

**AGENDA**  
**AUDIT AND GOVERNANCE COMMITTEE**

**Date:** Monday, 23 November 2015

**Time:** 6.00 pm

**Venue:** Collingwood Room - Civic Offices

**Members:**

Councillor T G Knight (Chairman)

Councillor G Fazackarley (Vice-Chairman)

Councillors C J Wood  
P J Davies  
Miss T G Harper  
D L Steadman  
P W Whittle, JP

**Deputies:** L Keeble  
D J Norris



**1. Apologies**

**2. Minutes (Pages 1 - 4)**

To confirm as a correct record the minutes of the Audit Committee meeting hold on 21 September 2015.

**3. Chairman's Announcements**

**4. Declarations of Interest and Disclosures of Advice or Directions**

To receive any declarations of interest from members in accordance with Standing Orders and the Council's Code of Conduct.

**5. Deputations**

To receive any deputations of which notice has been lodged.

**6. Updates to the Constitution (Pages 5 - 22)**

To consider a report by the Head of Democratic Services on updates to the Consitution.

**7. Counter Fraud Progress (Pages 23 - 30)**

To consider a report by the Director of Finance and Resources on the Counter Fraud Progress.

**8. Annual Audit Letter (Pages 31 - 46)**

To consider a report by the Director of Finance and Resources on the Annual Audit Letter received from the External Auditors.

**9. Treasury Management Progress Reports (Pages 47 - 78)**

To consider a report by the Director of Finance and Resources on the progress being made with implementing the Treasury Management Policy.

**10. Updates to Financial Regulations (Pages 79 - 88)**

To consider a report by the Director of Finance and Resources on updates to the financial regulations.

**11. Quarterly Audit Reports (Pages 89 - 100)**

To consider a quarterly report by the Director of Finance and Resources on the delivery and findings of the Internal Audit Plan.

**12. Review of Work Programme and Training Plan (Pages 101 - 104)**

To consider a report by the Director of Finance and Resources which reviews the Audit and Governance Committee work programme and training plan for 2015/16.

P GRIMWOOD  
Chief Executive Officer

[www.fareham.gov.uk](http://www.fareham.gov.uk)

13 November 2015

**For further information please contact:  
Democratic Services, Civic Offices, Fareham, PO16 7AZ  
Tel:01329 236100  
[democraticservices@fareham.gov.uk](mailto:democraticservices@fareham.gov.uk)**



# FAREHAM

BOROUGH COUNCIL

## Minutes of the Audit and Governance Committee (to be confirmed at the next meeting)

**Date:** Monday, 21 September 2015

**Venue:** Collingwood Room - Civic Offices

**PRESENT:**

Councillor T G Knight (Chairman)

Councillor G Fazackarley (Vice-Chairman)

**Councillors:** Miss T G Harper, D L Steadman, C J Wood, L Keeble  
(deputising for P J Davies) and D J Norris (deputising for P W  
Whittle, JP)

**Also  
Present:**



**1. APOLOGIES**

Apologies of absence were received from Councillors P J Davies and P W Whittle, JP.

**2. MINUTES**

RESOLVED that the minutes of the Audit and Governance Committee held on 29 June 2015 be confirmed and signed as a correct record.

**3. CHAIRMAN'S ANNOUNCEMENTS**

The Chairman welcomed to the meeting Kate Handy and Martin Young from Ernst & Young (External Auditors).

**4. DECLARATIONS OF INTEREST AND DISCLOSURES OF ADVICE OR DIRECTIONS**

There were no declarations of interest made at this meeting.

**5. DEPUTATIONS**

There were no deputations made at this meeting.

**6. OVERVIEW OF COMPLAINTS AGAINST THE COUNCIL**

The Committee considered a report by Director of Finance and Resources on an overview of complaints against the Council.

RESOLVED that the content of the report be noted.

**7. EXTERNAL AUDIT - AUDIT RESULTS REPORT**

The Committee considered a report by the Director of Finance and Resources on the External Auditors Audit Results.

RESOLVED that the Committee notes:-

- (a) the content of the Annual Results Report, as set out in Appendix A of the report;
- (b) the Director of Finance and Resources and the Chairman of the Audit and Governance Committee sign the Letter of Representation, as set out in Appendix B to the report.

**8. STATEMENT OF ACCOUNTS**

The Committee considered a report by the Director of Finance and Resources on the Statement of Accounts.

The Chairman addressed the Committee to advise them that there was a proposed change to the recommendation on the report, which should now

read 'That the Statement of Accounts for 2014/15, attached at Appendix A, be approved and published by 30 September, subject to the remaining outstanding matters of audit being resolved without amendment.

In the event that amendments are deemed necessary by the Director of Finance and Resources, that these are made in consultation with the Chairman of the Audit and Governance Committee, and the Accounts be re-signed prior to publication'.

RESOLVED that the Statement of Accounts for 2014/15, attached at Appendix A, be approved and published by 30 September, subject to the remaining outstanding matters of audit being resolved without amendment.

In the event that amendments are deemed necessary by the Director of Finance and Resources, that these are made in consultation with the Chairman of the Audit and Governance Committee, and the Accounts be re-signed prior to publication.

## **9. QUARTERLY AUDIT REPORT**

The Committee received a report by the Director of Finance and Resources which gave an update on the quarterly internal audit progress.

RESOLVED that the Committee note the progress and findings that have arisen from the Internal Audit work.

## **10. HEAD OF AUDIT'S ANNUAL OPINION**

The Committee considered a report by the Director of Finance and Resources on the Head of Audit's Annual Opinion.

RESOLVED that the Committee note the content of the report as a source of evidence for the 2014/15 Annual Governance Statement.

## **11. REVIEW OF MEMBERS TRAINING AND DEVELOPMENT AND DETERMINATION OF PROGRAMME**

The Committee considered a report by the Director of Finance and Resources on a review of Members training and development and determination of the programme.

The report was presented by the Democratic Services Manager who took suggestions from Members on what to include in the training.

Councillor Wood suggested that as part of the induction pack, a list of Council services and who to contact for these services should be provided to help new Councillors identify who to contact with an enquiry. In addition to this he also suggested that there is a live running document containing this information which all Councillors can access which will be continually updated with any of the changes that occur within departments and with people.

Councillor Miss Harper suggested that the new member induction training also be open to all current Members as they may find it useful as a refresher training for them.

Councillor Keeble suggested that Councillor emails contain the Councillor's picture on them as Officer ones do, as this will help Officers and members of the public to identify new Councillors.

The Chairman addressed the Panel on this item and suggested that group parties should have a buddy system to help guide new members in their role as a Councillor.

RESOLVED that the Committee:-

- (a) approves the framework for the 2015/16 programme as set out in Appendix A of the report;
- (b) approves the new Member induction programme as set out in Appendix B; and
- (c) recommends that Group Leaders note the suggestion made by the Committee for a buddy system for new Members as it is felt that this is a current weakness.

## **12. ANNUAL GOVERNANCE STATEMENT**

The Committee considered a report by the Director of Finance and Resources on the Annual Governance Statement.

RESOLVED that the Annual Governance Statement for 2014/15, as set out in Appendix C of the report, be approved.

## **13. REVIEW OF WORK PROGRAMME AND TRAINING PLAN**

The Committee considered a report by the Director of Finance and Resources which reviewed the Committee's work programme and training plan.

The Monitoring Officer addressed the Committee and informed them that the working group for the review of the Constitution will have their first report with proposed changes to Disciplinary Procedures of Senior Officers and Review of the Members Code of Conduct.

RESOLVED that the Committee's work programme for 2015/16 is approved.

(The meeting started at 6.00 pm  
and ended at 7.23 pm).



# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date**                    **23 November 2015**

**Report of:**            **Monitoring Officer**

**Subject:**                **UPDATES TO THE CONSTITUTION**

#### SUMMARY

This report proposes changes to Part 4: Section 2 of the Constitution - Standing Orders for the Appointment, Dismissal and Discipline of Employees, and Part 5: Section 1 – Code of Conduct for Members following reviews undertaken by the Member Officer Working Group for Reviewing the Constitution.

#### RECOMMENDATION

That the Audit and Governance Committee considers the updated sections of the Constitution, as set out in the appendices and recommends any comments or further amendments for adoption by the Council for:

- (a) the Standing Orders for the Appointment, Dismissal and Discipline of Employees, as set out in Appendix A to the report; and
- (b) the Code of Conduct for Members, as set out in Appendix B to the report.

## **INTRODUCTION**

1. At its meeting of 20 February 2015, the Council agreed to form a Member Officer Working group to undertake a review of the Constitution.
2. The Member Officer Working Group has met four times since April 2015 and is attended by Councillors Davies, Keeble, Knight and Price and by the Monitoring Officer and the Head of Democratic Services.
3. At its inaugural meeting, the Working Group agreed to commence the review of the Constitution by looking at Parts 4 – 8 first because these sections are made up of smaller individual documents and policies which can be reviewed by the Audit & Governance Committee making recommendations directly to Council. Amendments to Parts 1 – 3 of the Constitution must be referred to the Executive via the Scrutiny Board before they are considered by the Audit & Governance Committee.

## **BACKGROUND – STANDING ORDERS**

4. The Member Officer Working Group has undertaken a review of the Council's Standing Orders for the Appointment, Dismissal and Discipline of Employees (Part 4: Section 2) and is now consulting the Audit and Governance Committee on the suggested updates before making final recommendations to the Council.
5. The current Standing Orders for the Appointment, Dismissal and Discipline of Employees were recently updated at the Annual Council meeting in May 2015. Those amendments were to satisfy newly introduced legislation specifically dealing with the appointment, dismissal or disciplinary of the three statutory officers (Head of Paid Service, Section 151 Officer and Monitoring Officer) and only applied to the appendices of the Standing Orders.

## **BACKGROUND – CODE OF CONDUCT**

6. Following the meeting of the Hampshire and Isle of Wight Local Authorities (HLOWLA) held on 22 November 2013, the Executive Leader, in his role as Chairman of HLOWLA, wrote to all Leaders of Hampshire Authorities to confirm the group's support for a Pan-Hampshire Code of Conduct for Members. The Member Officer Working Group has therefore undertaken a review of the Council's Code of Conduct for Members and is now consulting the Audit and Governance Committee on the suggested updates before making final recommendations to the Council.

## **PROPOSED CHANGES**

7. The review of the Standing Orders for the Appointment, Dismissal and Discipline of Employees provides an opportunity for the Standing Orders to be updated in full and a copy of the proposed updated document is attached at Appendix A.
8. The following key changes have been incorporated into the document:
  - (a) all descriptions of the personnel processes have been updated to reflect the organisation's current procedures;
  - (b) terminology amended to ensure consistency with the culture of the organisation;
  - (c) additional and amended wording is highlighted and underlined (for ease of reference);

- (d) deleted wording is shown with ~~strikethrough~~;
  - (e) spelling, typing and formatting errors have been corrected; and
  - (f) wording amended throughout to ensure the use of plain English.
9. The review of the Code of Conduct for Members provides an opportunity for the code to be aligned with the Hampshire code which was adopted by the County Council in July 2014. This will ensure that “double hatted” Members who are elected to Fareham Borough Council and Hampshire County Council will be able to follow a consistent code which is uniformly formatted and in the same order. The revised Code is shown at Appendix B to this report.
10. The Member Officer Working Group also supports the re-introduction of Register of Gifts and Hospitality for items with an estimated value of £50 or more. This is included in the Hampshire Code and is a matter of local choice as there is no longer a statutory requirement for a register of gifts and hospitality, since the Localism Act was introduced in 2011.

### **RISK ASSESSMENT**

11. If the revised Standing Orders are not approved, the Constitution will remain out of date and will not accurately reflect current organisational procedures.

### **CONCLUSION**

12. The proposed changes contained in the documents at Appendix A and Appendix B are put to the Audit and Governance Committee for comment before being recommended to the Council for approval.

**Appendix A:** Revised Standing Orders for the Appointment, Dismissal and Appointment of Employees.

**Appendix B:** Revised Code of Conduct for Members.

### **Background Papers:**

Notes from Member Officer Working Group meetings.

Letter from Chairman of HIOWLA to Leaders of Hampshire Authorities.

### **Reference Papers:**

Report to Council – Revised Standing Orders with respect to the Appointment, Dismissal and Discipline of Employees, 14 May 2015.

Report to Audit and Governance Committee – Review of the Constitution, 9 February 2015.

### **Enquiries:**

For further information on this report please contact Leigh Usher. (Ext 4553)



# FAREHAM

BOROUGH COUNCIL

## STANDING ORDERS ~~WITH RESPECT TO~~ FOR THE APPOINTMENT, DISMISSAL AND DISCIPLINE OF EMPLOYEES



*Revised October 2015*

## FAREHAM BOROUGH COUNCIL

### STANDING ORDERS ~~WITH RESPECT TO~~FOR THE APPOINTMENT, DISMISSAL AND DISCIPLINE OF EMPLOYEES

#### 1. General

- 1.1. These Standing Orders govern the Council's procedures for the appointment, dismissal and discipline of employees, including the provisions required by statutory Regulation.
- 1.2. Schedule 1 Part II to the Regulations, as set out at Appendix A, are deemed to be part of these Standing Orders.

#### 2. Employee Establishment ~~and Filling of Vacancies~~

- 2.1. Every appointment of a person to a post or paid office with the Council must be made on merit and in accordance with the ~~provisions of the Disability Discrimination Act 1995 and other legislation, including racial and sexual discrimination legislation~~Equalities Act 2010, ~~and other legislation,~~ Regulations and Codes of Practice governing the appointment, transfer and/or promotion of employees, ~~particularly in relation to the evidence of unfair discrimination.~~
- ~~2.2.~~ The Council will approve the ~~overall permanent employee establishment and structure~~pay policy and the annual employee budget, on the recommendation of the Head of Paid Service. No change may be made to the structure of the permanent establishment until the Head of Paid Service has identified the source of any additional funding required.
- ~~2.2.2.3.~~ Officers will regularly review the recruitment process to ensure it is relevant and is up to date with modern HR practices and compliant with current legislation.
- ~~2.3.~~ ~~Unless filled by promotion or transfer, all vacancies will be publicly advertised unless the Head of the Paid Service determines otherwise.~~
- ~~2.4.~~ ~~If a similar vacancy occurs within six months of the filling of a vacancy which has been publicly advertised, the appointing Chief Officer may appoint one of the former applicants.~~
- ~~2.5.2.4.~~ ~~A vacancy for a senior officer (normally graded at local grades 6 or 7) may be advertised in one or more newspapers or in journals circulating primarily among persons who may be expected to meet the person specification for the post.~~

#### 3. Recruitment and Appointment

##### 3.1. Declarations

- (a) A candidate for appointment as an employee must state ~~in writing~~ whether they are the parent, step-parent, grandparent, partner, spouse,

child, step-child, adopted child, grandchild, brother, sister, uncle, aunt, nephew or niece of an existing Councillor or employee of the Council, or of the spouse or partner of such a person; ~~and such~~ The candidate must also state ~~in writing~~ if they are known to any existing Councillor or employee of the Council.

- (b) A candidate who fails to disclose such a relationship ~~will~~ may be disqualified for the appointment and if appointed ~~will~~ may be liable to dismissal without notice.
- (c) No candidate so related to a councillor or an employee will be appointed without the authority of the ~~relevant chief officer or an officer nominated by him/her~~ Head of Paid Service.
- (d) For the purpose of this Standing Order, a person will be deemed to be a partner of a candidate if they are living together as a couple.

### 3.2 Seeking support for appointment:

- (a) Subject to paragraph (c) above, the Council will disqualify any applicant who directly or indirectly seeks the support of any councillor for any appointment with the Council. The content of this paragraph will be included in any recruitment information.
- (b) A ~~member of the Council~~ Councillor may not seek support for any person for any appointment with the Council but this will not ~~preclude~~ prohibit a ~~member~~ Councillor from giving a written reference ~~or testimonial~~ of a candidate's ability, experience or character.

