



# **Epping Forest District Council**

## **AUDIT AND GOVERNANCE COMMITTEE Thursday, 28th November, 2013**

You are invited to attend the next meeting of **Audit and Governance Committee**, which will be held at:

**Council Chamber, Civic Offices, High Street, Epping  
on Thursday, 28th November, 2013  
at 7.00 pm .**

**Glen Chipp  
Chief Executive**

**Democratic Services  
Officer**

Gary Woodhall  
Office of the Chief Executive  
Tel: 01992 564470  
Email: [democraticservices@eppingforestdc.gov.uk](mailto:democraticservices@eppingforestdc.gov.uk)

### **Members:**

Councillors: A Watts (Chairman), H Kane and L Leonard.

Independent: R Thompson (Vice-Chairman) and A Jarvis.

### **WEBCASTING/FILMING NOTICE**

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**If you have any queries regarding this, please contact the Senior Democratic Services Officer on 01992 564249.**

**1. WEBCASTING INTRODUCTION**

I would like to remind everyone present that this meeting will be recorded for subsequent repeated viewing on the Internet and copies of the recording could be made available for those that request it.

By being present at this meeting it is likely that the recording cameras will capture your image and this will result in your image becoming part of the broadcast.

You should be aware that this might infringe your human and data protection rights. If you have any concerns please speak to the webcasting officer.

Please could I also remind members to put on their microphones before speaking by pressing the button on the microphone unit.

**2. APOLOGIES FOR ABSENCE**

**3. NEW CO-OPTED MEMBER - MR A. JARVIS (Pages 5 - 8)**

(Chairman of the Audit & Governance Committee) To welcome Mr A. Jarvis to his first meeting of the Committee following his appointment as a co-opted member.

A report of the Appointment Panel is also enclosed.

**4. DECLARATIONS OF INTEREST**

To declare interests in any item on this agenda.

**5. MINUTES**

To confirm the minutes of the last meeting of the Committee held on 23 September 2013 (previously circulated).

**6. MATTERS ARISING**

To consider any matters arising from the previous meeting.

**7. AUDIT AND GOVERNANCE WORK PROGRAMME - 2013/14 (Pages 9 - 10)**

(Director of Finance & ICT) To consider the attached Work Programme for 2013/14.

**8. DIRECTORATE RESTRUCTURING REVIEW**

(Chairman of Audit & Governance Committee) To report on recent discussions between the Chairman of this Committee and the Chief Executive regarding assurance as to the independence of the Council's Internal Audit function under proposed changes to the Council's Directorate structure.

**9. REVIEW OF OVERVIEW AND SCRUTINY (Pages 11 - 52)**

(Assistant to the Chief Executive) To consider the attached report (AGC-018-2013/14).

**10. DUE DILIGENCE (Pages 53 - 58)**

(Chief Internal Auditor) To consider the attached report (AGC-019-2013/14).

**11. MID-YEAR REPORT ON TREASURY MANAGEMENT AND THE PRUDENTIAL INDICATORS 2013/14 (Pages 59 - 82)**

(Director of Finance & ICT) To consider the attached report (AGC-020-2013/14).

**12. REPORTS FROM THE EXTERNAL AUDITOR (Pages 83 - 94)**

(External Auditors) To consider the attached report (AGC-021-2013/14).

**13. INTERNAL AUDIT MONITORING REPORT - JUNE TO SEPTEMBER 2013 (Pages 95 - 108)**

(Chief Internal Auditor) To consider the attached report (AGC-022-2013/14).

**14. ANY OTHER BUSINESS**

Section 100B(4)(b) of the Local Government Act 1972, together with paragraphs (6) and (24) of the Council Procedure Rules contained in the Constitution require that the permission of the Chairman be obtained, after prior notice to the Chief Executive, before urgent business not specified in the agenda (including a supplementary agenda of which the statutory period of notice has been given) may be transacted.

In accordance with Operational Standing Order 6 (Non-Executive Bodies), any item raised by a non-member shall require the support of a member of the Committee concerned and the Chairman of that Committee. Two weeks notice of non-urgent items is required.

