Horsham District Council

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ACCOUNTS, AUDIT & GOVERNANCE COMMITTEE
WEDNESDAY 7TH JANUARY 2015 AT 5.30pm
COMMITTEE ROOM 1, PARK NORTH, NORTH STREET, HORSHAM

Councillors: David Holmes (Chairman)
Gordon Lindsay (Vice-Chairman)
John Bailey
Jim Rae
Roy Cornell
Stuart Ritchie
Leonard Crosbie

Tom Crowley
Chief Executive

AGENDA

		Page No.
1.	Apologies for absence	
2.	To approve as correct the minutes of the meeting of the Committee held on 25th September 2014	1
3.	To receive any declarations of interest from Members of the Committee	
4.	To receive any announcements from the Chairman of the Committee or the Chief Executive	
5.	Annual Audit Letter 2013/14 - ***please see separate appendix***	
6.	Local Government Audit Committee Briefing - ***please see separate appendix***	
7.	Treasury Management Strategy 2015/16	7
8.	Treasury Management Activity and Prudential Indicators Mid-year report 2014/15	25
9.	Internal Audit – Quarterly Update Report	37
10.	Risk Management – Quarterly Update	35
11.	Items not on the agenda which the Chairman of the meeting is of the opinion should be considered as urgent because of the special circumstances	

12. To consider the following exempt or confidential information:

	Reason for exemption	
<u>Report of the Chief Internal Auditor</u>		
Internal Audit – Quarterly Update Report on Audit Follow ups	Paragraph 3	**45**

ACCOUNTS, AUDIT & GOVERNANCE COMMITTEE
25TH SEPTEMBER 2014

Present: Councillors: John Bailey, Roy Cornell, Leonard Crosbie, Gordon Lindsay (Vice Chairman), Jim Rae, Stuart Ritchie

Apologies: Councillor David Holmes (Chairman)

Also present: Paul King, District Auditor, Ernst & Young

AAG/17 MINUTES

The minutes of the meeting held on 26th June 2014 were approved as a correct record and signed by the Vice Chairman.

AAG/18 DECLARATIONS OF INTEREST

There were no declarations of interest.

AAG/19 ANNOUNCEMENTS

There were no announcements.

AAG/20 AUDIT RESULTS REPORT FOR THE YEAR ENDING 31ST MARCH 2014

Paul King, District Auditor from Ernst & Young, presented the Audit Results Report for 2013/14. He explained that there was only one item of note: a corrected misstatement relating to the classification of a provision but that this did not affect the net worth of the authority.

The Auditor advised that the audit is now complete and the Whole of Government Accounts 2013/14 audit should be complete by 26th September 2014. He anticipated an unqualified audit opinion and conclusion that the Council had made proper arrangements to ensure economy, efficiency and effectiveness of its resources. It was noted that the Auditors had received no questions or objections from members of the public.

It was also noted that the actual audit fee was in line with the audit plan.

The Committee thanked the Council’s Finance staff for their outstanding work which resulted in such a good Audit Results Report.

RESOLVED

That the report be noted.

AAG/21 **LETTER OF REPRESENTATION 2013/14**

The Director of Corporate Resources submitted the letter of representation to the External Auditor to Committee for approval.

RESOLVED

That the Letter of Representation be approved and signed by the Director of Corporate Resources and the Vice-Chairman of the Committee.

AAG/22 **STATEMENT OF ACCOUNTS 2013/14**

Statements were presented for 2013/14 on which the District Auditor anticipated issuing an unqualified opinion.

It was commented that Members had had the opportunity to discuss the accounts and ask questions at a workshop held prior to the Committee.

RESOLVED

That the 2013/14 Statement of Accounts be approved.

REASON

There is a statutory duty for the Council to approve the Statement of Accounts each year.

AAG/23 **ANNUAL GOVERNANCE STATEMENT**

The Committee was asked to approve the Annual Governance Statement 2013/14. The Director of Corporate Resources advised that following discussion with the Chairman of the Committee three additional actions numbered 6, 7 and 8 had been included within the action plan since the version presented in June 2014.

RESOLVED

That the Annual Governance Statement for 2013/14 be approved.

REASON

There is a statutory duty for the Council to approve the Annual Governance Statement each year.

AAG/24 **TREASURY MANAGEMENT ACTIVITY AND PRUDENTIAL INDICATORS 2013/14**

The Head of Finance presented a report on treasury management activity and prudential indicators for 2013/14.

The report confirmed that, during 2013/14, the Council had complied with its legislative and regulatory requirements and the statutory borrowing limit (the Authorised Limit) had not been breached.

The report contained details of the Council's external debt and investments and reviewed the economic background to Treasury Management activity in 2013/14.

RESOLVED

(i) That the treasury management stewardship report for 2013/14 be noted.

(ii) That the actual prudential indicators for 2013/14 be noted.

REASON

The annual treasury report is a requirement of the Council's reporting procedures. The report also covers the actual Prudential Indicators for 2013/14 in accordance with the requirements of the relevant CIPFA Codes of Practice.

AAG/25 **INTERNAL AUDIT – QUARTERLY UPDATE REPORT**

The Chief Internal Auditor submitted a report summarising the work of the Internal Audit Department since June 2014.

Four audits have been completed in the period with three being given substantial assurance and one moderate. The audit that received moderate assurance reviewed training and the Chief Internal Auditor commented that this was due to the fact that not all training was being requested and recorded via the training forms. There was also limited induction training for new members of staff. The Vice-Chairman requested that Internal Audit make it clear to managers that it is their responsibility to ensure that the correct training forms are completed as required.

RESOLVED

That the summary of audit work undertaken since June 2014 be noted.

AAG/25 Internal Audit – Quarterly Update Report (cont.)

REASONS

(i) To comply with the requirements set out in the Public Sector Internal Audit Standards 2013.

(ii) The Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

AAG/26 **RISK MANAGEMENT – QUARTERLY UPDATE REPORT**

The Director of Corporate Resources presented the latest quarterly update in respect of the Corporate Risk Register which had been reviewed by SLT in September. It includes the high level corporate risk items.

Members commented that it would be easier to understand if provided in colour and printed as landscape.

RESOLVED

That the updated Corporate Risk Register be noted.

REASON

To ensure that the Council has adequate risk management arrangements in place.

AAG/27 **URGENT MATTERS**

There were no urgent matters to be considered.

AAG/28 **EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED

That, under Section 100A(2) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information, as defined in Part I of Schedule 12A of the Act, by virtue of the paragraph specified against each item, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

AAG/29 **INTERNAL AUDIT – QUARTERLY UPDATE REPORT ON AUDIT FOLLOW UPS (PARAGRAPH 3)**

The Committee considered the detailed information submitted concerning the implementation of agreed actions arising from internal audit reports.

RESOLVED

(i) That the progress of agreed actions implemented since June 2014 be noted.

(ii) That areas of concern highlighted by the Chief Internal Auditor be noted.

The meeting finished at 6.45 p.m. having commenced at 5.30 p.m.

CHAIRMAN

Report to Accounts, Audit and Governance Committee

Date of meeting 7th January 2015

By the Director of Corporate Resources

DECISION REQUIRED

Horsham District Council

Not exempt

Treasury Management Strategy 2015/16

Executive Summary

This report is an annual statutory requirement setting the strategy for treasury management and specific Treasury Management indicators for the financial year 2015/16.

Recommendations

The Committee is recommended to recommend that the full Council:

i) approve the Treasury Management Strategy for 2015/16

ii) approve the Treasury Management Indicators for 2015/16

Reasons for Recommendations

i) The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year

ii) The Department for Communities and Local Government (CLG) issued revised guidance on local authority investments in March 2010 that requires the Council to approve an investment strategy before the start of each financial year

Consultation: Arlingclose Limited
Wards affected: All
Contact Julian Olszowka ext 5310

Background Information

1 Introduction

The purpose of this report

1.1 The Council has significant investments and borrowing which bring with them financial risks including the loss of invested funds and the revenue effect of changing interest rates. It therefore requires an overall strategy as well as sets of practices and procedures to identify, monitor and control those risks. There is a body of statute and other regulation that lays down what a strategy should do. This report sets out a Treasury Management Strategy for 2015/16 that fulfils legal requirement and provides a workable framework for day-to-day operations.

2 Background

Economic background

2.1 The Council's Treasury Management Strategy must take account of expectation of the general economy. The Council receives advice on this from Arlingclose Ltd and Appendix 2 is a commentary by them on the economic background.

2.2 The forecast for the first rise in Bank Rate is 0.25% in Summer/Autumn 2015 with a subsequent 0.25% in early 2016. For the purpose of the budget any new investments are estimated to be on or about the bank rate.

2.3 The Treasury Management environment remains difficult with yields hit by low interest rates and the aftermath of the financial crisis of 2008. Governments and regulators have put in place measures prompted by the crisis. These have prompted a reappraisal of local authorities' strategies across the sector. This year's strategy reflects a modified approach less reliant on single institutions and their credit rating and more reliant on diversification.

Statutory background

2.4 This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the Department for Communities and Local Government Guidance

Relevant Government policy

2.5 The Department for Communities and Local Government (CLG) issued revised guidance on local authority investments in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

Relevant Council policy

2.6 In February 2012 the Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.

3 Current and Position and Projection

3.1 The Council's treasury portfolio at 31st November 2014 was:

Type of investment or borrowing	Principal £m	Interest Rate % Average
Call accounts	6.9	0.44
Money market funds	14.6	0.80
Short-term deposits	8.5	0.67
Total Investments	**30**	**0.68**
Long-term PWLB loans	4	3.38
Total Borrowing	**4**	**3.38**
Net Investments	**26**	

3.2 Treasury management operations work within the context of the Council's balance sheet. Below is the current projected analysis of the balance sheet to illustrate the trajectory of Council funds. It should be noted that the end of year cash balances are usually the low points in the year. The potential £7m loan to Saxon Weald is included at the very end of 2015/16. The projection will be revised as the budget is finalised and a revised table will accompany the final Budget Report 2015/16.

All figures at year-end £m	Actual 13/14	Estimate 14/15	Estimate 15/16	Estimate 16/17	Estimate 17/18
CFR	10.9	12.0	20.4	22.5	25.6
Less external borrowing	4.0	4.0	4.0	4.0	4.0
Internal borrowing	6.9	8.0	16.4	18.5	21.6
Useable reserves, receipts, contributions held	26.2	23.2	31.8	34.0	33.3
Working capital/other bal.	3.6	3.0	3.0	3.0	3.0
Estimated Investments	22.9	18.2	18.4	18.5	14.7

3.3 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's strategy has been to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. The Authority has an increasing CFR due to the capital programme and expects to continue to rely on internal borrowing.