## 4. Recruitment of the Head of Paid Service and ~~Chief Officers~~ Directors

4.1. Where the Council proposes to appoint the Head of Paid Service or a Chief Officer ~~Director~~ and it is not proposed that the appointment will be made exclusively from among their existing officers, the Council will:

- (a) draw up a statement specifying the duties of the post concerned and any qualifications or qualities to be sought in the person to be appointed.
- (b) make arrangements for the post to be advertised in such a way as is likely to bring it to the attention of persons who are qualified to apply for it, and
- (c) make any arrangements for a copy of the statement mentioned in paragraph (a) to be sent to any person on request.

## 5. Appointment of Head of Paid Service/Monitoring Officer/Chief Finance Officer

5.1. The ~~full~~ Council will approve the appointment of the Head of Paid Service, the Monitoring Officer and the Chief Finance Officer following the recommendation of such an appointment by a committee or sub-committee of the Council, unless part of a Senior Management restructure when the matter will be reported directly to Council for decision. A committee or sub-

committee must include at least one member of the Executive and meet political proportionality rules.

## 6. **Appointment of ~~Chief Officers~~ Directors and Heads of Service ~~Deputy Chief Officers~~**

6.1. The Council A committee or a sub-committee of the Council with delegated authority will appoint ~~Chief Officers~~/Directors. That ~~committee~~ or sub-committee must include at least one member of the Executive and meet political proportionality rules.

6.2. Appointments of ~~Deputy Chief Officers~~ Heads of Service shall be made by the Head of Paid Service or relevant ~~Chief Officer / Director~~, ~~provided that the Council or a Committee of the Council may make such appointments as it shall require from time to time~~.

6.3. An offer of employment as a ~~Chief Officer~~ Director or ~~Deputy Chief Officer~~ Head of Service shall only be made where no ~~well-founded~~ valid objection from any member of the Executive has been received and verified.

## 7. **Other Appointments**

7.1. Officers below ~~Deputy Chief Officer~~ Head of Service

Appointment of officers below ~~Deputy Chief Officer~~ Head of Service is the responsibility of the Head of Paid Service or ~~his/hers~~ nominee and ~~may not~~ cannot be made by councillors.

7.2. Assistants to Political Groups

Appointment of an assistant to a political group shall be made in accordance with the wishes of that political group.

## 8. **Disciplinary Action**

8.1 The statutory provisions of Schedule 3 to the Regulations, as set out at Appendix B, are deemed to be part of these Standing Orders.

8.2 ~~Suspension~~ Statutory Officers

The Head of Paid Service, Monitoring Officer and Chief Finance Officer may be suspended whilst an investigation takes place into alleged misconduct. That suspension will be on full pay and be in accordance with Council's Code of Conduct and Disciplinary Rules and Procedure, ~~last no longer than two months~~.

8.3 ~~Independent Person~~

No disciplinary action in respect of the Head of the authority's Paid Service, its Monitoring Officer or its Chief Finance Officer may be taken by the authority, other than in accordance with the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015. This includes the appointment of an Independent Panel and the decision maker having regard to:



- (i) any advice, views and recommendations of the panel,
- (ii) the conclusions of any investigation into the proposed dismissal and
- ~~(+)(iii) any representations from the relevant officer.~~

~~No other disciplinary action may be taken in respect of any of those officers except in accordance with a recommendation in a report made by a designated independent person.~~

~~8.4 The Council's disciplinary, capability and related procedures, allows a right of appeal for Directors to the Council's Appeals Committee in respect of disciplinary action. All other employees will be dealt with in accordance with the Council's Employee Code of Conduct and Disciplinary Rules and Procedures. Councillors will not be involved in the disciplinary action against any officer below Deputy Chief Officer except where such involvement is necessary for any investigation or inquiry into alleged misconduct.~~

~~8.48.5 The Council's disciplinary, capability and related procedures, as adopted from time to time, may allow a right of appeal to the Council's Appeals Committee in respect of disciplinary action. Councillors will not be involved in the disciplinary action against any officer below Director except where a Councillor is specifically invited as a witness for any investigation or inquiry into alleged misconduct.~~

## 9. Dismissal

~~9.1. Councillors will not be involved in the decision to dismissal of any officer below ~~Deputy Chief Officer~~ Director except where a Councillor is specifically invited as a witness ~~except where such involvement is necessary~~ for any investigation or inquiry into alleged misconduct.~~

~~9.1. The Council's disciplinary, capability and related procedures, as adopted from time to time, may allow a right of appeal to the Council's Appeals Committee in respect of dismissals.~~

## 10. Definitions

'Regulations' means the Local Authorities (Standing Orders) (England) (Regulations) 2001 and Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015.

'Chief Officer' and 'Deputy Chief Officer' have the same meaning as within section 2 of the Local Government and Housing Act 1989.

'Head of Paid Service' and 'Monitoring Officer' mean the officers designated by the Council under sections 4 and 5 respectively of the Local Government and Housing Act 1989.

'Chief Finance Officer' means the officer designated under section 151 of the Local Government Act 1972 or section 6 of the Local Government and Housing Act 1989.

'Councillor' means an Elected Member of Fareham Borough Council.

Fareham Borough Council's management structure includes the following posts:  
Chief Executive Officer = Head of Paid Service

Statutory Officers = Head of Paid Service, Chief Finance Officer (Section 151) and Monitoring Officer

Director = Chief Officer (non-Statutory)

Head of Service = Deputy Chief Officer

Part 7 of the Constitution contains Fareham Borough Council's Management Structure Chart.

# FAREHAM

BOROUGH COUNCIL

## CODE OF CONDUCT FOR MEMBERS



**November 2015**

## **CODE OF CONDUCT FOR MEMBERS**

### **Part 1: General Provisions and Interpretation**

#### **1. Introduction**

This Code of Conduct is adopted by the Council pursuant to its statutory duty to promote and maintain high standards of conduct by Members and Co-opted Members of the Council. This Code applies to all Members and Co-opted Members of the Council.

The Code is based on and is consistent with the following principles as referred to in the Localism Act 2011:

- **Selflessness**
- **Integrity**
- **Objectivity**
- **Accountability**
- **Openness**
- **Honesty**
- **Leadership**

In the interests of transparency and openness, and in accordance with the requirements of the Localism Act 2011, the Register of Members' Interests is published on the Council's website, and is available for public inspection at the Council's offices during opening hours.

#### **2. Scope**

This Code applies to all Members and Co-opted Members of the Council when acting in their official capacity, or when giving the impression that they are acting as a representative of the Council.

Where a Member or Co-opted Member is a member of more than one local authority, but acting on behalf of Fareham Borough Council, such Member or Co-opted Member is, for the avoidance of doubt, bound by this Code of Conduct.

#### **3. General obligations of Members and Co-opted Members**

As a Member of Fareham Borough Council, your conduct will address the principles of the Code of Conduct by:

- 3.1 Representing the needs of residents, and putting their interests first.
- 3.2 Dealing with representations or enquiries from residents, members of communities within the administrative area of Fareham Borough Council and visitors fairly, appropriately and impartially.

- 3.3 Not allowing other pressures, including the financial interests of yourself or others connected to you, to deter you from pursuing constituents' casework, the interests of the Council's area, or the good governance of the Council in a proper manner.
- 3.4 Exercising independent judgement and not compromising your position by placing yourself under obligations to outside individuals or organisations who might seek to influence the way you perform your duties.
- 3.5 Listening to the interests of all parties, including relevant advice from statutory and other professional officers of the Council, taking all relevant information into consideration, remaining objective and making decisions on merit.
- 3.6 Being accountable for your decisions and co-operating when scrutinised internally and externally.
- 3.7 Contributing to making the Council's decision-making processes as open and transparent as possible.
- 3.8 Restricting access to information when the wider public interest, the Council's Constitution or the law requires it.
- 3.9 Behaving in accordance with all the Council's legal obligations, the Council's policies, protocols and procedures.
- 3.10 Ensuring that when using or authorising the use by others of the resources of the Council that such resources are not used improperly for political purposes.
- 3.11 Having regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986 or otherwise.
- 3.12 Not knowingly doing anything which might cause the Council to breach any legislation.
- 3.13 Valuing your colleagues and Officers of the Council and engaging with them in an appropriate manner.
- 3.14 Always treating all people and organisations with respect and propriety.
- 3.15 Providing leadership through behaving in accordance with these principles.

## **Part 2: Disclosable Pecuniary Interests**

### **4. Introduction**

A disclosable pecuniary interest is an interest falling within the Schedule set out at Paragraph 6 below of:

- 4.1 Yourself, or
- 4.2 Your spouse or civil partner, or someone you are living with as if you were husband and wife or civil partners, where you are aware that the other person has an interest.

### **5. Interpretation**

In the Schedule set out at Paragraph 6 below, the following words or expressions mean as follows:

- 5.1 'the Act' means the Localism Act 2011;
- 5.2 'body in which the relevant person has a beneficial interest' means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest;
- 5.3 'director' includes a member of a committee of management of an industrial and provident society;
- 5.4 'land' excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone) or jointly with another) to occupy the land or to receive income;
- 5.5 'M' means a member of a relevant authority;
- 5.6 'member' includes a co-opted member;
- 5.7 'relevant authority' means Fareham Borough Council of which M is a member;
- 5.8 'relevant period' means the period of 12 months ending with the day on which M gives a notification for the purposes of Section 30(1) or Section 31(7), as the case may be, of the Act.
- 5.9 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited within a building society.

## 6. Schedule of disclosable pecuniary interests

Subject	Prescribed description
Employment, office, trade profession or vocation	Any employment, office, trade profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member, or towards the election expenses of M. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Regulation (Consolidation) Act 1992
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority: (a) under which goods and services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licenses	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	Any tenancy where (to M's knowledge); (a) the landlord is the relevant authority; and (b) the tenant is a body in which the relevant person has a beneficial interest.
Securities	Any beneficial interest in securities of a body where: (a) that body (to M's knowledge) has a place of business or land in the area of the relevant authority; and (b) either: (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than once class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class..

## **Part 3: Registration and Disclosure of Disclosable Pecuniary Interests**

### **7. Obligations**

- 7.1 You must, within 28 days of taking office as a Member or Co-opted Member of the Council, notify the Council's Monitoring Officer of any 'disclosable pecuniary interests' as defined by regulations made by the Secretary of State (as set out at Part 2 of this Code), where the pecuniary interest is yours, your spouse's or civil partner's, or is the pecuniary interest of somebody with whom you are living with as a husband or wife, or as if you were civil partners.
- 7.2 You must also, within 28 days of becoming aware of any new disclosable pecuniary interest, or change thereto, notify the Council's Monitoring Officer of such new or changed interest.
- 7.3 If you have disclosable pecuniary interest included on the Register of Members' Interests, you must disclose this interest at any meeting of the Council, its Committees or the Executive at which you are present and participating in the business. Such interest should be disclosed at the commencement of consideration of the business or when the interest becomes apparent. You do not need to disclose details of the interest itself.
- 7.4 If a disclosable pecuniary interest has not been entered onto the Council's Register of Interests, then you must also disclose the interest to any meeting of the Council, its Committees or the Executive at which you are present where you have such an interest in any matter being considered. Such interest should be disclosed at the commencement of consideration of the business or when the interest becomes apparent. You do not need to disclose details of the interest itself. Following disclosure of a disclosable pecuniary interest not on the Council's Register or the subject of pending notification, you must notify the Monitoring Officer of such interest within 28 days, beginning with the date of disclosure.
- 7.5 Unless a dispensation has been granted by the Council, you may not participate in any discussion of, vote on, or discharge of any function related to any matter in which you have a disclosable pecuniary interest. You must as soon as it becomes apparent that you have such an interest (save for in circumstances set out at paragraph 7.6 below) withdraw from the chamber or room where the meeting considering the business is being held, and must not seek improperly to influence a decision about that business. If acting as a single Executive member you may not take any further steps in relation to the matter other than for the purpose of arranging for the matter to be dealt with otherwise than by yourself.
- 7.6 Without prejudice to paragraph 7.5 above, where you have a disclosable pecuniary interest in any business of the Council you may, notwithstanding such disclosable pecuniary interest attend such meeting for the purpose of making representations, answering questions or giving evidence relating to



such business provided members of the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

#### **Part 4: Registration of Gifts and Hospitality**

- 8.1 You must, within 28 days of receipt, notify the Council's Monitoring Officer of any gift or hospitality you receive, if such gift or hospitality has an estimated value of at least £50.

#### **Part 5: Registration and Disclosure of Personal Interests**

- 9.1 Without prejudice to requirements contained at Part 3 of this Code in respect of the Registration and Disclosure of Pecuniary Interests, you may in addition notify the Council's Monitoring Officer of any Personal Interests you consider it appropriate to be entered on the Register of Members' Interests.
- 9.2 You have a "personal interest" in an item of business where it relates to or is likely to affect any of the following bodies of which you are a member: a public or charitable body, any body to which you have been appointed by the authority, any political party, trade union or other body one of whose principal purposes is to influence public opinion or policy.
- 9.3 You also have a "personal interest" in an item of business where a decision in relation to it might reasonably be regarded as affecting the well-being or financial position of yourself, a member of your family or person with whom you have a close association, more than other council tax payers, ratepayers or inhabitants of the authority's area.
- 9.4 You shall disclose a "personal interest" at a meeting of the Council, its Committees or the Executive, where you consider that interest to be relevant to an item of business being considered at that meeting. The disclosure shall be made at the commencement of the meeting, or when the interest becomes apparent, and shall be recorded in the minutes of the meeting.
- 9.5 Disclosure of a personal interest does not affect your ability to participate in discussion or vote on the relevant item, provided it is not also a disclosable pecuniary interest. If you consider, having taken advice in appropriate circumstances, you should not participate in the business being considered, you should leave the chamber or room where the business is being considered, after exercising any right to speak which a member of the public would have.



# FAREHAM

BOROUGH COUNCIL

## Report to Audit and Governance Committee

**Date**                    **23 November 2015**

**Report of:**            **Head of Finance and Audit**

**Subject:**              **COUNTER FRAUD PROGRESS REPORT**

### **SUMMARY**

This report updates the Committee on the counter fraud work carried out in the last 6 month including the numbers and outcomes of fraud cases.

### **RECOMMENDATION**

That the content of the report be noted.

## INTRODUCTION

1. This report provides an update of any actions taken in the last 6 months in support of our Anti-Fraud and Corruption Policy. It also includes details of the cases of fraud that have been investigated.

## ACTIVITY SINCE THE LAST REPORT

### Strategic Actions

2. **Phone App:** In October 2015, Fareham Council launched a Smartphone Counter Fraud App. In 2014 the government invited Local Authorities to bid for funds for innovative counter fraud activities. The London Borough of Bromley submitted a joint bid on behalf of any other authorities wishing to take part, in conjunction with INTEC, a leading fraud management software supplier. Fareham Borough Council joined this bid which was approved by DCLG earlier this year. The app enables customers to report all types of fraud to the Council in an easy, secure and (if they choose) anonymous way.
3. **Financial Investigator Powers:** The Council no longer has an Accredited Financial Investigator who can use the powers available under the Proceeds of Crime Act (POCA), which includes obtaining information from financial institutions and restraining funds which may be the result of criminal activity. We have therefore set up a nationally approved Memorandum of Understanding with Portsmouth City Council to provide this service to us.
4. This has already been used in an investigation into a Council Tax Support claim which involves numerous undeclared properties and money held in Australia and another case involving suspected capital or income from America. It is anticipated that any overpayments generated from either of these cases will be repaid in full using the POCA legislation.

