

# FAREHAM

BOROUGH COUNCIL

## AGENDA

### AUDIT AND GOVERNANCE COMMITTEE

**Date:** Monday, 25 November 2013

**Time:** 6:00 pm

**Venue:** Collingwood Room - Civic Offices

**Members:**

Councillor T G Knight (Chairman)

Councillor L Keeble (Vice-Chairman)

Councillors P J Davies  
J M Englefield  
Miss T G Harper  
D L Steadman  
P W Whittle, JP

**Deputies:** D J Norris  
K D Evans



**1. Apologies**

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

To confirm as a correct record the minutes of the Audit Committee meeting hold on 23 September 2013.

**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. Implementation of Treasury Management Policy and Strategy (Pages 5 - 34)**

To consider a report by the Director of Finance and Resources on the Implementation of Treasury Management Policy and Strategy.

**7. External Auditors Annual Audit Letter 2012/13 (Pages 35 - 44)**

To consider a report by the Director of Finance and Resources on the External Auditors Annual Audit Letter 2012/13.

**8. Contractor Quarterly Audit Reports (Pages 45 - 60)**

To consider a report by the Director of Finance and Resources on the Contractor Quarterly Audit Reports.

**9. Contract Procedure Rules (Pages 61 - 62)**

To consider a report by the Director of Regulatory and Democratic Services on Contract Procedure Rules.

**10. Latest Financial Regulations Update (Pages 63 - 78)**

To consider a report by the Director of Finance and Resources on a Review of Financial Regulations.

**11. Corporate Anti-Fraud & Corruption Policy (Pages 79 - 94)**

To consider a report by the Director of Finance and Resources on the Corporate Anti-Fraud & Corruption Policy.

**12. Counter Fraud Strategy Progress (Pages 95 - 98)**

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

**13. Counter Fraud Investigation Progress** (Pages 99 - 108)

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

**14. Public Sector Internal Audit Standards and Revised Internal Audit Charter**  
(Pages 109 - 120)

To consider a report by the Director of Finance and Resources on the Public Sector Internal Audit Standards and Revised Internal Audit Charter.

**15. Review of Work Programme and Training Plan** (Pages 121 - 124)

To consider a report by the Director of Finance and Resources on a Review of the Work Programme and Training Plan.

**16. Updates to the Constitution** (Pages 125 - 168)

To consider a report by the Director of Regulatory and Democratic Services on an update to the Constitution.

P GRIMWOOD  
Chief Executive Officer

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

15 November 2013

**For further information please contact:  
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# FAREHAM

BOROUGH COUNCIL

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

**Date:** Monday, 23 September 2013

**Venue:** Collingwood Room - Civic Offices

**PRESENT:**

T G Knight (Chairman)

L Keeble (Vice-Chairman)

**Councillors:** P J Davies, J M Englefield, Miss T G Harper and D L Steadman



**1. APOLOGIES**

An apology of absence was received from Councillor P W Whittle, JP.

**2. MINUTES**

RESOLVED that the minutes of the meeting of the Audit and Governance Committee held on 27 June 2013 be confirmed and signed as a correct record.

**3. CHAIRMAN'S ANNOUNCEMENTS**

The Chairman welcomed to the meeting Kate Handy and Catherine Morganti from Ernst and Young, and Adrian Tang and Andy Jefford from Deloittes.

**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.

**DECISIONS UNDER DELEGATED POWERS**

**6. EXTERNAL AUDIT ANNUAL GOVERNANCE REPORT**

The Committee considered a report by the Director of Finance and Resources on the External Auditor's Audit Issues Report.

At the invitation of the Chairman, Kate Handy presented the report, Appendix A, to the Committee and took questions from members.

The Director of Finance and Resources circulated Appendix B to the members at the meeting.

RESOLVED that the Committee noted the contents of the Annual and Governance report, as set out in Appendix A of the report, and the Letter of Representation, as set out in Appendix B of the report.

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

The Committee considered a report by the Director of Community which reviewed complaints to the Local Government Ombudsman and allegations of breaches of the Code of Conduct for Members for the year ending 31 March 2013.

RESOLVED that the Committee noted the content of the report.

## **8. STATEMENT OF ACCOUNTS**

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

The Committee received a short presentation from the Finance Strategy and Development Manager on the Statement of Accounts, which gave an overview of each section of the report in order to make it easier for members to understand.

Members requested that the report be amended to clearly show the figures which relate to the use of revenue and reserves to fund capital expenditure that relates to the Housing Revenue Account.

RESOLVED that the Statement of Accounts for 2012/13, as set out in Appendix A of the report, subject to the amendment above, be approved and published by 30 September 2013.

## **9. ANNUAL GOVERNANCE STATEMENT**

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

At the invitation of the Chairman, Catherine Morganti from Ernst & Young addressed the Committee to inform them of an error in Appendix C of the report, page 117 under External Assurances, the wording Annual Audit Letter should read annual Audit Results Report.

Members requested that the last sentence on page 117 end with 'by the auditors'.

RESOLVED that the Annual Governance Statement for 2012/13, as set out in Appendix C, of the report, subject to the amendments above, be approved.

## **10. CONTRACTOR QUARTERLY AUDIT REPORTS**

The Committee considered a report by the Director of Finance and Resources on the Contractor Quarterly Audit Reports, which provided information arising from the latest internal audit work to be finalised and gave an update on the completion of the remaining audits from the previous plan.

At the invitation of the Chairman, Andy Jefford from Deloitte, addressed the Committee to present the report.

RESOLVED that the Committee noted the progress of the Contractor Internal Audit Plan, as set out in Appendix A of the report.

## **11. RISK MANAGEMENT PROGRESS REPORTS**

The Committee considered a report by the Director of Regulatory and Democratic Services on the Corporate Risk Register.

Recognising the complexity and scale of the Collingwood House project, Members supported the inclusion of the project on the risk register and felt that this warranted regular review as there was the potential for the risk score to increase. The Director of Finance and Resources advised the Committee that arrangements were in place to do this, and that the next full review is scheduled to be reported back to the Committee in March 2014.

RESOLVED that the Committee noted the content of version 2 of the Corporate Risk Register, as set out in Appendix A of the report.

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

The Committee considered a report by the Director of Finance and Resources which reviewed the Work Programme and Training Plan.

Members attention was draw to the revisions made to the work programme as set out in the report.

RESOLVED that the Work Programme, as set out in Appendix A of the report, be approved.

(The meeting started at 6.00 pm  
and ended at 7.18 pm).



# FAREHAM

## BOROUGH COUNCIL

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

**Date**                    **25 November 2013**

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

**Subject:**              **IMPLEMENTATION OF TREASURY MANAGEMENT POLICY AND STRATEGY**

#### **SUMMARY**

In accordance with the revised 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 2013.

#### **RECOMMENDATION**

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

## **INTRODUCTION**

1. The purpose of this report is to satisfy the requirement contained within the revised 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.
2. The current Treasury Management Strategy, in Appendix A, was submitted to the Executive on 11 February 2013 and was formally adopted by Full Council on 22 February 2013.

## **MID YEAR REVIEW**

3. This mid-year review has been prepared in compliance with CIPFA's Code of Practice, and covers the following:
  - An economic update for the first six months of 2013/14;
  - A review of the Council's investment portfolio;
  - A review of the Council's borrowing requirement;
  - A review of the Treasury Management Strategy 2013/14; and
  - A review of compliance with Treasury and Prudential Limits for 2013/14.

## **ECONOMIC UPDATE**

4. During 2013/14 economic indicators suggest that the economy is recovering, albeit from a low level. After avoiding recession in the first quarter of 2013, with a 0.3% expansion the economy grew 0.7% in Q2. There have been signs of renewed vigour in household spending in the summer, with a further pick up in retail sales, mortgages, house prices and new car registrations.
5. The strengthening in economic growth appears to have supported the labour market, with employment rising at a modest pace and strong enough to reduce the level of unemployment further. Pay growth also rebounded strongly in April, though this was mostly driven by high earners delaying bonuses until after April's cut in the top rate of income tax. Excluding bonuses, earnings rose by just 1.0%, well below the rate of inflation at 2.7% in August, causing continuing pressure on household's disposable income.
6. The Bank of England extended its Funding for Lending Scheme (FLS) into 2015 and sharpened the incentives for banks to extend more business funding, particularly to small and medium size enterprises. To date, the mortgage market still appears to have been the biggest beneficiary from the scheme, with mortgage interest rates falling further to new lows. Together with the Government's Help to Buy scheme, which provides equity loans to credit-constrained borrowers, this is helping to boost demand in the housing market. Mortgage approvals by high street banks have risen as have house prices, although they are still well down from the boom years pre 2008.
7. Summary outlook for the UK:
  - Growth has been on an upward trend – 0.3% in Q1; 0.7% in Q2 and likely to be much stronger in Q3. The so called double dip recession at the beginning of 2012 was erased by the latest revision of statistics.

- Business surveys, consumer confidence, consumer borrowing and house prices are all on the up and may help to create a wide spread feel good factor. However, this is still a long way away from the UK getting back to sustainable strong growth.
  - A fair proportion of UK GDP is dependent on overseas trade; the high correlation of UK growth to US and EU GDP growth means that the UK economy is still vulnerable to what happens in overseas markets.
  - Consumer expenditure is likely to remain suppressed by inflation being higher than increases in average earnings i.e. disposable income will continue to be eroded.
8. Economic forecasting remains difficult with so many external influences weighing on the UK. Volatility in bond yields is likely during 2013/14 as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds.
9. The base rate has remained at 0.5% since March 2009. Capita Asset Services (previously known as Sector) undertook a review of its interest rate forecasts in late September as a result of an increase in confidence in economic recovery. The latest forecast now includes a first increase in Bank Rate in quarter 3 of 2016 (previously quarter 4).

#### **INVESTMENT PORTFOLIO 2013/14**

10. 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.
11. 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. Indeed, the introduction of the Funding for Lending scheme has reduced market investment rates even further. The potential for a prolonging of the Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment, investment returns are likely to remain low.
12. The total of fixed term investments and call accounts, as at 30 September 2013 was £45.5 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 2013</b>	<b>10.0</b>	<b>12.0</b>	<b>10.8</b>	<b>32.8</b>
New	7.0	9.0	62.9	78.9
Repaid	7.0	7.0	52.2	66.2
<b>At 30 Sept 2013</b>	<b>10.0</b>	<b>14.0</b>	<b>21.5</b>	<b>45.5</b>

13. The increase in funds of £12.7 million 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

14. The structure of investments at 30 September is shown in the table below. Over the past couple of years, most investments have been held on short periods to mitigate the risks that have been seen during the recession. At the same time, officers have actively sought to spread investments across a wider range of counterparties rather than operating at the upper limit for investments to limit the exposure to financial loss.

<b>Investment Structure</b>	<b>External £m</b>	<b>Internal £m</b>	<b>Call £m</b>	<b>Total £m</b>
For periods of less than 1 month	1.0	0	17.5	18.5
For periods of 1 to 3 months	2.0	0	0	2.0
For periods of 3 to 6 months	0	5.0	4.0	9.0
For periods of 6 to 12 months	5.0	9.0	0	14.0
For periods of 1 to 2 years	2.0	0	0	2.0
<b>Total Investments at 30 Sept 2013</b>				
Investments for periods < 365 days	8.0	14.0	21.5	43.5
Investments for periods 365+ days	2.0	0	0	2.0

15. 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.
16. 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.
17. The investment structure is sufficient to meet the capital programme and other large cash outflows.
18. To increase the liquidity of the Council's investments, call accounts with Nat West (including a 95 day notice account), Santander and HSBC 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.
19. The balance within each call/notice account as at 30 September 2013 is set out in the following table:

<b>Call Accounts</b>	<b>£m</b>
NatWest	5.5
NatWest - 95 day notice	4.0
Santander UK	6.0
HSBC	6.0
<b>Total</b>	<b>21.5</b>

## **BORROWING**

20. The Council's external long term debt amounted to £40.6 million as at 1 April 2013. This is as a result of the HRA reforms (£40m) and the Hampshire County Council interest free loan for Portchester Community Centre (£0.6m). Further borrowing is anticipated in 2013/14 in relation to the Solent Growing Places Fund for Daedalus.
21. The Council has taken out ten £4 million loans from the 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>

22. Interest payable for 2013/14 is budgeted at £1,870,900 and will be met by the HRA. £1,400,400 relates to the PWLB loans and £470,500 for interest on internal borrowing between the General Fund and the HRA.

## **STRATEGY COMPLIANCE**

23. The Council's Treasury Management Strategy Statement for 2013/14 in Appendix A, which includes the Annual Investment Strategy 2013/14, was approved by the Council on 22 February 2013. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield

24. 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 12 months with highly credit rated financial institutions.
25. Paragraph 60 of the Treasury Management Strategy states that:
- “In the event that the UK loses its AAA status which impacts on the ratings of UK banks, clearing banks that have a systematic and reputational value will continue to be used.”
26. Earlier in the year the UK lost its AAA rating from Fitch and Moody’s. However, this has caused little market reaction and has not impacted on the credit ratings of UK banks.
27. The compliance with the various elements of the strategy are set out in the following table:-

<b>Compliance on Individual Elements</b>	<b>Yes/No</b>	<b>Notes</b>
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 each month
All individual investments within prescribed financial limits	Yes	There are currently 5 institutions where the total investment is at the maximum level. They are Lloyds Bank (£8m limit), Barclays Bank, HSBC, Santander (£6m limit), and Skipton BS (£2m limit)

28. No changes to the Council’s Treasury Management Strategy Statement and Annual Investment Strategy 2013/14 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**

29. 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 11 February 2013.
30. 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**

31. In the current economic climate and the heightened credit concerns, 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.
32. 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:** 11 February 2013 Executive Report - Treasury Management Policy and Strategy 2013/14

### **Appendices:**

**Appendix A** - Treasury Management Strategy 2013/14  
Annex A - Summary of Prudential and Treasury Indicators

**Appendix B** - Total investment activity to 30 September 2013 with each approved institution

**Appendix C** - 2013/14 Prudential Indicators - Half-Yearly Performance

**Appendix D** - Details of Prudential Indicators

### **Enquiries:**

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

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**TREASURY MANAGEMENT STRATEGY 2013/14****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 Accountants (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 & 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);
    - 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. In addition, the Executive will receive quarterly update reports.

- 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 2013/14**

6. The strategy for 2013/14 covers two main areas:
  - 1) Capital Issues
    - capital plans;
    - prudential indicators;
  - 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. Recent member training was undertaken in March 2012 and further training will be arranged as required.
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 place 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 2012/13 - 2015/16**

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 and the purpose of each indicator is explained in more detail in Appendix D to the main report.

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

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

<b>Capital Expenditure £'000</b>	<b>2012/13 Estimate</b>	<b>2013/14 Estimate</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>Un- allocated</b>
Public Protection	0	0	0	0	329
Streetscene	34	23	10	0	0
Leisure & Community	3,173	1,609	1,644	286	0
Housing	1,356	586	510	510	3,200
Strategic Planning & Environment	429	160	72	20	498
Policy, Strategy & Finance	948	702	1,004	961	3,228
<b>Total General Fund</b>	<b>5,940</b>	<b>3,080</b>	<b>3,240</b>	<b>1,777</b>	<b>7,255</b>
HRA	2,326	5,333	9,288	1,782	0
<b>Total</b>	<b>8,266</b>	<b>8,413</b>	<b>12,528</b>	<b>3,559</b>	<b>7,255</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 need (borrowing).

<b>Capital Expenditure £'000</b>	<b>2012/13 Estimate</b>	<b>2013/14 Estimate</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>Un- allocated</b>
General Fund	<b>5,940</b>	<b>3,080</b>	<b>3,240</b>	<b>1,777</b>	<b>7,255</b>
HRA	2,326	5,333	9,288	1,782	0
<b>Total</b>	<b>8,266</b>	<b>8,413</b>	<b>12,528</b>	<b>3,559</b>	<b>7,255</b>
<b>Financed by:</b>					
Capital receipts	2,071	542	818	785	6,200
Capital grants	2,415	2,006	1,680	321	0
Capital reserves	2,686	4,412	6,381	1,907	228
Revenue	1,094	1,453	3,649	546	827
<b>Net financing need for the year</b>	<b>0</b>	<b>0</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 projections are as follows:

<b>£'000</b>	<b>2012/13 Estimate</b>	<b>2013/14 Estimate</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>
General Fund	-2,754	-2,754	-2,754	-2,754
HRA	51,338	53,805	53,805	53,805
<b>Total CFR</b>	<b>54,092</b>	<b>51,051</b>	<b>51,051</b>	<b>51,051</b>

### **Affordability Prudential Indicators**

18. 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)**

19. 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.
20. The positive percentage for the HRA for 2012/13 to 2015/16 reflects the net borrowing costs for the HRA settlement.

	<b>2012/13 Estimate</b>	<b>2013/14 Estimate</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>
General Fund	-11%	-14%	-15%	-15%
HRA	15%	15%	15%	14%
<b>Total</b>	<b>3%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>

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

21. 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. It takes account of the cost of financing any borrowing, the loss of interest on the use of any internal funding sources, the additional revenue costs of the capital schemes and any income/savings generated by those schemes. 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.
22. Similar to the council tax calculation, the housing rents indicator identifies the trend in the cost of proposed changes in the housing capital programme

compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

	<b>2012/13 Estimate</b>	<b>2013/14 Estimate</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>
Council tax band D	£2.06	£1.15	£1.20	£0.66
Weekly housing rent levels	£0.82	£0.65	£1.13	£0.22

### **SECTION 3 - TREASURY MANAGEMENT STRATEGY 2013/14**

23. 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**

24. The Council's treasury portfolio position at 31 March 2012, 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>2012/13 Estimate</b>	<b>2013/14 Estimate</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>
Borrowing at 1 April	41,671	42,471	42,271	42,071
Expected change in borrowing	800	(200)	(200)	(200)
Other long term liabilities	0	0	0	0
<b>Borrowing at 31 March</b>	<b>42,471</b>	<b>42,271</b>	<b>42,071</b>	<b>41,871</b>
The Capital Financing Requirement	51,051	51,051	51,051	51,051
<b>Under/(over) borrowing</b>	<b>8,580</b>	<b>8,780</b>	<b>8,980</b>	<b>9,180</b>

25. 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 2013/14 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.
26. 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)

27. 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>2012/13 Estimate</b>	<b>2013/14 Estimate</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>
Borrowing	49,555	47,000	46,000	46,000
Other long term liabilities	5,445	2,000	2,000	2,000
<b>Total</b>	<b>55,000</b>	<b>49,000</b>	<b>48,000</b>	<b>48,000</b>

### The Authorised Limit for External Borrowing

28. 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.
29. 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.
30. The Council is asked to approve the following Authorised Limit:

<b>Authorised Limit £'000</b>	<b>2012/13 Estimate</b>	<b>2013/14 Estimate</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>
Borrowing	49,555	57,000	63,000	64,000
Other long term liabilities	16,445	4,000	4,000	4,000
<b>Total</b>	<b>66,000</b>	<b>61,000</b>	<b>67,000</b>	<b>68,000</b>

31. 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>2012/13 Estimate</b>	<b>2013/14 Estimate</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>
Total	56,850	56,850	56,850	56,850

## PROSPECTS FOR INTEREST RATES

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

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

33. The economic recovery in the UK since 2008 has been the worst and slowest recovery in recent history, although the economy returned to positive growth in the third quarter of 2012. Growth prospects are weak and consumer spending, the usual driving force of recovery, is likely to remain under pressure due to consumers focusing on repayment of personal debt, inflation eroding disposable income, general malaise about the economy and employment fears.
34. The primary drivers of the UK economy are likely to remain external. 40% of UK exports go to the Eurozone so the difficulties in this area are likely to continue to hinder UK growth. The US, the main world economy, faces similar debt problems to the UK, but urgently needs to resolve the fiscal cliff now that the the Presidential elections are out of the way. The resulting US fiscal tightening and continuing Eurozone problems will depress UK growth and is likely to see the UK deficit reduction plans slip.
35. This challenging and uncertain economic outlook has several key treasury management implications:
- The Eurozone sovereign debt difficulties provide a clear indication of high counterparty risk. This continues to suggest the use of higher quality counterparties for shorter time periods;
  - Investment returns are likely to remain relatively low during 2013/14 and beyond;
  - Borrowing interest rates continue to be attractive and may remain relatively low for some time. The timing of any borrowing will need to be monitored carefully;
  - There will remain a cost of carry – any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

## BORROWING STRATEGY

36. 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.
37. Against this background and the risks within the economic forecast, caution will be adopted with the 2013/14 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 world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.*

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

38. 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.
39. The Council is asked to approve the following treasury indicators and limits:



<b>Upper limits on interest rate exposures</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</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**

40. 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.
41. Risks associated with any borrowing in advance of activity will be subject to prior appraisal and subsequent reporting through the quarterly or annual reporting mechanism.

## **DEBT RESCHEDULING**

42. 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).
43. 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).
44. 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.
45. All rescheduling will be reported to the Council at the earliest meeting following its action.

## **SECTION 4 - ANNUAL INVESTMENT STRATEGY 2013/14**

### **INVESTMENT POLICY**

46. 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.
47. The Council's investment priorities will be security of capital first, liquidity second and then the return.
48. 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 accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of these reflect in the eyes of each agency. 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.
49. 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.
50. 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.
51. The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.
52. The intention of the strategy is to provide security of investment and minimisation of risk.

### **INVESTMENT COUNTERPARTY SELECTION CRITERIA**

53. 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.
54. 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.
55. The minimum rating criteria uses the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Council's criteria, the other does not the institution will fall outside the lending criteria.
56. 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.
57. All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Capital 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.
58. 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.
59. 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.
60. 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
Viability/Financial Strength	bb-	C-	-
Support	3	-	-

- In the event that the UK loses its AAA status which impacts on the ratings of UK banks, clearing banks that have a systemic and reputational value will continue to be used.
- 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 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:
  - UK Government (including gilts and the Debt Management Account Deposit Facility)
  - Local authorities
  - Money market funds
  - Enhanced cash funds

## **COUNTRY AND SECTOR CONSIDERATIONS**

61. The Council has determined that it 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.
62. The Council will limit the amount of investments with building societies to 25% of the portfolio.

63. 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**

64. 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**

65. 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.
66. 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).
67. The Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 1 of 2015. The Bank Rate forecasts are:

<b>Year</b>	<b>Bank Rate</b>
2012/13	0.50%
2013/14	0.50%
2014/15	0.75%
2015/16	1.75%

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

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

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

£M	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Principal sums invested > 364 days	12	16	16	16

70. 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 reinvestment of interest.

**External Fund Managers**

71. 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.
72. Tradition will comply with the Annual Investment Strategy and their performance is reviewed quarterly by the Director of Finance and Resources.
73. The agreement between the Council and Tradition additionally stipulate guidelines and duration and other limits in order to contain and control risk.