3.4 CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. The table above shows that the Authority expects to comply with this recommendation during 2015/16.

4 Borrowing Strategy

4.1 The Council currently holds a £4m long-term Public Works Loan Board (PWLB) loan, as it did in the previous year, as part of its strategy for funding previous years' capital programmes. The Council's capital financing requirement (CFR, or underlying need to borrow for capital purposes) as at 31st March 2015 is expected to be £12m, and is forecast to rise to £20m by March 2016 as capital expenditure is incurred.

4.2 The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required.

4.3 The Council's borrowing strategy continues to address the key issue of present affordability without compromising the longer-term debt position. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. The Council has only so far borrowed externally following its first unfinanced project of Steyning Health Centre but the underlying need to borrow has been mounting as projects were completed. Effectively the Council has borrowed from its own internal funds sometimes termed internal borrowing.

4.4 The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. The Councils' advisor Arlingclose will assist the Authority with the decision as to whether it will be advantageous to borrow additional sums at long-term fixed rates in 2015/16 with a view to keeping future interest costs low, even if this causes additional cost in the short-term. At the moment the analysis does not indicate that long term borrowing is advisable.

4.5 Before any borrowing the Director of Corporate Resources will consult the Council's advisors on its actual borrowing tactics. The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except West Sussex County Council Pension Fund)
- capital market bond investors
- Local Capital Finance Company and other special purpose companies created to enable joint local authority bond issues.

4.6 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

4.7 The Authority has previously raised its long-term borrowing from the PWLB, but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

4.8 The Local Capital Finance Company was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for three reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; there will be a lead time of several months between committing to borrow and knowing the interest rate payable; and up to 5% of the loan proceeds will be withheld from the Authority and used to bolster the Agency's capital strength instead. Any decision to borrow from the Agency will therefore be the subject of a report to this Committee.

4.8 In addition to any long term borrowing, the Council may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

4.9 Short-term and variable rate loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

4.10 **Debt Rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Some bank lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall saving or reduction in risk.

5 Investment Strategy

5.1 The Council holds significant funds, representing income received in advance of expenditure plus balances and reserves held. In the past year, the Council's total investments have ranged between £21.0m and £42.3m, and although level of reserves is expected to reduce in the longer term there will still be significant short to medium-term cash flow surpluses leading to larger sums being held than the core reserves of the Council would indicate.

5.2 Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

5.3 The Council defines several categories of financial institutions as being of "high credit quality" (as per the CLG Guidance), subject to the monetary and time limits. These are listed below.

Credit Rating	**Banks Unsecured**	**Banks Secured**	**Government**	**Registered Providers**
AAA	£2.5m 5 years	£4m 20 years	£4m 50 years	£4m 20 years
AA+	£2.5m 5 years	£4m 10 years	£4m 25 years	£4m 10 years
AA	£2.5m 4 years	£4m 5 years	£4m 15 years	£4m 10 years
AA-	£2.5m 3 years	£4m 4 years	£4m 10 years	£4m 10 years
A+	£2.5m 2 years	£4m 3 years	£4m 5 years	£4m 5 years
A	£2.5m 13 mons	£4m 2 years	£4m 5 years	£4m 5 years
A-	£2.5m 6 mons	£4m 13 months	£4m 5 years	£4m 5 years
BBB+	£2.5m 100 days	£2.5m 6 months	£4m 2 years	£2.5m 2 years
BBB or BBB-	£2.5m next day only	£2.5m 100 days	£2.5m 1 year	n/a
None	£1m 6 months	n/a	n/a	£2m 1 year
UK Govt	Central govt £unlimited 50 years Local Authority £4m 10 years			
Pooled funds	£5m per fund			

5.4 **Banks Unsecured**: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB or BBB- are restricted to overnight deposits at the Authority's current account bank NatWest plc which is currently rated at BBB+.

5.5 **Banks Secured**: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

5.6 **Building Societies:** Although the regulation of building societies is no longer any different to that of banks the Council takes additional comfort from the building societies' business model. The Council will therefore consider investing with unrated building societies where independent credit analysis shows them to be suitably creditworthy. A minimum asset size of £250m is used to avoid investment with very small societies.

5.7 **Government**: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years and UK local government up to £4m for up to 10 years. The use of foreign government bonds is an addition to the list this year.

5.8 **Pooled Funds - Money Market Funds**: These funds are pooled investment vehicles consisting of money market deposits and similar instruments. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Fees of between 0.10% and 0.20% per annum are deducted from the interest paid to the Authority.

5.9 Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while funds whose value changes (termed variable net asset value) with market prices and/or have a notice period will be used for longer investment periods. In previous years the Council stipulated a AAA-mf rating, however discussion with the Council's advisors have concluded that the rating adds little value as the funds are well diversified and will be vetted by the Council's advisors.

5.10 **Pooled Funds – other than Money Market Funds**: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares, corporate bonds and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee.

5.11 Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

5.12 **Registered Providers:** Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.

5.13 The categories for investment have been reviewed in consultation with Arlingclose in response to the post financial crisis environment. The emphasis has shifted from unsecured bank investments to other sectors and diversified investments. This adds the category of foreign sovereign debt, and pooled investments in bonds, equity and property. These investments add a level of complexity as although capital values are diversified they are "marked to market" and so are volatile although the volatility will not affect the revenue account until the investment is sold. The Council's officers therefore need to thoroughly assess the investment choices with its advisor in order to manage the increased volatility.

5.14 Where banks are used the strategy makes a distinction between secured investments where a bank failure would be covered to a large extent. The rating acceptable for a secured bank investment is therefore lower than for an unsecured investment.

5.15 **Long Term investments**: Projections of the longer term cash flows of the Council indicate there will a flow of developer payments in the next few years that will increase cash balances as they pass through the Council's accounts into relevant schemes. The cash receipt for the Council's offices will also increase long term balances. The long term limit is therefore being raised to £8m.

5.16 **Risk Assessment and Credit Ratings**: The Council uses long-term credit ratings from the three main rating agencies Fitch Ratings, Moody's Investors Service and Standard & Poor's Financial Services to assess the risk of investment default. The lowest available counterparty credit rating will be used to determine credit quality, unless an investment-specific rating is available. Credit ratings are monitored by the Council's treasury advisors, who will notify changes in ratings as they occur.

5.17 Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

5.18 Where a credit rating agency announces that a rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then no investments other than call investments will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

5.19 The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the Council's criteria.

5.20 When deteriorating financial market conditions affect the creditworthiness of all organisations, as in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions.

5.21 If these restrictions mean that insufficient commercial organisations of "high credit quality" are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified and Non-specified Investments

5.22 The CLG Guidance, that the Council must follow, uses the terms "specified" and "non-specified" investments. The guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of "high credit quality".

5.23 The Authority defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

5.24 Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any with low credit quality bodies, nor any that are defined as capital expenditure by legislation, such as company shares.

5.25 Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement and investments with bodies and schemes not meeting the definition on high credit quality. The limits on non-specified investments are shown below. A special category has been added for Money Market Funds to account for the possibility that regulatory change will lead to ratings no longer being used in the sector.

	Cash limit
Total long-term investments	£8m
Total investments without credit ratings or rated below A-	£20m
Total investments with institutions domiciled in foreign countries rated below AA+	£10m
Total Money Market Funds should regulatory changes cause them to lose AAA rating	£20m
Total	£58m

Investment limits

5.25 In order that to reduce risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £4 million. A group of banks under the same ownership or a group of funds under the same management will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below:

	Cash limit
Any single organisation, except the UK Central Government	£4m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£4m per group
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker's nominee account	£20m per broker
Foreign countries	£10m per country
Registered Providers	£8m in total
Unsecured investments with Building Societies	£8m in total
Money Market Funds	£20m in total

Cash flow management

5.26 The Council's officers maintain a detailed cash flow forecast for each coming year revising it as more information is available. This informs the short term investments such as those to cover precept payments. The forecast is compiled on a prudent basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Long term investment strategy is based on the Council's medium term financial plan.

6 Treasury Management Indicators

Security benchmark: average credit rating

6.1 The Council has adopted a security benchmark based on weighted average historic default rates. The benchmark for 2015/16 will be an average credit rating of A-. Unrated investments will be assigned an equivalent rating, while pooled funds under external management will be excluded from the measure.

Liquidity benchmark

6.2 The liquidity benchmark for 2015/16 is a modification of the previous benchmark of a weighted average life between 0.3 and 0.7 years as well as the maintenance of £0.5m overdraft facility. Instead the benchmark, following advice from Arlingclose, will be the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing. For 2015/16 the benchmark amount available is £3m.

Yield benchmark

6.3 The yield benchmark will remain at the 7 day London Interbank bid rate.

Interest rate exposures

6.4 This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as an amount of net principal borrowed are shown below. Fixed rate investments and borrowings are defined here as those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate. Investments count as negative borrowing.

	2015/16	2016/17	2017/18
Upper limit on fixed interest rate exposures	£15m	£15m	£15m
Upper limit on variable interest rate exposures	£0m	£0m	£0m

Maturity structure of borrowing

6.5 This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing are shown below. The Council only has one such debt at present and may have another so will set limits to allow the flexibility to change the terms and maturity date as it sees fit.

	Upper	Lower
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within five years	100%	0%
Five years and within 10 years	100%	0%
10 years and above	100%	0%

Principal sums invested for periods longer than 364 days

6.6 The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2015/16	2016/17	2017/18
Limit on investment over a year	£8m	£8m	£8m

7 **Other Treasury Management issues**

7.1 There are a number of additional items that the Authority is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

Policy on Use of Financial Derivatives

7.2 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

7.3 The Council has no plans to use any financial derivative but in principle it will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they clearly reduce the overall level of risk. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

7.4 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Treasury management advisors

7.5 The Council's treasury management advisor is Arlingclose Limited. Arlingclose provide advice and information on the Council's investment and borrowing activities. However, responsibility for final decision making remains with the Council and its officers. The Director of Corporate Resources in liaison with the Head of Financial Services will monitor the quality of service. The services received include:

- advice and guidance on relevant policies, strategies and reports,
- advice on investment decisions and relevant analysis,
- notification of credit ratings and changes,
- other information on credit quality,
- advice on debt management decisions,
- accounting advice,
- reports on treasury performance,
- forecasts of interest rates, and
- training courses.

Staff training

7.6 The needs of the Council's treasury management staff for training in investment management are assessed annually as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses, seminars and conferences provided by Arlingclose and other expert bodies. Staff are also encouraged to study relevant professional qualifications.

Investment of money borrowed in advance of need

7.7 The Council may, from time to time, borrow in advance of spending need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

7.8 The total amount borrowed will not exceed the authorised borrowing limit. The maximum period between borrowing and expenditure is expected to be two years, although the Council does not link particular loans with particular items of expenditure.