**15. EXCLUSION OF PUBLIC AND PRESS**

Exclusion:

To consider whether, under Section 100(A)(4) of the Local Government Act 1972, the public and press should be excluded from the meeting for the items of business set out below on grounds that they will involve the likely disclosure of exempt information as defined in the following paragraph(s) of Part 1 of Schedule 12A of the Act (as amended) or are confidential under Section 100(A)(2):

<b>Agenda Item No</b>	<b>Subject</b>	<b>Exempt Information Paragraph Number</b>
Nil	Nil	Nil

The Local Government (Access to Information) (Variation) Order 2006, which came into effect on 1 March 2006, requires the Council to consider whether maintaining the exemption listed above outweighs the potential public interest in disclosing the information. Any member who considers that this test should be applied to any currently exempted matter on this agenda should contact the proper officer at least 24 hours prior to the meeting.

Confidential Items Commencement:

Paragraph 9 of the Council Procedure Rules contained in the Constitution require:

(1) all business of the Council requiring to be transacted in the presence of the press and public to be completed by 10.00 p.m. at the latest;

(2) at the time appointed under (1) above, the Chairman shall permit the completion of debate on any item still under consideration, and at his or her discretion, any other remaining business whereupon the Council shall proceed to exclude the public and press; and

(3) any public business remaining to be dealt with shall be deferred until after the completion of the private part of the meeting, including items submitted for report rather than decision.

Background Papers:

Paragraph 8 of the Access to Information Procedure Rules of the Constitution define background papers as being documents relating to the subject matter of the report which in the Proper Officer's opinion:

(a) disclose any facts or matters on which the report or an important part of the report is based; and

(b) have been relied on to a material extent in preparing the report and does not include published works or those which disclose exempt or confidential information (as defined in Rule 10) and in respect of executive reports, the advice of any political advisor.

Inspection of background papers may be arranged by contacting the officer responsible for the item.

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



**Epping Forest  
District Council**

**Report reference:**

**Date of meeting:**

28 November 2013

**Chairman:** Councillor A Watts

**Subject:** Appointment of Co-opted Member

**Responsible Officer:** I Willett (01992 564243)

**Democratic Services:** Gary Woodhall (01992 564470)

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### **Recommendations:**

- (1) To note the decision of the Appointments Panel appointed by the Council to select Mr A Jarvis of Chigwell to fill the vacancy for a co-opted member on this Committee with effect from 26 September 2013; and**
- (2) That a report be submitted to the Council notifying the Council of this appointment which was made under delegated authority.**

### **Executive Summary:**

An interview panel of 3 councillors was appointed at the Council meeting on 30 July 2013 to undertake interviews following public advertisement for the vacant co-opted member position on the Audit and Governance Committee. The Council granted delegated authority to the panel to appoint a preferred candidate following interviews.

This report gives information on the recruitment process and reports that Mr A Jarvis of Chigwell was appointed.

### **Reason for Proposed Decision:**

To fill the vacancy for a co-opted member on the Audit and Governance Committee and to comply with the delegated authority granted to the interview panel by the Council at its July meeting.

### **Other Options for Action**

None

### **Report:**

### **Introduction**

1. At the Council meeting on 30 July 2013, an interview panel of 3 councillors together with Mr R Thompson, co-opted member of the Audit and Governance Committee (in a non voting capacity) was appointed with the view to making an appointment to the vacancy on the Committee.
2. The panel comprised Councillor Anthony Watts (who chaired the panel) together with Councillor Helen Kane and Lance Leonard. The Panel was supported by Brian Bassington (Chief Internal Auditor), Bob Palmer (Director of Finance and ICT) and Ian Willett (Assistant to the Chief Executive).

### **Recruitment Process**

3. The vacancy was advertised on the Council's website and in the summer/autumn edition of the Forester a recruitment pack made available to potential applicants. Details of the pack and the vacancy were also circulated via the Council's local business and voluntary sector network. The closing date for applications was set as 31 August 2013.
4. This advertising resulted in 12 persons contacting the Council to request a recruitment pack and 4 firm applications. Two other applicants sought advice on whether they were eligible for consideration and in both cases after informal consultations with panel members these were ruled out on the basis of past political links with the Council or experience which did not match the selection criteria adopted for the position.

