policies are clear, well documented and provide suitable protection for whistleblowers. A couple of minor changes have been suggested to reflect the introduction of the Bribery Act 2010 and the new relationship with Grant Thornton as the Council's External Auditors. The policies were easily located on the intranet but were not easily located on the Council's external facing website for members of the public or, more importantly, for contractors to locate. Whilst the Council's contract templates specifically include a counter fraud and corruption clause, there is currently not a process whereby contractors are sent a link to the anti-fraud, corruption or whistle-blowing arrangements on the Council website.

EK Services have recently implemented a Net Consent facility, which has the ability to electronically record that an employee has viewed and understood a specific policy. The anti-fraud and corruption policies have not yet been added to this facility and could provide additional protection to the organisation and further raise awareness of the potential for fraud or corruption in the workplace.

The Council's Risk Management process could benefit from the inclusion of fraud and corruption in terms of probability and impact. These measures would each help the Council strengthen its stance on counter fraud and corruption.

Officers' Code of Conduct:

The vast majority of the content within the Code of Conduct is still relevant and credible despite the Code of Conduct having been adopted back in 1998. The Council should consider reviewing the existing Code of Conduct in order to address issues such as the use of social media and the inclusion of the whistle-blowing arrangements.

The HR intranet page was examined and is easy to navigate, however the Code of Conduct itself was difficult to locate. There was also some confusion as to whether HR or the Council was responsible for operating and maintaining a list of Politically Restricted Posts which forms part of the Local Government and Housing Act 1989 as amended by the Local Democracy, Economic Development and Construction Act 2009 (section 6).

2.6 Performance Management – Reasonable Assurance:

2.6.1 Audit Scope

To ensure that the Council is taking action in response to actual performances to make outcomes for users and the public better than they would otherwise be.

2.6.2 Summary of Findings

Whilst the system of internal controls currently delivers a Reasonable Assurance, there is strong emerging evidence to support the direction of travel towards an audit opinion of Substantial Assurance.

The Council has robust and effective performance management arrangements, and almost all of the requisite internal controls have been established in this area and are operating effectively.

The following areas for suggested improvement have been identified by the review:

- a) Provide a link to the Performance Management pages from the front page of the intranet;
- b) Update the version of the *Performance Management Framework* on the staff intranet pages;
- c) Update the version of the *Data Quality Framework* on the staff intranet pages;
- d) Clearly define the Council's performance reporting *arrangements* within the approved *Performance Management Framework*;
- e) The *Corporate Performance Review Working Party* should receive regular reports on performance, service planning, corporate plan priorities, shared service performance etc. as detailed in its existing terms of reference;
- f) Each staff objective - set during the appraisal process for individual members of staff - should be cross referenced to the service plan objectives which they support;
- g) Consider closer alignment of the Council's performance management and shared service monitoring activities, including the recording, monitoring and reporting of

- all shared service performance in the same manner as that for in-house Directorates; and
- h) Consider the opportunities for benchmarking some or all areas of the Council's performance against other councils.

2.7 Child Protection – Reasonable Assurance:

2.7.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council fulfils its obligations under the Children Act 1989 and section 11 of the Children Act 2004. The Children Act 2004 states that the child's welfare is paramount and that every child has a right to protection from abuse, neglect and exploitation.

2.7.2 Summary of Findings

The Children Act 1989 and Section 11 of the Children Act 2004, detail the responsibilities of local authorities to ensure the protection of children and the safeguard of them.

Kent County Council have established the Kent Safeguarding Children's Board (KSCB), which has key statutory responsibilities for agreeing how the relevant organisations will co-operate to safeguard and promote the welfare of children and for ensuring the effectiveness of this work in Kent. Thanet District Council is a member of the KSCB and, as a result of this, completed their self assessment in October 2012 to ensure that they had effective arrangements in place regarding child protection.

The responsibility of ensuring all relevant officers have undertaken a Disclosure and Barring Service check (formerly called CRB) has recently been moved from EK Human Resources to the Community Services Officer, due to the fact that the Council could not be assured that the checks were being undertaken by EK Human Resources in a timely manner and that all relevant staff had a recent check.

As part of the induction process staff must complete the e-learning module on child protection. However a report supplied by EK Human Resources showed that only 74 staff had completed the e-learning module equating to just 15.4% of the staff employed.

2.8 Service Contract Monitoring & Management – Reasonable Assurance:

2.8.1 Audit Scope

To evaluate the management and monitoring of a sample of contracts across Council departments with a view to ensuring that the contract terms and conditions are adequately monitored and managed and result in the Council receiving the highest levels of performance from its contractors.

2.8.2 Summary of Findings

Thanet District Council maintains a contract register that includes contracts above £30,000 recorded on the register. For the purpose of this review five contracts were

selected and testing undertaken to ascertain how adequately these contracts are managed and monitored. The procurement process was not examined as part of this review.

The five contracts reviewed were as follows:

- Contract 1 – Beach Cleaning
- Contract 2 – Maintenance of Pay & Display Machines
- Contract 3 – Security at Ramsgate Harbour and the Port
- Contract 4 – Cleaning Services at Ramsgate Port and Royal Harbour
- Contract 5 – Cleaning Services – Public Conveniences

Each of the contracts is managed to a different level but this is to be expected given the different nature of each contract. Monitoring of each contract is undertaken regularly and good contact is maintained between the Council and each contractor. Whilst formal reports are not received for all contracts the level of monitoring undertaken is considered to be appropriate for each contract reviewed.

Expenditure has been monitored well for each contract and variations to the level of service required has been adequately controlled.

Formal contracts were in place for four of the contracts reviewed – whilst there is an agreement in place for the Maintenance of Pay & Display Machines this is not a formal contract and does not include provision for liquidated damages.

Performance bonds had not been sought for three of the contracts reviewed – this is in accordance with the criteria set by the Council.

Four of the contracts include an option to extend then term of the contract and this has been exercised appropriately in one case.

2.9 Public Health Burials – Limited Assurance:

2.9.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established for Public Health Act Burials, ensuring that any burials undertaken are performed in line with procedures, and sufficient records maintained to safeguard the officer(s) making arrangements / fulfil statutory requirements should there be any estate.

2.9.2 Summary of Findings

This is the third audit review carried out within this area which has concluded limited assurance; accordingly, Senior Management and Members of the Governance and Audit Committee will want assurance that remedial action is taken to address the control weaknesses in this area as a matter of priority and that controls are not allowed to lapse again in the future.

There are several issues that need to be addressed to improve the controls that are in place. A sample of files has been reviewed and there appears to be some inconsistencies in place in the processes being followed and the records being kept for Public Health Burials. These include

- The cost of the funerals (These vary across the sample selected);
- Failing to follow up relatives in respect of payment of the funeral;
- Sign off by the Environmental Health Manager to agree that the funeral should be paid for by the authority; and
- No or incomplete listings of any items or documentation taken from the deceased person's property.

This inconsistent application of process, coupled with incomplete record keeping were also the main findings of previous audits in this area.

A checklist on the front of each of the files would be helpful so that it is easy to establish the current position of the burial and the ongoing attempts to recover monies for the authority.

A comparison exercise has been carried out with two neighbouring authorities to look at the number of public health burials that have been carried out over the last 2 complete financial years.

	TDC		CCC		DDC	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
TOTALS	25	15	4	5	2	7

The results show that Thanet District Council has carried out a significantly greater number of public health burials in comparison to the other two. (40 compared to 18 in total for the other two authorities for the last two financial years). Although Thanet District Council has more deprived wards coupled with a more transient population, these figures are significantly higher than the neighbouring authorities. There is a concern that the authority has been paying for funerals even though next of kin are known or have appeared at the funeral and processes to recover monies have not been carried out. Again, these findings are similar to those reported previously by Internal Audit.

At a neighbouring authority it is the Finance team that are responsible for the collection of any monies owed from a public health burial. This method of working could be considered as the lack of resources within Environmental Health means that there could be considerable delays in obtaining any monies. There would then also be a separation between the legislative actions of the public health burials and the financial reclaim of any outstanding monies owed to the authority.

At the time of the last audit in this area, it was recommended that 'As a short term measure, all Public Health Burial case files should be reviewed and signed off by the Environmental Protection Manager until there is a demonstrable improvement in the quality of documentation. Thereafter, it would be advisable for a random sample of files to be examined periodically'. Whilst this recommendation was accepted, it has not resulted in an adequate degree of improvement and accordingly greater management supervision in this area still appears to be warranted.

2.10 EK Services Housing Benefit Quarterly Testing (Quarter 2 of 2013-14):

2.10.1 Over the course of the 2013/14 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 2013/14 financial year (July to September 2013) 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.

In total 20 benefit claims were checked and of these just one was found to have failed the criteria set by the former Audit Commission's verification guidelines

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

3.1 As part of the period's work, five 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)	Dog Warden and Litter Enforcement	Reasonable/ Limited	Reasonable/ Limited	H M L	4 8 3	H M L	3 1 1	
b)	Business Continuity and Emergency Planning	Reasonable	Reasonable	H M L	2 4 1	H M L	1 2 1	
c)	EK Services – Housing Benefit Administration & Assessment	Reasonable	Reasonable	H M L	1 6 0	H M L	0 3 0	
d)	EK Services – Customer Services / Gateway	Reasonable	Reasonable	H M L	2 2 0	H M L	0 0 0	
e)	Grounds Maintenance	Reasonable	Reasonable	H M L	2 7 1	H M L	0 1 1	

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.

3.3 As highlighted in the above table, those areas previously reported as having either Limited or No assurance have been reviewed and, in respect of those remaining at below Reasonable assurance, Members are advised as follows:

a) Dog Warden:

The main issues highlighted as part of the original audit as requiring addressing and which remain outstanding after follow-up are that

- stray dog 'pick up' and kennelling charges continue to be invoiced in retrospect making recovery difficult;
- there is no reconciliation of income received to expected income and stray dog jobs raised on M3 should not be closed until the Council's responsibility for the dog has ended; and
- closure codes should accurately reflect the action taken i.e. dog returned to owner, ownership transferred to kennel etc.

3.4 After the follow-up review has been completed by the East Kent Audit Partnership any recommendations which remain outstanding are tracked through the Council's Policy & Business Planning team, via quarterly reminders, with an expectation that progress reports will be provided quarterly for all high priority matters. If the recommendations remain outstanding the tracking and reminders will continue for three years, which is the usual period between programmed internal audits. The current numbers involved and progress towards achieving currently outstanding recommendations is as follows:

Service/ Topic		Assurance level	No of Recs. Outstanding	
a)	Employee Health and Safety – 2011-12	Reasonable	H	1
			M	1
			L	0
b)	Business Continuity and Emergency Planning – 2012-13	Reasonable	H	0
			M	2
			L	1
c)	Food Safety – 2009-10	Reasonable	H	0
			M	1
			L	0
d)	HRA Business Plan – 2009-10	Substantial	H	1
			M	0
			L	0
e)	CCTV	Reasonable	H	1
			M	0
			L	0
f)	Your Leisure – 2012-13	Substantial Limited Limited	H	1
			M	2
			L	0

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 Rates, Local Code of Corporate Governance, Homelessness, Main Accounting System, Budget Monitoring, Planning, Ramsgate Marina, Coast Protection, and Housing Repairs and Maintenance.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

5.1 The 2013-14 internal audit plan was agreed by Members at the meeting of this Committee on 21st March 2013.

- 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 month period to 30th September 2013, 137.78 chargeable days were delivered against the planned target of 300 days which equates to 45.92% 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 2013-14 is attached as Appendix 5.
- 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 30th September 2013 against the agreed 2013-14 Audit Plan.
- Appendix 4 EKAP Balanced Scorecard of Performance Indicators to 30th September 2013.
- 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.
<i>Dog Warden and Litter Enforcement – October 2013:</i>		
<p>1. The Street Scene Enforcement Manager should consider the collection of all Council and kennelling fees upfront before a dog is returned to its owner. This would reduce administrative costs and increase the monies recovered.</p>	<p>Discussions are already underway with the Environmental Health Manager to start collecting fees upfront for stray dogs before returning them to their owner. This would also need to include a press campaign. We are keen to recover the costs we are currently not and this has the support of the CE.</p> <p>Proposed Completion Date: 31/03/2013</p> <p>Responsibility: Street Scene Enforcement Manager</p>	<p>Still ongoing. A final decision has not yet been made on a suitable collection method & procedure.</p> <p>Recommendation outstanding with the intention to implement improved income collection procedures once a decision on the most suitable income collection method has been approved.</p> <p>Revised Implementation Date 31/12/2013</p>
<p>9. The Street Scene Enforcement Manager must ensure that stray dog jobs on M3 are not closed until the Council’s responsibility for the animal has expired i.e. the dog is claimed and returned to its owner within the prescribed seven day period; ownership is transferred to the kennels at the end of the prescribed seven day period.</p>	<p>More appropriate closure codes have been selected and we are working on procedures and training for the staff.</p> <p>Proposed Completion Date: 31/12/2012</p> <p>Responsibility: Street Scene Enforcement Manager</p>	<p>Still ongoing.</p> <p>Recommendation remains outstanding with the intention to fully implement.</p> <p>Revised Implementation Date 31/12/13</p>
<p>15. The Street Scene Enforcement Manager should ensure that regular independent reconciliations of expected income to actual income, as recorded on the relevant cost centres are</p>	<p>All payment data is now recorded on M3 and this will be reconciled against income during the monthly budget analysis to ensure what is</p>	<p>Still ongoing Manager has still to complete.</p>

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.
<p>undertaken to ensure that income is correctly received onto the correct income codes and promptly identify any errors and/or possible misappropriation. This would be simplified if all payment data is recorded on M3.</p>	<p>expected to be received is being received.</p> <p>Proposed Completion Date: 31/12/2012</p> <p>Responsibility: Environmental Health Manager</p>	<p>Recommendation remains outstanding with the intention to fully implement.</p> <p>Revised Implementation Date 31/12/2013</p>
<p><i>Business Continuity and Emergency Planning – October 2013</i></p>		
<p>Management should consider working with EK Services to develop a comprehensive disaster recovery plan for IT. This should include detailed analysis of the various computer systems and the time period by which Thanet expect them to be recovered by. Once agreed this should be included in the business continuity plan.</p>	<p>Currently in the process of developing a working group for business continuity to include EK Services and EKH.</p> <p>Proposed Completion Date: 30/09/2013</p> <p>Responsibility: Emergency Planning & Inspection Officer</p>	<p>Meetings and discussion with EK Services are on-going with a view to aligning EK services ICT Emergency and Disaster Recovery Plan with the expectations of TDC. Shortcomings in the latest ICT plan are being addressed working with EKS. Information on TDC expectations is still being gathered from the work in progress on the Part 2 service plans.</p>

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

Service	Reported to Committee	Level of Assurance	Management Action	Follow-up Action Due
Data Protection Act Compliance	December 2012	Reasonable/Limited	On-going management action in progress to remedy the weaknesses identified.	Work-in-Progress
EK Services – Software Licences	June 2013	Limited	On-going management action in progress to remedy the weaknesses identified.	Work-in-Progress
Absence Management	June 2013	Limited	On-going management action in progress to remedy the weaknesses identified.	Work-in-Progress

PROGRESS TO DATE AGAINST THE AGREED 2013-14 AUDIT PLAN – APPENDIX 3

THANET DISTRICT COUNCIL:

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-09-2013	Status and Assurance Level
FINANCIAL SYSTEMS:				
Main Accounting System	10	10	0.17	Work-in-Progress
Budget Monitoring	10	10	0.17	Work-in-Progress
Income	10	10	0	Quarter 3 if new income system implemented or replace with a Project Mngmt. audit
RESIDUAL HOUSING SERVICES:				
Homelessness	10	10	0	Work-in-Progress
GOVERNANCE RELATED:				
Asset Management	10	10	0	Quarter 4
Members' Code of Conduct & Standards Arrangements	10	10	11.09	Finalised - Reasonable
Officers Code of Conduct and Whistle blowing Arrangements	10	10	12.23	Finalised - Reasonable
Local Code of Corporate Governance	7	7	0.17	Finalised - Substantial
Performance Management	10	10	9.93	Finalised - Reasonable
Corporate Advice/SMT	2	2	0.51	Work-in-progress throughout 2013-14
s.151 Officer Meetings and Support	9	9	4.55	Work-in-progress throughout 2013-14
Governance & Audit Committee Meetings and Report Preparation	12	12	5.68	Work-in-progress throughout 2013-14
2014-15 Audit Plan and Preparation Meetings	9	9	0	Quarter 4
CONTRACT RELATED:				
Service Contract Monitoring and Management	10	10	9.78	Finalised - Reasonable
Procurement Strategy	10	10	0	Quarter 4
SERVICE LEVEL:				
Cemeteries and Crematoria	10	10	9.52	Finalised - Reasonable
HMO Licensing and Selective Licensing Scheme	10	10	0	Quarter 4
Coast Protection	8	8	2.02	Work-in-Progress