8 Other Courses of Action Considered but Rejected

8.1 The CLG Investment Guidance and the CIPFA Code of Practice do not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Corporate Resources, having consulted the Cabinet Member for Efficiency and Taxation, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below:

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses will be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses will be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs will be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs will be less certain

9 Staffing Consequences

9.1 There are no staffing consequences apart from the need for training.

10 Financial Consequences

10 .1 The budget for investment income in 2015/16 is £0.249m, which equates to an average investment portfolio of £25m at an interest rate of 1%. The budget for debt interest paid in 2015/16 is £0.136m, based on a debt of £4m at an average interest rate of 3.38%.

Appendix 1

Consequences of the Proposed Action

What are the risks associated with the proposal?	Risks such as security of funds, liquidity, interest rate risk are considered in the report.
How will the proposal help to reduce Crime and Disorder?	There are no crime and disorder implications as a result of this report.
How will the proposal help to promote Human Rights?	This report does not infringe human rights or promote convention rights
What is the impact of the proposal on Equality and Diversity? Equalities Impact Assessment attached Yes/No/Not relevant	There are no equality and diversity implications as a result of this report.
How will the proposal help to promote Sustainability?	There are no sustainability implications as a result of this report.

Appendix 2 Economic Background and Interest Rate Forecast

Economic background

There is momentum in the UK economy, with a continued period of growth through domestically-driven activity and strong household consumption. There are signs that growth is becoming more balanced. The greater contribution from business investment should support continued, albeit slower, expansion of GDP. However, inflationary pressure is benign and is likely to remain low in the short-term. There have been large falls in unemployment but levels of part-time working, self-employment and underemployment are significant and nominal earnings growth remains weak and below inflation.

The Bank of England's Monetary Policy Committee's focus has been on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee. Despite two Committee members having voted for an 0.25% increase in rates at each of the meetings from August 2014 onwards, some Committee members have become more concerned that the economic outlook is less optimistic than at the time of the August Inflation Report.

Credit outlook:

The transposition of two European Union directives into UK legislation in the coming months will place the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors. The Bank Recovery and Resolution Directive promotes the interests of individual and small businesses covered by the Financial Services Compensation Scheme and similar European schemes, while the recast Deposit Guarantee Schemes Directive includes large companies into these schemes. The combined effect of these two changes is to leave public authorities and financial organisations (including pension funds) as the only senior creditors likely to incur losses in a failing bank after July 2015.

The continued global economic recovery has led to a general improvement in credit conditions since last year. This is evidenced by a fall in the credit default swap spreads of banks and companies around the world. However, due to the above legislative changes, the credit risk associated with making unsecured bank deposits will increase relative to the risk of other investment options available to the Authority.

Interest rate forecast

The Authority's treasury management advisor Arlingclose forecasts the first rise in official interest rates in August 2015 and a gradual pace of increases thereafter, with the average for 2015/16 being around 0.75%. Arlingclose believes the normalised level of the Bank Rate post-crisis to range between 2.5% and 3.5%. The risk to the upside (i.e. interest rates being higher) is weighted more towards the end of the forecast horizon. On the downside, Eurozone weakness and the threat of deflation have increased the risks to the durability of UK growth. If the negative indicators from the Eurozone become more entrenched, the Bank of England will likely defer rate rises to later in the year. Arlingclose projects gilt yields on an upward path in the medium term, taking the forecast average 10 year PWLB loan rate for 2015/16 to 3.40%. The detail rate forecasts are below.

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Dec-17	Mar-18
Official Bank Rate													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75
Downside risk				0.25	0.25	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00
3-month LIBID rate													
Upside risk	0.05	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.55	0.60	0.65	0.85	1.00	1.15	1.30	1.45	1.60	1.75	1.85	2.05	2.15
Downside risk	0.10	0.15	0.20	0.30	0.40	0.55	0.65	0.75	0.85	-0.95	-0.95	-0.95	-1.00
1-yr LIBID rate													
Upside risk	0.10	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.95	1.00	1.05	1.20	1.35	1.50	1.65	1.80	1.95	2.10	2.20	2.40	2.50
Downside risk	-0.30	-0.35	-0.40	-0.45	-0.50	-0.55	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80	-0.80
5-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	1.70	1.75	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.90	2.95
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.60	-0.65	-0.70	-0.70	-0.70
10-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	2.40	2.45	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	2.95	3.05	3.10
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60
20-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	2.90	2.95	3.05	3.10	3.15	3.20	3.25	3.30	3.35	3.40	3.45	3.50	3.55
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.50	-0.55	-0.55	-0.60	-0.60	-0.60
50-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	3.00	3.05	3.10	3.15	3.20	3.25	3.30	3.35	3.40	3.45	3.50	3.55	3.60
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60

Report to Accounts, Audit and Governance Committee

Date of meeting 7th January 2014

By the Director of Corporate Resources

INFORMATION REPORT

Not exempt

Treasury Management and Prudential Indicators mid-year report 2014/15

Executive Summary

This report covers treasury activity and prudential indicators for the first half of 2014/15. During the period the Council complied with its legislative and regulatory requirements and the statutory borrowing limit, the Authorised Limit, was not breached.

At 30th September 2014 the Council's external debt was £4m (£4m at 31/3/14) and its investments totalled £31.5m (£28.1m at 31/3/14) including call accounts and money market funds.

During the first half of 2014/15 the Council's cash balances were invested in accordance with the Council's treasury management strategy. Interest of £0.1m was earned on investments, an average return of 0.6% (0.9% 2013/14).

Recommendations

The Committee is recommended to:

i) Note the treasury management stewardship report at the mid-year 2014/15
ii) Note the mid year prudential indicators for 2014/15

Reasons for Recommendations

i) This mid year report is a requirement of the Council's reporting procedures
ii) This report meets the requirements of the relevant CIPFA Codes of Practice for Treasury Management and Prudential Indicators in Capital Finance.

Background Papers
"Treasury Management Strategy 2014-15" – A.A.G Committee 5th December 2013
"Budget 2015/16 and Medium Term Financial Strategy" Council 26th February 2014

Consultation: Arlingclose. Council's Treasury management advisors

Wards affected: All **Contact:** Julian Olszowka Ext. 5310

Background Information

1 Introduction

The purpose of this report

1.1 This report covers treasury management activity and prudential indicators for the first half of 2014/15. It meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003. The Code recommends that members are informed of Treasury Management activities at least twice a year.

Background

1.2 In line with the CIPFA Prudential Code for Capital Finance in Local Authorities the Council adopts prudential indicators for each financial year and reports on performance relative to those indicators. This requirement is designed to show that capital spending is prudent, affordable and sustainable and that treasury practices adequately manage risk. The original indicators for 2014/15 together with Treasury Management Strategy 2014/15 were agreed by Council on 26th February 2014. The Treasury Management Strategy 2014/15 had been approved by this Committee on 5th December 2013.

1.3 The economic background to treasury management remains uncertain with the economy and financial system recovering from the 2008 financial crisis. Good news on UK growth is balanced by fears for the global economy. Arlingclose, the Council's treasury management advisors have provided a commentary on the year so far in Appendix 1.

1.4 At the end of 2013/14 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £10.9m, while usable reserves and working capital which are the underlying resources available for investment were £29.8m. The Council had £4m of borrowing and £22.9m of investment reflecting its use of internal resources of funds rather than borrowing.

2 Treasury management

Borrowing strategy

2.1 On 30th September, at the midpoint of the year, the Council's borrowing remained the single £4m PWLB loan at 3.38% as has been the case for a number of years. The strategy for this financial year had envisioned the possibility of borrowing but the expectation of cash being available and interest rates being depressed for a long time have dampened the enthusiasm for earlier borrowing. Any decision to borrow must balance securing low interest rates for the future and the availability of internal funds which would otherwise be invested for historically low returns.

Investment Activity

2.2 Treasury Management position at 30 September was:

	Principal £m	Average Interest Rate %
Call accounts	4.5	0.5
Money market funds	19.5	0.6
Short-term deposits	7.5	0.7
Total Investments	**31.5**	**0.6**
Long-term PWLB loans	4	3.38
Total Borrowing	**4**	**3.38**
Net Investments	**27.5**	

2.3 Investment income was £0.1m exceeding the budget of £0.078m. The average return was 0.6% against a budget of 0.7% and the adopted yield benchmark 7 day LIBID of 0.35%. Cash balances ranged from £22.8m to £42.3m averaging £30.4m against a budgeted average balance of £28.8m. Short term rates remain low but it is anticipated the budgeted interest income of £0.177m will be met.

2.4 Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy for 2014/15. Counterparty credit quality was assessed and monitored with reference to credit ratings, credit default swap prices, financial statements, information on potential government support and reports in the quality financial press

2.5 **Security benchmark** – The Council set a security benchmark rating of A-, which is the average credit rating for the investment portfolio. The average rating was A during the first half of the year.

2.6 **Liquidity benchmark** – The Council sets minimum liquidity facilities and a benchmark to maintain a bank overdraft facility of £0.5m and use a Weighted Average Life of investments benchmark of 0.5 years, with a maximum of 0.8 years. The Director of Corporate Resources reports that liquidity arrangements were within benchmark during the year to date. The maximum value of Weighted Average Life up to the end of September was 0.26 years.

2.7 **Counterparty Update -** Arlingclose, the Council's treasury management advisors, monitor the quality of potential counterparties and have provided a commentary on the developments in the first part of the year in Appendix 2.

Compliance with Prudential Indicators

2.8 The Authority confirms compliance with its Prudential Indicators for 2014/15, which were set out in December 2013 as part of the Council's Treasury Management Strategy.

Treasury Management Indicators

2.9 **Interest rate exposures -** This indicator is set to control the Council's exposure to interest rate risk. The exposures to fixed and variable rate interest rates, expressed as an amount of net principal borrowed, were as the table below. Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate. As investments count as negative borrowing the variable rate figure was negative during the period.

	Limit	Actual	Met?
Upper limit on fixed rate exposures	£15m	£4m	ü
Upper limit on variable rate exposures	£0m	£-22m	ü

2.10 **Maturity Structures Of Borrowing** – These gross limits are set in order to reduce the Council's exposure to large fixed rate loans - those instruments which carry a fixed interest rate for the duration of the instrument - falling due for refinancing. As the Council only has one such debt it has freedom to refinance the debt. The table below shows the estimates and current position.