**OTHER ISSUES**

74. 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.
75. 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	2012/13	2013/14	2014/15	2015/16
<u>Aff.1</u>	<b>Affordability Measure: Financing Costs as a percentage of net revenue stream</b>				
	Overall Position	3%	2%	2%	2%
1a	General Fund	-11%	-14%	-15%	-15%
1b	Housing Revenue Account	15%	15%	15%	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	£2.06	£1.15	£1.20	£0.66
2b	Housing Rent increases, borrowing costs only	£0.82	£0.65	£1.13	£0.22
<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	£5,940	£3,080	£3,240	£1,777
	Housing Revenue Account	£2,326	£5,333	£9,288	£1,782
	Total Capital Expenditure	<b>£8,266</b>	<b>£8,413</b>	<b>£12,528</b>	<b>£3,559</b>
<u>Aff.4</u>	<b>Affordability Measure: External Debt Level (£'000s)</b>				
	Authorised limit, comprising	£66,000	£61,000	£67,000	£68,000
	- borrowing	£49,555	£57,000	£63,000	£64,000
	- other long term liabilities	£16,445	£4,000	£4,000	£4,000
	Operational boundary, comprising	£55,000	£49,000	£48,000	£48,000
	- borrowing	£49,555	£47,000	£46,000	£46,000
	- other long term liabilities	£5,445	£2,000	£2,000	£2,000
<u>Aff.5</u>	<b>Affordability Measure: Capital Financing Requirement (CFR) (£'000s)</b>				
	General Fund CFR closing balance in the year	£51,338	£51,051	£51,051	£51,051
		£-2,754	£-2,754	£-2,754	£-2,754
	HRA CFR closing balance in the year	£54,092	£53,805	£53,805	£53,805
<u>Pru.1</u>	<b>Prudence Measure: Gross Debt and Capital Financing Requirement (CFR) (£'000s)</b>				
	Gross Debt	£42,471	£42,271	£42,071	£41,871
	CFR (for last, current and next 2 years)	£204,204	£204,204	£204,204	£204,204
	Has measure been achieved?	Achieved	Achieved	Achieved	Achieved
	Memorandum Item : Prudence margin	£161,733	£161,933	£162,133	£162,233
<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	£12,000	£16,000	£16,000	£16,000








**Total Investment Activity to 30 September 2013  
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)	3,000,000	3,000,000	58,850,000	64,850,000
Barclays Bank	2,000,000	6,000,000		8,000,000
Lloyds Bank	2,000,000	12,000,000		14,000,000
HSBC			6,000,000	6,000,000
<b>Other Banks</b>				
Santander UK	2,000,000		6,000,000	8,000,000
<b>Building Societies with Assets over £500bn</b>				
Nationwide	6,000,000			6,000,000
Skipton	2,000,000			2,000,000
<b>Total Investments</b>	<b>17,000,000</b>	<b>21,000,000</b>	<b>70,850,000</b>	<b>108,850,000</b>

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## 2013/14 Prudential and Treasury Indicators - Quarter 2 Performance

Indicator	Description	Approved Indicators 2013/14	Quarter 2 Position	Performance Rating
Aff.1	<b>Affordability Measure: Financing Costs as a percentage of net revenue streams</b>			☺
1a	Overall Position	2%	1.9%	
1b	General Fund	-14%	-3.2%	
	Housing Revenue Account	15%	14.9% (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	£1.15	No unsupported borrowing undertaken, therefore no affect on rent or council tax increases	
2b	Housing Rent increases, borrowing costs only	£0.65		
Aff.3	<b>Affordability Measure: Capital Expenditure (£'000s)</b>	<b>Estimate to 30 Sept 13</b>	<b>Actual to 30 Sept 13</b>	☺
	General Fund	£2,806	£2,558	
	Housing Revenue Account	<u>£1,282</u>	<u>£1,051</u>	
	Total Capital Expenditure	£4,088	£3,609	
Aff.4	<b>Affordability Measure: External Debt Level (£'000s)</b>			☺
	Authorised limit, comprising	£61,000	Long term external debt is £40.6m and short term debt is £1.429m	
	- borrowing	£57,000		
	- other long term liabilities	£4,000		
	Operational boundary, comprising	£49,000		
	- borrowing	£47,000		
	- other long term liabilities	£2,000		
Aff.5	<b>Affordability Measure: Capital Financing Requirement (£'000s)</b>			☺
	General Fund CFR closing balance in the year	£51,051	No anticipated change to the planned position for CFR items	
	HRA CFR closing balance in the year	-£2,754		
		£53,805		

Indicator	Description	Approved Indicators 2013/14	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 CFR (for last, current and next 2 years) Has measure been achieved? Memorandum Item: Prudence margin</p>	<p>-£42,271 £204,204 Achieved £161,933</p>	<p>-£42,029 £204,204 Achieved £162,175</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 Upper limit to fixed interest rate exposures</p>	<p>25% 100%</p>	All investments at fixed rates.	
Pru.4	<p><b>Prudence Measure: Maturity structure of borrowing</b></p> <p>Loans maturing within 1 year Loans maturing within 1 - 2 years Loans maturing within 2 - 5 years Loans maturing within 5 - 10 years Loans maturing in over 10 years</p>	<p><u>Upper Limit</u> 25% 25% 25% 50% 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>	£16,000,000	<p>£2m 1-2 years £0m 2-3 years £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 net 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**                    **25 November 2013**

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

**Subject:**              **EXTERNAL AUDITORS ANNUAL AUDIT LETTER 2012/13**

#### SUMMARY

This report presents the External Auditor's Annual Audit Letter which summarises the findings from the 2012/13 audit.

#### RECOMMENDATION

That the Committee notes the contents of the Annual Audit Letter 2012/13 submitted by the Council's external auditors

**APPENDIX A - [Annual Audit Letter 2012/13](#)**

#### **Enquiries:**

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

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# Fareham Borough Council

Year ending 31 March 2013

Annual Audit Letter

25 October 2013

Ernst & Young LLP



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

25 October 2013

Dear Members,

## Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to the Members of Fareham Borough Council and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

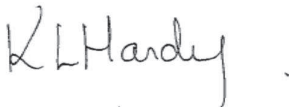
We have already reported the detailed findings from our audit work to those charged with governance of Fareham Borough Council in the following report:

2012/13 Audit results report for Fareham Borough Council – Issued 23 September 2013

The matters reported here are the most significant for the Authority.

I would like to take this opportunity to thank the officers of Fareham Borough Council for their assistance during the course of our work.

Yours faithfully,



**Kate Handy**  
*For and behalf of Ernst & Young LLP*  
Enc

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive 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 2012/13 audit work has been undertaken in accordance with the Audit Plan we issued on 27 June 2013 and is 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 Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on an annual basis on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period. The Authority is also responsible for putting in place 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;
- ▶ Reviewing the Annual Governance Statement;
- ▶ Forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ Undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Audit the financial statements of Fareham Borough Council for the financial year ended 31 March 2013 in accordance with International Standards on Auditing (UK & Ireland)	On 25 September 2013 we issued an unqualified audit opinion for the Authority.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 25 September 2013 we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Authority (the Audit and Governance Committee) communicating significant findings resulting from our audit.	On 23 September we issued our report for the Authority.
Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 25 September 2013.
Consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA/SOLACE guidance.	No issues to report.
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	No issues to report.
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.	No issues to report.
Issue 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.	On 25 September 2013 we issued our audit completion certificate.
Issue a report to those charged with governance of the Authority summarising the certification (of grant claims and returns) work that we have undertaken.	We issued our report on the claims and returns for 2011/12 in February 2013. In February 2014 we will issue our annual certification report to those charged with governance for the 2012/13 financial year.

## 2. Key findings

### 2.1 Financial statement audit

We audited the Authority'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. We issued an unqualified audit report on 25 September 2013.

In our view, the quality of the process for producing the accounts, including the supporting working papers was good overall, with scope to reduce the number of small errors that we found.

The main issues identified as part of our audit were:

#### Key findings:

---

##### **Accounting for the Authority's interest in Portchester crematorium**

Fareham Borough Council is a constituent council of the Joint Committee for Portchester Crematorium. We think that the way the Council describes the crematorium in its accounts is appropriate, however we note that the Memorandum of Agreement between the 4 constituent councils for the crematorium requires reviewing to ensure that it shows the Council's interest correctly.

---

##### **Risk of misstatement due to fraud and error**

Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

We inquired of management and internal audit about risks of fraud and the controls put in place to address those risks, gained an understanding of the oversight given by those charged with governance of management's processes over fraud and considered the effectiveness of management's controls.

We also undertook mandatory substantive audit procedures and tests and found no issues to report.

---

##### **Disclosure errors**

Our audit identified a number of disclosure errors. None of these were significant. We highlighted these errors to management and the Statement of Accounts was amended. We have recommended that these are reviewed as part of the Council's process for producing its accounts next year.

---

### 2.2 Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2012/13 our conclusion was based on two criteria:

- ▶ The organisation has proper arrangements in place for securing financial resilience; and
- ▶ The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 25 September 2013. We reviewed the Authority's medium term financial strategy and the actions being taken to manage the impact of reduced central government funding and pressures on income streams. Although the Authority's current financial position is sound, managing this position in the long term will continue to be challenging.

The Authority is a key facilitator in the delivery of several major developments in priorities such as Welborne – the New Community North of Fareham and the development of the Daedalus site. Recognising that these projects are at an early stage and their impact on the Authority's Medium Term Financial Strategy for 2012/13 is limited, we have no issues to report in relation to this criteria.

### **2.3 Objections received**

We received no objections to the 2012/13 accounts from members of the public.

### **2.4 Whole of government accounts**

We reported to the National Audit office on 25 September 2013 the results of our work performed in relation the accuracy of the property, plant and equipment and pension liability entries in the consolidation pack the Authority is required to prepare for the whole of government accounts. We did not identify any areas of concern.

### **2.5 Annual Governance Statement**

We are required to consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA/SOLACE guidance. We completed this work and did not identify any areas of concern.

### **2.6 Certification of grants claims and returns**

We communicated our Annual Certification Report for 2011/12 to those charged with governance in February 2013. We certified 4 claims and returns. We will issue the Annual Certification Report for 2012/13 in February 2014.

### 3. Control themes and observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient 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 are required to communicate to you any significant deficiencies.

We have not identified any significant deficiencies in internal control.

Ernst & Young LLP

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date**                    **25 November 2013**

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

**Subject:**               **CONTRACTOR QUARTERLY AUDIT REPORT**

#### SUMMARY

This report provides the Audit Committee with the information arising from the latest internal audit work to be finalised and gives an update on the completion of the remaining audits from the previous plan and the new audits planned for 2013/14.

#### RECOMMENDATION

That the Committee notes the progress and findings arising from the Internal Audit planned work being carried out by the Contractor, attached as Appendix A to this report.

**Appendix A – Contractor Quarterly Internal Audit Progress Update ([separate attachment](#))**

**Background Papers:** None

#### **Reference Papers:**

Report by the Director of Finance to the Audit Committee on 12 March 2012 on Contractor Annual Audit Plan 2012/13

Report by the Director of Finance to the Audit Committee on 11 March 2013 on Contractor Annual Audit Plan 2013/14

#### **Enquiries:**

For further information on this report please contact Adrian Tang, Audit Manager, Deloitte and Touche (Ext 4419)

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**Fareham Borough Council**  
**Audit & Governance Committee**  
**Quarterly Audit Progress Report**  
*November 2013*

This report and the work connected therewith are subject to the Terms and Conditions of the Contract dated 13/04/2010 and subsequent Letter of Extension dated 01/04/2013 between Fareham Borough Council and Deloitte & Touche Public Sector Internal Audit Limited. The report is produced solely for the use of Fareham Borough Council. Its contents should not be quoted or referred to in whole or in part without our prior written consent except as required by law. Deloitte & Touche Public Sector Internal Audit Limited will accept no responsibility to any third party, as the report has not been prepared, and is not intended for any other purpose.

This report has been prepared on the basis of the limitations set out on page 13.

## INTRODUCTION AND BACKGROUND

- 1.1 This report has been prepared for the Members of the Audit & Governance Committee at Fareham Borough Council. This report highlights the progress made to date for delivery of the 2013/14 Internal Audit Plan and the progress made in finalising the 2012/13 Plan.

## PROMOTING INTERNAL CONTROL

- 2.1 To promote internal control within the Authority, Internal Audit will report to Committee in the following format:
- An update on progress against delivery of the plan, including an update on any Significant Control Weaknesses and on any proposed amendments to the Internal Audit Plan;
  - Report back on the specific audits finalised since the last meeting of the Audit & Governance Committee, including scope, weaknesses identified and confirmation that management actions have been agreed to address the weakness. Audit opinions are Strong, Reasonable, Limited, or Minimal. Recommendations and actions in the report are categorised using a 3 point scale used on the Council's action management system. Both rating systems are detailed within Annex Four of this report; and
  - Update Members on the current situation regarding limited assurance areas previously reported to Committee. This will inform Members of the action taken by Officers to resolve internal audit issues.

## 2012/13 & 2013/14 PROGRESS

- 3.1 The current status of the agreed 2012/13 remaining Internal Audit Plan to be delivered is detailed in Annex One along with the number of days delivered. The corresponding information relating to the 2013/14 Internal Audit Plan is detailed within Annex Two. Audits have been completed in accordance with the timings agreed with the Head of Audit & Assurance, and as approved by the Audit & Governance Committee.
- 3.2 As at the 31<sup>st</sup> October 2013, progress against the 2012/13 plan is as follows:

2012/13 Plan	Last Committee	This Committee
Number of audits in plan	30*	30*
Number of audits finalised	29 (97%)	29 (97%)
Number of reports issued at draft	0 (0%)	0 (0%)
Number of audits commenced	30* (100%)	30* (100%)
Number of planned audit days delivered	229/230 (99%)	229/230 (99%)

\* Statistics have been calculated on 30 audits as Misc. Democratic Services has been deferred following management request.

3.3 At the time of this report, 99% of the 2012/13 Internal Audit Plan has been completed. Detailed progress is covered within Annex One. The one remaining internal audit of 2012/13, Legal Services Contract, is currently under management review, details of which will be reported in full to the next Audit & Governance Committee.

3.4 As at the 31<sup>st</sup> October 2013, progress against the 2013/14 plan is as follows:

2013/14 Plan	Last Committee	This Committee
Number of audits in plan	31	31
Number of audits finalised	3 (10%)	7 (23%)
Number of reports issued at draft	2 (7%)	2 (7%)
Number of audits commenced	9 (29%)	12 (39%)
Number of planned audit days delivered	60.5/230 (26%)	95/230 (41%)

3.5 At the time of this report, 41% of the 2013/14 Internal Audit Plan has been completed. Detailed progress is covered within Annex Two.

## CHANGES TO THE PLAN

4.1 There are no further changes to report in respect of the 2013/14 Internal Audit Plan since last advised to the Committee.

## DETAILED PROGRESS SINCE THE LAST AUDIT AND GOVERNANCE COMMITTEE

5.1 Since the previous Audit & Governance Committee, two reports have been issued at draft stage from the 2013/14 plan; these relate to Licensing of Taxis & Alcohol and Ferneham Hall. The Committee should note that as a result of the significant improvements and progress made in implementing previous recommendations, the Ferneham Hall assurance opinion will be moving up from Limited Assurance. The actual assurance levels will be confirmed to the next Audit and Governance Committee upon finalisation.

5.2 Four 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>2013/14 Plan</b>				
Management of Tradesmen	Reasonable	-	1	-
Public Conveniences	Reasonable	-	1	-
Website Management Content	Reasonable	-	1	1
Insurance	Reasonable	-	2	1

The above presents the key highlights. However, to enable Management and Members to focus on the areas of concern, we have provided a summary of all finalised reports since the last Committee, as detailed within Annex Three.

# Remaining 2012/13 Internal Audit Plan as at 31<sup>st</sup> October 2013

## Annex One

No.	Audit Title	Days in Plan	Days Delivered	Status	Assurance Opinion	New Recommendations			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Non Implemented
<b>Quarter 4</b>											
24	Miscellaneous Democratic	-	-	Note 1	TBC	-	-	-	-	-	-
25	Legal Services Contract	8	7.5	Under review	TBC	-	-	-	-	-	-

Note 1: The audit has been postponed until Quarter 4 of the 2013/14 financial year as requested by the Manager and previously reported to the Audit & Governance Committee.

No.	Audit Title	Days in Plan	Days Delivered	Status	Assurance Opinion	New Recommendations			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Non Implemented
<b>Quarter 1</b>											
1	Management of Tradesmen	7	7	Final	Reasonable	-	1	1	1	1	-
2	Town Centre Management	7	7	Final	Strong	-	-	1	-	-	-
3	Coastal Protection & Land Drainage	6	6	Final	Strong	-	1	-	-	-	-
4	Leisure Centre Trust	6	6	Final	Strong	-	-	3	-	-	-
<b>Quarter 2</b>											
5	Treasury Management	6	0.25	Q3 audit							
6	Insurance	5	5	Final	Reasonable		2	2	3	1	1
7	Planning Contributions	8	7.75	Started							
8	Training & Development	8	7.75	Started							
9	Licensing of Taxis & Alcohol	8	7.75	Draft	TBC						
10	Public Conveniences	6	6	Final	Reasonable	-	1	1	-	-	-
<b>Quarter 3</b>											
11	Ordering & Payment of Invoices	7	0.25	Q3 audit							
12	Invoicing & Collection of Income	9	0.25	Q3 audit							
13	Payroll	7	0.25	Q3 audit							
14	Fixed Assets	6	0.25	Q3 audit							
15	Revenues	12	0.25	Q3 audit							
16	Performance Management		0.25	Note 2							
17	Clean Borough Enforcement & Abandoned Vehicles	7	0.25	Q3 audit							
18	Cash Collection & Banking	9	0.25	Q3 audit							
19	Housing Rents	6	0.25	Q3 audit							
20	Ferneham Hall	9	8	Draft	TBC						
<b>Quarter 4</b>											
21	Risk Management	6	0.25	Q4 audit							




No.	Audit Title	Days in Plan	Days Delivered	Status	Assurance Opinion	New Recommendations			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Non Implemented
22	Main Accounting	10	0.25	Q4 audit							
23	Financial Regulations Limited Compliance Testing	2		Q4 audit							
24	Housing Benefits & Council Tax Benefits	10	5	Started							
25	Planning Applications	6	0.25	Q4 audit							
26	Parking Strategic Management & Policy Services- Off Street Parking	6	0.25	Q4 audit							
27	Homelessness	6	0.25	Q4 audit							
28	Data Protection Follow Up	4		Q4 audit							
<b>Computer Audit</b>											
29	Remote Access	8	0.25	Q2 audit							
30	Main Accounting System (E-Financials) Application Review	7	0.25	Q3 audit							
31	Website Content Management	10	9.5	Final	Reasonable		1	1			1
<b>Other</b>											
Audit Committee		4	2								
Audit Management		12	6								
<b>TOTAL</b>		<b>230</b>	<b>95 (41%)</b>			<b>0 0%</b>	<b>6 35%</b>	<b>9 53%</b>	<b>4 50%</b>	<b>2 25%</b>	<b>2 25%</b>

Note 2: The audit will be postponed until the 2014/15 financial year to allow the new management system to embed.

## 2013/14 Management of Tradesmen

### Audit Opinion and Direction of Travel


Reasonable						
						
Direction of Travel:			N/a – No previous audit coverage in this area			
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Policies and Procedures	-		-	-	-	-
Training and Job Descriptions	-	1	1	-	-	-
Tradesmen Job Allocation, Job Ticket Monitoring and Timesheet Monitoring	-	-	-	1	-	-
Communication and Supervision	-	-	-	-	-	-
Work Inspections	-	-	-	-	-	-
Performance Measures and Reviews	-	-	-	-	1	-
Health and Safety	-	-	-	-	-	-

### Weaknesses identified during audit

Priority	Weakness	Action Agreed?
Important (New)	There is no record or document maintained of the training received by each tradesman.	Yes

## 2013/14 Public Conveniences

### Audit Opinion and Direction of Travel


Reasonable						
						
Direction of Travel:			↓ 2000/01			
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Contract management arrangements including variations	-	-	1	-	-	-
Compliance with legislation	-	1	-	-	-	-
Maintenance undertaken by Building Services	-	-	-	-	-	-
Control and distribution of Radar keys	-	-	-	-	-	-
Complaints	-	-	-	-	-	-
Internal recharges	-	-	-	-	-	-
Management information	-	-	-	-	-	-
Legionella tests	-	-	-	-	-	-

### Weaknesses identified during audit

Priority	Weakness	Action Agreed?
<b>Important (New)</b>	Where relevant, the last asbestos checks were carried out on 5th March 2012, which means that the annual checks were overdue at the time of audit. However, it is not a legislative requirement that these are carried out annually. We subsequently found that checks had been carried out since in July 2013.	<b>Yes</b>

# 2013/14 Website Content Management

## Audit Opinion and Direction of Travel


Reasonable						
						
Direction of Travel:				↔2007/08		
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Web site strategy, governance, management and control	-	1	-	-	-	1
Stakeholder engagement in defining requirements for the council's internet \ intranet	-	-	-	-	-	-
Security and support arrangements for CMS environment	-	-	-	-	-	-
Compliance with relevant legislation and guidelines	-	-	-	-	-	-
Training and support for web editors\contributors	-	-	1	-	-	-
Use and efficiency of the CMS	-	-	-	-	-	-
Change control management of content	-	-	-	-	-	-
Customer take up of internet site	-	-	-	-	-	-

### Weaknesses identified during audit

Priority	Weakness	Action Agreed?
<b>Important (New)</b>	There are webserver logs reporting visits to the Council's website which can be analysed via the Webtrend software. The reports show graphs and statistics representing the visits to the site and an overview of the website activities. However, there is no regular monitoring of these reports.	<b>Yes</b>
<b>Important (Previous)</b>	The web publishing standards, continuity plans and webmaster guidance notes these need to be updated to take into account the changes to the new site.	<b>Yes</b>

## 2013/14 Insurance

### Audit Opinion and Direction of Travel





Reasonable						
						
Direction of Travel:				↔ 2007/08		
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
<b>Policies, procedures and strategy</b>	-		-	2	-	-
<b>Insurance policies detail coverage required and are reviewed annually</b>	-	-	-	-	-	-
<b>Claims recording, approval and liability estimations</b>	-	1	1	-	1	1
<b>Payment of premiums</b>	-	-	-	1	-	-
<b>Contract management and management information</b>	-	1	1	-	-	-

### Weaknesses identified during audit




Priority	Weakness	Action Agreed?
<b>Important (New)</b>	The restrictions over internal access to the claims data held on the council's server needed to be reinstated as were not effective at the time of audit.	<b>Yes</b>
<b>Important (New)</b>	Sample testing of six long term contracts found that in two cases no evidence could be found to confirm that the contractor had up to date and adequate insurance coverage in place. A further contractor's insurance had expired prior to the audit.	<b>Yes</b>
<b>Important (Previous)</b>	The situation concerning insurance cover where keys are locked away on the premises needs to be clarified with the Council's insurers and appropriate guidance issued.	<b>Yes</b>

# Summary of Assurance Opinions Used

# Annex Four

Assurance Level	Symbol	Description
<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.

Recommendations and actions in the report are categorised using the following 3 point scale in use on the Council's action management system:

<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 Audit 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 Audit 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. We will not track actions taken to address these recommendations unless at the manager's request.

# Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. The assurance level awarded in our internal audit report is not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

## **Deloitte & Touche Public Sector Internal Audit Limited**

### **November 2013**

In this document references to Deloitte are references to Deloitte & Touche Public Sector Internal Audit Limited.

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# FAREHAM

## BOROUGH COUNCIL

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

**Date**                    **25 November 2013**

**Report of:**            **Director of Regulatory and Democratic Services**

**Subject:**              **CONTRACT PROCEDURE RULES**

#### **SUMMARY**

This report advises members of a proposed amendment to the Council's Contract Procedure Rules to remove the need for Executive Members or Directors to be present at the tender opening ceremony.

#### **RECOMMENDATION**

That the Committee recommends to the Council that the proposed change to Contract Procedure Rules be approved.

## INTRODUCTION

1. The Council's Contract Procedure Rules govern procedures for the letting of contracts with a value of £20,000 or more. These Rules form part of the constitution.
2. Officers are currently looking at ways in which our tender processes can be simplified without compromising the level of control or the transparency of the process. One change is being proposed now in relation to the tender opening ceremony.

## TENDER OPENING

3. Our current rules require an Executive member or chairman of the appropriate Committee to be present when the tenders for a contract over £50,000 are opened and recorded. In practice the Director is usually present too.
4. Tender opening is only an administrative process and no decisions are made at this time. It adds transparency to our procedures as only an independent Democratic Services officer can open the tenders at a set time after the closure date, and they officially record the tender values submitted in case there is a dispute at a later date.
5. It is considered that this transparency can still be achieved by an officer of the Corporate Procurement team continuing to be present during tender opening and signing the tender opening record. In practice a service team representative will often also be present. However, the presence of the Executive member or chairman of the appropriate Committee and the Director is not really adding any further value and can add delays to the process as a time is found when all can be present.
6. No changes are proposed to the rules on who can award the tender after the evaluation is completed.
7. The proposed change of wording for Contract Procedure Rule 14.1 is therefore as follows:

### 14.1 Tender opening and Award of Contracts

*All tenders with an estimated value in excess of £50,000 must be opened by a Democratic Services Officer in the presence of a Corporate Procurement Officer ~~Executive member or chairman of the appropriate Committee~~. All contracts must be awarded by officers and members in accordance with the thresholds set out in Appendix 1.*

## RISK ASSESSMENT

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

## CONCLUSION

9. The proposed change will help streamline the tender opening process with no overall loss of control.

**Background Papers:** None

**Reference Papers:** None

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

# FAREHAM

## BOROUGH COUNCIL

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

**Date**                    **25 November 2013**

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

**Subject:**              **LATEST FINANCIAL REGULATIONS UPDATES**

#### **SUMMARY**

Officers are currently carrying out a detailed review of each Financial Regulation in order to streamline them down to the key controls that members and officers are required to adhere to.

One more regulation has now been reviewed and is submitted for comment. This covers Regulation 19 – Income Collection and Banking.