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-09-2013	Status and Assurance Level
Environmental Health – Food Safety	10	10	0.17	Quarter 4 or postpone
Environmental Health – Public Health Burials	6	6	9.19	Finalised - Limited
Environmental Protection Service Requests	10	10	8.33	Finalised - Reasonable
Equality & Diversity	10	10	0	Quarter 4
Disabled Facilities Grants	10	10	0.52	Work-in-Progress
Maritime – Ramsgate Marina	10	10	1.59	Work-in-Progress
Members' Allowances	10	10	10.23	Finalised – Substantial
Planning & s.106 Agreements	10	10	0	Work-in-Progress
Building Control	10	10	7.15	Finalised - Substantial
Travel Warrants and Imprest Floats	5	5	4.85	Finalised – Substantial
Phones, Mobiles and Utilities	7	7	7.21	Finalised – Substantial
OTHER :				
Liaison With External Auditors	3	3	0.07	Work-in-progress throughout 2013-14
Follow-up Reviews	17	16	14.76	Work-in-progress throughout 2013-14
UNPLANNED WORK:				
Election Duty – 1 Presiding Officer at KCC May Elections	0	1	1	Finalised
Broadstairs Visitor Information Kiosk –Financial Arrangements	0	0	0.17	Finalised
FINALISATION OF 2012-13 AUDITS:				
Days under delivered in 2012-13	0	0	-9.01	Completed
Housing Allocations	5	5	7.41	Finalised - Reasonable
Child Protection and CRB Checks			6.38	Finalised - Reasonable
Recruitment & Induction			1.75	Finalised - Reasonable
EK HUMAN RESOURCES:				
Payroll, SMP and SSP	5	5	0.07	Quarter 3
Employee Benefits-in-Kind	5	5	0.12	Quarter 4
TOTAL - THANET DISTRICT COUNCIL RESIDUAL DAYS	300	300	137.78	45.93 % Complete as at 30-09-2013
UNPLANNED ADDITIONAL WORK				
Interreg Grant – Maritime (Yacht Valley)	4	4	9.47	Work-in-progress throughout 2013-14

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-09-2013	Status and Assurance Level
Interreg Grant – LOPINOD	4	4	0.89	Work-in-progress throughout 2013-14
English Heritage Grant	2	2	2.4	Finalised
Cluster of Empty Homes Grant	0	2	0.14	Finalised

EAST KENT HOUSING LIMITED:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-13	Status and Assurance Level
Planned Work:				
Audit Ctte/EA Liaison/Follow-up	8	8	4.24	Work-in-Progress throughout 2013-14
Rents Accounting, Collection and Debt Management	12	12	0	Quarter 4
Leasehold Services	40	40	0.28	Work-in-Progress
Sheltered Housing	20	0	0.27	Postpone until 2014-15
Finalisation of 2012-13 Audits:				
Housing Repairs and Maintenance	9	29	27.50	Work-in-Progress
Days over delivered in 2012-13	0	0	6.65	Completed
Responsive Work:				
None in Quarter 2				
Total	89	89	38.94	43.75 % Complete as at 30-09-2013

EK SERVICES:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-13	Status and Assurance Level
Planned Work:				
Housing Benefits – Overpayments	15	15	0	Quarter 4
Housing Benefits – Fraud Investigation Unit	15	15	0	Quarter 4

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-13	Status and Assurance Level
Council Tax Reduction Scheme	0	15	0.27	Work-in-progress
Housing Benefits – Quarterly Testing	40	40	13.54	Work-in-progress throughout 2013-14
Business Rates	30	23	15.31	Work-in-Progress
Debtors and Rechargeable Works	15	15	0	Quarter 4
ICT – Change Controls	15	15	0.37	Work-in-progress
ICT – Procurement and Disposal	15	15	14.58	Work-in-progress
ICT – PC Controls and Application Controls	15	15	0	Quarter 4
Corporate/Committee	0	2	1.35	Work-in-progress throughout 2013-14
Follow-up	0	5	4.53	Work-in-progress throughout 2013-14
New Homes Bonus	0	0	0.34	Work-in-progress
<u>Finalisation of 2012-13 Audits:</u>				
Housing Benefits and Assessment	0	9	8.68	Finalised
ICT – Network Security	0	4	4.02	Finalised
Days under delivered in 2012-13	0	-28	-28.11	Work-in-progress
Total	160	160	34.88	21.8% Complete as at 30-09-2013

BALANCED SCORECARD – QUARTER 2

INTERNAL PROCESSES PERSPECTIVE:	2013-14 Actual	Target	FINANCIAL PERSPECTIVE:	2013-14 Actual	Target
Chargeable as % of available days	Quarter 2				
	82%	80%	Cost per Audit Day (Reported Annually)	£319.56	
Chargeable days as % of planned days					
CCC	50%	50%			
DDC	43%	50%			
SDC	40%	50%			
TDC	46%	50%			
EKS	22%	50%			
EKH	44%	50%			
Overall	41%	50%			
Follow up/ Progress Reviews;					
• Issued	35	-			
• Not yet due	31	-			
• Now due for Follow Up	20	-			
Percentage compliance with the CIPFA Code for Internal Audit 2006	97%	97%			

BALANCED SCORECARD – QUARTER 2

<u>CUSTOMER PERSPECTIVE:</u>	<u>2013-14 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2013-14 Actual</u>	<u>Target</u>
	Quarter 2			Quarter 2	
Number of Satisfaction Questionnaires Issued;	55		Percentage of staff qualified to relevant technician level	75%	75%
Number of completed questionnaires received back;	23 =42%		Percentage of staff holding a relevant higher level qualification	33%	32%
Percentage of Customers who felt that;			Percentage of staff studying for a relevant professional qualification	13%	13%
<ul style="list-style-type: none"> • Interviews were conducted in a professional manner • The audit report was 'Good' or better • That the audit was worthwhile. 	100%	100%	Number of days technical training per FTE	1.61	3.5
	100%	90%	Percentage of staff meeting formal CPD requirements	33%	32%
	100%	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 2013**

Main Portfolio Area: **Operational Services**

By: **Business Support and Compliance Manager**

Classification: **Unrestricted**

Ward: Not applicable

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

For Information and Decision

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 2012/13 action plan
- 2.3 Governance Framework and Local Code of Corporate Governance annual review
- 2.4 Risk Management Strategy and Process annual review

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 2012/13 action plan

2.2.1 For the period 2012/13 the council prepared an Annual Governance Statement (AGS) which was agreed by Governance and Audit Committee on the 25 September 2013.

2.2.2 Within the Annual Governance Statement 2012/13 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 8) has undergone a review and no amendments are recommended at this time. This document is attached at **annex 3**.
- 2.3.2 The Local Code of Corporate Governance (version 8) has also been reviewed and is attached at **annex 4**.
- 2.3.3 Following approval of the reviewed documents they will be published on the council's website.

2.4 Risk Management Strategy and Process annual review

- 2.4.1 The current Risk Management Strategy (Version 9), was agreed by Governance and Audit Committee (25 September 2012) and Cabinet (8 November 2012). The Risk Management Process (Version 6) was agreed by Governance and Audit Committee also on the 25 September 2012. Both documents are available on the Internet, Intranet and Members Portal.
- 2.4.2 A review has taken place of both the Strategy and Process documents and there are only some minor changes recommended at this time to the Risk Management Process, which are shown as track changes. (Risk Management Strategy – Version 10 at **Annex 5** and Risk Management Process – Version 7 at **Annex 6**).

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 2012/13 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 and approve the changes to the Risk Management Process (annex 6) and recommend that the Strategy (annex 5) be sent to the 21 January 2014 Cabinet for approval.
- 3.2 That Members make any further recommended changes to the Risk Management Strategy and Process documents.

4.0 Corporate Implications

4.1 Financial and VAT

- 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 annex 1 and identify any issues on which they require more clarification.
- 5.2 That Members note the content of annex 2, the Annual Governance Statement 2012/13 action plan and identify any issues on which they require more clarification.
- 5.3 That Members approve the reviewed Governance Framework and Local Code of Corporate Governance (annexes 3 and 4).
- 5.4 That Members approve the changes to the Risk Management Process document and recommend that the Strategy be sent to the 21 January 2014 Cabinet for approval.

6.0 Decision Making Process

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

Future Meeting if applicable: Cabinet – Risk Management Strategy	Date: 21 January 2014
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Contact Officer:	Nikki Morris, Business Support and Compliance Manager, DDI 01843 577625
Reporting to:	Mark Seed, Director of Operational Services, DDI 01843 577742

Annex List

Annex 1	Corporate Risk Register
Annex 2	Annual Governance Statement 2012/13 action plan
Annex 3	Governance Framework (version 8)
Annex 4	Local Code of Corporate Governance (version 8)
Annex 5	Risk Management Strategy (version 10)
Annex 6	Risk Management Process (version 7)

Background Papers

Title	Details of where to access copy

Corporate Consultation Undertaken

Finance	Sarah Martin, Financial Services Manager
Monitoring Officer / Legal	Harvey Patterson, Corporate and Regulatory Services Manager
Communications	Justine Wingate, Corporate Information and Communications Manager

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
RI001 Review frequency: Half-yearly Risk Status: Treat	The Council relies on staff consistently working for longer than their contracted hours.	Increasingly due to staff numbers having reduced to make budget savings.	<ul style="list-style-type: none"> * Increased sickness absence * Increased levels of overtime request * Potential health and safety issues * Breach of contract * Impact on service delivery * Staff dissatisfaction * Recruitment and retention issues * Impact on VFM 	Charlie Greenway	9 P(3) I(3)	4 P(2) I(2)	RI001.01 Analyse outcomes of staff survey to inform improvement programme <i>Implemented</i> Target date: 31-Aug-12 Review frequency: Quarterly RI001.04_GOV01.01 Report workforce information through SMT to identify issues and trends <i>Implemented</i> Target date: 31-Mar-13 Review frequency: Quarterly RI001.08 Use stress audit to inform an improvement plan <i>In Progress (10.00% complete)</i> Target date: 31-Dec-13 Review frequency: Quarterly RI001.09 End-of-year annual leave carry over & flexi-time <i>In Progress (20.00% complete)</i> Target date: 30-Jun-13 Review frequency: Quarterly RI001.10 Hold managers workshop to address issue of excessive hours	Charlie Greenway Charlie Greenway Mark Seed Charlie Greenway Charlie Greenway	2 P(1) I(2)

Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
							Not Started (0.00% complete) Target date: 30-Sep-13 Review frequency: Quarterly		
RI005 Review frequency: Annually Risk Status: Treat	* 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. * Partners financial difficulties * Partners political difficulties * Partners dissatisfied with performance/quality of service * Non-compliance with Equality Act and PSED by partners and third party providers.	* 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. * Council invests more time and resource into partnerships than the benefit received * Breach of a main statutory responsibility * 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 * Do not have capacity within resources to ensure compliance * Disinvestment in partnerships * Failing to make reasonable adjustments * Partnership arrangements providing inaccessible services and/or failure to respond appropriately to access complaints * Exhibiting discriminatory practices contrary to Equality Act & PSED requirements * Making non-compliant business/service decisions * Partner(s) decide to withdraw from a shared service	* Financial loss, wasted resources, or loss of funding * Additional financial responsibilities for remaining partners * Effort expended on other / lower priorities * Inability to meet targets * Reduction of service quality/performance * Differing priorities - so effort is expended on other/lower priorities * Expend extra effort to manage partnership arrangements * Dissatisfaction/Frustration and loss of confidence * Need to unwind and reverse strategic direction * Failure of statutory responsibilities * Partners direction changes adversely * Unitary model imposed * Political unrest * Differing priorities * Direction of partnership changes * Withdrawal of partners * Expend extra effort to manage partnership arrangements * Legal costs * Cancellation of projects * Governance issues arising from unclear partnership agreements and lack of exit strategy	Karen Paton	9 P(3) I(3)	4 P(2) I(2)	RI005.02 Maintain clientside capacity for effective partnership management <i>In Progress (70.00% complete)</i> Target date: 31-Mar-13 Review frequency: Quarterly RI005.03 Review governance arrangements & monitoring after transfer of HR to EK Services <i>Implemented</i> Target date: 31-Oct-12 Review frequency: Quarterly RI005.06 Donna Reed to attend Senior Management Team and Managers Exchange <i>Implemented</i> Target date: 31-Mar-13 Review frequency: Quarterly RI005.07 On-going work at CEx level for increasing partnership working <i>Implemented</i> Target date: 31-Mar-13 Review frequency: Quarterly	Sophie Chadwick Sophie Chadwick Sue McGonigal Sue McGonigal	2 P(2) I(1)

Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
							<p>RI005.08 Use the performance management process to monitor the achievements of partnerships <i>Implemented</i> Target date: 31-Mar-13 Review frequency: Quarterly</p>	Sophie Chadwick	
							<p>RI005.09 Record the governance arrangements and agreed benefits / purpose of partnerships <i>Implemented</i> Target date: 30-Sep-13 Review frequency: Quarterly</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: Quarterly</p>	Karen Paton	
							<p>RI005.12 Contract/ partnership management to ensure arrangements for compliance PSED & Equality Act <i>Implemented</i> Target date: 31-Mar-13 Review frequency: Quarterly</p>	Sophie Chadwick	
							<p>RI005.13 Ensure all EK Services staff comply with Equality duty</p>	Sophie Chadwick	

Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
							<p><i>Implemented</i> Target date: 31-Mar-13 Review frequency: Quarterly</p> <p>RI005.14 Continued attendance at East Kent Chief Exec forum <i>Implemented</i> Target date: 31-Mar-13 Review frequency: Quarterly</p> <p>RI005.15 Continued client side meetings <i>Implemented</i> Target date: 31-Mar-13 Review frequency: Quarterly</p> <p>RI005.17 Refresh Partnership Framework and update Partnership Register <i>Implemented</i> Target date: 31-Jul-13 Review frequency: Quarterly</p>	Sue McGonigal	
RI007 Review frequency: Half-yearly Risk Status: Treat	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	Charlie Greenway	4 P(2) I(2)	2 P(1) I(2)	<p>RI007.01 Robust HR policies and procedures <i>Implemented</i> Target date: 31-Mar-13 Review frequency: Quarterly</p> <p>RI007.02 Performance monitoring of workforce information</p>	Charlie Greenway	2 P(1) I(2)

Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
							<p><i>Implemented</i> Target date: 31-Mar-13 Review frequency: Quarterly</p> <p>RI007.03 Culture Change Programme <i>Implemented</i> Target date: 31-Mar-13 Review frequency: Quarterly</p> <p>RI007.04 Ongoing Employee Council forum meetings <i>Implemented</i> Target date: 31-Mar-13 Review frequency: Quarterly</p>	<p>Charlie Greenway</p> <p>Charlie Greenway</p>	
<p>RI008 Review frequency: Half-yearly Risk Status: Treat</p>	Health and safety procedures are not followed.	Member of staff injured undertaking Council duties	<ul style="list-style-type: none"> * 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	<p>9 P(3) I(3)</p>	<p>4 P(2) I(2)</p>	<p>RI008.01 Use Health and Safety weeks to improve knowledge <i>Implemented</i> Target date: 31-Dec-13 Review frequency: Quarterly</p> <p>RI008.02 Liaise with EKHRP to review H&S risk assessment process <i>Implemented</i> Target date: 31-Mar-14 Review frequency: Governance- non periodical</p> <p>RI008.03 Maintain Health & Safety Committee</p>	<p>Mark Seed</p> <p>Mark Seed</p> <p>Mark Seed</p>	<p>2 P(1) I(2)</p>

Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
							<i>Implemented</i> Target date: 31-Mar-13 Review frequency: Quarterly RI008.04 Liaise with EKHRP to implement recommendation from 2009 internal audit <i>Implemented</i> Target date: 31-Jan-13 Review frequency: Quarterly	Mark Seed	
RI010 Review frequency: Half-yearly Risk Status: Treat	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.	<ul style="list-style-type: none"> * 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	12 P(3) I(4)	6 P(3) I(2)	RI010.01 Draft & Implement Asset Management Strategy <i>In Progress (20.00% complete)</i> Target date: 31-Jul-14 Review frequency: Quarterly RI010.02 Prioritise maintenance spending on assets to increase revenue returns <i>In Progress (30.00% complete)</i> Target date: 31-Mar-14 Review frequency: Quarterly	Mark Seed Mark Seed	4 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
RI011 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	<div style="background-color: red; color: white; text-align: center; padding: 2px;"> 16 P(4) I(4) </div>	<div style="background-color: orange; color: black; text-align: center; padding: 2px;"> 6 P(2) I(3) </div>	RI011.01 Test effectiveness of Business Continuity Plan (Old) <i>Completed</i> Target date: 31-Mar-13 Review frequency: Quarterly	Paul Morgan	<div style="background-color: yellow; color: black; text-align: center; padding: 2px;"> 3 P(1) I(3) </div>
							RI011.02 Review and revise the council's BCP <i>In Progress (75.00% complete)</i> Target date: 30-Sep-13 Review frequency: Quarterly	Paul Morgan	
							RI011.03 Test effectiveness of revised Business Continuity Plan <i>In Progress (10.00% complete)</i> Target date: 31-Dec-13 Review frequency: Quarterly	Paul Morgan	
							RI011.04 2013 Test for effectiveness of emergency plan <i>Completed</i> Target date: 31-Mar-13 Review frequency: Monthly	Paul Morgan	
							RI011.05 Undertake annual review of Major Emergency Plans <i>In Progress (99.00% complete)</i> Target date: 31-Jan-14 Review frequency: Quarterly	Paul Morgan	
							RI011.06 Undertake annual review of Functional Plans	Paul Morgan	

Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
							<i>In Progress (75.00% complete)</i> Target date: 31-Mar-14 Review frequency: Quarterly RI011.07 Test effectiveness of District Emergency Centre (DEC) <i>In Progress (50.00% complete)</i> Target date: 1-Apr-13 Review frequency: Quarterly	Paul Morgan	
RI012 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	Graeme Lawes	12 P(4) I(3)	9 P(3) I(3)	RI012.02 Procurement of waste collection fleet <i>Implemented</i> Target date: 30-Sep-13 Review frequency: Quarterly RI012.03 Delivery of plan for communication with the public <i>Completed</i> Target date: 4-Nov-13 Review frequency: Quarterly RI012.04 Ensure suitable location for maintaining the fleet <i>In Progress (80.00% complete)</i> Target date: 31-Aug-13 Review frequency: Quarterly	Graeme Lawes Graeme Lawes Graeme Lawes	6 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
RI013 Review frequency: Quarterly Risk Status: 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	9 P(3) I(3)	6 P(3) I(2)	RI013.01 Monitor implementation <i>In Progress (50.00% complete)</i> Target date: 31-Mar-14 Review frequency: Quarterly	Madeline Homer	3 P(3) I(1)
RI015 Review frequency: Half-yearly Risk Status: 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	Richard Hopkins	9 P(3) I(3)	9 P(3) I(3)	RI015.01 Monitor effects of Policy & adjust practices <i>In Progress (50.00% complete)</i> Target date: 31-Mar-17 Review frequency: Quarterly RI015.02 Lobbying of appropriate department of central government via MPs <i>Approved (0.00% complete)</i> Target date: 31-Dec-13 Review frequency: Quarterly	Tanya Wenham Madeline Homer	6 P(2) I(3)
RI017 Review frequency: Quarterly Risk Status: Treat	Failure to make progress on the Dreamland site	* Planning appeal determination rules against the Council's Compulsory Purchase Order (CPO) * Planning appeal determination rules in favour of the Council's Compulsory Purchase Order (CPO) but the owners start a legal challenge against the determination * Insufficient funding from the Council	* Further delays to start of work on the site * Further costs * Reputational damage * Political controversy	Madeline Homer	12 P(3) I(4)	8 P(2) I(4)	RI017.01 Clear recording of TDC decisions <i>In Progress (80.00% complete)</i> Target date: 28-Mar-15 Review frequency: Quarterly RI017.02 Regular monitoring of Dreamland project <i>In Progress (60.00% complete)</i> Target date: 31-Mar-15 Review frequency: Quarterly	Madeline Homer Madeline Homer	4 P(1) I(4)

Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p>RI018</p> <p>Review frequency: Quarterly</p> <p>Risk Status: 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 * Further funding cuts by central government</p>	<p>* Impact on reserves * Requirement for remedial action * Supplementary precept * Need to prioritise / rationalise some areas * Stop doing certain things * Impact on service delivery - cuts in services, staff reductions, inability to achieve objectives * Complaints * Adverse media</p>	Sarah Martin	<p>12 P(4) I(3)</p>	<p>6 P(2) I(3)</p>	<p>RI018.01 Regularly attending finance groups to obtain insight into positions on government funding <i>Implemented</i> Target date: 31-Mar-13 Review frequency: Quarterly</p> <p>RI018.02 Initiate reviews to identify efficiencies and economies <i>Implemented</i> Target date: 1-May-13 Review frequency: Quarterly</p> <p>RI018.04 Monitoring of finance position of the Council <i>Implemented</i> Target date: 31-Mar-13 Review frequency: Quarterly</p> <p>RI018.06 Deilver service review programme to provide efficiencies & economies <i>In Progress (2.00% complete)</i> Target date: 30-Jun-16 Review frequency: Quarterly</p>	<p>Sarah Martin</p> <p>Julie Compton</p> <p>Sarah Martin</p> <p>Julie Compton</p>	<p>4 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
RI019 Review frequency: Half-yearly Risk Status: 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	12 P(4) I(3)	6 P(3) I(2)	RI019.01 Ensure anti-fraud & anti-bribery policies remain fit for purpose <i>Implemented</i> Target date: 31-Dec-12 Review frequency: Quarterly	Sarah Martin	4 P(2) I(2)
							RI019.02 Raise staff awareness of fraud risks & anti-bribery policy & procedure <i>Implemented</i> Target date: 31-Dec-12 Review frequency: Quarterly		
							RI019.03 Provide regular training to managers re fraud & anti-bribery awareness <i>Implemented</i> Target date: 31-Mar-13 Review frequency: Quarterly		
							RI019.04 Carry out checks of ghost employees <i>Implemented</i> Target date: 30-Apr-12 Review frequency: Quarterly		
							RI019.05 Raise Members' awareness of fraud issues & of anti-bribery policy & procedure <i>Implemented</i> Target date: 30-Sep-12 Review frequency: Quarterly		

Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
RI020 Review frequency: Quarterly Risk Status: 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	9 P(3) I(3)	4 P(2) I(2)	RI020.01 Monitoring of Council's financial Position in respect of CT discounts <i>In Progress (10.00% complete)</i> Target date: 31-Mar-14 Review frequency: Quarterly	Sarah Martin	4 P(2) I(2)
RI023 Review frequency: Quarterly Risk Status: Treat	The need to develop a new pay & reward structure that is fair, equitable, transparent and affordable; that rewards employees for their contribution to the achievement of organisational priorities and targets increase the possibility of industrial action.	<ul style="list-style-type: none"> · detrimental financial impact on groups of staff · failure to follow correct consultation processes · combined impact with other economic changes i.e. Welfare Reform · failure to reach agreement on a new scheme with Unions requiring dismissal and reengagement · failure to engage and communicate effectively with staff · decreased staff morale 	<ul style="list-style-type: none"> · loss of staff · damage to employee relations · demotivated workforce · financial cost · reputational damage · provision of limited or no service for a period of time 	Charlie Greenway	12 P(4) I(3)	1 P(1) I(1)	RI023.05 Regular meetings between management & unions <i>Implemented</i> Target date: 31-Mar-14 Review frequency: Quarterly RI023.06 Mitigations for staff detrimentally affected <i>Implemented</i> Target date: 31-Mar-14 Review frequency: Quarterly RI023.07 CEx Briefings to all staff on Pay & reward project <i>Implemented</i> Target date: 31-Mar-14 Review frequency: Quarterly	Charlie Greenway Charlie Greenway Charlie Greenway	1 P(1) I(1)

Corporate Risk Register

Risk Ref	Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
							<p>RI023.08 Training to managers on supporting staff through the process <i>Implemented</i> Target date: 31-Mar-14 Review frequency: Quarterly</p> <p>RI023.09 Equality Impact Assessment on proposed scheme <i>Implemented</i> Target date: 31-Mar-13 Review frequency: Quarterly</p>	<p>Charlie Greenway</p> <p>Charlie Greenway</p>	

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Annex 2

G&A minute of concern	Action Ref & Description	Action Owner	Start Date	Due Date	Estimated Completion	Stage	Latest Update
9.3.1: The political situation with a hung council and changing political dynamics can add to the time taken to reach a resolution that can be acted on and also may have a higher likelihood of decisions being called in.	00154 Assess Numbers of decision call-ins	Back, Glenn	Aug-13	Feb-14	Feb-14	In Progress	The data for numbers of decision call-ins over the last seven years are: 2007-2010: No decision call-ins; 2010-11: One decision call-in; 2011-12: No decision call-ins; 2012-13: Four decision call-ins; 2013-14 (first 7 months): No decision call-ins
9.3.2: The project management process needs to be reviewed and implemented across the council, as highlighted in the internal audit on risk management. Basic minimum templates are required to be in common usage, which can be expanded to deal with more complicated projects.	00155 Establish council-wide project management templates	Halse, Adrian	Aug-13	Feb-14	Feb-14	In Progress	Process and templates have been drafted and has been approved by SMT for piloting. The project approval process is currently being piloted and will be launched to managers at the Managers Forum on the 21 November. Templates are now being transferred into an electronic system to enable easy and effective completion and tracking by senior management and by managers
9.3.5,b4: The council is facing a significant budget gap, due to cuts to Government grants and external pressures such as the insolvency of Transeuropa. The council is taking steps to diversify and generate income through the Port, but this still remains an area of concern.	00156 Systems to diversify & generate more port income	Seed, Mark	Aug-13	Feb-14	Feb-14	In Progress	The draft Ramsgate Maritime Plan was discussed by the Cabinet Advisory Group (CAG) on 24th September 2013, and was received by Cabinet on 14th November 2013. No specific changes were made to the draft, but notes were added by the CAG.
9.3.5,b4: The council is facing a significant budget gap, due to cuts to Government grants and external pressures such as the insolvency of Transeuropa. The council is taking steps to diversify and generate income through the Port, but this still remains an area of concern.	RI018.04 Monitoring of finance position of the Council	Martin, Sarah	Apr-12	Mar-13	Mar-14	Implemented	The financial position of the Council is reported to SMT and Cabinet on a quarterly basis. A restriction on non-essential spending is in place and managers are working hard to identify in-year savings to offset the Transeuropa position. Work is in hand to present a balanced budget for approval for 2014/15 and this will be presented to Council in February.
9.3.5,b1: The process for determining disclosure needs to be reviewed, to ensure full publication of information wherever possible to meet with transparency commitment	00157 Ensure information disclosure complies with law, constitution & policy	Patterson, Harvey	Aug-13	Feb-14	Feb-14	In Progress	(1) Review of disclosure practices was undertaken as part of the THANET DISTRICT COUNCIL REVIEW OF POLICIES AND PROCEDURES - PROBITY AND REPUTATION report to Cabinet on 25 April 2013. (2) Report authors are now required to transparently carry out a public interest test on their committee reports (3) A review of 'pinks' was agreed by Council on 3rd October, and the process for reviewing is now in place.
9.3.5,b2: The asset management disposal process needs to be reviewed to ensure appropriate consultation at political level is undertaken to improve public trust.	00158 Commercial Property Audit & action plan	Seed, Mark/ Crowley, Edwina	Aug-13	Feb-14	Feb-14	In Progress	A review of the disposal process has been identified as a necessary part of a wider Asset Management Strategy. It is intended to bring this forward for consideration by Scrutiny and then adoption by Cabinet in April 2014.
9.3.5,b5: Asset management(HRA): The process in respect of East Kent Housing's financial management of the repairs and maintenance and leasehold charges needs to be reviewed	00159 Review Leaseholder charging & EK Housing repair finances	George, Craig	Aug-13	Feb-14	Feb-14	In Progress	Leaseholder issues are raised and monitored through quarterly meetings of Joint EK Housing Section 151 Officer meetings, attended by the TDC Finance Manager. The EK Housing maintenance budget is monitored through bi-monthly meetings of EK Housing managers with Housing Services and the TDC Finance Manager - HRA, Capital & External Funding. This includes challenge on financial matters. A leaseholder review report is now being prepared for senior management team - further information will be given within the next plan update.
9.3.5,b3: There is the need to improve inspection regimes for maintained buildings and land to identify investment needs as well as deal with insurance claims (especially public liability). This will be especially difficult given the pressures on the repairs budget	PR055.01 Review of current Asset Management System, undertake a SWOT analysis	Crowley, Edwina	Jun-13	Jun-13	Jun-13	Completed	A review of the current asset management system has been undertaken and a SWOT analysis completed.
	PR055.02 Research current best practice including Government and Local Authority guidance, RICS, CIP	Crowley, Edwina	Jun-13	Jun-13	Jun-13	Completed	Current best practice across public and private sectors has been researched.
	PR055.03 Meet Property Manager for Dover District Council to network and gain insight into current AM thinking	Crowley, Edwina	Jun-13	Jun-13	Jun-13	Completed	A meeting with the Property Manager at Dover District Council has provided insight into current practices in a neighbouring authority.
	PR055.04 Discussions with Managers Forum members	Crowley, Edwina	Jul-13	Jul-13	Jul-13	Completed	Discussions with affected managers have taken place, to improve understanding of the wider context of asset management within TDC.
	PR055.05 Prepare strategy, circulate to managers and gain officer approval.	Crowley, Edwina	Jul-13	Aug-13	Aug-13	Completed	A draft strategy has been prepared.
	PR055.06 Prepare strategy documentation and obtain SMT & portfolio holder approval	Crowley, Edwina	Aug-13	Sep-13	Sep-13	Deferred	Because the strategy involves clear identification of roles, it has been deferred until the new structure is finalised. When the new structure is populated the strategy and plan can be finalised.
	PR055.07 Submission to Cabinet for approval of strategy	Crowley, Edwina	Sep-13	Oct-13	Oct-13	Not Started	This will be progressed when actions 1-6 are completed.
	PR055.08 Five Yr. property asset management plan prepared & agreed with Managers Forum members	Crowley, Edwina	Oct-13	Feb-14	Feb-14	Not Started	This will be progressed when actions 1-7 are completed.
	PR055.09 Prepare Asset Management Plan and obtain SMT & portfolio holder approval	Crowley, Edwina	Feb-14	Mar-14	Mar-14	Not Started	This will be progressed when actions 1-8 are completed.
	PR055.10 Submission to Cabinet for approval of five year property asset management plan	Crowley, Edwina	Mar-14	Apr-14	Apr-14	Not Started	This will be progressed when actions 1-9 are completed.

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Thanet District Council

Governance Framework

Version 8
December 2013



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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

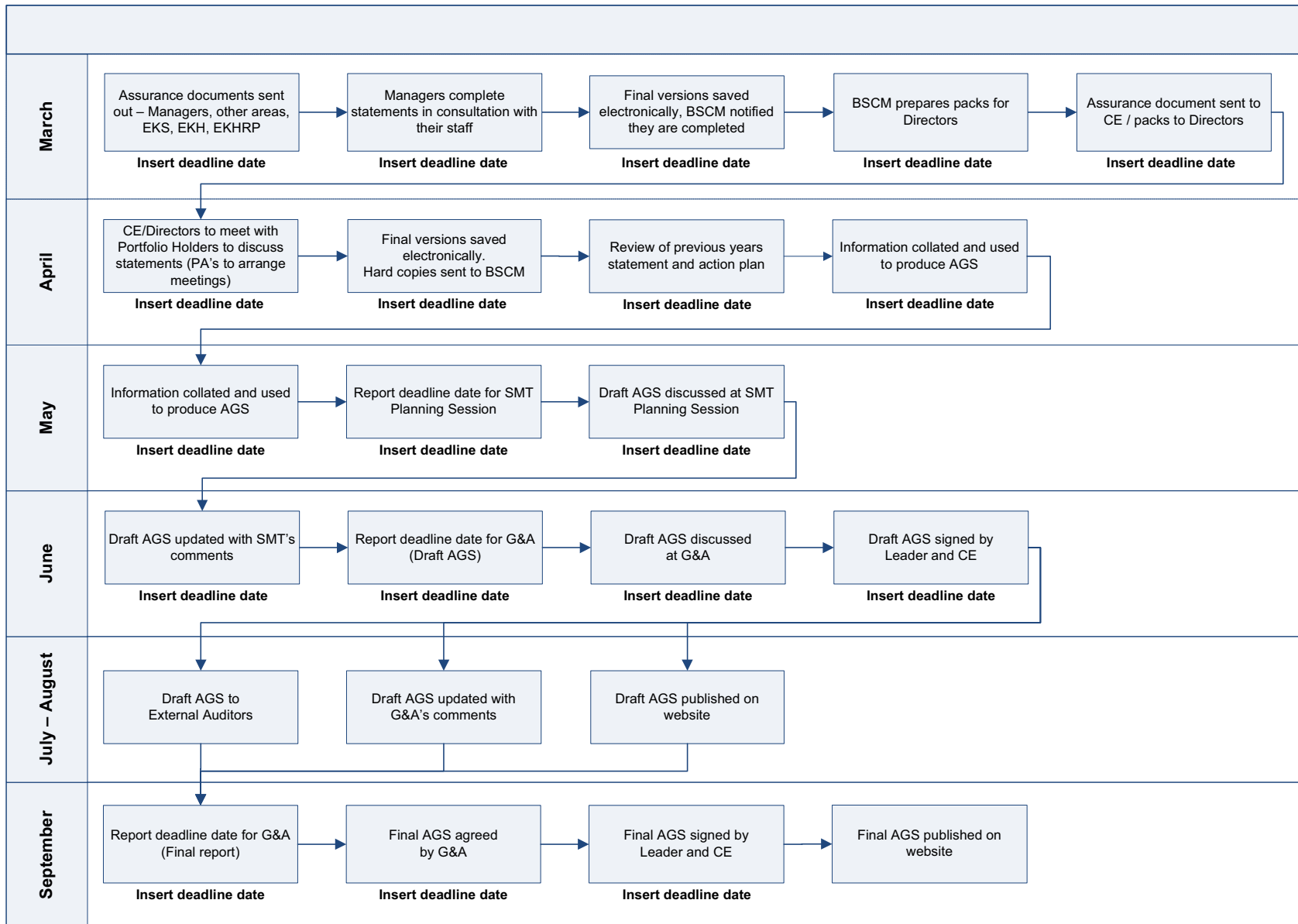
- Comments and recommendations from the Monitoring Officer and Section 151 Officer who have responsibility to oversee the operation of the governance framework and the Local Code of Corporate Governance; and contribute to the annual assessment process.
- Confirmation from Directors and Managers via an 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 East Kent HR 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	N/A 262.
V8	11 Dec 2013	Governance and Audit Committee	

