

# Public Document Pack



Date: 1 December 2014  
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## GOVERNANCE AND AUDIT COMMITTEE

10 DECEMBER 2014

A meeting of the Governance and Audit Committee will be held at **7.00 pm on Wednesday, 10 December 2014** in the Austen Room, Council Offices, Cecil Street, Margate, Kent.

### Membership:

Councillor Worrow (Chairman); Councillors: Lodge-Pritchard (Vice-Chairman), Binks, Campbell, Day, Gibson, 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 - 4)

To approve the Minutes of the Governance and Audit Committee meeting held on 24 September 2014, copy attached.

4. **ANNUAL AUDIT LETTER** (Pages 5 - 12)

5. **VALUE STATEMENT** (Pages 13 - 28)

6. **INTERNAL AUDIT UPDATE REPORT** (Pages 29 - 46)

7. **ANNUAL GOVERNANCE STATEMENT ACTION PLAN**

Report to follow.

8. **CORPORATE RISK REGISTER** (Pages 47 - 82)

9. **GOVERNANCE FRAMEWORK AND LOCAL CODE OF CORPORATE GOVERNANCE**

Report to follow.

Item  
No

Subject

10. **TREASURY MANAGEMENT STRATEGY 2015-2016** (Pages 83 - 104)
11. **TO AGREE THE MID-YEAR TREASURY MANAGEMENT REPORT** (Pages 105 - 120)
12. **DUE DILIGENCE PROTOCOL** (Pages 121 - 124)

**Declaration of Interests Form**

# Public Document Pack Agenda Item 3

## GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 24 September 2014 at 7.00 pm in Austen Room, Council Offices, Cecil Street, Margate, Kent.

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

**In Attendance:** Mr Mack and Blackman

**367. TRAINING PRESENTATIONS:- 6.30PM START**

**368. APOLOGIES FOR ABSENCE**

Apologies were received from the following Members:  
Councillor W. Scobie;  
Councillor Gibson;  
Councillor Day substituted by Councillor M. Tomlinson.

**369. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**370. MINUTES OF PREVIOUS SCHEDULED MEETING**

Councillor Campbell proposed, Councillor Worrow seconded and Members agreed the minutes of the meeting held on 30 July 2014.

**371. MINUTES OF THE EXTRAORDINARY MEETING**

Councillor Lodge-Pritchard proposed, Councillor Binks seconded and Members agreed the minutes of the extraordinary meeting held on 15 July 2014.

**372. THE AUDIT FINDINGS FOR THANET DISTRICT COUNCIL - YEAR ENDED MARCH 2014**

Andy Mack, Director at Grant Thornton introduced the item. He said that the main focus of the external audit was on the Council Accounts and Value for Money.

**Council Accounts**

The preparation of the accounts was a complex process and thanked Council officers for the help they offered during that process. The results of the audit were good and the state of accounts match up to the audit requirements. The only adjustments that were needed were of a technical nature and will not affect the position of the audit report. Grant Thornton were now prepared to issue unqualified comments regarding the Council Accounts.

**Value for Money**

Mr Mack made positive comments on the resilience of the Council's financial plans and efficiency over a given period of time. He noted the difficult external economic environment and suggested that the next 3-5 years would continue to be pose difficult challenges for Council. However despite these challenges, Council managed to deliver on its budget. Council has got in place a solid financial plan. Mr Mack gave credit to the hard work put in by both Members and officers.

Mr Mack commended the Council for conducting a peer review. He expressed concern over the conduct of some (but not all) behaviour of Members in 2013/14. As a result,

Grant Thornton were proposing to issue a qualified value for money conclusion. Mr Mack noted that there was evidence that a current action plan was in place and steps were being taken by the Leader of Council to address the concerns raised in the peer Review Report. The Improvement Board had been set up to move forward the recommendations of the Peers.

Although Grant Thornton did not audit the Peer Review Report, they talked to officers about it, read the report and triangulated the evidence. With regards to the Audit findings in relation to computer errors that were experienced on the 'Welfare Expenditure', Mr Mack said that a more comprehensive review was underway and the outcome will be reported at the next meeting of the Committee.

Councillor M. Tomlinson proposed, Councillor Lodge-Pritchard seconded and Members accepted the external audit report.

### **373. ANNUAL GOVERNANCE REPORT**

The item was considered as part of the Annual Governance Statement 2013/14 (Minute item 375).

### **374. INTERNAL AUDIT PROGRESS REPORT**

Simon Webb, Deputy Head of EK Audit Partnership introduced the report highlighting the reviews completed in the period and the follow up reviews undertaken. He highlighted the areas of that required closer attention by the Council. This included the Waste Vehicle Fleet Management report where overloading of refuse vehicles has recently improved as remedial action had been put in place by management. He said that there was now a need to embed the controls after which the levels of the audit assurance would be moved up to levels that reflected the improvement.

In respect of the FOI, Data Protection and Information Management audit Mr Webb also advised that the Council needs to delete information stored in CIVICA as holding such information indefinitely would be in breach of the Data Protection Act. Such information would still be subject to freedom of information requests. Mr Webb noted that management were addressing the issue.

Dave Ashby, EK Housing Head of Asset Management was in attendance to comment on the Tenant's Health and Safety review, he said that with regards to the audit comment on 'no assurance' given for the lifts managed by EK Housing, repairs were currently underway. He said that this issue arose due to a change in process; the new electronic reports were not being picked up. EK Housing management have implemented 17 of the 29 recommendations and 5 were on target to be completed by the end of September.

Members asked whether Internal Audit were satisfied with quality of the Procurement Team to which Mr Webb said that the current audit assurance for TDC was good compared to other local Councils. They also asked for audit information relating to complaints received by the Planning Department. Mr Webb said that such information was not part of the audit report under discussion but rather a separate review of complaints/complements was due to be presented to a future meeting of the Governance & Audit Committee.

He also advised the Committee that an audit of the equality and diversity matters in Council was currently underway, with the aim to complete the work by December and bringing the report to the Committee in March 2015. Mr Paul Cook, Interim Director of Corporate Resources was asked to encourage managers to respond to the brief online questionnaire for Internal Audit to compile the responses. Madeline Homer said that she would share this information with managers at the Managers Forum on Thursday, 30 September 2014.

Councillor Campbell proposed, Councillor Lodge-Pritchard seconded and Members agreed that:

1. The report be received by Members;
2. Any changes to the agreed 2013-14 internal audit plans, resulting from changes in perceived risk, detailed at point 5.0 of the report are approved.

**375. ANNUAL GOVERNANCE STATEMENT 2013/14**

Nikki Morris, Maritime Services Manager introduced the item for discussion and said that the Committee was responsible for monitoring progress regarding the implementation of the action plan. Some Members noted that Corporate Plan had eleven priorities and this needed reviewing in order for Council to focus on few priorities that could realistically be implemented successfully.

Councillor Campbell proposed, Councillor Lodge-Pritchard seconded and Members approved the Annual Governance Statement for 2013/14 and associated action plan.

**376. CORPORATE RISK REGISTER**

Councillor Campbell proposed, Councillor Binks seconded and Members received and noted the report.

**377. RISK MANAGEMENT STRATEGY AND PROCESS**

Councillor Campbell proposed, Councillor Binks seconded and Members approved the changes to the Risk Management Process document and recommended that the Strategy be sent to the 13 November 2014 Cabinet for approval.

**378. TREASURY MANAGEMENT UPDATE FOR QUARTER 1, 2014**

Councillor Campbell proposed, Councillor Lodge-Pritchard seconded and Members agreed to approve the report.

**379. EXTERNAL FUNDING AND GRANTS PROTOCOL**

Mr Cook introduced the report and said that Council would need to review more carefully so that a charge is placed on any properties. Members were concerned that there were individuals who applied for grants and were also associated with organisations that had previously had their business rates debts written-off.

In response, Mr Cook said that it would be difficult to take legal action against individuals for debts linked to organisations that may be associated with these individuals because the business rates agreement would be with the company rather an individual person. Members suggested that the Grants application Processing Protocol ought to be reviewed to make it more robust and ensure that the funds advanced to applicants was used as envisaged. Madeline Homer agreed to the review of the protocol to bring in some aspects of due diligence tests to processing of applications.

This protocol could include criteria for events that would be required to go through the due diligence test. She agreed to report back to the Committee. Mr Cook suggested that the protocol focuses on the following:

1. Due diligence;
2. Delivery of activities;

3. Proportionality in addressing the issue of monitoring mechanism for use of the grant by applicants.

There was a suggestion by some Members that Ward Councillors ought to monitor the events. This could be done through setting up a cross party ward committee on events to process the grant applications. Christine Parker, Head of EK Audit Partnership proposed that Internal Audit could include into their work programme a review of events/grants. Members agreed to this proposal.

Councillor Campbell proposed, Councillor Lodge-Pritchard seconded and Members adopted the revised external funding and grants protocol subject to amendments agreed as reflected above.

### **380. FINAL AUDITED STATEMENT OF ACCOUNTS 2013/14**

Paul Cook, Interim Director of Corporate Resources introduced the report. He said that Council was working towards the value for money qualification removed. An Action plan addressing issues raised by the Peer Review had been drawn up. The East Kent Audit Partnership had been requested to give advice on implementing some aspects of the action plan. Members were concerned that there were limited powers to deal with unbecoming behaviour by some Members. There was a need for a robust approach to managing this situation as this will address some of the issues raised in the Peer Review report.

Members requested for information regarding the amount of the legal fees that had been paid to date for the case involving the movement of live animals through the Port of Ramsgate High Court Case. Paul Cook advised the Committee that when officers prepared the 2015/16 Council budget, they will report on the Council tax base and provide adequate information for Parish and Town Councils to submit their precepts.

Councillor Worrow proposed, Councillor Lodge-Pritchard seconded and Members agreed:

1. To approve the Statement of Accounts for 2013/14;
2. To note Grant Thornton's letter;
3. To note and minute the letter of representation to Grant Thornton issued by the Chief Executive and Director of Corporate Resources.

Meeting concluded: 8.20 pm

# The Annual Audit Letter for Thanet District Council

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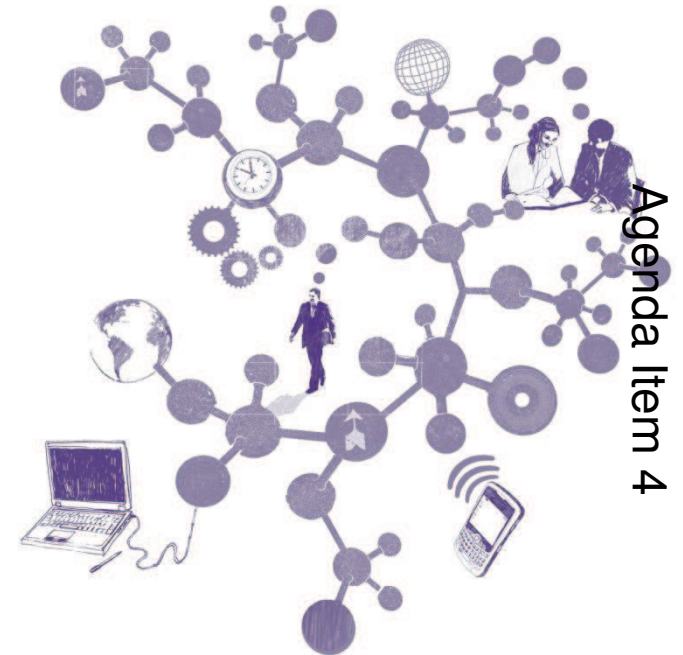
**Year ended 31 March 2014**

27 October 2014

Pages 5

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## **Appendices**

- A Key issues and recommendations
- B Summary of reports and audit fees



# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Thanet District Council ('the Council') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued 31 March 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

## **Financial statements audit (including audit opinion)**

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 24 September to the Audit Committee. The key messages reported were:

- We did not identify any adjustments affecting the Council's reported financial position, although a number of balances in individual supporting notes were amended, along with a number of adjustments to improve the presentation of the financial statements.
- The finance team continued to prepare the accounts to a good overall standard supported by comprehensive working papers.

We issued an unqualified opinion on the Council's 2013/14 financial statements 25 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

# Key messages

<p><b>Value for Money (VfM) conclusion</b></p>	<p>Our review of the Council's arrangements to secure economy, efficiency and effectiveness found that that the Council has continued to maintain sound financial management arrangements. It has managed its budget well, delivered planned efficiencies for 2013/14 and increased its usable reserves by £1.8m which will provide resilience for the future. The updated Medium Term Financial Plan projects a balanced financial position through to 2017/18, albeit this will require year on year budget reductions in excess of £1m per annum for the next four years.</p> <p>During 2013/14 the behaviour of some Members, as documented in the April 2014 Corporate Peer Challenge, fell below acceptable standards. As a consequence we were unable to conclude that, during 2013/14, the Council had adequate arrangements for promoting and demonstrating the principles and values of good governance.</p> <p>On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, with the exception of the matter reported above, we were satisfied that in all significant respects Thanet District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.</p>
<p><b>Whole of Government Accounts</b></p>	<p>We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.</p>
<p><b>Certification of grant claims and returns</b></p>	<p>Two returns required certification under the Audit Commission. We certified the Pooling of Housing Capital Receipts return on 25 September 2014. Our work on the Housing Benefit Subsidy return is nearing completion.</p>

# Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	Whilst the Council has made a good start in responding to the Corporate Peer Challenge, it is vital that it continues to respond proactively to the issues raised in the April 2014 report, so that it can clearly evidence that the principles of good governance have been re-established across the Council.	High	<p>The peer review recommendations are being taken forward urgently, working with the Improvement Board.</p> <p>In the area of member behaviour the Council Members intend to demonstrate respect for the views of others; professional debate and willingness to listen to contrary opinions; and respect for the advice of statutory officers.</p> <p>Responsible officer: Leader of the Council and Chief Executive. Due date: By March 2015</p>

# Appendix B: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

## Fees

	Per Audit plan £	Actual fees £
Audit Fee	87,945	88,845*
Grant certification fee	35,280	TBC**
<b>Total fees</b>	<b>123,225</b>	<b>TBC**</b>

\*There is additional fee of £900 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify Non Domestic Rate (NDR) returns. The additional fee is 50% of the average fee previously charged for NDR3 certifications for District Councils and is subject to agreement by the Audit Commission.

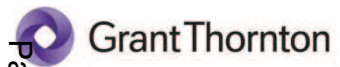
\*\* As our work on the Housing Benefit Subsidy return has not yet been completed, we are not yet in a position to confirm the final fee for grant certification.

## Fees for other services

Service	Fees £
None	Nil

## Reports issued

Report	Date issued
Audit Plan	March 2014
Audit Findings Report	September 2014
Certification report	[Work not yet complete]
Annual Audit Letter	October 2014



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# Continuing to deliver value to Thanet District Council

November 2014

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**Darren Wells**

Director

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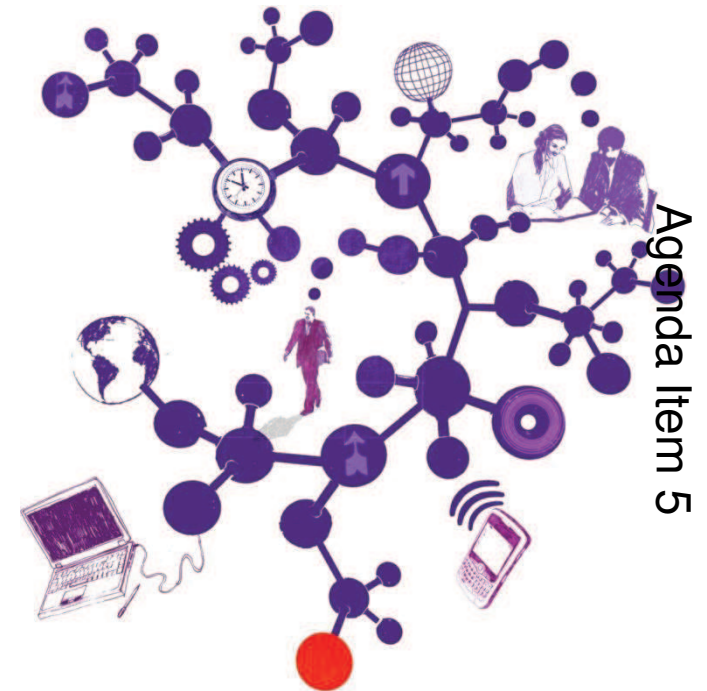
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Director

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“

You are a highly valued client of the firm and I hope we have demonstrated this during the audit. We pride ourselves on delivering a high quality service and have set ourselves the goal of being second to none in our client care. To help us achieve this, we propose to carry out an independent client service review with you in the coming year. More informally, I would value any feedback from you or your team on areas where you believe we could improve our service to you.

As your incoming Engagement Lead, I thought it would be useful to summarise the services we have provided during the year, and to demonstrate how we feel we have added value to you through the other work we do with you. We have made investment in our relationship with you this year, and have included some thoughts as to how we could build on this in the future.

We think our knowledge of the Council, coupled with our wider experience of the Local Government sector, puts us in a strong position to help you with the challenges you face.

We look forward to the opportunity to demonstrate our desire and enthusiasm to work with you in these challenging times.

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**Andy Mack / Darren Wells**

Engagement Leads

for Grant Thornton UK LLP



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The client names quoted within this proposal are disclosed on a confidential basis. All information in this document is released strictly for the purpose of this process and must not be disclosed to any other parties without express consent from Grant Thornton UK LLP.

# How we brought you added value this year

## Council leadership

### We:

- provided assurance on financial reporting and financial resilience by giving a timely audit opinion and value for money conclusion
- shared our thinking on key issues, including issuing members and management with our annual reports on Governance and Financial Health (Tipping Point) and our reports on Pensions Governance, Alternative Delivery Models and Welfare Reform.
- provided independent review and assurance of an issues raised to our attention by three local electors regarding uncollected debts following the cessation of Transeuropa ferry service.

## Governance and Audit Committee

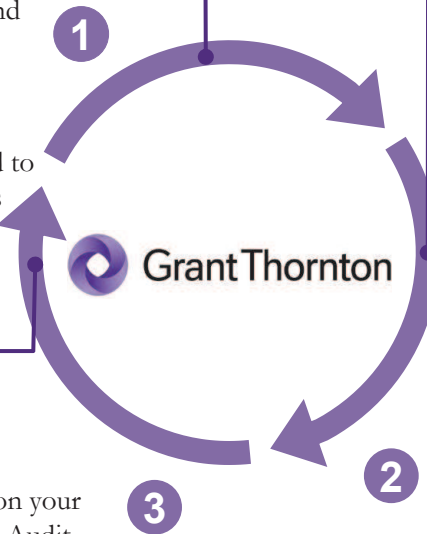
### We:

- provided independent external audit commentary and insight on your key issues through senior attendance at every Governance and Audit Committee and shared a LG publication to help members of local authority audit committees understand the financial statements and discharge their responsibilities as they review the accounts.
- invested in regular dialogue with the Governance and Audit Committee to ensure there were no surprises and to maintain a robust and independent stance throughout our audit.
- provided regular, timely and transparent reports from our work and briefing notes on key sector developments.