#### **RECOMMENDATION**

That the proposed changes are considered and any comments forwarded to the Council, to aid its decision in approving these 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. There are currently twenty-one Financial Regulations.
2. Since November 2010, officers have been reviewing individual regulations and streamlining them down to the key rules that are necessary for the Council to adequately manage its financial affairs. Fifteen regulations have been completed to date.
3. The review has been completed for one more regulation which is now being brought to members for comment.

## FINANCIAL REGULATION 19 – INCOME COLLECTION AND BANKING

4. [Appendix A](#) and [Appendix B](#) give the current regulation and the proposed new regulation. General changes have been made to the regulation to:
  - (a) Remove duplication with the Collection and Recovery Policy.
  - (b) Remove duplication with Financial Regulation 20 on Taxation.
  - (c) Remove duplication with Financial Regulation 14 in respect of receipt books.
  - (d) Remove duplication with the Data Protection Policy.
  - (e) Remove any technical accounting terms.
  - (f) Clarify the separation of duties requirements in relation to income collection.
5. Specific changes made to the rules are as follows:
  - (a) The regulation now stipulates that all income received should be processed promptly into the Council's financial accounting systems.
  - (b) The regulation now stipulates that the number of items present during post opening should be documented as well as the total value.
  - (c) The requirement for 2 officers to be present during a cash-up of a till has been removed. Instead greater reliance will be placed on the monitoring of overs and unders occurring during cash up.
  - (d) Income collected over £250 no longer needs to be banked within 1 working day but should be banked as soon as reasonably practical and within 5 working days. The requirement to keep income secure in the meantime has been added.
  - (e) Reconciliations no longer need to be reviewed by a manager. Instead greater reliance is being placed on there being a separation of duties somewhere within the income collection arrangements.
  - (f) Significant variances found during reconciliation no longer need to be reported to the Head of Audit and Assurance. Instead greater emphasis has been placed on the variance being investigated in consultation with the line manager. Variances occurring will, however, still be reviewed as part of the internal audit reviews of fundamental systems.

- (g) An increase in delegation has been added to allow designated service officers to write off debts under £50 where appropriate recovery action has taken place and they are deemed irrecoverable. These will still need to be logged in a quarterly report reviewed by the Statutory Chief Finance Officer.

## **RISK ASSESSMENT**

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

## **CONCLUSION**

- 7. The proposed new approach to streamlining Financial Regulations will continue to guide the strategic and operational financial affairs of the authority in accordance with the latest national and local requirements.

### **Appendices:**

**Appendix A:** Financial Regulation 19 – Income Collection and Banking - Current version ([separate attachment](#))

**Appendix B:** Financial Regulation 19 – Income Collection and Banking – Proposed version ([separate attachment](#))

**Background Papers:** None

### **Reference Papers:**

Report of the Director of Finance and Resources to the Audit Committee on 30 November 2010 “Annual Review of Financial Regulations”.

### **Enquiries:**

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

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## REGULATION 19: INCOME COLLECTION AND BANKING - CURRENT

### Quick Link

- 19.1 Overview
- 19.2 Recurring Income
- 19.3 Sundry Debtor Accounts
- 19.4 Income Collection
- 19.5 Transfer and Banking
- 19.6 Recovery and Write-Offs

Income is collected by the Council in relation to:

- one-off charges (such as entrance fees to Ferneham Hall)
- enforcement charges (such as car park standard charge notices)
- sundry debtor charges (where an invoice is sent to the recipient of a service for payment)
- recurring income (such as Council Tax and Housing Rents.)

The Councils [Collection and Recovery Policy](#) covers in detail the main sources of income managed by the Revenues, Benefits, Debtors and Housing services. However, all income collection processes must be handled with care to avoid loss or theft.

### 19.1 OVERVIEW

19.1.1 **Fees and Charges:** In accordance with [Financial Regulation 6.4.4](#), managers must keep under review the level of fees and charges and any other levies made for goods and services under their control.

Together with the Statutory Chief Finance Officer they shall report to the Executive at least annually on the need to vary existing charges and introduce new charges.

All work group managers must also maintain a charging policy for their services covering:

- a) the goods and services which will require fees and charges;
- b) how much will be charged for them and why;
- c) the terms of sale.

19.1.2 **Credit Agreements:** Any agreement which allows the extension of credit payment facilities must be agreed in advance with the Statutory Chief Finance Officer.

19.1.3 **VAT on Income:** In accordance with [Financial Regulation 20](#) Directors and Chief Officers must ensure that all employees collecting income establish the appropriate tax treatment on each transaction they deal with.

19.1.4 **Responsibility for Income Collection:** All arrangements for the collection of income are subject to the approval of the SCFO, Directors and Chief

Officers are responsible for ensuring that all income due in accordance with Council policy is brought into account.

- 19.1.5 **Timing of Collection:** Income due to the Council shall be recovered by collection at the point of sale/ service or in advance, wherever possible.
- 19.1.6 **Cash in Transit:** Where income is being collected away from the main Council buildings, appropriate consideration should be given to the security arrangements for both the cash and the personnel involved, in accordance with Financial Regulation Support Document 35 - Cash in Transit.
- 19.1.7 **Controlled Stationery:** All receipting devices, debtor accounts, forms and other documents of a like nature shall be ordered and controlled as directed by the Statutory Chief Finance Officer.

## 19.2 RECURRING INCOME

- 19.2.1 **Maintenance of Registers:** Services responsible for the collection of recurring income must compile and maintain up-to-date records of all relevant properties, businesses and occupants.
- 19.2.2 **Security of Data:** All recurring income data must be handled sensitively and in accordance with the Data Protection Act. Appropriate controls must be established to secure any billing data collected electronically.
- 19.2.3 **Debt Notification:** Services responsible for the collection of recurring income must ensure that appropriate notifications of debts due are issued promptly to those liable for the debt.
- 19.2.4 **Collection Methods:** The income collection methods employed should ensure the efficient and prompt collection of income due and comply with the Councils [Collection and Recovery Policy](#).

## 19.3 SUNDRY DEBTOR ACCOUNTS

- 19.3.1 **Notification of Debts:** All Managers with income budget responsibilities shall notify the Nominated Chief Officer with responsibility for Exchequer functions" **promptly** of any income due to the Council. This is to ensure that records of money due to the Council are accurately kept and debtor's accounts raised promptly, where necessary.

These include goods supplied or services rendered by or on behalf of the Council and contracts, leases, tenancy agreements, conveyances and other agreements which involve the receipt of monies by the Council.



- 19.3.2 **Supporting Documentation:** Directors and Chief Officers shall ensure that adequate documentation is kept to support accounts raised on their behalf of their services.
- 19.3.3 **Form of Debtor Accounts:** Accounts for all sums payable to the Council shall only be raised on forms approved by the Nominated Chief Officer with responsibility for Exchequer functions"
- 19.3.4 **Information on Accounts:** All accounts must detail:
- a) the full name and address of the legal entity responsible for the debt, including names of contact, partners and/or parent company if appropriate;
  - b) a description of the debt, what it is for, how and when it was incurred and any special conditions relating to the supply e.g. standards, specifications, delivery dates;
  - c) the price to be paid for the goods or service, and where appropriate the rate and value of VAT and the total sum to be paid;
  - d) the terms and conditions of payment including stage payments if appropriate.
- 19.3.5 **Accuracy of Accounts:** Managers must ensure that any charge raised on an account is valid, accurate and, to assist in case of possible dispute, supported by reliable documentation such as a written agreement or as specified by the Solicitor to the Council.
- 19.3.6 **Timing of Accounts:** In order to comply with VAT Regulations, local authority accounts must be issued within **two months** of the supply of the goods or service, unless specific dispensation is granted by HM Revenue and Customs.
- 19.3.7 **Credit Notes:** No bona fide debt can be cancelled once raised except by payment or write off. A credit note can be issued to correct factual inaccuracy or administrative errors in the calculation or billing of debt.

## **19.4 INCOME COLLECTION**

- 19.4.1 **Separation of Duties:** Duties should be separated so that those responsible for raising accounts are not involved in the receipt of payments. If this causes difficulties then written permission must be sought from the Statutory Chief Finance Officer to waive this rule. The manager concerned must then demonstrate that there are compensating controls in place.
- 19.4.2 **Post Opening:** At least two employees must be present when post, which is expected to contain income, is opened. A record of the total income received in a post opening session must be maintained.

- 19.4.3 **Counterfeit Notes:** Any bank notes received in person should be checked to ensure they are genuine, in accordance with [Support Doc 33 - Detection and Handling of Counterfeit Notes](#), before they are accepted.
- 19.4.4 **Records of Cash Collection:** Appropriate records must be maintained of all cash payments received through the post or in person; these should be updated at the time of collection. This will usually be by means of issuing till receipts or completing official receipts; however, in some cases the use of registers or logs may be more appropriate.
- 19.4.5 **Use of Official Receipts:** Only official Council pre-numbered receipt books, as provided by the Nominated Chief Officer with responsibility for Exchequer functions., can be used and these must show:
- a) the date of receipt;
  - b) the name of the person making the payment;
  - c) a brief description of the reason for the payment or an account reference;
  - d) the value received and whether cash or cheque;
  - e) the signature of the person issuing the receipt;
  - f) the Councils VAT registration number and any VAT paid.
- 19.4.6 A copy of the receipt must be retained by the unit receiving the income and a copy passed to the Nominated Chief Officer with responsibility for Exchequer functions.
- 19.4.7 Once receipts books have been completed they should be passed back to the Nominated Chief Officer with responsibility for Exchequer functions for storage for the required period.
- 19.4.8 All payments received via electronic transfer, direct debit, BACS, cheque or some other non-cash method do not require a formal receipt unless requested by the payer.
- 19.4.9 **Full and Final Settlement:** Payments received in “*Full and Final Settlement*” must only be accepted and paid in if they are sufficient to fully clear the appropriate debt, or with the approval of the Nominated Chief Officer with responsibility for Exchequer functions.
- 19.4.10 **Personal Cheques:** Personal cheques or other such payments must not be cashed out of monies held on behalf of the Council.
- 19.4.11 **Suspense Accounts:** Any unidentified cash received must be paid into a suspense account for that purpose. All suspense accounts must be monitored at least **monthly** and balances cleared as soon as possible.
- 19.4.12 **Security:** In accordance with [Financial Regulation 13.1](#), appropriate arrangements must be made for all income collected to safeguard against loss or theft.

- 19.4.13 **E-Income:** Income to be collected by electronic means must be carried out in accordance with the [Financial Regulations Support Document 13](#).
- 19.4.14 **Direct to Bank Collections:** Income, which is collected directly to a Council bank account, must be processed **promptly** into the Council's financial accounting systems.
- 19.4.15 **Money Laundering:** Any large payment received in cash must be handled in accordance with the Council's [Money Laundering Policy](#).

## 19.5 TRANSFER AND BANKING

- 19.5.1 **Separation of Duties:** Duties should be separated so that those responsible for the banking of cash should not be involved in raising accounts or receiving payments.

If this causes difficulties then written permission must be sought from the Statutory Chief Finance Officer to waive this regulation. The manager concerned must then demonstrate that there are compensating controls in place.

- 19.5.2 **Cash Up:** Tills containing cash should be cashed up daily in the presence of 2 or more officers.
- 19.5.3 **Transfer of Income:** Where monies are passed from one person to another the value of the transfer must be recorded, dated and signed, with a copy retained by the 'transferor'.
- 19.5.4 **Postal Trays:** On no account shall cash or cheques be transferred between sections by use of the postal tray system.
- 19.5.5 **Reconciliation of Takings:** Cash and cheque receipts must be regularly reconciled to payments transferred to the Cash Office or banked directly. These reconciliations should be reviewed by managers.

Any overs and unders found during reconciliation should be recorded and attempts made to resolve the imbalance. Any 'under' collections over **£25** should be reported to the Line Manager and "Nominated Audit Manager".

- 19.5.6 **Timing of Banking:** All monies received on behalf of the Council shall be passed to the Council's Cashiers or the Council's bank as soon as practical. For income totalling over **£250** banking must be within **1 working day** of receipt.

For values under this amount a maximum period of **5 working days** delay is permissible, as long as it is kept securely during this period.

- 19.5.7 **Total Income Banked:** No deduction shall be made from income collected, unless written approval has been given by the Statutory Chief Finance Officer.
- 19.5.8 **Banking of Cheques:** Every officer of the Authority who pays money into a banking account of the Council, shall ensure that the following particulars of each cheque paid in are recorded:
- a) the amount of the cheque;
  - b) a reference (such as the number of the receipt given or the name of the debtor), which will connect the cheque with the debt or debts in discharge or partial discharge of which it is received.

Exemption from this rule is allowed if it can be demonstrated that this information is held securely on a Council system, which provides a clear audit trail to the cheque transactions, included in a banking transaction.

- 19.5.9 **Reconciliation of Ledger Transactions:** Cash and cheque transfers prepared for banking must be regularly reconciled to income posted to the Council's accounting system, in accordance with [Financial Regulation Support Document 37- Income Reconciliation Procedure](#) . These reconciliations should be reviewed by managers.
- 19.5.10 **Reconciliation of Bank Statements:** All income prepared for banking must be regularly reconciled to the Council's bank account statements.

## 19.6 RECOVERY AND WRITE-OFFS

- 19.6.1 **Recovery Procedures:** Directors and Chief Officers must establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly. Any recovery procedure utilised must conform to the Council's [Collection and Recovery Policy](#).
- 19.6.2 **Unreasonable Pressure:** In accordance with the CIPFA standards of professional practice, all outputs from all related accounting systems must be checked and validated for reasonableness to ensure that no unwarranted pressure is brought to bear on debtors.
- 19.6.3 **Write-Off Authorisation:** Debts due to the Council may only be written off:-
- a) by the Statutory Chief Finance Officer where the amount for any one debtor is less than **£5,000**, and in accordance with [Financial Regulation Support Document 11](#);

- b) if they are **standard car park charge notices** which have been waived under the authority of the "Nominated Chief Officer with responsibility for Parking";
- c) if they relate to housing rent income which has been waived as **rent free weeks** under the authority of the "Nominated Chief Officer with responsibility for Council Housing";
- d) if they relate to **renovation grant repayments** which have been waived under the authority of the "Nominated Chief Officer with responsibility for Housing Grants";
- e) in all other cases by the Executive, or other relevant committee.

19.6.4 **Case Details:** Authorisation for write-off will only be given on receipt of debt particulars (debtor, amount and nature of debt) plus a summary of recovery action taken.

19.6.5 **Records:** A record must be kept of all write-offs authorised and actioned which is totalled at the end of each financial year.

**Other Points of Reference** (underline denotes a hyperlink is available)

[Financial Regulation 6: Financial Strategies](#)

[Financial Regulation 10.3: Insurance](#)

[Financial Regulation 13.1: Security of Assets](#)

[Financial Regulation 20: Taxation](#)

[Financial Regulation Support Document 11: Authorisation of Income Write-offs](#)

[Financial Regulation Support Document 30: Money Laundering Policy](#)

[Financial Regulation Support Document 33: Detection and handling of Counterfeit Bank Notes](#)

[Financial Regulation Support Document 37: Income Reconciliation Procedure](#)

Financial Regulation Support Document 13: Electronic Collection of Income (In progress)

Financial Regulation Support Document 35: Security of Cash in Transit (Drafted)

[Collection and Recovery Policy](#)

[Constitution Part 4.5: Scheme of Delegation to Officers](#)

CIPFA Standards of Professional Practice: Income Collection

FBC Fees and Charges Booklet

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## REGULATION 19: INCOME COLLECTION AND BANKING (PROPOSED)

### [Quick Link](#)

- 19.1 General Principles
- 19.2 Invoices for Income Due to the Council
- 19.3 Income Collection
- 19.4 Recovery and Write-Offs

### 19.1 GENERAL PRINCIPLES

- 19.1.1 **Fees and Charges:** Except where the Council has no discretion, all fees and charges should be reviewed at least annually and approved by the Executive.
- 19.1.2 **Collection Methods:** The income collection methods employed should ensure the efficient and prompt collection of income due and comply with the Council's [Collection and Recovery Policy](#).
- 19.1.3 **Separation of Duties:** There should be more than one person involved in the process for raising accounts, receiving and banking the income and reconciling or verifying the reconciliation of income collected.
- 19.1.4 **Responsibility for Income Collection:** All arrangements for the collection of income are subject to the approval of the Statutory Chief Finance Officer. Directors are responsible for ensuring that all income due is collected in accordance with Council policy.
- 19.1.5 **Point of Collection:** Income should be collected in advance wherever possible and appropriate, or at the point of sale.
- 19.1.6 **Security:** Appropriate arrangements must be made for all income collected to safeguard against loss or theft.
- 19.1.7 **Cash in Transit:** Where income is being collected away from the main Council buildings, appropriate consideration should be given to the security arrangements for both the cash and the personnel involved, in accordance with Financial Regulation Support Document 35 - Cash in Transit.
- 19.1.8 **Timeliness:** All income received should be banked in full as soon as practical and within 5 working days. All income received should be processed promptly into the Council's financial accounting systems.
- 19.1.9 **Completeness:** Appropriate arrangements should be used to confirm that all monies collected have been accounted for. Attempts should be made to resolve any variations found, in consultation with the line manager. Appropriate records should be kept.

## 19.2 INVOICES FOR INCOME DUE TO THE COUNCIL

- 19.2.1 **Notification of Debts:** Services should supply the “Nominated Chief Officer with responsibility for Exchequer functions” with all the information necessary for him/her to secure promptly the complete and accurate recording, collection and recovery of sums due to the Council.
- 19.2.2 **Supporting Documentation:** Services should ensure that adequate documentation is kept to support accounts raised on their behalf.
- 19.2.3 **Form of Invoices:** Invoices for all sums payable to the Council should only be raised in a form approved by the Nominated Chief Officer with responsibility for Exchequer functions"
- 19.2.4 **Information on Accounts:** All accounts must detail:
- a) the full name and address of the legal entity responsible for the debt, including relevant contact details;
  - b) a description of the goods or services supplied, what it is for, how and when it was incurred and any special conditions relating to the supply;
  - c) the price to be paid for the goods or service, and where appropriate the rate and value of VAT and the total sum to be paid;
  - d) the terms and conditions of payment including stage payments if appropriate.
- 19.2.5 **Timing of Accounts:** Invoices which cannot be raised in advance should be raised at the earliest opportunity after supply and within **30 days** of the value of the charge being known.
- 19.2.6 **Credit Notes:** No debt can be cancelled once raised except by payment or write off. A credit note should be issued to correct factual inaccuracy or administrative errors in the calculation or billing of debt.

## 19.3 INCOME COLLECTION

- 19.3.1 **Post Opening:** At least two employees must be present when post, which is expected to contain income, is opened. A record of the total income and the number of items received in a post opening session must be maintained.
- 19.3.2 **Records of Collection:** Appropriate records must be maintained of any payments received in person at the time of collection.
- 19.3.3 **Counterfeit Notes:** Any bank notes received in person should be checked to ensure they are genuine, in accordance with [Support Doc 33 - Detection and Handling of Counterfeit Notes](#), before they are accepted.



- 19.3.4 **Money Laundering:** Any large payment received in cash must be handled in accordance with the Council's **Money Laundering Policy (Financial Regulation Support Document 30)**.
- 19.3.5 **Use of Official Receipts:** Only official receipts or arrangements approved by the "Nominated Chief Officer with responsibility for Exchequer functions" should be used to acknowledge receipt of income received.
- 19.3.6 Records should be kept of any receipts issued and stored for the required retention period.
- 19.3.7 Payments received via electronic transfer, direct debit, BACS, cheque or some other non-cash method do not require a formal receipt unless requested by the payer.
- 19.3.8 **Substitution:** No means should be used to exchange cash collected on behalf of the Council for personal purposes.
- 19.3.9 **Unidentified Income:** Any unidentified income received should be accepted and banked and allocated to the correct account as soon as possible.
- 19.3.10 **Transfer of Income:** Every transfer of official money from one member of staff to another must be recorded and signed for by the receiving officer. On no account shall cash or cheques be transferred between sections using the internal post system.

#### **19.4 RECOVERY AND WRITE-OFFS**

- 19.4.1 **Recovery Procedures:** Services must establish appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly. Any recovery procedure utilised must conform to the Council's **Collection and Recovery Policy**.
- 19.4.2 **Write-Offs:** 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;
  - b) by the Statutory Chief Finance Officer for other debts where the amount for any one debtor is less than **£5,000**;

- c) if they are **penalty charge notices** which have been waived under the authority of the "Nominated Chief Officer with responsibility for Enforcement";
  - d) if they relate to housing rent income which has been waived as **rent free weeks** under the authority of the "Nominated Chief Officer with responsibility for Council Housing";
  - e) in all other cases by the Executive, or other relevant committee.
- 19.4.3 Sufficient information about the debt and recovery action taken must be provided and documented before authorisation for write-off can be given.
- 19.4.4 A record must be kept of all write-offs authorised and auctioned which is totalled at the end of each financial year.

# FAREHAM

## BOROUGH COUNCIL

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

**Date**                    **25 November 2013**

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

**Subject:**              **CORPORATE ANTI-FRAUD AND CORRUPTION POLICY**

#### **SUMMARY**

This report brings an updated and simplified version of the Council's Anti-Fraud and Corruption Policy to the Committee for comment.

#### **RECOMMENDATION**

The Committee recommends to the Council that the revised Anti-Fraud and Corruption Policy, as set out in [Appendix A](#); be adopted.

## **INTRODUCTION**

1. The Council has adopted a Corporate Anti-Fraud and Corruption Policy which forms part of the Council's Constitution.
2. The policy was last updated in 2009 and so is now due to be refreshed. This report brings the latest version (8.6) to the Committee for comment.

## **CHANGES MADE TO THE POLICY**

3. The previous policy was 21 pages long and much of the content was stipulated by the Use of Resources Assessment regime of Councils that was in place then.
4. A review has now been carried out, in line with other key policies, with a view to slimming the policy down and making it more inviting to users. In particular sections have been removed where they duplicate other policies such as:
  - (a) The Housing Benefit Anti Fraud Policy
  - (b) The Irregularity Response Plan
  - (c) The Council's Whistle Blowing Policy
5. The content has also been updated for the following key changes that have been made to our counter fraud arrangements in the last 4 years:
  - (a) The adoption of an Anti-Bribery Policy in response to the Bribery Act 2010.
  - (b) The abolishment of the Standards Board for England.
  - (c) The merging of the Standards and Audit Committees to become the Audit and Governance Committee which now handles complaints against members.
  - (d) The revisions made to the Member Misconduct Complaints Procedure.
  - (e) The decision to no longer produce a written Counter Fraud Strategy but to move to a theme based system of fraud risk assessments.
  - (f) The introduction of the new 'report-it' channels for members of the public.
  - (g) The setting up of the Hampshire Tenancy Fraud Forum.
  - (h) The abolishment of policy compliance surveys and directors control assurances.
  - (i) The introduction of fines for council tax fraud.
  - (j) The National Fraud Initiative moving from the Audit Commission to the Cabinet Office.
  - (k) The re-introduction of the Annual Fraud Survey of Councils and the use of this information by the external auditors.
6. There has also been a change in emphasis in the policy away from zero tolerance, to carrying out actions in proportion to the perceived risks we face and to considering the impact that anti-fraud measures may have on the service we provide.
7. New sections have been added to stress the importance of training and awareness and monitoring arrangements in our framework. A requirement has also been added that all incidents of fraud should be reported to the Head of Audit and Assurance or the Head of Revenues and Benefit so that accurate data on cases can be compiled.

## **RISK ASSESSMENT**

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

## **CONCLUSION**

9. The revised policy will continue to be a key part of the Council's framework in place to tackle the risk of fraud and corruption.

**Appendices:** [Appendix A – Revised Anti-Fraud and Corruption Policy v 8.6](#) (Separate Attachment)

**Background Papers:** None

**Reference Papers:** Report to Audit Committee on 01/12/2009 – Annual Counter Fraud Policy and Strategy Update

### **Enquiries:**

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

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## ANTI-FRAUD AND CORRUPTION POLICY

### 1. Foreword

Fareham Borough Council is committed to protecting the public funds entrusted to us and to upholding the highest standards of financial probity and accountability. The cost of fraud to local government has recently been estimated at £2.2 billion a year (Fighting Fraud Locally 2012). This is money that could be used for local services.

This Anti-Fraud and Corruption Policy details the arrangements at this Council for managing the risk of fraud and corruption and has our full support.

We are committed to reducing losses from fraud by using an integrated approach which uses prevention, deterrence, detection and investigation. We will pursue those responsible and seek to recover any losses, referring matters to the police and using the courts where appropriate.