### Specific Areas of Fraud

5. **Council Tax Discount Fraud:** A discount review of Single Occupancy Discount is being conducted for the 2015 billing year. This discount entitles a householder to claim a 25% reduction off their Council Tax bill. There are 12,040 households with this discount to check and reviews have started on 7,915 (65%) of these to date. The discount has already been removed from 83 of these due to a change in the household. This has generated an extra £23,844 Council Tax liability to be billed and collected. In addition, penalties amounting to £490 have been issued for the 7 cases where the change had not been reported promptly to the Council.
6. **Housing Waiting List Fraud:** We have now reviewed the matches received from the National Fraud Initiative as part of the Waiting List fraud pilot exercise. We received 42 matches back from our list of 400 applicants. 9 updates have been made to the Waiting List as a result of the review including 2 households showing as "waiting for housing" who have now been removed as their circumstances had changed.
7. The Investigations Officer has also been conducting a data match exercise between people placed in the urgent, high and medium bands on the Waiting List against Benefit records. So far, this has highlighted a couple of discrepancies which have resulted in records being corrected but no withdrawals from the list.

8. On other case, an anonymous allegation was received and initially dealt with by the Investigations Officer resulting in a joint interview being conducted with Strategic Housing. This resulted in a change of household being reported for Housing Waiting List purposes.
9. **Right to Buy Fraud:** Nationally there has been an increase in the number of Right to Buy frauds being reported and it is estimated that 1% of applications outside London may be fraudulent. This is where someone has been dishonest in their application about their eligibility to buy a Council House and receive the discount, or does not conform to the terms of the purchase subsequently.
10. Fareham Borough Council has sold approximately 30 properties in the last 3 years under the scheme so there is some risk to us. There are also some welfare issues to be considered when a tenant presents themselves as a potential Right to Buy applicant. We are therefore looking into using investigation skills to strengthen our review of applications in line with best practice to help ensure that social housing is maintained for those that need it, and tenants are not being put in a vulnerable position as the result of buying their property. If successful, consideration may be given to working with local Housing Associations when the Right to Buy scheme is extended to them.

## INVESTIGATION REFERRALS AND OUTCOMES

### Benefits and Council Tax

11. Table 1 shows the investigation work that has been undertaken in the last 6 months in relation to Council Tax Support and Council Tax Discount fraud, and the benefits cases referred to the Department for Work & Pensions (DWP). These figures do not include the work that has been undertaken for the single occupancy discount review mentioned above.

**Table 1 – Investigation cases raised and concluded April to September 2015**

Number of new referrals received	Number of cases not pursued	Number of investigations Completed	Number of cases where abuse concluded
130 Total	6 FBC	73 FBC	30 by FBC
105 referred to DWP*	48 DWP	21 DWP	8 by DWP

\* These are the cases which wholly or partly relate to benefit fraud. Where another fraud is also present FBC may also investigate that element.

12. It is worth noting that those cases concluded by investigators at the DWP relate to Housing Benefit investigations that they have investigated and FBC has been notified of the outcome. Some cases have been concluded but are awaiting prosecution action by the DWP.
13. 1 criminal sanction has been applied by FBC for a Council Tax Support case where abuse was concluded and 1 successful prosecution has been undertaken by FBC for a case that had already been transferred to the Council's Legal team before the migration of Housing Benefit cases to the DWP in October 2014. The DWP have also carried out a prosecution. Details of these prosecutions are detailed in [Appendix A](#).

14. As discussed above, the council are issuing penalties as a proportionate sanction for some abuse found. The levels raised in the last 6 months, along with the total value of abuse concluded, is summarised in Table 2. The value of abuse found includes Council Tax Support paid for which the claimant was not eligible, and Council Tax Liability not raised when it should have been.

**Table 2– Penalties Raised April to September 2015**

Overpayments of Council Tax Support	Value of Abuse found - Overpayments	Value of Penalties
24	£27,565	£1,680
Council Tax Liability discrepancy from investigations	Value of Abuse found - extra Council Tax liability raised	Value of Penalties
1	£365	£70
Council Tax Liability discrepancy from discount review	Value of abuse found - extra Council Tax liability raised	Value of Penalties
83	£23,844	£490
<b>Total</b>	<b>Total</b>	<b>Total</b>
<b>108</b>	<b>£51,774</b>	<b>£2,240</b>

### Other Frauds

15. There have been 11 new suspicions of other types of fraud raised in the last 6 months, 8 of which have reached a conclusion, and 1 previous case has now been closed. The cases cover the following types of fraud:

**Table 3 – Nature of Other Cases Raised and Concluded in the last 6 months**

	Number of new referrals received in last 6 months	Number of Investigations completed	Number of Cases where Abuse Concluded	Value of Abuse £
Procurement fraud	3	3	2	£449
Housing fraud - tenancy	3	2	1	N/A
Housing fraud - waiting list	3	1	1	N/A
Banking - counterfeit notes	1	1	1	£40
Theft	1	1	1	£1698
Blue Badge	-	1	-	N/A
<b>Total</b>	<b>11</b>	<b>9</b>	<b>6</b>	<b>£2,187</b>

### 16. Whistleblowing

There were no cases of serious concern raised by an employee in the last 6 months and no employee has felt it necessary to raise concerns outside the organisation.

### NATIONAL FRAUD INITIATIVE

17. The National Fraud Initiative (NFI) is a data matching exercise organised by the Cabinet Office. There have been 3 further releases of new matches over the last 6 months, the latest being in October. Table 4 shows the progress made on clearing all matches since the last report; the totals marked with a \* have been increased for the new matches received.

**Table 4- Progress Made on Clearance of NFI Matches**

Year of Exercise	Subject of match	Number of matches received to review	Number of matches still to clear - last report	Number of matches still to clear - current
2014/15	Council Tax	610	582	414 (68%)
2014/15	Benefits	722*	404	391 (54%)
2014/15	Payroll	11	1	1 (9%)
2014/15	Housing Tenants	20*	4	8 (40%)
2014/15	Right to Buy	4	2	2 (50%)
2014/15	Insurance	1	1	0
2015/16	Council Tax Reduction	11	New	11 (100%)
2015/16	Housing Tenants / State Benefits	10	New	0

18. The table below shows the number and value of fraud cases arising from the clearance of NFI matches in the last 6 months. More detail of how much fraud and error has been identified from each NFI exercise is provided in [Appendix B](#).

**Table 5 - Fraud Cases Identified from NFI**

Data Set	Nature of Fraud	Date of Committee Report					
		Nov 2014		June 2015		Nov 2015	
		Number	Value	Number	Value	Number	Value
<b>Housing Benefits</b>	Undeclared earnings of adult at the property.	1	£2,713	8	£10,077		
	Undeclared pensions of adult at the property.	1	£2,158	2	£179		
<b>Council Tax</b>	Undeclared second adult living at property	30	£12,367	2	£1,730	1	£651
	Child at property reaching 18 and not declared	1	£375	1	£637		
<b>Residents Permit*</b>	Non return of permit of deceased holder			1	£0		
<b>Creditors*</b>	Duplicate payment of invoice not repaid until requested			1	£4,200		
<b>TOTAL</b>		<b>33</b>	<b>£17,613</b>	<b>15</b>	<b>£16,823</b>	<b>1</b>	<b>£651</b>

*\*It should be noted that although these are classified as frauds for the purposes of NFI, in most cases there may not have been a criminal intent involved.*

## USE OF LEGAL POWERS

21. There have been 2 authorisations granted under the Regulation of Investigatory Powers Act 2000 (RIPA) between 1 April 2015 and 30 September 2015 as summarised in [Appendix C](#).
22. There have been 21 uses of Authorised Officer powers during investigations in the last 6 months. They are all related to powers granted under the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) Regulations 2013. The powers allow information to be requested from a prescribed list of institutions such as banks and utilities and allow the investigator to request information from employers.

## **RISK ASSESSMENT**

23. There are no significant risk considerations in relation to this report

**Background Papers:** None

**Reference Papers:** None

### **Enquiries:**

For further information on this report please contact Elaine Hammell (Ext 4344) or Andrea Kingston (Ext 4618).



## Outcomes from Benefit Fraud Cases Prosecuted in the last 6 months

Case Ref	Benefits Involved	Nature of the Fraud	Value of FBC overpayment	Progress on Recovering Repayment	Sentence (All found guilty)	Fine/Costs
2999	Housing Benefit, Council Tax Benefit & Council Tax support	Undeclared capital	£34,017	Full value has been repaid.	Custodial 1 year	Nil
16192	Housing Benefit (prosecuted by DWP)	Failure to declare change in circumstances	£5,474	Paying back in instalments. £750 repaid to date.	12 month Conditional discharge	£15 victim surcharge

## Cumulative Findings from National Fraud Initiative Exercises

Year of Exercise*	Type	No. of Matches	No. of Fraud Cases found	Value of Fraud cases	No. of Errors found	Value of Errors
2015/16	Waiting List	42			7	£0
2014/15+2015/16	Full Exercise	994	12	£14,456	13	£0
2014/15	Council Tax	610	1	£651		
<b>2014/15</b>	<b>Student Loans</b>	<b>19</b>	<b>1</b>	<b>£1,258</b>		
<b>2013/14</b>	<b>Council Tax</b>	<b>553</b>	<b>34</b>	<b>£13,774</b>	<b>4</b>	<b>£1,334</b>
<b>2012/13</b>	<b>Full Exercise</b>	<b>1,333</b>	<b>13</b>	<b>£34,838</b>	<b>14</b>	<b>£14,724</b>
<b>2011/12</b>	<b>Council Tax</b>	<b>484</b>	<b>21</b>	<b>£12,264</b>	<b>2</b>	<b>£770</b>
<b>2010/11</b>	<b>Full Exercise</b>	<b>1,760</b>	<b>335<sup>#</sup></b>	<b>£26,356</b>	<b>13</b>	Not split out
<b>2009/10</b>	<b>Council Tax</b>	<b>1,424</b>	<b>43</b>	<b>£18,648</b>		
<b>2008/09</b>	<b>Full Exercise</b>	<b>1,779</b>	<b>212<sup>#</sup></b>	<b>£54,978</b>	<b>3</b>	Not split out
<b>2008/09</b>	<b>Council Tax</b>	<b>747</b>	<b>130</b>	<b>£87,920</b>	<b>3</b>	Not split out

\*Compilation of the results of NFI started to be compiled in this way in 2008/09. Those exercises in bold have been completed so there will be no further findings.

# Included match of concessionary travel permits against deceased database with no monetary value used.

## Authorisations for use of RIPA (April 15 to September 15)

Ref No	Date Authorised Internally	Authorising Officer	Suspected Offence	Investigation power used	Date Authorised by a Magistrate	Duration of authorisation (in days)	Outcome for the Investigation
1-2015 /16	17/06/15	Head of Housing, Revenues and Benefits	Council Tax Support Fraud – Not living at property	Surveillance	23/06/15	90	Evidence obtained that crime or disorder MAY BE occurring
2-2015 /16	31/07/15	Head of Housing, Revenues and Benefits	Council Tax Support Fraud – Undeclared partner	Surveillance	04/08/15	55	Evidence obtained that crime or disorder MAY BE occurring

# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date**                    23 November 2015

**Report of:**            Director of Finance and Resources

**Subject:**              EXTERNAL AUDITOR'S ANNUAL AUDIT LETTER

#### SUMMARY

This report presents the External Auditor's Annual Audit Letter which summarises the findings from the 2014/15 audit.

#### RECOMMENDATION

That the Committee notes the contents of the Annual Audit Letter 2014/15 submitted by the Council's external auditors

**APPENDIX A - [Annual Audit Letter 2014/15](#)**

**Enquiries:**

For further information on this report please contact Andy Wannell. (Ext 4620)



# Fareham Borough Council

Annual Audit Letter for the year ended 31 March 2015

October 2015

Ernst & Young LLP





The Members  
Fareham Borough Council  
Civic Offices  
Civic Way  
Fareham  
Hampshire  
PO16 7AZ

13 October 2015

Dear Members,

## **Annual Audit Letter 2014-15**

The purpose of this annual audit letter is to communicate the key issues arising from our work to the Members and external stakeholders, including members of the public.

We have already reported the detailed findings from our audit work in our 2014/15 annual results report to the 21 September 2015 Audit and Governance Committee, representing those charged with governance. We do not repeat them here.

The matters reported here are those we consider most significant for the Council.

We would like to take this opportunity to thank officers for their assistance during the course of our work.

Yours sincerely

Kate Handy  
Executive Director  
For and on behalf of Ernst & Young LLP  
Enc.

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Relevant parts of the Audit Commission Act 1998 are transitionally saved by the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 for 2014/15 audits.

The Audit Commission's 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the accountable officer of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



# 1. Executive summary

Our 2014/15 audit work was undertaken in accordance with the Audit Plan issued in April 2015 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.

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements and on the consistency of other information published with them;
- reviewing and reporting by exception on the Council's AGS;
- forming a conclusion on the arrangements the Council has to secure economy; efficiency and effectiveness in its use of resources; and
- undertaking any other work specified by the Audit Commission and the Code of Audit Practice.

Summarised below are the results of our work across all these areas:

Area of work	Result
Audit of the financial statement of Fareham Borough Council for the financial year ended 31 March 2015 in accordance with International Standards on Auditing (UK & Ireland).	On 28 September 2015 we issued an unqualified audit opinion on the Council's financial statements.
Form a conclusion on the arrangements the Council has made for securing economy, efficiency and effectiveness in its use of resources.	On 28 September 2015 we issued an unqualified value for money conclusion.
Report to the National Audit Office on the accuracy of the consolidation pack the Council needs to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 28 September 2015.
Consider the completeness of disclosures on the Council's AGS, identify any inconsistencies with other information which we know about from our work and consider whether it complies with CIPFA / SOLACE guidance.	No issues to report.
Consider whether we should make a report in the public interest on any matter coming to our notice in the course of the audit.	No issues to report.
Determine whether we need to take any other action in relation to our responsibilities under the Audit Commission Act	No issues to report.

***As a result of the above we have also:***

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Issued a report to those charged with governance of the Council with the significant findings from our audit.

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Our Audit Results Report was issued on 21 September 2015 to the Audit and Governance Committee.

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Issued a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

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Issued on 28 September 2015.

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In February 2016 we will also issue a report to those charged with governance of the Council summarising the certification (of grant claims and returns) work we have undertaken.

## 2. Key findings

### 2.1 Financial statement audit

The Council's Statement of Accounts is an important tool to show both how the Council has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and issued an unqualified audit report 28 September 2015.

Our detailed findings were reported to the 21 September 2015 Audit and Governance Committee..

The main issues identified as part of our audit were:

#### Significant risk 1: Risk of management override

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##### Issue

- On all audits we recognise the risk that management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

##### Findings

- There were no findings that indicate a risk of misstatement due to fraud or error.
- 

#### Significant risk 2: Daedalus airfield valuation

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##### Issue

- In March 2015, the Council purchased Daedalus from the Homes and Communities Agency. The site includes: property, infrastructure and specialist assets such as the control tower. The valuation of this asset required careful consideration and specialist advice.

##### Findings

- The Council classified the asset appropriately for valuation purposes;
  - We found the Council's valuer to be competent and capable;
  - The data provided to the valuer was complete and accurate, supporting an effective valuation;
  - We found the valuer's work to be appropriate; and
  - We agreed an amendment to the accounts with the Council. This related to a component with a negative value and how the valuation was applied for financial accounting purposes. This had no impact on the Council's underlying financial position.
- 

### 2.2 Value for money conclusion

As part of our work we must also conclude whether the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This is known as our value for money conclusion.

In accordance with guidance issued by the Audit Commission, our 2014/15 value for money conclusion was based on two criteria. We consider whether the Council had proper arrangements in place for:

- ▶ securing financial resilience, and
- ▶ challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 28 September 2015.

We noted the following issues as part of our audit

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**Key finding 1: Medium Term Financial Planning**

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**Issue**

- The local government sector continues to face financial challenge; with reductions in central government funding needing to be offset by efficiency plans.
- The Council's 5 year Finance Strategy identifies spending and funding pressures and seeks to address them with efficiency savings. Our work included reviewing the 5 year Finance Strategy and wider financial position as well as understanding the progress made with the efficiency plan.