## Council management

### We:

- ensured a smooth external audit process through regular dialogue and meetings to promptly discuss financial accounts opinion audit and other issues including WGA and grant certification work to ensure you submit accurate figures to central government.
- shared technical knowledge, provided early warning on key risks and provided an opportunity to network with other Local Government bodies at our annual finance seminar
- provided a 'sounding-board' for senior management on a range of governance issues during the period that the Council has had to operate without permanent appointments to the key roles of Head of Paid Service, Chief Finance Officer and Monitoring Officer
- liaised regularly with internal audit to share knowledge and minimise duplication



# Supporting corporate governance

Each year, we review good governance in Local Government as part of our wider analysis of UK governance practice. This complements our reviews on corporates in the FTSE 350, the NHS and charities. We aim to help organisations improve their governance by learning from other sectors and their peers and to identify examples of good practice and areas where there is scope for further development.

Our national reviews of Local Government corporate governance include analysis of the financial statements and survey responses. We include insight from similar reviews we undertake at FTSE 350 listed companies, which allows us to promote the highest standards of good governance and public reporting. Some key highlights are set out opposite.

We would be happy to engage with you during the year to benchmark your performance against the national group. In this way, you can benefit from good practice across our national Local Government client base.

One third of respondents said their organisations do not actively engage with local communities about what information they want on performance, finance and governance

One third of respondents said the annual governance statement failed to explain how the authority handled risks

One third of survey respondents do not consider that council accounts are aimed at the public and the length and technical complexity makes them difficult to understand

Councils need to instil clear risk leadership if they are to innovate successfully

'National tools improve governance arrangements by giving a framework... but most of the work needs to be locally driven and locally responsive'

*Survey response*

**Download findings from our Improving Local Governance report from March 2014:**

<http://www.grant-thornton.co.uk/en/Publications/2014/Local-Government-Governance-Review-2014/>



# Focus on financial resilience

**In the current challenging economic climate, we invest in providing enhanced analysis and reporting on your financial resilience. This includes a RAG rated assessment of where you are performing well and any areas requiring increased attention.**

We reported the findings from our 2012/13 financial resilience review to the September 2013 audit advisory committee. Some key highlights from our work are set out opposite. Our national report on Local Government financial resilience was published in December 2013. It draws on the results of our assessment of financial resilience across all of our Local Government bodies in England. Your plans to develop a radical new approach to setting the budget in 2015/16 were featured as a best practice case study within this report under strategic financial planning.

We are also able to benchmark you against your peers to help support continued improvement. We can provide and discuss more detailed comparative data with you and consider what this means for your financial resilience, if that is of interest.



**Download findings from our National Financial Resilience report from December 2013:**

<http://www.grant-thornton.co.uk/en/Publications/2013/2016-tipping-point-Challenging-the-current/>

These findings are as at September 2014, when our Audit Findings Report was presented to the Governance and Audit Committee.

# Welfare Reform and Alternative Delivery Models in Local Government



## In 2013, we surveyed a sample of 39 clients in the local government sector and 44 in housing associations in England

The report focuses on the governance and management arrangements being put in place nationally across the two sectors to deliver reform, the early signs of how successful the reforms have been and the upcoming issues and the risks on the reform agenda in the wider context of social impact. The key messages include:

- There is evidence of a pro-active approach in addressing the current and future impact of welfare reform through effective communications with stakeholders
- There is scope for closer working between local authorities, housing associations and other partners – including the NHS - to ensure that homelessness and disruption is minimised and that employment opportunities are maximised
- The full impact of reform has yet to be felt; there is an element of calm before the storm

## In 2013, we surveyed a sample of 70 clients in the local government sector and identified nearly 40 different services they had externalised and provided under an alternative delivery model.

This report

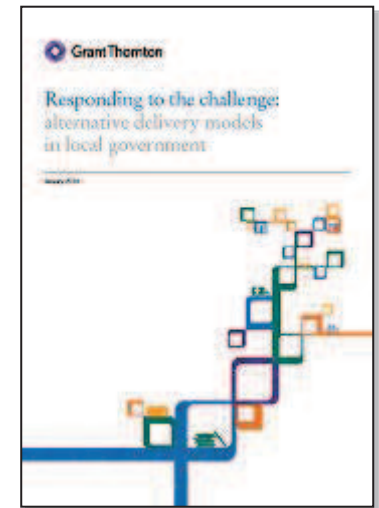
- outlines the main alternative delivery models
- aims to assist other authorities as they develop their options and implement innovation strategies
- considers aspects of risk.

Download findings from:  
our National Welfare  
Reform report from  
February 2014:

<http://www.grant-thornton.co.uk/en/Publications/2014/Reaping-the-benefit-First-impressions-of-the-impact-of-welfare-reform/>

Download findings from  
our Alternative Delivery  
Model report from  
January 2014:

<http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/>



# High Growth Index in Local Government



Where growth happens  
The high growth index of places



## In 2014, we issued a report on where growth happens in the local government sector in England.

The report focuses on the high growth, dynamic growth and growth corridors. The key messages include:

- **High Growth** – Our High Growth Index of places, based on economic and demographic measures, shows the pivotal role played by London in driving growth nationally and the role of cities for driving growth regionally. Outside London, Manchester is the strongest performer, with Birmingham, Milton Keynes, Bristol and Brighton and Hove all ranking in the top five.
- **Dynamic Growth** – Highlighting past areas of growth, however, may not necessarily be an indicator of future growth or sustainability. A dynamism index, ranked by assessing a basket of productivity drivers, indicates the quality of growth. The emerging picture shows that dynamism clusters around cities and their wider conurbations. Again, London leads, but is followed by Cambridge, then Reading, Manchester, Bristol, Oxford, Brighton and Hove, Milton Keynes, Leeds and Warrington.
- **Growth Corridors** – Combining rankings for both growth and dynamism reveals a pattern of growth in England based around nine growth corridors. These are functional, large scale, economic areas which have been at the heart of growth over the last decade and are likely to maintain a pivotal role in shaping that growth in the future. Based around key cities, these corridors extend across district borders and create key strategic linkages with other high growth and dynamic areas.

Download findings from:  
our **Where Growth Happens** report from **Autumn 2014**:

[http://www.grant-thornton.co.uk/Global/Publication\\_pdf/Where-growth-happens-the-high-growth-index-of-places.pdf](http://www.grant-thornton.co.uk/Global/Publication_pdf/Where-growth-happens-the-high-growth-index-of-places.pdf)

# Our unique credentials

**Biggest  
UK CIPFA employer**



## Overview

You are an ambitious Council with a vision for regeneration and a sustainable community. We are proud to be associated with you. You are important to us and we are passionate about supporting you to achieve your strategic goals.

As the largest supplier of external audit to local government in the country, we are uniquely placed to work with you and support you in achieving your goals. We understand the political and public sector environment you work in and the challenges and pressures you are facing. We have a genuine insight and understanding into your business and your needs, from our many decades of dedication working in the public sector and our longstanding commitment to local government.

With Grant Thornton, you benefit from the full commitment of an experienced team that has worked together over many years and has a passion for helping you achieve your success.

We believe in Local Government. All our Local Government specialist staff know and understand the unique issues faced by the Local Government bodies. We have the experienced resources available to meet your needs and support you in responding to the challenges you face. Our commitment to you is that we will work with you and help and support management and the Audit Advisory Committee in achieving your goals. We believe that with our extensive knowledge of the Council and our highly skilled and experienced local audit team, we are exceptionally well placed to support the Council over the next few critical years.

At a national level, our extensive access to our wider audit practice, our networks with central government, local government and healthcare bodies and

our focus on people as the driving force for quality and innovation set us apart. Grant Thornton benefits you by:

- bringing its commitment to improving public sector financial and service management for the benefit of users
- fielding local experts in the strategic and operational needs of the Council
- sharing best practice, knowledge and up to date information from across local government, drawing on the knowledge gained from our unparalleled market share
- delivering a high-quality audit focused on the specific issues facing London Borough councils. We audit more London Boroughs than any other audit firm and draw on the insights this provides us to tailor our work with you.

At a local level, we offer you:

- an audit team which understands the Council, its direction and objectives and the environment in which you operate, identifying areas where we can support you
- an audit team which is not afraid to deliver difficult messages to you and provide robust challenge to management
- a proven track record of delivering high quality audit work, working with you in partnership to deliver better services for local people.

**We are confident we can continue to meet your requirements for a comprehensive, efficient and effective external audit service. You will benefit from our relationship as you face the challenges of delivering a modern and customer focused service. We look forward to continuing our working relationship with you.**

# National and local expertise

# 138

Local Government  
audit clients

# 400+

Dedicated public  
sector staff

## National credentials

- Through our Audit Commission framework contract, we have been **external auditors to Local Government since 1982**. Over this time, and based on the quality of our work, we have increased our Local Government audit presence.
- Following the outsourcing of the Audit Commission's in-house audit practice we are proud to be **largest external provider of audit services** to Local Government, serving **40% of the market**.
- We are currently **auditors to 138 Local Government authorities, 11 of which are London Boroughs**.
- We have audit staff on secondment to local authorities, helping our staff learn about local government from the inside out. We also train our staff on the latest developments within Local Government. We also receive staff on secondment from clients. We would be happy to discuss secondment opportunities with you.
- We also deliver a national programme of GT closedown workshops in partnership with CIPFA FAN; a joint approach which allows the opportunity for delegates to hear both the key accounting issues and the audit considerations for the accounts in one combined event.
- We intend to deliver a series of Local Government Audit Committee conferences for Members, the first of which in the summer of 2014, to encourage better governance in Local Government.

## Local focus

- Our London and South-East Public Sector Assurance team is made up of over **100 dedicated local government and NHS external audit specialists** with extensive skills and experience with local Government. The regional team undertakes external audit services for **11 London Boroughs, three County Councils, one Unitary Council and 23 District Councils**.
- We have audited a number of other bodies over the last few years, and are currently auditing 21 NHS Trusts, 23 Clinical Commissioning Groups (CCGs) and 5 Foundation Trusts in the south east region. We therefore have extensive knowledge of partnership working across health and social care.
- We work flexibly across our assurance and advisory teams. For example, we have a **rolling programme of secondments into the advisory team**, which gives our auditors the broader perspective that our clients appreciate.
- We also have VAT, employment tax, real estate, infrastructure, governance, performance improvement and anti-fraud experts with significant experience of our current Local Government clients

**All of this means that our Local Government clients can be assured of relevant expert knowledge and expertise to support them with current and forthcoming challenges.**



# Experience of Local Government issues

## We have significant experience of the local government sector, and are aware that this is a challenging period for Local Government.

Challenges include the Welfare reforms, the introduction of joint social care, rising demand for services, demands for higher and more consistent quality of service, the reduction of central government grants, the localisation of funding and increasing financial pressures.

Our experience, both locally and nationally, has enabled us to develop a number of audit and advisory services to support our clients in achieving their objectives. We set out opposite some of our areas of specialism:

### Regulatory requirements

- Value-added assurance services; external audit; internal audit; governance reviews; financial reporting reviews; IFRS reporting; risk management including IT and systems assurance

### Governance

- Advice on governance including: assessment of governance effectiveness and the roles, responsibilities and capabilities of individual directors, working with leaders and Members developing strategy

### Efficiency agenda

- Operational services reorganisation; turnarounds; skills gap analysis; performance management; service and cost savings reviews; costing analysis and benchmarking; shared service project support; procurement support; treasury and finance department reviews

### Managing infrastructure

- PFI work providing: bid evaluation; refinancing; feasibility studies; preparation of business cases; risk analysis and public sector comparator (PSC) development; development of payment mechanisms; financial modelling; and funding competitions

### Asset management

- use of assets for regeneration, reviews of efficiency and cost in use; diagnostics of performance of inventory, evaluating and prioritising options and implementing rationalisation of assets.

### Major investments, mergers and acquisitions

- Investment appraisals; business case support; investment due diligence; due diligence and advisory services

### Establishment of property trading arms and companies

- assisting with procurement of development partners, structuring and establishing development vehicles such as Strategic Partnerships, Local Asset Backed Vehicles, and Joint Venture Companies

### Alternative Delivery Models

- Outsourcing; quantitative data analysis and stakeholder interviews, benchmarking results against our database of outsourced partnership activity

### Tax advice

- Corporate and international tax; indirect tax; employer solutions



# Helping to address your challenges

Area of focus	Your challenges	Examples of how we have helped you and other Local Government bodies
<b>Optimise operations</b>	<ul style="list-style-type: none"> <li>• <b>Significant budget reductions</b> - you face a significant challenge to deliver planned budget reductions in excess of £1m per annum for the next four years.</li> <li>• <b>Shared services</b> - you have a track record of successful shared service delivery through East Kent Services (EKS), collaborating with two other councils to deliver savings. There is scope to build on this by extending this approach to other services.</li> <li>• <b>Effectiveness:</b> You have an ambitious agenda for regeneration and transformational change to secure local growth and focus on service priorities.</li> <li>• <b>Governance:</b> You are responding to issues identified in the recent LGA peer review regarding inappropriate Member behaviour through an independently chaired Improvement Board.</li> </ul>	<ul style="list-style-type: none"> <li>• We review your arrangements for setting and monitoring your savings plans and assess whether they are realistic and feasible.</li> <li>• We review whether you have appropriate financial management arrangements and plans in place to tackle financial resilience in the longer term.</li> <li>• At other sites, we have facilitated workshops, leading to the generation of a 'long list' of long-term, sustainable savings and service redesign proposals which will feed in to future savings programmes.</li> <li>• We will assess your progress in addressing the issues identified by the peer review as part of our annual assessment of governance arrangements to support the value for money conclusion.</li> </ul>
<b>Welfare Reform</b>	<ul style="list-style-type: none"> <li>• <b>Welfare Reform</b> – changes to housing benefit and welfare reform continue to increase the rate of homelessness and demand for social housing. Changes include Welfare Benefit cap, under-occupancy adjustment (bedroom limit), Universal Credit and Direct Payments</li> </ul>	<ul style="list-style-type: none"> <li>• Our 2014 report <b>Reaping the Benefits</b> draws on our experience and that of our clients to provide insight into the impact of welfare reform and will be the first in a series of updates that will contribute to understanding of these issues within the sector and provide a platform for sharing experience and good practice.</li> </ul>
<b>Realise strategic ambition</b>	<ul style="list-style-type: none"> <li>• <b>Regeneration</b>– your business plan includes a significant including a number of asset sales which will fund new capital expenditure.</li> <li>• You are aware of the complexities involved in this project and the Board seeks appropriate assurances that this will be effectively managed</li> </ul>	<ul style="list-style-type: none"> <li>• We currently act as a commercial and financial advisor to a London Council undertaking a regeneration project which entails the phased demolition of 2,750 council homes and the development of 4,200 mixed tenure homes over a 20 year period, plus the provision of a new health centre, community facilities and retail and office space. We developed a bespoke financial model to assess land assembly costs; appraise individual development sites and strategic infrastructure costs and timing; construct cash flows at a site and programme level; and appraise funding and phasing options.</li> <li>• We can introduce you to 'the CEO Room' – a structured, facilitated space that provides 'a critical thinking environment for business leaders'.</li> </ul>

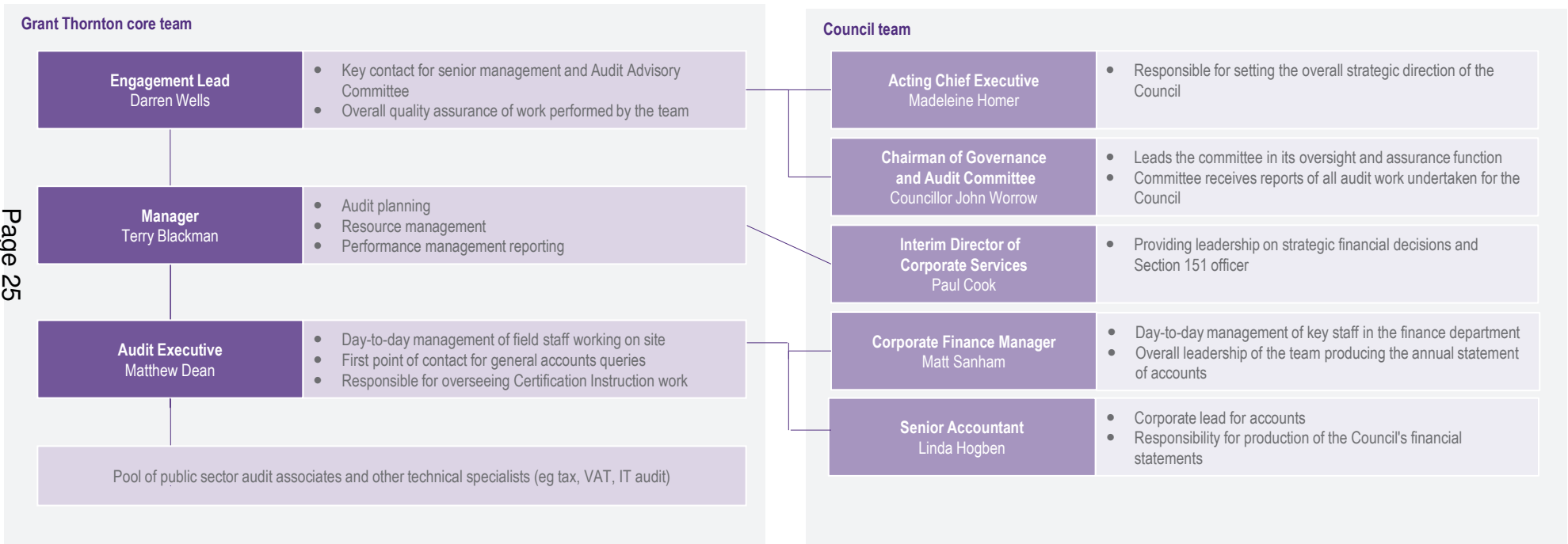
Your audit team will be happy to further discuss these and other challenges with you, and will involve relevant specialists where this is of value to you.