We cannot afford to be complacent and we urge all our members, employees, contractors and partners to assist us in fighting fraud by having regard to this policy and the risks of fraud when carrying out their duties, recognising that, if uncontrolled, fraud diverts much needed resources from our communities.

*Seán Woodward*

Councillor Seán D.T. Woodward  
Executive Leader

*P Grimwood*

Peter K. Grimwood  
Chief Executive Officer

## 2. Introduction

This policy sets out the approach that the Council uses to manage the risk of fraud and corruption and minimise the losses incurred.

Maintenance of this policy supports the Council's corporate objective to be *"a dynamic, prudent, progressive and best practice Council"* and is one of the measures in place to address the Corporate Risk that *"we have inadequate Governance and Systems of Control"*.

The required outcome is that we have *"confidence that the Council is effective in countering fraud and corruption"*.

## 3. Definitions

This policy is designed to cover the risks associated with theft, fraud, corruption, bribery and ICT abuse, whether they are perpetrated by employees, councillors, FBC residents, visitors, contractors, suppliers or individuals and organisations unconnected with the Council.

For the purpose of this policy the following definitions are used:

<p style="text-align: center;"><b>Fraud</b></p> <p><i>"the intentional distortion of financial statements or other records by persons internal or external to the Authority which is carried out to conceal the misappropriation of assets or otherwise for gain"</i>.</p> <p>The Fraud Act 2006 describes 3 methods of committing fraud:</p> <p><i>Fraud by misrepresentation.</i>  <i>Fraud by failing to disclose information.</i>  <i>Fraud by abuse of position.</i></p>	<p style="text-align: center;"><b>Corruption</b></p> <p><i>"the offering, giving, soliciting or acceptance of any inducement or reward which may improperly influence the action of any person"</i>.</p>
	<p style="text-align: center;"><b>Theft</b></p> <p><i>"appropriating property belonging to another with the intention of permanently depriving the other of it"</i>.</p>
	<p style="text-align: center;"><b>Bribery</b></p> <p><i>"an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage"</i></p>

There is no definition of ICT fraud and abuse but the Audit Commission devised the following list to determine the different acts that it covers:

Type of ICT Fraud or Abuse	Ways Committed
<b>Business Disruption</b>	<i>Virus infections / denial of service</i> <i>Hacking</i> <i>Sabotage</i>
<b>Reputational Damage</b>	<i>Accessing inappropriate material</i> <i>Invasion of privacy</i> <i>Using unlicensed software</i>
<b>Financial Loss</b>	<i>Unauthorised alteration of input</i> <i>Destroying, stealing or suppressing output</i> <i>Making unapproved changes to stored information</i> <i>Amending or misusing programs</i> <i>Using ICT facilities for private work</i> <i>Theft of information</i>



## 4. Our Counter Fraud Strategy

The Council's Counter Fraud Strategy is to take an integrated approach to dealing with internal and external fraud and corruption, with the emphasis on prevention wherever possible.

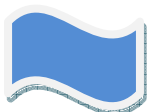
However, any measures put in place to reduce losses will be balanced with their impact on the cost of service provision and on the service experience for the majority of law abiding customers.

Risk Assessments will be carried out on the top fraud risks to the Council to identify any actions needed to strengthen our arrangements in proportion to the risk we face. A separate [Benefits Anti-Fraud and Corruption Policy](#) is maintained for our top risk of Benefit Fraud and a separate [Anti-Bribery Policy](#) is also maintained in response to the Bribery Act 2010.

## 5. Culture and Structures

### 5.1 Propriety

The Council is committed to sound corporate governance and supports the "Nolan 7 Principles of Public Life" covering: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership. It also seeks to create an environment that prevents and detects fraud and corruption in all its work.



**Employees are expected to:**

- **act with integrity, honesty and propriety in all their dealings as a Council representative and lead by example;**
- **carry out their duties to the best of their ability for the benefit of the Council and not to take advantage of any situation for personal gain, for themselves, members of their family or friends;**
- **take the risk of both internal and external fraud seriously and to follow systems and procedures designed to prevent or detect fraudulent activity;**
- **secure all passwords, information, documents, money, equipment etc. in their control which can be stolen or used to perpetrate fraud.**

Further guidance on propriety is available in the [Employee Code of Conduct and Disciplinary Rules and Procedure](#) and in [Financial Regulation Support Document 18 – Probity and Propriety](#).

Most professional bodies issue their own rules or policies on ethics and standards and employees also have a professional obligation to familiarise themselves and adhere to these. The Council will support all employees in their observance of such rules and policies.

Residents, other members of the public, suppliers and contractors will be expected to act with integrity in their business with the Council and not to behave dishonestly to the detriment of the Council.

## 5.2 Members Conduct

Both elected and non-elected members are required to sign that they will observe the [Code of Conduct for Members](#) adopted by the Council which sets out what members must observe in carrying out their duties as councillors, as a representative of the Council and in conducting the business of the Council.

## 5.3 Key Structures and Roles

[Appendix A](#) summarises the main policies and procedures that support the Council's Anti-Fraud and Corruption Framework. This policy also recognises the following key structures and roles:

Group or Individual	Role and Responsibility
<b>Audit and Governance Committee</b>	The Council has established an Audit and Governance Committee to review the policies and measures in place to prevent fraud and corruption. This is a non-executive Committee reporting directly to Full Council.
<b>Section 151 Officer</b>	The Council has appointed an officer with the statutory responsibility, under Section 151 of the Local Government Act 1972, " <i>to ensure the proper arrangements of the Council's financial affairs</i> ". In addition, the Chartered Institute of Public Finance and Accountancy's Statement on the role of the Chief Financial Officers lists one of the core responsibilities as " <i>implementing appropriate measures to prevent and detect fraud and corruption</i> ".
<b>Monitoring Officer</b>	The Council has appointed an officer with the statutory responsibilities under Section 5 of the Local Government and Housing Act 1989 to ensure that all decisions made by the Council are within the law. The post holder also promotes high standards of conduct by members and employees throughout the Council.
<b>Head of Audit and Assurance</b>	The Council has appointed an officer with the duty to monitor instances of financial irregularities within the Council as a whole and report as necessary to the Audit and Governance Committee and external auditors. The post holder also ensures that an appropriate investigation is carried out.
<b>Corporate Counter Fraud Team</b>	The Council has set up a corporate counter fraud team to carry out a programme of work aimed at maintaining and strengthening the counter fraud framework. They also lead on investigations carried out under the Irregularity Response Plan.  In addition they check that actions required as a consequence of an investigation are implemented.
<b>Internal Audit</b>	The Council maintains an internal audit team who carry out reviews of the adequacy of controls in systems to prevent fraud, amongst other risks, and report on control weaknesses found. They also test aspects of the corporate governance arrangements that are being relied on to prevent and detect fraud.
<b>Benefit Fraud Investigators</b>	The Council has a dedicated team of officers to investigate suspicions of benefit fraud. They include "Authorised Officers" able to use additional investigative powers in accordance with the Social Security Administration Act 1992.
<b>External Audit</b>	Part of the External Auditor's statutory duties is to ensure that the Council has adequate arrangements in place for the prevention and detection of fraud and corruption. Complaints of fraud and corruption can be taken directly to them.

## **5.4 External Liaison**

Arrangements will be maintained to encourage the exchange of information on national and local fraud and corruption activity and arrangements with external organisations including:

- the Police;
- other councils and housing associations;
- partner organisations to the Council;
- the External Auditor;
- the Local Government Ombudsman;
- the Department for Works and Pensions (DWP);
- the Cabinet Office;
- the National Fraud Association (NFA);
- the National Anti-Fraud Network (NAFN);
- the National Policing Improvement Agency (NPIA);
- the CIPFA Better Governance Forum;
- and, the Local Authority Investigation Officers Group (LAIOG).

The Council will also support local forums where matters of anti-fraud and corruption are discussed. These include:

- the Hampshire Chief Financial Officers Group;
- the Hampshire Fraud Group;
- the Hampshire Tenancy Fraud Forum.

## **6. Deterrence**

### **6.1 Strong Response**

Our deterrence arrangements will include a clear framework of procedures and responsibilities which make fraud and corruption hard to perpetrate and which will be likely to disclose fraud and corruption at the earliest opportunity.

Sufficient professional resources will be maintained for investigations into irregularities and allegations received.

The police will invariably be informed in cases where a criminal offence may have been committed and the Council will prosecute offenders where it is in our interest to do so. We will also take actions to maximise the recovery of any losses incurred. The existence of such a competent response should give a strong warning to any person contemplating acting dishonestly against the best interests of this Council.

### **6.2 Publicity**

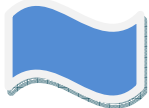
In addition, the Council will maintain a strong message of intolerance to acts of fraud and corruption and will seek to publicise to the public, members and employees local or national cases which highlight the consequences of committing fraud.

## 7. Prevention

### 7.1 Internal Control Systems

Appropriate policies and procedures will be maintained to ensure that internal controls designed to prevent or detect fraud and corruptions are built into the Council's systems of operation. Key council policies are listed in [Appendix A](#).

All employees shall be made aware of and be expected to adhere to any internal control system designed to prevent or detect fraud and corruption. The Council's ongoing training and development programme should regularly cover internal control systems relevant to the employee's responsibilities.



**All employees are required to bring any concerns they have on the adequacy of control measures to the attention of their line manager.**

### 7.2 Employee Screening

The Council recognises that a key preventative measure is to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether permanent, temporary or casual.

The Council has a [Recruitment & Selection Policy](#), will contains appropriate safeguards such as taking up written references and verifying qualifications held.

Criminal records will be taken into account where the conviction is relevant. After starting at the council, employees are required to bring to their manager's attention any new criminal convictions.

### 7.3 Interests, Gifts and Hospitality

As part of the induction process, relevant employee interests will be ascertained and registered in accordance with the [Employee Guidelines on Gifts, Hospitality, Conflicts of Interest and undertaking second jobs](#). Gifts and Hospitality can only be accepted in accordance with these guidelines. Employees are required to register any subsequent interests or Gifts and Hospitality offered and/or accepted.

The registration process produces an annual reminder to the manager to take appropriate action to manage any conflicts of interest that arise in the operation of their service.

[The Code of Conduct for Members](#) sets out the requirements for members in relation to registration and disclosure of pecuniary and personal interests.

### 7.4 Fraud Warnings

The Corporate Counter Fraud Team will be the focal point for any fraud warnings on potential external threats or attacks that have occurred in other organisations and will take appropriate action to identify or prevent similar incidents occurring at this Council. This includes processing the Intelligence Bulletins published by the **National Anti Fraud Network**.

A log of any companies associated with these threats will be maintained which should be checked before any new suppliers are set up on our payments system.

## 7.5 Money Laundering

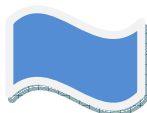
The Council has adopted an [Anti-Money Laundering Policy](#) in response to the Money Laundering Regulations 2007. It has established procedures and a designated Money Laundering Officer (MLRO) to enable the formal reporting and checking of transactions which may indicate Money Laundering.

## 8. Detection

Appropriate systems of internal control will be built into procedures in order to detect fraud and corruption. The following specific systems of fraud detection will also be used.

### 8.1 Whistle-Blowing

The Council encourages any individual to raise, with the appropriate officer, genuine worries regarding the integrity of anyone acting on behalf of, or in business with, the Council. It has adopted a [Code of Practice on Confidential Reporting](#) (a.k.a. the "Whistle-Blowing Policy") which allows concerns to be raised in the certainty that they will be properly investigated in a confidential manner. The Code also seeks to reassure individuals that they will be protected from possible reprisals if they make disclosures in good faith.



**It is the duty of all individuals to report a suspicion of financial irregularity to their Manager, the "Nominated Audit Manager" or the Statutory Chief Finance Officer. Failure to report any suspicions of financial irregularity can be dealt with under the Council's disciplinary procedures. [Financial Regulation 10.4.2](#)**

Contractors with the Council are also encouraged to raise genuine concerns as part of their contract terms and conditions.

### 8.2 Referrals from the Public

Members of the public are encouraged to report genuine concerns through the designated **Report-IT** channels. These consist of dedicated on-line forms, email addresses and the **Fraud Hotline 01329 824667**.

The Council also has a [Corporate Complaints Policy](#) through which complaints can be made on a wide range of subjects. These can reveal suspicions of dishonesty. Alternatively the complaints may be taken directly to the independent **Local Government Ombudsman**.

The Council has also established a [Member Misconduct Complaints Procedure](#) which allows possible breaches of the Council's Code of Conduct for Members to be reported to the Monitoring Officer.

### 8.3 Data Matching

The Council will undertake data matching exercises as it sees as appropriate for the purposes of identifying and reducing fraud and corruption.

In particular, the Council will take an active part in the **National Fraud Initiative** as organised by the Cabinet Office. This involves submitting data we hold for matching to that held by other organisations and following up promptly any matches received back.

### 8.4 Probity Audits

Probity audits will be included in the Internal Audit Plan, as time allows, aimed specifically at identifying irregularities or providing assurance that they do not exist.

## 9. Investigation

The Council will maintain an *Irregularity Response Plan* detailing how allegations of fraud and irregularity will be managed and investigated.

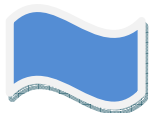
Report of incidents involving employees will be dealt with in accordance with the *Employee Disciplinary Rules and Procedures*. Reports of incidents involving elected members will be passed to the Monitoring Officer to be dealt with in accordance with the *Members Misconduct Complaints Procedure*.

The procedures seek to ensure that:

- there is consistent treatment of fraud and corruption issues;
- a proper investigation is carried out by suitably qualified officers;
- the Authority's and Community's interests are best served.

Investigating officers are required to ensure that investigations are objective, fair and complete and that they comply with the relevant statutory provisions and internal procedures including *The Regulation of Investigatory Powers Act 2000 (RIPA) – Corporate Policy & Procedure*.

Where criminal activity is suspected the investigators will usually notify the police and seek their advice. Any internal investigations will continue to be progressed alongside supporting the Police in their investigation.



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

## 10. Sanctions

When an investigation's findings supports the suspicion that fraudulent or corrupt activity has occurred, action will be taken in accordance with the *Corporate Fraud Sanctions and Redress Policy*, which requires all types of sanctions – disciplinary, civil and criminal – to be considered.

Any disciplinary action against **employees** will be taken in accordance with the Council's *Employee Disciplinary Rules and Procedures*. For **elected members**, sanctions used for breaches of the Members Code of Conduct will be taken in accordance with the *Members Misconduct Complaints Procedure*.

Sanctions in relation to cases of **Benefit Fraud** will be applied in accordance with the *Benefits Anti- Fraud and Corruption Policy*. Options include formal cautions, administrative penalties and prosecution.

Fines for other types of fraud will be considered where the Council has powers to levy these.

Where fraud or impropriety has been perpetrated by organisations or individuals with whom the council has a contractual relationship the Council will take robust action, including where appropriate, the termination of the contract, publication of findings and civil recovery proceedings.

## 11. Redress

The Council will seek to recover any losses fraudulently obtained from it and where necessary the costs incurred in doing so.

We will consider all means available to recover these amounts including compensation claims, civil litigation, making an application for recovery from an employee's pension fund and general debt recovery.

The Council will also maintain access to an Accredited Financial Investigator under the National Policing Improvement Agency scheme to be able to use the investigatory powers available under the Proceeds of Crime Act and the use of restraint and confiscation orders.

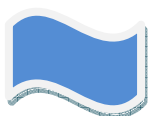
Other forms of redress to recover losses, (such as making a claim against our insurance cover) or to prevent further fraudulent activity by the perpetrator, (such as notifying their professional body); will also be used wherever appropriate.

## 12. Training and Awareness

The Council recognises that the success of the Anti-Fraud and Corruption Policy will depend largely on the effectiveness of members and employees throughout the organisation.

To facilitate this, appropriate provision will be made through induction, fraud awareness training and refresher training and communications. Training on specific fraud topics will also be provided to those members and employees most likely to encounter that type of fraud.

Officers involved in investigatory work will be provided with relevant specific training that meets their needs.



**Managers should ensure that staff are adequately trained to carry out their duties and are aware of how to comply with the Council's policies. An anti-fraud and corruption briefing sheet is attached to the Council's induction checklist and is required to be read by all new employees.**

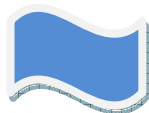
### 13. Monitoring Arrangements

The Nominated Director with responsibility for Counter Fraud and the Head of Audit and Assurance will report to the Chief Executive's Assurance Group and the Audit and Governance Committee any actions that they consider are needed to strengthen our arrangements for managing the risk of fraud and corruption.

The Head of Audit and Assurance will also report the number of allegations of fraud and corruption that have been received and the outcomes of cases where fraud is concluded from an investigation.

The Council is required to complete an Annual Fraud Survey of the number of proven cases of fraud and corruption and the adequacy of our arrangements and provide the details to the external auditors. Individual notification of any frauds over £10,000 will also be submitted to the external auditors.

Systems weaknesses identified as a result of an investigation will be addressed through an action plan agreed with the relevant service manager. The Corporate Counter Fraud Team will monitor implementation of the action plan.



**Any incident of suspected or identified fraud must be reported to the Head of Audit and Assurance or Head of Revenues and Benefits, even if it has been dealt with, so that accurate data on the nature of fraud risks can be kept.**



## Overview of Policies and Procedures Relevant to the Anti-Fraud and Corruption Policy

### POLICY AND STRATEGY

Anti-Fraud and Corruption Policy

Benefits Anti-Fraud Policy

Anti-Bribery Policy

### CULTURE AND STRUCTURES

Employee Code of Conduct

Member Code of Conduct

Guidance on Propriety and Probity (FRSD 18)

### DETECTION

Code of Practice on Confidential Reporting (Whistle Blowing)

Corporate Complaints Procedures

### INVESTIGATION PROCEDURE

Irregularity Response Plan

Employee Disciplinary Rules and Procedures

Member Misconduct Complaints Procedure

DWP Local Authority Fraud Investigators Code of Practice

The Regulation of Investigatory Powers Act 2000 (RIPA)  
– Corporate Policy & Procedure

### SANCTIONS AND REDRESS

Corporate Fraud Sanctions & Redress Policy

Benefits Anti-Fraud Policy

### PREVENTION

Scheme of Delegation

Financial Procedure Rules

Contract Procedure Rules

Procurement Guiding Principles (FRSD 40)

Anti-Money Laundering Policy (FRSD 30)

Information Management Guides

Recruitment and Selection Policy

Employee Guidelines on Gifts, Hospitality,  
Conflicts of Interest and undertaking second jobs

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# FAREHAM

## BOROUGH COUNCIL

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

**Date**                    **25 November 2013**

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

**Subject:**              **COUNTER FRAUD STRATEGY PROGRESS**

#### **SUMMARY**

This report updates the Committee on Counter Fraud strategy work in progress or carried out in the last 6 months. Key pieces of work have included a) updating the Council's Corporate Anti Fraud Corruption Policy, b) updating the Council's Whistle-Blowing Policy to meet the requirements of the Enterprise and Regulatory Reform Act 2013 and c) carrying out a detailed review of households in receipt of council tax single occupancy discounts.

It should be noted that the Prevention of Social Housing Fraud Act 2013 has now come into force as from 15<sup>th</sup> October.

#### **RECOMMENDATION**

That the progress made to date as part of the Counter Fraud Strategy be noted.

## INTRODUCTION

1. The Council maintains an Anti-Fraud and Corruption Policy which is supported by a programme of work to review and strengthen our counter fraud arrangements where necessary.
2. This report provides an update on any actions proposed or taken in the last 6 months in relation to:
  - (a) The top fraud risks for the Council.
  - (b) Revising counter fraud policies.
  - (c) Raising internal and external awareness.
  - (d) Initiatives to improve prevention and detection.
  - (e) Any legislative changes that have occurred.
3. A separate report details the cases of fraud that have been investigated

## WORK UNDERTAKEN SINCE THE LAST REPORT

### Corporate Arrangements

4. **Corporate Policy:** The Corporate Anti Fraud and Corruption Policy used since 2009 has now been updated and the format changed to make it more user-friendly. This is the subject of a separate report on the agenda.
5. **Whistle-blowing Policy:** There have been some changes to the whistle-blowing law under the Enterprise and Regulatory Reform Act 2013 which took effect from the 25th June 2013. Our policy is in the process of being updated to reflect these which include:
  - Disclosures made by an employee are now only protected if the worker has a reasonable belief that they are in the public interest. Issues to do with the breach of their own employment contract should now only be raised through the grievance procedure.
  - Disclosures no longer need to be made in good faith (i.e. with honest motives) in order to be protected. However, an employment tribunal may reduce a worker's compensation by up to 25% if it appears that the protected disclosure was not made in good faith but for personal gain.
  - As well as being protected from adverse treatment by the employer, there is now a duty to protect whistle-blowers from suffering a detriment, bullying or harassment from another employee. However, if an employer can show that it took reasonable steps to prevent the detrimental treatment then it will not be held liable for the actions of the co-workers.

### Housing Fraud

6. The Prevention of Social Housing Fraud Act 2013 came into force on 15 October 2013. This Act makes sub-letting a criminal offence and gives social landlords increased power to recover the proceeds made from sub-letting.

7. However, the introduction of additional powers for investigations into housing fraud has been delayed.
8. Progress on the Housing Fraud Action Plan set out in the last report has been limited. This is mainly because we have been waiting to time our actions to coincide with other members of the Hampshire Tenancy Fraud Forum. However, we will be progressing the following actions in the coming months:
  - (a) Web page to be published specifically on social housing fraud.
  - (b) Article on Housing Fraud to be included in the counter fraud newsletter circulated to all employees and members.
  - (c) Internal awareness briefings to key services.
  - (d) Free data match of our tenancy data to a credit reference agency's database to be carried out which will give an idea of how many tenancies we have where there is a suspicion of either housing or benefit fraud.

### **Council Tax Fraud**

9. Single Occupancy Discount, gives a 25% reduction in Council Tax liability. It is the highest and most commonly claimed discount totalling approximately £4 million for Fareham in 2012. Previously periodic reviews of eligibility for the discount were carried out and cases were amended based on information reported by the tax payer.
10. The Council has now introduced an enhanced verification and penalty process when reviewing households in receipt of the discount. This includes using the Council's powers to levy a penalty fee of £70 on anyone found to be wrongly claiming the discount and who had not promptly notified us of a change of circumstance.
11. Since May 2013 households in receipt of the discount have been asked to confirm their continued eligibility. The review is being carried out on a ward by ward basis and 6,385 forms have been issued to date covering 5 of the 9 wards.
12. Where the household reports that the eligibility has changed, rather than just accepting the details submitted, these are being further verified to other sources to determine a true timing of the change of circumstances. Spot checks are also being undertaken on those households who report no change to the household. Where the household does not respond then the discount is removed. Where the verification identifies that the households changed some time ago then the fine is being added to the new bills raised.
13. To date the discount has been removed from 80 cases generating £30,087 extra council tax liability. Of these, 38 council tax payers have been issued with the fixed penalty (totalling £2,660) and 9 council tax payers have been issued a warning letter.

### **Housing Benefit Fraud**

14. We are planning to take part in a free additional data match to be run by the National Fraud Initiative Flexible Matching Service.

15. This seeks to identify housing benefit fraud committed by students by matching our benefits claims to the Student Loans Company data. The exercise will also include matching the data to the Metropolitan Police Amberhill fraudulent identities database and the current Home Office Immigration databases.

### **RISK ASSESSMENT**

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

### **CONCLUSION**

17. Work continues to be carried out in accordance with the Council's Counter Fraud Policy.

**Background Papers:** None

**Reference Papers:** Report to the Audit Committee on 1 December 2009 on the Annual Counter Fraud Policy and Strategy Update.

### **Enquiries:**

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

# FAREHAM

BOROUGH COUNCIL

## Report to Audit and Governance Committee

**Date**                    **25 November 2013**

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

**Subject:**              **COUNTER FRAUD INVESTIGATION PROGRESS**

### **SUMMARY**

This report provides information on the numbers and outcomes of fraud cases that have arisen in the last 6 months.

### **RECOMMENDATION**

That the content of the report be noted.

## INTRODUCTION

1. Fareham Borough Council has adopted an Anti-Fraud and Corruption Policy and carries out a programme of work to strengthen our fraud prevention, detection and investigation arrangements.
2. This report provides information on the numbers and outcomes of fraud cases that have arisen in the last 6 months.