**Findings**

- The Council's reported an underspend against its budget in 2014/15. The Council has also maintained its reserves at a prudent level. This is despite the challenges faced by the local government sector, and not having raised Council Tax since 2009/10.
  - We have reviewed the assumptions in the 5 year Finance Strategy and consider them reasonable. However, the Council recognises the uncertainty in future funding levels, in particular from central government, and will need to incorporate the outcome of the Spending Review into future plans.
  - The Council's 5 year Finance Strategy includes an efficiency plan. The Council has a sound record for delivering efficiency plans. Individual schemes underpinning the plan are either implemented or in progress for all required efficiencies. The Council has a history of achieving savings in advance of need.
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**Key finding 2: Acquisition of Daedalus airfield**

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**Issue**

- In March 2015, the Council purchased Daedalus from the Homes and Communities Agency (HCA) to facilitate economic development. The Council is now responsible for all operational and financial matters relating to the airfield which it considers viable, although it is projecting short term revenue losses. The Council is planning significant capital expenditure to stimulate economic redevelopment on the site. The revenue budget and sources of capital funding are dependent on assumptions which could have a significant impact on the Council's financial resilience. Our approach focussed on:
  - considering the results of the Council's market analysis study, as key to the success of the site will be interest from companies to locate themselves at Daedalus; and
  - reviewing the evidence to support the assumptions in the Council's long term financial model for the site and considering if it is consistent with the Council's wider budgeting.

**Findings**

- This long term project does expose the Council to risk around demand from businesses to occupy plots on the site. This is a key significant assumption in the Council's long term financial model. The Council's market analysis study indicated that the assumptions made on the likely take up from businesses are reasonable; and
  - The Council presented its 'Daedalus Vision and Strategy' in July 2015 which included an objective to ensure the airfield operates on a break even basis by 2019. Work supporting this objective is underway. The Council has secured funding of around £1.7m against revenue losses over the next three years. This is sufficient to cover the Council's projected losses in the transitional period, and will protect it's financial resilience while the Daedalus Vision and Strategy is implemented.
-

## 2.3 Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. We had no issues to report.

## 2.4 Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's AGS, identify any inconsistencies with the other information which we know about from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

## 2.5 Objections received

We did not receive any objections to the 2014/15 financial statements from members of the public.

## 2.6 Other powers and duties

We identified no issues during our audit that required us to use powers under the Audit Commission Act 1998, including reporting in the public interest.

## 2.7 Independence

We communicated our assessment of independence to the 21 September 2015 Audit and Governance Committee. In our professional judgement the firm is independent and the objectivity of the Executive Director and audit staff has not been compromised within the meaning of regulatory and professional requirements.

## 2.8 Certification of grant claims and returns

We will issue the Annual Certification report for 2014/15 in February 2016.

### **3. Control themes and observations**

As part of our work, we obtained enough understanding of internal control to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we must tell the Council about any significant deficiencies in internal control we find during our audit.

We did not identify any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in the Council's financial statements.

## 4. Looking ahead

Description	Impact
<p>Highways Network Asset (formerly Transport Infrastructure Assets):</p> <p>The Invitation to Comment on the Code of Accounting Practice for 2016/17 (ITC) sets out the requirements to account for Highways Network Asset under Depreciated Replacement Cost from the existing Depreciated Historic Cost. This is to be effective from 1 April 2016.</p> <p>This requirement is not only applicable to highways authorities, but to any local government bodies that have such assets.</p>	<p>This may be a material change of accounting policy for the Council. It could also require changes to existing asset management systems and valuation procedures.</p> <p>Nationally, latest estimates are that this will add £1,100 billion to the net worth of authorities.</p> <p>The Council will need to demonstrate it has assessed the impact of these changes. Even though it is not a highways authority, the requirements may still impact as it is responsible for assets such as:</p> <ul style="list-style-type: none"> <li>• Daedalus infrastructure;</li> <li>• HRA infrastructure;</li> <li>• Footways;</li> <li>• Unadopted roads on industrial or HRA estates;</li> <li>• Cycleways; and</li> <li>• Street Furniture.</li> </ul>
<p>The DCLG is bringing forward the date of preparation of the financial statements from 2017/18.</p>	<p>This will result in earlier production of the statements and will be a significant challenge that the Council will need to prepare for in advance, reviewing the key tasks and assessing the extent that processes may need changing to reduce the production time.</p>

## 5. Fees

Our fee for 2014/15 is in line with the scale fee set by the Audit Commission and reported in our 21 September 2015 Annual Results Report.

	Final fee 2014/15	Planned fee 2014/15	Final fee 2013/14
<b>Total Audit Fee – Code work</b>	<b>£64,307</b>	<b>£64,307</b>	<b>£64,307</b>
Total Audit Fee – Certification of claims and returns <sup>1</sup>	£15,080	£15,080	£22,199

Our actual fee is in line with the planned fee.

We undertook no non-audit work at the Council in 2014/15.

Notes:

<sup>1</sup> Our fee for the certification of grants and claims is yet to be finalised for 2014/15 as the work is ongoing. We plan to report this to those charged with governance in February 2016 in our report summarising the certification (of grant claims and returns) work we have undertaken.



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# FAREHAM

## BOROUGH COUNCIL

### **Report to Audit and Governance Committee**

**Date**                    **23 November 2015**

**Report of:**            **Director of Finance and Resources**

**Subject:**                **TREASURY MANAGEMENT PROGRESS REPORTS**

#### **SUMMARY**

In accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice, the Audit and Governance Committee is the responsible body to examine and assess the effectiveness of the Council's treasury management policy and strategy.

In accordance with this role, this report sets out the mid-year review of treasury management activity up to 30 September 2015.

#### **RECOMMENDATION**

The Audit and Governance Committee is asked to note the report.

## **BACKGROUND**

1. 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. 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.
3. 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.

## **INTRODUCTION**

4. The purpose of this report is to satisfy the requirement contained within the CIPFA Treasury Management Code of Practice to have a nominated responsible body, being the Audit and Governance Committee, examine and assess the effectiveness of the Council's treasury management strategy and policies.
5. The current Treasury Management Strategy, in Appendix A, was submitted to the Executive on 2 March 2015 and was formally adopted by Full Council on 23 April 2015.

## **MID YEAR REVIEW**

6. This mid-year review has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
  - An economic update for the first part of 2015/16;
  - A review of the Council’s investment portfolio;
  - A review of the Council's borrowing activity;
  - A review of the Treasury Management Strategy 2015/16; and
  - A review of compliance with Treasury and Prudential Limits for 2015/16.

## **ECONOMIC UPDATE FROM TREASURY ADVISOR – CAPITA ASSET SERVICES**

7. UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, possibly being equal to that of the US. However, quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a rebound in quarter 2 to +0.7% (+2.4% y/y). Growth is expected to weaken to about +0.5% in quarter 3 as the economy faces headwinds for exporters from the appreciation of Sterling against the Euro and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government’s continuing austerity programme.

8. Despite these headwinds, the Bank of England August Inflation Report had included a forecast for growth to remain around 2.4-2.8% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero over the last quarter.
9. The August Bank of England Inflation Report forecast was notably subdued in respect of inflation which was forecast to barely get back up to the 2% target within the 2-3 year time horizon. However, with the price of oil taking a fresh downward direction and Iran expected to soon rejoin the world oil market after the impending lifting of sanctions, there could be several more months of low inflation still to come, especially as world commodity prices have generally been depressed by the Chinese economic downturn.
10. There are therefore considerable risks around whether inflation will rise in the near future as strongly as had previously been expected; this will make it more difficult for the central banks of both the US and the UK to raise rates as soon as was being forecast until recently. Recent major concerns around the slowdown in Chinese growth, the knock on impact on the earnings of emerging countries from falling oil and commodity prices, and the volatility we have seen in equity and bond markets in 2015 so far, could all potentially spill over to impact the real economies rather than just financial markets.
11. On the other hand, there are also concerns around the fact that the central banks of the UK and US have few monetary policy options left to them given that central rates are near to zero and huge QE is already in place. There are therefore arguments that they need to raise rates sooner, rather than later, so as to have ammunition to use if there was a sudden second major financial crisis. But it is hardly likely that they would raise rates until they are sure that growth was securely embedded and 'noflation' was not a significant threat.
12. The forecast for the first increase in Bank Rate has therefore progressively been pushed back during 2015 from Q4 2015 to Q2 2016 and increases after that will be at a much slower pace, and to much 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.
13. The Government's revised Budget in July eased the pace of cut backs from achieving a budget surplus in 2018/19 to achieving that in 2019/20.

## **INVESTMENT PORTFOLIO**

14. 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.
15. In the current economic conditions, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate. The continuing potential for a re-emergence of a 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.
16. The total of fixed term investments and call accounts, as at 30 September 2015 was £48.1 million, as summarised below. The activity during the year for fixed investments is

detailed in Appendix B.

<b>Investments</b>	<b>Externally Managed £m</b>	<b>Internally Managed £m</b>	<b>Call Accounts £m</b>	<b>Total £m</b>
<b>At 1 April 2015</b>	<b>10.0</b>	<b>13.0</b>	<b>20.1</b>	<b>43.1</b>
New	4.0	17.0	63.4	84.4
Repaid	4.0	11.0	64.4	79.4
<b>At 30 Sept 2015</b>	<b>10.0</b>	<b>19.0</b>	<b>19.1</b>	<b>48.1</b>

17. The £5 million increase in investments during the first half of the year was mainly due to the timing of precept payments, receipts of grants and progress on the capital programme.

### **Investment Structure**

18. The structure of investments at 30 September is shown in the table below. Over the past few years, most investments have been held on short periods to mitigate the risks that have been seen during the recession.

<b>Investment Structure</b>	<b>Externally Managed £m</b>	<b>Internally Managed £m</b>	<b>Call £m</b>	<b>Total £m</b>
For periods of less than 1 month	1.0	1.0	15.1	17.1
For periods of 1 to 3 months	2.0	0	4.0	6.0
For periods of 3 to 6 months	0	0	0	0
For periods of 6 to 12 months	5.0	18.0	0	23.0
For periods of 1 to 2 years	2.0	0	0	2.0
<b>Total Investments at 30 Sept 2015</b>				
Investments for periods < 365 days	8.0	19.0	19.1	<b>46.1</b>
Investments for periods 365+ days	2.0	0	0	<b>2.0</b>

19. Throughout this period of uncertainty, officers have been taking advice from the Council's treasury advisor, Capita Asset Services, to ensure that decisions are taken in light of the latest facts at the time. This has given rise to lower interest rates being secured but this is the lowest priority consideration compared to the security of investments and the liquidity of cash flow.
20. The Council's fixed term investments are partly managed externally by Tradition UK Ltd. The role of the broker is to determine the most appropriate investment option within criteria set by the Council. All cash transfers are made by Council officers and Executive approval has been given for the allocation of up to £13 million to the externally managed portfolio. This retains sufficient funds within the direct management of officers, while still ensuring that maximum yield is achieved from the longer term investments.
21. The investment structure is sufficient to meet the capital programme and other large cash outflows.
22. To increase the liquidity of the Council's investments, call accounts with Nat West,

Santander, HSBC and Svenska Handelsbanken are being used. These accounts offer quick access to funds, however, they do attract a lower rate of interest than some of the fixed term investments shown in the table above.

23. The balance within each call/notice account as at 30 September 2015 is set out in the following table:

<b>Call Accounts</b>	<b>£m</b>
NatWest	5.1
Santander – 95 Day Notice	4.0
Svenska Handelsbanken	4.0
HSBC	6.0
<b>Total</b>	<b>19.1</b>

### **BORROWING ACTIVITY**

24. The Council's external long term debt amounted to £40.2 million as at 1 April 2015. This is as a result of the Housing Revenue Account (HRA) reforms (£40m) and the Hampshire County Council interest free loan for Portchester Community Centre (£0.2m).
25. For the HRA reforms, the Council has taken out ten £4 million loans from the Public Works Loan Board (PWLB) with duration of between 40 and 50 years at an average interest rate of 3.50% as detailed in the table below:-

<b>Repayment Date</b>	<b>Loan Amount</b>	<b>Interest Rate</b>
30/09/2052	£4m	3.52%
30/09/2053	£4m	3.51%
30/09/2054	£4m	3.51%
30/09/2055	£4m	3.51%
30/09/2056	£4m	3.50%
30/09/2057	£4m	3.50%
30/09/2058	£4m	3.50%
30/09/2059	£4m	3.49%
30/09/2060	£4m	3.49%
30/09/2061	£4m	3.48%
<b>Total</b>	<b>£40m</b>	<b>3.50% average</b>

26. Interest payable for 2015/16 is budgeted at **£1,851,700** and will be met by the HRA. £1,400,400 relates to the PWLB loans and £451,300 for interest on internal borrowing between the General Fund and the HRA.

### **INTEREST RATE FORECAST**

27. The Council's treasury advisor, Capital Asset Services, has provided the following forecast:

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%
5yr PVLB rate	2.40%	2.50%	2.60%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%
10yr PVLB rate	3.00%	3.20%	3.30%	3.40%	3.50%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PVLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
50yr PVLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%

28. Capita Asset Services undertook its last review of interest rate forecasts on 11 August shortly after the quarterly Bank of England Inflation Report. Later in August, fears around the slowdown in China and Japan caused major volatility in equities and bonds and sparked a flight from equities into safe havens like gilts and so caused PVLB rates to fall below the above forecasts for quarter 4 2015.
29. However, there is much volatility in rates as news ebbs and flows in negative or positive ways and news in September in respect of Volkswagen, and other corporates, has compounded downward pressure on equity prices. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.

## STRATEGY COMPLIANCE

30. The Council's Treasury Management Strategy Statement for 2015/16 in Appendix A, which includes the Annual Investment Strategy 2015/16, was approved by the Council on 2 March 2015. It sets out the Council's investment priorities as being:
- Security of capital;
  - Liquidity; and
  - Yield
31. The Council will also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs but also to seek out value available in higher rates in periods up to 2 years with highly credit rated financial institutions.
32. The compliance with the various elements of the strategy are set out in the following table:-

Compliance on Individual Elements	Yes/No	Notes
Borrowing only up to "supported" level	Yes	No borrowing this quarter.
All investments with approved institutions	Yes	Treasury management advisors provide updated list of approved institutions weekly.
All individual investments within prescribed financial limits	Yes	There are currently 6 institutions where the total investment is at the maximum level. They are Lloyds, Barclays and HSBC, (£6m limit), Skipton BS, West Brom BS and Principality BS (£2m limit).



33. No changes to the Council's Treasury Management Strategy Statement and Annual Investment Strategy 2015/16 are considered necessary at this time as the rules currently being applied to investments are much tighter than those approved within the Treasury Management Strategy.

### **COMPLIANCE WITH TREASURY AND PRUDENTIAL LIMITS**

34. It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordable limits) were approved by the Executive at its meeting on 2 March 2015.
35. Performance for the first half of the year is shown in Appendix C and the purpose of each indicator is explained in more detail in Appendix D. During the financial year to date the Council has operated within the treasury limits and the Prudential Indicators.

### **RISK ASSESSMENT**

36. In the current economic climate, there are risks that financial institutions holding Council investments could default and be unable to fulfil their commitments to repay the sums invested with them.
37. To help mitigate this risk, the Council maintains a list of approved institutions based on a grading system operated by the Council's treasury management advisers. Maximum limits are also set for investments with individual institutions.