# Your client service team

**We understand what you expect from us: an approachable, proactive, locally based and highly skilled team with access to a national network of specialists and expertise as required.**

The existing team will continue to:

- understand you and your priorities, and provide innovative and constructive advice
- challenge you where necessary to support your continued improvement
- be readily accessible and responsive to your needs but independent and challenging to deliver a rigorous audit
- be connected into a Local Government network
- communicate relevant information to you in a prompt, clear and concise manner



# Our fees

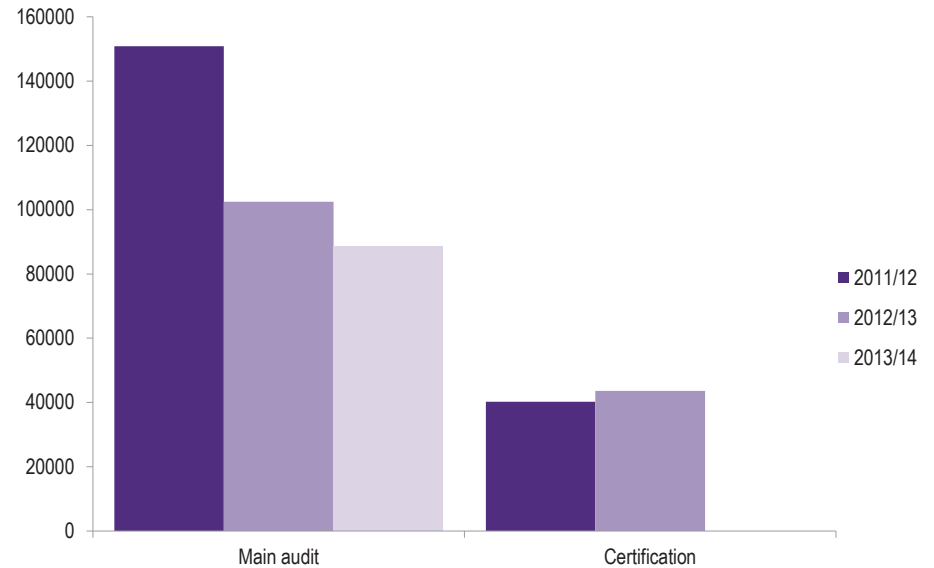
## Our fee proposal provides you with transparency and value for money.

Our fees over the past two years and for the current year are set out in the chart to the right. These fees are set by the Audit Commission.

We are committed to openness and transparency in our fee with you – now and in the future. . We know that you want an external audit that continues to offer a transparent fee structure which represents best value for money.

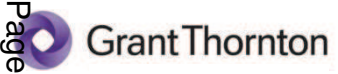
To deliver against your needs our fee includes:

- discounted rates – our position as the largest auditors to local government allows us to offer a discount on our usual rates
- no hidden costs – the fee we propose is the fee we will charge (plus VAT)
- investment in our relationship – the value in the core audit and the additional added value inputs we describe in this document are all included in the fee
- certainty over fee levels year on year – we hold the fee for the duration of the contract, absorbing fee inflation through audit efficiencies
- specialist, qualified staff - 100% of the time spent on the audit will be from qualified or part qualified staff, with over 60% from fully qualified staff, all specialists in working with local government
- expenses are included – saving you the 5%-10% that may typically arise on a contract
- no assumption of additional fee income – our external audit fee includes no assumption around you commissioning additional paid for services from us.



N.B. 2011/12 fees relate to the Council's previous auditor, the Audit Commission; 2013/14 certification fee yet to be finalised.





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## INTERNAL AUDIT PROGRESS REPORT

To: **Governance and Audit Committee: 10<sup>th</sup> December 2014**

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

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

Classification: **Unrestricted**

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**Summary:** This report gives Members a summary of the internal audit work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 30<sup>th</sup> September 2014.

### **For Information**

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#### **1.0 Introduction**

1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 30<sup>th</sup> September 2014.

#### **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 the relevant member of Senior Management Team, as well as the manager for the service reviewed.

2.2 Follow-up reviews are performed at an appropriate time, according to the priority of the recommendations, 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 Governance and 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 two internal audit assignments completed during the period, both of which concluded Substantial Assurance.
- 3.2 In addition, four follow-up reviews have been completed during the period.
- 3.3 For the six month period to 30<sup>th</sup> September 2014, 162.55 chargeable days were delivered against the planned target of 320.31 days which equates to 50.74% 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 2014-15 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 are being met from the Financial Services 2014-15 budgets.

#### **5.2 Legal Implications**

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



### 5.3 Corporate Implications

- 5.3.1 Under the Local Code of Corporate Governance accepted by Cabinet on 8<sup>th</sup> December 2013, 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
	Paul Cook, Interim Director of Corporate & Regulatory Services & Deputy 151 Officer Ext. 7617

#### **Annex List:**

Annex 1	East Kent Audit Partnership Update Report – 10-12-2014
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#### **Background Papers:**

<b>Title</b>	<b>Details of where to access copy</b>
<i>Internal Audit Annual Plan 2014-15</i>	Previously presented to and approved at the 20 <sup>th</sup> March 2014 Governance and Audit Committee meeting
<i>Internal Audit working papers</i>	Held by the East Kent Audit Partnership

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

**1.0 INTRODUCTION AND BACKGROUND**

1.1 This report provides Members with an update of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 30<sup>th</sup> September 2014.

**2.0 SUMMARY OF REPORTS**

	<b>Service / Topic</b>	<b>Assurance level</b>
2.1	Receipt and Opening of Tenders	Substantial
2.2	EKS – Housing Benefit Payments	Substantial

**2.1 Receipt and Opening of Tenders – Substantial Assurance:**

2.1.1 Audit Scope

To ensure that the Council's procedures for the receipt and opening of tenders is in accordance with Contract Standing Orders and ensures the probity of the tendering procedure.

2.1.2 Summary of Findings

All of the requisite internal controls have been established to ensure that Tender processes are undertaken in an open and transparent way.

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

- The procedures for the receipt and opening of tenders are in accordance with Contract Standing Orders.
- Tenders are opened with minimum delay and only opened by employees with authority to do so.
- Evidence exists which records who was responsible for the opening of tenders for each contract and a record is maintained of any tenders opened in the presence of elected Members.

**2.2 EKS Housing Benefit Payments – Substantial Assurance.**

2.2.1 Audit Scope

To ensure that the processes and procedures established by EK Services are sufficient to provide the level of service required by the partner authorities of Canterbury CC, Dover DC and Thanet DC and incorporate relevant internal controls regarding the payments of Housing Benefit.

### 2.2.2 Summary of Findings

Housing Benefit payments are processed and administered by EK Services inline with the Social Security Contributions and Benefits Act 1992 and the Housing Benefit Regulations 2006. Housing Benefit payments across the UK totalled £23.8 billion during 2013/14, this accounts for almost 30% of the total welfare bill. It is therefore important that the controls in place are robust to ensure error detection and fraud detection controls are effective.

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

- Policies, processes and procedures are in place which supports the business objectives set out by EK Services;
- Robust system based controls across all three Councils; and
- Effective reconciliation routines in place.

The only scope for improvement identified was the need to align a few of the processes across the three sites to encourage a consistent approach across EK Services.

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

- 3.1 As part of the period's work, four follow up reviews have been completed of those areas previously reported upon to ensure that the recommendations made have been implemented, and the internal control weaknesses leading to those recommendations have been mitigated. Those completed during the period under review are shown in the following table.

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs. Outstanding	
a)	HMO and selective licensing	Substantial	Substantial	H	0	H	0
				M	2	M	0
				L	2	L	0
b)	Building Control	Substantial	Substantial	H	0	H	0
				M	2	M	2
				L	0	L	0
c)	EKS – Housing benefit Fraud	Substantial	Substantial	H	0	H	0
				M	2	M	0
				L	0	L	0
d)	EKS – Sundry Debtors	Substantial	Substantial	H	0	H	0
				M	3	M	0
				L	0	L	0

- 3.2 Details of any individual High priority recommendations outstanding after follow-up are included at Appendix 1 and on the grounds that these recommendations have not been implemented by the dates originally agreed with management, they are now

being escalated for the attention of the s.151 officer and Members' of the Governance and Audit Committee.

The purpose of escalating outstanding high-risk matters is to try to gain support for any additional resources (if required) to resolve the risk, or to ensure that risk acceptance or tolerance is approved at an appropriate level.

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)

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)	HRA Business Plan – 2009/10	Substantial	H M L	1 0 0
b)	Your Leisure – 2012/13	Substantial Limited Limited	H M L	1 0 0
c)	Business Continuity and Emergency Planning – 2012/13	Reasonable	H M L	0 0 1
d)	Officer Code of Conduct and Prevention of Fraud & Corruption – 2013/14	Substantial	H M L	1 1 0
e)	Museums – 2012-13	Reasonable /Limited	H M L	1 1 0
f)	Partnerships and Shared Service Monitoring – 2012-13	Reasonable	H M L	0 1 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: Leasehold Services, Equality and Diversity, Licensing, Tenant Health & Safety, Sports Development and Footprints in the Sand, Payroll, and Tackling Tenancy Fraud.

#### 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 20<sup>th</sup> March 2014.
- 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 30<sup>th</sup> September 2014, 162.55 chargeable days were delivered against the planned target of 320.31 days which equates to 50.74% 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 30<sup>th</sup> June 2014 against the agreed 2014-15 Audit Plan.  
Appendix 4 EKAP Balanced Scorecard of Performance Indicators to 30<sup>th</sup> June 2014.  
Appendix 5 Assurance statements

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

<b>Original Recommendation</b>	<b>Agreed Management Action , Responsibility and Target Date</b>	<b>Manager’s Comment on Progress Towards Implementation.</b>
<i>None to Report this Quarter</i>		

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

<b>Service</b>	<b>Reported to Committee</b>	<b>Level of Assurance</b>	<b>Management Action</b>	<b>Follow-up Action Due</b>
Absence Management	June 2013	Limited	On-going management action in progress to remedy the weaknesses identified.	As part of a planned audit in 2014-15
EK Services – Change Control	June 2014	Limited	On-going management action in progress to remedy the weaknesses identified.	2014/15
Waste Vehicle Fleet Management.	September 2014	Reasonable/Limited	On-going management action in progress to remedy the weaknesses identified.	Winter 2014
FOI, Data Protection and Information Management	September 2014	Reasonable/Limited/ Limited	On-going management action in progress to remedy the weaknesses identified.	Winter 2014



**PROGRESS TO DATE AGAINST THE AGREED 2014-15 AUDIT PLAN – APPENDIX 3**

**THANET DISTRICT COUNCIL:**

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-09-2014	Status and Assurance Level
<b>FINANCIAL SYSTEMS:</b>				
Car Parking and Enforcement	10	10	0.17	Work-in-Progress
Creditors and CIS	8	8	0.17	Work-in-Progress
Income	10	10	0.24	Work-in-Progress
Insurance and Inventories of Portable Assets	10	10	0.17	Work-in-Progress
<b>RESIDUAL HOUSING SERVICES:</b>				
Right to Buy	8	8	0	Quarter 4
HRA Business Plan	10	10	5.69	Substantial/Reasonable
<b>GOVERNANCE RELATED:</b>				
Fraud Prevention	10	10	0	Quarter 4
Anti-Money Laundering	6	6	5.83	Finalised – Substantial
Complaints Monitoring	10	10	0.17	Work-in-Progress
Scheme of Officer Delegations	7	7	0	Postpone to 2015-16 to accommodate unplanned work
Corporate Advice/SMT	2	2	1.75	Work-in-progress throughout 2014-15
s.151 Officer Meetings and Support	9	9	5.11	Work-in-progress throughout 2014-15
Governance & Audit Committee Meetings and Report Preparation	12	12	7.92	Work-in-progress throughout 2014-15
2015-16 Audit Plan and Preparation Meetings	9	9	0.41	Work-in-progress
<b>CONTRACT RELATED:</b>				
Receipt and Opening of Tenders	6	6	5.89	Finalised - Substantial
<b>SERVICE LEVEL:</b>				
Community Safety	10	10	0	Quarter 3
CCTV	10	10	0.34	Work-in-Progress
Dog Warden, Street Scene and Litter Enforcement	10	10	0	Quarter 4
Equality and Diversity	10	10	4.56	Work-in-Progress

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-09-2014	Status and Assurance Level
Airport and Port Health	10	0	0	Delete and replace with overtime review
Pest Control	10	10	6.01	Finalised – Substantial
Contaminated Land, Pollution, Air and Water Quality	8	8	8.18	Finalised – Reasonable
Dalby Square and Housing Intervention Grants	10	10	0	Quarter 4
Land Charges	8	8	8.36	Finalised – Substantial
Licensing	10	10	0.24	Work-in-progress
Printing and Post	5	5	7.77	Finalised - Substantial
Your Leisure	10	10	0	Quarter 4
Sports Development and Footprints in the Sand	8	8	1.67	Work-in-progress
Waste Vehicle Fleet Management	12	12	11.44	Finalised – Reasonable/Limited
Garden Waste Income	5	5	0	Quarter 4
<b>OTHER :</b>				
Liaison With External Auditors	2	2	0.38	Work-in-progress throughout 2014-15
Follow-up Reviews	15	15	7.07	Work-in-progress throughout 2014-15
<b>UNPLANNED WORK:</b>				
Overtime Review	0	10	35.34	Work-in-progress
<b>FINALISATION OF 2013-14 AUDITS:</b>				
Days under delivered in 2013-14	0	20.31	0	Completed
Procurement	5	5	11.29	Finalised - Substantial
Planning			10.19	Finalised – Substantial/Reasonable
Tackling Tenancy Fraud			3.09	Work-in-progress
Budgetary Control			0.58	Finalised - Substantial
Payroll			2.6	Work-in-progress
Employee Benefits-in-Kind			0.94	Finalised – Reasonable
FOI, Data Protection and Information Management.			8.9	Finalised - Reasonable/Limited/Reasonable
<b>EK HUMAN RESOURCES:</b>				
Absence Management	5	5	0.08	Work-in-progress

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-09-2014	Status and Assurance Level
Payroll	5	5	0	Quarter 3
Employee Allowances and Expenses	5	5	0	Quarter 3
<b>TOTAL - THANET DISTRICT COUNCIL RESIDUAL DAYS</b>	<b>300</b>	<b>320.31</b>	<b>162.55</b>	<b>50.74% Complete as at 30-09-2014</b>
<b>UNPLANNED ADDITIONAL WORK</b>				
Interreg Grant – Maritime (Yacht Valley)	4	4	3.18	Work-in-progress throughout 2014-15
Interreg Grant – LOPINOD	4	4	2.77	Work-in-progress throughout 2014-15
Interreg Grant – PAC2	4	4	0.07	Work-in-progress throughout 2014-15
Empty Homes Cluster Grant	0	0.5	0.54	Finalised

**EAST KENT HOUSING LIMITED:**

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-2014	Status and Assurance Level
<b>Planned Work:</b>				
Audit Ctte/EA Liaison/Follow-up	8	8.5	2.96	Work-in-Progress throughout 2014-15
Finance & ICT Systems	10	0	0	Postpone until 2015-16
Tenant Health & Safety	17	30	27.93	Finalised
Void Property Management.	15	18	0	Quarter 4
Sheltered Housing	30	0	0.2	Postpone until 2015-16
<b>Finalisation of 2013-14 Audits:</b>				
Leasehold Services	0	21	21.5	Work-in-progress
Rent Collection and Debt Management	0	2.5	2.36	Finalised - Reasonable
Days under delivered in 2013-14	0	0	-0.32	Completed
<b>Total</b>	<b>80</b>	<b>80</b>	<b>54.63</b>	<b>68.29% at 30-09-2014</b>
<b>Additional Days purchased with saving from 2013-14</b>				
Additional Days purchased with saving from 2013-14	0	8.1	0	Allocated to Leasehold Services Audit

**EK SERVICES:**

<b>Review</b>	<b>Original Planned Days</b>	<b>Revised Planned Days</b>	<b>Actual days to 30-06-2014</b>	<b>Status and Assurance Level</b>
<b>Planned Work:</b>				
Housing Benefits Admin & Assessment	15	15	6.11	Work-in-progress
Housing Benefits Payments	15	15	4.59	Finalised - Substantial
Council Tax	30	30	0.27	Work in progress
Customer Services	15	15	0.27	Work in progress
ICT File Controls / Data Protection / Back ups	12	14	0.34	Work in progress
ICT Internet & Email	12	18	17.64	Finalised - Reasonable
ICT Physical & Environment	12	14	0.20	Work in progress
Corporate/Committee/follow-up	9	9	5.31	Work-in-progress throughout 2014-15
DDC / TDC HB reviews	40	40	9.44	Ongoing
<b>Finalisation of 2013-14 audits:</b>				
Housing Benefit Verification	0	5.15	4.59	Completed
2013/14 reviews to be completed	0	16	14.62	Completed
<b>Total</b>	<b>160</b>	<b>191.15</b>	<b>63.38</b>	<b>33% Complete as at 30-09-2014</b>

**BALANCED SCORECARD – QUARTER 2**

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2014-15 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2014-15 Actual</u>	<u>Target</u>
	<b>Quarter 2</b>		<b>Reported Annually</b>		
Chargeable as % of available days	84%	80%	<ul style="list-style-type: none"> <li>• Cost per Audit Day</li> </ul>		£312.86
Chargeable days as % of planned days			<ul style="list-style-type: none"> <li>• Direct Costs (Under EKAP management)</li> </ul>		£392,980
CCC	46%	50%	<ul style="list-style-type: none"> <li>• Indirect Costs (Recharges from Host)</li> </ul>		£19,990
DDC	55%	50%	<ul style="list-style-type: none"> <li>• ‘Unplanned Income’</li> </ul>		Zero
SDC	56%	50%	<ul style="list-style-type: none"> <li>• Total EKAP cost</li> </ul>		£412,970
TDC	51%	50%			
EKS	33%	50%			
EKH	68%	50%			
Overall	51%	50%			
Follow up/ Progress Reviews;					
<ul style="list-style-type: none"> <li>• Issued</li> </ul>	26	-			
<ul style="list-style-type: none"> <li>• Not yet due</li> </ul>	25	-			
<ul style="list-style-type: none"> <li>• Now due for Follow Up</li> </ul>	30	-			
Compliance with the PIAS for Internal Audit Standards	Partial	Full			

**BALANCED SCORECARD – QUARTER 2**

<u>CUSTOMER PERSPECTIVE:</u>	<u>2014-15 Actual</u>	<u>Target</u>	<u>INNOVATION &amp; LEARNING PERSPECTIVE:</u>	<u>2014-15 Actual</u>	<u>Target</u>
	Quarter 2				
Number of Satisfaction Questionnaires Issued;	44		Percentage of staff qualified to relevant technician level	88%	75%
Number of completed questionnaires received back;	12 =27%		Percentage of staff holding a relevant higher level qualification	43%	32%
Percentage of Customers who felt that;			Percentage of staff studying for a relevant professional qualification	25%	13%
<ul style="list-style-type: none"> <li>• Interviews were conducted in a professional manner</li> <li>• The audit report was 'Good' or better</li> <li>• That the audit was worthwhile.</li> </ul>	100%	100%	Number of days technical training per FTE	2.68	3.5
	100%	100%	Percentage of staff meeting formal CPD requirements	43%	32%



**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 PROGRESS REPORT ON THE CORPORATE RISK REGISTER

To: **Governance and Audit Committee – 10 December 2014**

Main Portfolio Area: **Corporate Resources**

By: **Technical Finance Manager**

Classification: **Unrestricted**

Ward: Not applicable

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**Summary:** To provide Governance and Audit Committee with Quarter 2 progress report on the Corporate Risk Register.