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Thanet District Council

Local Code of Corporate Governance

Version 8
December 2013

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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

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

<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Performance reporting Treasury Management Strategy Value for Money audits
<ul style="list-style-type: none"> ensure compliance with CIPFA's Code on a Prudential Framework for Local Authority Capital Finance and CIPFA's Treasury Management Code 	

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

<p>Supporting principle: ensure the effective leadership throughout the authority and being clear about Executive and Non-Executive functions and of the roles and responsibilities of the Scrutiny function</p>	
<p>The council is required to:</p> <ul style="list-style-type: none"> 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 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 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 	<p>We will do this through the following:</p> <ul style="list-style-type: none"> Chief Executive / Chief Financial Officer chairs Senior Management Team meetings Chief Executive / Chief Financial Officer job description Committee terms of reference Constitution Job descriptions / specifications Publication of Senior Management Team pay and member allowances Record of decision making and supporting materials SMT Structure
<p>Supporting principle: ensure that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard</p>	
<p>The council is required to:</p> <ul style="list-style-type: none"> 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 make a Chief Executive or equivalent responsible and accountable to the authority for all aspects of operational management ensure that the authority's governance arrangements allow the CFO direct access to the CEO and to other leadership team members 	<p>We will do this through the following:</p> <ul style="list-style-type: none"> Annual review of the effectiveness of the council's internal audit arrangements report Budget monitoring process Chief Executive / Chief Financial Officer chairs Senior Management Team meetings Codes of Conduct Constitution Contract with East Kent Audit Partnership Core values and behaviours Corporate Structure Financial Procedure Rules Financial Risk Assessment Gifts and hospitality register Internal Audit Plan

<ul style="list-style-type: none"> ▪ 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 	<ul style="list-style-type: none"> ▪ Internal Audits of financial systems ▪ Job descriptions / specifications ▪ Local Code of Corporate Governance ▪ Member / officer protocol ▪ Monitoring Officer provision ▪ Officer Employment Procedure Rules ▪ Performance management system ▪ Performance reporting ▪ Register of Interests ▪ Reports to members / officers on financial matters ▪ Scheme of Delegation ▪ Section 151 provision ▪ SMT/Cabinet ▪ Standing Orders ▪ Statutory reports ▪ Whistleblowing Code
<ul style="list-style-type: none"> ▪ 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 	
<ul style="list-style-type: none"> ▪ 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 	
<ul style="list-style-type: none"> ▪ ensure that the CFO: <ul style="list-style-type: none"> ▪ 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 ▪ has a line of professional accountability for finance staff throughout the organisation 	
<ul style="list-style-type: none"> ▪ ensure that budget calculations are robust and reserves adequate, in line with CIPFA's guidance 	
<ul style="list-style-type: none"> ▪ 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 	
<ul style="list-style-type: none"> ▪ 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 	
<p>Supporting principle: ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other</p>	
<p>The council is required to:</p>	<p>We will do this through the following:</p>
<ul style="list-style-type: none"> • develop protocols to ensure effective communication between members and officers in their respective roles 	<ul style="list-style-type: none"> ▪ Annual budget and Council Tax consultation ▪ Appraisal process ▪ Budget monitoring ▪ Collaboration agreements and supporting SLA's ▪ Core values and behaviours ▪ Corporate Plan
<ul style="list-style-type: none"> • 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) 	

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

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

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

are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice	<ul style="list-style-type: none"> ▪ Senior Management Team ▪ Standing Orders ▪ Whistleblowing Code
Supporting principle: ensuring that organisational values are put into practice and are effective	
The council is required to:	We will do this through the following:
<ul style="list-style-type: none"> • 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 • 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 • 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 • develop and maintain an effective Standards Committee • 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 • 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 	<ul style="list-style-type: none"> ▪ Appraisal process ▪ Approved procedures and policies ▪ Audit reports ▪ Codes of Conduct ▪ Committee terms of reference ▪ Core values and behaviours ▪ Financial Procedure Rules ▪ Independent chair of Standards ▪ Internal audit check of compliance and approved procedures and policies ▪ Kent Compact ▪ Partnership Framework ▪ Managers Forum ▪ Professional body guidance documents (eg CIPFA) ▪ Regular reporting to the council ▪ Report template ▪ Staff and member development briefings ▪ Staff consultations ▪ Standards Committee annual report ▪ Thanet Compact

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

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

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

<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Risk Management Process Risk Management Strategy Senior Management Team Treasury Management Strategy Up to date risk register Whistleblowing Code
<ul style="list-style-type: none"> 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 	
<p>Supporting principle: using their legal powers to the full benefit of the citizens and communities in their area</p>	
<p>The council is required to:</p>	<p>We will do this through the following:</p>
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Constitution Job descriptions / specifications Monitoring Officer provision Section 151 provision Standing Orders
<ul style="list-style-type: none"> recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law 	
<ul style="list-style-type: none"> 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 	

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

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

<ul style="list-style-type: none"> provide the finance function with the resources, expertise and systems necessary to perform its role effectively 	and officers
<p>Supporting principle: developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group</p>	
<p>The council is required to:</p> <ul style="list-style-type: none"> assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively embed financial competencies in person specifications and appraisals 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 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 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 	<p>We will do this through the following:</p> <ul style="list-style-type: none"> Appraisal process Financial Procedure Rules Governance and Audit Committee training sessions Job description template Member role descriptions Performance management system Training Development Plan for members and officers
<p>Supporting principle: 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>The council is required to:</p> <ul style="list-style-type: none"> 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 ensure that career structures are in place for members and officers to encourage participation and development 	<p>We will do this through the following:</p> <ul style="list-style-type: none"> Change management programme Equality Impact Assessments Leadership programme Partnership Framework Public consultation process Social media

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

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

<p>whom they are accountable and assess the effectiveness of the relationship and any changes required</p>	
<ul style="list-style-type: none"> produce an annual report on the activity of the Scrutiny function 	
<p>Supporting principle: taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning</p>	
<p>The council is required to:</p>	<p>We will do this through the following:</p>
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Annual performance report Communication Strategy Constitution Corporate Plan Equality Impact Assessments Freedom of Information process Internet protocol Local Code of Corporate Governance Medium Term Financial Plan Partnership Framework Processes for dealing with competing demands within the community Public consultation Public meetings Publication Scheme Residents panels Social media Statement of Accounts
<ul style="list-style-type: none"> hold meetings in public unless there are good reasons for confidentiality 	
<ul style="list-style-type: none"> 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 	
<ul style="list-style-type: none"> 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 	
<ul style="list-style-type: none"> 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 	
<ul style="list-style-type: none"> 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 	
<p>Supporting principle: making best use of human resources by taking an active and planned approach to meet responsibility to staff</p>	
<p>The council is required to:</p>	<p>We will do this through the following:</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"> Communication Strategy Employee Council terms of reference Trade Union recognition agreement Workforce Forum

Document History

Version	Date	Agreed by	Minute ref
V1	10 Nov 2004	Cabinet	CR/74
	20 Jan 2005	Standards	75
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Risk Management Strategy

Version 10

January 2014

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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

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.

- 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.

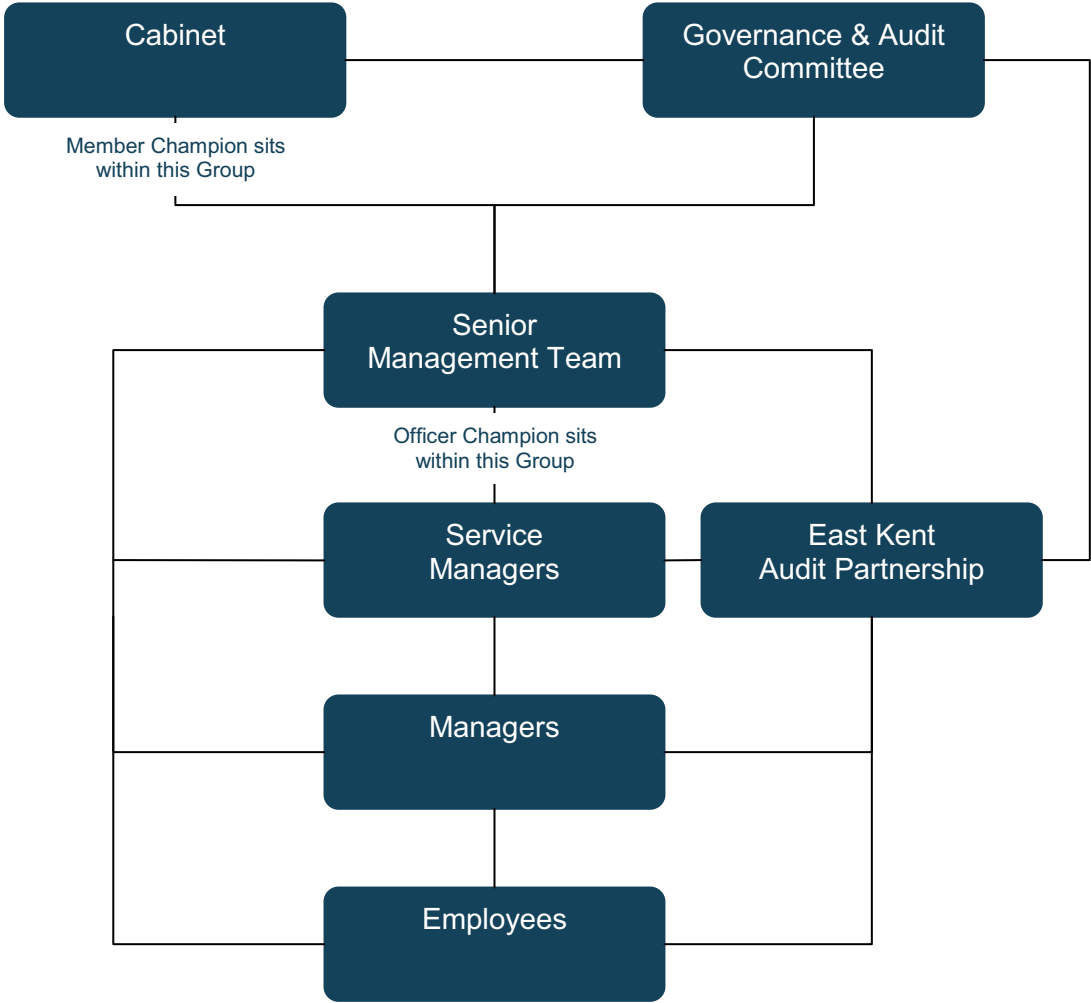
The Benefits



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
Member Champion	To understand the importance of risk management in all that the council does and to champion the cause of risk management.
Cabinet	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.
Elected Members	Gain an understanding and promote risk management and its benefits throughout the council.
Governance and Audit Committee	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.
Senior Management Team	<p>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.</p> <p>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.</p>
Officer Champion	Champion the risk management process throughout the council with both members and officers, ensuring the process is embedded and effective.
Section 151 Officer	Ensure that the risk management processes are considered as specified in the Finance Procedure Rules.
Directors	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.
Managers	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.
Employees	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.
East Kent Audit Partnership	Challenge the risk management process, including the identification and evaluation of risk and provide assurance to officers and members on the effectiveness of controls.
Business Support and Compliance Manager	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.

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.

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.

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:-

Timeframe	Description	Involvement from
Quarterly	Review of the Corporate Risk Register	Senior Management Team
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

Document History

Version	Date	Agreed by	Minute ref
V1	18 Oct 2004 1 Nov 2004 9 Nov 2004	Corporate Risk Management Group Heads of Service Management Team	CRMG 31 201/04-05 222/04-05
V2	1 Mar 2006 24 Jan 2006 7 Feb 2006 23 Feb 2006	Corporate Risk Management Group Finance, Best Value and Performance Review Panel Cabinet Council	CRMG 63 R186 2005/06 C/05 2005/06 66 2005/06
V3	6 Feb 2007 22 Feb 2007	Cabinet Council	C/07 2006/07 67 2006/07
V4	27 Sep 2007 1 Nov 2007 18 Dec 2007	Governance and Audit Committee Cabinet Council	R114 C11 61
V5	18 August 2008 24 September 2008 6 November 2008	Governance Group Governance and Audit Committee Cabinet	GOV08 R115 CR6
V6	1 September 2009 29 September 2009 5 November 2009	Governance Group Governance and Audit Committee Cabinet	GOV05 36. 126
V7	6 September 2010 28 September 2010 11 November 2010	Governance Group Governance and Audit Committee Cabinet	GOV04 102. 66.
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V10	21 November 2013 11 December 2013 21 January 2014	Managers Forum Governance and Audit Committee Cabinet	N/A

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Risk Management Process

Version 7
December 2013



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1. Introduction

Risk management is both a statutory requirement and an indispensable element of good management. As such, its implementation is crucial to the council and essential to its ability to discharge its various functions.

This risk management process has been designed to support members and officers in ensuring that the council is able to fully discharge its risk management responsibilities in a consistent manner. The Risk Management Strategy outlines the objectives, benefits and approach to the process to ensure that risks, both positive and negative, are successfully managed.

Risk management in Thanet District Council is about improving our ability to deliver outcomes for the community by managing our threats, enhancing our opportunities and creating an environment that adds value to ongoing activities.

Risk management is a key part of corporate governance. Corporate governance is the way an organisation manages its business, determines strategy and objectives and goes about achieving those objectives. Good risk management will help identify and deal with key corporate risks facing the organisation in the pursuit of its goals and is a key part of good management, not simply a compliance exercise.

To help with the process, this guidance document describes a simple methodology working through the following questions:

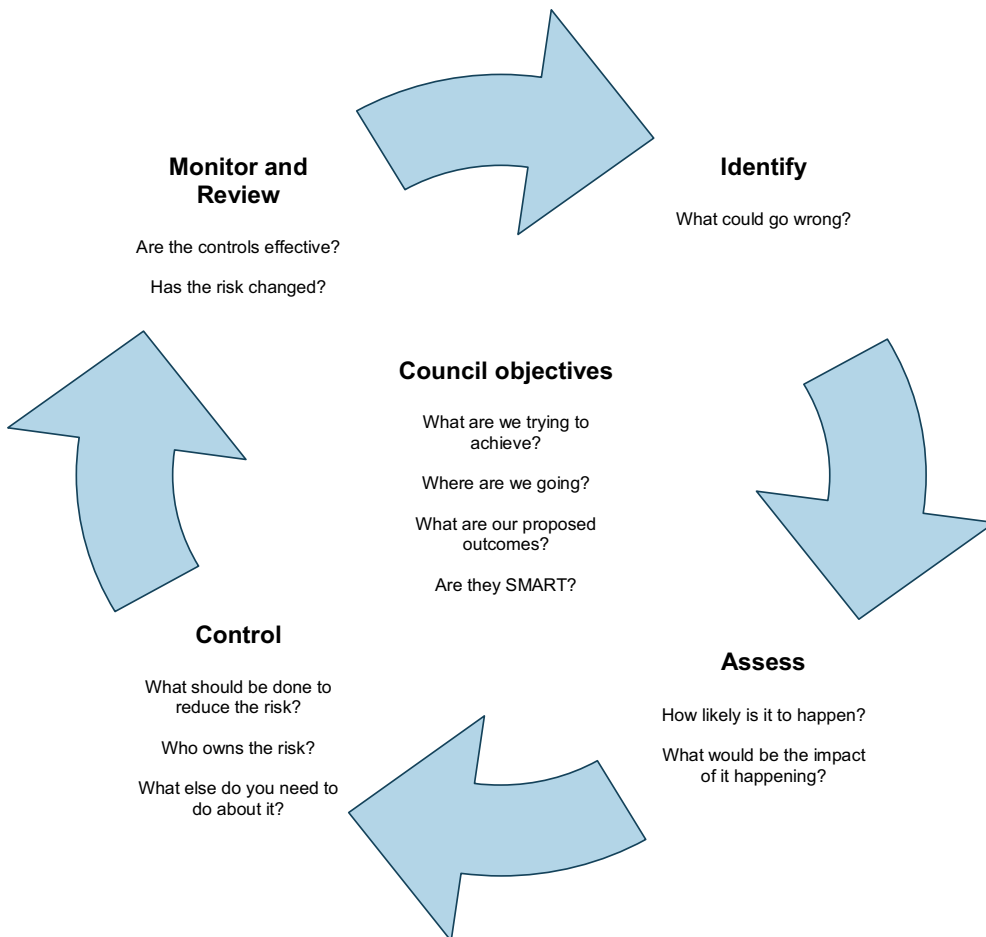
- Are your objectives SMART?
 - Specific
 - Measurable
 - Achievable
 - Realistic
 - Time bound
- What could go wrong?
- How likely is it to happen?
- What would be the impact of it happening?
- What should be done to reduce the risk?
- Who owns the risk?
- What else do you need to do about it?