	Upper Limit	Lower Limit	Actual	Met?
Under 12 months	100%	0	0	ü
12 months and within 24 months	100%	0	0	ü
24 months and within five years	100%	0	100%	ü
Five years and within 10 years	100%	0	0	ü
10 years and above	100%	0	0	ü

2.11 **Principal sums invested for periods longer than 364 days** – The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its long-term investments. The total principal sums invested to final maturities beyond the period end were:

	Original Indicator	Maximum Position
Maximum principal sums invested > 364 days	£3m	£0m

3 **Prudential Indicators 2014/15**

3.1 The Local Government Act 2003 requires the Council to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much it can afford to borrow. The objectives of the Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable. To demonstrate that the Council meets these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

3.2 **The Council's Capital Expenditure and Financing 2014/15 -** This is one of the required prudential indicators and shows total capital expenditure for the year and how this is financed. The estimated indicator is shown below.

2014/15	Original Estimate £000	Current projection £000
Total capital expenditure	9,860	7,073
Resourced by:		
Capital receipts and contributions	(4,632)	(3,941)
Capital grants	(442)	(442)
Revenue reserves	(100)	(891)
Unfinanced capital expenditure (additional need to borrow)	4,686	1,799

3.3 The capital spend at the end of the first half of the year was £2.6m, well below expected level. The final financing at the year-end should be well within the estimates. A projection is shown above: it assumes an acceleration of capital spend in the second half of the year.

3.4 **The Council's Overall Borrowing Need -** The Council's underlying need to borrow is termed the Capital Financing Requirement (CFR). It represents the accumulated net capital expenditure which has not been financed by revenue or other resources. Part of the Council's treasury activities is to address this borrowing need, either through borrowing from external bodies, or utilising temporary cash resources within the Council.

3.5 The Council is required to make an annual revenue charge, the Minimum Revenue Provision (MRP), to reduce the CFR – effectively a repayment of the borrowing need. The Council's 2014/15 MRP Policy (as required by CLG Guidance) was approved on 26th February 2014 as a part of the 2014/15 Budget report.

3.6 The Council's CFR for the year is shown below, and represents a key prudential indicator because it is a measure of the Council's underlying indebtedness. There is a decrease in the expected CFR as unfinanced capital spend is below estimate. No increase in borrowing is now projected this financial year so external debt remains as in the original estimate.

Capital Financing Requirement and External Debt Year end 2014/15	Original estimate £000	Current projection £000
CFR	15,563	12,018
External debt	4,000	4,000

3.7 External borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2014/15 and next two financial years. The Director of Corporate Resources reports that no difficulties are envisaged for the current or future years in complying with this Prudential Indicator.

3.8 **Borrowing limits -** The Council approved these Prudential Indicators as part of the Capital Programme report.

3.9 **Operational Boundary for External Debt:** The operational boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.

3.10 **Authorised Limit for External Debt:** The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

	Limit	Actual	Met?
Operational boundary – borrowing	£9m	£4m	ü
Operational boundary – other long-term liabilities	£0m	£0m	ü
Operational boundary – TOTAL	£9m	£4m	ü
Authorised limit – borrowing	£14m	£4m	ü
Authorised limit – other long-term liabilities	£1m	£0m	ü
Authorised limit – TOTAL	£15m	£4m	ü

3.11 **The ratio of financing costs to net revenue stream -** This indicator identifies the trend in the cost of capital (financing costs net of interest and investment income) against the net revenue stream. The indicator for the year was 8%; the current estimate is slightly lower at 6% due to interest paid being under budget as no borrowing was undertaken.

4 Outcome of Consultations

4.1 Arlingclose, the Council Treasury management advisors, have made comments which have been incorporated into the report.

5 Staffing Consequences

5.1 There are no direct staff resourcing consequences, however, the risks in the investment environment highlights the continuing need for staff training and staff will take advantage of courses run by its advisors Arlingclose.

6 Financial Consequences

6.1 Interest earned is expected to be at least on budget, there is a prospective saving of £0.2m from debt interest budget if no borrowing is undertaken.

Appendix 1

Economic Background to the midpoint of 2014/15

Growth and Inflation: The recent strong performance of the UK economy continued with output growing at 0.8% in Q1 2014 and at 0.9% in Q2. The services sector once again grew strongly. On the back of strong consumption growth, business investment appeared to be recovering quickly, albeit from a low base. The annual CPI inflation rate fell to 1.5% year-on-year in August.

Revisions to the GDP methodology, now compliant with the European System of Accounting 2010, mean that growth is now estimated to be 2.7% above its pre-recession peak in Q1 2008 rather than just 0.2% higher, the general theme being that the recession was not as deep and the recovery was earlier than initially estimated. In anticipation of these revisions, the Monetary Policy Committee (MPC) has forecast growth at 3.4% in 2014.

Unemployment: The labour market continued to improve, with strong employment gains and the headline unemployment rate falling to 6.2%. However, earnings growth remained very weak, rising just 0.6% for the three months May-July 2014 when compared to the same period a year earlier. The growth in employment was masked by a large number of zero-hour contracts and involuntary part-time working.

UK Monetary Policy: The MPC made no change to the Bank Rate of 0.5% and maintained asset purchases at £375bn. However, there was a marked shift in tone from the Bank of England's Governor and other MPC members. In his Mansion House speech in June Governor Mark Carney warned that interest rates might rise sooner than financial markets were expecting. Following some mixed messages from Governor Carney later in the summer, the minutes of the August and September MPC meetings revealed a split vote with regards to the Bank Rate. Ian McCafferty and Martin Weale voted to increase Bank Rate by 0.25%, arguing economic circumstances were sufficient to justify an immediate rise. The MPC emphasised that when Bank Rate did begin to rise, it was expected to do so only gradually and would likely remain below average historical levels for some time to come.

In the Bank of England's August Inflation Report the Bank forecast growth to be around 3½% in 2014, easing back thereafter to around its pre-crisis historical average rate. Inflation was forecast to remain at, or slightly below, 2% before reaching the target at the end of the 2-year forecast period.

The Bank's Financial Policy Committee also announced a range of measures to cool the UK's housing market to avert the potential of spiralling house prices derailing a sustainable economic recovery. Key recommendations included: that lenders stress-test mortgage applicants to see if they can cope with a 3% rise in interest rates; putting a 15% cap on the number of mortgages at more than 4.5 times the borrower's income; and a separate Treasury pledge banning anyone applying for a loan through the Help to Buy scheme borrowing more than 4.5 times their income. The Prudential Regulation Authority also announced that it intends to consult on capital requirements for mortgages.

The result of the Scottish referendum in the end was close, but not as close as many believed it might be. However, the political upheaval set in motion (the Prime Minister's linking of a more devolved Scotland to giving greater powers to English MPs over English-only legislation, the prospect of Scotland's potential freedom to raise taxes not being replicated elsewhere in the UK) is arguably likely to be just as problematic in the run-up to and beyond next year's general election.

Eurozone inflation continued to fall towards zero (HICP inflation registered just 0.3% in September), and there was mounting evidence that the already feeble recovery was losing pace. The unemployment rate remained stubbornly high at 11.5%. The European Central Bank lowered its official benchmark interest rate from 0.15% to 0.05%. The rate it pays on commercial bank balances held with it was also cut further into negative territory from -0.1% to 0.2% and the Marginal Lending Facility rate cut further to 0.3%. The ECB also announced a programme of acquiring Asset Backed Securities (ABS) from banks in an effort to encourage lending which was viewed as being one step away from full blown Quantitative Easing (QE) adopted by the US, UK and Japanese central banks. The minutes of the Bank of England's MPC meeting in September noted that "weakness in the euro area had been the most significant development during the month" and that, if it led once again to uncertainty about the sustainability of euro-area public and external debt, it could damage confidence and disrupt financial markets

There was no change from the US Federal Reserve as the central bank kept policy on its current track with a reduction in asset purchases by $10 billion per month. Asset purchases are expected to end by October 2014, expectations therefore turned towards the timing of rate increases. The US economy rebounded strongly in Q2 with annualised growth of 4.6%.

Market reaction: Gilt yields have continued to decline and hit a financial year low at the end of August, before ticking upwards in the run up to the Scottish referendum. What has driven yields lower is a combination of factors but the primary drivers have been the escalation of geo-political risk within the Middle East and Ukraine alongside the slide towards deflation within the Eurozone (EZ).

Appendix 2

Counterparty Update

The European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD) on April 15, 2014. Taking the view that potential extraordinary government support available to banks' senior unsecured bondholders will likely diminish within its two-year rating horizon for investment-grade entities, in April Standard & Poor’s revised the Outlook of Barclays, Deutsche Bank, Credit Suisse and ING Bank from Stable to Negative (note, this is not the same as a rating review negative). In May, Moody’s also changed the outlook from stable to negative for 82 European banks and from positive to stable for two European banks. The institutions affected on the Authority’s lending list are Nationwide Building Society, Pohjola Bank, Svenska Handelsbanken, Landesbank Hessen-Thuringen, Bank Nederlandse Gemeenten and Nordea Bank.

In August Moody’s changed its outlook for the UK banking system from stable to negative, citing the reduction of government support for systemic banks as the reason. Although the agency believes that the stand-alone financial strength of UK institutions is improving they believed that this is more than offset by the potential bail-in risk now faced by investors. Similarly, in August S&P revised the outlooks for major Canadian banks to negative following the government’s announcement of a potential bail-in policy framework.

There was strong likelihood that the UK, alongside Germany and Austria, would accelerate the adoption of the BRRD and that the implementation of bail-in resolutions would be fast-tracked in these countries to 1st January 2015, a full year ahead of other EU nations.

Banks in the UK and EU face banks faced stress tests this autumn and no bank on the Council’s list failed either the UK or EU stress tests.

Report to Accounts, Audit and Governance Committee

7th January 2015

By the Chief Internal Auditor

INFORMATION REPORT

Not exempt

Internal Audit – Quarterly Update Report

Executive Summary

This report summarises the work completed by the Internal Audit Section since September 2014.

Recommendations

The Committee is recommended to:

i) Note the summary of audit and project work undertaken since September 2014.

Reasons for Recommendations

i) To comply with the requirements set out in the Public Sector Internal Audit Standards 2013.

ii) The Accounts, Audit and Governance Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

Background Papers:	Public Sector Internal Audit Standards & Internal Audit Reports
Consultation:	N/A
Wards affected:	All
Contact:	Paul Miller, Chief Internal Auditor.

Background Information

1. Introduction

The Purpose of this Report

1.1 The purpose of this report is to provide a quarterly summary of work undertaken by the Internal Audit Team since September 2014.

2. Statutory and Policy Background

Statutory Background

2.1 The Accounts and Audit (England) Regulations 2011 state that “a relevant body (*the Council*) 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.” This responsibility is discharged through the Council’s Internal Audit Section.

Relevant Government Policy / Professional Standards

2.2 Internal Audit follows the mandatory standards set out in the Public Sector Internal Audit Standards (PSIAS) published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors.