### For Information

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

1.1 This report provides Governance and Audit Committee with an update on the Corporate Risk Register (CRR).

1.2 Members were given a copy of the CRR at their meeting on 24 September 2014 and were advised to keep a copy of the CRR as part of their Governance and Audit Committee Guidance Packs, so that they can refer to it in future.

#### **2.0 The Current Situation**

##### **2.1 Corporate Risk Register**

2.1.1 Attached at **annex 1** is Quarter 2 progress report on the CRR. The items covered in the report are:

###### **2.1.1.1 Section 1 – Risk Ratings**

Officers who are risk owners have provided members with an update on the latest position with their risk.

###### **2.1.1.2 Section 2 – Time-bound Control Measures (TCA)**

Officers who are TCA control measure owners have provided members with an update on the latest position with their control measures.

Control measures which are business as usual or day-day work (BAU) will be reported on at year end.

###### **2.1.1.3 Section 3 - Changes to the CRR**

Changes to the CRR which have been approved by Councillor Liz Green, the Cabinet Member designated as the Council's Risk Management Champion.

2.1.1.4 **Section 4 – Officer List**

Provides name and designation of risk and control measure owners.

**3.0 Options**

3.1 That Members note the content of **annex 1**, Quarter 2 progress report on the CRR and identify any issues on which they require more clarification.

**4.0 Corporate Implications**

**4.1 Financial and VAT**

4.1.1 Whilst the CRR includes a comprehensive review of corporate financial risks, there are no financial implications for the recommendation required by this report.

**4.2 Legal**

4.2.1 Whilst the CRR includes consideration of legal matters in as far as they relate to risks to the council, there are no legal implications for the recommendation required by this report.

**4.3 Corporate**

4.3.1 The CRR sets out how the Council will seek to control the risks it faces. The approach suggested is in accordance with the requirements of the Council's constitution and agreed Risk Management Framework.

**4.4 Equity and Equalities**

4.4.1 There are no equity or equalities issues arising from this report. The risk register identifies a number of activities designed to control risks and these will each need to be assessed for equality impact in their own right.

**5.0 Recommendation(s)**

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

**6.0 Decision Making Process**

6.1 This recommendation does not involve the making of a key decision and may be taken by the Governance and Audit Committee.

Future Meeting if applicable: G&A – Quarter 3 Progress Report	Date: 17 March 2014
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Contact Officer:	Nicola Walker, Technical Finance Manager DDI 01843 577236
Reporting to:	Paul Cook, Director of Corporate Resources, DDI 01843 577617

**Annex List**

Annex 1	Quarter 2 progress report on the Corporate Risk Register
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***Background Papers - NA***

Title	Details of where to access copy

***Corporate Consultation Undertaken***

Finance	Matthew Sanham, Corporate Finance Manager
Monitoring Officer / Legal	Steven Boyle, Interim Legal Services Manager & Monitoring Officer

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# Corporate Risk Register Progress Report

## Quarter 2 2014/15

- Section 1 Risk Ratings  
(Provides details of changes to risk ratings with comment)
- Section 2 Time-bound Control Measures  
(Provides details of progress made with implementation of time-bound control measures.)
- Section 3 Changes to the Corporate Risk Register  
(Lists any changes made which have been approved by the Risk Management Champion.)
- Section 4 Officer List with Designations

Section 1

Risk Ratings

**RO1 Risks - Financial difficulties threaten the Thanet identity to which the Council aspires**

Name	Description	Owner	Uncontrolled Risk Rating		Current Risk Rating		Controlled Risk Rating		Comment
R01.01: Assumptions in the MTFP	R01.01: Incorrect assumptions made in setting the Medium Term Financial Plan (MTFP) impacting on General Fund, Capital Planning or Housing Revenue Account (HRA)	Cook, Paul	High	▲	Medium High	⚠	Medium High	⚠	• No change to current risk rating.
R01.02: Unforeseen situations undermine MTFP validity	R01.02: MTFP well-founded but accepted risk escalates or unforeseen situations undermine MTFP validity	Cook, Paul	High	▲	Medium High	⚠	Medium High	⚠	• No change to current risk rating.

**RO2 Risks - Focus on short term priorities creates long term budget problems**

Name	Description	Owner	Uncontrolled Risk Rating		Current Risk Rating		Controlled Risk Rating		Comment
R02.01: Focus on short term priorities creates long term budget problems	R02.01: Focus on short term priorities creates long term budget problems	Cook, Paul	High	▲	Medium High	⚠	Medium High	⚠	• Asset Management Strategy agreed. Risk scoring revised from P:2, I:4 to P:2, I:3.

**R03 Risks - Failures of partnership working**













Name	Description	Owner	Uncontrolled Risk Rating		Current Risk Rating		Controlled Risk Rating		Comment
R03.01: Partnerships fail to deliver from their inception	R03.01: Partnerships fail to deliver from their inception	Cook, Paul	High	▲	High	▲	Medium High	⚠	• Partnership template still to be implemented as there is an issue with the range and types of partnerships. No change to current risk rating.





R03.02: Partnerships fail to deliver because of the way that they are run	R03.02: Partnerships fail to deliver because of the way that they are run	Cook, Paul	High	▲	High	▲	Medium High	⚠	<ul style="list-style-type: none"> <li>Partnership template still to be implemented as there is an issue with the range and types of partnerships.</li> </ul> <p>No change to current risk rating.</p>
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#### R04 Risks - Failure of appropriate sustainable business administration practices

Name	Description	Owner	Uncontrolled Risk Rating		Current Risk Rating		Controlled Risk Rating		Comment
R04.01: Risk of injury due to Health & Safety failings	R04.01: Risk of injury due to failure to sustain appropriate Health & Safety conditions for work	Seed, Mark	High	▲	Medium High	⚠	Medium High	⚠	<ul style="list-style-type: none"> <li>Although the council has a significant number of measures in place to manage health and safety, including H&amp;S Maps for each service area, it does manage a number of higher risk areas than most councils. This includes running a number of key manual services in-house, as well as operating a port and harbour. This presents higher levels of risk as result of the types of work being undertaken, which even in a managed risk environment affect both the likelihood and severity of accidents. Considerable work has and is being done on this through the H&amp;S Committee, with a focus currently on ensuring an effective H&amp;S culture through all levels of the organisation.</li> </ul>
R04.02: Failure to achieve VFM through procurement methods	R04.02: Failure to achieve value for money (VFM) through procurement methods	Paton, Karen	High	▲	Medium High	⚠	Medium-Low	●	<ul style="list-style-type: none"> <li>Checking of financial capacity of suppliers providing ongoing contracts in excess of £75K as recorded on the contracts register will be undertaken annually in April. Process will be Procurement personnel running Creditsafe reports and providing these to finance for analysis. In respect of due diligence processes a new due diligence protocol is in development</li> </ul>
R04.03: Insufficient defences against fraud	R04.03: Insufficient defences against fraud	Cook, Paul	High	▲	Medium High	⚠	Medium High	⚠	<ul style="list-style-type: none"> <li>No change to current risk rating.</li> </ul>



R04.04: Difficulties in prioritisation	R04.04: Inability to prioritise effectively threatens delivery of matters that are said to be the most important	Homer, Madeline	High		Medium High		Medium High		<ul style="list-style-type: none"> <li>A Cabinet/CMT away day took place on 13 August 2104, resulting in agreement for four new focus areas up to 2016, which are being integrated into service planning. These are: Environment/Place Economic Development Housing Communication</li> </ul> <p>The intention is not to duplicate or replace our existing 11 Corporate Priorities but to provide a clearer focus for staff, councillors, our partner organisations and the wider public. The intention is that these areas of focus will complement our existing Corporate Plan priorities and the longer term Thanet Vision 2030.</p>
R04.05: Failure of ICT systems/ infrastructure	R04.05: Failure of ICT systems/ infrastructure	Cook, Paul	Medium High		Medium-Low		Medium-Low		<ul style="list-style-type: none"> <li>Business Continuity Plan currently being updated.</li> </ul> <p>No change to current risk rating.</p>
R04.06: Inadequate information management practices	R04.06: Inadequate information management practices	Chadwick, Sophie	Medium High		Medium High		Medium-Low		<ul style="list-style-type: none"> <li>This has not been progressed due to long-term sickness absence in the team.</li> </ul>
R04.07: Emergency planning failure	R04.07: Emergency planning failure	Humber, Mike	High		Medium High		Medium-Low		<ul style="list-style-type: none"> <li>Emergency Plan is currently fit for purpose and will be updated in 2015. Functional Emergency Plans undergoing a programmed update with support from KCC emergency planning staff. Several training courses involving TDC staff undertaken this year including Intro to Emergency Planning, Incident Liaison and Shoreline Oil Pollution. Emergency activation system tested on more than one occasion this year during live incidents. The Council's level of resilience can be improved through more focussed allocation of roles and training of more staff to increase resilience. This will be a focus moving into next year.</li> </ul>

R04.08: Business Continuity planning failure	R04.08: Business Continuity planning failure	Wing, Helan	Medium High		Medium High		Medium-Low	<ul style="list-style-type: none"> <li>The current Business Continuity Plan was tested in the Spring.</li> </ul> <p>Part 1 Corporate Response and Incident Management was updated in May. Part 2 Service Area Response is currently going through a programmed update and will reflect the new corporate structure. The entire plan will then be reviewed in the new calendar year.</p> <p>Officers involved in both Business Continuity and Emergency Planning attend training commissioned by the Kent Resilience Team. In particular this year Link Officer for Business Continuity has attended training on Introduction to Civil Protection and Recovering from Emergencies, as well as the recent SCAT Exercise.</p> <p>Thanet is part of the East Kent Emergency Planning &amp; Business Continuity Group which is facilitated by the Kent Resilience Team. Membership involves the 3 East Kent local authorities, EKH and EKS.</p>
R04.09: Child protection issues	R04.09: Opportunities to prevent harm to children are missed by staff of TDC or its partners, or children are actually harmed by staff of TDC or its partners	Cassell, Martyn	Medium High		Medium-Low		Medium-Low	<ul style="list-style-type: none"> <li>Understanding of the current policy has been embedded in the new Safer Neighbourhoods team and the procedures currently in place are fully operational.</li> </ul> <p>Working on the review of Safeguarding that will include Child Protection and will be reporting to CMT in new year.</p> <p>Staff lists have been updated and renewals of DBS checks well underway with new weekly session established to complete DBS paperwork for those staff requiring checks.</p>

R05 Risks - Mismatch between council resources and stakeholder expectations

Name	Description	Owner	Uncontrolled Risk Rating		Current Risk Rating		Controlled Risk Rating		Comment
R05.01: Media controversy	R05.01: Media controversy impacts on the council's ability to achieve its objectives	Thorpe, Hannah	High	▲	Medium High	●	Medium High	●	<ul style="list-style-type: none"> <li>PR training scheduled in to the Members Induction Training following the election in May. Proposal from Improvement Board to prioritise this as part of the programme of training. In the meantime, weekly PR updates continue with CMT and Cabinet to mitigate media risks.</li> </ul>
R05.02: Customer expectations/demands cannot be met by the council	R05.02: Customer expectations/ demands cannot be met by the council	Cook, Paul	High	▲	High	▲	Medium High	●	<ul style="list-style-type: none"> <li>No change to current risk rating.</li> </ul>
R05.03: Legal challenges require high level commitment of resources	R05.03: Legal challenges require high level commitment of resources	Boyle, Steven	Medium High	●	Medium High	●	Medium High	●	<ul style="list-style-type: none"> <li>There are many major projects at present being undertaken by the Council and these all carry financial implications. Whilst these are being managed as much as possible they need to be factored into the start of any project to ensure it is casted properly.</li> </ul>

R06 Risks - Problems relating to political and democratic processes threaten the Thanet identity

Name	Description	Owner	Uncontrolled Risk Rating		Current Risk Rating		Controlled Risk Rating		Comment
R06.01: Problems caused by central government policies or practices	R06.01: Problems caused by central government policies or practices prevent the council from achieving its aspiration	Homer, Madeline	High	▲	Medium High	●	Medium-Low	●	<ul style="list-style-type: none"> <li>The MTFP and Transformation Agenda (Four Aims: 1. Digitalisation; 2. EKS maximising opportunities; 3. Partnership arrangements (E.g. East Kent Partnership) and 4. Joint venture model opportunities through housing and property services) is intended to mitigate the effects of Government decision making by creating a resilient financial future. The aim is to remodel our business to try and achieve a self-containing financial footing.</li> </ul>

R06.02: Ineffective relationships between TDC and Kent	R06.02: Ineffective relationships between TDC and Kent	Homer, Madeline	High		Medium-Low		Medium-Low		<ul style="list-style-type: none"> <li>Both the Leader of KCC and TDC attend Kent Leaders.</li> <li>Both the CE of KCC and TDC attend Kent Chief Executives.</li> <li>TDC and KCC are members of the Thanet Regeneration Board, now Invest Thanet.</li> <li>KCC are involved in Margate Rendezvous and Winter Gardens and there is engagement with KCC's Director of Economic Development.</li> </ul>
R06.03: Public disengagement from the democratic process	R06.03: Public disengagement from the democratic process	Back, Glenn	Medium High		Medium High		Medium-Low		<ul style="list-style-type: none"> <li>Risk rating remains the same. There is nothing to suggest any changes in public disengagement as we move towards the election process.</li> </ul>
R06.04: Difficulties faced by members in the administration of the council	R06.04: Difficulties faced by members in carrying out the administration of the council	Homer, Madeline	High		Medium High		Medium-Low		<ul style="list-style-type: none"> <li>The Improvement Board has now been established and developing an Action Plan which covers issues identified in the Peer Review. A review of the work of the Improvement Board will take place after March 2015 by the Corporate Performance Review Working Party.</li> </ul>

### R07 Risks - Failure to use staff effectively/ fairly/ appropriately




Name	Description	Owner	Uncontrolled Risk Rating		Current Risk Rating		Controlled Risk Rating		Comment
R07.01: Staff capacity issues	R07.01: Lack of the right staff in the right place leads to situations where services are inadequately covered or missed (capacity)	Homer, Madeline	Medium High		Medium High		Medium-Low		<ul style="list-style-type: none"> <li>Effective service planning and performance appraisal &amp; development process has been introduced.</li> <li>We are implementing a roll out of heads of service (HOS) organisational model through corporate restructure. With HOS competent to do the role, this allows CMT to focus on strategic issues.</li> <li>HOS will continue to appraise staffing requirements to refocus service delivery activity against the Transformation Agenda.</li> </ul>

R07.02: Staff capability issues	R07.02: Failure to recognise and deal with staff limitations appropriately causes deterioration in service delivery (capability)	Homer, Madeline	Medium High		Medium-Low		Medium-Low		<ul style="list-style-type: none"> <li>A Workforce Strategy is being developed with the HR Business Partner.</li> </ul> <p>The performance appraisal &amp; development process will identify training needs / skill gaps and lead to performance improvement plans for individuals. This process will equip managers to identify gaps in skill levels and performance delivery, and clarify need for provision of appropriate tools to address capability issues.</p>
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### R08 Risks - Service closure or failure

Name	Description	Owner	Uncontrolled Risk Rating		Current Risk Rating		Controlled Risk Rating		Comment
R08.01: Service failure or closure	R08.01: Service failure or closure	Homer, Madeline	Medium High		Medium-Low		Medium-Low		<ul style="list-style-type: none"> <li>One control measure is manager identification of appropriate succession planning.</li> </ul> <p>Another control measure is giving consideration to alternative methods for delivering services, which are more efficient than current arrangements. Consideration is being given to the Devolution Agenda to Parish and Town Councils where they are able to take over services. Also, we are engaging with KCC and other districts to explore further shared/combined service arrangements.</p> <p>A further control exists through effective Asset Management in order to reduce asset liabilities. These should reduce risk of service failure.</p>

R09 Risks - Failure to sustain improvement of the area (regeneration)

Name	Description	Owner	Uncontrolled Risk Rating		Current Risk Rating		Controlled Risk Rating		Comment
R09.01: Major project failure (e.g. Dreamland, Margate Housing Intervention)	R09.01: Major project failure (e.g. Dreamland, Margate Housing Intervention)	Homer, Madeline	Medium High		Medium High		Medium-Low		<ul style="list-style-type: none"> <li>Current major projects include:                      Dreamland: Heads of Terms have been agreed with Margate-based Sands Heritage Ltd., which subject to lease negotiations, would secure them as operator of the iconic Dreamland amusement park. The risk to the Council would reduce significantly with the new operator taking on this role.</li> <li>Housing Intervention (HI) Scheme: The risk is lower on the HI as the HRA is supporting the programme since KCC have reallocated resources to alternative priorities. The Homes &amp; Communities Agency (HCA) is still supporting the programme. However, a future risk remains of lack of funding; so ensuring income generation from the scheme is a priority.</li> <li>Selective Licensing: Initial explorations are just starting that include evaluation of the existing scheme (which ends in April 2016), and ongoing requirements in Thanet.</li> </ul>

<p>R09.02: Major Thanet employer or investor reduces/ends investment in Thanet</p>	<p>R09.02: Major Thanet employer or investor reduces or ends their investment in Thanet</p>	<p>Homer, Madeline</p>	<p>Medium High</p>	<p>🟡</p>	<p>Medium High</p>	<p>🟡</p>	<p>Medium-Low</p>	<ul style="list-style-type: none"> <li>• TDC needs to attract inward investment and is working on an Inward Investment Strategy.</li> </ul> <p>Paul Barber, of Discovery Park &amp; Chairman of the Invest Thanet Board (previously Thanet Regeneration Board) is focussing on attracting more investment, and investors, into Thanet. Key aims for Invest Thanet include securing a larger share of government resources, as well as attracting private sector investment into existing companies and persuading overseas companies to locate to the area.</p> <p>Key sites include: Manston Airport whose new owners are proposing mixed use development; Thanet Parkway, is a KCC scheme. KCC is looking to acquire land and secure the building of this station in conjunction with Network Rail and other partners; there is private sector interest in Manston Business Park.</p>
<p>R09.03: Changes in Thanet's demography not considered in planning</p>	<p>R09.03: Changes in Thanet's demography are not considered in planning for the future</p>	<p>Homer, Madeline</p>	<p>Medium High</p>	<p>🟡</p>	<p>Medium High</p>	<p>🟡</p>	<p>Medium-Low</p>	<ul style="list-style-type: none"> <li>• The Housing Intervention Scheme is having an impact as is MTF, the Health &amp; Wellbeing Board and Invest Thanet.</li> </ul> <p>MTF has been rolled out across Thanet; TDC and Thanet Police have a co-located Thanet Safety Unit.</p> <p>Health &amp; Wellbeing Board aims to improve health and thereby facilitate social regeneration.</p> <p>Invest Thanet Board creates partnering and aims to increase inward investment into Thanet.</p> <p>Regeneration Projects are generating better perceptions of the area; this will help to mitigate problems with less economically active populations migrating to Thanet. We aim to attract businesses with different skill requirements that deliver better wages/salaries to improve the local economy.</p>