2. Risk Management Process

The starting point for risk management is a clear understanding of what the organisation is trying to achieve. Risk management is about managing the threats that may hinder delivery of our priorities and core service provisions, and maximising the opportunities that will help to deliver them. Therefore, effective risk management should be clearly aligned to the following processes:

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

and should take into account the environment within which the council operates.



2.1 Identify

Identify the potential risks or opportunities that may arise. Where taking risks that may benefit the organisation, managing these opportunities increases the chance of success and reduces the possibility of failure. By managing our opportunities well, we will be in a better position to provide improved services and better value for money.

It may help to use the following structure to describe risks and opportunities “If then”.

For example:

“If we do not review and manage our budget, then there is a risk that we will overspend.”

“If the implementation of the new system is achieved according to the action plan, then the overall process will be more effective.”

Risks will be considered under the following headings:

- **Corporate** - those which could impact across the whole council arising from a major event. These should be assessed by the Senior Management Team and then reported to the Governance and Audit Committee on a regular basis.
- **Operational** - ~~those resulting from the council's internal activities focusing on risks arising from the people, systems and processes through which we operate.~~ In some instances operational risks may escalate to become corporate.
- **Partnership** - those associated with achieving the outcomes set by the partnership. It is essential that the risks the council may face when entering into a partnership are clearly identified and managed prior to the partnership being initiated.
- **Project risks** - those associated with achieving a project within the required time, costs and resources, regardless of its size. Risks associated with the project, both negative and positive, must be clearly identified and managed. (Further information can be obtained from the Project Management Toolkit).

Deleted: those resulting from inadequate or failed internal processes, people and systems or from external events

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

2.2 Assess

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

Developing a standard methodology to score risks is intended to help ensure consistent, meaningful scores that can be used to assess risks.

The risk rating needs to be regularly reviewed to check that existing controls are effective and to assess any changes should new controls be established and the score should be amended to reflect this.

Table 1 - Probability

Rating	Score	Indicative Guidelines – provided as examples	
		Threat	Opportunity
Very likely	4	<ul style="list-style-type: none"> • More than a 75% chance of occurrence. • Regular occurrence. • Circumstances frequently encountered. 	<ul style="list-style-type: none"> • Favourable outcome is likely to be achieved in one year. • Better than 75% chance of occurrence.
Likely	3	<ul style="list-style-type: none"> • 41% - 75% chance of occurrence. • Likely to happen at some point in the next 3 years. • Circumstances occasionally encountered. 	<ul style="list-style-type: none"> • Reasonable prospects of favourable results in one year. • 41% - 75% chance of occurrence.
Unlikely	2	<ul style="list-style-type: none"> • 10% - 40% chance of occurrence. • Only likely to happen once every 3 or more years. • Circumstances rarely encountered. 	<ul style="list-style-type: none"> • Some chance of favourable outcome in medium term. • 10% - 40% chance of occurrence.
Remote	1	<ul style="list-style-type: none"> • Less than a 10% chance of occurrence. • Has never happened before. • Circumstance never encountered. 	<ul style="list-style-type: none"> • Less than a 10% chance of occurrence.

Thanet District Council – Risk Management Process

Table 2 - Impact

Rating	Score	Indicative Guidelines – provided as examples	
		Threat	Opportunity
Major	4	<ul style="list-style-type: none"> • Major loss of service for more than 5 days. • One or more fatalities. • Major financial variation of more than £300k. • Major national news item. • Major impact on time / costs / resources. • Affect the whole council. 	<ul style="list-style-type: none"> • Major improvement to services, generally or across a broad range. • Major improvement to health, welfare and safety. • Positive national press, national award or recognition, elevated status by national government. • Producing more than £100,000
Serious	3	<ul style="list-style-type: none"> • Loss of service for 3 to 5 days. • Major injury to an individual / several people. • Financial variation between £150k and £300k. • Major local news / professional press item. • Serious impact on time / costs / resources. • Affect many service areas of the council. 	<ul style="list-style-type: none"> • Major improvement to critical service area. • Serious improvement to health, welfare and safety. • Recognition of successful initiative. • Sustained positive recognition and support from local press. • Producing up to £100,000.
Significant	2	<ul style="list-style-type: none"> • Loss of service for 2 to 3 days. • Severe injury to an individual / several people. • Financial variation of £50k to £150k. • Local news / minor professional press items. • Controllable impact on time / costs / resources. • Affect 1 or few service areas of the council. 	<ul style="list-style-type: none"> • Significant improvement to service area. • Significant improvement to health, welfare and safety. • Recognition of successful initiative. • Positive recognition and support from local press.
Minor	1	<ul style="list-style-type: none"> • Brief disruption to service for less than 1 day. • Minor injury to an individual. • Financial variation of less than £50k. • Minimal news / press impact. • Minimal impact on time / costs / resources. • Affect Project Team only. 	<ul style="list-style-type: none"> • Improvement to a process within a service area.

Table 3 – Risk Matrix

Probability	Very likely (4)	Medium-Low (4)	Medium-High (8)	High (12)	High (16)
	Likely (3)	Medium-Low (3)	Medium-High (6)	Medium-High (9)	High (12)
	Unlikely (2)	Low (2)	Medium-Low (4)	Medium-High (6)	Medium-High (8)
	Remote (1)	Low (1)	Low (2)	Medium -Low (3)	Medium-Low (4)
		Minor (1)	Significant (2)	Serious (3)	Major (4)
			Impact		

2.3 Control

This stage of the process is to decide on a course of action to address the risks identified, to ensure that they do not develop into an issue, where the potential threat is realised. There are four approaches that can be taken to address the risks that have been identified and assessed, these being terminate, transfer, treat and tolerate

Table 4 – Risk Appetite

Level of Risk	Level of Concern	Recommended review pattern	Approach option(s) available	Other actions required
High	Very concerned	1 – 2 months	Terminate Transfer Treat	Report to Governance and Audit Committee
Medium-High	Concerned	3 – 4 months	Terminate Transfer Treat	
Medium-Low	Tolerate	5 – 6 months	Terminate Transfer Treat Tolerate	If accepted, must have contingency plans in place
Low	Content	7 – 8 months	Tolerate	Treat, if cost effective

Table 5 – Risk control approaches

APPROACH	DESCRIPTION
Terminate	A decision is made not to undertake the activity that is likely to trigger the risk. Where the risks outweigh the possible benefits, terminate the risk by doing things differently and thereby removing the risk.
Transfer	Share the exposure, either totally or in part, with a partner or contractor, or through insurance. Any partnership will need to be carefully monitored as it may not be possible to transfer all risks and certain aspects may remain, such as loss of reputation.
Treat	The most common approach is to introduce preventative actions to reduce the probability or impact if the risk occurs and maximise the potential for success.
Tolerate	The ability of an effective action against some risks may be limited or the cost of taking such action may be disproportionate to the potential benefits gained.

Control measures are concerned with the actions taken to reduce the probability or impact of risks, not wholly to terminate or transfer.

2.4 Monitor and Review

Few risks remain static. New issues and risks are likely to emerge and existing risks may change. Having identified the risks, assessed them and put control measures in place, it is essential that they are routinely monitored. (See table 4 – recommended review pattern).

Risk management needs to be seen as a continuous process. It is essential that the incidence of risk be reviewed to see whether it has changed over time. Risk management is a dynamic process – new risks will be identified, some will be terminated and control measures will need to be updated in response to changing internal and external events. The assessment of probability and impact will also need to be reviewed, particularly in light of our own management actions.

Monitoring progress and regular reviews provides:

- Assurance that progress is being made towards controlling risks
- Assurance that controls are effective
- Knowledge of any changes to the risk brought about shifting circumstances or business priorities.

When undertaking the monitor and review process, guidance is given below on the sorts of questions that should be taken into account:

- Are the risks still relevant?
- Has anything occurred that could impact on them?
- Are performance indicators appropriate?
- Are the controls in place effective?
- Have risk scores changed, and if so are they decreasing or increasing?
- If risk profiles are increasing, what further controls might be needed?
- If risk profiles are decreasing, can controls be relaxed?

Thanet District Council – Risk Management Process

The monitoring and review process should be integrated into existing business processes so that it adds value and supports the successful achievement of objectives and is not just seen as a 'bolt on'. Where objectives have not been achieved or are not on course to be achieved, the cause(s) should be investigated to inform and improve the risk assessment process.

3. Categories of risk

Categories are widely used to identify sources of risk, some will be of greater concern at the corporate level and some at the operational level, however there is no clear distinction and all levels of management should be concerned, to varying degrees, with the majority of categories.

These risks can be categorised as follows: -

CATEGORY	DESCRIPTION	INDICATIVE GUIDELINES (given as examples)
Political	those associated with a failure to deliver either local or central government policy.	<ul style="list-style-type: none"> • Wrong political priorities • Not meeting government agenda • Too slow or failure to modernise • Decision based on incorrect information • Unfulfilled promises to electorate • Community planning oversight / errors
Economic	those affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance or the consequences of proposed investment decisions.	<ul style="list-style-type: none"> • General/regional economic problems • Missed business and service opportunities • Failure of major projects • Failure to prioritise, allocate appropriate budgets and monitor • Inadequate control over expenditure or income • Inadequate insurance cover • Susceptibility to fraudulent activity
Social	those relating to the effects of changes in demographic, residential or socio-economic trends on the council's ability to deliver its objectives.	<ul style="list-style-type: none"> • Failing to meet the needs of disadvantaged communities • Failures in partnership working • Problems in delivering life-long learning • Impact of demographic change • Crime and disorder
Technological	those associated with the capacity of the council to deal with the pace / scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of	<ul style="list-style-type: none"> • Breach of confidentiality • Failure in communications • Insufficient disaster recovery for key data/systems • Failure of big technology related project

Thanet District Council – Risk Management Process

CATEGORY	DESCRIPTION	INDICATIVE GUIDELINES (given as examples)
	internal technological failures on the council's ability to deliver its objectives.	<ul style="list-style-type: none"> • Breach of security of networks and data • Failure to comply with IT Security Policy
Legislative	those associated with current or potential changes in national or European law.	<ul style="list-style-type: none"> • Inadequate response to new legislation • Not meeting statutory duties/deadlines • Failure to implement legislative change • Misinterpretation of legislation • Exposure to liability claims e.g. motor accidents, wrongful advice • Breach of confidentiality / Data Protection Act
Environmental	those relating to environmental consequences of progressing the council's corporate objectives (e.g. in terms of energy, efficiency, pollution, recycling, etc).	<ul style="list-style-type: none"> • Impact on sustainability initiatives • Impact of planning & transportation policies • Noise, contamination and pollution • Crime & Disorder Act implications • Inefficient use energy and water • Incorrect storage/disposal of waste
Competitive	those affecting the competitiveness of the service (in terms of cost of quality) and / or its ability to deliver best value.	<ul style="list-style-type: none"> • Take over of services by government • Failure of bids for government funds • Failure to show value for money • Accusations of anti-competitive practices
Customer / Citizen	those associated with the failure to meet the current and changing needs and expectations of customer and citizens.	<ul style="list-style-type: none"> • Lack of appropriate consultation • Bad public and media relations
Reputation	those relating to public confidence and failure to recruit high calibre staff.	<ul style="list-style-type: none"> • Adverse media attention • Policies misunderstood or misinterpreted • Negative implications identified by other which have not been previously considered • Failure to keep partners on side • Breach of confidentiality • Lack of business continuity plan • Failure to maintain and upkeep land and property • <u>Reputational damage caused by fraudulent / corrupt activities</u>
Partnership	those associated with working in	<ul style="list-style-type: none"> • Non compliance with procurement

Thanet District Council – Risk Management Process

CATEGORY	DESCRIPTION	INDICATIVE GUIDELINES (given as examples)
	partnership with another organisation.	policies <ul style="list-style-type: none">• Poor selection of partner• Poor contract specification, deficiencies• Failure of partner to deliver• Inadequate contract terms & conditions• Bad management of partnership working

4. Risk Register

It is good governance for the council to maintain and review a register of its corporate and operational risks assigning named individuals as responsible officers. The Risk Register is a tool for capturing important information about a risk or opportunity, and is a continual process. New risks will be identified, some will be terminated, control measures will need to be updated in response to changing internal and external events.

The data contained within the risk register will be used to inform our performance reporting process. Also, as detailed within the risk management strategy, the Governance and Audit committee will be regularly informed on the content of the corporate risk register.

To meet this requirement, the council has a database in place (INPHASE) to hold this information, which is linked to the corporate objectives. This database is available via the Intranet.

5. Summary

This guidance document is intended to provide a simple methodology to help with the risk management process. It may be helpful to understand how managing risk through this process fits in with the overall approach to managing risk throughout the council. Details of this can be found in the 'Risk Management Strategy'.

Risk management is not the responsibility of just a few specialists, it must be seen as a responsibility for all members and officers.

For any further advice or assistance, please contact:
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6. Document History

Version	Date	Agreed by	Minute ref
V1 (RMS)	18 Oct 2004 1 Nov 2004 9 Nov 2004	Corporate Risk Management Group Heads of Service Management Team	CRMG 31 201/04-05 222/04-05
V2 (RMS)	1 Mar 2006 24 Jan 2006 7 Feb 2006 23 Feb 2006	Corporate Risk Management Group Finance, Best Value and Performance Review Panel Cabinet Council	CRMG 63 R186 2005/06 C/05 2005/06 66 2005/06
V3 (RMS)	6 Feb 2007 22 Feb 2007	Cabinet Council	C/07 2006/07 67 2006/07
V1 (RMP)	27 Sep 2007	Governance and Audit Committee	R114
V2	18 August 2008 24 September 2008	Governance Group Governance and Audit Committee	GOV08 R115
V3	1 September 2009 29 September 2009	Governance Group Governance and Audit Committee	GOV05 36.
V4	6 September 2010 28 September 2010	Governance Group Governance and Audit Committee	GOV04 102.
V5	29 September 2011	Governance and Audit Committee	182.
V6	23 August 2012 25 September 2012	Senior Management Team Governance and Audit Committee	2. 251.
V7	21 November 2013 11 December 2013	Managers Forum Governance and Audit Committee	N/A

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CIPFA CODE OF PRACTICE ON TREASURY MANAGEMENT (2011 EDITION)

To: **Governance & Audit Committee – 11 December 2013**

Main Portfolio Area: **Finance**

By: **Sarah Martin – Financial Services Manager and Deputy S151 Officer**

Classification: **Unrestricted**

Summary: **This report makes recommendations in line with the CIPFA Code of Practice on Treasury Management (2011 Edition)**

For Decision

1.0 Introduction and Background

- 1.1 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 in paragraph 24 require local authorities to have regard to the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Treasury Management (2011 edition) (the Code).
- 1.2 The Code also has the support of a wide range of organisations. For example, the Local Government Association has expressed strong support for the Code and encourages the good practice set out in the Code.
- 1.3 This Council follows the Code.

2.0 Formal Requirements/Procedures

- 2.1 As set out in the annex to this report, the Code recommends that certain clauses/delegations are confirmed by Council and that a policy statement and treasury management practices are confirmed by the Governance & Audit Committee.
- 2.2 The delegation of responsibility for the implementation and regular monitoring of treasury management policies and practices to the Governance & Audit Committee is consistent with the existing terms of reference of the Governance & Audit Committee as set out in the Council's constitution, in particular its authority:
 - 2.2.1 To consider the Council's arrangements for governance and agreeing necessary actions to ensure compliance with best practice; and
 - 2.2.2 To consider the Council's compliance with its own and other published standards and controls.
- 2.3 The delegation of responsibility for the execution and administration of treasury decisions to the s151 officer is consistent with the existing authority of the Chief Executive as Financial officer as set out in the Council's constitution, in particular her authority to:

- 2.3.1 Conduct and carry out the functions and responsibilities of the Chief Financial Officer pursuant to the Local Government Finance Act 1988 and to be the person with responsibility for the administration of the Council's financial affairs pursuant to Section 151 of the Local Government Act 1972 including the provision of proper and effective systems of accountancy, treasury management and internal audit (delegation number CFO201C);
- 2.3.2 Deal with the management of all transactions relating to the cash and financing resources of the Council in accordance with recognised practices (delegation number CFO202C); and
- 2.3.3 Arrange for the investment of the Council's funds in accordance with annually approved Treasury Management Code of Practice and to be responsible for the Council's banking arrangements including authority to act in all dealings with the Council's bankers (delegation number CFO205CE).

3.0 Corporate Implications

3.1 Financial

- 3.1.1 There are no financial implications arising directly from this report.

3.2 Legal

- 3.2.1 There are no legal implications arising directly from this report.

3.3 Corporate

- 3.3.1 This report evidences that the Council continues to carefully manage its treasury function in line with best practice.