**Background Papers:** None

**Reference Papers:** 2 March 2015 Executive Report - Treasury Management Policy and Strategy 2015/16

**Appendices:**

**Appendix A** - Treasury Management Strategy 2015/16

Annex A - Summary of Prudential and Treasury Indicators

**Appendix B** - Total investment activity to 30 September 2015 with each approved institution

**Appendix C** - 2015/16 Prudential Indicators - Half-Yearly Performance

**Appendix D** - Details of Prudential Indicators

**Enquiries:**

For further information on this report please contact Caroline Hancock. (Ext 4589)



**TREASURY MANAGEMENT STRATEGY 2015/16****SECTION 1 - INTRODUCTION****BACKGROUND**

1. 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 service 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.
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 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.
3. The Chartered Institute of Public Finance and Accountancy (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."*

**REPORTING REQUIREMENTS**

4. 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. The responsibility for the implementation and monitoring of these reports is the Executive with the Audit and Governance Committee responsible for the effective scrutiny of the treasury management strategy and policies.
5. The three reports are:
  - (1) Treasury Management Strategy and Prudential Indicators, covering:
    - the capital plans (including prudential indicators);
    - a minimum revenue provision (MRP) policy;
    - the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
    - the investment strategy (the parameters on how investments are to be managed).
  - (2) Mid-Year Treasury Management Report - updating members with the progress of the capital position and investment activity, amending prudential and treasury indicators as necessary and whether the treasury strategy is being met or requires revision.

- (3) Annual Treasury Report - This provides details of the actual prudential and treasury indicators and actual treasury activity compared to the estimates within the strategy.

## **TREASURY MANAGEMENT STRATEGY FOR 2015/16**

6. The strategy for 2015/16 covers two main areas:
  - (1) Capital Issues
    - capital plans and the prudential indicators;
    - the minimum revenue provision (MRP) policy.
  - (2) Treasury Management Issues
    - current treasury position;
    - treasury indicators which will limit the treasury risk and activities of the Council;
    - prospects for interest rates;
    - borrowing strategy;
    - policy on borrowing in advance of need;
    - investment strategy;
    - investment counterparty selection criteria; and
    - policy on use of external service providers.
7. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and the DCLG Investment Guidance.

## **TRAINING**

8. 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.
9. The training needs of treasury management officers are periodically reviewed.

## **TREASURY MANAGEMENT CONSULTANTS**

10. The Council uses Capita Asset Services 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.
11. 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.

## SECTION 2 - CAPITAL PRUDENTIAL INDICATORS 2014/15 - 2017/18

12. 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 member's overview and confirm capital expenditure plans.
13. A summary of all prudential and treasury indicators can be found in Annex A.

### **Capital Expenditure (Aff.3)**

14. This prudential indicator is a summary of the Council's capital expenditure plans forming part of this budget cycle.

<b>Capital Expenditure £'000</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>	<b>Un- allocated</b>
Public Protection	0	0	0	0	429
Streetscene	185	134	0	0	309
Leisure & Community	3,921	7,147	974	0	513
Health & Housing	722	560	480	480	60
Planning & Development	74	84	15	15	720
Policy & Resources	10,818	3,303	655	540	3
<b>Total General Fund</b>	<b>15,720</b>	<b>11,228</b>	<b>2,124</b>	<b>1,035</b>	<b>2,034</b>
HRA	7,351	11,232	3,207	2,240	0
<b>Total</b>	<b>23,071</b>	<b>22,460</b>	<b>5,331</b>	<b>3,275</b>	<b>2,034</b>

15. 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.

<b>Capital Expenditure £'000</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>	<b>Un- allocated</b>
General Fund	15,720	11,228	2,124	1,035	2,034
HRA	7,351	11,232	3,207	2,240	0
<b>Total</b>	<b>23,071</b>	<b>22,460</b>	<b>5,331</b>	<b>3,275</b>	<b>2,034</b>
<b>Financed by:</b>					
Capital receipts	5,307	2,255	1,080	230	60
Capital grants	6,850	6,927	250	250	309
Capital reserves	2,176	1,200	254	15	516
Revenue	8,738	9,113	3,747	2,780	1,149
<b>Net financing need for the year</b>	<b>0</b>	<b>2,965</b>	<b>0</b>	<b>0</b>	<b>0</b>

### **The Council's Borrowing Need (Capital Financing Requirement) (Aff.5)**

16. 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 in the table above, which has not immediately been paid for, will increase the CFR.

17. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduce the borrowing in line with the asset's life.
18. The CFR projections are as follows:

<b>£'000</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
General Fund	-2,754	211	211	211
HRA	53,805	53,805	53,805	53,805
<b>Total CFR</b>	<b>51,051</b>	<b>54,016</b>	<b>54,016</b>	<b>54,016</b>

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

19. The Council is required to set an annual policy on the way it calculates the prudent provision for the repayment of General Fund borrowing. Local Authorities are required to 'have regard' to guidance on Minimum Revenue Provision (MRP) issued by the Secretary of State. This guidance suggests a number of options for calculating MRP but does not preclude other prudent methods that the Council may wish to adopt.
20. The Council does not currently have an MRP policy statement as it does not have any long term General Fund borrowing. Any decisions on borrowing will be reported to the Executive and at this stage an MRP policy statement will be set based on the nature of the borrowing and the capital scheme the borrowing is for.

#### **Affordability Prudential Indicators**

21. 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:

#### **Financing costs as a percentage of net revenue stream (Aff.1)**

22. 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.
23. The positive percentage for the HRA for 2014/15 to 2017/18 reflects the net borrowing costs for the HRA settlement.

	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
General Fund	-12%	-11%	-11%	-12%
HRA	14%	14%	14%	14%
<b>Total</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>

#### **Incremental impact of capital investment decisions on council tax and housing rents (Aff.2)**

24. This indicator identifies the revenue costs associated with proposed changes to the capital programme 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.

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

	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
Council tax band D	£2.70	£2.24	£0.43	£0.83
Weekly housing rent levels	£0.56	£0.77	£0.22	£0.15

26. **HRA Ratios**

	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
HRA debt £'000	49,268	49,268	49,268	49,268
HRA revenues £'000	12,120	12,268	13,277	13,222
Number of HRA dwellings	2,389	2,389	2,443	2,439
Ratio of debt to revenues %	4.06:1	4.02:1	3.71:1	3.72:1
Debt per dwelling £	£20,622	£20,622	£20,167	£20,200

### **SECTION 3 - TREASURY MANAGEMENT STRATEGY 2015/16**

27. 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 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.

#### **CURRENT PORTFOLIO POSITION**

28. The Council's treasury portfolio position at 31 March 2014, with forward projections are summarised below. The table shows the actual external borrowing (the treasury management operations), against the capital borrowing need (the Capital Financing Requirement - CFR), highlighting any under or over borrowing.

<b>£'000</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
Borrowing at 1 April	41,830	41,630	44,395	44,195
Expected change in borrowing	(200)	2,765	(200)	0
Other long term liabilities	0	0	0	0
<b>Borrowing at 31 March</b>	<b>41,630</b>	<b>44,395</b>	<b>44,195</b>	<b>44,195</b>
The Capital Financing Requirement	51,051	54,016	54,016	54,016
<b>Under/(over) borrowing</b>	<b>9,421</b>	<b>9,621</b>	<b>9,821</b>	<b>9,821</b>

29. 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.
30. The Director of Finance and Resources 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.

#### **TREASURY INDICATORS: LIMITS TO BORROWING ACTIVITY**

##### **The Operational Boundary (Aff.4)**

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



<b>Operational Boundary £'000</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
Borrowing	48,000	48,000	46,000	45,000
Other long term liabilities	2,000	4,000	4,000	4,000
<b>Total</b>	<b>50,000</b>	<b>52,000</b>	<b>50,000</b>	<b>49,000</b>

### **The Authorised Limit for External Borrowing**

32. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external borrowing is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.
33. 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.
34. The Council is asked to approve the following Authorised Limit:

<b>Authorised Limit £'000</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
Borrowing	69,000	73,000	73,000	77,000
Other long term liabilities	4,000	6,000	6,000	6,000
<b>Total</b>	<b>73,000</b>	<b>79,000</b>	<b>79,000</b>	<b>83,000</b>

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

<b>HRA Debt Limit £'000</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
HRA debt cap	56,851	56,851	56,851	56,851
HRA CFR	53,805	53,805	53,805	53,805
HRA headroom	3,046	3,046	3,046	3,046

### **PROSPECTS FOR INTEREST RATES**

36. 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 and commentary gives the Capita Asset Services central view on interest rates and economic update.

Annual Average %	Bank Rate	PWLB Borrowing Rates		
		5 year	25 year	50 year
March 2015	0.50	2.20	3.40	3.40
June 2015	0.50	2.20	3.50	3.50
Sept 2015	0.50	2.30	3.70	3.70
Dec 2015	0.75	2.50	3.80	3.80
March 2016	0.75	2.60	4.00	4.00
June 2016	1.00	2.80	4.20	4.20
Sept 2016	1.00	2.90	4.30	4.30
Dec 2016	1.25	3.00	4.40	4.40
March 2017	1.25	3.20	4.50	4.50
June 2017	1.50	3.30	4.60	4.60
Sept 2017	1.75	3.40	4.70	4.70
Dec 2017	1.75	3.50	4.70	4.70
March 2018	2.00	3.60	4.80	4.80

37. UK GDP growth surged during 2013 and the first half of 2014. Since then it appears to have subsided somewhat but still remains strong by UK standards and is expected to continue likewise into 2015 and 2016. There needs to be a significant rebalancing of the economy away from consumer spending to manufacturing, business investment and exporting in order for this recovery to become more firmly established.
38. One drag on the economy has been that wage inflation has only recently started to exceed CPI inflation, so enabling disposable income and living standards to start improving. The plunge in the price of oil brought CPI inflation down to a low of 1.0% in November, the lowest rate since September 2002. Inflation is expected to stay around or below 1.0% for the best part of a year; this will help improve consumer disposable income and so underpin economic growth during 2015.
39. However, labour productivity needs to improve substantially to enable wage rates to increase and further support consumer disposable income and economic growth. In addition, the encouraging rate at which unemployment has been falling must eventually feed through into pressure for wage increases, though current views on the amount of hidden slack in the labour market probably means that this is unlikely to happen early in 2015.
40. The US, the biggest world economy, has generated stunning growth rates of 4.6% (annualised) in Q2 2014 and 5.0% in Q3. This is hugely promising for the outlook for strong growth going forwards and it very much looks as if the US is now firmly on the path of full recovery from the financial crisis of 2008. Consequently, it is now confidently expected that the US will be the first major western economy to start on central rate increases by mid 2015.
41. The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:
- Greece: the general election on 25 January 2015 brought an anti EU and anti austerity political party to power. If this eventually results in Greece leaving the

Euro, it is unlikely that this will directly destabilise the Eurozone as the EU has put in place adequate firewalls to contain the immediate fallout to just Greece. However, the indirect effects of the likely strengthening of anti EU and anti austerity political parties throughout the EU is much more difficult to quantify;

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

## **BORROWING STRATEGY**

42. 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.
43. Against this background and the risks within the economic forecast, caution will be adopted with the 2015/16 treasury operations. The Director of Finance and Resources 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.*

44. Any decisions will be reported to the Executive at the next available opportunity.

#### **Treasury Management Limits on Activity (Pru.3 and 4)**

45. 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.

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

<b>Upper limits on interest rate exposures</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	%	%	%	%
- Upper limit on variable interest rate exposures	25	25	25	25
- Upper limit on fixed interest rate exposures	100	100	100	100
<b>Maturity structure of borrowing</b>	<b>Upper Limit</b>			
	%	%	%	%
- Loans maturing within 1 year	25	25	25	25
- Loans maturing within 1 - 2 years	25	25	25	25
- Loans maturing within 2 - 5 years	25	25	25	25
- Loans maturing within 5 - 10 years	50	50	50	50
- Loans maturing in over 10 years	100	100	100	100

#### **POLICY ON BORROWING IN ADVANCE OF NEED**

47. 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.

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

## **DEBT RESCHEDULING**

49. 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).
50. 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).
51. 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.
52. All rescheduling will be reported to the Council at the earliest meeting following its action.

## **SECTION 4 - ANNUAL INVESTMENT STRATEGY 2015/16**

### **INVESTMENT POLICY**

53. The Council's investment policy has regard to DCLG's Guidance on Local Government and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes.
54. The Council's investment priorities will be security of capital first, liquidity second and then the return.
55. In accordance with the above guidance from DCLG and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accords with the ratings, watches and outlooks published by all three ratings agencies. Using the Capita Asset Services ratings service, potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.
56. Further, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.
57. 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.
58. The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoid concentration risk.
59. The intention of the strategy is to provide security of investment and minimisation of risk.

### **INVESTMENT COUNTERPARTY SELECTION CRITERIA**

60. 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 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.

61. The Director of Finance and Resources 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.
62. 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.
63. All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Capita Asset Services creditworthiness service.
  - if a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
  - in addition to the use of credit ratings, the Council will be advised of information in movements in Credit Default Swap and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.
64. Sole reliance will not be placed on the use of this external service. In addition the Council will also use market data and market information (for example Credit Default Swaps, negative rating watches/outlooks). This additional information will be applied to compare relative security of differing investment counterparties.
65. The following internal measures are also in place:
  - Investment decisions formally recorded and endorsed using a Counterparty Decision Document; and
  - Monthly officer reviews of the investment portfolio and quarterly reviews with the Chief Executive Officer.
66. 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 use banks which are UK banks and/or are non-UK and domiciled in a country which has a minimum

sovereign rating of AA and have as a minimum, the following Fitch, Moody's and Standard and Poor's credit ratings (where rated):

	<b>Fitch</b>	<b>Moody's</b>	<b>Standard and Poor's</b>
Short Term	F1	P-1	A-1
Long Term	A	A2	A

- Banks 2 - Part nationalised UK banks (Lloyds Banking Group and Royal Bank of Scotland). These banks can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.
- Bank 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 operation - The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Building Societies - Building societies have formed the basis of the UK's savings culture and are under strict FSA directives in regard to their borrowing and lending criteria. The Council will use all societies which meet the ratings for banks outlined above and/or have assets in excess of £5bn.
- Other investment counterparties:
  - i. UK Government (including gilts and the Debt Management Account Deposit Facility)
  - ii. Local authorities
  - iii. Money market funds
  - iv. Enhanced cash funds

## **COUNTRY AND SECTOR CONSIDERATIONS**

67. The Council will only use approved counterparties from countries with a minimum sovereign credit rating of AA from Fitch. This list will be added to, or deducted from by officers should ratings change in accordance with this policy.
68. The Council will limit the amount of investments with building societies to 25% of the portfolio.
69. As far as possible, the Council will aim to maintain at least 25% of investments maturing within 1 year, and have no more than 50% of investments that have a maturity date of more than 1 year.

## **TIME AND MONETARY LIMITS APPLYING TO INVESTMENTS**

70. 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):



	<b>Fitch Long Term Rating</b>	<b>Money Limit</b>	<b>Time Limit</b>
Banks 1 - good credit quality	A	£6m	5 years
Banks 2 - part-nationalised	N/A	£8m	3 years
Building societies - Assets over £5bn	N/A	£2m	1 year
Debt Management Account Deposit Facility	AAA	Unlimited	6 months
Local Authorities	N/A	Unlimited	5 years
Money Market Funds	AAA	£6m per fund	Liquid
Enhanced Cash Funds	AAA	£6m per fund	Liquid

## INVESTMENT STRATEGY

71. The Council's in-house managed funds are mainly existing resources earmarked to finance future capital expenditure and resources derived from favourable cash flow with a core balance of £10 - £15 million available for investment over a year.
72. Investments will accordingly 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).
73. The Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 4 of 2015. The Bank Rate forecasts for financial year ends (March) are:

<b>Year</b>	<b>Bank Rate</b>
2015/16	0.75%
2016/17	1.25%
2017/18	2.00%

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

### **Investment Treasury Indicator and Limit (Pru.5)**

75. Total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and are based on the availability of funds after each year-end.