R09.04: Unsustainable development/lack of the right development	R09.04: Unsustainable development/lack of the right development	Fitt, Colin	High		High		Medium High	<ul style="list-style-type: none"> <li>• Currently, without an up to date adopted Planning Framework (Local Plan, Community Infrastructure Levy etc.) the risk level is high. The Local Plan and CIL are now being actively progressed towards adoption and will gain weight as the various stages are completed. The risk will reduce accordingly to become low following adoption.</li> </ul> 
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## Section 2 Time-bound Control Measures

Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	Est / Actual End Date	% Done	Stage	Comment
00255 Develop a way of refining priorities	Develop a way of refining priorities to 'focus on a smaller number', in time to inform the next corporate plan	<ul style="list-style-type: none"> <li>• R01.01: Assumptions in the MTFP</li> <li>• R01.02: Unforeseen situations undermine MTFP validity</li> </ul>	Cook, Paul	Jun-14	Mar-15	Mar-15	100.00%	Completed	<ul style="list-style-type: none"> <li>• Four priorities set in Budget Strategy 15/19.</li> <li>1. Digitalisation</li> <li>2. EKS maximising opportunities</li> <li>3. Partnership arrangements (E.g. East Kent Partnership)</li> <li>4. Joint venture model opportunities through housing and property)</li> </ul>
00299 Review constitutional & delegated powers ensuring officers work within their powers	Risk R01.01: Undertake review of constitutional and delegated powers to ensure that officers are working within their powers	<ul style="list-style-type: none"> <li>• R01.01: Assumptions in the MTFP</li> <li>• R01.02: Unforeseen situations undermine MTFP validity</li> </ul>	Boyle, Steven	Jul-14	Dec-14	Mar-15	10.00%	In Progress	<ul style="list-style-type: none"> <li>• Resources have been identified from the LGA to assist with this and the Improvement Board will oversee.</li> </ul>
00269 Ensure that budget review group identifies Corporate Plan Priorities	Ensure that budget review group identifies Corporate Plan Priorities.	<ul style="list-style-type: none"> <li>• R01.02: Unforeseen situations undermine MTFP validity</li> <li>• R02.01: Focus on short term priorities creates long term budget problems</li> <li>• R04.04: Difficulties in prioritisation</li> <li>• R06.03: Public disengagement from the democratic process</li> </ul>	Sanham, Matthew	Jul-14	Dec-14	Feb-15	50.00%	Approved	<ul style="list-style-type: none"> <li>• Work on the Budget is underway and meetings have been undertaken with the Budget review group, resulting in a balanced Budget being taken to Cabinet in November. Further meetings are scheduled between now and February to ensure any changes that arise are factored in prior to final report on the MTFP being taken to Council in February.</li> </ul>

Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	Est / Actual End Date	% Done	Stage	Comment
00238 Adopt an asset management strategy & plan (land & buildings)	Adopt an asset management strategy and plan (land and buildings) with director and cross-party member commitment.	<ul style="list-style-type: none"> <li>R02.01: Focus on short term priorities creates long term budget problems</li> </ul>	Crowley, Edwina	Jan-14	Sep-14	Nov-14	100.00%	Completed	<ul style="list-style-type: none"> <li>The new asset strategy has been completed and adopted by Cabinet in November 2014</li> <li>Corporate Property Asset Strategy completed, report and strategy to be reviewed by overview and scrutiny panel in October, prior to cabinet adoption in November.</li> </ul>
00243 Review of the replacement needs for plant & equipment used in the parks service	Carry out reviews of the replacement needs for all the main items of council's plant and equipment used in the parks service, and ensure that capital bids are submitted if replacement is required within the next five years, so that financial provision can be made.	<ul style="list-style-type: none"> <li>R02.01: Focus on short term priorities creates long term budget problems</li> </ul>	Waite, Gavin	Jul-14	Mar-15	Apr-15	40.00%	Approved	<ul style="list-style-type: none"> <li>This has now started and is 40% complete, the requirements for replacement and different kinds of plant &amp; equipment forms a fundamental part of the service review in parks and open spaces.</li> </ul> <p>This work will be completed by April 2015. Capital has already been allocated to support these service areas.</p>
00244 Review replacement needs for plant & equipment used recycling, waste & cleansing	Carry out reviews of the replacement needs for all the main items of council's plant and equipment used in the recycling, waste and cleansing services, and ensure that capital bids are submitted if replacement is required within the next five years, so that financial provision can be made.	<ul style="list-style-type: none"> <li>R02.01: Focus on short term priorities creates long term budget problems</li> </ul>	Waite, Gavin	Jul-14	Mar-15	Apr-15	70.00%	In Progress	<ul style="list-style-type: none"> <li>The review of vehicle replacement requirements for recycling and waste has now been completed, there is still work to do on cleansing so that any replacement programme meets the operational requirements of the fundamental service review presently being undertaken - so together they are 70% complete</li> </ul> <p>This work will be completed by April 2015. Capital has already been allocated to support these service areas.</p>
00266 Ensure council assets are reviewed for adequate maintenance budget allocation	Ensure council assets are reviewed so that long run maintenance requirement is consistent with budget provision.	<ul style="list-style-type: none"> <li>R02.01: Focus on short term priorities creates long term budget problems</li> </ul>	Cook, Paul	Jun-14	Mar-15	Mar-15	50.00%	In Progress	<ul style="list-style-type: none"> <li>Asset Management Strategy to Cabinet 13 November 2014. 200k base budget for capital work 15/16 onwards.</li> </ul>

Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	EST / Actual End Date	% Done	Stage	Comment
00267 Ensure HRA asset management strategy and plan is in place	Ensure HRA asset management strategy and plan is in place	<ul style="list-style-type: none"> <li>• R02.01: Focus on short term priorities creates long term budget problems</li> </ul>	Wenham, Tanya	Jul-14	Mar-15	Mar-15	5.00%	In Progress	<ul style="list-style-type: none"> <li>• In progress of evaluating the various pieces of land that have been highlighted as HRA land and working with EKH on plans for estate and property improvement.</li> </ul>
00282 Production of property maintenance schedules for housing.	Production of property maintenance schedules for housing.	<ul style="list-style-type: none"> <li>• R02.01: Focus on short term priorities creates long term budget problems</li> </ul>	Wenham, Tanya	Jul-14	Mar-15	Mar-15	0.00%	In Progress	<ul style="list-style-type: none"> <li>• Working with EKH on production of property maintenance schedules.</li> </ul>
00241 Carry out review applying the partnership template to existing partnerships	Carry out review applying the partnership template to existing partnerships (agreement for supply of services that involves the council without formal contract).	<ul style="list-style-type: none"> <li>• R03.01: Partnerships fail to deliver from their inception</li> <li>• R03.02: Partnerships fail to deliver because of the way that they are run</li> </ul>	Chadwick, Sophie	Apr-14	Mar-15	Mar-15	10.00%	In Progress	<ul style="list-style-type: none"> <li>• Director of Corporate Resources in the process of revising risk template.</li> </ul>
00249 Design & implement a partnership checklist template	Design a partnership checklist template (agreement for supply of services that involves the council without formal contract), gain adoption by CMT and present to managers.	<ul style="list-style-type: none"> <li>• R03.01: Partnerships fail to deliver from their inception</li> </ul>	Chadwick, Sophie	Jul-14	Sep-14	Feb-15	10.00%	In Progress	<ul style="list-style-type: none"> <li>• Director of Corporate Resources in the process of revising risk template.</li> </ul>

Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	EST / Actual End Date	% Done	Stage	Comment
00273 Ensure the partnership template is implemented	Ensure the partnership template is implemented to ensure that: partnership objectives are informed by a sound evidence base before they are agreed by TDC; that purposes and objectives are clearly documented with clear procedures for disengagement; and that governance arrangements (including arrangements for reporting progress and performance) are clearly documented.	<ul style="list-style-type: none"> <li>R03.01: Partnerships fail to deliver from their inception</li> </ul>	Cook, Paul	Jul-14	Mar-15	Mar-15	0.00%	Not Started	<ul style="list-style-type: none"> <li>Still remains to be done - there is an issue of the range of types of partnership (one size may not fit all).</li> </ul>
00240 Annual due diligence checks on external suppliers where the contract > £75,000.	Annual due diligence checks on external suppliers where the contract value exceeds £75,000.	<ul style="list-style-type: none"> <li>R04.02: Failure to achieve VFM through procurement methods</li> </ul>	Sanham, Matthew	Apr-14	Mar-15	Mar-15	0.00%	In Progress	<ul style="list-style-type: none"> <li>Piece of work being undertaken to review process, will be factored in as part of this, although all suppliers are checked when tendering for a new contract</li> </ul>
00285 Provide staff and member training on fraud	Provide staff and member training on fraud	<ul style="list-style-type: none"> <li>R04.03: Insufficient defences against fraud</li> </ul>	Sanham, Matthew	Jan-15	Feb-15	Feb-15	0.00%	Not Started	<b><i>No Officer comment as project commences after Quarter 2</i></b>

Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	EST / Actual End Date	% Done	Stage	Comment
00250 Develop a clear understanding of member priorities and communicate this	Develop a clear understanding of member priorities and communicate this to the organisation and its stakeholders	<ul style="list-style-type: none"> <li>R04.04: Difficulties in prioritisation</li> </ul>	Homer, Madeline	Jul-14	Oct-14	Dec-14	60.00%	In Progress	<ul style="list-style-type: none"> <li>A Cabinet/CMT awayday took place on 13 August 2104, resulting in agreement for four new focus areas: Environment/Place Economic Development Housing Communication</li> <li>These have now been shared with heads of service for them to include in service planning.</li> <li>The intention is not to duplicate or replace our existing 11 Corporate Priorities but to provide a clearer focus for staff, councillors, our partner organisations and the wider public. The intention is that these areas of focus will complement existing Corporate Plan priorities and the longer term Thanet Vision 2030.</li> <li>This will be communicated with Managers on 27 November at the next Performance Board and with staff at a series of CMT/staff briefing sessions in early December.</li> </ul>
00257 Develop an annual prioritisation process	Develop an annual prioritisation processes that ensures consistency between the corporate plan, service plans and strategic objectives.	<ul style="list-style-type: none"> <li>R04.04: Difficulties in prioritisation</li> </ul>	Halse, Adrian	Oct-14	Sep-15	Sep-15	0.00%	Withdrawn	Risk CM withdrawn as this will be built in as part of the corporate plan process.

Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	EST / Actual End Date	% Done	Stage	Comment
00264 Effective SLA in place with EKS for ICT services.	Effective SLA in place with EKS for ICT services.	<ul style="list-style-type: none"> <li>R04.05: Failure of ICT systems/ infrastructure</li> <li>R06.03: Public disengagement from the democratic process</li> </ul>	Cook, Paul	Apr-14	Mar-15	Mar-15	10.00%	In Progress	<ul style="list-style-type: none"> <li>LGA resource commissioned to review ICT arrangements; programme commencement November 2014.</li> </ul>
00268 Ensure in-house software administrator roles are held by 'experts'	Ensure in-house software administrator roles are held by 'experts' who are required to document basics of software management tasks.	<ul style="list-style-type: none"> <li>R04.05: Failure of ICT systems/ infrastructure</li> </ul>	Chadwick, Sophie	Jan-15	Mar-15	Mar-15	0.00%	Not Started	<b>No Officer comment as CM commences after Quarter 2</b>
00239 Adopt and ensure adherence to the government's code of conduct on data transparency.	Adopt and ensure adherence to the government's code of conduct on data transparency.	<ul style="list-style-type: none"> <li>R04.06: Inadequate information management practices</li> </ul>	Chadwick, Sophie	Apr-14	Mar-15	Mar-15	0.00%	Not Started	<ul style="list-style-type: none"> <li>Training completed and information disseminated to managers by Customer Contact and Engagement Team. Further input to be provided by Glenn Back (project lead)</li> </ul>
00248 Deliver training on good information management practices	Deliver training on good information management practices, including quality and appropriateness.	<ul style="list-style-type: none"> <li>R04.06: Inadequate information management practices</li> </ul>	Chadwick, Sophie	Oct-14	Mar-15	Mar-15	0.00%	Not Started	<b>No Officer comment as CM commences after Quarter 2</b>
00289 Re-introduce housekeeping days (electronic as well as paper filing).	Re-introduce housekeeping days (electronic as well as paper filing).	<ul style="list-style-type: none"> <li>R04.06: Inadequate information management practices</li> </ul>	Chadwick, Sophie	Apr-14	Mar-15	Mar-15	0.00%	Not Started	<ul style="list-style-type: none"> <li>On hold pending end of long-term sickness absence in the team.</li> </ul>
00259 Develop and implement a succession management plan.	Develop and implement a succession management plan.	<ul style="list-style-type: none"> <li>R04.07: Emergency planning failure</li> <li>R04.08: Business Continuity planning failure</li> <li>R06.03: Public disengagement from the democratic process</li> <li>R07.01: Staff capacity issues</li> </ul>	Greenway, Charlie	Apr-14	Mar-15	Mar-15	1.00%	In Progress	<ul style="list-style-type: none"> <li>This control measure will be implemented as part of the workforce strategy and planning work that has started but will continue through the majority of 2015.</li> </ul>
00330 Maintain up-to-date Business Continuity plan.	RI04.08: Maintain up-to-date Business Continuity Plan.  Supports multiple objectives; Audit Rec. AU1597.04	<ul style="list-style-type: none"> <li>R04.08: Business Continuity planning failure</li> </ul>	Wing, Helan	Apr-14	Mar-15	Mar-15	75.00%	In Progress	<ul style="list-style-type: none"> <li>The Business continuity plan is being updated to reflect the new structure and will then be reviewed in the new calendar year.</li> </ul>

Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	EST / Actual End Date	% Done	Stage	Comment
00245 Check compliance with e-learning module for new starters	Check compliance with e-learning module for new starters	<ul style="list-style-type: none"> <li>R04.09: Child protection issues</li> </ul>	Greenway, Charlie	Jun-14	Sep-14	Dec-14	0.00%	Not Started	<ul style="list-style-type: none"> <li>Awaiting confirmation from the Safeguarding Lead as to what this control measure entails and how to complete it.</li> </ul>
00246 Complete Kent Safeguarding Children's self-assessment document	Complete Kent Safeguarding Children's self-assessment document	<ul style="list-style-type: none"> <li>R04.09: Child protection issues</li> </ul>	Cassell, Martyn	May-14	Oct-14	Jun-14	100.00%	Completed	<b>No Officer comment as CM commences after Quarter 2</b>
00288 Re-establish corporate CP Committee	Re-establish corporate CP Committee	<ul style="list-style-type: none"> <li>R04.09: Child protection issues</li> </ul>	Cassell, Martyn	Sep-14	Jan-15	Jan-15	20.00%	In Progress	<ul style="list-style-type: none"> <li>Undertaking full review of child protection and wider safeguarding issues and will prepare report for CMT to consider early in new year.</li> </ul> <p>Current thought process is to develop 'Safeguarding Champions' in key departments who will push the CP agenda across their teams and wider directorate. Ideally will be virtual group with possibly one actual meeting per year.</p>
00301 Update CP information on TOM	Update CP information on TOM	<ul style="list-style-type: none"> <li>R04.09: Child protection issues</li> </ul>	Cassell, Martyn	Sep-14	Jan-15	Jan-15	40.00%	In Progress	<ul style="list-style-type: none"> <li>Minor amendments made with changes in personnel but full amendments will be made following review.</li> </ul>
0302 Update TDC staff list for roles requiring DBS checks	Update TDC staff list for roles requiring DBS checks	<ul style="list-style-type: none"> <li>R04.09: Child protection issues</li> </ul>	Cassell, Martyn	Jun-14	Mar-15	Mar-15	100.00%	Completed	<ul style="list-style-type: none"> <li>Met with East Kent HR and revisited the staff DBS list following the restructure.</li> </ul> <p>All posts agreed and renewal process underway.</p> <p>5 new staff being trained on checking DBS applications to allow better business continuity in Council.</p>
00284 Provide media training to all Members.	Provide media training to all Members.	<ul style="list-style-type: none"> <li>R05.01: Media controversy</li> <li>R06.04: Difficulties faced by members in the administration of the council</li> </ul>	Thorpe, Hannah	Sep-14	Mar-16	Mar-16	0.00%	Not Started	<ul style="list-style-type: none"> <li>Training to start following the election - May 2015.</li> </ul>

Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	Est / Actual End Date	% Done	Stage	Comment
00290 Review channels of communication to external customers	Review channels of communication to external customers to ensure the council has an integrated plan for improvement.	• R05.02: Customer expectations/ demands cannot be met by the council	Wingate, Justine	Sep-14	Mar-15	Mar-15	25.00%	In Progress	• Web review is underway to optimize online transactional capabilities to improve customer service and reduce avoidable contact.
00247 Consider opportunities for reducing service costs through a programme of service reviews.	Consider opportunities for reducing service costs through a programme of service reviews.	• R06.01: Problems caused by central government policies or practices	Cook, Paul	Jun-14	Mar-15	Mar-15	0.00%	Withdrawn	• Decision was made not to pursue this method of achieving savings. Management Accountants work with services as business partners to identify savings in line with any reviews managers are undertaking.
00275 Establish framework for building relationship between the Council and local MPs.	Establish framework for building relationship between the Council and local MPs.	• R06.01: Problems caused by central government policies or practices	Homer, Madeline	Jul-14	Sep-14	Sep-14	100.00%	Completed	• As monthly meetings have always taken place with local MPs, it is proposed to move this CM to BAU.
00276 Explore options to consolidate or share services.	Explore options to consolidate or share services.	• R06.01: Problems caused by central government policies or practices	Cook, Paul	Jun-14	Mar-15	Mar-15	20.00%	In Progress	• One of the themes for MTFP set out in Budget Strategy 15-19.
00295 Run campaign to increase participation in the democratic process.	Run campaign to increase participation in the democratic process.	• R06.03: Public disengagement from the democratic process	Wingate, Justine	Oct-13	Mar-15	Mar-15	90.00%	In Progress	• Ran extensive, targeted marketing campaigns during the canvas and for the introduction of Individual Electoral Registration this year. Further marketing will be undertaken in the lead up to the elections in May 2015.
00242 Carry out review of the standards regime and make commendations to Council	Risk R016.04: Carry out review of the standards regime and make recommendations to Council	• R06.04: Difficulties faced by members in the administration of the council	Boyle, Steven	Jul-14	Mar-15	Mar-15	20.00%	In Progress	• This is being reviewed through the Improvement Board and there is also a resource from the LGA.
00281 Introduce new standards regime (following Council decision)	Introduce new standards regime (following Council decision)	• R06.04: Difficulties faced by members in the administration of the council	Back, Glenn	Jul-14	Mar-15	Mar-15	0.00%	Withdrawn	• Risk CM withdrawn as new TCA created 'Ensure regular meeting of the Constitutional Review Working Party '. This WP meets four times a year, and is the mechanism that is set up to address standards issues.



Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	EST / Actual End Date	% Done	Stage	Comment
00286 Provide training for all members on chairmanship and meeting management	Provide training for all members on chairmanship and meeting management	<ul style="list-style-type: none"> <li>R06.04: Difficulties faced by members in the administration of the council</li> </ul>	Back, Glenn	Jul-14	Mar-15	Mar-15	0.00%	Not Started	<ul style="list-style-type: none"> <li>The nature of this action is being reviewed as part of the Peer Review action plan.</li> </ul>
00291 Review options for improving competency of chairmanship/vice-chairmanship posts	Review options for requiring chairmanship/vice-chairmanship posts to be restricted to those who have been on a chairmanship training	<ul style="list-style-type: none"> <li>R06.04: Difficulties faced by members in the administration of the council</li> </ul>	Back, Glenn	Jul-14	Mar-15	Mar-15	0.00%	Not Started	<ul style="list-style-type: none"> <li>This will be considered by the Member Induction programme. The Committee Services Manager will raise at CMT the offer CMT has made to commission external training providers as part of the induction programme, and we will suggest additional and early sessions on chairing skills.</li> </ul> <p>There is an emerging consensus to promote the concept of "mandatory" training as part of the post-election training programme. However, in a literal sense that would not be enforceable as regards Chairmen. The Chairmen of most committees are selected by vote at Council, and for others by vote at their first meetings in the year.</p> <p>Some committees will meet very early on, thus it may prove challenging to deliver the relevant training prior to all meetings that need to be chaired.</p> <p>All the same, we will build these aspirations into their learning and development delivery plans for the immediate post-election period, subject to CMT making the funding available for the additional training on chairing skills.</p>

Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	Est / Actual End Date	% Done	Stage	Comment
00294 Review the officer: member protocol	Review the officer: member protocol and design and deliver training/awareness raising for staff and members	<ul style="list-style-type: none"> <li>R06.04: Difficulties faced by members in the administration of the council</li> </ul>	Homer, Madeline	Jul-14	Mar-15	Mar-15	10.00%	In Progress	<ul style="list-style-type: none"> <li>Work has commenced on the Member/Officer protocol, which the Improvement Board is currently considering.</li> </ul> <p>Meetings have taken place with the Leader/Chief Executive at Gravesham BC as they went through a corporate peer challenge last autumn and their Member/Officer Protocol has been put forward as best practice by the LGA.</p> <p>The Improvement Board have an action to identify small working group from the Improvement Board to work with the Monitoring Officer, and look at our Member/Officer protocol. Ian Lowrie (chair of Improvement Board &amp; former Chief Exec. of Adur District Council) is to run a session on Member/Officer protocol at Managers Forum in November 2014.</p> <p>Democratic Services Manager will be running training sessions on understanding the constitution in order for greater clarity around boundaries.</p>
00263 Develop plan to build project and programme management capability (Peer Review).	Develop plan to build project and programme management capability (Peer Review).	<ul style="list-style-type: none"> <li>R07.01: Staff capacity issues</li> </ul>	Greenway, Charlie	Apr-14	Mar-15	Mar-15	0.00%	In Progress	<ul style="list-style-type: none"> <li>The Director of Resources is in discussion with the LGA with regards support that they can offer to increase the organisational skills and capability for project management.</li> </ul>

Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	EST / Actual End Date	% Done	Stage	Comment
00277 Identify administration key man risk and develop a plan to minimise this risk.	Identify administration key man risk and develop a plan to minimise this risk.	<ul style="list-style-type: none"> <li>• R07.01: Staff capacity issues</li> <li>• R08.01: Service failure or closure</li> </ul>	Greenway, Charlie	Apr-14	Mar-15	Mar-15	5.00%	In Progress	<ul style="list-style-type: none"> <li>• Analysis of agency usage for administrative cover over the past 12 months is underway to inform whether key man risk and resilience challenges across the organisation's administration staffing are evidenced. This will inform further action to mitigate this (if evidenced).</li> </ul>
00279 Identify reactive services where tracking of work capacity indicators would be beneficial	Identify reactive services where tracking of work capacity indicators would be beneficial (a form of contextual indicator) and set these indicators up in InPhase.	<ul style="list-style-type: none"> <li>• R07.01: Staff capacity issues</li> <li>• R08.01: Service failure or closure</li> </ul>	Halse, Adrian	Sep-14	Mar-15	Mar-15	0.00%	Withdrawn	<ul style="list-style-type: none"> <li>• This piece of work is withdrawn to enable Business Analysis to focus on activities which he has taken on now that Policy &amp; Business Planning Manager is leaving TDC. At the moment resources in the section are reduced and will be reviewed in the New Year.</li> </ul>
00287 Recruit to the senior staffing structure with the right calibre of staff as quickly as possible	Recruit to the senior staffing structure with the right calibre of staff as quickly as possible	<ul style="list-style-type: none"> <li>• R07.01: Staff capacity issues</li> </ul>	Greenway, Charlie	Jun-14	Nov-14	Nov-14	100.00%	Completed	<ul style="list-style-type: none"> <li>• Key senior positions are covered with appropriately skilled resource (some of which are interim appointments).</li> </ul>
00292 Review pay scheme suitability.	Review pay scheme suitability.	<ul style="list-style-type: none"> <li>• R07.01: Staff capacity issues</li> </ul>	Greenway, Charlie	Jun-15	Oct-15	Oct-15	5.00%	In Progress	<b>No Officer comment as CM commences after Quarter 2</b>
00293 Review staff structure in the light of refreshed Council priorities.	Review staff structure in the light of refreshed Council priorities.	<ul style="list-style-type: none"> <li>• R07.01: Staff capacity issues</li> </ul>	Greenway, Charlie	Nov-14	Dec-15	Dec-15	0.00%	Not Started	<b>No Officer comment as CM commences after Quarter 2</b>
00252 Develop a toolkit for managers to support and develop their staff.	Develop a toolkit for managers to support and develop their staff.	<ul style="list-style-type: none"> <li>• R07.02: Staff capability issues</li> </ul>	Greenway, Charlie	Mar-15	May-15	May-15	0.00%	Not Started	<b>No Officer comment as CM commences after Quarter 2</b>
00253 Develop a training programme on competent decision making.	Develop a training programme on competent decision making.	<ul style="list-style-type: none"> <li>• R07.02: Staff capability issues</li> </ul>	Greenway, Charlie	Apr-14	Jan-15	Jan-15	1.00%	In Progress	<ul style="list-style-type: none"> <li>• This control measure will form part of a wider training programme being developed by the Democratic Services Manager. Development of this programme is in progress and anticipated delivery date is to be confirmed.</li> </ul>

Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	EST / Actual End Date	% Done	Stage	Comment
00258 Develop an option appraisal for the introduction of a mentoring or coaching scheme.	Develop an option appraisal for the introduction of a mentoring or coaching scheme.	<ul style="list-style-type: none"> <li>R07.02: Staff capability issues</li> </ul>	Greenway, Charlie	Jan-15	Mar-15	Mar-15	0.00%	Not Started	<b>No Officer comment as CM commences after Quarter 2</b>
00298 Undertake 'skills gap' analysis when corporate priorities are rationalised (Peer Review).	Undertake 'skills gap' analysis when corporate priorities are rationalised (Peer Review).	<ul style="list-style-type: none"> <li>R07.02: Staff capability issues</li> </ul>	Greenway, Charlie	Oct-14	Dec-14	Nov-15	1.00%	In Progress	<b>No Officer comment as CM commences after Quarter 2</b>
00274 Establish a project risk register	Establish a project risk register	<ul style="list-style-type: none"> <li>R09.01: Major project failure (e.g. Dreamland, Margate Housing Intervention)</li> </ul>	Halse, Adrian	Jul-14	Aug-14	Oct-14	40.00%	Withdrawn	<ul style="list-style-type: none"> <li>It is recommended that this risk be withdrawn and a new BAU created to ... Ensure that major project risk registers are maintained for all projects over £1.5m</li> </ul>
00296 Timely adoption of sound local plan	Timely adoption of sound local plan	<ul style="list-style-type: none"> <li>R09.03: Changes in Thanet's demography not considered in planning</li> <li>R09.04: Unsustainable development/lack of the right development</li> </ul>	Mohammed, Ismail	Aug-12	Mar-15	Mar-15	30.00%	In Progress	<ul style="list-style-type: none"> <li>The timetable for the preparation adoption of a sound Local Plan has been revised and it will now have an end date of February 2017. There are number of stages that the Local Plan needs to go through before the Council will be able to adopt the Local Plan. The Council is currently working towards Stage 2, Preferred Options consultation that is programmed to commence on 5th January 2015, subject to approval of the Preferred Options consultation document by Cabinet on 11th December 2014.</li> </ul>
00251 Develop a new parking strategy that complements the developing transport strategy.	Develop a new parking strategy that complements the developing transport strategy.	<ul style="list-style-type: none"> <li>R09.04: Unsustainable development/lack of the right development</li> </ul>	Chantrill-Smith, Robin	Jul-14	Dec-14	Dec-14	35.00%	In Progress	<ul style="list-style-type: none"> <li>First draft has been seen by Director which has been returned for further work to be done before final draft is available.</li> </ul>

Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	EST / Actual End Date	% Done	Stage	Comment
00254 Develop a transport strategy & infrastructure delivery plan for Thanet	Develop a transport strategy and infrastructure delivery plan for Thanet to support the Local Plan.	<ul style="list-style-type: none"> <li>R09.04: Unsustainable development/lack of the right development</li> </ul>	Mohammed, Ismail	Aug-12	Mar-15	Mar-15	20.00%	In Progress	<ul style="list-style-type: none"> <li>The revised timetable for the Local Plan also impacts on the Transport Strategy and Infrastructure Delivery Plan. This strategy and plan forms supporting evidence for the Local Plan and will be progressed along with the Local Plan.</li> </ul>

## Section 3

## Changes to the Corporate Risk Register

### Change in Risk Owner

R04 Risks - Failure of appropriate sustainable business administration practices			
Name	Description	Owner	New Owner
R04.08: Business Continuity planning failure	R04.08: Business Continuity planning failure	Halse, Adrian	Helan Wing, Corporate Resource Officer following departure of previous owner

### Change in Owner for Time-bound Control Measures (TCA)

Control Measure Name	Description	Risks affected by this Control Measure	Owner	New Owner
00251 Develop a new parking strategy that complements the developing transport strategy.	Develop a new parking strategy that complements the developing transport strategy.	<ul style="list-style-type: none"> <li>R09.04: Unsustainable development/lack of the right development</li> </ul>	Waite, Gavin	Robin Chantrill-Smith, Civil Enforcement Manager - Decision - Mark Seed
00254 Develop a transport strategy & infrastructure delivery plan for Thanet	Develop a transport strategy and infrastructure delivery plan for Thanet to support the Local Plan.	<ul style="list-style-type: none"> <li>R09.04: Unsustainable development/lack of the right development</li> </ul>	Thomas, Simon	Ismail Mohammed, Strategic Planning Manager following result of corporate restructure
00269 Ensure that budget consultation for 2015-16 informs new Corporate plan.	Ensure that budget consultation for 2015-16 supports the identification of priorities for the new Corporate plan.	<ul style="list-style-type: none"> <li>R01.02: Unforeseen situations undermine MTFP validity</li> <li>R02.01: Focus on short term priorities creates long term budget problems</li> <li>R04.04: Difficulties in prioritisation</li> <li>R06.03: Public disengagement from the democratic process</li> </ul>	Halse, Adrian	Matt Sanham, Corporate Finance Manager following departure of previous owner. (See below for change in Control Measure / Description)
00291 Review options for improving competency of chairmanship/vice-chairmanship posts	Review options for requiring chairman ship/vice-chairmanship posts to be restricted to those who have been on a chairmanship training	<ul style="list-style-type: none"> <li>R06.04: Difficulties faced by members in the administration of the council</li> </ul>	Boyle, Steve	Glenn Back, Democratic Services Manager - Decision - Steve Boyle
00330 Maintain up-to-date Business Continuity plan.	RI04.08: Maintain up-to-date Business Continuity Plan.  Supports multiple objectives; Audit Rec. AU1597.04	<ul style="list-style-type: none"> <li>R04.08: Business Continuity planning failure</li> </ul>	Halse, Adrian	Helan Wing, Corporate Resource Officer following departure of previous owner

### Change in Owner for Business as Usual Control Measures (BAU)

Control measure	Description	Risk	Owner	New Owner
BAU0069 Facilitate effective performance management processes	Facilitate effective performance management processes (including tracking of contextual/activity data for early warning)	<ul style="list-style-type: none"> <li>• R08.01: Service failure or closure</li> </ul>	Halse, Adrian	Nicola Walker, Technical Finance Manager following departure of previous owner
BAU0128 Spot check on manager use of regular policy updates	Spot check on manager use of regular policy updates that provide early warning of legislative changes.	<ul style="list-style-type: none"> <li>• R07.02: Staff capability issues</li> </ul>	Halse, Adrian	Nicola Walker, Technical Finance Manager following departure of previous owner
BAU0022 Develop corporate plan in the knowledge of contextual demands	Develop corporate plan in the knowledge of contextual demands	<ul style="list-style-type: none"> <li>• R09.03: Changes in Thanet's demography not considered in planning</li> </ul>	Halse, Adrian	Nicola Walker, Technical Finance Manager following departure of previous owner
BAU0086 Maintain project management process and ensure compliance	Maintain project management process and ensure compliance	<ul style="list-style-type: none"> <li>• R09.01: Major project failure (e.g. Dreamland, Margate Housing Intervention)</li> </ul>	Halse, Adrian	Nicola Walker, Technical Finance Manager following departure of previous owner
BAU0108 Regular reporting of business performance to the public	Regular reporting of business performance to the public	<ul style="list-style-type: none"> <li>• R05.02: Customer expectations/ demands cannot be met by the council</li> </ul>	Halse, Adrian	Nicola Walker, Technical Finance Manager following departure of previous owner
BAU0052 Ensure programme of review and testing of business continuity plan	Ensure programme of review and testing of business continuity plan which includes shared service partners.	<ul style="list-style-type: none"> <li>• R04.08: Business Continuity planning failure</li> </ul>	Halse, Adrian	Helan Wing, Corporate Resource Officer following departure of previous owner
BAU0136 Provide performance/progress challenge on main partnerships	Use the performance board and directorate management meetings to challenge on the progress/ performance of the main partnerships though the year, checking that two way dialogue is taking place between TDC lead and partners.	<ul style="list-style-type: none"> <li>• R03.02: Partnerships fail to deliver because of the way that they are run</li> </ul>	Halse, Adrian	Paul Cook, Director of Corporate Resources following departure of previous owner
BAU0041 Ensure corporate plan objectives are clearly publicised for the general public.	Ensure corporate plan objectives are clearly publicised for the general public.	<ul style="list-style-type: none"> <li>• R05.02: Customer expectations/ demands cannot be met by the council</li> </ul>	Halse, Adrian	Hannah Thorpe, PR & Publicity Manager following departure of previous owner
BAU0097 Provide refresh training on business continuity.	Provide refresh training on business continuity.	<ul style="list-style-type: none"> <li>• R04.08: Business Continuity planning failure</li> </ul>	Halse, Adrian	Helan Wing, Corporate Resource Officer following departure of previous owner

### Change in Control Measure / Description

Existing Control measure	Existing Description	Risk	Owner	Change in CM/Description
00269 Ensure that budget consultation for 2015-16 supports the identification of priorities for the new Corporate plan.	Ensure that budget consultation for 2015-16 supports the identification of priorities for the new Corporate plan.	<ul style="list-style-type: none"> <li>• R01.02: Unforeseen situations undermine MTFP validity</li> <li>• R02.01: Focus on short term priorities creates long term budget problems</li> <li>• R04.04: Difficulties in prioritisation</li> <li>• R06.03: Public disengagement from the democratic process</li> </ul>	Sanham, Matt	<p><b>CM:</b> 00269 Ensure that budget consultation for 2015-16 informs new Corporate plan.</p> <p><b>Description:</b> Ensure that budget review group identifies Corporate Plan Priorities.</p>

### Risk Control Measures Withdrawn - TCA/BAU

Control measure	Description	Risk	Owner	Reason
00250 Develop a clear understanding of member priorities and communicate this to organisation and its stakeholders	Develop a clear understanding of member priorities and communicate this to organisation and its stakeholders	<ul style="list-style-type: none"> <li>• R04.04: Difficulties in prioritisation</li> </ul>	Homer, Madeline	CM withdrawn as monthly meetings have always taken place with local MPs and it is proposed to move this TCA to BAU.
00257 Develop an annual prioritisation process	Develop an annual prioritisation processes that ensures consistency between the corporate plan, service plans and strategic objectives.	<ul style="list-style-type: none"> <li>• R04.04: Difficulties in prioritisation</li> </ul>	Halse, Adrian	CM withdrawn as this will be built in as part of the corporate plan process.
00247 Consider opportunities for reducing service costs through a programme of service reviews.	Consider opportunities for reducing service costs through a programme of service reviews.	<ul style="list-style-type: none"> <li>• R06.01: Problems caused by central government policies or practices</li> </ul>	Cook, Paul	CM withdrawn as decision was made not to pursue this method of achieving savings. Management Accountants work with services as business partners to identify savings in line with any reviews managers are undertaking.
00281 Introduce new standards regime (following Council decision)	Introduce new standards regime (following Council decision)	<ul style="list-style-type: none"> <li>• R06.04: Difficulties faced by members in the administration of the council</li> </ul>	Back, Glenn	CM withdrawn as new TCA created 'Ensure regular meeting of the Constitutional Review Working Party'. This WP meets four times a year, and is the mechanism that is set up to address standards issues.