## BENEFIT FRAUD

### Future of the Benefit Fraud Investigation Team

3. Members will be aware that it is the Government's intention to create a Single Fraud Investigation Service (SFIS) to replace the existing arrangements whereby the Department of Works and Pensions (DWP), HM Revenues and Customs and Local Authorities employ their own investigators.
4. As reported in our last update to the Committee, the DWP launched four SFIS pilots and their initial findings, published in September 2013, indicate that the preferred delivery model will be to introduce SFIS as a single organisation within the DWP. This recommendation and request for funding will be put forward to the Treasury shortly and it is likely that the new arrangements will be implemented during 2014/15. In practice, this means:
  - The investigation of Housing Benefit and Council Tax Benefit fraud will move to the DWP.
  - The investigation of Local Council Tax Support, Housing Fraud and Council Tax Discount Fraud will remain with Local Authorities.
  - The amendment of Housing Benefit and Council Tax Benefit claims will remain with Local Authorities.
  - The calculation and recovery of any Housing Benefit and Council Tax Benefit overpayments will remain with Local Authorities.
5. The next phase of the DWP project will be to understand the impacts on Local Authority staff, services and budgets. The Council will continue to monitor progress and take action accordingly as part of the wider corporate project relating to Welfare Reform.

### Number of Investigations

6. The Local Authority benefits investigations team has continued to be fully staffed since the last report. A summary of referrals received for the first 6 months of 2013/14, compared to the previous year, is summarised below:

**Table 1 - Number of Benefits Fraud Cases Investigated**

	Full Year 2012/13	April to Sept 2013
<b>Number of Referrals:</b>		
Investigations brought forward from previous year	259	82
New Referrals to the investigations team in the year	692	240
<b>Total cases to Investigate</b>	<b>951</b>	<b>322</b>



	Full Year 2012/13	April to Sept 2013
<b>Sources of New Referrals:</b>		
Housing Benefits Matching Service (DWP)	410	108
Benefit officers	95	36
Anonymous callers (Not via fraud hotline)	80	38
Website via online form	33	19
Anonymous letters	17	4
Housing Department	16	6
Council Tax Section	12	6
Visiting Officer	7	7
Other Local Authority	6	4
Fraud Hotline (Dedicated telephone number)	5	3
Department for Work and Pension (DWP)	4	4
Other Departments	4	2
Fraud Officers	2	3
Police	1	0
National Fraud Initiative (NFI)	0	0
Cases yet to be classified	0	0
<b>Total</b>	<b>692</b>	<b>240</b>
<b>Completion of Investigations:</b>		
Referrals rejected for investigation	162	51
Referrals yet to risk score	0	0
Investigations completed	707	181
Investigations C/FWD	82	90
<b>Total cases to Investigate</b>	<b>951</b>	<b>322</b>

## Findings and Sanctions

7. From the 181 cases investigated this year, there were 35 cases where abuse was found, as summarised in the table below. This also shows that 30 sanctions were applied.

**Table 2 - Conclusions from Benefit Fraud Cases Investigated**

	Full Year 2012/13	April to Sept 2013
<b>Conclusion from Investigation</b>		
Investigations completed	<b>707</b>	<b>181</b>
Files closed – No abuse found or unproven	646	146
Files closed - Abuse found	61	35
<b>Sanctions Applied</b>		
<b>Prosecutions</b>	20	6
<b>Formal Cautions</b>	9	5
<b>Administration Penalties</b>	4	19
No sanction was applied (usually for social reasons, such as elderly or infirm, or insufficient evidence to support caution or prosecution)	28	5
<b>Total Files closed - Abuse found</b>	<b>61</b>	<b>35</b>

## Prosecutions

8. As summarised above the team has achieved 6 successful prosecutions in the financial year. The details of the cases are summarised below:

**Table 3 - Outcomes from Benefit Fraud Cases PROSECUTED in the last 6 months**

Case Ref	Benefits Involved	Nature of the Fraud	Value of FBC overpayment (DWP overpayment)	Sentence (All found guilty)	Fine/Costs
1861	Housing Benefit (HB) & Council Tax Benefit (CTB) (Employment and Support & Job Seekers Allowance)	Undeclared work	<b>£12,717</b> HB <b>£3,908</b> CTB (£20,902)	12 month custodial sentence suspended for 18 months and 250 hours unpaid work	None
16718	Housing Benefit & Council Tax Benefit	Undeclared changes in circumstances	<b>£13,474</b> HB <b>£2,044</b> CTB	12 month community order and 150 hours unpaid work	£285 costs £60 victim surcharge
15599	Housing Benefit & Council Tax Benefit	Undeclared work	<b>£9,455</b> HB <b>£1,906</b> CTB	12 month community order with 200 hours of unpaid work	£50 costs £60 victim surcharge
19832	Housing Benefit & Council Tax Benefit	Undeclared partner	<b>£8,817</b> HB <b>£888</b> CTB	None	£280 fine, £285 costs and £15 victim surcharge
8023	Council Tax Benefit (Pension Credit)	Undeclared partner and undeclared work	<b>£1,525</b> CTB (£8,432)	None (overpayments repaid in full before court hearing)	Fine of £80 for each prosecuting authority £20 victim surcharge £80 costs
18284	Housing Benefit & Council Tax Benefit	Undeclared changes in circumstances	<b>£5,737</b> HB <b>£1,115</b> CTB	12 month community order with 80 hours unpaid work	£100 costs £60 victim surcharge

## Redress

9. As well as the sanctions applied above, action is taken to recover any overpayments that have occurred due to fraud. The total value of Housing Benefit for the cases where abuse has been found to date in 2013/14 has been calculated as **£55,931**. This includes the overpayments billed for any other prosecutions currently with a legal team awaiting a court date. The total value of Council Tax Benefit overpayments found in the last six months, calculated to April 2013, was **£10,355**. There is currently no facility provided by the software supplier to extract fraudulent overpayment amounts for Local Council Tax Support from April 2013.
10. The total of repayments of Housing Benefit collected in the last 6 months for all cases due to fraud was **£19,126**, recovered from 81 cases.

## Interesting Cases Prosecuted

### 11. Claim 1861

An investigation commenced following receipt of a joint working request from the Department for Work and Pensions (DWP). It was alleged that the claimant was working for a local care home since January 2005, which had not been declared to FBC or the DWP. This was confirmed and employment details obtained from the employer. The claimant's partner was claiming and receiving Job Seekers Allowance and Employment and Support Allowance for both of them and he also had not declared his partner's earnings. During the interview under caution he stated that he knew he should have told FBC and DWP of this income but after it had gone on for so long it had become more and more difficult to tell us. He knew he was receiving money to which he was not entitled and accepted he was dishonest in his actions.

His DWP benefits were withdrawn and Housing Benefit and Council Tax Benefit were recalculated taking into account the earnings, resulting in a substantial overpayment.

### 12. Claim 16718

An investigation commenced after large overpayments of Housing and Council Tax Benefit were caused by a failure to declare significant changes in income. Information received from H. M. Revenues and Customs notified showed that the claimant's child tax credits had changed considerably and that the claimant had had a baby. Checks with the claimant were made and revealed that she had also received Statutory Maternity Pay and started receiving Working Tax Credit, none of which had been declared to FBC. Details of wages were obtained from 2008 to date and showed an increase from approx £8,124 per annum to a high of £16,788 per annum.

During the interview under caution the claimant confirmed that she was aware and understood that if her income increased then her benefits would decrease. However, she stated that she did not feel that this was correct in her case because the only reason her income was higher was because she worked overtime and was contracted to work 20 hours.

Due to the size of the overpayment and the substantial changes that had not been declared, the case was prosecuted.

## WHISTLE-BLOWING CASES

13. No cases of serious concern have been raised by an employee during 2013/14 to date and no employee has felt it necessary to raise concerns outside the organisation.

## OTHER INDIVIDUAL FRAUD CASES

14. There have been 8 new suspicions of other types of fraud raised in the last 6 months through various means, including the new 'report-it' channels. These are in addition to any frauds identified from bulk proactive reviews or data matching exercises. The cases cover the following types of fraud and may be dealt with by various teams in the Council:

**Table 4 – Nature of Other New Cases raised in the last 6 months**

Type of Fraud	Number of Cases
Housing	2
Disabled Parking Badges	2
Council Tax	1
Procurement	1
Elections	1
Banking	1

15. Since the last report 4 cases of abuse have been concluded. These are listed below with the outcomes to date:

**Table 5 – Cases where Abuse Concluded**

Type of Case	Abuse Concluded	Outcomes
Housing Fraud	Tenant not using council property as primary residence.	Keys handed back and new tenant placed in property by homelessness team.
Council Tax Fraud	Bogus notification of resident at a property, known to have attempted a refund fraud at another council.	Person removed from council tax account to prevent fraudulent payments being made. Details fed to Action Fraud by the other council.
Election Fraud	Bogus request received to be added to the electoral roll at a property where the person is not resident.	Case referred to the Electoral Commission single point of contact. Name removed from the register.
Building Control Enforcement	26 contraventions of Building Regulations on works done on behalf of the home owner.	£5,200 fine for the breaches. £18,400 compensation to the home owner. £4,540 costs to Fareham Borough Council, and a £15 victim surcharge.

## NATIONAL FRAUD INITIATIVE

16. The National Fraud Initiative (NFI) is a data matching exercise which is run every 2 years, with Council Tax and Electoral Roll data matched in the intervening years. The last sets of matches were released in January 2013. Table 6 shows the progress made on clearing the matches since the last report.

**Table 6 - 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
2011/12	Council Tax	484	97 (20%)	86 (18%)

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
2012/13	Benefits	1076	855 (80%)	206 (19%)
	Creditors	219	1 (0%)	0
	Housing Rents	19	3 (16%)	3 (16%)
	Payroll	12	0	0
	Right to Buy	5	0	0
	Residents Permit	2	new	0
	TOTAL	1333	859 (65%)	209 (16%)

17. Of the matches cleared to date, 1 more council tax single person discount, totalling £180, has been removed. The creditor payment fraud previously reported has since been found not to be a duplicate payment so has been removed from the figures.
18. The full cumulative findings from the NFI are summarised below:

**Table 7 - Fraud Cases Identified by NFI to date**

Data Type	Nature of Fraud	Number and Value of Frauds					
		2008/9	2009/10	2010/11	2011/12	2012/13	2013/14
<b>Councils Tax Single Person Discount</b>	Undeclared second adult living at property	<b>109</b> (£81,510)	<b>28</b> (£17,997)	N/A	<b>7</b> (£4,216)	N/A	<b>8</b> (£4,396)
<b>Councils Tax Single Person Discount</b>	Child at property reaching 18 and not declared	<b>21</b> (£6,410)	<b>15</b> (£651)	N/A	<b>1</b> (£20)	N/A	<b>1</b> (£20)
<b>Housing Benefits~</b>	Non declared earnings or pension of adult at the property (e.g. holder of an alcohol licence)	<b>24</b> (£47,076)	N/A	<b>8</b> (£20,834)	N/A	0	N/A
<b>Residents Permit*</b>	Non return of permit from deceased holder	0	N/A	0	N/A	<b>2</b>	N/A
<b>Creditors*</b>	Duplicate invoice submitted and paid	<b>3</b> (£7,901)	N/A	<b>5</b> (£6,229)	N/A	0	N/A
<b>TOTAL</b>		<b>157</b>	<b>43</b>	<b>13</b>	<b>8</b>	<b>2</b>	<b>9</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. ~The fraud value for these includes errors.

## USE OF RIPA POWERS

19. There have been 3 authorisations granted under the Regulation of Investigatory Powers Act 2000 (RIPA) for the six months between 1 April 2013 and 30 September 2013 as summarised in Appendix 1.

## RISK ASSESSMENT

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

## **CONCLUSION**

21. Fraud referrals for investigation continue to be received and handled by the relevant investigation team.

### **Appendices**

Appendix 1 - Authorisations for use of RIPA (April 2013 – September 2013)

**Background Papers:** None

**Reference Papers:** None

### **Enquiries:**

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

## Authorisations for use of RIPA (April 13 to September 13)

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	02/07/13	Head of Revenues and Benefits	Benefit Fraud - Undisclosed income	Surveillance	08/07/13	63	Surveillance cancelled as inconclusive
2	04/07/13	Head of Revenues and Benefits	Benefit Fraud - Undeclared partner	Surveillance	08/07/13	76	Evidence obtained that crime or disorder MAY BE occurring
3	01/08/13	Head of Revenues and Benefits	Benefit Fraud - Undeclared partner	Surveillance	05/08/13	84	Still in Progress

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# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date**                    **25 November 2013**

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

**Subject:**              **PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND REVISED  
INTERNAL AUDIT CHARTER**

#### **SUMMARY**

This report informs the Audit and Governance Committee of the introduction of the new Public Sector Internal Audit Standards. As part of this work we have updated the Internal Audit Charter in accordance with the new requirements.

#### **RECOMMENDATION**

The Committee approves the revised Internal Audit Charter, attached as [Appendix B](#) to this report.

## INTRODUCTION

1. This report brings for member approval, a revised Internal Audit Charter which conforms to the requirements of the new Public Sector Internal Audit Standards (PSIAS).

## CHANGES TO THE AUDIT STANDARDS

2. The Accounts and Audit Regulations 2011 require Councils to “*undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the **proper practices** in relation to internal control*”.
3. Previously, the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice for Internal Audit in Local Authorities in the United Kingdom was recognised as the “proper practices” under this regulation and the Head of Internal Audit’s Annual Report included an assessment of our level of compliance with this Code each year.
4. The new Public Sector Internal Audit Standards (PSIAS) came into effect on 1 April 2013 and are now cited by CIPFA, on clarification with the Department of Communities and Local Government, as being the recognised ‘proper practices’ from 2013/14.
5. The Standards reaffirm the importance of robust, independent and objective internal audit arrangements to provide Audit Committees and Senior Management with the key assurances they need to support them both in managing the organisation and in producing the Annual Governance Statement.
6. They are intended to produce consistency in the professionalism, quality and effectiveness of internal audit across the whole public sector. They also encompass the mandatory elements of the Global Institute of Internal Auditors International Professional Practices Framework. (IPPF)

## REVIEW OF CONFORMANCE

7. Appendix A lists the subjects covered by the new Standards. There are 104 in total. Most of the content within the Standards is a continuation and further development of existing best practice.
8. The Internal Audit and Assurance team in liaison with the Audit Contractor are carrying out a self-assessment of their conformance to the standards which will feed into the Head of Audit’s Annual report in June 2014.

## INTERNAL AUDIT CHARTER

9. The current charter was adopted in 2006 and is a support document to Financial Regulation 11 – Audit Arrangements. A new version has been produced to meet the requirements of the new standards, as attached as [Appendix B](#).
10. In particular the standards require the charter to:
  - (a) recognise the mandatory nature of the standards;
  - (b) define the purpose, authority and responsibility of the internal audit activity;
  - (c) define the terms ‘board’ and ‘senior management’ for the purposes of the internal audit activity;
  - (d) establish the audit activity’s position within the organisation, including the Head of

Audit's functional reporting relationship with the board;

- (e) define the nature of assurance services provided to the organisation;
- (f) define the scope of internal audit activities including the nature of consulting services and the role in fraud-related work;
- (g) authorise access to records, personnel and physical properties relevant to the performance of engagements;
- (h) cover the arrangements for appropriate resourcing;
- (i) cover the arrangements for avoiding conflicts of interests.

11. The standards also require the charter to be approved by the 'board'.

### **RISK ASSESSMENT**

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

### **CONCLUSION**

13. The update of the Audit Charter will strengthen the framework in which the annual audit plans are developed each year and will improve the service's compliance with its governing practices.

#### **Appendices:**

Appendix A – Structure of the Public Sector Internal Audit Standards

Appendix B – Proposed New Internal Audit Charter 2013 ([Separate Attachment](#))

**Background Papers:** None

#### **Reference Papers:**

Chartered Institute of Public Finance and Accountancy (CIPFA) 2013 – Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards.

Report to Audit Committee on Audit Strategy and Charter on 11th April 2006

#### **Enquiries:**

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

## STRUCTURE OF THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

<b>1</b>	<b>Definition of Internal Auditing</b>
<b>2</b>	<b>Code of Ethics</b>
	<b>Standards</b>
<b>3</b>	<b>Attribute Standards</b>
1000	Purpose, Authority and Responsibility
1100	Independence and Objectivity
1200	Proficiency and Due Professional Care
1300	Quality Assurance and Improvement Programme
<b>4</b>	<b>Performance Standards</b>
2000	Managing the Internal Audit Activity
2100	Nature of Work
2200	Engagement Planning
2300	Performing the Engagement
2400	Communicating Results
2500	Monitoring Progress
2600	Communicating the Acceptance of Risks

# FAREHAM

## BOROUGH COUNCIL

### INTERNAL AUDIT CHARTER

#### 1. Introduction

This Charter sets out the purpose, authority and responsibility of the Internal Audit activity at Fareham Borough Council. It is the support document (14) to Financial Procedure Rule 11 which stipulates the Council's main Internal and External Audit arrangements.



This Charter will be reviewed periodically by the Head of Audit and Assurance and presented to the Audit and Governance Committee for final approval.

#### 2. Mandatory Requirements

The requirement for an Internal Audit function in local government is contained within the Accounts and Audit (England) Regulations 2011, which states that a relevant body must:

*'undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.*

The standards for 'proper practices' are currently laid down in the Public Sector Internal Audit Standards which were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) for use in local government with effect from 1 April 2013.

These comprise of the '*Definition of Internal Auditing*', the '*Code of Ethics*' and the '*Standards*' and CIPFA's '*Local Government Application Note*'.

The Accounts and Audit Regulations 2011 also require that larger relevant bodies, '*at least once in each year, conduct a review of the effectiveness of its internal audit*'.

#### 3. Definition of Internal Audit

Internal Audit is defined in the Public Sector Internal Audit Standards as:

*'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.*

## 4. Purpose of Internal Audit

Fareham Borough Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.

Internal Audit plays a vital role in assisting officers and members in the effective discharge of their responsibilities, by advising the Council that these arrangements are in place and operating effectively.

This is achieved through the Internal Audit service providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

The Internal Audit Service is not responsible for:

- Managing the risks of the Council.
- Establishing and maintaining systems of internal control.
- Determining operational policies.
- Ensuring the prevention or detection of fraud and irregularity.

## 5. Roles and Responsibilities

The Council has defined the following individuals and bodies referred to in the Public Sector Internal Audit Standards (PSIAs) as follows:

Terminology in PSIAs	Meaning in PSIAs	Who in FBC
<b>The Board</b>	The governance group charged with independent assurance on the adequacy of the risk management framework, the Internal control environment and the integrity of financial reporting.	Audit and Governance Committee
<b>Senior Management</b>	Those responsible for the leadership and direction of the Council.	Chief Executive's Management Team
<b>Chief Audit Executive</b>	A person in a senior position responsible for effectively managing the Internal Audit activity in accordance with the Internal Audit Charter and the Public Sector Internal Audit Standards.	Head of Audit and Assurance
<b>Internal Audit Activity</b>	The internal audit activity at FBC is provided jointly by an in-house team and an external partner, with the latter primarily responsible for the delivery of the audit plan of assignments. The <b>Audit Contract Manager</b> is the designated lead officer from the external partner.	

### 5.1 Responsibility of the Audit and Governance Committee with regards to Internal Audit

The Audit and Governance Committee is responsible for approving any revisions to the Internal Audit Charter and monitoring the effectiveness of the Internal Audit activity. It is also responsible for endorsing the Internal Audit Strategy and Annual Plan of work, and the independence of the Internal Audit Service.

During the course of the financial year, progress reports of internal audits carried out, with their outcomes, are reported to the Committee. In particular these highlight any audits given limited or no assurance. The Audit and Governance Committee assists with monitoring that adequate attention is given by management to address any significant deficiencies in internal controls found.

## **5.2 Responsibility of the Statutory Chief Finance Officer**

In accordance with the CIPFA Statement on the Role of Chief Finance Officer, this post holder is required to ensure that an effective internal audit function is resourced and maintained. This will include reviewing the Internal Audit Strategy and Annual Plan of work.

## **5.3 Responsibilities of Auditors - Due Professional Care**

Internal Auditors should perform work with due professional care, competence and diligence. Internal Auditors cannot be expected to identify every control weakness or irregularity but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review.

Internal Auditors should apprise themselves of the '*Definition of Internal Auditing*', the '*Code of Ethics*' and the '*Standards*' and work in accordance with them in the conduct of their duties.

Internal Auditors will have a continuing duty to develop and maintain their professional skills, knowledge and judgement based on appropriate training, ability, integrity, objectivity and respect.

Internal Auditors should be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money and failure to comply with management policy. They should ensure that any suspicions of fraud, corruption or improper conduct are promptly reported to the Head of Audit and Assurance.

Internal Auditors should treat the information they receive in carrying out their duties as confidential. There should be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information gained in the course of Internal Audit work should not be used for personal gain.

## **6. Relationship with External Auditors**

An effective collaboration between Internal Audit and the external auditors is required to help ensure effective and efficient audit coverage and resolution of issues of mutual concern.

The Head of Audit and Assurance, the Audit Contract Manager and External Audit Manager should meet periodically to: plan the respective internal and external audits; discuss potential issues arising from the external audit; and share significant issues arising from audit work.

## **7. The Status and Authority of Internal Audit**

### **7.1 The Head of Audit and Assurance**

The Head of Audit and Assurance reports directly to the Statutory Chief Finance Officer and, through the post-holder, to the Audit and Governance Committee.

The Head of Audit and Assurance also has direct access and the freedom to report to all Senior Management including the Chief Executive Officer, who chairs the Chief Executive's Assurance Group. The Head of Audit and Assurance also has direct access to the Council's Monitoring Officer where matters arise relating to legality and standards.

Where it is considered necessary to the proper discharge of the Internal Audit function, the Head of Audit and Assurance is granted direct access to the Chair and Vice-Chair of the Audit and Governance Committee.

The Head of Audit and Assurance and Audit Contract Manager have the freedom to suggest the subject priorities for the Internal Audit service, which will be submitted for agreement with the Statutory Chief Finance Officer and approval of the Audit and Governance Committee.

## **7.2 Authority and Right of Access to Records, Assets, Personnel and Premises**

Internal Audit have a right of access to all premises, documents, and property belonging to the Council or its key partners, where necessary for the proper performance of their duties.

Internal Audit also have the authority to obtain such information and explanations as it considers necessary in the fulfilment of its responsibilities.

Access rights apply to the partner auditors as permitted through the associated contract and partnering arrangements and in agreement with the Head of Audit and Assurance. Right of access to other bodies funded by the Council should be set out in the conditions of funding.

Further powers are afforded to the in-house Internal Audit and Corporate Fraud teams during an investigation, as laid out in Financial Procedure Rule 11.

## **8. Independence and Objectivity**

Internal Auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice.

Internal Auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that Internal Auditors do not subordinate their judgement on audit matters to others.

To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, the following arrangements will be put in place, in addition to the status given to the audit service outlined above:

The Head of Audit and Assurance and the Audit Contract Manager will be a member of a professional accountancy or auditing body.

The majority of planned assurance work will be carried out by the auditors of the external partner who are not employees of the council.

The Internal Audit Service will not have any executive or operational responsibilities.

Auditors will not audit an activity for which they have previously had responsibility or an operational role until at least 12 months have elapsed. The also applies when undertaking consultancy work covering the activity.



All lead auditors will be required to sign up to an individual independence, ethics and confidentiality agreement and declare any conflicts they may have in potential audit assignments. These will be taken into consideration when audits are assigned. Additional arrangements may also be in place within the partner audit organisation.

An individual auditor will not be solely responsible for the same audit assignment for more than 3 consecutive audits.

If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to Statutory Chief Finance Officer and the Audit and Governance Committee. The nature of the disclosure will depend upon the impairment.

## 9. Scope of Internal Audit Activities

### 9.1 The Annual Opinion

The Head of Audit and Assurance is responsible for the delivery of an Annual Audit Opinion and report which can be used by the Council to inform its Annual Governance Statement.



The annual opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The opinion given will be based on reasonable and not absolute assurances and will include any limitations to scope affecting the opinion.

Internal Audit's remit extends to the entire control environment of the organisation. The approach is determined by the Head of Audit and Assurance and will depend on the maturity of the risk and governance arrangements at the council, the significance of the objectives under review to the organisations success, the risks inherent in the achievement of objectives and the level of assurance required that controls are well designed and operating as intended.

### 9.2 Risk Based Audits

Audit work intended to provide an individual audit assurance opinion will be undertaken using the risk based approach. This identifies the risks and controls associated with the achievement of defined business objectives and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives.

### 9.3 Recommendation Management

Where significant weaknesses are found in risk based audits, and action plan will be agreed with the managers of the service. The Internal Audit service will maintain a record of these which will be used to inform future audits.