3.4 Equity and Equalities

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

4.0 Recommendation(s)

- 4.1 That the Governance & Audit Committee at its meeting on 11 December 2013:
 - 4.1.1 Considers and approves this report and annex 1.
 - 4.1.2 Approves the clauses to be adopted by Council as set out in annex 1, and agrees that they be submitted to Constitutional Review Working Party, Standards Committee, Cabinet and then Council for formal adoption.
 - 4.1.3 Approves and adopts the Policy Statement and Treasury Management Practices as set out in annex 1 (subject to approval of the clauses to be adopted by Council in section 4.1.2 above).

5.0 Decision Making Process

- 5.1 For approval by the Governance & Audit Committee, Constitutional Review Working Party, Standards Committee, Cabinet and then Council as set out in section 4 above.

Future Meetings:	Date:
Constitutional Review Working Party	TBC

Standards Committee	6 March 2014
Cabinet	3 April 2014
Council	24 April 2014

Contact Officer:	Sarah Martin, Financial Services Manager extn 7617
Reporting to:	Sue McGonigal, Chief Executive and S151 Officer

Annex List

Annex 1	CIPFA Code of Practice on Treasury Management (2011 Edition)
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Corporate Consultation Undertaken

Finance	N/A
Legal	Harvey Patterson, Corporate & Regulatory Services Manager

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Annex 1: CIPFA Code of Practice on Treasury Management (2011 Edition)

Clause Adoption (for approval by G&A Committee, Cabinet & Council)

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

1. This organisation will maintain, as the cornerstones for effective treasury management:
 - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
 - suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the CIPFA Code of Practice on Treasury Management, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.

2. This organisation (ie full council) will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
3. This organisation delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Governance & Audit Committee, and for the execution and administration of treasury management decisions to the s151 officer (the responsible officer), who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
4. This organisation nominates the Governance & Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Policy Statement (for approval by G&A Committee)

CIPFA recommends that an organisation's treasury management policy statement adopts the following forms of words to define the policies and objectives of its treasury management activities:

1. This organisation defines its treasury management activities as:
The management of the organisation'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. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury

management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
4. This organisation sets parameters/policies for its borrowing and investments as described in its annual Treasury Management Strategy Statement.

Treasury Management Practices (for approval by G&A Committee)

CIPFA recommends that an organisation's treasury management practices (TMPs) include those of the following that are relevant to its treasury management powers and the scope of its treasury management activities:

TMP1 Risk management

TMP2 Performance measurement

TMP3 Decision-making and analysis

TMP4 Approved instruments, methods and techniques

TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements

TMP6 Reporting requirements and management information arrangements

TMP7 Budgeting, accounting and audit arrangements

TMP8 Cash and cash flow management

TMP9 Money laundering

TMP10 Training and qualifications

TMP11 Use of external service providers

TMP12 Corporate governance

TMP1 Risk management

General statement

The responsible officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in *TMP6 Reporting requirements and management information arrangements*.

[1] credit and counterparty risk management

This organisation regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in *TMP4 Approved instruments, methods and techniques*. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements.

[2] liquidity risk management

This organisation will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

This organisation will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

[3] interest rate risk management

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

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

It will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy.

[4] exchange rate risk management

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

[5] refinancing risk management

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

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

[6] legal and regulatory risk management

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

This organisation recognises that future legislative or regulatory changes may impact on its

treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

[7] fraud, error and corruption, and contingency management

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

[8] market risk management

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

TMP2 Performance measurement

This organisation is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements.

TMP3 Decision-making and analysis

This organisation will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

TMP4 Approved instruments, methods and techniques

This organisation will undertake its treasury management activities by employing only approved instruments, methods and techniques, and within the limits and parameters defined in TMP1 *Risk management*.

Where this organisation intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The organisation will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

TMP5 Organisation , clarity and segregation of responsibilities, and dealing arrangements

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

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

If and when this organisation intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The responsible officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out.

The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

The responsible officer will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the *Standard of Professional Practice on Treasury Management*.

TMP6 Reporting requirements and management information arrangements

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

As a minimum:

The organisation (ie full council) will receive:

- an annual report on the strategy and plan to be pursued in the coming year
- a mid-year review
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

The committee/board/council will receive regular monitoring reports on treasury management activities and risks.

The body responsible for scrutiny, which is the Governance & Audit Committee, will have responsibility for the scrutiny of treasury management policies and practices.

Local authorities should report the treasury management indicators as detailed in their sector-specific guidance notes.

TMP7 Budgeting, accounting and audit arrangements

The responsible officer will prepare, and this organisation will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 *Risk management*, TMP2 *Performance measurement*, and TMP4 *Approved instruments, methods and techniques*. The responsible officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 *Reporting requirements and management information arrangements*.

This organisation will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

TMP8 Cash and cash flow management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this organisation will be under the control of the responsible officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1[1] *liquidity risk management*.

TMP9 Money laundering

This organisation is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained.

TMP10 Training and qualifications

This organisation recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer will recommend and implement the necessary arrangements.

The responsible officer will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

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

TMP11 Use of external service providers

This organisation recognises that responsibility for treasury management decisions remains with the organisation at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will

also 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. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the responsible officer.

TMP12 Corporate governance

This organisation is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

This organisation has adopted and has implemented the key principles of the CIPFA Code of Practice on Treasury Management. This, together with the organisation's other treasury arrangements, are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

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FINANCIAL RESILIENCE ACTION PLAN

To: **Governance and Audit Committee – 11 December 2013**

Main Portfolio Area: **Financial Services**

By: **Financial Services Manager**

Classification: **Unrestricted**

Ward: **All**

Summary: For Members to approve the action plan to address the weaknesses identified within the financial resilience report for the year ended 31 March 2013

For Decision

1.0 Introduction and Background

1.1 As part of their final account work for 2013/14, Grant Thornton produced a financial resilience report which highlighted the key findings from their specific review of the Council's arrangements in securing financial resilience. This review included consideration of whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities and whether it has secured a stable financial position that enables it to continue to operate for the foreseeable future.

1.2 The financial resilience report was presented to this committee at its September meeting. The report concluded that the Council has put sound arrangements in place and adequately approached financial planning, governance and control.

1.3 The report did, however, identify a few areas of potential risk or weakness where arrangements need to be strengthened.

2.0 Current Situation

2.1 A review has been taken of all the areas of potential risk or weakness as identified within the financial resilience report. The attached annex highlights the current position and proposed action to address each of these risks or weaknesses together with a deadline date.

3.0 Corporate Implications

3.1 Financial

3.1.1 As part of the annual final account audit, external audit are required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion). The financial resilience report helps to support the Value for Money conclusion. To ensure that the Council continues to satisfy the auditors in this regard,

action is required to address any weaknesses or risks identified within the financial resilience report.

3.2 Legal

3.2.1 There are no legal implications arising from this report.

3.3 Corporate

3.3.1 Under the Local Code of Corporate Governance accepted by Cabinet on 10 November 2004, the Council is committed to publish and make available reports that give an objective and understandable account of its activities, achievements, financial position and performance. The financial resilience report was published as part of the Governance and Audit agenda for 25 September 2013 and it helps to give an understanding of the Council's financial position. This report now presents the proposed actions required to address the weaknesses and areas of risk identified in the financial resilience report.

3.4 Equity and Equalities

3.4.1 There are no equity and equalities implications.

4.0 Recommendation

4.1 That Governance and Audit approve the action plan at Annex 1 to this report.

Contact Officer:	Sarah Martin, Financial Services Manager & Deputy S151
Reporting to:	Sue McGonigal, Chief Executive & S151

Annex List

Annex 1	Financial Resilience Action Plan
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Corporate Consultation Undertaken

Finance	N/A
Legal	Harvey Patterson, Corporate & Regulatory Services Manager

Financial Resilience Action Plan

Strategic Financial Planning			
Area of focus	Grant Thornton's observations	Update/proposed action	Deadline
Focus of the MTFP	The Council has developed a MTFP for 2014/15 to 2017/18. This was approved by the Council alongside the revenue and capital budgets for 2013/14 in February 2013. Several versions of the MTFP have been modelled since that taken to Council. The latest MTFP covers the period from 2014/15 to 2017/18 and reflects the latest cuts announced in the recent Spending Review. This now shows a budget gap of £11m over these 4 years. Various options are being worked up to meet the gap in 2014/15.	The MTFP has continued to be updated to reflect the most up to date spending cut announcements and the latest assumptions. SMT and Members have met to discuss saving proposals to bridge the budget gap for 2014/15 and these will be presented to Cabinet and then Full Council for approval. Work is also in progress to work up further options to balance the budget over the following three years.	January 2014
	A service review programme has been established to look at alternative service delivery methods with expected savings of £3m over the next four years. The Council will develop its future budget plans to protect its key priority services, such as Street Cleansing, Refuse Collection and Recycling; and Community Safety and Crime Reduction.	The service review / business transformation programme is a key undertaking for the council in the forthcoming years. ' The programme will address all the fundamental change activities needed for the Council to deliver its strategic objectives against continuing budget constraints. It will therefore be used to identify key areas for focus over the next few years in order to identify and achieve savings, efficiencies and improvements to service delivery. Work is now in progress to deliver against this programme.	Each project within the programme has its own deadline date
Financial Governance			
Area of focus	Grant Thornton's observations	Update/proposed action	Deadline
Overview for controls over key cost categories	The Council's management accountants have been looking at unit costs to get a better understanding of budgets. A detailed understanding of detailed costings and their drivers will be key in ensuring efficiencies are identified and monitored. A complete zero based budgeting exercise has been undertaken for Clean Streets and the Council should consider rolling out this approach more widely.	A full review of the Maritime budgets is currently being undertaken. A detailed exercise has been carried out for Building Control which also includes reviewing their charging mechanism. The management accountants now oversee the Council's high risk budgets with the budget accountants reviewing the lower risk areas. The management accountants are working with the managers to understand the cost drivers behind the more risky budgets. A full review	October 2014

		of all the high risk areas will be undertaken over the next twelve months.	
Adequacy of other Committee/Cabinet reporting	The quarterly budget reports include details for general fund, housing revenue accounts, capital and debt levels. This could be strengthened further with reporting of financial health indicators covering such indicators as cash balances, debt, payments made within agreed terms and inflation indices. These would help provide indications of trigger points.	Financial health indicators will be developed and included in future reports from the new financial year.	April 2014
Financial Control			
Area of focus	Grant Thornton's observations	Update/proposed action	Deadline
Finance department resourcing	The Council has undergone a significant restructuring over recent years. The finance function has historically had significant capacity issues. In 2012/13, the team have made a number of internal changes and are now fully staffed. Although this has enabled significant improvement, capacity remains tight to deliver the full finance function and there is little contingency for any resourcing gaps or issues.	The restructure currently under consultation proposes bringing procurement into finance. This will enable a more streamlined approach to the procure to pay process and will improve capacity for day to day processing and system development. There are no other immediate plans to revise the structure of the finance team. Workloads are reviewed by managers on a regular basis and priorities identified. It is recognised that final accounts is a key workstream and those officers who need to be involved in this process will continue to make this their priority over the closedown period.	ongoing
	The Chief Executive and S151 officer is a shared role. This has allowed good oversight of the financial impact of all decisions made and has ensured excellent leadership within finance. However, given the range of complex strategic projects the Council is currently involved in, the joint role is a demanding one. The Council should revisit whether this dual role remains appropriate.	The proposed restructure separates the S151 officer role from the Chief Executive role and moves it to a new post of Director of Corporate Resources. This will also provide some additional capacity in response to the point raised above.	1 April 2014

TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY – MID YEAR REVIEW REPORT 2013/14

To: **Governance & Audit Committee – 11th December 2013**

Main Portfolio Area: **Finance**

By: **Capital & Treasury Finance Officer**

Classification: **Unrestricted**

Summary: **This report summarises treasury management activity and prudential/treasury indicators for the first half of 2013/14.**

For Decision

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 optimising 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 Accordingly 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.
- 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 2013/14 financial year to 30 September 2013;
- 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 2013/14;
- A review of the Council's borrowing strategy for 2013/14;
- A review of any debt rescheduling undertaken during 2013/14;
- A review of compliance with Treasury and Prudential Limits for 2013/14.

2.4 There have not been any key changes to the Treasury and Capital Strategies during the first half of 2013/14.

3 Capita's Economic update (issued by the Council's treasury advisor, Capita (previously called Sector), on 1 October 2013)

3.1 Economic performance to date (issued by Capita on 1 October 2013)

3.1.1 During 2013/14 economic indicators suggested that the economy is recovering, albeit from a low level. After avoiding recession in the first quarter of 2013, with a 0.3% quarterly expansion the economy grew 0.7% in Q2. There have been signs of renewed vigour in household spending in the summer, with a further pick-up in retail sales, mortgages, house prices and new car registrations.

3.1.2 The strengthening in economic growth appears to have supported the labour market, with employment rising at a modest pace and strong enough to reduce the level of unemployment further. Pay growth also rebounded strongly in April, though this was mostly driven by high earners delaying bonuses until after April's cut in the top rate of income tax. Excluding bonuses, earnings rose by just 1.0% y/y, well below the rate of inflation at 2.7% in August, causing continuing pressure on household's disposable income.

- 3.1.3 The Bank of England extended its Funding for Lending Scheme (FLS) into 2015 and sharpened the incentives for banks to extend more business funding, particularly to small and medium size enterprises. To date, the mortgage market still appears to have been the biggest beneficiary from the scheme, with mortgage interest rates falling further to new lows. Together with the Government's Help to Buy scheme, which provides equity loans to credit-constrained borrowers, this is helping to boost demand in the housing market. Mortgage approvals by high street banks have risen as have house prices, although they are still well down from the boom years pre 2008.
- 3.1.4 Turning to the fiscal situation, the public borrowing figures continued to be distorted by a number of one-off factors. On an underlying basis, borrowing in Q2 started to come down, but only slowly, as Government expenditure cuts took effect and economic growth started to show through in a small increase in tax receipts. The 2013 Spending Review, covering only 2015/16, made no changes to the headline Government spending plan, and monetary policy was unchanged in advance of the new Bank of England Governor, Mark Carney, arriving. Bank Rate remained at 0.5% and quantitative easing also stayed at £375bn. In August, the MPC provided forward guidance that Bank Rate is unlikely to change until unemployment first falls to 7%, which was not expected until mid 2016. However, 7% is only a point at which the MPC will review Bank Rate, not necessarily take action to change it. The three month to July average rate was 7.7%.
- 3.1.5 CPI inflation (MPC target of 2.0%), fell marginally from a peak of 2.9% in June to 2.7% in August. The Bank of England expects inflation to fall back to 2.0% in 2015.
- 3.1.6 Financial markets sold off sharply following comments from Ben Bernanke (the Fed chairman) in June that suggested the Fed may 'taper' its asset purchases earlier than anticipated. The resulting rise in US Treasury yields was replicated in the UK. Equity prices fell initially too, as Fed purchasing of bonds has served to underpin investor moves into equities out of low yielding bonds. Increases in payroll figures have shown further improvement, helping to pull the unemployment rate down from a high of 8.1% to 7.3%, and continuing house price rises have helped more households to escape from negative equity. In September, the Fed surprised financial markets by not starting tapering as it felt the run of economic data in recent months had been too weak to warrant taking early action. Bond yields fell sharply as a result, though it still only remains a matter of time until tapering does start.
- 3.1.7 Tensions in the Eurozone eased over the second quarter, but there remained a number of triggers for a renewed flare-up. Economic survey data improved consistently over the first half of the year, pointing to a return to growth in Q2, so ending six quarters of Eurozone recession.
- 3.2 Outlook for the next six months of 2013/14 (issued by Capita on 1 October 2013)**
- 3.2.1 Economic forecasting remains difficult with so many external influences weighing on the UK. Volatility in bond yields is likely during 2013/14 as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds. Downside risks to UK gilt yields and PWLB rates include:
- A return to weak economic growth in the US, UK and China causing major disappointment to investor and market expectations.

- The potential for a significant increase in negative reactions of populaces in Eurozone countries against austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- The Italian political situation is frail and unstable: the coalition government fell on 29 September.
- Problems in other Eurozone heavily indebted countries (e.g. Cyprus and Portugal) which could also generate safe haven flows into UK gilts.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Weak growth or recession in the UK's main trading partners - the EU and US, depressing economic recovery in the UK.
- Geopolitical risks e.g. Syria, Iran, North Korea, which could trigger safe haven flows back into bonds.

3.2.2 Upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.
- Increased investor confidence that sustainable robust world economic growth is firmly expected, together with a reduction or end of QE operations in the US, causing a further flow of funds out of bonds into equities.
- A reversal of Sterling's safe-haven status on a sustainable improvement in financial stresses in the Eurozone.
- In the longer term - a reversal of QE in the UK; this could initially be implemented by allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held.
- Further downgrading by credit rating agencies of the creditworthiness and credit rating of UK Government debt, consequent upon repeated failure to achieve fiscal correction targets and sustained recovery of economic growth, causing the ratio of total Government debt to GDP to rise to levels that provoke major concern.