### **Interviews**

5. Interviews were held on two occasions in September 2013 linked to the availability of candidates and the diaries of the panel members. The four candidates were selected for interview but one withdrew due to pressure of other commitments.
6. All interviews were conducted by the panel on the basis of set questions within which there was flexibility for the panel to follow up on topics which arose in discussion. The set questions were allocated between Panel members and were linked to the selection criteria. Candidates were given an opportunity to ask questions of their own about the Council and the work of the Audit and Governance Committee. Applicants were scored against the selection criteria and the result was clear-cut.
7. The successful candidate was selected on the basis of considerable experience in local government finance over an extended period which was considered to be stronger than those of the other 2 candidates. The Panel is keen to record its thanks to the other 2 candidates for their interest and their enthusiasm.

### **Conclusions**

8. Mr Jarvis's appointment took effect from 26 September 2013 and the Panel took the view that his knowledge and experience will be an asset to both the Committee and the Council.
9. We ask the Committee to note the appointment made and to draw this to the attention of the Council at its December meeting.

**Resource Implications:**

The recruitment and interviewing arrangements were conducted within existing resources.

**Legal and Governance Implications:**

The Audit and Governance Committee is a requirement of the Council's Constitution and the appointment to the vacancy for a co-opted member ensures that the Committee can carry out its tasks in accordance with those requirements.

**Safer, Cleaner, Greener Implications:**

None.

**Consultation Undertaken:**

The set questions and the scoring matrix was agreed after consultation with the Panel members.

**Background Papers:**

Recruitment pack  
Set Questions and Scoring Framework.

**Impact Assessments:****Risk Management:**

With only 1 co-opted member in post, there was a risk of the Committee not being quorate if the remaining co-opted member were absent for any reason. The appointment of the second co-opted member reduces the risk of being inquorate in the future.

**Equality Analysis:**

Details of the appointment were circulated widely across the District. The selection criteria sought a residential or employment link with the District and excluded candidates who had political or other links with the council so as to guarantee independence. Specific knowledge and experience relevant to the work of the Committee was sought.





## **Audit & Governance Committee Report Schedule**

### **2013/14**

#### **27 June 2013**

- Internal Audit Annual Report.
- Review of the Effectiveness of Internal Audit.
- Audit & Governance Committee Annual Report.
- Annual Governance Statement.
- Q4 Internal Audit Monitoring Report.
- ❖ Audit Plan 2012/13.
- ❖ Planning Letter 2013/14.

#### **23 September 2013**

- Treasury Management Annual Outturn Report.
- Statutory Statement of Accounts.
- Q1 Internal Audit Monitoring Report.
- Appointment of Co-Opted Member – Report on Recruitment.
- Review of Business Continuity Plan for Internal Audit.
- ❖ Annual Governance Report 2012/13.

#### **28 November 2013**

- Treasury Management Mid-Year Report.
- Q2 Internal Audit Monitoring Report.
- Due Diligence for Council Contracts.
- ❖ Annual Audit Letter 2012/13.

#### **6 February 2014**

- Treasury Management Investment & Strategy Statements.
- Q3 Internal Audit Monitoring Report.
- ❖ Grant Claims Audit Report 2012/13.
- ❖ Audit Plan 2013/14.

#### **3 April 2014**

- Effectiveness of Risk Management.
- Internal Audit Business Plan.
- ❖ Planning Letter 2014/15.

#### **Key**

- EFDC Officer Report.
- ❖ External Auditor Report.