An important element of Audit work will be to provide assurance to management and members as to whether Audit recommendations have been successfully implemented. This will be by way of annual surveys to service management for self-assessments of audit verification of implementation during assignments or specific follow up reviews.

## **9.4 Specific Assurances**

Additional coverage may be added to the work of the service, on agreement with Senior Management, to give assurances on specific aspects of the governance framework, such as the level of policy compliance or strength of counter fraud controls.

## **9.5 Other Activities under the Wider Role of Internal Audit**

### *Risk Management*

The wider Audit and Assurance team play an active role in supporting the risk management process at the Council by maintaining the risk management policy and leading on the corporate monitoring and reporting processes.

In order to maintain independence, assurance on the adequacy of the council's risk management arrangements cannot be undertaken by an auditor involved in this activity and cannot be directed by the Head of Audit and Assurance.

### *Annual Governance Statement*

The Head of Audit and Assurance takes an active role in ensuring that the Annual Governance Statement is produced by the Chief Executive's Assurance Group and approved by the Audit and Governance Committee, in accordance with best practice and within the required timescales. The post-holder also leads on maintaining appropriate documentation of the Governance Assurance framework and keeping records of the work carried in conducting the annual review of arrangements.

In order to maintain independence, assurance on the adequacy of the council's Annual Governance Statement process cannot be directed by the Head of Audit and Assurance.

### *Referred Control Issues and System Breakdowns*

The Audit and Assurance team play an active role in identifying themes arising from audit assurance work, which would benefit from corporate action, such as those that are cross cutting in nature or which little progress is being made on addressing. These will be referred to the Statutory Chief Finance Officer or the Chief Executives Management Team.

Where a failure in a council system has been identified the internal audit service may be instructed to establish the reason and impact of the failure and assist the service in developing an action plan to prevent future recurrence.

### *Consulting Services*

The Internal Audit Service may also provide consultancy services such as advice on the design and implementation of a new system or process. Any significant consulting activity not already included in the Annual Plans and which might affect the level of assurance work undertaken will be reported to the Statutory Chief Finance Officer and the Audit and Governance Committee for approval.

## **9.6 Role of Internal Audit in Fraud-Related Work**

The Head of Audit and Assurance is also responsible for the delivery of the Corporate Counter Fraud Strategy work and delivery of corporate investigations.

The Internal Audit activity assists the Counter Fraud activity in the following ways:

Promoting an anti-fraud, anti-bribery, anti-corruption culture which aids prevention and detection.
Ascertaining the effectiveness of fraud prevention controls and detection processes.
Bringing to the Head of Audit and Assurance's attention any irregularities identified during the course of audit work which may be the result of fraud or corruption.
Providing specialist skills and knowledge to assist irregularity investigations.
Providing assurance that any remedial actions required as a result of an investigation have been implemented

## 10. Assurance Services provided to External Parties

The Internal Audit service examines internal control and risk management processes for the Portchester Crematorium Joint Committee in accordance with the locally approved agreement.

Audits of services carried out in partnership with Gosport Borough Council are delivered jointly with or alternately by the Gosport Borough Council Audit Section to avoid duplication.

## 11. Reporting

### 11.1 Reports to the Top of the Organisation

The Head of Audit and Assurance and/or the Audit Contract Manager will provide the following reports to the top of the organisation:

	Audit and Governance Committee	Chief Executive's Assurance Group	Statutory Chief Finance Officer	Individual Senior Managers
Internal Audit Charter	YES		YES	
Internal Audit Strategy and Annual Plan	YES		YES	Discussions on content
Quarterly Progress Reports of Findings	YES		YES	Full end of assignment reports
Annual Audit Report and Opinion	YES	YES		
Corporate themes arising from audit activity		YES		
Conformance with the Standards and the results of the Quality Assurance and Improvement Programme	YES	Significant non conformances	YES	

### 11.2 Individual Assignment Reports

A report will be issued for each planned assignment for the appropriate Senior Manager. A summary of this information will be included in the quarterly progress reports to the Audit and Governance Committee.

Internal Audit reports are subject to the Freedom of Information Act and as such can be requested by **external** parties. These must be released within the statutory timescale but only after liaison with the Head of Audit and Assurance and Director of the service concerned. This is to ensure that any *exempt* information has been removed, where considered necessary.

Internal Audit reports and working files can be released to external auditors on the authorisation of the Head of Audit and Assurance, Audit Contract Manager or Statutory Chief Finance Officer.

Internal Audit reports can only be released **internally** to the Statutory Chief Finance Officer or the supervisor, Head of Service or Director of the service being audited. The release of the report to anyone else internally requires the authorisation of either the Statutory Chief Finance Officer, Head of Service or Director of the service concerned.

Audit working files and records can only be released internally on authorisation of the Head of Audit and Assurance or Audit Contract Manager.

## **12. Resourcing of the Audit Activity**

The Statutory Chief Finance Officer should provide the Head of Audit and Assurance with the resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the Internal Audit opinion.

The Internal Audit Budget is reported to the Executive and Full Council for approval annually, as part of the overall Council budget. The Audit and Governance Committee approve the allocation of the available resources in the form of the proposed Audit Strategy and Annual Plan for the year.

The Head of Audit and Assurance should ensure that the Internal Audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the Audit Strategy and Audit Plan.

During the year, if the Head of Audit and Assurance or the Audit and Governance Committee believe that the level or nature of available resources will sufficiently limit the scope or coverage of the internal audit activity they will advise the Statutory Chief Finance Officer accordingly.

# FAREHAM

## BOROUGH COUNCIL

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

**Date**                    **25 November 2013**

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

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

#### **SUMMARY**

This report reviews the current Work Programme 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 2013/14**

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 to date.
3. There have been 2 changes made to the programme since last time which are as follows:
  - (a) the full Annual Review of Contract Procedure Rules due in November will now be postponed to the June meeting next year. This is to allow any changes identified from the System Thinking work to be incorporated;
  - (b) the updated Internal Audit Strategy has been delayed to the March meeting to allow the work on this to be completed. However, a large proportion of the Strategy document is now contained in the new Internal Audit Charter which will be presented at the November meeting.

## **TRAINING**

4. The annual training session on Treasury Management is scheduled for the November Audit and Governance Committee and will be delivered by our Treasury Advisors, Capita Asset Services.

## **RISK ASSESSMENT**

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

## **CONCLUSION**

6. The work programme in place is appropriate to meet the responsibilities of the Committee.

**Appendices:** [Appendix A](#) – Committee Current Work Programme for 2013/14

**Background Papers:** None

**Reference Papers:** Minutes of and reports to Audit and Governance Committee for the Municipal Year 2013/14

### **Enquiries:**

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

## AUDIT AND GOVERNANCE COMMITTEE CURRENT WORK PROGRAMME 2013/14 as at November 2013

Committee Function and Report Subject		Frequency	Last Reviewed	June 2013	September 2013	November 2013	March 2014
<b>COMMITTEE WORKING ARRANGEMENTS</b>							
Review of Work Programme and training plan		Quarterly	2012-13	Completed	Completed	Completed	YES and Annual Report
Review of the Functions of the Committee		3 yearly	2012-13				
Review of the Constitution		As needed	New			Completed	
<b>ETHICAL FRAMEWORK AND STANDARDS</b>							
Standards of Conduct	<b>Review of Code of Conduct for Members</b>	As needed	2012-13				YES
	Review of member / officer protocol	As needed	2008-09				
	<b>Overview of Complaints against the Council</b>	Annual	2012-13		Completed		
Member Training and Development	<b>Review of Members Training and Development and Determination of Programme</b>	Annual	2012-13				YES
<b>GOVERNANCE FRAMEWORK</b>							
Framework	Local Code of Corporate Governance	2 yearly	2012-13				
	<b>Annual Governance Statement</b>	Annual	2012-13		Completed		
Key Policy	<b>Review of Financial Regulations</b>	3 yearly	2012-13	Completed		Completed	YES
	<b>Review of Contract Procedure Rules</b>	3 yearly	2012-13			Postponed to June 2014	
	<b>Implementation of Treasury Management Policy and Strategy</b>	Annual	2011-12			Completed	
Risk Management	Policy and Strategy	3 yearly	2012-13				
	<b>Risk Management Progress Reports</b>	6 monthly	2009-10		Completed		YES
	<b>Business Continuity</b>	2 yearly	2011-12				YES – postponed from September
	Specific Risk Management topics	As needed	None				
Counter Fraud	<b>Benefits Anti-Fraud and Corruption Policy</b>	As needed	2011-12	Completed			

Committee Function and Report Subject		Frequency	Last Reviewed	June 2013	September 2013	November 2013	March 2014
	<b>Counter Fraud Policy and Strategy</b>	3 yearly	2009-10			Completed – Policy only	
	Anti-Bribery Policy	As needed	2011-12				
	<b>Sanctions and Redress Policy</b>	3 yearly	2008-09				<b>YES</b>
	<b>Counter Fraud Strategy Progress</b>	6 monthly	2012-13	Completed		Completed	
	<b>Counter Fraud Investigation Progress</b>	6 monthly	2012-13	Completed		Completed	
<b>INTERNAL AUDIT ASSURANCE</b>							
	<b>Internal Audit Strategy</b>	3 yearly	2006-07			Completed – Charter only	<b>YES – Strategy (new)</b>
	<b>Contractor Internal Audit Annual Plan</b>	Annual	2012-13				<b>YES</b>
	<b>Contractor Quarterly Audit Reports</b>	Quarterly	2012-13	Completed	Completed	Completed	<b>YES</b>
	<b>Head of Audit's Annual Opinion</b>	Annual	2012-13	Completed			
<b>EXTERNAL ASSURANCE</b>							
	<b>External Audit Fee Letter</b>	Annual	2012-13				<b>YES</b>
	<b>External Audit Plan</b>	Annual	2012-13	Completed			
	<b>External Auditor's Annual Audit Letter</b>	Annual	2012-13			Completed	
	<b>Annual Certification Report</b>	Annual	2012-13				<b>YES</b>
	Specific reports from external audit and inspection agencies	As needed	2011-12 (RIPA)				
<b>STATEMENT OF ACCOUNTS</b>							
	<b>Statement of Accounts</b>	Annual	2012-13		Completed		
	<b>External Audit Report to those charged with Governance</b>	Annual	2012-13		Completed		
<b>OTHER</b>							
	Updates on legal issues	As needed	2012-13				
	Issues referred from the Chief Executive Officer, Directors and Other Council Bodies	As needed	None				



# FAREHAM

## BOROUGH COUNCIL

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

**Date**                    **25 November 2013**

**Report of:**            **Director of Regulatory and Democratic Services**

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

#### **SUMMARY**

This report proposes changes to Part Four of the Constitution - Standing Orders with Respect to Meetings, following a review undertaken by the Head of Democratic Services.

#### **RECOMMENDATION**

That the Audit and Governance Committee considers the updated Standing Orders with Respect to Meetings and recommends any comments or further amendments before consideration by the Executive and adoption by the Council.

## **INTRODUCTION**

1. The Head of Democratic Services has undertaken a review of the Council's Standing Orders with Respect to Meetings and is now consulting the Audit and Governance Committee on the suggested updates before making final recommendations to the Executive via the Scrutiny Board.
2. The Council may then make changes to the Constitution and the Standing Orders with Respect to Meetings after consultation with the Scrutiny Board and the Executive as per Standing Order 62.1 – Variations and Revocations of Standing Orders.

## **BACKGROUND**

3. As part of the implementation work following the Localism Act 2011, the Head of Democratic Services has undertaken a complete review of the Council's Constitution and will be recommending updates for each chapter and section of the Constitution which has been affected by recent legislative changes. The first section to be considered for update is the Standing Orders with Respect to Meetings as it has an effect on all of the Council's committee and panel meetings.
4. The current Standing Orders with Respect to Meetings were adopted in April 2007 and have subsequently been amended on four separate occasions (December 2008, April 2009, May 2010 and August 2011).

## **PROPOSED CHANGES**

5. This review 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.
6. The following key changes have been incorporated into the document:
  - (a) all references to the Standards Committee have been removed;
  - (b) additional and amended wording is highlighted in bold text and underlined (for ease of reference);
  - (c) where applicable, cross-references to other parts of the Council's Constitution have been entered;
  - (d) spelling, typing and formatting errors have been corrected; and
  - (e) wording amended throughout to ensure the use of plain English.

## **RISK ASSESSMENT**

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

## **CONCLUSION**

8. The proposed changes contained in the document at Appendix A are put to the Audit and Governance Committee for comment. The changes will also be reviewed by the

Scrutiny Board on 21 November and the Executive on 2 December before being submitted for approval by the Council on 12 December 2013.

**Appendix A:**            [Revised Standing Orders with Respect to Meetings](#)

**Background Papers:**   None

**Reference Papers:**    Constitution; Standing Orders with Respect to Meetings  
                                 Localism Act 2011

**Enquiries:**

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

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# **FAREHAM**

## **BOROUGH COUNCIL**

### **STANDING ORDERS**

**WITH RESPECT**

**TO**

**MEETINGS**



**5 April 2007**

*Amended : Dec 2008*

*Further amended: April 2009*

*Further amended wef 13 May 2010*

*Revised October 2013*

## STANDING ORDERS WITH RESPECT TO MEETINGS

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## FAREHAM BOROUGH COUNCIL

### STANDING ORDERS WITH RESPECT TO MEETINGS

#### INTRODUCTION

- i. A local authority is permitted, but not required, by the Local Government Acts 1972 **and 2000**, to make Standing Orders for the regulation of its proceedings and business.
- ii. Such Standing Orders are for the purpose of establishing and maintaining the orderly conduct of meetings. The form and operation of the Standing Orders are under the control of the Council and may be worded to regulate meetings in the manner that the Council wishes. Apart from matters referred to in paragraph 4 below, there is no statutory requirement to provide Standing Orders in any particular form or for them to contain specific provisions. However, the Council is required by law to include its Standing Orders in its written Constitution.
- iii. Once Standing Orders have been established, however, failure to comply with them could, in some circumstances, render a decision void or subject to legal challenge. Further, it could be maladministration to do so. Except for those requirements mentioned at paragraph 4 below, the Council may rescind, suspend, waive, or vary Standing Orders in accordance with the procedures contained in them.
- iv. The Council is required by law to include in its Standing Orders the following:
  - (a) Provisions as to the Appointment of Chief Officers and other Statutory Officers;
  - (b) Provisions with regard to Disciplinary Action in respect of the Head of the Paid Service and other Statutory Officers.

These matters are contained in separate Standing Orders with respect to the Appointment, Dismissal and Discipline of Employees. (ref Part 4: Ch 2 of Constitution)

- v. The Appendix to these Standing Orders is for information only and does not form part of the Standing Orders themselves. Certain procedures of the Council are, however, prescribed by Statute (Local Government Acts 1972 and 2000).
- vi. These Standing Orders have been approved by the Council and are written in a form to enable members to identify the procedures to be followed in relation to any point or matter.

**NOTE:** This introduction does not form part of Standing Orders and is explanatory only.

## PART I

### ANNUAL MEETING OF THE COUNCIL

#### 1. DATE AND TIME OF MEETING

- 1.1. The Annual Meeting of the Council will be held on the second Thursday of May, subject to any statutory provisions to the contrary. If it cannot be held on that date, it must be held as soon as possible after the second Thursday of May as decided by the Council, or, failing decision by the Council, by the Mayor.
- 1.2. The Annual Meeting of the Council shall be held at 10:30 in the morning or such other time as the Mayor shall decide.

#### 2. ELECTION OF MAYOR

- 2.1. The first formal business shall be the election of a Mayor.
- 2.2. In addition to electing the Mayor at the Annual Meeting, the Council shall elect a Deputy Mayor.

#### 3. APPOINTMENT OF EXECUTIVE LEADER

- 3.1 The Council shall elect or confirm in office a member to act as Executive Leader in accordance with **section 9C(3) Local Government Act 2000**.
- 3.2 The Executive Leader shall be appointed for a term of office as provided for in the Council's Constitution (ref Part 1: Ch 6). The Executive Leader may hold office for more than one term.
- 3.3 The appointment of the Executive Leader may be terminated as provided for in the Council's Constitution (ref Part 3: Ch 7).

#### 4. APPOINTMENT OF EXECUTIVE MEMBERS

- 4.1 **The Executive Leader** shall **announce** the number of members to be appointed as Executive Members to act with the Executive Leader as the Executive under section **9C** of the Local Government Act 2000.
- 4.2 The **Executive Leader** shall **appoint** members to act as Executive Members under Standing Order 4.1.
- 4.3 The Executive Members shall each be appointed for such term of office as is provided for in the Council's Constitution (ref Part 1: Ch 6). The Executive Members may hold office for more than one term.
- 4.4 The appointment of any Executive Member may be terminated as provided for in the Council's Constitution (ref Part 3: Ch 7).

#### 5. DETERMINATION OF AREAS OF EXECUTIVE RESPONSIBILITY

- 5.1 The Executive Leader shall determine the separate areas of responsibility to be

allocated to individual Executive Members in accordance with the Council's constitution.

- 5.2 A decision of the Executive Leader under 5.1 above shall be made in accordance with the Council's procedures for the taking of decisions by individual members of the Executive and a written record provided.

## **6. APPOINTMENT OF SCRUTINY BOARD AND POLICY DEVELOPMENT & REVIEW PANELS**

- 6.1 The Council shall appoint a Scrutiny Board and such Policy Development & Review Panels as are provided for in the Council's Constitution to undertake the functions of overview and scrutiny under **sections 9F and 21** of the Local Government Act 2000 (ref Part1: Ch 7 of Constitution).
- 6.2 The Scrutiny Board and Policy Development & Review Panels shall have the terms of reference and areas of responsibility as the Council approves from time to time in accordance with executive arrangements and the Constitution of the Council.
- 6.3 The Scrutiny Board and the Policy Development & Review Panels shall have such number of members and standing deputies as the Council from time to time appoints. Subject to any statutory provision providing otherwise, no member may be appointed to hold office later than the next Annual Meeting of the Council. This shall not prevent re-appointment to office.
- 6.4 The Council shall appoint the Chairmen and Vice-Chairmen of the Scrutiny Board and of the Panels. **Members of the panel shall be appointed in accordance with the calculations for political balance.**

## **7. APPOINTMENT OF OTHER COMMITTEES**

- 7.1 The Council shall appoint such committees as it is required to appoint under statute **and as it considers necessary to carry out its functions.**
- 7.2 Each Committee appointed under Standing Order 7.1 shall have such number of members and standing deputies as the Council from time to time appoints, subject to any applicable statutory requirements. Subject to any statutory provision providing otherwise, no member of a committee may be appointed to hold office later than the next Annual Meeting. This shall not prevent re-appointment to office.
- 7.3 The Council shall appoint the Chairman and Vice-Chairman of each of the Committees it appoints under Standing Order 7.1. **Members of the panel shall be appointed in accordance with the calculations for political balance.**
- 7.4 Each Committee appointed under Standing Order 7.1 shall have the terms of reference and delegated powers that the Council approves from time to time.

**8. ALLOCATION OF SEATS**

- 8.1 Whenever the Council is either required to review the allocation of seats on committees between political groups or the Council resolves to carry out such a review, the Council must determine the allocation of seats to political groups in a way which best meets the requirements of Section 15 of the Local Government and Housing Act 1989 or other statutory provision.

**9. POLICY FRAMEWORK**

- 9.1 The Council must establish or confirm the plans and strategies that are to comprise the Council's overall policy framework within which the Executive shall operate during the coming year.

**10. OTHER BUSINESS**

- 10.1 The Council shall make appointments to outside bodies other than those appointments which are required by law to be made by the Executive.
- 10.2 Other business shall be conducted, where relevant, in accordance with Part II of these Standing Orders.

## PART II

### MEETINGS OF THE COUNCIL

#### 11. TIME OF MEETINGS

- 11.1 Meetings of the Council for the transaction of general business shall be held during each year on dates set by the Council. Meetings shall be held at 6:00 p.m. unless the Mayor determines otherwise.
- 11.2 Any additional meeting called by the Mayor or by five members of the Council under paragraph 3 of Schedule 12 of the Local Government Act 1972 shall be on the date and at the time the Mayor decides.

#### 12. CHAIRMAN

- 12.1 The Mayor must act as Chairman of the Council and, if present, must preside at meetings of the Council.
- 12.2 If the Mayor is absent, the Deputy Mayor must act as Chairman and shall preside.
- 12.3 If both Mayor and Deputy Mayor are absent from a meeting of the Council, the Council must elect a member to preside.

#### 13. QUORUM

- 13.1 A quorum of the Council is at least one third of the members.
- 13.2 If, after counting the number of members present during any meeting of the Council, the Mayor declares that there is not a quorum present, the meeting must stand adjourned.
- 13.3 The consideration of any business not transacted must be adjourned to a time fixed by the Mayor/Chairman at the time the meeting is adjourned, or, if he/she does not fix a time, to the next ordinary meeting of the Council.

#### 14. ORDER OF BUSINESS

- 14.1 Except for variations allowed under Standing Order 65, the order of business at ordinary meetings of the Council shall be:
- (a) Prayers;
  - (b) To choose a person to preside in the absence of both the Mayor and Deputy Mayor;
  - (c) To approve as a correct record and sign the minutes of the last meeting of the Council;
  - (e) To deal with any business expressly required by statute to be done;
  - (f) Mayor's announcements;

- (g) Executive Leader's announcements;
- (h) Executive Members' announcements;
- (i) Declaration of Interests;
- (j) Presentation of Petitions;
- (k) Reception of Deputations;
- (l) To dispose of business (if any) remaining from the last meeting;
- (m) To receive, consider and answer questions on reports and recommendations of the Executive and of the Scrutiny Board or other Committees of the Council and minutes of Committees of the Council;
- (n) To answer questions asked under Standing Order 17.2;
- (p) To consider motions in the order in which notice has been received; and
- (q) Other business, if any, specified in the summons.

#### **Variation of Order of Business**

14.2 The Order of Business may be varied:-

- (a) By the Mayor at his/her discretion.
- (b) By a resolution passed on a motion properly moved and seconded. Such a motion shall be moved and put without discussion.

### **15. MOTIONS**

#### **Notices of Motion**

- 15.1 Except for motions under Standing Order 16, written notice must be given of each motion to be moved at the meeting of the Council. Such written notice may be given by electronic means provided that S.O.15.2 is complied with as to signature.
- 15.2 Each notice must be signed by the member or members of the Council giving the notice **unless sent electronically, then it must be sent from the lead member's Fareham e-mail account.**
- 15.3 Each notice must be delivered at least **seven** clear working days before the next meeting of the Council, at the office of the Chief Executive Officer. The Chief Executive Officer must date each notice and number the notices in the order received. Motions shall be listed on the agenda in the order in which notice was received. The notices received must be retained and be open to the inspection of every member of the Council.
- 15.4 If notice is given of a motion which, in the opinion of the Chief Executive Officer is

illegal, irregular or improper it shall not be accepted. In the event of non-acceptance, the Chief Executive Officer shall immediately inform the member giving notice.

### **Motions to be Set Out in Summons**

- 15.5 The summons for every meeting of the Council must have set out in it the properly notified motions, in the order in which they have been received.

### **Motion Not Moved**

- 15.6 If a motion set out in the summons is not moved either by a member who gave notice of it or by another member on his/her behalf it must, unless postponed by consent of the Council, be treated as withdrawn and cannot be moved without fresh notice.

### **Automatic Reference to the Executive or to a Committee**

- 15.7 If the subject matter of any properly notified motion comes within the terms of reference or functions of the Executive or of a committee of the Council it must, on being formally moved and seconded, stand referred without discussion to the Executive or the relevant committee. The Executive or committee to which the motion has been referred shall consider the motion and report back to the Council provided that, before considering a motion that has been referred to it, the Executive must consult with the Scrutiny Board

If a motion is referred by the Council to the Executive, via the Scrutiny Board, the decision of the Executive shall not be subject to the call in procedure for Executive decisions, under the Council's Constitution.

If the Mayor considers it appropriate, he/she may allow the motion to be dealt with at the meeting at which it is moved and he shall inform the proposer accordingly before the meeting.

For the purposes of clarification, a decision upon an Executive function, arising from a Motion to Council, may not be taken by the Council unless it would contravene the Policy framework or be outside or not fully in accordance with the approved budget (in which case the Executive has no power to make it).

### **Scope of Motions**

- 15.8 Every motion must be directly relevant to some matter in relation to which the Council has powers or duties or which affects the economic, social or environmental well-being of the Borough of Fareham or any of its inhabitants. For the purposes of this Standing Order, Council shall be deemed to include the Executive.