Control measure	Description	Risk	Owner	Reason
00279 Identify reactive services where tracking of work capacity indicators would be beneficial	Identify reactive services where tracking of work capacity indicators would be beneficial (a form of contextual indicator) and set these indicators up in InPhase.	<ul style="list-style-type: none"> <li>• R07.01: Staff capacity issues</li> <li>• R08.01: Service failure or closure</li> </ul>	Halse, Adrian	CM withdrawn to enable the Business Analyst to focus on activities which he has taken on now the Policy & Business Planning Manager has left TDC. Resources in the section are reduced and will be reviewed in the New Year.
00274 Establish a project risk register	Establish a project risk register	<ul style="list-style-type: none"> <li>• R09.01: Major project failure (e.g. Dreamland, Margate Housing Intervention)</li> </ul>	Halse, Adrian	CM withdrawn and new BAU created as major project risk registers are held for all projects over £1.5m

#### New Control Measures - TCA/BAU

Control measure	Description	Risk	Owner	Reason
BAU0139 Develop a clear understanding of member priorities and communicate this	Develop a clear understanding of member priorities and communicate this to organisation and its stakeholders	<ul style="list-style-type: none"> <li>• R04.04: Difficulties in prioritisation</li> </ul>	Homer, Madeline	Supersedes TCA 00250 Develop a clear understanding of member priorities and communicate this to organisation and its stakeholders
BAU0138 Ensure that major project risk registers are maintained for all projects over £1.5m	Ensure that major project risk registers are maintained for all projects over £1.5m	<ul style="list-style-type: none"> <li>• R09.01: Major project failure (e.g. Dreamland, Margate Housing Intervention)</li> </ul>	Walker, Nicola	Supersedes TCA 00274 Establish a project risk register
Ensure regular meetings of the Constitutional Review Working Party	Ensure regular meeting of the Constitutional Review Working Party to address standards issue.	<ul style="list-style-type: none"> <li>• R06.04: Difficulties faced by members in the administration of the council</li> </ul>	Back, Glenn	Supersedes TCA 00281 Introduce new standards regime (following Council decision)

## Section 4

## Officer List with Designation

Owner	Designation	Notes
Askew, Louise	Economic Development Manager	
Back, Glenn	Democratic Services Officer	
Boyle, Steven	Legal Services Manager	
Brown, Robert	Maritime Operations Manager	
Cassell, Martyn	Community Safety and Leisure Manager	
Chadwick, Sophie	Customer Contact and Engagement Manager	
Chantrill-Smith, Robin	Civil Enforcement Manager	
Cook, Carol	Policy Officer	
Cook, Paul	Director of Corporate Resources/Head of Financial Services	
Crowley, Edwina	Head of Economic Development and Asset Management	
Fitt, Colin	Head of Built Environment	
Greenway, Charlie	HR Business Partner	
Halse, Adrian	Policy and Business Planning Manager	Left the authority Oct 2014
Homer, Madeline	Acting Chief Executive/Director of Community Services	
Humber, Mike	Technical Services Manager	
McGonigal, Sue	Chief Executive	Risks and CMs reassigned to M Homer
Mohammed, Ismail	Strategic Planning Manager	
Paton, Karen	Strategic Procurement Manager	
Sanham, Matthew	Corporate Finance Manager	
Seed, Mark	Director of Operational Services	
Sprouates, Morgan	Environmental Protection Manager	
Webb, Stephen	Business Analyst	
Thomas, Simon	Planning Manager	
Thorpe, Hannah	PR and Publicity Manager	
Tinley, Carolyn	Facilities Manager	
Waite, Gavin	Head of Operational Services	
Walker, Nicola	Technical Finance Manager	
Wenham, Tanya	Head of Housing	
Wing, Helan	Corporate Resource Officer	

Wingate, Justine	Communications Manager	
Woodgate, Simon	Cemeteries and Crematorium Registrar	

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

To: **Governance & Audit Committee – 10<sup>th</sup> December 2014**

Main Portfolio Area: **Finance**

By: **Section 151 Officer**

Classification: **Unrestricted**

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**Summary:** This report is to provide the Governance & Audit Committee with the proposed Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2015/16 for approval.

### **For Decision**

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## **1 INTRODUCTION**

### **1.1 Background**

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

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

CIPFA defines treasury management as:

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

## 1.2 Reporting requirements

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

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

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

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

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

### Scrutiny

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

## 1.3 Treasury Management Strategy for 2015/16

The strategy for 2015/16 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 25 June 2014 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 six of the nine 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 2015/16 – 2017/18**

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is 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	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Non-HRA	6.689	18.416	4.229	3.703	3.397
HRA	3.958	14.044	10.944	10.072	3.392
<b>Total</b>	<b>10.647</b>	<b>32.460</b>	<b>15.173</b>	<b>13.775</b>	<b>6.789</b>

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

Capital expenditure £m	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Non-HRA	6.689	18.416	4.229	3.703	3.397
HRA	3.958	14.044	10.944	10.072	3.392
<b>Total</b>	<b>10.647</b>	<b>32.460</b>	<b>15.173</b>	<b>13.775</b>	<b>6.789</b>
<b>Financed by:</b>					
Capital receipts	1.756	1.633	1.067	0.718	0.475
Capital grants	4.703	10.444	2.930	2.165	1.652
Capital reserves	1.324	10.912	5.259	3.303	3.085
Revenue	0.593	3.057	1.251	2.884	0.567
<b>Net financing need for the year</b>	<b>2.271</b>	<b>6.414</b>	<b>4.666</b>	<b>4.705</b>	<b>1.010</b>

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

## 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 had £3.900m of long term liabilities (excluding pensions) as at 31 March 2014.

The Council is asked to approve the CFR projections below:



£m	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
<b>Capital Financing Requirement</b>					
CFR – non housing	20.898	26.460	26.470	26.315	26.224
CFR – housing	20.874	20.874	23.607	27.282	27.282
<b>Total CFR</b>	<b>41.772</b>	<b>47.334</b>	<b>50.077</b>	<b>53.597</b>	<b>53.506</b>
<b>Movement in CFR</b>	<b>(0.003)</b>	<b>5.562</b>	<b>2.743</b>	<b>3.520</b>	<b>(0.091)</b>

<b>Movement in CFR represented by</b>					
Net financing need for the year (above)	2.271	6.414	4.666	4.705	1.010
Less HRA – loan repayments and downward revaluations*	(1.656)	0.000	(0.828)	0.000	0.000
Less MRP/VRP and other financing movements	(0.618)	(0.852)	(1.095)	(1.185)	(1.101)
<b>Movement in CFR</b>	<b>(0.003)</b>	<b>5.562</b>	<b>2.743</b>	<b>3.520</b>	<b>(0.091)</b>

*\*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	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Fund balances / reserves	2.177	2.177	2.177	2.177	2.177
Capital receipts	1.756	1.633	1.067	0.718	0.475
Earmarked reserves	16.757	8.207	8.146	8.646	8.846
<b>Total core funds</b>	<b>20.690</b>	<b>12.017</b>	<b>11.390</b>	<b>11.541</b>	<b>11.498</b>
Working capital*	38.235	33.115	33.043	33.605	32.752
Under/over borrowing	10.620	13.115	13.043	13.605	12.752
<b>Expected investments</b>	<b>27.615</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>

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

#### 2.5 Affordability prudential indicators

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

#### 2.6 Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Non-HRA	3.1%	6.0%	8.0%	8.5%	8.1%
HRA	7.1%	5.9%	6.5%	6.9%	6.2%

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

£	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
<b>Council tax - band D *</b>	(4.41)	(11.43)	(17.93)	(16.20)	20.98

*\*The 2017/18 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 2017/18 estimate reflects the full cost of the 2017/18 capital programme. The main element of the 2017/18 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

£	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
<b>Weekly housing rent levels *</b>	(0.14)	0.08	1.17	1.43	1.91

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

*\*The 2017/18 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 2017/18 estimate reflects the full cost of the 2017/18 capital programme.*

## 2.9 HRA ratios

£	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
HRA debt £m	20.869	20.869	23.602	27.277	27.276
HRA rents £m	12.390	12.994	12.959	13.217	13.480
Ratio of debt to rents %	168.4%	160.6%	182.1%	206.4%	202.3%

£	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
HRA debt £m	20.869	20.869	23.602	27.277	27.276
Number of HRA dwellings	3,034	3,035	3,093	3,127	3,139
Debt per dwelling £	6,878	6,876	7,631	8,723	8,690

## 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 2013, 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	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
<b>External Debt</b>					
Debt at 1 April	26.122	27.252	30.659	33.814	37.112
Expected change in Debt	1.130	3.407	3.155	3.298	1.102
Other long-term liabilities (OLTL) at 1 April	0.642	3.900	3.560	3.220	2.880
Expected change in OLTL	3.258*	(0.340)	(0.340)	(0.340)	(0.340)
<b>Actual gross debt at 31 March</b>	<b>31.152</b>	<b>34.219</b>	<b>37.034</b>	<b>39.992</b>	<b>40.754</b>
The Capital Financing Requirement	41.772	47.334	50.077	53.597	53.506
<b>Under / (over) borrowing</b>	<b>10.620</b>	<b>13.115</b>	<b>13.043</b>	<b>13.605</b>	<b>12.752</b>

*\*Leisure centre deferred credit.*

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 2015/16 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The 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	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Debt	43.000	42.000	42.000	42.000
Other long term liabilities	11.000	12.000	12.000	12.000
Total	54.000	54.000	54.000	54.000

**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	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Debt	48.000	47.000	47.000	47.000
Other long term liabilities	14.000	15.000	15.000	15.000
Total	62.000	62.000	62.000	62.000

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	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
HRA debt cap	27.792	27.792	27.792	27.792
HRA CFR	20.874	23.607	27.282	27.282
HRA headroom	6.918	4.185	0.510	0.510

### 3.3 Capita's economic and interest rate forecast (issued by Capita on 28 October 2014)

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 2014	0.50	2.50	3.90	3.90
Mar 2015	0.50	2.70	4.00	4.00
Jun 2015	0.75	2.70	4.10	4.10
Sep 2015	0.75	2.80	4.30	4.30
Dec 2015	1.00	2.90	4.40	4.40
Mar 2016	1.00	3.00	4.50	4.50
Jun 2016	1.25	3.10	4.60	4.60
Sep 2016	1.25	3.20	4.70	4.70
Dec 2016	1.50	3.30	4.70	4.70
Mar 2017	1.50	3.40	4.80	4.80
Jun 2017	1.75	3.50	4.80	4.80
Sep 2017	2.00	3.50	4.90	4.90
Dec 2017	2.25	3.50	4.90	4.90
Mar 2018	2.50	3.50	5.00	5.00

Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth has rebounded during 2013 and especially during 2014, to surpass all expectations, propelled by recovery in consumer spending and the housing market. Forward surveys are also currently very positive in indicating that growth prospects are strong for 2015, particularly in the services and construction sectors. However, growth in the manufacturing sector and in exports has weakened during 2014 due to poor growth in the Eurozone. There does need to be a significant rebalancing of the economy away from consumer spending to manufacturing, business investment and exporting in order for this initial stage in the recovery to become more firmly established. One drag on the economy is that wage inflation has been lower than CPI inflation so eroding disposable income and living standards, although income tax cuts have ameliorated this to some extent. This therefore means that labour productivity must improve significantly for this situation to be corrected by warranting increases in pay rates. In addition, the encouraging rate at which unemployment has been falling must eventually feed through into pressure for wage increases, though current views on the amount of hidden slack in the labour market probably means that this is unlikely to happen in the near future. 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:

- As for the Eurozone, concerns in respect of a major crisis subsided considerably in 2013. However, the downturn in growth and inflation during the second half of 2014, and worries over the Ukraine situation, Middle East and Ebola, have led to a resurgence of those concerns as risks increase that it could be heading into deflation and a triple dip recession since 2008. Sovereign debt difficulties have not gone away and major concerns could return in respect of individual countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2015/16 and beyond;
- Borrowing interest rates have been volatile during 2014 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. During July to October 2014, a building accumulation of negative news has led to an overall trend of falling rates. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt;
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

### **3.4 Borrowing strategy**

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

Against this background and the risks within the economic forecast, caution will be adopted with the 2015/16 treasury operations. The 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	2015/16	2016/17	2017/18
<b>Interest rate exposures</b>			
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
Limits on fixed interest rates:			
• Debt only	62.000	62.000	62.000
• Investments only	45.000	45.000	45.000
Limits on variable interest rates			
• Debt only	62.000	62.000	62.000
• Investments only	45.000	45.000	45.000
<b>Maturity structure of fixed interest rate borrowing 2015/16</b>			
	<b>Lower</b>	<b>Upper</b>	
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.

### **3.7 Municipal Bond Agency**

It is likely that the Municipal Bond Agency, currently in the process of being set up, will be offering loans to local authorities in the near future. It is also hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority intends to make use of this new source of borrowing as and when appropriate.

## **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 applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk.

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

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

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 (or equivalent)
  - ii. Long term – A (or equivalent)
- Banks 2 – 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 3 – 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/criteria for banks outlined above.
- Money market funds (including enhanced money market funds) – AAA

- UK Government (including gilts and the DMADF)
- Local authorities, parish councils, community councils, companies controlled by the Council (either alone or with other Local Authorities) etc
- Supranational institutions

A limit of £5m will be applied to the use of 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 £5m 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)	Money Limit	Time Limit
<b>Higher quality</b>	<b>AA-</b>	<b>£6m per institution</b>	<b>370 days</b>
<b>Medium quality</b>	<b>A</b>	<b>£5m per institution</b>	<b>370 days</b>
<b>Part nationalised</b>	<b>N/A</b>	<b>£7m per institution</b>	<b>370 days</b>
<b>Debt Management Account Deposit Facility</b>	<b>AAA</b>	<b>unlimited</b>	<b>6 months</b>
<b>Money market Funds (including enhanced money market funds)</b>	<b>AAA</b>	<b>£6m per fund</b>	<b>370 days</b>
<b>Local authorities, parish councils, community councils, companies controlled by the Council (either alone or with other Local Authorities), Supranational institutions etc</b>	<b>N/A</b>	<b>£4m per institution</b>	<b>370 days</b>

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

#### 4.3 Country limits

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

Country restrictions on banks/investments (no more than £5m to be placed with any non-UK country which must have a minimum sovereign long term rating of AAA) do not apply to money market funds (including enhanced money market funds). The Council only invests in sterling denominated money market funds (including enhanced money market funds).

#### 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 28 October 2014).** Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 2 of 2015. Bank Rate forecasts for financial year ends (March) are:

2015/16 1.00%  
2016/17 1.50%

2017/18 2.50%

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

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

2015/16 0.90%  
 2016/17 1.50%  
 2017/18 2.00%  
 2018/19 2.50%  
 2019/20 3.00%  
 2020/21 3.00%  
 2021/22 3.25%  
 2022/23 3.25%  
 Later years 3.50%

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

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

<b>Maximum principal sums invested &gt; 364 days</b>			
<b>£m</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
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
<b>Maximum</b>	<b>0.05%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

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

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

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

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

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

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the Code and will apply its principles to all investment activity. In accordance with the Code, the Section 151 Officer has produced its treasury management practices (TMPs). This part, TMP 1(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 the annual treasury strategy for the following year, covering the identification and approval of the 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. Local authorities, parish councils, community councils, companies controlled by the Council (either alone or with other Local Authorities).
4. Pooled investment vehicles (such as money market funds including enhanced 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 including enhanced money market funds, rated AAA by Standard and Poor's, Moody's and/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) and minimum long term rating of A (or the equivalent) as rated by Standard and Poor's, Moody's and/or Fitch rating agencies.
6. Any part nationalised UK bank or building society.
7. Any subsidiary and treasury operations where the parent bank or building society has the necessary ratings outlined above.
8. 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.

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.

## **8.4 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.

#### **8.5 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 2015/16 to 2017/18, including the Authorised Limit Prudential Indicator.
- The Minimum Revenue Provision (MRP) Policy.
- The Treasury Management Strategy for 2015/16 to 2017/18 and the Treasury Indicators.
- The Investment Strategy for 2015/16 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.

Contact Officer:	Paul Cook, Section 151 Officer, extn 7617
Reporting to:	Madeline Homer, Acting Chief Executive

### Corporate Consultation Undertaken

Finance	N/A
Legal	N/A

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## **TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY – MID YEAR REVIEW REPORT 2014/15**

To: **Governance & Audit Committee – 10<sup>th</sup> December 2014**

Main Portfolio Area: **Finance**

By: **Section 151 Officer**

Classification: **Unrestricted**

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**Summary:** **This report summarises treasury management activity and prudential/treasury indicators for the first half of 2014/15.**

### **For Decision**

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## **1 Background**

1.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering 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 (revised 2011) was adopted by this Council on 24 April 2014.

2.2 The primary requirements of the Code are as follows:

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- 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 2014/15 financial year to 30 September 2014;
- 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 2014/15;
- A review of the Council's borrowing strategy for 2014/15;
- A review of any debt rescheduling undertaken during 2014/15;
- A review of compliance with Treasury and Prudential Limits for 2014/15.

2.4 There have not been any key changes to the Treasury and Capital Strategies during the first half of 2014/15. On 2 October 2014 Council resolved that (i) minimum credit ratings criteria for Viability, Financial Strength and Support no longer be included in the Council's TMSS, and accordingly that there be one Medium Quality investment category (with a money limit of £5m), instead of two.

### **3 Capita's Economic update (issued by the Council's treasury advisor, Capita on 27 October 2014)**

#### **3.1 Economic performance to date and outlook (issued by Capita on 27 October 2014)**

##### **3.1.1 UK**

3.1.1.1 After strong UK Gross Domestic Product (GDP) quarterly growth of 0.7%, 0.8% and 0.7% in quarters 2, 3 and 4 respectively in 2013, (2013 annual rate 2.7%), and 0.7% in Q1, 0.9% in Q2 and a first estimate of 0.7% in Q3 2014 (annual rate 3.1% in Q3), it appears very likely that strong growth will continue through 2014 and into 2015 as forward surveys for the services and construction sectors, are very encouraging and business investment is also strongly recovering. The manufacturing sector has also been encouraging though the latest figures indicate

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

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

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

### **3.1.2 U.S.**

3.1.2.1 In September, the Federal Reserve continued with its monthly \$10bn reductions in asset purchases, which started in December 2013. Asset purchases have now fallen from \$85bn to \$15bn and are expected to stop

on 29th October 2014, providing the economic outlook remains strong. First quarter GDP figures for the US were depressed by exceptionally bad winter weather, but growth rebounded very strongly in Q2 to 4.6% (annualised).

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

### **3.1.3 Eurozone**

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

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

### **3.1.4 China and Japan**

- 3.1.4.1 Japan is causing considerable concern as the increase in sales tax in April has suppressed consumer expenditure and growth. In Q2 growth was -1.8% q/q and -7.1% over the previous year. The Government is hoping that this is a temporary blip.

- 3.1.4.2 As for China, Government action in 2014 to stimulate the economy appeared to be putting the target of 7.5% growth within achievable reach but recent data has raised fresh concerns. There are also major concerns as to the creditworthiness of much bank lending to corporates and local government during the post 2008 credit expansion period and whether the bursting of a bubble in housing prices is drawing nearer.