*N.B...In addition, the Committee's annual private meetings with the External and Internal Auditors are scheduled to take place prior to the April meeting.*

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## **Report of Overview and Scrutiny Review Task and Finish Panel**



**Date of meeting: 26 November 2013**



**Report of:** Overview and Scrutiny Review Task and Finish Panel

**Chairman:** Councillor K Angold-Stephens

**Officer contact for further information:** I Willett (01992 564243)  
Assistant to the Chief Executive

**Committee Secretary:** Adrian Hendry (01992 564246)  
Democratic Services Officer

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### **Recommendations:**

- (1) That a report be submitted to the Council recommending that the proposals arising from this review of Overview and Scrutiny as set out in Appendix 1 be approved;**
- (2) That the amendments set out in Appendix 2 (Overview and Scrutiny Procedure Rules and “Call In” Protocol) be approved and recommended to the Council for adoption and publication in the Constitution;**
- (3) That this report be referred to the Audit and Governance Committee as previously requested.**

### **Report:**

#### **1. Introduction**

- 1.1 We were appointed by the Overview and Scrutiny Committee on 7 April 2012 to review Overview and Scrutiny arrangements within the Council with particular reference to working relationships with the Cabinet.
- 1.2 We were originally set a deadline of completing this review and making recommendations with a view to introducing the proposed changes by the beginning of the current Council year. In practice this did not prove to be possible in view of the discussion prompted by feedback from consultation.

#### **2. Approach to the Review**

- 2.1 We were provided with a comprehensive summary of all the statutory provisions relating to the Overview and Scrutiny (OS). If any members of the Council wish to review this information it can be found appended to the agenda for our meeting on 6 December 2012 (Agenda Item 5 – Appendix – Page 15). We were satisfied that the Council had met its statutory obligations and that the Council’s Constitution and, more particularly, the Overview and Scrutiny Procedure Rules adequately reflect the statutory arrangements which apply.

- 2.2 Within the same Panel agenda, members will find further research which we commissioned as part of the review. This included:
- (a) a summary of outcomes from previous OS reviews;
  - (b) a digest of views received during consultation from Councillors and Officers about OS;
  - (c) examples from other Councils of good OS practice.
- 2.3 We reported to the Committee on 20 May 2013 with our provisional recommendations and the Committee made a number of comments and raised questions about some of our proposals. These included:
- (a) a query as to whether a call-in is still to be reported to the Overview and Scrutiny Committee even if it had been withdrawn by mutual consent;
  - (b) views regarding the proposal to allow only a lead “call-in” sponsor to speak to the call-in, thereby excluding other signatories;
  - (c) questions regarding our proposals for a new seating plan to deal with scrutiny of external organisations and call-in; and
  - (d) the question of whether the public should be asked to raise questions at OSC meetings or make presentations on matters of concern.
- 2.4 These concerns from the Committee had been addressed at our most recent meeting and we explain below that we have responded positively to the comments made.
- 2.5 The Audit and Governance Committee requested an opportunity to review our interim findings and also the process of the review itself, to seek assurance, from the point of view of good governance, that the review was robust. The Audit and Governance Committee received a report with the interim proposals at its meeting on 27 June 2013 and was happy with the process.
- 2.6 However, the Committee also asked for sight of the final proposals before these are submitted to the Council. With this in mind, we have asked for this report to be supplied to the Audit and Governance Committee at its next meeting.

### **3. Findings and Recommendations**

- 3.1 Appendix 1 to this report shows our recommendations for changes to Overview and Scrutiny arrangements. A commentary is given below of our main findings in relation to a number of separate topic areas.

#### **Overview and Scrutiny Committee – Chairman**

- 3.2 At present, there are no specific rules concerning the appointment by the Council of an Overview and Scrutiny Committee Chairman. It is clear to us however that OS should not be a political process. We received representations as part of the consultation that the Chairman of OSC should automatically be a member of a minority party but feel that the only requirement should be that the Councillor appointed should have experience and understanding of OS in order to be qualified for the position. We also would like the Chairman of OSC to be able to attend the agenda planning group if he or she so wishes.