## **16. NOTICE NOT REQUIRED**

- 16.1 The following motions and amendments may be moved without notice:

(a) Appointment of a Chairman of the meeting.

- (b) Motions relating to the accuracy of the minutes.
- (c) That an item of business specified in the summons shall have precedence.
- (d) Reference to a committee or to the Executive.
- (e) Appointment of a committee or members thereof, prompted by an item mentioned in the summons to the meeting.
- (f) Receipt of reports and recommendations of the Executive, committees of the Council or officers and of minutes of Committees of the Council and any consequent resolutions.
- (g) That leave is given to withdraw a motion.
- (h) Extending the time limit for speeches.
- (i) Amendments to motions.
- (j) Motion to exclude the public under Section 100A(4) of the Local Government Act 1972.
- (k) Variation of order of business in accordance with Standing Order 65.
- (l) That a member named under Standing Order 20 be not further heard or must leave the meeting.
- (m) Suspending Standing Orders, in accordance with Standing Order 69
- (n) Removing the confidentiality from any item on the Council agenda provided that the motion must refer to the confidential item by minute reference number only.
- (o) That the Council proceed to the next business.
- (p) That the question is now put.
- (q) That the debate is now adjourned.
- (r) That the Council now adjourn.

## **17. QUESTIONS**

- 17.1 A member of the Council may ask the Executive Leader, Executive Members or the Chairman of a committee of the Council any question on an item contained in the recommendations or reports of the Executive or of a committee or minutes of a committee when those reports, or recommendations or minutes, are under consideration by the Council.
- 17.2 A member of the Council may:-



- (a) If **seven** clear working days' notice in writing has been given to the Chief Executive Officer, ask the Mayor or the Executive Leader or the Chairman of any committee of the Council any question on any matter **falling within their terms or reference** in relation to which the Council has powers or duties or which directly affects the economic, social or environmental well-being of the Borough of Fareham or any of its inhabitants. For the purposes of this Standing Order, Council shall be deemed to include the Executive.
- (b) With the permission of the Mayor, put to him/her or the Executive Leader or the Chairman of any committee of the Council, any question relating to urgent business **falling within their terms of reference**, of which notice has not been given; but a copy of any such question must, if possible, be delivered to the Chief Executive Officer not later than ten o'clock in the morning of the day of the meeting.

17.3 Every question must be put and answered without discussion, but the person to whom a question has been put may decline to answer. If the member asking a question considers that the reply given requires further clarification, he/she may ask for a further reply. Otherwise no further question may be put except by permission of the Mayor.

17.4 An answer may take the form of:

- (a) a direct oral answer, or
- (b) where the desired information is contained in a publication of the Council, a reference to the publication; or
- (c) a written answer.

## **18. MINUTES**

18.1 The Mayor must put the motion that the minutes of the meeting of the Council held on the.....day of.....be approved as a correct record.

18.2 No discussion shall take place on the minutes, except as to their accuracy, and any question of their accuracy must be raised by motion. If no such question is raised, or if it is raised then as soon as it has been disposed of, the Mayor must sign the minutes.

**18.3 The Mayor shall ask if there are any matters arising upon the approved minutes, pursuant to which any member may ask as to the current position or progress made on any item contained in the approved minutes. The Mayor shall avoid any debate or discussion that could be construed as attempting to change or vary a previous decision and shall not allow any debate or discussion to transgress the statutory rule that only business specified in the Council Summons may be disposed of at a Council meeting. Information provided under this Rule shall not be minuted.**

18.4 Where the next meeting is an extraordinary meeting of the Council called under

paragraph 3 of Schedule 12 to the Local Government Act 1972, the next following meeting of the Council shall be treated as a suitable meeting for the purposes of signing the minutes (in accordance with LGA1972 Sch12 paragraph 41(1) and (2)).

## **19. RULES OF DEBATE FOR COUNCIL MEETINGS**

### **Motions and Amendments**

- 19.1 A motion or amendment may not be discussed unless it has been proposed and seconded. Unless notice has already been given in accordance with Standing Order 15, it must, if required by the Mayor, be put into writing and handed to the Mayor before it is further discussed or put to the meeting.

### **Secunder's Speech**

- 19.2 If he/she then declares his/her intention to do so, a member seconding a motion or amendment may reserve his/her speech until a later period of the debate.

### **Only One Member to Stand at a Time**

- 19.3 When speaking, each member must stand and address the Mayor. If two or more members rise at the same time, the Mayor shall call on one to speak; the other or others must then sit. While a member is speaking the other members shall remain seated, unless rising to a point of order or in personal explanation.

### **Content and Length of Speeches**

- 19.4 A member must direct his/her speech to the question under discussion or to a point of order or to a personal explanation. No speech may exceed five minutes except with the permission of the Council.

### **When a Member May Speak Again**

- 19.5 A member who has spoken on any motion may not speak again whilst it is the subject of debate, except:
- (a) To speak once on an amendment moved by another member;
  - (b) If the motion has been amended since he/she last spoke, to move a further amendment;
  - (c) If his/her first speech was on an amendment moved by another member, to speak on the main issue, whether or not the amendment on which he/she spoke was carried;
  - (d) In exercise of a right of reply given by Standing Order 19.11 or 19.16;
  - (e) On a point of order; or
  - (f) By way of personal explanation.

### **Amendments to Motions**

- 19.6 An amendment must be relevant to the motion and must be either:
- (a) to refer a subject of debate to the Executive or to a committee of the Council for consideration or re-consideration; or
  - (b) to leave out words; or
  - (c) to leave out words and insert or add others; or
  - (d) to insert or add words;

Any omission, insertion or addition of words must not have the effect of negating the motion before the Council.

- 19.7 Only one amendment may be moved and discussed at a time and no further amendment may be moved until the amendment under discussion has been disposed of.

However, the Mayor may permit two or more amendments to be discussed (but not voted on) together if circumstances suggest that this course would facilitate the proper conduct of the Council's business. The Mayor may postpone discussion of an amendment which in his/her view materially changes the meaning of the motion until in his/her opinion members who wish to speak on the motion as proposed have had the opportunity to do so.

- 19.8 If an amendment is lost, other amendments may be moved on the original motion. If an amendment is carried, the motion as amended shall take the place of the original motion and shall become the motion on which any further amendment may be moved.

### **Alterations of Motions**

- 19.9 With the consent of the Council signified without discussion, a member may:
- (a) alter a motion of which he/she has given notice, or
  - (b) with the further consent of his/her seconder, alter a motion which he/she has moved, if (in either case) the alteration is one which could be made as an amendment to it.

### **Withdrawal of Motion**

- 19.10 The mover may withdraw a motion or amendment with the consent of his/her seconder and of the Council. Consent, if given, must be signified without discussion. No member may speak on the motion or amendment after the mover has asked permission for its withdrawal, unless such permission has been refused.

## **Right of Reply**

- 19.11 The proposer of a motion must have a right to reply at the close of the debate on a motion immediately before it is put to the vote.

A member exercising a right of reply shall not introduce a new matter.

If an amendment or reference back is moved, its proposer shall have a right of reply at the close of the debate on it, subject to the proposer of the original motion (who shall not otherwise speak on the amendment) having the final right of reply immediately before that amendment or reference back is put to the Council.

After reply by the proposer of the original motion, a decision shall be taken on that amendment without further discussion or questions asked.

- 19.12 The recommendations, reports or minutes of the Executive, the Scrutiny Board or of a Committee of the Council shall be presented to the Council by the Executive Leader or the Chairman of the meeting concerned or, in his/her absence, by some other member of the Executive or of the committee who was present at that meeting. The Executive Leader, Chairman or other member shall move that the report or minutes be received or that any recommendation be approved and adopted.
- 19.13 After a motion has been proposed under Standing Order 19.12, a recommendation shall be determined by the members present. The Mayor or person presiding at the meeting shall require that the matter subject to debate be debated and disposed of before proceeding to the next motion except where otherwise agreed by the Council or where Standing Order 19.14 applies.
- 19.14 When the Council resolves that two or more motions or amendments shall be considered together, Standing Order No 19.11 shall apply so as to give to each proposer of any such motions or amendments the right of reply. The order specified in Standing Order 19.11 shall apply. The Mayor may direct as to the order in which the various motions and/or amendments are voted on.

## **Motions Which May be Moved During Debate**

- 19.15 When a motion is under debate no other motion may be moved except the following:
- (a) To amend the motion;
  - (b) That a member is not further heard;
  - (c) By the Mayor under Standing Order 21.2 that a member must leave the meeting;
  - (d) That the public be excluded under Section 100A(4) of the Local Government Act 1972;

- (e) That the subject of debate be referred (back) to the Executive or committee of the Council;
- (f) That the Council proceed to the next business;
- (g) That the question is now put;
- (h) That the debate is now adjourned;
- (i) That the Council now adjourns.

### Closure Motions

19.16 At the conclusion of a speech of a member, another member may move without comment, "That the Council proceed to the next business," "That the question is now put", "That the debate is now adjourned," or "That the Council now adjourns," on the seconding of which the Mayor shall proceed as follows:

- (a) **On a motion to proceed to next business:** unless in his/her opinion the matter before the meeting has not been sufficiently discussed, he/she shall first give the mover of the original motion a right of reply, and then put to the vote the motion to proceed to next business;
- (b) **On a motion that the question is now put:** unless in his/her opinion the matter before the meeting has not been sufficiently discussed, he/she shall first put to the vote the motion that the question is now put. If the motion is passed the mover of the original motion shall have a right of reply under Standing Order 19.11 before putting his/her motion to the vote;
- (c) **On a motion to adjourn the debate (or the meeting):** if in his/her opinion the matter before the meeting has not been sufficiently discussed and cannot reasonably be sufficiently discussed on that occasion he/she shall put the adjournment motion to the vote without giving the mover of the motion his/her right of reply on that occasion.

### Points of Order and Personal Explanation

19.17 A member may rise on a point of order or in personal explanation, and shall be entitled to be heard immediately.

A point of order may relate only to an alleged breach of a Standing Order or statutory provision and the member shall specify the Standing Order or statutory provision and the way in which he/she considers it has been broken.

A personal explanation must be confined to:

- (a) some material part of a former speech by him/her which may appear to have been misunderstood in the present debate and must be in order to clarify his/her former speech or to correct such misunderstandings, or

- (b) the correction of facts which concern himself/herself contained in a speech of another member in the present debate.

19.18 The ruling of the Mayor on a point or order or on the admissibility of a personal explanation shall not be open to discussion.

### **Respect for Chair**

19.19 Whenever the Mayor rises during a debate, a member then standing must resume his/her seat and the Council shall be silent.

## **20. MOTIONS AFFECTING PERSONS EMPLOYED BY THE COUNCIL**

20.1 Questions as to the appointment, promotion, dismissal, salary, superannuation or conditions of service of any employee other than a Chief Officer, shall not be the subject of discussion at a meeting of the Council, the Executive, or a Committee or Sub-Committee of the Council other than the Appeals Committee

20.2 If any question arises at a meeting of the Council as to the appointment, promotion, dismissal, salary, superannuation or conditions of service, or as to the conduct of any person employed by the Council, such question may not be the subject of discussion until the Council has decided whether or not the power of exclusion of the public under section 100A(4) of the Local Government Act 1972 shall be exercised. This Standing Order applies also to the Executive or to a committee of the Council to which the Local Government Act 1972 applies by virtue of Sections 100A and 100E of that Act.

## **21. DISORDERLY CONDUCT**

### **Misconduct by a Member**

21.1 If, in the opinion of the Mayor notified to the Council, any member misconducts himself or herself by persistently disregarding the ruling of the Chair or by behaving irregularly, improperly, or offensively, or by wilfully obstructing the business of the Council, the Mayor or any other member may move that the member named be not further heard. If seconded, the motion must be put and determined without discussion.

### **Continuing Misconduct by a Named Member**

21.2 If the member named continues his/her misconduct after a motion under Standing Order 21.1 has been carried the Mayor shall either:-

- (a) move that the member named shall leave the meeting (in which case the motion shall be put and determined without seconding or discussion); or
- (b) adjourn the meeting of the Council for such period as he/she in his/her discretion considers expedient.

## **General Disturbance**

- 21.3 In the event of general disturbance which in the opinion of the Mayor renders the due and orderly dispatch of business impossible, in addition to any other power vested in him/her, the Mayor may, without question put, adjourn the meeting of the Council for such period as he/she in his/her discretion considers expedient.

## **22. DISTURBANCE BY MEMBERS OF THE PUBLIC**

- 22.1 If a member of the public interrupts the proceedings at any meeting the Mayor shall warn him/her/them. If he/she/they continue(s) the interruption, the Mayor shall order his/her/their removal from the Council Chamber. In the case of general disturbance in any part of the Chamber open to the public, the Mayor shall order that part to be cleared and/or the meeting to be adjourned.

## **23. RESCISSION OF PRECEDING RESOLUTION**

- 23.1 No motion to rescind any resolution passed within the preceding six months and no motion or amendment to the same effect as one which has been rejected within the preceding six months, may be proposed unless:
- (a) a member gives notice as required by Standing Order 15; and
  - (b) the notice has been signed by at least six other members.
- 23.2 This Standing Order does not apply to **a decision or** recommendation of the Executive, the Scrutiny Board or of a committee of the Council.
- 23.3 Any motion to rescind a previous resolution of the Council that has been passed within the preceding six months may be dealt with by the Council at the meeting at which it is moved.

## **24. VOTING**

- 24.1 All questions coming or arising before the Council shall be determined by a majority of those members of the Council present and voting. If there is an equality of votes, the person presiding at the meeting shall have a second (or casting) vote.
- 24.2 Members shall vote:
- (a) by show of hands; or
  - (b) by the use of an electronic system of recording votes,
- as the Mayor shall determine on each occasion.
- 24.3 If any member so requests before the vote is taken, the voting on any question shall be by roll call and shall be recorded so as to show how each member present and voting gave his/her vote. The name of any member present and not voting

must also be recorded.

- 24.4 If any member so requires immediately after a vote is taken at a meeting of the Council, there must be recorded in the minutes of the proceedings of that meeting whether that person cast his/her vote for the question or against the question or whether he/she abstained from voting.

## 25. VOTING ON APPOINTMENTS

- 25.1 Where there are more than two persons nominated for any position to be filled by the Council, and of the votes given there is not a majority in favour of one person, the name of the person having the least number of votes shall be struck off the list and a fresh vote shall be taken, and so on until a majority of votes is given in favour of one person.

## 26. MOTIONS ON EXPENDITURE

- 26.1 Any motion or recommendation which is not accompanied by a recommendation of the Executive and which if carried, would materially increase the expenditure on any service or reduce revenue or involve capital expenditure must, when proposed and seconded, be adjourned without discussion to the next ordinary meeting of the Council. The Executive and any committee of the Council affected by the motion must consider and report their view thereon.

## 27. DURATION OF COUNCIL MEETINGS

- 27.1 After a meeting has lasted three hours, the Mayor may direct that only unopposed or formal business shall be proceeded with and any remaining motions shall stand adjourned to a subsequent meeting.

## 28. INTERESTS OF MEMBERS IN CONTRACTS AND OTHER MATTERS

### Pecuniary Interests

- 28.1 If any member of the Council has any **disclosable pecuniary interest or other pecuniary** interest within the meaning of the Council's Code of Conduct for Members in any contract, proposed contract, or other matter, that member must:
- (a) disclose the existence and nature of that interest in accordance with the Council's Code of Conduct for Members; and
  - (b) withdraw from the meeting while the contract, proposed contract, or other matter, is under consideration by the Council unless he has obtained a dispensation from the **Monitoring Officer or can attend in accordance with Part 4 paragraph 5.4 of the Code (i.e. making representations).**

### Personal / Non-pecuniary Interests

- 28.2 If any member of the Council has a personal / **non-pecuniary** interest, within the meaning of the Council's Code of Conduct for Members, in any contract, proposed contract, or other matter, that member must disclose the existence and nature of that interest in accordance with the Council's Code of Conduct for Members.



## **General**

- 28.3 **Any interest under the Council's Code of Conduct for Members** must be declared at or as near as possible to the start of a meeting.
- 28.4 Reference in this Standing Order to the Council shall include the Executive, the Scrutiny Board, a committee, sub-committee or panel of the Council.
- 28.5 The agenda for each meeting of the Council, the Executive, the Scrutiny Board, a committee, sub-committee or panel, must include an item at the beginning allowing for members of the Council to declare interests on any matter(s) under consideration at that meeting.

## **29. BUDGET AND POLICY FRAMEWORK**

- 29.1 The Council will approve the Budget and Policy Framework in accordance with the Budget and Policy Framework Procedure Rules (ref Part 3:Ch 4 of the Constitution).

## PART III

### MEETINGS AND PROCEEDINGS OF THE EXECUTIVE

#### 30. STATUTORY REQUIREMENTS

- 30.1 All meetings and proceedings of the Executive shall be conducted in accordance with the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2012 or any amendment or addition to those Regulations.

#### 31. AREAS OF RESPONSIBILITY

- 31.1 The areas of Executive Responsibility shall be as determined by the Executive Leader and recorded in accordance with Standing Order 5 above.

#### 32. DELEGATION BY THE EXECUTIVE

- 32.1 Where delegation of any function of the Executive is not provided for and allocated in the Council's Constitution and Scheme of Delegations, the Executive Leader may arrange for the discharge of such a function by:

- (a) an individual Executive Member;
- (b) a committee of the Executive; or
- (c) an officer of the Council.

- 32.2 A decision of the Executive Leader under 32.1 above shall be made in accordance with the Council's procedures for the taking of decisions by individual members of the Executive and a written record provided.

- 32.3 Such written record shall include:

- (a) the extent of the authority delegated, including any limitation whether as to time or otherwise; and
- (b) the name of the committee or Executive Member, or the title of the officer to whom the delegation is made.

#### 33. CONDUCT OF EXECUTIVE MEETINGS

##### **Meetings**

- 33.1 The Executive shall meet no less than six times a year. (*Note: see also paragraph 6.4 of Part 1: Chapter 6 of the Council's Constitution*). The Executive shall meet on such dates and at such times and at such location to be agreed by the Executive Leader.
- 33.2 The quorum for a meeting of the Executive, or a committee of the Executive, shall be three.
- 33.3 If the Executive Leader is present at a meeting of the Executive, he/she shall

preside. In his/her absence, the Deputy Leader (if appointed) shall preside, and in the absence of the Deputy Leader, a person appointed to do so by those present shall preside.

- 33.4 At a meeting of a committee of the Executive, those present shall appoint a person to preside.

**Business to be conducted**

- 33.5 At each meeting of the Executive the following business shall be transacted:

- (a) apologies for absence;**
- (b) consideration of minutes of the last meeting;**
- (c) Executive Leader's announcements;**
- (d) declarations of interest;**
- (e) petitions;**
- (f) deputations;**
- (g) matters referred to the Executive (whether by the Scrutiny Board, a Policy Development & Review Panel or by the Council) for consideration by the Executive;**
- (h) matters set out in the agenda for the meeting and which shall indicate which are key decisions and which are not;**
- (i) consideration of reports from the Scrutiny Board or a Policy Development & Review Panel; and**
- (j) other business, if any, specified in the summons.**

- 33.6 All reports to the Executive from any member of the Executive or an officer on proposals relating to the budget and policy framework must contain details of the consultation undertaken, including that with the Scrutiny Board or relevant Review Panel, and the outcome of consultation as appropriate.

- 33.7 Any Executive member may require that an item be placed on the agenda of the next available meeting of the Executive for consideration.

- 33.8 There shall be a standing item on the agenda of each meeting of the Executive for matters referred by the Scrutiny Board. The Chairman or Vice-Chairman of the Scrutiny Board shall be entitled to attend and speak at a meeting of the Executive when a recommendation or report of that Board is being considered.

- 33.9 Any member of the Council may ask the Executive Leader to put an item on the agenda of an Executive meeting for consideration and, if the Executive Leader agrees, the item shall be considered at an appropriate meeting of the Executive. The member asking for the item to be considered shall be invited to attend and

speak at the meeting, whether or not it is a public meeting.

- 33.10 The **Head of Paid Service**, Monitoring Officer and/or the Chief Financial Officer may include an item for consideration on the agenda of an Executive meeting and may require such a meeting to be called in pursuance of their statutory duties.
- 33.11 **Notwithstanding the provisions of this section 33, no matter may be placed on the agenda for an Executive decision or meeting unless it has complied with the requirements of the relevant part of the Constitution in relation to the Access to Information Procedure Rules (Constitution Part 3, Chapter 1), the Executive Procedure Rules (Constitution Part 3, Chapter 2), Forward Plans and Key Decisions (Constitution Part 3, Chapter 3), Decision making by individual members of the Executive and key decisions by Officers (Constitution Part 3, Chapter 5) or Urgent Decisions Outside the Policy Framework and / or Budget (Constitution Part 3, Chapter 6) and the provisions of the Local Authorities (Executive Arrangements)(Meetings & Access to Information) Regulations 2012.**
- 33.12 **Items of business containing exempt or confidential information within the meaning of the Local Authorities (Executive Arrangements)(Meetings & Access to Information) Regulations 2012 may only be added to the agenda following a period of 28 days notice of the item containing exempt or confidential material.**
- 33.13 **Urgent business may only be transacted having complied with Regulations 10 (General Exception) or 11 (Urgency) of the Local Authorities (Executive Arrangements)(Meetings & Access to Information) Regulations 2012. Regulation 10 requires notice to have been given to the Chairman of the Scrutiny Board, or in his absence , every member of the Scrutiny Board at least 5 clear days prior to the date of the decision / decision meeting. Regulation 11 requires the written consent to the matter being urgent having been obtained from the Chairman of the Scrutiny Board, or in his absence, the Chairman of the Authority, or in both of their absence, the Deputy Chairman of the Authority.**

#### **Confidentiality of Proceedings**

- 33.14 The provisions of Standing Order 39, relating to confidentiality of proceedings, shall apply to proceedings of the Executive.

#### **Right to Attend Meetings**

- 33.15 In addition to the rights of members to attend meetings under the Regulations referred to at Standing Order 30, Standing Order 47 (Right for Mover of Motion to Attend Meeting) shall apply to meetings of the Executive.

## PART IV

### COMMITTEES AND SUB-COMMITTEES

#### 34. GENERAL PROCEDURE

- 34.1 In these Standing Orders, the term “Committee” also includes the Scrutiny Board and Policy Development & Review Panels appointed by the Council under Standing Order 6.
- 34.2 The provisions of Standing Orders 34 to 55 shall apply to meetings of all committees and sub-committees of the Council, including the Scrutiny Board, the Policy Development & Review Panels and the Standards Committee.

#### 35. TERMS OF REFERENCE

- 35.1 Each Committee of the Council shall exercise such functions, duties and powers as are allocated or required by statute.
- 35.2 Each Committee of the Council **may also have additional terms of reference and** delegated powers that the Council approves for it from time to time.

#### 36. CHAIRMAN OF COMMITTEE

- 36.1 In the absence from a meeting of the Chairman and Vice-Chairman, a Chairman for that meeting may be appointed from those members of the committee present.

#### 37. RIGHT TO ATTEND MEETINGS

- 37.1 The Mayor **and the Executive Leader** shall ex officio have the right to attend and speak at meetings of all committees of which he or she is not otherwise a voting member.
- 37.2 Each elected member of the Council has a right to attend any meeting of a committee of the Council or any sub-committee thereof, provided that he or she takes no part whatever in the discussions held in the committee or sub-committee except by direct invitation of the Chairman of that committee or sub-committee. Standing Orders 28 (Interests) and 39 (Confidentiality) shall apply to such visiting members.
- 37.3 The Chairman and Vice-Chairman of a committee of the Council ex officio have the right to attend and speak at meetings of every sub-committee appointed by that committee, if the said Chairman or Vice-Chairman is not otherwise appointed as a voting member.

Members of Panels who are co-opted for the consideration of specific business or for a specified period only, such appointment being less than a full municipal year, shall not be entitled to receive copies of reports relating to other business of the Panel containing information which is exempt.