3.2.3 The overall balance of risks to economic recovery in the UK is now weighted to the upside after five months of robust good news on the economy. However, only time will tell just how long this period of strong economic growth will last, and it remains exposed to vulnerabilities in a number of key areas. The longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Near-term, there is some residual risk of further QE if there is a dip in strong growth or if the MPC were to decide to take action to combat the market's expectations of an early first increase in Bank Rate. If the MPC does take action to do more QE in order to reverse the rapid increase in market rates, especially in gilt yields and interest rates up to 10 years, such action could cause gilt yields and PWLB rates over the next year or two to significantly undershoot the forecasts in the table below. The tension in the US over passing a Federal budget for the new financial year starting on 1 October and raising the debt ceiling in mid October could also see bond yields temporarily dip until agreement is reached between the opposing Republican and Democrat sides. Conversely, the eventual start of tapering by the Fed will cause bond yields to rise.

3.3 Capita's Interest rate forecasts (issued by Capita on 1 October 2013)

	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%
5yr PWLB rate	2.50%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%
10yr PWLB rate	3.70%	3.70%	3.70%	3.70%	3.80%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
25yr PWLB rate	4.40%	4.40%	4.40%	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.20%
50yr PWLB rate	4.50%	4.40%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%	5.20%	5.30%

The Capita Assets Services forecasts above are for PWLB certainty rates.

Expectations for the first change in Bank Rate in the UK are now dependent on how to forecast when unemployment is likely to fall to 7%. Financial markets have taken a very contrary view to the MPC and have aggressively raised short term interest rates and gilt yields due to their view that the strength of economic recovery is now so rapid that unemployment will fall much faster than the Bank of England forecasts. They therefore expect the first increase in Bank Rate to be in quarter 4 of 2014. There is much latitude to disagree with this view as the economic downturn since 2008 was remarkable for the way in which unemployment did not rise to anywhere near the extent likely, unlike in previous recessions. This meant that labour was retained, productivity fell and now, as the MPC expects, there is major potential for unemployment to fall only slowly as existing labour levels are worked more intensively and productivity rises back up again. The size of the work force is also expected to increase relatively rapidly and there are many currently self employed or part time employed workers who are seeking full time employment. Capita Asset Services takes the view that the unemployment rate is not likely to come down as quickly as the financial markets are currently expecting and that the MPC view is more realistic. The prospects for any increase in Bank Rate before 2016 are therefore seen as being limited. However, some forecasters are forecasting that even the Bank of England forecast is too optimistic as to when the 7% level will be reached and so do not expect the first increase in Bank Rate until spring 2017.

4 Treasury Management Strategy Statement and Annual Investment Strategy Update

- 4.1 The Treasury Management Strategy Statement (TMSS) and revised TMSS for 2013/14 were approved by this Council on 7 February 2013 and 16 May 2013 respectively
- 4.2 There are no policy changes to the revised TMSS for 2013/14; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

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	2013/14 Original Estimate £m	Current Position – Actual at 30/09/13 £m	2013/14 Revised Estimate £m
General Fund	15.071	3.654	18.539
HRA	5.973	1.113	10.636
Total	21.044	4.767	29.175

Revised estimate includes carry-forward from the previous year of £4.1m General Fund and £4.2m HRA.

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	2013/14 Original Estimate £m	Current Position – Actual at 30/9/13 £m	2013/14 Revised Estimate £m
Unsupported	21.044	4.767	29.175
Total spend	21.044	4.767	29.175
Financed by:			
Capital receipts	1.283		2.241
Capital grants	7.728		12.360
Capital reserves	3.164		3.974
Revenue	3.023		4.464
Total financing	15.198		23.039
Borrowing need	5.846		6.136

Revised estimate includes carry-forward from the previous year of £4.1m General Fund and £4.2m HRA.

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

	2013/14 Original Estimate £m	Current Position – Actual at 30/9/13 £m	2013/14 Revised Estimate £m
Prudential Indicator – Capital Financing Requirement			
CFR – non housing	24.837		24.769
CFR – housing	23.041		20.869
Total CFR	47.878		45.638
Net movement in CFR	5.108		3.863
Prudential Indicator – External Debt / the Operational Boundary			
Borrowing	35.000	26.122	35.000
Other deferred liabilities*	11.000	3.340	11.000
Total debt	46.000	29.462	46.000

* On balance sheet PFI schemes and finance leases etc (including the liability owed to KCC for the Westwood spine road construction). Actual balance is as at 31/03/13.

5.5 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, borrowing will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2013/14 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2013/14 Original Estimate £m	Current Position – Actual at 30/09/13 £m	2013/14 Revised Estimate £m
Gross borrowing	30.433	26.122	30.652
Plus deferred liabilities*	3.267	3.340	3.267
Total gross borrowing	33.700	29.462	33.919
CFR (year end position)	47.878		45.638

*

**On balance sheet PFI schemes and finance leases etc (including the liability owed to KCC for the Westwood spine road construction). Actual balance is as at 31/03/13.*

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	2013/14 Original Indicator	Current Position – Actual at 30/09/13	2013/14 Revised Indicator
Borrowing	39.000	26.122	39.000
Other deferred liabilities*	14.000	3.340	14.000
Total	53.000	29.462	53.000

** On balance sheet PFI schemes and finance leases etc (including the liability owed to KCC for the Westwood spine road construction). Actual balance is as at 31/03/13.*

6 Investment Portfolio 2013/14

- 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. Indeed, the introduction of the Funding for Lending scheme has reduced market investment rates even further. The potential for a prolonging of the Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment, investment returns are likely to remain low.
- 6.2 The Council held £35.061m of investments as at 30 September 2013 (£23.603m at 31 March 2013) and the investment portfolio yield for the first six months of the year is 0.55% against a benchmark (average 7-day LIBID rate) of 0.36%. The constituent investments are:

Sector	Country	Up to 1 year £m	1 year – 370 days £m	Total £m
Banks	UK	13.641	0.600	14.241
Banks	Sweden	2.001	0.000	2.001
Money Market Funds	UK	18.819	0.000	18.819
Total		34.461	0.600	35.061

6.3 The Chief Financial Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2013/14.

6.4 The Council's budgeted investment return for 2013/14 is £0.162m, and performance for the first half of the financial year is above budget at £0.099m.

6.5 Investment Risk Benchmarking

Investment risk benchmarks were set in the 2013/14 TMSS for security, liquidity and yield. The mid-year position against these benchmarks is given below.

6.5.1 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 period is:

	370 days	2 years	3 years	4 years	5 years
Maximum	0.05%	0.00%	0.00%	0.00%	0.00%

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.

6.5.2 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.

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 370 days due to the credit, security and counterparty risks of placing such investments.

6.5.3 Yield

Local measures of yield benchmarks are:

- Investments – Internal returns above the 7 day LIBID rate

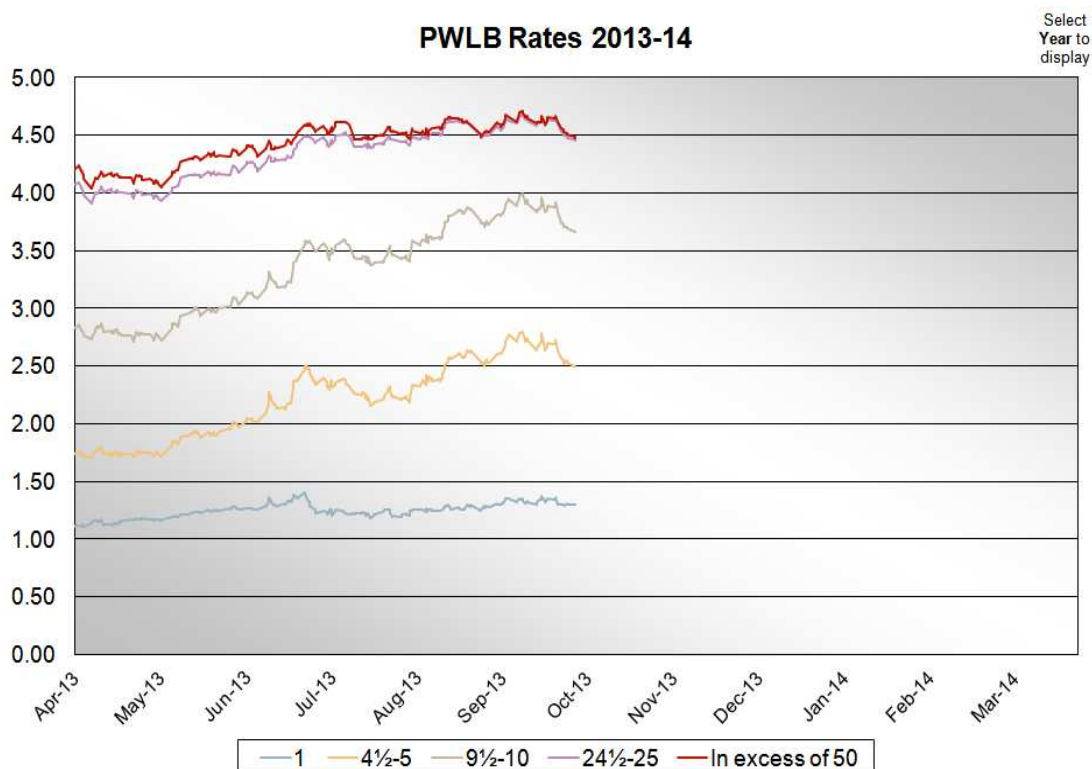
The Chief Executive can report that the yield on deposits for the first half of the financial year is 0.55% against a benchmark (average 7-day LIBID rate) of 0.36%.

6.6 Investment Counterparty criteria

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

7 Borrowing

- 7.1 The Council's capital financing requirement (CFR) original estimate for 2013/14 is £47.878m. 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. The Council has borrowings of £26.122m (table 5.5) and has utilised an estimated £21.756m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevails.
- 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 an increase 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 although options will be reviewed in due course in line with market conditions.
- 7.5 The graph and table below show the movement in PWLB rates for the first six months of the year to 30.9.13:



- 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 2013. 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 2013/14 is £1.412m and performance for the first half of the financial year is below budget at £0.582m.

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.

%	2013/14 Original Indicator	2013/14 Revised Indicator
Non-HRA	5.7%	5.2%
HRA	7.8%	7.0%

7.9.2 **Upper Limits on Variable Rate Exposure** – This 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:

	2013/14 Original Indicator £m	Current Position – Actual at 30/09/13 £m	2013/14 Revised Indicator £m
Upper limits on fixed interest rates			
Debt only	53.000	26.122	53.000
Investments only	45.000	6.800	45.000
Upper limits on variable interest rates			
Debt only	53.000	0.000	53.000
Investments only	45.000	28.261	45.000

7.9.3 Maturity Structures of Borrowing

These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing.

	2013/14 Original Upper Limit	Current Position – Actual at 30/09/13	2013/14 Revised Upper Limit
Maturity structure of fixed rate borrowing			
Under 12 months	50%	24%	50%
12 months to 2 years	50%	4%	50%
2 years to 5 years	50%	0%	50%
5 years to 10 years	55%	33%	55%
10 years to 20 years	50%	17%	50%
20 years to 30 years	50%	15%	50%
30 years to 40 years	50%	7%	50%
40 years to 50 years	50%	0%	50%
50 years and above	50%	0%	50%

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 approve this report and agree the prudential and treasury 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 Recommendations

10.1 That the Governance and Audit Committee:

- Approves this report and agrees the prudential and treasury indicators that are shown.
- Recommends this report to Cabinet.

11.0 Decision Making Process

11.1 This report is to go to Cabinet and then Council for approval. The Cabinet meeting is on 21 January 2014.

12.0 Disclaimer

12.1 This report is a technical document focussing on public sector investments and borrowings and, as such, readers should not use the information contained within the report to inform personal investment or borrowing decisions. 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.

Future Meetings:	Date:
Cabinet	21 January 2014
Council	6 February 2014

Contact Officer:	Sarah Martin, Financial Services Manager extn 7617
Reporting to:	Sue McGonigal, Chief Executive and S151 Officer

Annex List

N/A	
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Corporate Consultation Undertaken

Finance	N/A
Legal	Harvey Patterson, Corporate & Regulatory Services Manager

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TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2014/15

To: **Governance & Audit Committee – 11th December 2013**

Main Portfolio Area: **Finance**

By: **Capital & Treasury Finance Officer**

Classification: **Unrestricted**

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 2014/15 for approval.

For Decision

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 2014/15

The strategy for 2014/15 covers two main areas:

Capital issues

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

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 was last undertaken by members on 29 October 2013 and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed.

1.5 External service providers

The Council uses Capita Asset Services, Treasury solutions as its external treasury management advisors.

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

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

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.

Some investments via the ICD portal are made via JP Morgan who act as a clearing house for five of the eight 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 2014/15 – 2016/17

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 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Non-HRA	7.315	18.539	13.441	4.843	1.554
HRA	2.171	10.636	6.505	6.884	6.740
Total	9.486	29.175	19.946	11.727	8.294

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 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Non-HRA	7.315	18.539	13.441	4.843	1.554
HRA	2.171	10.636	6.505	6.884	6.740
Total	9.486	29.175	19.946	11.727	8.294
Financed by:					
Capital receipts	0.744	2.241	1.908	0.708	0.745
Capital grants	5.355	12.360	2.393	1.749	1.079
Capital reserves	2.017	3.974	3.490	3.350	2.930
Revenue	0.472	4.464	2.655	3.514	0.000
Net financing need for the year	0.898	6.136	9.500	2.406	3.540

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

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

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

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

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £3.340m of such schemes within the CFR (as at 31 March 2013).

The Council is asked to approve the CFR projections below:

£m	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Capital Financing Requirement					
CFR – non housing	19.450	24.769	33.256	34.282	32.813
CFR – housing	22.325	20.869	20.869	20.041	23.404
Total CFR	41.775	45.638	54.125	54.323	56.217
Movement in CFR	(0.475)	3.863	8.487	0.198	1.894

Movement in CFR represented by					
Net financing need for the year (above)	0.898	6.136	9.500	2.406	3.540
Less HRA – loan repayments and downward revaluations*	(0.716)	(1.655)	0.000	(0.828)	(0.177)
Less MRP/VRP and other financing movements	(0.657)	(0.618)	(1.013)	(1.380)	(1.469)
Movement in CFR	(0.475)	3.863	8.487	0.198	1.894

**The CFR treatment of downward revaluations to HRA non-current assets is under review by the Department of Communities and Local Government (requiring both Ministerial and Treasury approval) and accordingly is subject to change.*

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 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).

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 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Fund balances / reserves	2.177	2.177	2.134	1.953	1.867
Capital receipts	0.744	2.241	1.908	0.708	0.745
Earmarked reserves	12.781	6.965	9.622	9.683	8.264
Total core funds	15.702	11.383	13.664	12.344	10.876
Working capital*	39.008	37.594	32.083	31.705	31.237
Under/over borrowing**	15.011	14.344	16.583	16.205	15.737
Expected investments	23.997	23.250	15.500	15.500	15.500

*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 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Non-HRA	3.5%	5.2%	8.9%	11.3%	11.6%
HRA	7.9%	7.0%	6.0%	5.7%	6.7%

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 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Council tax - band D *	(0.56)	(3.40)	4.66	10.81	52.94*

**The 2016/17 estimate is higher than the other years because, being the final year estimate, there is no comparison shown in the Treasury Management Strategy Statement for last year. In other words, the incremental 2016/17 estimate reflects the full cost of the 2016/17 capital programme. The main element of the 2016/17 estimate is the Minimum Revenue Provision charge.*

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 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Weekly housing rent levels *	(0.16)	(0.01)	0.11	0.25	1.62

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

**The 2016/17 estimate is higher than the other years because, being the final year estimate, there is no comparison shown in the Treasury Management Strategy Statement for last year. In other words, the incremental 2016/17 estimate reflects the full cost of the 2016/17 capital programme.*

2.9 HRA ratios

£	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
HRA debt £m	22.525	20.869	20.869	20.041	23.404
HRA rents £m	11.996	12.646	12.708	12.978	13.190
Ratio of debt to rents %	187.8%	165.0%	164.2%	154.4%	177.4%

£	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
HRA debt £m	22.525	20.869	20.869	20.041	23.404
Number of HRA dwellings	3,057	3,057	3,106	3,096	3,086
Debt per dwelling £	7,368	6,827	6,719	6,473	7,584

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 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
External Debt					
Debt at 1 April	26.720	26.122	30.652	36.900	37.476
Expected change in Debt	(0.598)	4.530	6.248	0.576	2.362
Other long-term liabilities (OLTL) at 1 April	3.267	0.642	0.642	0.642	0.642
Expected change in OLTL	(2.625)*	0.000	0.000	0.000	0.000
Actual gross debt at 31	26.764	31.294	37.542	38.118	40.480

March					
The Capital Financing Requirement	41.775	45.638	54.125	54.323	56.217
Under / (over) borrowing	15.011	14.344	16.583	16.205	15.737

**Liability owed to KCC for the Westwood spine road construction (£2.698m as at 31 March 2013) was transferred to current liabilities in 2012/13.*

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 gross debt 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 2014/15 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Section 151 Officer 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	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Debt	35.000	43.000	43.000	45.000
Other long term liabilities	11.000	11.000	11.000	11.000
Total	46.000	54.000	54.000	56.000

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	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Debt	39.000	48.000	48.000	50.000
Other long term liabilities	14.000	14.000	14.000	14.000
Total	53.000	62.000	62.000	64.000

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	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
HRA debt cap	27.792	27.792	27.792	27.792
HRA CFR	20.869	20.869	20.041	23.404
HRA headroom	6.923	6.923	7.751	4.388

3.3 Capita's economic and interest rate forecast (issued by Capita on 21 October 2013)

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

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Dec 2013	0.50	2.50	4.40	4.40
Mar 2014	0.50	2.50	4.40	4.40
Jun 2014	0.50	2.60	4.40	4.40
Sep 2014	0.50	2.70	4.50	4.50
Dec 2014	0.50	2.70	4.50	4.60
Mar 2015	0.50	2.80	4.60	4.70
Jun 2015	0.50	2.80	4.70	4.80
Sep 2015	0.50	2.90	4.80	4.90
Dec 2015	0.50	3.00	4.90	5.00
Mar 2016	0.50	3.20	5.00	5.10
Jun 2016	0.50	3.30	5.10	5.20
Sep 2016	0.75	3.50	5.10	5.20
Dec 2016	1.00	3.60	5.10	5.20
Mar 2017	1.25	3.70	5.20	5.30

Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth rebounded in quarter 1 and 2 of 2013 to surpass all expectations. Growth prospects remain strong looking forward, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. One downside is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent.