## **3.2 Capita's Interest rate forecasts (issued by Capita on 27 October 2014)**

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

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

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

3.2.3 Capita's PWLB forecasts are based around a balance of risks. However, there are potential upside risks, especially for longer term PWLB rates, as follows: -

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

3.2.4 Downside risks currently include:

- The situation over Ukraine poses a major threat to EZ and world growth if it was to deteriorate into economic warfare between the West and Russia where Russia resorted to using its control over gas supplies to Europe.
- Fears generated by the potential impact of Ebola around the world
- UK strong economic growth is currently mainly dependent on consumer spending and the potentially unsustainable boom in the housing market. The boost from these sources is likely to fade after 2014.
- A weak rebalancing of UK growth to exporting and business investment causing a weakening of overall economic growth beyond 2014.
- Weak growth or recession in the UK's main trading partner - the EU, inhibiting economic recovery in the UK.
- A return to weak economic growth in the US, UK and China causing major disappointment in investor and market expectations.

- A resurgence of the Eurozone sovereign debt crisis caused by ongoing deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial viability of one or more countries and in the ability of the ECB and Eurozone governments to deal with the potential size of the crisis.
- Recapitalisation of European banks requiring more government financial support.
- Lack of support by populaces in Eurozone countries for austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- Italy: the political situation has improved but it remains to be seen whether the new government is able to deliver the austerity programme required and a programme of overdue reforms. Italy has the third highest government debt mountain in the world.
- France: after being elected on an anti austerity platform, President Hollande has embraced a €50bn programme of public sector cuts over the next three years. However, there could be major obstacles in implementing this programme. Major overdue reforms of employment practices and an increase in competitiveness are also urgently required to lift the economy out of stagnation.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Heightened political risks in the Middle East and East Asia could trigger safe haven flows back into bonds.
- There are also increasing concerns at the reluctance of western central banks to raise interest rates significantly for some years, plus the huge QE measures which remain in place (and may be added to by the ECB in the near future). This has created potentially unstable flows of liquidity searching for yield and, therefore, heightened the potential for an increase in risks in order to get higher returns. This is a return to a similar environment to the one which led to the 2008 financial crisis.

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

- 4.1 The Treasury Management Strategy Statement (TMSS) and revised TMSS for 2014/15 were approved by this Council on 6 February 2014 and 2 October 2014 respectively
- 4.2 There are no policy changes to the revised TMSS for 2014/15 other than as described in section 2.4; 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	2014/15 Original Estimate £m	Current Position – Actual at 30/09/14 £m	2014/15 Revised Estimate £m
General Fund	13.441	2.694	18.416
HRA	6.505	2.621	14.044
<b>Total</b>	<b>19.946</b>	<b>5.315</b>	<b>32.460</b>

The revised estimate includes carry-forward from the previous year of £12.137m General Fund and £6.861m HRA. £7.200m for the Alongside Quay project has also been taken out of the General Fund revised estimate.

The 2014/15 full year budget under-spend as at 30/09/14 includes £8.084m for Dreamland (General Fund) and £8.424m for Empty Property, Intervention and New Build programmes (HRA). These amounts are budgeted to be spent by the 2014/15 year-end.

## 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	2014/15 Original Estimate £m	Current Position – Actual at 30/9/14 £m	2014/15 Revised Estimate £m
Unsupported	19.946	5.315	32.460
<b>Total spend</b>	<b>19.946</b>	<b>5.315</b>	<b>32.460</b>
Financed by:			
Capital receipts	1.908		1.633
Capital grants	2.393		10.444
Capital reserves	3.490		10.912
Revenue	2.655		3.057
<b>Total financing</b>	<b>10.446</b>		<b>26.046</b>
<b>Borrowing need</b>	<b>9.500</b>		<b>6.414</b>

The revised estimate includes carry-forward from the previous year of £12.137m General Fund and £6.861m HRA. £7.200m for the Alongside Quay project has also been taken out of the General Fund revised estimate.

#### 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

	2014/15 Original Estimate £m	Current Position – Actual at 30/9/14 £m	2014/15 Revised Estimate £m
<b>Prudential Indicator – Capital Financing Requirement</b>			
CFR – non housing	33.256		26.460
CFR – housing	20.869		20.874
Total CFR	54.125		47.334
<b>Net movement in CFR</b>	<b>8.487</b>		<b>5.562</b>
<b>Prudential Indicator – External Debt / the Operational Boundary</b>			
Borrowing	43.000	28.055	43.000
Other long term liabilities*	11.000	3.730	11.000
<b>Total debt</b>	<b>54.000</b>	<b>31.785</b>	<b>54.000</b>

\* On balance sheet PFI schemes and finance leases etc (including the leisure centre deferred credit). Excludes the amount owed to KCC for the Westwood spine road construction as classified as a current liability.

#### 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 2014/15 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2014/15 Original Estimate £m	Current Position – Actual at 30/09/14 £m	2014/15 Revised Estimate £m
Gross borrowing	36.900	28.055	30.659
Plus other long term liabilities*	0.642	3.730	3.560
Total gross borrowing	37.542	31.785	34.219
* CFR (year end position)	54.125		47.334

\* On balance sheet PFI schemes and finance leases etc (including the leisure centre deferred credit). Excludes the amount owed to KCC for the Westwood spine road construction as classified as a current liability.

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	2014/15 Original Indicator £m	Current Position – Actual at 30/09/14 £m	2014/15 Revised Indicator £m
Borrowing	48.000	28.055	48.000
Other long term liabilities*	14.000	3.730	14.000
Total	62.000	31.785	62.000

\* On balance sheet PFI schemes and finance leases etc (including the leisure centre deferred credit). Excludes the amount owed to KCC for the Westwood spine road construction as classified as a current liability.

## 6 Investment Portfolio 2014/15

- 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 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 £37.243m of investments as at 30 September 2014 (£31.851m at 31 March 2014) 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 0.35%. The constituent investments are:

Sector	Country	Up to 1 year £m	1 year – 370 days £m	Total £m
<b>Banks</b>	UK	12.692	2.200	14.892
<b>Banks</b>	Sweden	3.940	0.000	3.940
<b>Money Market Funds</b>	UK	18.411	0.000	18.411
<b>Total</b>		<b>35.043</b>	<b>2.200</b>	<b>37.243</b>

- 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 2014/15.
- 6.4 The Council's budgeted investment return for 2014/15 is £0.148m, and performance for the first half of the financial year is above budget at £0.112m.

## 6.5 Investment Risk Benchmarking

Investment risk benchmarks were set in the 2014/15 Treasury Management Strategy Statement (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
<b>Maximum</b>	<b>0.05%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

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

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

### 6.5.2 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 0.35%.

### 6.6 Investment Counterparty criteria

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

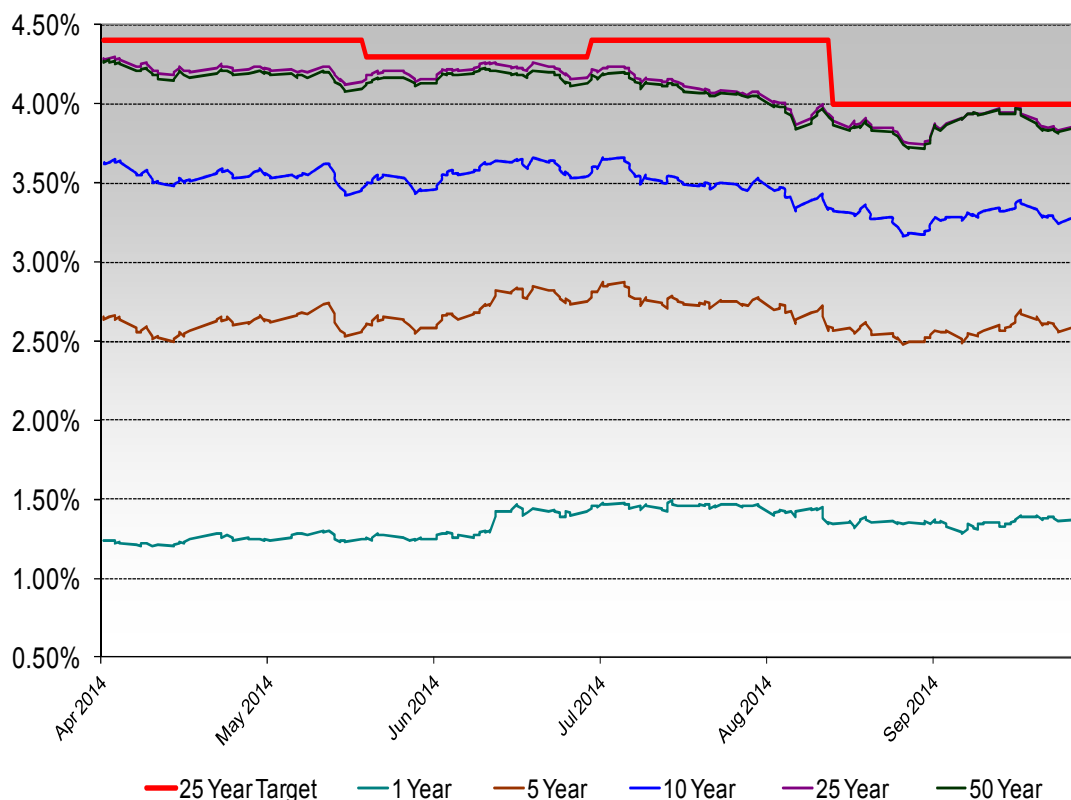
## 7 Borrowing

- 7.1 The Council's capital financing requirement (CFR) original estimate for 2014/15 is £54.125m. 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 £28.055m (table 5.5) and has utilised an estimated £26.070m 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 Due to the overall financial position and the underlying need to borrow for capital purposes (the capital financing requirement - CFR), new external borrowing of £1.000m was undertaken from the PWLB during the first half of this financial year. This loan started on 24 September 2014 and is repayable at maturity on 24 September 2064. The annual rate of interest is fixed at 3.87%. In addition, new external borrowing of £1.800m was undertaken from the PWLB on 23 October 2014. This loan is repayable by equal instalments of principal over a 21 year term and has a fixed annual interest rate of 3.08%.
- 7.3 As outlined below, the general trend has been a decrease in interest rates during the six months across longer dated maturity bands, but a rise in the shorter maturities, reflecting in part the expected rise in the Bank rate.
- 7.4 Further borrowing may be undertaken during this financial year and options will be reviewed in due course in line with market conditions.
- 7.5 The graph and table below show the movement in PWLB certainty rates for the first six months of the year to 30 September 2014.

## 7.6 PWLB certainty rates, half year ended 30th September 2014

(Please note that the graph below is unable to show separate lines for 25 and 50 year rates at some points as those rates were almost identical)

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



7.7 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.

- 7.8 The Council's budgeted debt interest payable for 2014/15 is £1.133m and performance for the first half of the financial year is below budget at £0.513m.

## 8 Treasury Management Indicators

### 8.1 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.

%	2014/15 Original Indicator	2014/15 Revised Indicator
Non-HRA	8.9%	6.0%
HRA	6.0%	5.9%

- 8.2 **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:

	2014/15 Original Indicator £m	Current Position – Actual at 30/09/14 £m	2014/15 Revised Indicator £m
<b>Upper limits on fixed interest rates</b>			
Debt only	62.000	28.055	62.000
Investments only	45.000	25.503	45.000
<b>Upper limits on variable interest rates</b>			
Debt only	62.000	0.000	62.000
Investments only	45.000	11.740	45.000

### 8.3 Maturity Structures of Borrowing

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

	2014/15 Original Upper Limit	Current Position – Actual at 30/09/14	2013/14 Revised Upper Limit
<b>Maturity structure of fixed rate borrowing</b>			
Under 12 months	50%	21%	50%
1 year to under 2 years	50%	1%	50%
2 years to under 5 years	50%	8%	50%
5 years to under 10 years	55%	39%	55%
10 years to under 20 years	50%	7%	50%
20 years to under 30 years	50%	14%	50%
30 years to under 40 years	50%	7%	50%
40 years to under 50 years	50%	4%	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.

## **9 Options**

- 9.1 That Members approve this report and agree the prudential and treasury indicators that are shown.

## **10 Corporate Implications**

### **10.1 Financial and VAT**

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

### **10.2 Legal**

- 10.2.1 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.

### **10.3 Corporate**

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

### **10.4 Equity and Equalities**

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

## **11 Recommendations**

- 11.1 That the Governance and Audit Committee:
- Approves this report and agrees the prudential and treasury indicators that are shown.
  - Recommends this report to Cabinet.

## **12 Decision Making Process**

- 12.1 This report is to go to Cabinet and then Council for approval. The Cabinet meeting is on 20 January 2015.

## **13 Disclaimer**

- 13.1 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



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Contact Officer:	Paul Cook, Section 151 Officer, extn 7617
Reporting to:	Madeline Homer, Acting Chief Executive

#### **Corporate Consultation Undertaken**

Finance	N/A
Legal	N/A

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# Due Diligence Protocol

Thanet District Council

## 1.0 Introduction

### 1.1. What is Due Diligence?

- 1.1.1. Due diligence is firmly established as an element of corporate good governance and is an investigation of a business or person prior to signing a contract.
- 1.1.2. For the Council this contract can take a variety of forms, examples of these are a contract to provide services, an agreement in relation to a grant, a lease agreement or a joint venture/development partner agreement.
- 1.1.3. Why do it?
- 1.1.4. Both the Bribery Act 2010 and Money Laundering Regulations 2007 contain sections pertaining to the use of due diligence when establishing relationships with third parties.
- 1.1.5. In essence due diligence is undertaken to:
  - (a) Identify the entity and verify the entity's identity on the basis of documents, data or information obtained from a reliable and independent source;
  - (b) Establish the ability of the entity to deliver the contract
- 1.1.6. Due diligence is implemented to cut down on unpleasant surprises and reduces the chance that business practices of a service provider or grant recipient reflect poorly on the Council.
- 1.1.7. Due diligence will not provide a yes or no answer as to if the authority should use/partner with an entity. However, performing these types of investigation results in informed decision making through the use of enhanced information gathered during the process.
- 1.1.8. Decision makers can then analyse information and deliberate regarding costs, benefits and risks prior to entering into contracts.

## 2.0 What are the steps involved?

- 2.1. As due diligence is such an important part of the contract process, planning is essential as it may take some time to gather the appropriate information, consult experts, analyse the information and provide answers to questions.
- 2.2. Staff resource should also be considered, for example particular legal advice maybe required.
- 2.3. **STEP 1 – Planning**
  - 2.3.1. The steps of due diligence should be planned so that work can be completed before the contract discussions are too far advanced. For contract partners that present concerns it may be useful to consult with legal and finance colleagues to establish the best form of due diligence.
  - 2.3.2. The level of due diligence is likely to vary considerably from contract to contract depending upon the risk to the authority of the contract being entered into.
  - 2.3.3. Therefore planning is a key stage to ensure that all questions are answered and concerns alleviated, prior to contract award.
- 2.4. **STEP 2 – Gather Information**
  - 2.4.1. The first major step is to gather the information required in order to perform due diligence. The planning stage should of assisted in assessing the information that is likely to be required, but at the very least the information that should be gathered can be split into four categories:

#### 2.4.2. Basic Information

- Name of organisation and directors/officers
- Registered address
- CVs of principals
- Contact details
- Group Structure (chart) showing how the contracting company fits into the overall corporate structure
- Company registration number and date of registration (where appropriate)
- VAT number
- Project outline
- Evidence the proposed project would not represent an excessive increase in the overall scale of the organisation's activities.
- Relevant experience of similar projects

#### 2.4.3. Financial information

- Last 3 years financial accounts
- Auditor contact details
- Financial Plan
- Evidence of funds required to complete the project.

#### 2.4.4. Web searches

- External credit rating
- Credit reference (taken by TDC)
- General search on company performance
- Press/media

#### 2.4.5. Government policy

- Compliance with money laundering regulations

### 2.5. **STEP 3 – Analyse the Information gathered**

2.5.1. Analysis of the information gathered is essential in order make an informed decision regarding contract award.

2.5.2. Key questions that should be considered are:

#### 2.5.3. Corporate image

- Has there been any negative publicity in the media around the company and how has the company dealt with and resolved these issues?
- Are there any pending legal cases against the entity?
- Is the entity only looking for a marketing opportunity by partnering with the Council?
- Is the entity looking only for procurement opportunities or money from the Council?
- Is the entity willing to engage in a transparent manner, with for example due regard to the Freedom Of Information Act?
- Is the entity willing to accept limitations around publicity of its relationship with the Council so that the Council is not perceived as endorsing the entity?

#### 2.5.4. Social Responsibility

- Is the entity involved primarily in activities that the Council do not wish to align with, i.e. tobacco, firearms.
- Does the entity openly discriminate against race, sex or religion?
- Are there any concerns with the entity around corporate social responsibility?

- Is there any history regarding child or forced labour?
- Does the entity endorse standard Health & Safety requirements for workers?

#### 2.5.5. Environmental Responsibility

- Does the entity assess the environmental impact of the project to be delivered?
- How does the entity monitor and set targets for improved environmental performance?
- Are there sufficient contingency plans to deal with emergencies relating to the contract?

#### 2.5.6. Financial Ability

- Does the entity have the resources to fulfil its obligations through the contract?
- Does the entity issue annual accounts?
- Does the entity have a long track record, how many years has it been established?
- Does the entity have a stable structure and good governance around financial decision making?

#### 2.5.7. Policy Compatibility

- Does the entity comply with all statutory regulations?
- Is it subject to any investigations by government, i.e. HMRC.
- Would entering into the contract cause the Council any issues with regards to its own constitution?

### 2.6. **STEP 4 – Further Specific and supplementary enquiries**

2.6.1. Further supplementary enquires may be required to answer the concerns or questions raised, however the level of these enquiries is likely to be dependent on:

- The scale of the proposed project or contract
- Responses to the initial enquires made

2.6.2. If the financial commitment is at a low level then enquires made will be restricted. The nature of the project and the level of risk are also considerations.

2.6.3. The planning stage of the due diligence process will allow you to assess the required level of further enquiries.

2.6.4. It is essential that a specific time limit is set for entities to respond, so that the awarding of the contract is not unduly delayed.

### 2.7. **STEP 5 – Decision making**

2.7.1. Once a comprehensive picture is built up of the entity concerned, an informed decision making process can occur using the information obtained.

2.7.2. An entity that has struggled to provide information or answer some of the key questions is likely to be unsuccessful in winning the contract.

2.7.3. When it comes to decision making, a final decision must be reached in a timely manner and in conjunction with advice received from other departments such as legal and finance.

## 3.0 **Conclusion**

3.1. Due diligence assists in the detection and treatment of risk in relation to a contract award.

3.2. The process can be lengthy, but ultimately leads to the reputational protection of the Council and its finances, as well as the protection and reputation of the decision makers.

## 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** .....

**DISCRETIONARY 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.