### **38. STANDING DEPUTIES**

- 38.1 When making or terminating appointments of voting members to committees under Standing Order 6 and 7 or to other bodies of the Council under Standing Order 43, each appointing body shall also make or terminate the appointment of such deputies as nominated by political groups.
- 38.2 Each political group may nominate one member to act as deputy for that group for each committee or other body of the Council, with the exception of the Planning Development Control Committee, to which each group may appoint two deputy members, the Scrutiny Board to which each group may appoint such number of deputies as the Council may decide.
- 38.3 In the absence from a meeting of a voting member holding a seat allocated to a political group on a committee or other body of the Council, a deputy appointed under this Standing Order may act as his/her substitute and shall be entitled to attend, speak and vote at the meeting.
- 38.4 A deputy attending at a meeting under Standing Order 38.3 must, before the start of the meeting, advise the Chairman or cause the Chairman to be advised of the member for whom he/she is deputising.
- 38.5 Where a person for whom a member is deputising is appointed Chairman or Vice-Chairman of the committee or body concerned, the deputy shall not be entitled to act in that capacity.
- 38.6 In the case that a deputy is present at and participating in a meeting and the voting member for whom he/she is deputising subsequently also attends, the voting member may not take the place of the deputy. The Chairman of the meeting may invite that member to speak on such items of business as the Chairman considers reasonable. However, that member shall not be entitled to vote.
- 38.7 If a voting member of a committee or other body is present at and participating in a meeting, a deputy may not subsequently take his/her place.
- 38.8 If a meeting at which either a deputy or a voting member has participated is adjourned until a later date, then notwithstanding Standing Orders 38.6 and 38.7, the deputy or voting member may take the place of the other at the resumed meeting provided that such substitution may take place only at the beginning of the resumed meeting.

### **39. CONFIDENTIALITY OF PROCEEDINGS**

- 39.1 Where the public have been excluded from a meeting under any paragraph of Part 1 of Schedule 12A of the Local Government Act 1972, no member of the Council or of a committee or sub-committee (whether elected or co-opted) may disclose (except to another member of the Council) a matter dealt with by or to be brought before the Council, committee or sub-committee, without the permission of the Council or that committee or sub-committee.
- 39.2 Minutes, reports and documents containing exempt or confidential information and

marked as such must be treated as confidential until the member is informed otherwise by the Council. Discussions which have taken place on and verbal reports of officers on exempt or confidential matters must not be disclosed except as specifically approved by the Council.

#### **40. LIMITATION ON EXERCISE OF DELEGATED POWERS**

40.1 The exercise by any committee of the Council, members or officers of the Council of any of the powers and duties from time to time delegated to them are subject to the following limitations and conditions:

- (a) Nothing may be done in pursuance of purported exercise of any such powers and duties which would or might involve any commitment on the part of the Council to capital expenditure required to be financed by way of loan or any other expenditure for which no provision has been made in the approved annual estimates or which would be in excess of any amount so provided.
- (b) In dealing with any matter under delegated powers, effect must be given to any resolution passed by the Council specifically relating thereto and any other general instructions or directions of the Council (or of the Executive or any committee of the Council in the case of powers delegated to an officer) as to the principles to be observed or the policy to be followed in regard to matters of that kind.
- (c) A committee of the Council may not deal with any matter under delegated powers where at least one quarter of the membership of the committee present at the committee meeting requests that a recommendation on the matter be submitted to the Council.
- (d) A sub-committee of the Council may not deal with any matter under delegated powers where at least one quarter of the membership of the sub-committee present at the sub-committee meeting requests that a recommendation on the matter be submitted to the appropriate parent committee.
- (e) Notwithstanding (c) and (d) of this Standing Order, except where required by law, applications for planning permission shall not be considered at a meeting of the full Council but shall be determined by the appropriate Committee of the Council or Sub-Committee.

#### **41. URGENT BUSINESS**

41.1 Urgent business arising at a time when it is inexpedient to await the next scheduled meeting of the relevant committee of the Council shall be dealt with at a special meeting of that committee.

#### **42. SPECIAL MEETINGS OF COMMITTEE**

42.1 The Chairman of a committee may call a special meeting of the committee at any time. A special meeting must also be called on the requisition of at least four members of the committee, delivered in writing to the Chief Executive Officer. The agenda for the special meeting must set out the business to be considered, and no

business other than set out in the agenda may be considered at that meeting.

#### **43. SUB-COMMITTEES**

- 43.1 Every committee appointed by the Council may appoint sub-committees for such specified purposes as they think fit and may make arrangements for such sub-committees to discharge any of the functions of the authority which the committee may discharge.
- 43.2 The number of members and standing deputies to serve on a sub-committee shall be as determined by the relevant committee from time to time, but a sub-committee must have at least three members.
- 43.3 Whenever a committee is required to review the allocation of seats on a sub-committee between political groups or a committee resolves to carry out such a review, the committee must determine the allocation of seats to political groups in a way which may best meets the requirements of Section 15 of the Local Government and Housing Act 1989 or other statutory provision.

#### **44. QUORUM OF COMMITTEES AND SUB-COMMITTEES**

- 44.1 Except where authorised by a statute or ordered by the Council, business may not be transacted at a meeting of any committee unless at least one third of the whole number of the committee is present.

In no case shall less than three members comprise the quorum of a committee.

- 44.2 Subject to Standing Order 44.3 below, except where authorised by statute or otherwise ordered by the committee that has appointed it, business may not be transacted at a sub-committee unless at least one quarter of the whole number of the sub-committee is present.

Subject to Standing Order 44.3 below, in no case shall less than three members comprise the quorum of a sub-committee.

- 44.3 Notwithstanding Standing Order 44.2 above, where a sub-committee comprises only three members as provided in Standing Order 43.2 above, two members shall comprise a quorum of that sub-committee.

#### **45. VOTING IN COMMITTEES AND SUB-COMMITTEES**

- 45.1 All questions coming or arising before a meeting of a committee of the Council, a sub-committee, a relevant joint committee or sub-committee of such a committee, shall be determined by a majority of those members present and voting.

In the case of an equality of votes, the person presiding at the meeting shall have a second (or casting) vote.

- 45.2 The mode of voting at meetings of a committee, a sub-committee, a relevant joint committee or sub-committee of such a committee, shall be by show of hands.



- 45.3 If, immediately after a vote is taken at a meeting of a committee or sub-committee or a relevant joint committee or sub-committee of such a committee, any member of that body requires it, there must be recorded in the minutes of the proceedings of that meeting whether that person cast his/her vote for the question or against the question or whether he/she abstained from voting.

#### **46. STANDING ORDERS TO APPLY TO COMMITTEES AND SUB-COMMITTEES**

- 46.1 The Standing Orders of the Council (except those parts which relate to standing and to speaking more than once), with any necessary modification, apply to meetings of committees of the Council.
- 46.2 Minutes of committees or sub-committees shall be signed, where possible, at the next following meeting or other suitable meeting as appropriate.

#### **47. MOVER OF MOTION MAY ATTEND COMMITTEE OR SUB-COMMITTEE**

- 47.1 A member of the Council who has moved a motion that has been referred to any committee or sub-committee must have notice of the meeting of the committee or sub-committee at which it is proposed to consider the motion. He/she has a right to attend the meeting and if he/she attends must have an opportunity of explaining the motion.

#### **48. SUBMISSION OF ESTIMATES**

- 48.1 Every committee of the Council having power to incur expenditure paid for by local taxation must submit to the Executive not later than the first day of February an estimate, in a form approved by the Council of the proposed expenditure to be recommended by such committee for the ensuing year.
- 48.2 In the event of the Executive referring estimates back to a committee that committee shall consider such reference and submit revised estimates or observations by the first day of March.
- 48.3 A Committee shall, before incurring any expenditure not included in approved estimates, submit to the Executive a supplementary estimate accompanied by a detailed statement in support of the expenditure.

## **OVERVIEW AND SCRUTINY**

### **49. MEETINGS**

- 49.1 There shall be no less than six meetings of each Policy Development and Review Panel and the Scrutiny Board in each year. Notwithstanding this provision, a meeting may be cancelled, with the consent of the Chairman, for lack of business.
- 49.2 An extraordinary meeting may be called by the Chairman of the Scrutiny Board or relevant Chairman of a Policy Development and Review Panel or by the Chief Executive Officer, if he/she considers it necessary or appropriate.

### **50. REVIEW PANELS**

- 50.1 The Scrutiny Board may appoint such sub-committees as it thinks fit to assist in its scrutiny functions.

### **51. WORK PROGRAMME**

- 51.1 The Scrutiny Board and the Policy Development & Review Panels shall be responsible for setting their own work programmes and in doing so shall take into account the wishes of all members on the Board or Panel, as appropriate.

### **52. PROCEDURE**

- 52.1 The Scrutiny Board shall consider the following business at each meeting:
- (a) minutes of the last meeting;
  - (b) declarations of interest;
  - (c) consideration of any matter referred to the Board in relation to call in of a decision of the Executive;
  - (d) the business otherwise set out on the agenda for the meeting.
- 52.2 The Policy Development and Review Panels shall consider the following business at each meeting:
- (a) minutes of the last meeting;
  - (b) declarations of interest;
  - (c) consideration of any matter referred to the Board in relation to call in of a decision of the Executive;
  - (d) the business otherwise set out on the agenda for the meeting.

### **53. SUBMISSION OF ITEMS FOR AGENDA**

- 53.1 Any member of the Scrutiny Board or a Policy Development and Review Panel shall be entitled to have an item relevant to the functions and terms of reference of the Board or Panel, as appropriate, included on the agenda for

the next available meeting.

- 53.2 Any member of the Council who is not a member of the Scrutiny Board or relevant Policy Development and Review Panel shall be entitled to refer to the Board or Panel, as appropriate, any local government matter which is relevant to the functions and terms of reference of that Board or Panel.

*(Note: A "local government matter" is defined as one which relates to the discharge of any function of the authority, affects all or part of the electoral area for which the member is elected, or any person who lives or works in that area, and which is not an "excluded" matter. An excluded matter is one relating to a planning or licensing decision, one which relates to an individual or entity where there is already a right to review or appeal, or one which is vexatious, discriminatory or not reasonable.)*

- 53.3 If the Scrutiny Board or Policy Development and Review Panel should decide not to exercise its powers to review a matter, it shall notify the member of its decision and reasons for it.

#### **54. ATTENDANCE BY OTHERS**

- 54.1 In scrutinising or reviewing decisions made or action taken in connection with the discharge of any function of the Council, the Scrutiny Board or relevant Policy Development & Review Panel may require any Executive Member (including the Executive Leader) and/or any senior officer to attend before it to explain in relation to matters with their remit:

- (a) any particular decision or series of decisions;
- (b) the extent to which the actions taken implement Council policy; and/or
- (c) their performance

and it is the duty of those persons to attend if so required.

- 54.2 Where any member or officer is required to attend the Scrutiny Board or a Policy Development and Review Panel under Standing Order 54.1, the Chairman of the Board shall inform the Chief Executive Officer. The Chief Executive Officer shall inform the member or officer in writing giving at least five working days' notice of the meeting at which he/she is required to attend. The notice shall state the nature of the item on which attendance is required and whether any papers are required to be produced for the Board. Where the account to be given to the Board shall require the production of a report, then the member or officer shall be given sufficient notice to allow for preparation of that documentation.
- 54.3 Where, in exceptional circumstances, the member or officer is unable to attend on the required date, then the Scrutiny Board or Panel shall in consultation with the member or officer concerned arrange an alternative date for attendance.
- 54.4 The Scrutiny Board or Policy Development and Review Panel may invite people other than those referred to in Standing Orders 53.1 and 53.2 to address it, discuss issues of local concern, and/or and answer questions.

## PART V

### GENERAL MATTERS AND EFFECT OF STANDING ORDERS

#### 55. ALLEGATIONS OF MISCONDUCT

- 55.1 Where there is an allegation of misconduct, or conduct which amounts to breach of the Council's Code of Conduct for Members, by a member of the Council, such allegation must be dealt with in accordance with procedures approved by the **Audit & Governance Committee**.

#### 56. DEPUTATIONS

- 56.1 Deputations shall be heard by the Council, a meeting of the Executive, a Committee of the Council, the Scrutiny Board or a Policy Development & Review Panel as appropriate in accordance with such scheme(s) as the Council may from time to time approve.

- 56.2 (Note: See Appendix for current Schemes)

#### 57. INTERESTS OF OFFICERS IN CONTRACTS

- 57.1 The Chief Executive Officer must record particulars of any notice given by an officer of the Council under Section 117 of the Local Government Act, 1972 of a pecuniary interest in a contract and the record must be open during office hours to the inspection of any member of the Council.

#### 58. INSPECTION OF DOCUMENTS BY MEMBERS

##### **General**

- 58.1 For the purpose of his/her duty as a member of the Council or as a member of a committee or sub-committee:
- (a) A member may inspect any document which is in the possession of, or under the control of the Council, which contains material relating to any business to be transacted at a meeting of a committee or sub-committee to which the Local Government Act 1972 applies. However, the right does not apply if the appropriate proper officer is of the opinion that a document discloses certain classes of exempt information described in Paragraphs 1-6, 9, 11, 12 and 14 of Part 1 of Schedule 12A to that Act **or is prohibited from disclosure by virtue of the Data Protection Act 1998.**
  - (b) A member may have access to documents in the possession of the Council:
    - (i) which relate to the work of the committee or sub-committee on which that member serves;
    - (ii) which relate to the work of a committee or sub-committee on which he/she does not serve if the member can show good reason;
    - (iii) a member who is denied access to documents by a chief officer may refer the matter to the **Chief Executive Officer who may consult with the Mayor**. In the event of continued dispute, the

matter shall be determined by the committee concerned **having regard to any relevant legal advice that may, in the opinion of the Chief Executive Officer, be required to be brought to the attention of the committee.**

- (ii) a chief officer shall so far as is practicable and lawful, supply on request a copy of any document asked for by a member of the Council.

### **The Executive**

- 58.2 Members shall have, as a minimum, all of the rights of inspection to documents of the Executive, as are provided by the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations **2012** or any supplementary or amending legislation.
- 58.3 Further to the provisions in Standing Order 58.2, any member may inspect and be provided with a copy of any document that is in the possession of, or under the control of, the Executive which:
- (a) contains material relating to any business to be transacted at a public meeting of the Executive,
  - (b) contains material which relates to a key decision made by an officer in accordance with executive arrangements.
- 58.4 The rights referred to in Standing Order 58.3(a) shall include material relating to exempt information except where the appropriate proper officer is of the opinion that a document discloses exempt information as described in paragraphs 1-6,9,11, 12 and 14 of Part I of Schedule 12A to the Local Government Act 1972, **is prohibited from disclosure under the Data Protection Act 1998**, or if the Chief Executive Officer is of the opinion that there would be a disclosure of advice provided by a political assistant or adviser.

### **Legal Privilege**

- 58.5 Standing Orders 58.1 and 58.3 shall not preclude the Solicitor to the Council from declining to allow inspection of any document which is or, in the event of legal proceedings would be, protected by privilege arising from the relationship of Solicitor and Client.

## **59. RECORDING OF PROCEEDINGS BY THE MEDIA**

- 59.1 **Audio and visual recordings of a meeting of the Council, the Executive, Committees and other Council bodies by a recognised media organisation shall normally be permitted following receipt of a request to the Mayor or Chairman of the relevant meeting. The Mayor or Chairman shall advise members that the meeting is being recorded. A request to record a meeting shall only be refused if the Mayor or Chairman of the meeting believes recording would disrupt the meeting and/or following a motion to refuse a recording request being passed by a two-thirds majority of those members present and voting at the meeting.**

**60. INSPECTION OF LAND, PREMISES, ETC**

- 60.1 Unless specifically authorised to do so by the Council, the Executive or a committee of the Council, a member of the Council may not issue any order in respect of any works which are being carried out by or on behalf of the Council. He/she may not claim by virtue of his/her membership of the Council any right to inspect or to enter on any lands or premises that the Council has the power or duty to inspect or enter.

**61. FINANCIAL REGULATIONS, ETC**

- 61.1 The Executive, the Scrutiny Board, Policy Development & Review Panels, committees, members and officers of the Council must observe such Financial Regulations and Contract Procedure Rules as are from time to time prescribed by the Council (ref Part 4: Ch 3 of the Constitution).

**62. VARIATIONS AND REVOCATIONS OF STANDING ORDERS**

- 62.1 Unless it has been considered by the Executive and the Scrutiny Board (or such other committee or sub-committee with powers delegated to it in this respect) no resolution may be passed which has the effect of adding to varying or revoking these Standing Orders.
- 62.2 No Standing Order made or modified in pursuance of the Local Authorities (Standing Orders) Regulations 1993 or such other statutory provision shall be varied other than authorised by statute.

**63. STANDING ORDERS TO BE GIVEN TO MEMBERS**

- 63.1 The Chief Executive Officer must provide each member of the Council with a copy of these Standing Orders, and of such statutory code or local code as regulates the proceedings and business of the Council.

**64. EACH MEMBER TO GIVE AN ADDRESS FOR NOTICES**

- 64.1 Every member of the Council must give to the Chief Executive Officer an address to which all notices to that member are to be forwarded until he/she gives another address. Notices sent to the address so given shall be deemed valid and sufficient for all purposes.

**65. INTERPRETATION OF STANDING ORDERS**

- 65.1 The ruling of the Mayor as to the construction or application of any of these Standing Orders, or as to any proceedings of the Council, may not be challenged at any meeting of the Council.

**66. SUSPENSION OF STANDING ORDERS**

- 66.1 Subject to Standing Order 65.2 of this Standing Order, any of the preceding Standing Orders may be suspended so far as regards any business at the meeting where its suspension is moved.

- 66.2 A motion to suspend Standing Orders may not be moved without notice (i.e. under Standing Order 16) unless at least one-half of the whole number of the members of the Council are present.

## APPENDIX ONE

**SCHEME FOR DEPUTATIONS TO COUNCIL, EXECUTIVE, SCRUTINY BOARD, POLICY DEVELOPMENT AND REVIEW PANEL, COMMITTEE AND SUB-COMMITTEE MEETINGS (other than Planning Committee and Licensing Panels)**

1. Notice of a proposed Deputation, which shall be given in writing, shall be lodged with the Head of Democratic Services no later than by noon two working days before the day of the meeting and:
  - (a) in the case of a meeting of the full Council, shall be addressed to the Mayor
  - (b) in the case of a meeting of the Executive, shall be addressed to the Executive Leader
  - (c) in the case of a Panel, Committee or Sub-Committee of the Council, shall be addressed to the chairman of the relevant Panel, Committee or Sub-Committee.
2. A notice shall give brief details of the subject on which a Deputation wishes to be heard.
3. A Deputation to the Executive, a Committee, the Scrutiny Board or a Review Panel shall be entitled to address the meeting only on a matter which forms the subject of an item for discussion on the agenda for that meeting.
4. A Deputation to a meeting of the full Council shall be entitled only to address members on matters concerning functions and powers of the Council.
5. **Subject to this Council Procedure Rule, the Head of Democratic Services shall consider requests for deputations in accordance with the following:**
  - (a) **where the issue is the subject of a deputation considered by the Council within the previous six months, the deputation may not normally be entertained by the Council;**
  - (b) **where the issue is not before the Council and has not been resolved upon in the previous six months, the request shall be placed on the agenda for that Council meeting and the Council shall be asked if it is willing to receive the deputation. When a deputation has been received by the Council, the Mayor shall refer the matter to the Leader or appropriate Executive Member for a response. With the permission of the Mayor, Members may thereafter comment or ask questions in relation to the Leader or Executive Member's response. Where the Mayor permits such questions or responses to be raised, the Mayor shall allow the Leader or appropriate Executive Member a right of reply;**
  - (c) **where:**
    - i. **the issue is within the terms of reference of a Specialist Committee; or**



- ii. **the issue is or relates to matters of a quasi-judicial nature; or**
- iii. **the issue is defamatory, frivolous or offensive; or**
- iv. **the issue refers to legal proceedings being taken or being anticipated by or against the Council;**
- v. **the deputee has a commercial or financial interest in the issue**

**the deputation may not be entertained and the deputee shall be advised accordingly by the Head of Democratic Services.**

6. Deputations shall be received only from persons/**organisations** who are living or working in the Borough
7. Councillors may not make deputations under this scheme.
8. With the consent of the Mayor, Executive Leader or Chairman, as appropriate, a Deputation may be presented by one person to speak on his, her or its behalf.
9. Subject to the other provisions of this scheme Deputations may be in writing or submitted electronically.
10. Notwithstanding the time limits for Deputations allowed by the Council's Standing Orders (that is, that addresses shall not exceed ten minutes in total for each deputation, this period to include the time taken to read any memorial presented) the total time for receipt of all Deputations at any one meeting shall be thirty minutes. If more than three Deputations are received at a meeting, the time allowed for each shall be reduced accordingly.
11. In relation to meetings of the Executive, the Scrutiny Board, Policy Development & Review Panels or Committees, the item next on each agenda after Apologies for Absence, (election of a Vice-Chairman as required), Minutes, Chairman's Announcements and Declarations of Interests, shall be:-
 

'To receive Deputations of which notice has been lodged'.

If no notice has been lodged or if no Deputation is present to be received, the meeting shall proceed to the next business.
12. In relation to meetings of the full Council, receipt of Deputations shall be timetabled as the Mayor shall decide.
13. Deputations shall not be received at site meetings or at the Annual Meeting of the Council.
14. Arrangements shall be made for a list of Deputations to be circulated to members present at the beginning of each relevant meeting.

**APPENDIX TWO****SCHEME FOR DEPUTATIONS TO MEETINGS OF THE PLANNING COMMITTEE**

1. Notice of a proposed deputation shall be given in writing and shall be lodged with the Head of Democratic Services no later than noon two working days before the day of the meeting.
2. The notice shall specify the application or other matter on which a deputation wishes to be heard and, in the case of an application for planning consent, shall specify whether the deputation is for or against the proposal.
3. A deputation shall be entitled to address the meeting only on a matter which forms the subject of an item for discussion on the agenda for that meeting.
4. Deputations shall be received only from the applicant or his/her professional agent or from persons who are living or working in the Borough. Only one deputation will be accepted per household. (Note : for this purpose "household" will be taken to mean all the persons who usually live in the same dwelling unit and who share living arrangements).
5. Where two or more notices of deputation are received on the same matter, the Council will actively encourage the appointment of a single spokesperson to present the deputation on behalf of all.
6. Subject to the other provisions of this scheme, deputations may be in written form. Any written, photographic or other material to be presented as part of the deputation shall be lodged with the Head of Democratic Services no later than noon two working days before the day of the meeting. With the consent of the Committee, deputees may be permitted to circulate relevant photographs or drawings at the meeting **but no additional written material**. Planning officers will be invited to comment if appropriate on the photographs or drawings circulated.
7. Deputations shall **not** be received at site meetings.
8. Notwithstanding the provisions of Standing Order 57, the time limits for presenting deputations shall be :
  - a. In respect of those speaking in support of an application : a single deputation shall be allocated not more than three minutes; a single spokesperson representing two or more deputees shall be allocated not more than six minutes; in the event that there is more than one speaker, the total time allowed for all speakers shall be six minutes and the time shall be shared equally among them.
  - b. In respect of those speaking against an application : a single deputation shall be allocated not more than three minutes; a single spokesperson representing two or more deputees shall be allocated not more than six minutes; in the event that there is more than one speaker, the total time allowed for all speakers shall be six minutes and the time shall be shared equally among them.
  - c. In respect of those deputations to be made by established amenity groups\* on an issue relevant to their area of interest : a single deputation shall be allocated not more than three minutes; a single spokesperson representing two or more amenity groups shall be allocated not more than six minutes; in the event that there is more

than one speaker, the total time allowed for all speakers shall be six minutes and the time shall be shared equally among them.

*(\* a list of established amenity groups is maintained by the Committee and may be revised periodically at the discretion of the Chairman in consultation with ward members.)*

- d. In respect of deputations on other matters : the total time allocated shall be five minutes for a proposal and five minutes against a proposal when it is appropriate to do so; otherwise the total time allocated shall be five minutes. A single deputation shall be allocated not more than three minutes; a single spokesperson representing two or more deputees shall be allocated not more than five minutes; in the event that there is more than one speaker, the total time allowed for all speakers shall be five minutes and the time shall be shared equally among them.

9. Each agenda for meetings of the committee shall include an item :

“To receive deputations of which notice has been lodged”.

10. The order in which deputations shall be heard shall be arranged by the Head of Democratic Services in accordance with the following practice. If the deputation to be made relates to an application then the order of speakers will be determined by the officers’ recommendation: if the recommendation is for permission, then those speaking in opposition to the application will speak first, then those in support; if the recommendation is for refusal then the order is reversed. On miscellaneous and other matters coming before the Committee, speakers will be heard in the order their deputations are received.
11. Arrangements shall be made for a list of deputations to be circulated to members present at the beginning of each meeting. Where a spokesperson has been appointed to present more than one deputation, the notice shall state for whom the spokesperson is speaking.
12. If a deputee is not present at the meeting when the matter is due to be determined, the Committee shall proceed as if no notice had been given and may determine the matter.

*Scheme adopted Dec 2004 and amended at subsequent meetings. Last updated : **December 2013.***

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