## **Cabinet/Overview and Scrutiny - Liaison**

- 3.3 We feel that changes need to be made in order to facilitate closer working between the Cabinet and Overview and Scrutiny. One of the roles of Overview and Scrutiny is to assist the Cabinet in the conduct of its responsibilities whilst at the same time holding the Cabinet to account for the decisions made. However, our view is that there has been too much reliance in the past on call-ins as a way of bringing the Cabinet to account and not enough emphasis on pre-scrutiny.
- 3.4 Pre-scrutiny would allow a discussion to take place between the Cabinet and the Leader of Council and OSC in order to look at the former's programme of work and decide how Overview and Scrutiny could assist in the delivery of that programme. OSC should also regularly monitor progress by the Cabinet in delivering its programme.
- 3.5 We think this can be best achieved by linking the Cabinet's forward plan with the work programme for OS. We are recommending that at the first OSC each year, the Leader of Council and his Cabinet colleagues should present their programme and answer questions. This would also give an opportunity for the Leader of Council to advise OSC of those matters which could be undertaken on the Cabinet's behalf. Likewise, with the benefit of the planning of the OS work programme, will allow OSC to indicate work to be undertaken which affects executive functions.
- 3.6 We would like to see more attendance by Portfolio Holders at Scrutiny Panel meetings as they can then answer questions and provide information which can assist the work of the Panel concerned.
- 3.7 We also propose that progress reports be given after 6 months to OS on the Cabinet forward plan for the year and the delivery of its priorities so that OS has a chance to comment on Executive activities without relying totally on "call-ins".
- 3.8 We have also looked at the process by which the Overview and Scrutiny Committee reviews the Cabinet agenda at each meeting and we think there is scope of improving the arrangements.
- 3.9 The interval between the despatch of the Cabinet agenda and the Overview and Scrutiny Committee meeting is currently very short and we feel that this may not give OS members enough opportunity to really study Cabinet business. Pre –scrutiny of the kind we have described earlier in the report means that none of those items on the Cabinet agenda should be a surprise to OS members as there should have been discussion with the Leader of Council at the beginning of the year. The Cabinet review item is currently placed at the end of the OSC agenda and we think it should be placed earlier on the agenda to give it more prominence and to allow more time for discussion.

## **Overview and Scrutiny Work Programme**

- 3.10 One of our concerns is that the management of the OS Work Programme should be improved.
- 3.11 We have listed in our recommendations a wide range of information from which the OS Work Programme could be drawn. For instance, there may be useful data on public concerns from the complaints or from Freedom of Information requests. We feel that the Cabinet Work Programme should also be taken into account in deciding how the OS programme should be structured.

- 3.12 We would also like to see use made of digests from Directorate Business Plans and information from petitions.
- 3.13 Another area where we feel that more work can be done is following up on previous scrutiny work. We are suggesting that once scrutiny work has been completed there should be 3 monthly oral reports from the Portfolio Holders followed by 6 monthly reviews on implementation. This should include reviews of matters such as Cabinet decisions on scrutiny reports and following up on discussions with external organisations following reviews.
- 3.14 We think the management of the OS Work Programme should be co-ordinated by the officer agenda planning group in consultation with the Chairman or Vice Chairman of the OSC. We would wish that group to review the work programme, review requests from the public and Councillors for reviews (via the pick system) and programme 3 monthly and 6 monthly follow ups. This group could also deal with any requests for reviews which are inappropriate or not relevant to OS. In our view, work programming by OS should start well before the start of the Council year. We are recommending that preparation should begin in February with a pause if necessary during April/May if EFDC Elections are due.
- 3.15 We also re-affirm the use of the “pick “system as the basis of assessing requests for reviews. The Officer Group should be strict in ensuring that items are all submitted on the form and if, requests are unclear or incomplete, refer them back for clarification.

### **Scrutiny Panels**

- 3.16 We have no major proposals in relation to Scrutiny Panels except that we wish to see Panel Chairmen more disciplined in attending meetings of the OSC in order to give progress reports on the work of their Panels.
- 3.17 We looked at the question whether pro-rata requirements for Standing Scrutiny Panels could be discontinued in order to ensure that memberships comprised Councillors who had a keen interest in the subject matter and did not merely attend to fulfil the pro-rata formula. Although in discussion, this did find some support, it was felt that in practical terms this would not be deliverable within the Council and we have therefore decided not to make any proposals in that regard.
- 3.18 Another minor change we wish to make is to dispense with the term “Standing Scrutiny Panel” and replace it with the simpler title “Scrutiny Panel”. We feel that this shortened title will still adequately distinguish these Panels from the “Task and Finish Panels” set up from time to time.
- 3.19 That the rules concerning set up from time to time of Portfolio Holders attending Scrutiny Panels be extended to Portfolio Holder Assistants.