<b>£M</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
Principal sums invested > 364 days	16	15	11	11

76. For its cash flow generated balances, the Council will seek to utilise its call accounts, money market funds and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

### **External Fund Managers**

77. Up to £13 million of the Council's investments are externally managed on a discretionary basis by Tradition. This level is based on the core balance of £10-15 million and is reviewed periodically as the core balance changes.
78. Tradition will comply with the Annual Investment Strategy and their performance is reviewed quarterly by the Director of Finance and Resources.
79. The agreement between the Council and Tradition additionally stipulate operational guidelines around duration and limits in order to contain and control risk.

### **OTHER ISSUES**

80. Where cash flows determine it necessary, the Council's bankers - NatWest (part of the RBS group) will be used on an unlimited basis. If their credit quality is reduced, the Council will continue to use their banking services but no investments will be placed with them.
81. The unprecedented changes in the economy and the financial sector are such that this Strategy Statement provides a framework within which Officers will operate. The Director of Finance and Resources will take further precautionary steps to manage the investment portfolio within the framework, responding to the economic conditions as they evolve throughout the year.

### **SCHEME OF DELEGATION**

#### **(i) Full Council**

- receiving and reviewing reports on treasury management policies, practices and activities approval of annual strategy.

#### **(ii) Responsible body - Executive**

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

#### **(iii) Responsibility for scrutiny - Audit and Governance Committee**

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

## SUMMARY OF PRUDENTIAL AND TREASURY INDICATORS

Indicator	Description	2014/15	2015/16	2016/17	2017/18
<u>Aff.1</u>	<b>Affordability Measure: Financing Costs as a percentage of net revenue stream</b>				
	Overall Position	3%	3%	3%	3%
1a	General Fund	-12%	-11%	-11%	-11%
1b	Housing Revenue Account	14%	14%	14%	14%
<u>Aff.2</u>	<b>Affordability Measure: Incremental impact of capital investment on Council Tax and Housing Rents</b>				
2a	Council Tax increases, borrowing costs only	£2.70	£2.24	£0.43	£0.83
2b	Housing Rent increases, borrowing costs only	£0.56	£0.77	£0.22	£0.15
<u>Aff.3</u>	<b>Affordability Measure: Capital Expenditure (£'000s)</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	General Fund	£15,720	£11,228	£2,124	£1,036
	Housing Revenue Account	£7,351	£11,232	£3,207	£2,240
	Total Capital Expenditure	<b>£23,071</b>	<b>£22,460</b>	<b>£5,331</b>	<b>£3,276</b>
<u>Aff.4</u>	<b>Affordability Measure: External Debt Level (£'000s)</b>				
	Authorised limit, comprising	£73,000	£76,000	£79,000	£83,000
	- borrowing	£69,000	£70,000	£73,000	£77,000
	- other long term liabilities	£4,000	£6,000	£6,000	£6,000
	Operational boundary, comprising	£50,000	£49,000	£50,000	£49,000
	- borrowing	£48,000	£45,000	£46,000	£45,000
	- other long term liabilities	£2,000	£4,000	£4,000	£4,000
<u>Aff.5</u>	<b>Affordability Measure: Capital Financing Requirement (CFR) (£'000s)</b>				
	General Fund CFR closing balance in the year	£51,051	£54,016	£54,016	£54,016
		-£2,754	£211	£211	£211
	HRA CFR closing balance in the year	£53,805	£53,805	£53,805	£53,805
<u>Pru.1</u>	<b>Prudence Measure: Gross Debt and Capital Financing Requirement (CFR) (£'000s)</b>				
	Gross Debt	£41,630	£44,395	£41,230	£41,230
	CFR (for last, current and next 2 years)	£210,134	£213,099	£216,064	£216,064
	Has measure been achieved?	Achieved	Achieved	Achieved	Achieved
	Memorandum Item : Prudence margin	£165,530	£168,504	£174,834	£174,834
<u>Pru.2</u>	<b>Prudence Measure: Adoption of the CIPFA Treasury Management Code of Practice</b>				
	Has the Code been adopted in its entirety?	Yes	Yes	Yes	Yes
<u>Pru.3</u>	<b>Prudence Measure: Upper Limits to fixed and variable interest rate exposure</b>				
	Upper limit to variable interest rate exposures	25%	25%	25%	25%
	Upper limit to fixed interest rate exposures	100%	100%	100%	100%
<u>Pru.4</u>	<b>Prudence Measure: Maturity structure of borrowing</b>	<u>Upper Limit</u>	<u>Upper Limit</u>	<u>Upper Limit</u>	<u>Upper Limit</u>
	Loans maturing within 1 year	25%	25%	25%	25%
	Loans maturing within 1 - 2 years	25%	25%	25%	25%
	Loans maturing within 2 - 5 years	25%	25%	25%	25%
	Loans maturing within 5 - 10 years	50%	50%	50%	50%
	Loans maturing in over 10 years	100%	100%	100%	100%
<u>Pru.5</u>	<b>Prudence Measure: Total Principal sums invested for periods of more than 364 days (£'000s)</b>				
	Upper Investment Limit for the year	£16,000	£15,000	£11,000	£10,000



**Total Investment Activity to 30 September 2015  
with each Approved Institution**






	<b>Externally Managed £</b>	<b>Internally Managed £</b>	<b>Call Accounts £</b>	<b>Total £</b>
<b>Clearing Banks</b>				
Royal Bank of Scotland (including Nat West)	7,000,000	1,000,000	69,570,000	77,570,000
Barclays Bank		7,000,000		7,000,000
Lloyds Bank		12,000,000		12,000,000
HSBC			6,000,000	6,000,000
<b>Other Banks</b>				
Santander UK			4,000,000	4,000,000
Svenska Handelsbanken			4,000,000	4,000,000
<b>Building Societies with Assets over £500bn</b>				
Nationwide		7,000,000		7,000,000
Skipton	4,000,000			4,000,000
Leeds		2,000,000		2,000,000
Principality	1,000,000	1,000,000		2,000,000
West Bromwich	2,000,000			2,000,000
<b>Total Investments</b>	<b>14,000,000</b>	<b>30,000,000</b>	<b>83,570,000</b>	<b>127,570,000</b>






- Externally managed investments are fixed term deposits managed by Tradition UK Ltd. The broker determines the most appropriate investment option within the criteria set by the Council and in consultation with officers, and then places the deal with the financial institution.
- Internally managed investments are fixed term deposits managed by Council officers.
- Call accounts are instant access accounts with NatWest, HSBC and Svenska Handelsbanken and a 95 day notice account with Santander UK.



**Appendix C**

**2015/16 Prudential and Treasury Indicators - Quarter 2 Performance**

Indicator	Description	Approved Indicators 2015/16	Quarter 2 Position	Performance Rating
Aff.1	<b>Affordability Measure: Financing Costs as a percentage of net revenue streams</b>			
1a	Overall Position	3%	2.4%	
1b	General Fund	-11%	-3.5%	
	Housing Revenue Account	14%	13.9% (estimated)	
Aff.2	<b>Affordability Measure: Incremental impact of capital investment on Council Tax and Housing Rents</b>			
2a	Council Tax increases, borrowing costs only	£2.24	No borrowing undertaken, therefore no effect on rent or council tax increases	
2b	Housing Rent increases, borrowing costs only	£0.77		
Aff.3	<b>Affordability Measure: Capital Expenditure (£'000s)</b>	<b>Estimate to 30 Sept 15</b>	<b>Actual to 30 Sept 15</b>	
	General Fund	£5,069	£2,968	
	Housing Revenue Account	£2,766	£2,743	
	<b>Total Capital Expenditure</b>	<b>£7,835</b>	<b>£5,711</b>	
Aff.4	<b>Affordability Measure: External Debt Level (£'000s)</b>			
	Authorised limit, comprising	£76,000	Long term external debt is £40.2m and short term debt is £1.826m	
	- borrowing	£70,000		
	- other long term liabilities	£6,000		
	Operational boundary, comprising	£49,000		
	- borrowing	£45,000		
	- other long term liabilities	£4,000		
Aff.5	<b>Affordability Measure: Capital Financing Requirement (£'000s)</b>			
	General Fund CFR closing balance in the year	£54,016 £211	No anticipated change to the planned position for CFR items	
	HRA CFR closing balance in the year	£53,805		

Indicator	Description	Approved Indicators 2015/16	Quarter 2 Position	Performance Rating
Pru.1	<p><b>Prudence Measure: Gross Debt and Capital Financing Requirement (CFR), (£'000s)</b></p> <p>Gross External Borrowing level</p> <p>CFR (for last, current and next 2 years)</p> <p>Has measure been achieved?</p> <p>Memorandum Item: Prudence margin</p>	<p>£44,395</p> <p>£213,099</p> <p>Achieved</p> <p>£168,504</p>	<p>£41,823</p> <p>£213,099</p> <p>Achieved</p> <p>£171,276</p>	
Pru.2	<p><b>Prudence Measure: Adoption of the CIPFA Treasury Management Code of Practice</b></p> <p>Has the Code been adopted in its entirety?</p>	Yes	Yes	
Pru.3	<p><b>Prudence Measure: Upper Limits to fixed and variable interest rate exposure</b></p> <p>Upper limit to variable interest rate exposures</p> <p>Upper limit to fixed interest rate exposures</p>	<p>25%</p> <p>100%</p>	All investments are fixed rate except 4% which are semi variable and linked to LIBOR rates	
Pru.4	<p><b>Prudence Measure: Maturity structure of borrowing</b></p> <p>Loans maturing within 1 year</p> <p>Loans maturing within 1 - 2 years</p> <p>Loans maturing within 2 - 5 years</p> <p>Loans maturing within 5 - 10 years</p> <p>Loans maturing in over 10 years</p>	<p><u>Upper Limit</u></p> <p>25%</p> <p>25%</p> <p>25%</p> <p>50%</p> <p>100%</p>	No borrowing undertaken in Quarter 2	
Pru.5	<p><b>Prudence Measure: Total Principal sums invested for periods of more than 364 days (£'000s)</b></p> <p>Upper Investment Limit for the year</p>	£15,000,000	<p>£2m 1-2 years</p> <p>£0m 2-3 years</p> <p>£0m 3-4 years</p>	



## Details of the Treasury and Prudential Indicators

This appendix explains each of the prudential indicators, as defined in the Prudential Code for Capital Finance in Local Authorities and the Treasury Management in Public Service Code of Practice.

### Affordability

#### ***Aff.1: Financing costs as a percentage of net revenue stream***

This compares the total principal and interest payments on external debt less interest and investment income to the overall total revenue spending of the authority. The indicator must be calculated separately for the General Fund and Housing Revenue Account (HRA).

#### ***Aff.2: The incremental impact of capital investment on the Council Tax and Housing Rents***

This indicator requires the General Fund net revenue streams to be converted into an estimated Band D Council Tax for each of the next three years. This will mean making assumptions on the levels of Government grant and Non Domestic Rates expected as well as the Council Tax base and spending plans. Only the element of any increase/decrease in Council Tax that relates to the Council's capital investment plans is reported in the indicator. A similar indicator must be calculated for average weekly rents in the HRA.

#### ***Aff.3: Capital expenditure***

This indicator reports the Council's capital expenditure for the current year.

#### ***Aff.4: External debt***

This indicator reports on the external debt limits (made up of borrowing and other long term liabilities). The two limits set are:-

The *authorised limit*. This is the maximum amount the authority allows itself to borrow.

The *operational boundary*. This reflects the most likely (prudent) but not worst case scenario of the debt position of the authority. This is also an "upper" limit, so does not reflect the expected external debt level for the Council on a day to day basis, but should link directly to capital spending plans, the capital financing requirement and daily cash-flows.

There may be occasions when the operational boundary for borrowing is temporarily breached - for example, if a capital receipt is not received on the due date. Such breaches must be monitored to identify trends, but do not need to be reported. On very rare occasions, the authorised limit may be breached and this must be reported to members.

### ***Aff.5: The Capital Financing Requirement (CFR)***

This indicator reports the actual capital financing requirement (CFR) for the General Fund and HRA. The CFR comprises the sum of the value of fixed assets (land, buildings etc), deferred charges (spending on assets not owned by the Council, such as capital grants to housing associations) and other capital accounts on the balance sheet (revaluation reserve and capital adjustment account). By adding these values together, the total represents a good approximation of how much capital investment has been funded from borrowing.

### **Prudence**

The aim of this category of indicator is to ensure that medium and long term borrowing is only for capital purposes and that authorities are not taking out long term borrowing to fund revenue spending.

#### ***Pru.1: Gross external borrowing and the capital financing requirement***

This indicator is used to compare the gross external borrowing against the total capital financing requirement (see Aff.5 above) for current year plus any additions to the total capital financing requirement for the coming year and two following years. The gross external borrowing figure should always be the lower figure.

#### ***Pru.2: Adoption of the CIPFA Treasury Management Code of Practice***

The Code requires an explicit statement from the Authority that it has adopted the above Code published by the Chartered Institute of Public Finance and Accountancy, in full.

#### ***Pru.3: Upper limits to fixed and variable rate exposures***

This indicator sets upper limits on the amount of net borrowing (total borrowing less investments) with fixed interest rates and variable interest rates for a three year period. By applying these thresholds, the exposure to fluctuations in interest rates can be controlled.

#### ***Pru.4: Maturity structure of borrowing***

This indicator sets upper and lower limits on the amount of borrowing due to be repaid in a given period on fixed rate borrowing. The purpose of this indicator is to ensure that the Council has a balanced portfolio of debt, avoiding any major peaks and troughs over the life of the total debt.

#### ***Pru.5: Total principal sums invested for periods of more than 364 days***

This sets a limit on the amount of money than can be invested for more than one year.

# FAREHAM

BOROUGH COUNCIL

## Report to Audit and Governance Committee

**Date**                    **23 November 2015**

**Report of:**            **Head of Finance and Audit**

**Subject:**                **UPDATES TO FINANCIAL REGULATIONS**

### **SUMMARY**

Some changes are proposed to the Authorisation Limits set out in Financial Regulation 4. Other minor amendments are proposed to reflect recent departmental restructures and in order to comply with the Public Sector Internal Audit Standards.

### **RECOMMENDATION**

That the proposed changes are considered and any comments forwarded to the Council, to aid its decision in approving the revised regulations.

## INTRODUCTION

1. Financial Regulations form part of the Council's constitution and provide a detailed strategic and operational framework for managing the authority's financial affairs.
2. Work has been carried out in recent years to streamline the regulations down to the key rules that are necessary for the Council to adequately manage its financial affairs. A few further amendments are now proposed to a few of the regulations already reviewed.

## DEPARTMENTAL RESTRUCTURES

3. There have been a number of departmental changes which need to be reflected in the Financial Regulations.
4. **New Finance Post:** A new post of Head of Finance and Audit has been created. It is proposed that the following changes are made to the Regulations to reflect the following responsibilities of this post:

- (a) New generic role of 'Nominated General Finance Manager' to be added to the document that sets out which posts are assigned to roles in the Financial Regulations; the post of Head of Finance and Audit to be assigned this role.
- (b) In Financial Regulation 2 (The Responsibilities of the Statutory Officers), the role of 'Nominated General Finance Manager' to be added to the deputies who can perform the **Section 114 duties** if the Statutory Chief Finance Officer is unable to do so.

These duties are to report to the Executive, and subsequently the Council, if: a) it appears that the expenditure in the financial year is likely to exceed the resources available, b) if any decisions will involve incurring unlawful expenditure, c) if any decision is likely to cause a loss or deficiency, or d) the Council is about to enter an item of account which is unlawful.