Relevant Council Policy

2.3 Internal Audit is conducted in accordance with the Council’s Constitution. Financial Regulation FR27 states that the Director of Corporate Resources shall maintain a continuous, comprehensive and up-to-date internal audit. The Chief Internal Auditor is required to report on a quarterly basis on the work of internal audit, and on an annual basis to provide an opinion on the overall adequacy and effectiveness of the Council’s governance arrangements, risk management systems and internal control environment.

3. Summary of Audit Findings

3.1 Cash and Bank

OVERALL AUDIT OPINION: SUBSTANTIAL ASSURANCE *(previously assessed as “Moderate Assurance”)*

The auditor is satisfied that a sound system of internal control is in place for the collection and receipting of cash within the Finance department. Daily reconciliations ensure that all transactions passing through the bank account are processed correctly. Monthly bank reconciliations are being signed by the preparer and reviewer, although some delays have occurred in resolving minor discrepancies.

3.2 Debtors

OVERALL AUDIT OPINION: SUBSTANTIAL ASSURANCE *(previously assessed as "Substantial Assurance")*

This area is well controlled. A few relatively minor issues were raised, and appropriate actions have been agreed.

3.3 Housing Rents and Maintenance

OVERALL AUDIT OPINION: SUBSTANTIAL ASSURANCE

There is a sound system of control in place for the collection of rent and the management/maintenance of the Council's housing portfolio. A few issues were identified in relation to the future procurement of maintenance works which could expose the Council to risk. Action is being taken to resolve these issues

3.4 Health and Safety

OVERALL AUDIT OPINION: MODERATE ASSURANCE

Health and Safety policies are in place and can be found on the Council's Intranet, and fire safety assessments have been completed for all the Council's main buildings and offices. 20 Service managers have been trained in Health and Safety through a series of NEBOSH training courses. However, a number of control weaknesses were identified which are summarised below:

- Although a Health and Safety Forum was set up as part of the Operational Risk Management Group, this group was disbanded following the management restructure and introduction of directorate meetings. A new Forum needs to be set up specifically for health and safety, and this was an agreed outcome from the audit.
- Although site inspection regimes have improved, this remains an area of weakness and concern. It was identified that there is no Corporate Safety Inspection Strategy in place. This document should detail roles and responsibilities together with site inspection requirements and frequencies. It has been agreed that a Corporate Safety Inspection Strategy will be written and managers will be made aware of their responsibilities.
- Although numerous risk assessments have been completed by departments across the Council, these are held in many different ways and there is no central repository which would be useful to help ensure that there is consistency. It has been agreed that an I.T. based solution for filing and managing risk assessments will be explored.

A number of other important recommendations have been made, and appropriate actions have been agreed.

3.5 Contracts

OVERALL AUDIT OPINION: MODERATE ASSURANCE

A number of control weaknesses have been identified relating to the management, monitoring and control of contracts. Official contracts were not in place for two out of the ten contracts reviewed, and for two other contracts, the management process could be improved. The audit identified different levels of knowledge and expertise in the area of contract management, and there is clearly a need to provide training to service managers and other relevant officers.

A contract management training programme will be designed and implemented for all service managers and officers responsible for contract management during 2015. Revised guidelines will be developed to help officers to effectively fulfil their contract management responsibilities.

3.6 BACS

OVERALL AUDIT OPINION: MODERATE ASSURANCE

The auditor identified a control weakness concerning inappropriate access permissions to a secure folder used to hold BACS payment data in preparation for transmission. Whilst the likelihood of someone accessing this folder and making unauthorised changes to bank details is considered to be negligible, the impact could potentially be significant. Immediate action was taken by ICT to reduce the number of people who could access the “secure” folders, and in addition, a software solution is being evaluated to provide monitoring reports of changes to this folder and the files contained within.

4. Other Work

4.1 Special Investigation ~ Missing Laptop Computers

In August 2014, the Chief Internal Auditor was informed by the Head of CenSus ICT that six HP ProBook laptop computers had gone missing (total value £2,910). Internal Audit carried out a full investigation which included a thorough review of the systems and controls for the PC rollout. A number of officers were interviewed, but it was not impossible to identify how and when the equipment had disappeared. This was due to a number of control deficiencies, including failure to systematically update the Council’s ICT asset inventory, a lack of stock control checks during the PC roll out process and inappropriate access rights to the room in which the IT equipment was being stored.

An audit report was issued to the Head of CenSus ICT which included a number of agreed actions to improve the control environment. A follow up is currently taking place to ensure that the agreed actions have been implemented.

4.2 Special Investigation ~ Fuel Theft at Hurston Lane

On the 2nd October 2014, the Chief Internal Auditor was notified that approximately 5,000 litres of diesel had been stolen from the Hurston Lane Depot between 5pm on 30th September and 5am on 1st October 2014. This was identified on 1st October when Operational Services staff arrived at the Hurston Lane site and found that the front gate was unlocked and the fuel tank broken into. The fuel level was checked and a discrepancy of approximately 5,000 litres was identified. This figure was confirmed by Finance who had undertaken a routine reconciliation.

The Chief Internal Auditor visited Hurston Lane Depot on 7th October 2014. The purpose of the visit was to obtain more information about the break-in, but also to review the adequacy of security controls at the site. A hatch at the top of the fuel tank had been broken into and there was evidence that fuel had been siphoned out. The police had been notified of the theft, but unfortunately, it has not been possible to find out who was responsible.

On a positive note, the fuel loss was identified almost immediately following the implementation of controls agreed with Internal Audit during a previous investigation. However, the physical security and operational security controls at Hurston Lane fell short of expectations.

Internal audit issued a report which included a number of recommendations for improvement. Preventative and detective controls have now been put into place to limit the possibility of future thefts. Physical controls have also been improved at the Hop Oast depot.

4.3 Risk Management

Risk workshops have now been completed for all departments with the exception of Economic Development. All risk registers have been reviewed and converted to a 5x5 risk matrix.

4.4 Other Work

Internal audit has been involved in a number of project team meetings, including the office move and disaster recovery. The audit team is also represented on PACT which now meets six weekly.

5. Audit Plan 2014/15 ~ Progress Update

The audit plan is progressing well, and it is anticipated that 85% of the plan will be completed which is in line with the performance target set at the start of the financial year.

6. Next Steps

6.1 Not applicable.

7. Outcome of Consultations

7.1 Not applicable.

8. Other Courses of Action Considered but Rejected

8.1 Not applicable

9. Staffing Consequences

9.1 There are no direct staff consequences.

10. Financial Consequences

10.1 There are no financial consequences.

Appendix 1

Consequences of the Proposed Action

Consequences of the proposed action on:	
Risks Risk Assessment attached Yes/No	All internal audit work is undertaken using a risk based approach and as part of this process, audit findings are risk assessed prior to being reported. The risk assessment then determines the order in which control weaknesses are reported and informs the overall audit opinion (see Appendix 2 for definitions). No
Crime and Disorder	This report has no effect on Crime & Disorder issues.
Equality and Diversity/ Human Rights Equalities Impact Assessment attached Yes/No/Not relevant	The audit plan is undertaken in a way that encompasses the Council's overall corporate aims, objectives and values. Not relevant.
Sustainability	This report has no effect on sustainability.

Appendix 2

Categorisation of Audit Opinions

Full Assurance	**System of Control**: There is a sound system of control in place which minimises risk to the Council; and **Compliance with Controls**: Audit testing identified that all expected controls are being consistently applied.
Substantial Assurance	**System of Control**: Whilst there is basically a sound system of control (i.e. key controls are in place), there are some weaknesses which may place the Council at risk in a few areas; and/or **Compliance with Controls**: Audit testing identified a lack of compliance with controls in a few areas.
Moderate Assurance	**System of Control**: There are some weaknesses in the system of control (i.e. the absence of two or more key controls) which is placing the Council at risk in a number of areas; and/or **Compliance with Controls**: Audit testing identified a lack of compliance with two or more key controls.
No Assurance	**System of Control**: The system of control is very weak or non-existent, which is placing the Council open to significant risk: and/or **Compliance with Controls**: Audit testing identified a high number of key controls which are not being complied with.

Agenda Item 10

Report to Accounts, Audit and Governance Committee

7th January 2015

By the Director of Corporate Resources

INFORMATION REPORT

Not exempt

Risk Management – Quarterly Update Report

Executive Summary

This report includes an update on the Corporate Risk Register for consideration and provides an update on progress with the quarterly departmental risk register reviews.

Recommendations

The Committee is recommended to:

1) Note the contents of this report.

Reasons for Recommendations

As part of good governance, it is important that these documents are considered by Members.

Background Papers:	Management Information obtained from Covalent
Consultation:	The Senior Leadership Team, relevant Service Managers and Chief Internal Auditor
Wards affected:	All
Contact:	Paul Miller, Ext 5319

Background Information

1. Introduction

The Purpose of this Report

1.1 The Accounts, Audit and Governance Committee is charged with responsibility for monitoring the effectiveness of the Council's risk management arrangements.

1.2 The report provides details of key changes to the Council's Corporate Risk Register, and an update on progress regarding the departmental risk registers.

2. Risk Management Update

2.1 **Corporate Risk Register**

The Senior Leadership Team (SLT) has reviewed all outstanding actions on the Corporate Risk Register and comments have been updated to reflect the current position for each risk (see Appendix 2).

2.2 **Departmental Risk Registers**

All departmental risk registers have been reviewed and updated.

The majority of departmental risk registers have now been converted to the new 5x5 risk matrix. It is anticipated that all registers will be updated by the end of December with the exception of Economic Development which will be completed during January.

3. Next Steps

3.1 Not applicable.

4. Outcome of Consultations

4.1 Not applicable.

5. Other Courses of Action Considered but Rejected

5.1 Not applicable.

6. Staffing Consequences

6.1 There are no direct staff consequences.

7. Financial Consequences

7.1 There are no financial consequences.

Appendix 1

Consequences of the Proposed Action

Consequences of the proposed action on:	
Risks Risk Assessment attached ~ No	The report provides an update on the Council's corporate risks and how these are being managed by the Senior Leadership Team. See Appendix 2 for the latest version of the Council's Corporate Risk Register.
Crime and Disorder	Effective risk management helps to ensure that the Council achieves its objectives within this area.
Equality and Diversity/ Human Rights Equalities Impact Assessment attached Yes/No/Not relevant	Effective risk management helps to ensure that the Council achieves its objectives within this area. Not relevant.
Sustainability	This report has no effect on sustainability.