### **“Call-in” Procedure**

- 3.20 The “call-in” process operated by the Council has been reviewed several times and we think that, on the whole, it is working well. We are, however, making recommendations about improving the process as discussed below.

- 3.21 We wish to introduce arrangements whereby a Cabinet member and a call-in sponsor could meet before the call in is referred to OSC. Such a meeting would be convened by the Chairman of the Overview and Scrutiny Committee and would explore whether an agreement can be reached on a way forward. This might allow a “call-in” to be withdrawn or modified or allow a Portfolio Holder to agree changes to the decision so as to reflect the concerns expressed. We were asked previously by the Committee about what would happen if a “call-in” is withdrawn as a result of this process. We have looked at this issue and feel that OSC should be advised for information at the next meeting of any prior discussions about the call in and the outcome.
- 3.22 The deadline for a call-in is 5 days following the publication of a notice of the relevant executive decision. We feel that this is a tight timescale, particularly as five members have to sign in order to validate the “call in”. We are pleased that officers now operate more flexible arrangements. We still feel that a signed document is still required but e-mail submissions of support by the 5 call-in sponsors are now accepted and speed up the process. In the longer term we would like the opportunities for an electronic call-in system to be investigated.
- 3.23 We have also looked at the way in which “call in” debates at OSC are structured. The Overview and Scrutiny Committee asked us to think again about the idea of only the lead call-in sponsor speaking on the call-in. We originally felt that this would allow the Portfolio Holder to respond to those comments on a balanced basis. At present the arrangement is that all 5 sponsors of the call-in would be able to speak and the Portfolio Holder would be the only person to be able to reply. Now that we have the benefit of the Committee’s views, we are recommending that the order should be:
- (a) Lead signatory to present call in;
  - (b) the next four signatories to call-in given opportunity to speak;
  - (c) Portfolio Holder responds;
  - (d) debate by OSC (as opportunity for other call-in signatories to the call-in speak if they so wish should they be more than 5 in number);
  - (e) final response by the Portfolio Holder to debate; and
  - (f) voting.
- (NB Under (b) above, if more than 5 Councillors have signed the “call in”, the lead member and the following 4 names on the form plus the portfolio holder would speak. Any other signatories would then be free to speak in the debate following the Portfolio Holder’s response.)
- 3.24 We have made recommendations on the use of the Council Chamber in the section of this report relating to the scrutiny of external organisations (see below). We recommend that the same seating arrangements should apply to call-ins, the relevant Director and the Portfolio Holder being asked sit together in the well of the Chamber to make their presentations and answer questions. We are suggesting that this arrangement should operated on a trial basis over the first 9 months of the Council year 2014/15 and then reviewed.