- (c) The post to be included in the list of posts which can authorise 'Financial Management' transactions up to £3,000,000.
5. **Write-Offs:** Regulation 19.4 sets out the delegated authorities to cancel debts due to the Council. The following changes are proposed:

*Debts due to the Council may only be written off in accordance with the following rules:-*

- a) *by designated officers of a service where the debt is £50 or less and appropriate steps have been taken to collect the debt such that it has been deemed irrecoverable. The write off should subsequently appear on the quarterly report received by the Statutory Chief Finance Officer or **Nominated General Finance Manager**;*
- b) *by the Statutory Chief Finance Officer or **Nominated General Finance Manager** for other debts where the amount for any one debtor is less than **£5,000**;*
- c) *if they are **penalty charge notices** they can be cancelled in accordance with the **Parking Enforcement Policy, or written off** ~~have been waived~~ under the authority of the **Nominated Chief Officer Manager** with responsibility for Enforcement **or their manager**;*
- d) *if they relate to housing rent income they can be ~~which has been~~ waived as **rent free weeks** under the authority of the **Nominated Chief Officer Manager** with responsibility for ~~Council Housing~~ **or their manager**;*
- e) *in all other cases by the Executive, or other relevant committee.*

## REGULATION 4 – AUTHORISATION LIMITS

6. **High Value Authorisations:** A recent internal audit of the payments system has identified the need to clarify how high value payments are approved. The proposed revised regulation is given in [Appendix A](#) which includes the following rules:
- (a) Any cheque over £50,000 must be countersigned by an officer with Financial Management authorisation.
  - (b) Any non-cheque payment, or transfer over £50,000 must be additionally approved by an officer with Financial Management authorisation, who is different from the authoriser.
  - (c) Any non-Financial Management transaction over £500,000 must have been approved by the Statutory Chief Finance Officer who cannot also be the authoriser.
  - (d) Financial Management transactions over £3,000,000, other than inter-account transfers, must have been approved by the Statutory Chief Finance Officer who cannot also be the authoriser.
  - (e) Those transactions defined as 'Financial Management' transactions are expanded to include Tax adjustments and Inter-account bank transfers.
7. It is proposed that the similar requirement about countersigning high value payments is removed from Financial Regulation 12 (Treasury Management) to avoid duplication.
8. **Procurement Card Payments:** It is proposed that the following sentences are added to the regulation to clarify that procurement card holders are incurring expenditure not their approved authorisers. However, the approved authorisers will receive details of the transactions being charged to the card.

*4.5 Authorisers: Orders and payments which involve the spending of council funds must be authorised by an employee of the Council, whose powers to incur expenditure are in accordance with the limits set out in Appendix 1, and who has been nominated as an authoriser by their Head of Service.*

*The exception to this are payments made on Council procurement cards which can be made by an approved card holder who has signed a procurement card user agreement setting out their authorised limits in accordance with Appendix 1.*

*An authorised officer, other than the card holder, must be nominated to receive details of the transactions being charged to each card.*

9. It is also proposed that the Nominated General Finance Manager and the Statutory Chief Finance Officer are given the discretion to approve higher procurement card levels than the standard set out in the regulation for a card holder, where it can be demonstrated that it meets an individual business need.

## REGULATION 10.4 – FRAUD AND CORRUPTION

10. The Public Sector Internal Audit Standards require the Chief Internal Auditor to be notified of all investigations into fraud or irregularity, irrespective of whether the internal audit team carries out the investigation.
11. It is therefore proposed to add the following sentence to the requirements set out in Financial Regulation 10.4 and the Internal Audit Charter:

10.4.2 **Duty to Report Financial Irregularity:** *Where there is a suspicion of Financial Irregularity, it is the duty of all individuals to report the matter to their Manager, the "Nominated Audit Manager" or the Statutory Chief Finance Officer. Such disclosures will be treated in accordance with the Council's Code of Practice for Confidential Reporting.*

10.4.3 *The Nominated Audit Manager" should subsequently be notified of all investigations into fraud, corruption or impropriety and the outcomes.*

## **RISK ASSESSMENT**

12. There are no significant risk considerations in relation to this report

### [Appendix A – Proposed new version of Financial Regulation 4 – Authorisation Limits](#)

**Background Papers:** None

**Reference Papers:** Report of the Director of Finance and Resources to the Audit and Governance Committee on 22 September 2014 -'Review of Financial Regulations'

#### **Enquiries:**

For further information on this report please contact Elaine Hammell. (Ext 4344)

## REGULATION 4: AUTHORISATION LIMITS

Incurring expenditure relates to any process, which places a commitment on the Council to commit or spend its monetary resources. These processes include authorising orders, invoices or any type of reimbursement. They do not relate to the administrative activities supporting these processes e.g. setting up an electronic order.

- 4.1 **Nature of Spend:** Expenditure should only be incurred in relation to the business of FBC and procurement channels should not be used for personal use under any circumstance.
- 4.2 **Budget Provision:** Expenditure can only be incurred within the revenue and capital budgets approved by the Council.
- 4.3 **Capital Expenditure:** Only expenditure that meets the capitalisation rules can be charged against a capital scheme.
- 4.4 **Budget Holder Agreement:** When authorising expenditure, the authoriser should be confident that the budget holder has confirmed that the expenditure can be posted against their budget. The authoriser should take reasonable steps to be able to demonstrate this confirmation if challenged.

Exemptions from the need for budget holder confirmation are:

- Internal recharges
  - Employee related costs
  - Energy costs
  - Vehicle costs
  - Insurance premiums and excesses
  - Leasing costs
  - Capital financing costs
  - Bank charges
  - Bad debt provisions
  - ICT software and hardware costs
  - Non negotiable expenditure e.g. external audit fees
  - Accounting transactions and corrections
  - Anything else procured centrally or expenditure on a consolidated invoice.
- 4.5 **Authorisers:** Orders and payments which involve the spending of council funds must be authorised by an employee of the Council, whose powers to incur expenditure are in accordance with the limits set out in Appendix 1, and who has been nominated as an authoriser by their Head of Service.

The exception to this are payment made on Council Procurement cards which can be made by an approved card holder who has signed a procurement card user agreement setting out their authorised limits in accordance with Appendix 1.

An authorised officer, other than the card holder, must be nominated to receive details of the transactions being charged to each card.

- 4.6 Employees must not authorise any payments which are above these limits unless written approval to do so has been given by the employee's director and Statutory Chief Finance Officer.
- 4.7 **Emergency Responses:** In the event of the Council being involved in an emergency response, such that a control centre has been established, additional powers of authorisation are allowed in accordance with [Financial Regulation Support Document 29](#).
- 4.8 **Personal Benefit:** No employee can authorise payments to themselves, or to related bodies/individuals where they have a personal interest. Any exceptions to this must be agreed by the Statutory Chief Finance Officer.



### Appendix 1 - Current Authorisation Limits

			Level 1	Level 2	Level 3	Other
	Covers	Additional Rules	Member of CXMT	Head of Service	Other staff nominated by their Head of Service or Director	Finance Team Authoriser
<b>Budget Expenditure</b>	Electronic authorisation on efinancials, Orchard or Technology Forge Manual authorisation of order forms, yellow stickers or payment vouchers/certificate	<p>Any cheque over £50,000 must be countersigned by an officer with Financial Management authorisation.</p> <p>Any non-cheque payment over £50,000 must be additionally approved by an officer with Financial Management authorisation, who is different from the first authoriser.</p> <p>Any payment over £500,000 must have been approved counter signed by the Statutory Chief Finance Officer who cannot also be the authoriser first signatory.</p>	£500,000	£75,000	£10,000	Not applicable
<b>Petty Cash</b>	Cash Advances Reimbursement Float Top Up	Any payment over £200 must be counter signed by the Statutory Chief Finance Officer who cannot also be the first signatory.	£200	£100	£50	Not applicable
<b>GPC Procurement Cards</b>	Advance payments In person payments Telephone payments Internet orders	<p>Limits are the upper limit for single transactions.</p> <p>Actual limits for single and monthly transactions are set out in individual Procurement Card agreements.</p> <p>Higher limits can be given in individual cases on approval of the Nominated General Finance Manager or Statutory Chief Finance Officer</p>	Up to £5,000	Up to £2,000	Up to £1,000	Not applicable

<b>Financial Management</b>	<p>Life Assurance Claims</p> <p>Precepts to other precepting authorities</p> <p>Routine transfers to Government Departments (e.g. Inland Revenue. NNDR)</p> <p>Pension payments</p> <p>Authorisation of sundry debtor refunds</p> <p><b>Tax Adjustments</b></p> <p><b>Inter-account transfers</b></p>	<p><b>Any cheque over £50,000 must be countersigned by an officer with Financial Management authorisation.</b></p> <p><b>Any non-cheque payment or transfer over £50,000 must be additionally approved by an officer with Financial Management authorisation, who is different from the first authoriser.</b></p> <p><b>Financial Management transactions over £3,000,000, other than inter-account transfers, must have been approved by the Statutory Chief Finance Officer who cannot also be the authoriser.</b></p> <p><del>Any cheque, or supporting document for BACS/CHAPS over £50,000 must be physically signed by an authorised person.</del></p> <p><del>Any payment over £1,500,000 must be counter signed by another authorised person.</del></p> <p><del>Any payment over £3,000,000 must be counter signed by the Statutory Chief Finance Officer who cannot also be the first signatory.</del></p>	<p>Not applicable</p>	<p>Not applicable</p>	<p>Not applicable</p>	<p><b>£1,500,000</b></p> <p><b>£3,000,000</b></p>
<b>Employee Expenses</b>	<p>Payments to employees made through the electronic expenses system:</p> <p>Mileage, Overtime, Hourly Salary, Standby, Eye care, Subsistence, Parking, Public transport.</p>	<p><b>Any claim where the employee's manager is not available can be authorised by a Super User.</b></p>	<p>A post holder can authorise any claim of an employee whose post reports to theirs in the management structure. A claim submitted by a Director can only be authorised by another Director or a Super User. A claim submitted by the Chief Executive Officer can only be authorised by another Statutory Officer. This is controlled electronically by the system. Claims should not be submitted and authorised by the same person.</p>			
<b>Pay Advances</b>		<p><b>Any payment over £500 must be counter signed by the Statutory Chief Finance Officer who cannot also be the first signatory.</b></p>	<p><b>£500</b></p>	<p><b>£200</b></p>	<p>Not applicable</p>	<p>Not applicable</p>

## Notes to Appendix 1

1. These limits relate to NET expenditure (net of VAT).
2. The authorisation rules in relation to income are laid out in Financial Regulation 19.
3. The authorisation rules in relation to changes in staff remunerations are laid out in the Pay Policy.
4. The rules in relation to signing agreements are laid out in Contract Procedure Rules and the Constitution
5. Some posts are designated as Heads of Services in relation to this policy where there is not a direct Head of Service available in the management structure. These posts must be approved as such by the Director of the department.
6. A manual signature must be provided for all post holders who are nominated to authorise expenditure.



**FAREHAM**  
BOROUGH COUNCIL

**Report to  
Audit and Governance Committee**

**Date**                    **23 November 2015**

**Report of:**            **Head of Finance and Audit**

**Subject:**              **QUARTERLY INTERNAL AUDIT REPORT**

**SUMMARY**

This report provides the assurances arising from the latest internal audit work and gives an update on progress being made with the delivery of the audit plans.

**RECOMMENDATION**

That the Committee notes the progress and findings arising from Internal Audit work.

## INTRODUCTION

1. This report highlights the progress made to date on the delivery of the Internal Audit Plans and the assurances that can be obtained from the work now completed.

## FINALISING THE 2014/15 AUDIT PLAN

2. The current status of the audits remaining from the 2014/15 Internal Audit Plan in the last report is detailed in [Appendix One](#). The table below shows the progress that has been made in finalising the plan of work.

2014/15 Plan	Last Committee	This Committee
Number of audits in plan	21	21
Audits finalised	12	16
Audits where draft report issued to service	1	0
Audits where exit meeting held	7	4
Audits in progress	1	1

## DELIVERY OF 2015/16 AUDIT PLAN

3. Work has now started on over half of the audits in the 2015/16 plan as detailed in [Appendix Two](#) and one audit has now been completed.

## FINDINGS FROM COMPLETED AUDITS

4. Since the previous Audit and Governance Committee, five reports have been issued in final version as listed below with the opinions given and level of recommendations made:

Audit	Assurance	Recommendations Made		
		New Essential	New Important	Outstanding Previous Essential or Important
<b>2014/15 Plan</b>				
VAT	Strong	-	-	-
PAYE	Strong	-	4	-
Accounts Receivable	Reasonable	-	2	-
Accounts Payable	Reasonable	-	3	-
<b>2015/16 Plan</b>				
Xpress Elections	Reasonable	1	-	-

5. The detail of the recommendations made and the actions to be taken is provided in [Appendix Three](#).

## **RISK ASSESSMENT**

6. There are no significant risk considerations in relation to this report.

### **Appendices**

**Appendix One** - Update on Outstanding Audits from the 2014/15 Plan

**Appendix Two** - Progress on Delivering the 2015/16 Plan

**Appendix Three** - Findings from the Latest Completed Audits

**Appendix Four** – Reference Tables

**Background Papers:** None

#### **Reference Papers:**

Report by the Director of Finance and Resources to the Audit and Governance Committee on 10 March 2014 on Contractor Annual Audit Plan 2014/15

Report by the Director of Finance and Resources to the Audit and Governance Committee on 16 March 2015 on Internal Audit Strategy and Annual Audit Plan 2015/16

#### **Enquiries:**

For further information on this report please contact Elaine Hammell. (Ext 4344)

## Update on Outstanding Audits from the 2014/15 Plan

The following table shows those audits that were outstanding in the last quarterly report and shows the current position with finalising the work

Audit Title	Type of Audit**	Days in Plan	Stage reached of 10*	Assurance Opinion*	New Recommendations*			Previous Recs. (E and I only)		
					Essential	Important	Advisory	Implemented	Cancelled	Not Implemented
VAT	Corporate, Specialist, Governance	10	Stage 10	Strong	-	-	1	5	-	-
PAYE	Corporate, Specialist, Governance	13.5	Stage 10	Strong	-	4	1	1	2	-
Accounts Receivable	Fundamental	12	Stage 10	Reasonable	-	2	-	1	1	1
Accounts Payable (Light Touch)	Fundamental	9	Stage 10	Reasonable	-	3	2	3	-	-
Information Governance Opinion	Computer	6	Stage 8							
Contract Completion	Corporate, Specialist, Governance	10	Stage 7							
Benefits	Fundamental (V)	30	Stage 7							
Income Collection & Banking	Fundamental	15	Stage 5							
Data Protection	Corporate, Specialist, Governance	5	Stage 4							

\* A key to the information in this column is given in Appendix 4.

\*\* V denotes this audit was covering a service which had been subject to a Vanguard intervention



APPENDIX TWO

Progress on Delivering the 2015/16 Plan

No.	Audit Title	Type of Audit**	Days in Plan	Stage reached of 10*	Assurance Opinion*	New Recommendations*			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Not Implemented
1	Express (Electoral Register)	Computer	5	Stage 10	Reasonable	1	-	-	-	-	-
2	Individual Electoral Registration	Service and Systems - Other	7	Stage 4							
3	Local Tax Collection	Fundamental System	15	Stage 4							
4	Capital Expenditure and Accounting	Fundamental System	10	Stage 4							
5	Fixed Assets	Fundamental System	10	Stage 4							
6	Parking Enforcement	Service and Systems – HR (V)	15	Stage 4							
7	Contract Deeds Management	Thematic Review	15	Not started							
8	Land Charges	Service and Systems – HR	10	Stage 2							
9	Payroll	Fundamental System	10	Stage 1							
10	Accounts Payable	Fundamental System	10	Stage 1							
11	Software Control	Computer	10	Stage 1							
12	Recruitment and Selection	Corporate, Specialist, Governance (V)	15	Stage 1							
13	Right to Buy	Service and Systems - Other	10	Not started							

No.	Audit Title	Type of Audit**	Days in Plan	Stage reached of 10*	Assurance Opinion*	New Recommendations*			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Not Implemented
14	Effectiveness of Ethics Related Activities	Thematic Review	15	Stage 1							
15	Vehicle Repairs Procurement	Wider Work – Follow Up	8	Not started							
16	Recycling	Service and Systems – HR	10	Not started							
17	Household Waste Collection	Service and Systems – HR	10	Not started							
18	IT Disaster Recovery	Computer	15	Not started							
19	Data Protection	Wider Work – Follow Up	7	Not started							
20	Protection of Trees	Service and Systems - Other	8	Not started							
	Contingency		20								
	In-house team support		50								
	<b>Total Planned Time</b>		<b>285</b>								

\* A key to the information in this column is given in Appendix 4.