Statutory and Policy Background

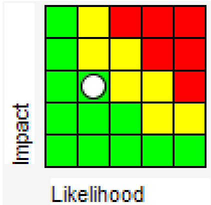
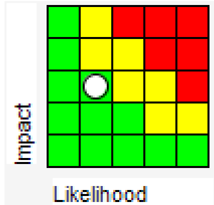
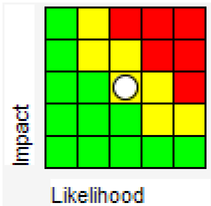
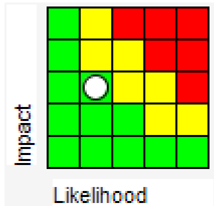
Statutory Background	The Council has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts and Audit Regulations 2003 (amended 2006): "The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of the body's functions and which includes arrangements for the management of risk".
Relevant Government Policy / Professional Standards	Risk management is an essential element of good corporate governance. The CIPFA/SOLACE Framework on Corporate Governance requires councils to establish and maintain a systematic strategy, methodology and processes for managing risk. They must also report publicly on the effectiveness of these arrangements.
Relevant Council Policy	The Council's Risk Management Strategy 2012/15 has been published on the Council's Intranet. The Corporate Risk Register is managed by the Council's Senior Leadership Team, and each Service Manager is responsible for managing one or more departmental risk registers. When undertaking major projects, a risk log is maintained which is a requirement of the Council's project management methodology.

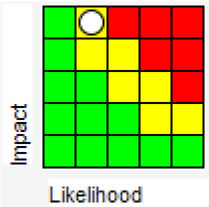
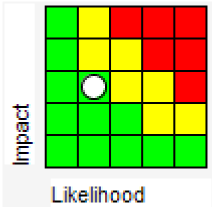
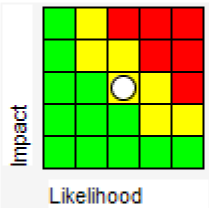
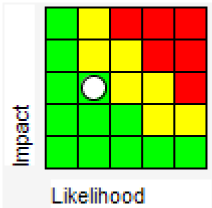
Corporate Risk Report 5x5 Matrix Dec 2014 V5

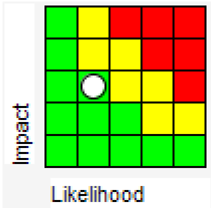
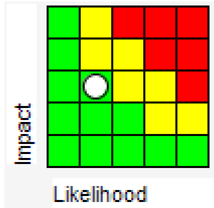
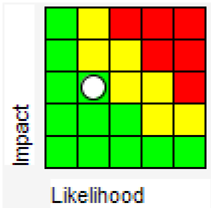
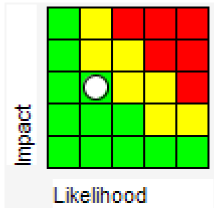
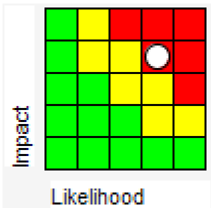
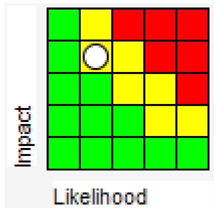
Generated on: 22 December 2014

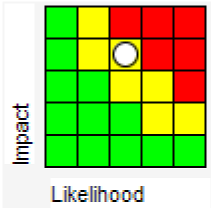
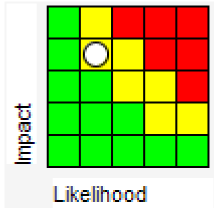
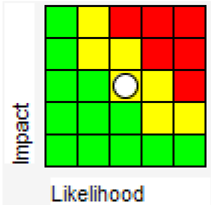
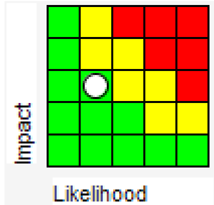
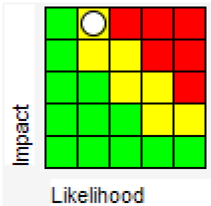
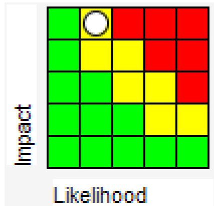
Horsham District Council

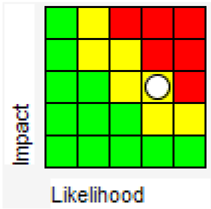
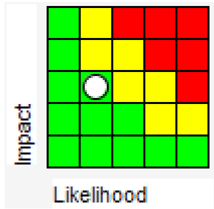
<u>*Status Icons*</u>: *= Completed* *= Assigned & in progress* *= Overdue*

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR01 5x5 Continued reduction in government funding will result in a reduction in services.	Job losses, reduced income, capital receipts reduced or not realised, service cuts (non-statutory functions, increased workload (e.g. debt recovery), and possible damage to reputation. Loss of discretionary services impacting on quality of life.	Katharine Eberhart				Assigned & in progress		December 2014 Update: Currently considered to be low risk, but will remain on the Corporate Risk Register so that it can be kept under review.
CRR05 5x5 Inadequate "information security"	Financial penalties & damage to reputation.	Katharine Eberhart		CRR.05.2 Develop processes & procedures which underpin the IT Security Policy (by 31/12/14, then annual review).	Katharine Eberhart	Assigned & in progress		December 2014 Update: Ongoing information security training will be provided.
				CRR.05.4 Provide a programme of training on Information Security to all staff.	Katharine Eberhart	Completed		
				CRR.05.9 Annual PSN Accreditation.	Katharine Eberhart	Assigned & in progress		

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR06 5x5 Failure to effectively implement the Council's business continuity plan.	Disruption to service, legislative breaches (if critical paperwork lost), loss of income & failure to achieve objectives.	Natalie Brahma-Pearl		CRR.06.1 Update corporate business continuity plan and regular review (to be completed by 31/12/14).	Trevor Beadle			December 2014 Update: All Departmental Business Continuity plans completed (except Economic development as no manager in post to complete). The corporate BCP has been updated with information from departmental BCPs and part 2 plans to reflect any mitigation strategies that the service can deploy to counteract the most serious threats to business continuity are ongoing. Prior to moving to Parkside. the authority needs to re-designate a warm site.
				CRR.06.2 Update departmental business continuity plans and regular review (Complete by 31/12/14).	Trevor Beadle			
				CRR.06.4 Explore feasibility of reciprocal arrangements with other authorities (by 31/03/14)	Trevor Beadle			
CRR34 5x5 Poor decision-making / performance and loss of staff, during a time of organisational change due to loss of knowledge / poor morale of workforce.	Failure of business objectives. Loss of staff knowledge, capability and potential.	Tom Crowley		CRR.34.1 Regular 1-2-1's with Directors and Service Managers (Monthly)	SLT			December 2014 Update: Pressures and vacancies in Development Management led to review of grades of Team Leaders, Principal Officer and Senior Officers. Vacancies being advertised. Competition for staff is getting stronger. Salaries being kept under review. These and other actions reported to Personnel Committee November.
				CRR.34.2 Review at SLT (Monthly)	SLT			
				CRR.34.3 Review of performance statistics (Monthly)	SLT			
				CRR.34.4 Review officer performance via the performance appraisal process.	SLT			
				CRR.34.5 Ensure Service Plans for 2014/15 and beyond are prioritised and resourced and development and training needs identified and delivered.	SLT			

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR37 5x5 The challenge of delivering the day job and projects against a background of business transformation & new initiatives increases pressure on staff and stress-related absences	Disruption of service	Tom Crowley						December 2014 Update: Personnel Committee November agreed proposal to create a team of dedicated project managers to handle major corporate projects. This will help relieve pressure on senior managers and improve project delivery. Risk now considered to be low.
CRR38 5x5 Failure to implement the Community Infrastructure Levy (CIL) Scheme by Summer 2015, due to delay in preparing the District Planning Framework	Failure of business objectives, substantial financial loss and damage to reputation	Chris Lyons						December 2014 Update: The Public Examination into the Horsham District Planning Framework took place during November and the formal decision is expected early 2015. In the meantime work is continuing on CIL and a further hearing into our CIL scheme is anticipated to be held in Summer 2015, however this is dependent on the outcome from the HDPF examination. This risk is now considered to be low.
CRR40 5x5 The Council loses planning application appeals due to a shortfall in the Five Year Land Supply.	Failure of business objectives Financial business loss Damage to reputation	Chris Lyons		CRR.40.01 Identify five year land supply via the Planning Development Framework (by 30/04/15) CRR.40.02 Continue to raise awareness with Members (Ongoing) CRR.40.03 Member training (Ongoing)	Barbara Childs Barbara Childs Barbara Childs			December 2014 Update: See update for CRR38.

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR41 5x5 Increased risk of loss of IT services through unforeseen circumstances.	Failure of business objectives Non-compliance with statutory requirements Financial business loss Disruption of service Damage to reputation	Katharine Eberhart		CRR.41.01 Develop Disaster Recovery Plan for HDC / CenSus BY (31/12/14)	John Ross			December 2014 Update: New process is currently being trialled at Adur-Worthing, with a completion of early Quarter 1 in 2015; subsequently this will be applied to Horsham & then Mid-Sussex. Disaster recovery plan was tested in November by turning off the power. All applications were successfully recovered. New backup software application will be procured to enable remote backups.
				CRR.41.02 Build Disaster Recovery Plan (by 31/03/15)	John Ross			
				CRR.41.03 Test Disaster Recovery Plan following new software implementation Q2/Q3 (By 31/12/15)	John Ross			
CRR47 5x5 Risk of loss if internal controls are inadequate	Failure of business objectives Health & Safety Financial Service Delivery Compliance with Regulations Personal Privacy Infringement Reputation	Katharine Eberhart		CRR.47.1 Officer training (Commencement 31/3/15)	Katharine Eberhart			New risk added 19/12/14.
				CRR.47.2 Raise the profile of risk and control by incorporating them into the performance management framework (e.g. integrate into appraisal process).	Katharine Eberhart			
				CRR.47.3 Update and re-launch the Council's Whistleblowing Policy	Katharine Eberhart			
CRR48 5x5 Death or serious injury due to the Council's failure to implement adequate health & safety governance and control mechanisms	Health & Safety Financial Service Delivery Compliance with Regulations Reputation	Katharine Eberhart		CRR.48.1 Set up a health & safety forum with clear terms of reference. (By 31/01/15)	Robert Laban			New risk added 19/12/14.
				CRR.48.2 Develop and implement a corporate inspection strategy. (By 31/05/15)	Robert Laban / Health & Safety Officer			
				CRR.48.3 Clarity of responsibilities and implementation of a training programme. (Commencement 01/04/15 for training programme).	Robert Laban			