A rebalancing of the economy towards exports has started but as 40% of UK exports go to the Eurozone, the difficulties in this area are likely to continue to dampen UK growth. The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.

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

- Although Eurozone concerns have subsided in 2013, Eurozone sovereign debt difficulties have not gone away and there are major concerns as to how these will be managed over the next few years as levels of government debt, in some

countries, continue to rise to levels that compound already existing concerns. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;

- Investment returns are likely to remain relatively low during 2014/15 and beyond;
- Borrowing interest rates have risen significantly during 2013 and are on a rising trend. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring even higher borrowing costs, which are now looming ever closer, where authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt, in the near future;
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

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 2014/15 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 the anticipated rate to US tapering of asset purchases, or in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.

Any decisions will be reported to 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	2014/15	2015/16	2016/17
Interest rate exposures			
	Upper	Upper	Upper
Limits on fixed interest rates:			
• Debt only	62.000	62.000	64.000
• Investments only	45.000	45.000	45.000
Limits on variable interest rates			
• Debt only	62.000	62.000	64.000
• Investments only	45.000	45.000	45.000
Maturity structure of fixed interest rate borrowing 2014/15			
	Lower	Upper	
Under 12 months	0%	50%	
12 months to under 2 years	0%	50%	
2 years to under 5 years	0%	50%	
5 years to under 10 years	0%	55%	
10 years to under 20 years	0%	50%	
20 years to under 30 years	0%	50%	
30 years to under 40 years	0%	50%	
40 years to under 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 constraints 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 Capita Asset Services 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 Capita Asset Services 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) is:

- 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:
 - i. wholesale deposits in the bank are covered by a government guarantee;
 - ii. 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
 - iii. 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 (including enhanced money market funds) – AAA
- UK Government (including gilts and the DMADF)
- Local authorities, parish councils etc
- Supranational institutions

A limit of £5m will be applied to the use of non-specified investments (investments with a maturity of over 364 days but not more than 370 days).

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 £4m 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
Higher quality	AA-	bb+ / C	£6m	370 days
Medium quality (1)	A	bb+ / C	£5m	370 days
Medium quality (2)	A	bb- / C-	£4m	370 days
Part nationalised	N/A	N/A	£7m	370 days
Debt Management Account Deposit Facility	AAA	N/A	unlimited	6 months
Guaranteed Organisations	N/A	N/A	£4m	370 days
Money market Funds (including enhanced money market funds)	AAA	N/A	£5m	370 days
Local authorities	N/A	N/A	£4m	370 days

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).

Capita's Investment returns expectations (issued by Capita on 21 October 2013). Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 3 of 2016. Bank Rate forecasts for financial year ends (March) are:

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

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

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

2014/15	0.50%
2015/16	0.50%
2016/17	0.75%
2017/18	2.25%

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

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

Maximum principal sums invested > 364 days			
£m	2014/15	2015/16	2016/17
Principal sums invested > 364 days (but not more than 370 days)	£5m	£5m	£5m

For its cash flow generated balances, the Council will seek to utilise its instant access and notice accounts, money market funds and deposits (overnight to 370 days) in order to benefit from the compounding of interest.

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:

	370 days	2 years	3 years	4 years	5 years
Maximum	0.05%	0.00%	0.00%	0.00%	0.00%

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(1), 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 may only use non-specified investments with a maturity of no more than 370 days and which otherwise meet the criteria for specified investments in section 5.2 above.

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 Capita Asset Services 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 this report, including each of the key elements of this report listed below, and recommend them to Council:

- The Capital Plans, Prudential Indicators and Limits for 2014/15 to 2016/17, including the Authorised Limit Prudential Indicator.
- The Minimum Revenue Provision (MRP) Policy.
- The Treasury Management Strategy for 2014/15 to 2016/17 and the Treasury Indicators.
- The Investment Strategy for 2014/15 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

This report is a technical document focussing on public sector investments and borrowings and, as such, readers should not use the information contained within the report to inform personal investment or borrowing decisions. 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.

Future Meetings:	Date:
Council	6 February 2014

Contact Officer:	Sarah Martin, Financial Services Manager extn 7617
Reporting to:	Sue McGonigal, Chief Executive and S151 Officer

Annex List

N/A	
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Corporate Consultation Undertaken

Finance	N/A
Legal	Harvey Patterson, Corporate & Regulatory Services Manager

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ANNUAL AUDIT LETTER

To: **Governance and Audit Committee – 11 December 2013**

Main Portfolio Area: **Chief Executive and S151 Officer**

By: **Audit Manager, Grant Thornton**

Classification: **Unrestricted**

Summary: **To present the Audit Commission’s Annual Audit Letter 2012/13.**
For Information

1.0 Introduction

1.1 Grant Thornton’s Annual Audit Letter summarises the findings from the 2012/13 audit. It includes messages arising from the audit of the 2012/13 accounts and the whole of Government accounts submission and the results of the work undertaken to assess the arrangements for securing economy, efficiency and effectiveness of Value for Money in the Use of Resources.

2.0 Corporate Implications

2.1 Financial

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

2.2 Legal

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

2.3 Corporate

2.3.1 This report summarises the key findings and conclusions for the three Use of Resources themes. An action plan for addressing the recommendations made has been agreed.

2.4 Equity and Equalities

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

3.0 Recommendation(s)

3.1 That Members note the report.

Contact Officer:	Andy Mack, Director, Grant Thornton
Reporting to:	Sue McGonigal, Chief Executive (s151 Officer)

Annex List

Annex 1	Grant Thornton-Annual Audit Letter
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The Annual Audit Letter for Thanet District Council

Year ended 31 March 2013

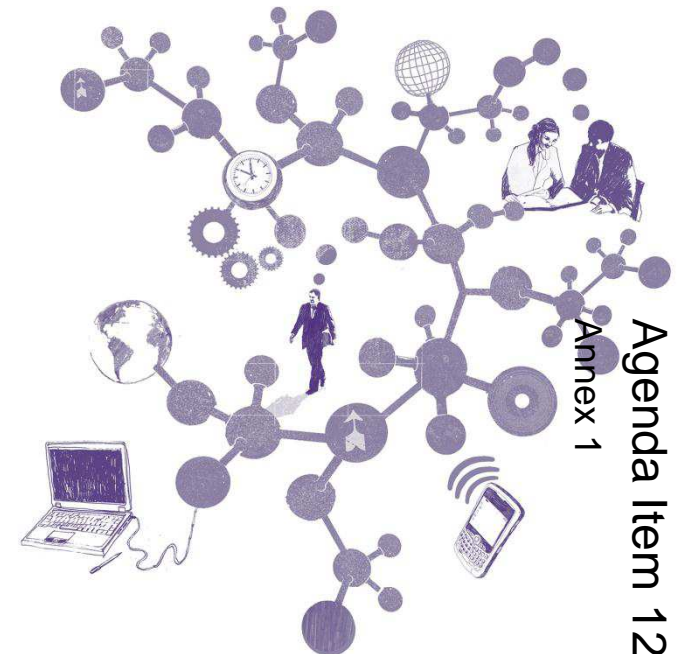
4 October 2013

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Section 1: Executive summary

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

Executive summary

Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at Thanet District Council ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three)
- certification of grant claims and returns (Section four).

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 25 September 2013.

Responsibilities of the external auditors and the Council

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

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in April 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified opinion on the council's Whole of Government Accounts submission
- we have certified two claims and returns by the end of September deadline. Our work on the Housing Benefits Subsidy claim, which has a deadline of 30 November, is still in progress.
- We received an objection on the accounts in respect of the debt re Transeuropa Ferries from three local electors in August 2013. We are satisfied that the issue does not impact on our opinion on the accounts or value for money conclusion. However we have held open the certificate of closure on the audit pending completion of our review.

Key areas for Council attention

We summarise here the key messages arising from our audit for the Council to consider as well as highlighting key issues facing the Council in the future.

We issued an unqualified opinion on the Council's financial statements on 27 September 2013. We also issued an unqualified value for money conclusion, and completed the certification of the Whole of Government Accounts return, on the same date. We are holding open the certificate of completion for the audit pending the conclusion of our work on an objection received from three local electors.

The accounts were prepared to a sound standard and were supported by good working papers. The Council also maintains a sound financial position despite the difficult external environment.

Acknowledgements

This Letter has been agreed with the Chief Executive and will be presented to the next Governance and Audit Committee on 11 December 2013.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2013

Section 2: Audit of the accounts

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

Audit of the accounts

Audit of the accounts

The key findings of our audit of the accounts are summarised below:

Preparation of the accounts

The Council presented us with draft accounts on 28 June 2013, in advance of the national deadline of 30 June. Appropriate working papers were made available from the start of the audit fieldwork, which commenced in July 2013.

The key messages arising from our audit of the Council's financial statements are:

The quality of accounts preparation and supporting working papers showed a good improvement on previous years. This reflects a concerted effort from staff across the finance department to improve the accounts closedown process.

We identified two adjustments to the statements. This related to classification of grants between short term and long term and overstatement of both debtors and creditors. These did not impact upon the Council's net expenditure or revenue balances. We also agreed a number of changes to the disclosure notes to the accounts, to aid the clarity and presentation of the statements.

We noted that declaration forms in respect of related party transactions were not received from three Councillors at the time of audit. We have recommended that action is taken to ensure all Members comply with requirements for next year.

Conclusion

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Governance and Audit Committee at the Council). We presented our report to the Governance and Audit Committee on 25 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 27 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

Section 3: Value for Money

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

Value for Money

Scope of work

The Code describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

The Council has proper arrangements in place for securing financial resilience. The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against three expected characteristics of proper arrangements as defined by the Audit Commission: financial governance, financial planning and financial control.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

We found that:

- The Council has good arrangements for financial governance. It has a strong track record on delivering budgets and savings plans. Members are engaged and have an understanding of the current financial environment.
- The Medium Term Financial Plan sets out savings plans and risks for the coming years, and is aligned with the corporate priorities. The Council's current financial position is sound but over the longer term the position is challenging. The Council faces an £11m budget gap over the next four years. Addressing this gap is a key priority.
- The Council is involved in a range of complex strategic projects and capacity at the most senior levels of the organisation is stretched. Members and officers should review the allocation of roles and capacity within the senior leadership team.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Section 4: Certification of grant claims and returns

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

Certification of grant claims and returns

Introduction

We are required to certify certain of the claims and returns submitted by the Council. This certification typically takes place some six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified the NNDR and Housing Capital Receipts returns for the financial year 2012/13. Our work on the Housing Benefits Subsidy claim, which has a deadline of 30 November, is still in progress.



Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Key messages

The key messages from our certification work are summarised in the table below. Further details will be provided in our certification report planned for January 2014.

Summary of the Council's arrangements

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	All claims have been submitted to the relevant department and auditor in line with required timetable.	 green
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	The NNDR claim and Housing Capital Receipts Claims were certified without amendment or qualification. The Housing Benefit Subsidy Claim audit is in progress and the results will be reported in our annual certification report.	tbc
Supporting working papers	All claims have been submitted with appropriate working papers.	 green

Appendices

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit.

Fees

	Per Audit plan £	Actual fees £
Audit Fee	87,495	87,495
Objection on the accounts*	0	*tbc
Grant certification fee	22,800	**tbc
Total fees	88,523	tbc

*Our review of the objection on the accounts raised by local electors issues is on-going. We estimate the final fee will be between £5,000 and £10,000. We will report the outcome to the next Governance and Audit meeting.

** Our grant claim work is still in progress. We will confirm the fee for this work once our work on the Housing Benefit Subsidy claim has been completed.

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	Apr 2013
Audit Findings Report	Sep 2013
Certification report	Planned Jan 2014
Annual Audit Letter	Oct 2013



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THANET DISTRICT COUNCIL DECLARATION OF INTEREST FORM

Do I have a Disclosable Pecuniary Interest and if so what action should I take?

Your Disclosable Pecuniary Interests (DPI) are those interests that are, or should be, listed on your Register of Interest Form.

If you are at a meeting and the subject relating to one of your DPIs is to be discussed, in so far as you are aware of the DPI, you **must** declare the existence **and** explain the nature of the DPI during the declarations of interest agenda item, at the commencement of the item under discussion, or when the interest has become apparent

Once you have declared that you have a DPI (unless you have been granted a dispensation by the Standards Committee or the Monitoring Officer, for which you will have applied to the Monitoring Officer prior to the meeting) you **must:-**

1. Not speak or vote on the matter;
2. Withdraw from the meeting room during the consideration of the matter;
3. Not seek to improperly influence the decision on the matter.

Do I have a significant interest and if so what action should I take?

A significant interest is an interest (other than a DPI or an interest in an Authority Function) which:

1. Affects the financial position of yourself and/or an associated person; or Relates to the determination of your application for any approval, consent, licence, permission or registration made by, or on your behalf of, you and/or an associated person;
2. And which, in either case, a member of the public with knowledge of the relevant facts would reasonably regard as being so significant that it is likely to prejudice your judgment of the public interest.

An associated person is defined as:

- A family member or any other person with whom you have a close association, including your spouse, civil partner, or somebody with whom you are living as a husband or wife, or as if you are civil partners; or
- Any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors; or
- Any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000;
- Any body of which you are in a position of general control or management and to which you are appointed or nominated by the Authority; or
- any body in respect of which you are in a position of general control or management and which:
 - exercises functions of a public nature; or
 - is directed to charitable purposes; or
 - has as its principal purpose or one of its principal purposes the influence of public opinion or policy (including any political party or trade union)

An Authority Function is defined as: -

- Housing - where you are a tenant of the Council provided that those functions do not relate particularly to your tenancy or lease; or
- Any allowance, payment or indemnity given to members of the Council;
- Any ceremonial honour given to members of the Council
- Setting the Council Tax or a precept under the Local Government Finance Act 1992

If you are at a meeting and you think that you have a significant interest then you **must** declare the existence **and** nature of the significant interest at the commencement of the

matter, or when the interest has become apparent, or the declarations of interest agenda item.

Once you have declared that you have a significant interest (unless you have been granted a dispensation by the Standards Committee or the Monitoring Officer, for which you will have applied to the Monitoring Officer prior to the meeting) you **must**:-

1. Not speak or vote (unless the public have speaking rights, or you are present to make representations, answer questions or to give evidence relating to the business being discussed in which case you can speak only)
2. Withdraw from the meeting during consideration of the matter or immediately after speaking.
3. Not seek to improperly influence the decision.

Gifts, Benefits and Hospitality

Councillors must declare at meetings any gift, benefit or hospitality with an estimated value (or cumulative value if a series of gifts etc.) of £100 or more. You **must**, at the commencement of the meeting or when the interest becomes apparent, disclose the existence and nature of the gift, benefit or hospitality, the identity of the donor and how the business under consideration relates to that person or body. However you can stay in the meeting unless it constitutes a significant interest, in which case it should be declared as outlined above.

What if I am unsure?

If you are in any doubt, Members are strongly advised to seek advice from the Monitoring Officer or the Democratic Services and Scrutiny Manager well in advance of the meeting.

DECLARATION OF DISCLOSABLE PECUNIARY INTERESTS, SIGNIFICANT INTERESTS AND GIFTS, BENEFITS AND HOSPITALITY

MEETING

DATE..... **AGENDA ITEM**

DISCLOSABLE PECUNIARY INTEREST

SIGNIFICANT INTEREST

GIFTS, BENEFITS AND HOSPITALITY

THE NATURE OF THE INTEREST, GIFT, BENEFITS OR HOSPITALITY:

.....
.....
.....

NAME (PRINT):

SIGNATURE:

Please detach and hand this form to the Democratic Services Officer when you are asked to declare any interests.