\*\* V denotes this audit is covering a service which has been subject to a Vanguard intervention. HR denotes this audit was assessed as meeting the High Risk criteria so is a priority for completion this year.

## Findings from the Latest Completed Audits

## APPENDIX THREE

<b>Audit Title</b>	<b>VAT</b>	<b>Overview of Subject:</b> This audit covers the Council's VAT tax risk management and compliance and was carried out by a specialist tax auditor. The council recovers between £200,000 and £384,000 in VAT each month and accounts for between £25,000 and £297,000 per month in output tax. No significant weaknesses were found in the processes adopted by the Council.
<b>Year of Audit</b>	<b>2014/15</b>	
<b>Assurance Opinion Given</b>	<b>Strong</b>	
<b>Direction of Travel</b>	No previous opinion given	

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Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation		
			Essential (🔴*)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Not Implemented
Responsibilities, training and guidance			-	-	-	-	-	-
Record Keeping			-	-	-	-	-	-
Completion of returns			-	-	-	-	-	-
Voluntary Disclosures			-	-	-	-	-	-
Claims and Rulings			-	-	-	-	-	-
Input and output tax treatment			-	-	1	-	-	-
Treatment of Bad Debts			-	-	-	-	-	-
Partial exemption calculation (including premises lettings)			-	-	-	-	-	-
Contract payment instalments			-	-	-	-	-	-
SLA's / partnerships			-	-	-	-	-	-
Theatre Hirings			-	-	-	-	-	-
Sports activity lets			-	-	-	2	-	-
Overseas transactions			-	-	-	1	-	-
Council garages			-	-	-	1	-	-
Mud moorings			-	-	-	1	-	-

<b>Audit Title</b>	<b>PAYE</b>	<b>Overview of Subject:</b> This audit covered the procedures and controls in place over employment tax (PAY AS YOU EARN) compliance and was carried out by a specialist tax auditor.
<b>Year of Audit</b>	<b>2014/15</b>	
<b>Assurance Opinion Given</b>	<b>Strong</b>	
<b>Direction of Travel</b>	No previous opinion given	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation		
			Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Employment Status			-	2	-	-	-	-
Expense Payments			-	-	-	-	1	-
Employee Loans			-	-	-	-	-	-
Long Service Awards			-	-	-	-	-	-
Settlement Agreements			-	1	-	-	-	-
Follow Up Cycle scheme, Relocation scheme, P11D dispensation			-	1	1	1	1	-

<b>Weaknesses identified during the audit and the proposed action (Essential and Important only)</b>	
<b>Important</b>	<b>Wider Awareness of Recruitment implications</b> – Although human resources and finance are aware of the tax implications of different types of employment (e.g. consultants), processes could be strengthened so that these teams are involved early on in decisions being made by services. A number of ways this could be achieved have been discussed.
<b>Important</b>	<b>Temporary Work Policy Wording</b> – It has been agreed that the wording in the Temporary Workers policy will be altered to clearly differentiate between contractors being employed and those being engaged.
<b>Important</b>	<b>Settlement Agreements</b> – The wording in the Redundancy Policy and Procedures need to be clear as to when Payments in Lieu of Notice are subject to PAYE and National Insurance Contributions. This is being looked at along with the wording in contracts.
<b>Important</b>	<b>Cycle Scheme</b> – The payslip entries for the Cycle scheme need to be amended to clearly show the gross pay being reduced by the salary sacrifice. This has now been done.

<b>Audit Title</b>	<b>Accounts Receivable</b>	<b>Overview of Subject:</b> This audit covers the procedures the Council uses when collecting income due to it by sending out debtor accounts. It excludes major income sources such as council tax and current housing rents and covers a wide range of other income sources such as licences, trade waste and the Community Infrastructure Levy. Approximately 5000 accounts had been raised over 5 months in the year totalling £3.6m. These then need to be tracked and recovery processes instigated if they are not paid.
<b>Year of Audit</b>	<b>2014/15</b>	
<b>Assurance Opinion Given</b>	<b>Reasonable</b>	
<b>Direction of Travel</b>	↔2013/14	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation (E and I only)		
			Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Not Implemented
Raising of Invoices and Credit Notes			-	1	-	-	1	1 (risk accepted)
Income Collection			-	-	-	-	-	-
Debt Monitoring and Recovery			-	1	-	1	-	-

<b>Weaknesses identified during the audit and the proposed action</b> (Essential and Important only)	
<b>Important</b>	<b>Accounts on Hold</b> – Although very few accounts had been put on hold (i.e. recovery action was suspended) there was insufficient detail on one account to explain why it was on hold and a lack of evidence to confirm that these accounts were being reviewed. The use of the hold code is now to be discontinued.
<b>Important</b>	<b>Date of Supply</b> – Invoices were found which did not contain sufficient information about the service delivery date. The form used by services is now to be clear that this information is mandatory and to provide some guidance on how to calculate the date.
<b>Previous Important</b>	<b>Changes to Customer Standing Data</b> – No written record is maintained for amendments to Customer standing data received over the phone. The service has accepted the risk that there might be a future challenge or discrepancy on an account which cannot be defended by information recorded at the time. It is noted that debtors standing data is not at the same risk of fraud as creditors standing data.

<b>Audit Title</b>	<b>Accounts Payable</b>	<b>Overview of Subject:</b> This audit covers the procedures the Council uses to order goods and services and pay invoices due to the supplier or contractor. Approximately 11,000 invoices are processed a year.
<b>Year of Audit</b>	<b>2014/15</b>	
<b>Assurance Opinion Given</b>	<b>Reasonable</b>	
<b>Direction of Travel</b>	↔2013/14	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation (E and I only)		
			Essential (🚨)	Important (▲)	Advisory (ℹ)	Implemented	Cancelled	Not Implemented
Approval of Purchase Orders and Yellow Sticker Payments			-	1	-	1	-	-
Goods Receipting and Invoice Payment			-	1	1	-	-	-
Coding of Expenditure			-	-	1	-	-	-
Reconciliation of Invoice Batches and Payment Runs			-	-	-	1	-	-
New Suppliers and Bank Account Changes			-	1	-	1	-	-

<b>Weaknesses identified during the audit and the proposed action</b> (Essential and Important only)	
<b>Important</b>	<b>Changes to Bank Accounts</b> – Checks are carried out on supplier’s changes to bank account details to confirm that the changes are genuine and haven’t come from a fraudulent party. In one instance, out of ten tested, there was no documented evidence to support that staff had carried out the required check. Audit have provided a template which could be used to standardise the documentation of the checks carried out.
<b>Important</b>	<b>Counter-signing High Value Payments</b> – The expectations in respect to counter–signing payments over £50,000 need to be clarified as current practice, although not necessarily a weakness, does not match what is stipulated under Financial Regulations.
<b>Important</b>	<b>Delays in Paying Invoices</b> – Two out of twenty five invoices were found to have taken more than 30 days to pay. These have been brought to the attention of the services concerned where possible.

<b>Audit Title</b>	<b>Xpress Elections</b>	<b>Overview of Subject:</b> The Xpress system is used to manage the Council's Electoral Register. It is used by 225 councils across the country and has recently been adapted to handle individual electoral registration. This audit was carried out by a specialist computer audit to look at the procedures and controls present in the system.
<b>Year of Audit</b>	<b>2015/16</b>	
<b>Assurance Opinion Given</b>	<b>Reasonable</b>	
<b>Direction of Travel</b>	↔2004/05	

Areas of Scope	Adequacy and Effectiveness of controls		New Recommendations raised			Previous Rec Implementation		
			Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Application Management and Governance			-	-	-	-	-	-
System Security			1	-	-	-	-	-
Data Output			-	-	-	-	-	-
Support Arrangements			-	-	-	-	-	-

<b>Weaknesses identified during the audit and the proposed action</b> (Essential and Important only)	
<b>Essential</b>	<b>System Audit Trail</b> – No-one at the Council was aware if the system had an audit trail facility which could provide information about user activity on the system should an irregularity occur in the system data. Subsequent enquiries have concluded that audit trail information is available on request from the supplier and they are considering making it accessible to users in future releases. Work has also started to increase the Council's understanding of how to use the information contained in the audit trail.

## Reference Tables

### 1. Scale of Assurance Opinions

<b>Strong</b>	There is a strong system of control designed and operating effectively. Any weaknesses found were low impact and do not significantly affect key controls or the achievement of the objectives of the system.
<b>Reasonable</b>	There is basically a sound system of internal control but weaknesses were found in system design or compliance, which result in some risk to the achievement of the system objectives.
<b>Limited</b>	There are some weaknesses in the system of control designed or the level of compliance which result in significant risk to the achievement of the system objectives.
<b>Minimal</b>	Fundamental weaknesses have been identified such that many key controls are absent or not operating effectively which may put at risk the achievement of the corporate control objectives.

### 2. Scale of Recommendation Priorities

<b>Essential</b>	A fundamental weakness in the control system which presents immediate risk to the service or system of a significant nature. Requires urgent attention by management. Reported to the A&G Committee and implementation of proposed actions are monitored.
<b>Important</b>	A significant control weaknesses where the risk is not imminent or only of a moderate nature. This needs addressing but is not urgent. Reported to the A&G Committee and implementation of proposed actions are monitored.
<b>Advisory</b>	A weakness or opportunity for improvement where the risk poses no great threat and is relatively minor. Consideration should be given to addressing the weakness if there is the appetite and/or capacity to implement the improvements. Actions are not tracked.

### 3. Stages of An Audit Assignment

<b>Stage 1</b>	The Audit teams have started drawing up the scope of coverage for the assignment.
<b>Stage 2</b>	A scoping meeting has been held with the Audit Sponsor in the client service.
<b>Stage 3</b>	The Terms of Reference for the Assignment have been finalised.
<b>Stage 4</b>	The Auditor has started to deliver the agreed scope of work.
<b>Stage 5</b>	An exit meeting has been held with the Audit Sponsor giving the preliminary feedback from the work.
<b>Stage 6</b>	Any additional testing work identified has been completed.
<b>Stage 7</b>	A draft report is with the Audit Manager(s).
<b>Stage 8</b>	The draft report has been reviewed by the in-house team and comments fed back to the lead team.
<b>Stage 9</b>	The draft report has been issued to the Audit Sponsor and is awaiting their response.
<b>Stage 10</b>	The final report has been issued.



**FAREHAM**  
BOROUGH COUNCIL

**Report to  
Audit and Governance Committee**

**Date**                    **23 November 2015**

**Report of:**            **Head of Finance and Audit**

**Subject:**                **REVIEW OF WORK PROGRAMME AND TRAINING PLAN**

**SUMMARY**

This report reviews the current Work Programme and training plan for the Committee.

**RECOMMENDATION**

That the Work Programme for the rest of the year, as shown in Appendix A, is approved.

## **INTRODUCTION**

1. This report brings the latest work programme for review by the Committee.

## **WORK PROGRAMME 2015/16**

2. The work programme for the year has been updated, as shown in Appendix A. This shows the reports expected in relation to each of the functions of the Committee along with an update on the delivery of the programme.
3. Three changes have been made to the programme as follows:
  - The revised Sanctions and Redress Policy has been delayed but it is hoped it will now be presented at the March 2016 committee.
  - An additional report has been included on the November agenda covering some proposed changes to a few of the Council's Financial Regulations.
  - An additional report has been included on the November agenda concerning two Updates to the Constitution.

## **TRAINING PLAN**

4. There are currently no bespoke training sessions planned for this committee other than as part of the normal member induction and development programme.

## **RISK ASSESSMENT**

5. There are no significant risk considerations in relation to this report.

**Background Papers:** None

**Reference Papers:** Minutes of and reports to Audit and Governance Committee for the Municipal Year 2015/16

### **Appendices:**

[Appendix A](#) – Audit and Governance Committee Work Programme 2015/16 as at November 2016.

### **Enquiries:**

For further information on this report please contact Elaine Hammell. (Ext 4344)

## WORK PROGRAMME FOR 2015/16

Committee Function and Report Subject		Frequency	Last Reviewed	June 2015	September 2015	November 2015	March 2016
<b>COMMITTEE WORKING ARRANGEMENTS</b>							
Review of Work Programme and training plan		Quarterly	2015-16	Completed	Completed	Completed	YES and Annual Report
Review of the Functions of the Committee		3 yearly	2013-14				
Review of the Constitution		As needed	2014-15			Extra - completed	
<b>ETHICAL FRAMEWORK AND STANDARDS</b>							
Standards of Conduct	Review of Code of Conduct for Members	As needed	2013-14			Completed as part of Updates to Constitution	
	Review of member / officer protocol	As needed	2008-09				
	<b>Overview of Complaints against the Council</b>	Annual	2015-16		Completed		
Member Training and Development	<b>Review of Members Training and Development and Determination of Programme</b>	Annual	2015-16	Postponed to Sept	Completed		
<b>GOVERNANCE FRAMEWORK</b>							
Framework	Local Code of Corporate Governance	As needed	2012-13				
	<b>Annual Governance Statement</b>	Annual	2015-16		Completed		
Key Policy	<b>Review of Financial Regulations</b>	3 yearly	2014-15	Postponed		Extra - completed	
	<b>Review of Contract Procedure Rules</b>	3 yearly	2013-14	Postponed			
	<b>Treasury Management Policy and Strategy</b>	Annual	2014-15			Completed	YES- Policy and indicators
Risk Management	Policy and Strategy	As needed	2012-13				
	<b>Risk Management Progress Reports</b>	6 monthly	2014-15		Postponed		YES
	Business Continuity	3 yearly	2014-15				
	Specific Risk Management topics	As needed	None				
Counter Fraud	Benefits Anti-Fraud and Corruption Policy	As needed	2013-14				
	Counter Fraud Policy and Strategy	3 yearly	2013-14				
	Anti-Bribery Policy	As needed	2011-12				
	<b>Sanctions and Redress Policy</b>	As needed	2008-09			Postponed	YES
	<b>Counter Fraud Progress</b>	6 monthly	2015-16	Completed		Completed	

<b>Committee Function and Report Subject</b>	<b>Frequency</b>	<b>Last Reviewed</b>	<b>June 2015</b>	<b>September 2015</b>	<b>November 2015</b>	<b>March 2016</b>
<b>INTERNAL AUDIT ASSURANCE</b>						
Internal Audit Strategy	3 yearly	2014-15				
<b>Internal Audit Annual Plan</b>	Annual	2014-15				YES
<b>Quarterly Audit Reports</b>	Quarterly	2015-16	Completed	Completed	Completed	YES
<b>Head of Audit's Annual Opinion</b>	Annual	2015-16	Postponed to Sept	Completed		
<b>EXTERNAL ASSURANCE</b>						
<b>Annual Plan and Fee</b>	Annual	2015-16	Completed (2 reports)			
<b>Annual Audit Letter</b>	Annual	2014-15			Completed	
<b>Annual Certification Report</b>	Annual	2014-15				YES
Specific reports from inspection agencies	As needed	2014-15 (RIPA)				
<b>STATEMENT OF ACCOUNTS</b>						
<b>Statement of Accounts</b>	Annual	2015-16		Completed		
<b>External Audit - Audit Results Report</b>	Annual	2015-16		Completed		
<b>OTHER</b>						
Updates on legal issues	As needed	2014-15				
Issues referred from the Chief Executive Officer, Directors and Other Council Bodies	As needed	None				
Number of Items			5	8	7	7