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
				CRR.48.4 Implement a central repository for risk assessments. (By 31/08/14).	Robert Laban / Health & Safety Officer			
CRR49 5x5 Failure of contract / poor service delivery / failure to achieve value for money due to inadequate contract management	Failure of business objectives Financial Service delivery Compliance with regulations Personal Privacy Infringement Reputation	Katharine Eberhart		CRR.49.1 Specific contract management guidelines will be developed. (By 31/08/14)	Mark Pritchard			New risk added 19/12/14
				CRR.49.2 A contract management training programme will be designed and implemented. (By 30/09/15)	Mark Pritchard			

Horsham District Council

Annual Audit Letter

Year ending 31 March 2014

October 2014

EY

Building a better working world

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The Members

Horsham District Council
Park North
North Street
Horsham
West Sussex
RH12 1RL

24 October 2014

Dear Members,

Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to the Members of Horsham District Council (the 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 the Council in the following reports:

2013/14 Audit results report for Horsham District Council	Issued 25 September 2014

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

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

Yours faithfully

Paul King
Director
For and behalf of Ernst & Young LLP
Enc

Contents

Executive summary

Our 2013/14 audit work has been undertaken in accordance with the Audit Plan we issued on 13 June 2014 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 Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on an annual basis on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The Council 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 Council 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 Horsham District Council for the financial year ended 31 March 2014 in accordance with International Standards on Auditing (UK & Ireland)	On 26 September 2014 we issued an unqualified audit opinion in respect of the Council.
Form a conclusion on the arrangements the Council has made for securing economy, efficiency and effectiveness in its use of resources.	On 26 September 2014 we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Council (the Accounts, Audit and Governance Committee) communicating significant findings resulting from our audit.	On 25 September 2014 we issued our report in respect of the Council.
Report to the National Audit Office on the accuracy of the consolidation pack the Council is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 26 September 2014.
Consider the completeness of disclosures in the Council'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 26 September 2014 we issued our audit completion certificate.
Issue a report to those charged with governance of the Council summarising the certification (of grant claims and returns) work that we have undertaken.	We will issue the Annual Certification Report for 2013/14 in December 2013.

Key findings

Financial statement audit

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

In our view, the quality of the process for producing the accounts, including the supporting working papers was good.

The main issues identified as part of our audit were:

Significant risk 1: National Non-Domestic Rates (NNDR) rateable value appeals provision

Risk:

The Business Rates Retention Scheme came into force on 1 April 2013. Under the scheme half of the business rates collected by councils will be retained locally and half paid over to central government.

The level of NNDR paid on business property depends on its 'rateable value'. This is calculated by the Valuation Office Agency (VOA).

Where local businesses believe the current value for business properties is wrong they can:

- appeal to the VOA and ask them to correct details
- appeal the rates if the local business and the VOA can't agree. This appeal is heard by a valuation tribunal.

Where rating appeals are successful, monies to settle appeals will come out of the Council's funds and will also impact on other local public bodies that precept on the Council. This includes both claims from 1 April 2013 and claims that relate to periods before the introduction of the scheme. As appeals are to the VOA, authorities may not be aware of the level of claims. Appeals can be speculative in nature and multiple appeals can be made against the same property and valuation on different grounds.

The potential cost of successful rateable value appeals is significant to the Council. There is also a high level of estimation uncertainty in determining an accurate provision for the cost in the financial statements.

Results

We assessed the provision against the requirements of 'IAS 37 – Provisions, Contingent Liabilities and Contingent Assets' and found that it was compliant with the requirements of the accounting standard. We also assessed management's expertise in formulating the provision and found this to be of a good standard.

We audited the business rate balances in the Collection Fund and found them to comply with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2013/14'.

We identified that the Council had incorrectly included its share of the provision within bad debts on the balance sheet. This misclassification was amended and the share of the provision is included within provision on the balance sheet.

Significant risk 1: Risk of management override

Risk

As identified in ISA (UK & Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

Findings

We substantively tested all significant accounting entries prepared around the year end, as well as all material system journals prepared throughout the year. We also tested all journals prepared by management for accuracy and correctness. We found no evidence of management bias or override.

Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Council 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 2013/14 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 26 September 2014. Our audit did not identify any significant matters.

Objections received

We received no objections to the 2013/14 accounts from members of the public. We have therefore issued our audit completion certificate.

Whole of government accounts

We reported to the National Audit office on 26 September 2014 the results of our work performed in relation the accuracy of the consolidation pack the Council is required to prepare for the whole of government accounts. We did not identify any areas of concern.

Annual governance statement

We are required to consider the completeness of disclosures in the Council'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.

Certification of grants claims and returns

We presented our Annual Certification Report for 2012/13 to those charged with governance on 26 March 2014. We certified 2 claims and returns with an approximate total value of £74.6 million. We did not identify any significant issues with one claim and we issued a qualification letter in relation to one claim highlighting a number of errors identified during the course of our testing. No amendment was made to the claim in respect of these errors.

We will issue the Annual Certification Report for 2013/14 in December 2014.

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 of internal control we communicated to those charged with governance at the Council, as required, significant deficiencies in internal control.

There were no deficiencies identified during the audit that we concluded are of sufficient importance to merit being reported.

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Ernst & Young LLP

November 2014

Local Government Audit Committee Briefing

Contents at a glance

Introduction

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving. It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business. This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.

Building a better working world

Government and economic news

EY Item Club: Autumn 2014 Forecast

ITEM Club is the only nongovernmental economic forecasting group to use the HM Treasury model of the UK economy, independent of any political, economic or business bias. The Autumn 2014 report summarises the latest quarterly forecast and gives EY's assessment.

The ONS's recent revisions to the UK's historical economic data have given a very different perspective on the shape of the recession and subsequent recovery.

Consumer spending remains subdued by falling real wages, which has helped to keep inflation at bay. Inflation as measured by the CPI was just 1.2% in September, the lowest reading in five years and ninth successive month that it has been below 2%. Whilst falling prices for food and petrol have played a role in keeping inflation down, underlying price pressures are also well contained. Since consumer spending has been subdued, business investment has now taken over as the engine of recovery; with capital spending accounting for almost half the rise in GDP in the past year. UK GDP has been revised up, meaning it actually passed its previous high-point in 2013, and that output is now well above the 2008 peak.

This picture is more consistent with the strong growth in employment. The upward revisions to business investment have been particularly pronounced; meaning the scope for catch up is less than previously thought. Despite the growing risks and uncertainties, EY Item club is projecting GDP growth of 3.1% in 2014, followed by a slight easing to 2.4% growth in 2015 and 2.3% in 2016, and then a modest uptick in 2017.

Contracting out public services to the private sector

In the last briefing we considered the response of the House of Commons Committee of Public Accounts (the 'PAC') to evidence including the National Audit Office report 'The role of major contractors in the delivery of public services' and submissions from central government bodies.

The PAC made a range of recommendations in four key areas. In the previous briefing we looked at contract management and delivery. We will now consider Capability, Transparency and Ethical Standards.

Capability

The PAC found that, often, there is a lack of expertise within central government to extract the greatest value from contracting with private providers.

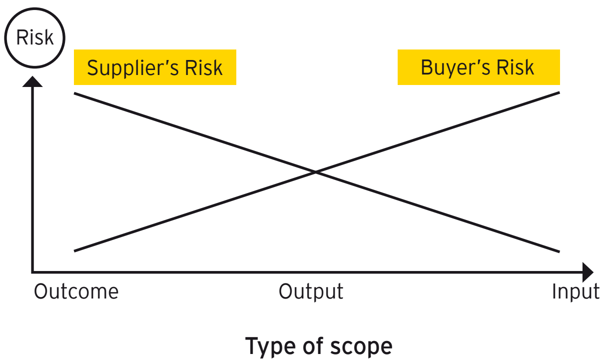
We often find that both public and private sector organisations lack clear lines of responsibility for contract management, which falls between procurement, operations and finance functions. A greater focus on contract governance would enable local authorities to ensure that accountability is clear and that experienced contract managers have the necessary training and skills for this important role.

Transparency

Calls for increased transparency include recommendations that the public sector makes greater use of 'open-book' accounting. This is something we would endorse, especially where contracts are constructed around the purchase of 'inputs' such as labour on a daily or hourly rate.

Government and economic news

Furthermore, we would recommend that the public sector considers whether it can purchase services based around outcomes, rather than inputs, as these can help to mitigate the buyer's risk as illustrated below:



Ethical standards

The PAC emphasised the value of effective whistleblowing policies. Our experience shows that many private sector suppliers have whistleblowing policies. However, these tend not to provide a direct link from the potential whistleblower to the public sector buyer, sometimes reducing the effectiveness of these policies.

However, in order for whistleblowing to be a truly effective contract management tool, the buyer needs to have appropriate routes to provide rights of access to a contractor's employees as well as its accounting records, plus the teams with the necessary skills and experience to investigate contract performance.

Summary

At a time when local authorities continue to look for savings, the PAC Report provides a timely reminder that effective contract management can both:

- Be a means by which savings can be achieved
- Help to improve public confidence in the use of public funds

Councils face a £5.8 billion shortfall in funding says LGA

The Local Government Association (LGA) has published its Future Funding Outlook 2014, which notes that the funding gap, created by a combination of funding cuts and spending pressures, is growing at an average rate of £2.1 billion per year. Spending on social care and waste management, both of which have significant statutory elements, is taking up an increasing proportion of the funding available to councils, which means that according to the LGA model, funding for other council services will drop by 43% in cash terms by the end of the decade. Council expenditure has fallen significantly since 2010-11 in all areas other than public transport, children's social care, adult social care and waste management and other environmental services. However, assuming consistent service levels, and taking into account cost drivers and assumed efficiency levels, the LGA model predicts that total expenditure will rise from £51.1 billion in 2013-14 to £55.7 billion in 2019-20, whereas total funding will fall by £10.6 billion when the impact of ring-fenced funding for public health is excluded. Bringing together the predicted income and expenditure trends, the LGA forecasts a gap of £12.4 billion between funding and net expenditure by 2019-20. LGA research indicates that in many authorities savings are starting to come from service reductions rather than efficiencies, and that in 2015-16, savings will be achieved more through service reductions than through efficiencies. The funding gap by the end of 2015-16 is forecast to be £5.8 billion, of which £1.9 billion relates to adult social care.

Government and economic news

Independent commission on local government finance

The Local Government Association and the Chartered Institute for Public Finance Accountancy have together established the Independent Commission on Local Government Finance, which is chaired by Darra Singh, a partner in EY's Government and Public Sector team. The Commission aims to build on the work of the LGA and CIPFA, who individually set out proposals for public service reform, and will consider five key challenges:

- Promoting economic growth and investment in infrastructure
- Ensuring sufficient housing is provided in every place
- Integrating the health and social care systems to promote independent living, including preventing unnecessary health intervention
- Achieving a welfare benefits system that promotes work and protects the vulnerable
- Supporting families and developing young lives through early intervention

The Commission aims to shape the debate on local government finance, and to influence the next government. It published an interim report in October, and its final recommendations are due out in early 2015.

The interim report contains the following key points:

- The need for reform is urgent and creates an opportunity to establish a funding system for local government which is largely self-sufficient.
- Councils have a role to play in addressing the chronic housing shortage, and should be able to borrow to invest in social housing.
- The Commission will be looking at the option of creating central funds which offer to match-fund local partnership contributions in order to support early intervention for children and families.
- Larger investment in transformation is needed for the delivery of integrated care.

Accounting, Auditing and Governance

Future of Local Audit

As part of its consultation on Local Audit Regulations associated with the Local Audit and Accountability Act, which ended on 18 July 2014, the government is proposing to bring forward the dates for the accounts to be signed and certified by the Responsible Financial Officer, then approved and published, from 30 June and 30 September respectively to 31 May and 31 July respectively. They propose that this change would take place from the 2017–18 accounts, but hope that authorities will move to the new timetable as soon as possible.

The consultation also covers collective auditor procurement by a specified person. Under the intended regulations, authorities would be able to opt in to sector-led procurement arrangements, and have an auditor appointed on their behalf, rather than appointing their own auditor locally. Under the draft regulations, the Secretary of State may specify the Appointing Person, and may specify different appointing persons for different groups or types of audited bodies.

Grant claim certification results

The Audit Commission has published a report on its findings from the 2012–13 grant claim certification process. As well as adjustments to claims worth £17.3 million, auditors issued qualification letters for 360 claims and returns. This included:

- 255 Housing Benefit subsidy claims, 78% of the total,
- 55 Teachers' Pensions returns, 36% of the total,
- 39 National Non-domestic Rates returns, 12% of the total

From 2013–14, non-domestic rates returns no longer require auditor certification. Teachers' Pensions has decided to make its own certification arrangements for 2013–14, however the Audit Commission and, after March 2015, its successor transitional body will continue to make certification arrangements for housing benefit subsidy. Council tax benefit was replaced in 2013–14 with local authority run schemes, which do not require auditor certification. Other grant paying bodies will need to make their own assurance arrangements from 2014–15 onwards.

The purpose of qualification letters is to make a grant paying body aware of issues with a claim or return, typically issues for which it is not possible or cost-effective to quantify the full financial impact. The Department for Work and Pensions issued a subsidy circular (HB S4–2014) in May 2014, reiterating the responsibilities of local authorities to ensure their subsidy claims are:

- Completed accurately and in accordance with HB subsidy guidance and circulars
- Supported by systems of internal control, including systems of financial control and internal audit
- Completed in a timely manner
- Supported by adequate working papers
- Subject to supervision and review before completion of the authority's certificate
- Certificate given by an appropriate officer, typically the responsible finance officer

The circular also states the Department's intention to contact all local authorities whose subsidy claims have been qualified. It will require an outline of the actions taken to address the issues raised. In cases with recurrent qualification issues, the Department will also visit those authorities.

Protecting the public purse: 25 years on

Detection of fraud in England in 2013-14 by Councils and other local government bodies was at its highest level since the recording of fraud was established some 25 years ago by the Audit Commission. The total figure of £188mn was a 10 fold increase on

Accounting, Auditing and Governance

the first recorded figure in 1990. The Audit Commission was and is the sole provider of comprehensive data on all types of fraud detected by local authorities. This is due to the statutory powers the Commission has, to demand that local government bodies provide such data.

The Audit Commission's Chairman, Jeremy Newman commented: 'I urge the government to mandate the provision of fraud data from all local authorities, after the Commission's closure, to ensure that future reports are able to provide as complete and authoritative a picture of fraud detection as 'Protecting the Public Purse'. This would help preserve the high levels of transparency and accountability that English councils currently exhibit in their approach to countering fraud and prevent those councils that are not yet playing their part in the fight against fraud, from avoiding public scrutiny.'

The Audit Commission has also released a checklist for elected members, designed to help them analyse their council's results and assess how the NFI is integrated into the council's processes and counter-fraud policies. The Commission recommends that public audited bodies should consider whether it is possible to make better use of matches, and use NFI matches in conjunction with matching services from other providers. It also recommends that local authorities should ensure they retain sufficient capability to investigate non-housing benefit fraud, after the introduction of the Single Fraud Investigation Service.

The Commission's Fraud Team will be moving to CIPFA as part of the closure of the Audit Commission.

The Cabinet Office and the Audit Commission will be working together to ensure the smooth transfer of the NFI functions when the Audit Commission closes in March 2015.

Audit fees at a 25 year low as part of the Audit Commission's legacy

In its last full year of operation before being officially wound down on 31 March 2015 the Audit Commission has announced that it is reducing audit fees by approximately £30 million between 2015-2017. If the government decides to extend and lock in the 2012 and 2014 audit contracts until 2020, it is expected that the total value of savings to local government, police, fire and NHS bodies would be approximately £440mn.

Chairman of the Audit Commission, Jeremy Newman says: 'We have driven down prices for audit services, showing again that bulk procurement is the best way to maintain a competitive market and provide taxpayers with value for money. The resulting savings are part of the legacy the Commission will leave after March 2015, and will be enjoyed by local authorities and NHS bodies for years after our closure. Fees should be preserved at this level for 2016–17 and we hope the government will take the opportunity we have secured to lock in and extend the savings we have achieved up to 2020.'

In addition to the above savings, the Commission also intends to return approximately £6mn as a rebate to Local Government and NHS bodies in 2014-15

A transitional body, Public Sector Audit Appointments Limited (PSAAL), has been established by the Local Government Association to oversee the management of the Audit Commission's external audit contracts until they end in 2017 or are possibly extended until 2020. The PSAAL will be responsible for setting fees, appointing auditors and monitoring the quality of auditors' work. They will also be responsible for publishing the Commission's Value for Money Profile tool.

Regulation News

Open and Accountable Government

The government has introduced a new law allowing the press and public to film and digitally report (including tweeting and blogging) from all public meetings of local government bodies. These rules will apply to all public meetings including town and parish councils, and fire and rescue authorities. The regulations also give members of the press and public rights to see information related to significant decisions made outside meetings by officers acting under general or specific delegated powers.

Whistleblowing

The Department for Business, Innovation and Skills (BIS) has recently launched a consultation, which closed at the end of September 2014, seeking views on the practical implementation of a legal power requiring prescribed persons to report annually on whistleblowing disclosures. Because of the duty of confidentiality binding prescribed persons, and a lack of legal obligation to investigate, BIS found that whistle-blowers do not have confidence that their reports are investigated. The Department is therefore introducing a reporting requirement in order to ensure more systematic processes across prescribed bodies, and to provide greater reassurance to whistle-blowers that their reports are being acted on. The reports would not provide specific detail enabling the whistle-blower or the organisation about which the report is made to be identified, but would contain more generic information about the number of disclosures made, and the characteristics of those disclosures, such as whether they required further investigation or referral to an alternative body.

Meanwhile, the Parliamentary Commission on Banking Standards (PCBS) has published recommendations for enhancing corporate transparency, governance and integrity. Eleven of the PCBS' recommendations relate specifically to whistleblowing. The Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) have indicated their intention to adopt all eleven and consequently we can expect change to the regulatory landscape in the near future. We also noted earlier, that whistleblowing was an area raised by the PAC, who emphasised the value of effective whistleblowing policies.

Whistleblowing is therefore clearly a key area for consideration, for both the public and private sectors.

EY has produced a whistleblowing flyer to help you to consider your whistleblowing framework's effectiveness, and whether your culture encourages employees to raise concerns.

Key Questions for the Audit Committee

What questions should the Audit Committee be asking itself?

- Do we have clear lines of responsibility for contract management?
- Have we considered whether use of outcome based contracts could mitigate our 'buyers' risk'?
- Have we responded to the questions raised in Appendix 2 of the latest NFI report?
- How effective is our whistleblowing policy?

Find out more

EY Item Club: Autumn 2014 Forecast

Find EY Item Club's Autumn 2014 forecast at:

http://www.ey.com/Publication/vwLUAssets/EY-ITEM-Club-Autumn-Forecast-2014-full-report/$FILE/EY-ITEM-Club-Autumn-Forecast-2014-full-report.pdf

Contracting out public services to the private sector
Read the NAO report at:

http://www.nao.org.uk/wp-content/uploads/2013/11/10296-001-BOOK-ES.pdf

To find out how EY can help with contract management, contact a member of your engagement team.

Councils face a £5.8 billion shortfall in funding says LGA

Read the LGA's press release, on what they have termed the '£5.8bn funding black hole' at

http://www.local.gov.uk/web/guest/finance/-/journal_content/56/10180/6309034/NEWS.

Find the full report at:

http://www.local.gov.uk/documents/10180/5854661/L14-340+Future+funding+-+initial+draft.pdf/1854420d-1ce0-49c5-8515-062dccca2c70

Independent Commission on Local Government Finance

Read the Commission's interim report at:

http://www.localfinancecommission.org/-/media/iclgf/documents/l14536%20interim_report_web_v2.pdf

Future of Local Audit

https://www.gov.uk/government/consultations/local-audit-regulations

Grant Claim Certification Results

Read the full Audit Commission report at:

http://www.audit-commission.gov.uk/wp-content/uploads/2014/06/Local-government-claims-and-returns-final-17-June-2014.pdf

The DWP circular is also available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/309613/s4-2014.pdf

Find out more

Audit fees at a 25 year low as part of the Audit Commission's legacy

Read the full Audit Commission press release at:

http://www.audit-commission.gov.uk/2014/10/wpsf1516pr/

Protecting the Public Purse: 25 years on

Read the final NFI report produced by the Audit Commission before its closure in March 2015 at:

http://www.audit-commission.gov.uk/wp-content/uploads/2014/10/Protecting-the-Public-Purse-2014-Fighting-Fraud-against-Local-Government-online.pdf

Open and Accountable Government

The guide for press on attending and reporting meetings of local government is available at:

https://www.gov.uk/government/publications/open-and-accountable-local-government-plain-english-guide

Whistleblowing

Feedback from the consultation is currently being analysed. The output from the consultation when it becomes available will be accessed via:

https://www.gov.uk/government/consultations/whistleblowing-prescribed-persons-reporting-requirements

To download the EY flyer on whistleblowing, visit:

http://www.ey.com/Publication/vwLUAssets/EY_-_Whistleblowing_-_change_is_coming/$FILE/EY-whistleblowing.pdf

For more information on how EY can help you enhance your existing whilstleblowing framework, speak to a member of your engagement team.

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