## Scrutiny of External Organisations

- 3.25 We have probably spent more time on how to scrutinise the activities of other agencies who affect the District than on any other issue. Although a procedure regarding how such a scrutiny is to be conducted is outlined in the Overview and Scrutiny Rules we do not feel that this is fully effective.
- 3.26 The essence of scrutiny of external organisations is preparation. Currently, members of OSC have a private meeting on questions to be asked prior to the meeting. This is linked to an earlier invitation in the bulletin to put forward questions. We think that this is probably leaving matters too late for proper preparation and we would like a preliminary discussion to be held at the previous OSC to agree the topics which need to be raised. This should guide the Committee and officers on the kind of topics which need to be explored. We hope that this will enable more background information to be prepared by officers and avoid duplicating questions in debate. It will also enable the issues of concern to be sent to the organisation at an earlier stage, improving the prospects for meaningful answers being given at the meeting. We are also recommending that undertakings given by organisations should be followed up after six months and the outcomes reported back to OSC or the relevant Panel.
- 3.27 In terms of the way in which time is allocated at Overview and Scrutiny Committee meetings for this kind of scrutiny, we think that time limits should be applied to presentations by external bodies. We do not propose to be prescriptive about this as we are content for the Chairman of OSC to do this. However, we do not wish to see a time limit on the period for questions. We feel that an arbitrary time limit can often prevent members from asking significant follow up questions and frustrate the main purpose in inviting external agencies, namely of finding out the true position on how the District is affected.
- 3.28 We also feel that there is an issue around the selection of organisations who attend Overview and Scrutiny Committee meetings. Quite often requests are made simply to allow representatives to come to meetings to present information on some new initiative they are undertaking. In our view, this is not the same as Scrutiny. We feel that in planning the work programme for OS each year there must be regard to real issues for the Council and the community.
- 3.29 A trial of new seating arrangements for external organisations is recommended. We consider that representatives of the external organisations should be seated in the well of the Chamber because this would provide a better focus for questioning and change the relationship between the organisation scrutinised and the OSC. We are aware that when we reported our provisional recommendations to the Overview and Scrutiny Committee, some reservations were expressed about this idea. However, we still wish to recommend this new seating arrangement because we feel that with representatives of external organisations sitting at the “top table” scrutiny is less effective.
- 3.30 At the end of the trial, we recommend that there should be a review of the effectiveness of this arrangement by the Constitution and Member Services Scrutiny Panel. The trial should be for 9 months but could be extended at the discretion of the Committee if insufficient external reviews have been conducted in that period.



## **Budget Scrutiny**

- 3.31 We have reservations about the current involvement of Overview and Scrutiny in budget monitoring. Currently the activities of the Finance and Performance Management Scrutiny Panel (“Scrutiny Panel”) seem to mirror the work of the Cabinet Committee to an excessive extent. We received representations as part of consultation about the current practice of submitting the same budget papers to Scrutiny Panel as are discussed by the Cabinet Committee. We feel that all the detailed financial information is rightly the responsibility of the Cabinet Committee and budget scrutiny by Overview and Scrutiny should be on a different basis.
- 3.32 We feel that the Scrutiny Panel should be reviewing the financial issues paper produced by the Director of Finance and ICT by September each year and the mid-term financial strategy document. Throughout the budget process, the Scrutiny Panel should concentrate on policy issues, trends, problems and themes rather than trying to assimilate the vast amount of financial data which the Cabinet Committee must have to meet its responsibilities. We wish to avoid the duplication that currently exists between the Cabinet Committee and this Scrutiny Panel.
- 3.33 At our request the Director of Finance and ICT has developed an OS budget review timetable which is set out in our recommendations. Principally this will involve an initial look at the financial issues paper by September. In November this will be followed by examination of the draft growth lists and savings and the DDF programme (plus fees and charges), followed, in January, by an update of the medium term financial strategy for the next financial year. The timetable would conclude in February with the final form of the draft budget.
- 3.34 We think that this should be the basis of scrutiny of the budget each year. This will allow the Scrutiny Panel to comment on the broad issues affecting the budget without becoming unduly immersed in the detail. This process should, in our view, be coupled with training in financial procedures preceding the beginning of the budget cycle by the end of September. We are happy for the content of that report and also the timing to be left with the Director of Finance and ICT but we feel it is essential that this training is given if OS is to make a real contribution to the budget process.
- 3.35 We wish the Scrutiny Panel’s term of reference to be reviewed to avoid duplication with the Cabinet Committee and to see the joint meetings with the Cabinet Finance Committee discontinued. We also would like the Scrutiny Panel to look at the timetable for business plans so that this too can complement the OS work programme for the year.

## **Scrutiny of Key Performance Indicators**

- 3.36 The quarterly review of Key Performance Indicators (KPI’s) is currently undertaken by the Finance and Performance Management Standing Scrutiny Panel (“Scrutiny Panel”). We wish to see this continue but we would like KPI monitoring to concentrate on those indicators which are either “red” (below target) or “amber” (i.e. within a target tolerance) although all KPIs will continue to be reported as now. We see limited value in considering indicators which are being met. Furthermore, although we support the co-ordinating role of that Panel, we feel that where other Panels are in being and have a direct interest in any KPI, they should be able to review current performance or the reasons for non achievement if more detailed review is necessary after an initial presentation has been made to the Scrutiny Panel. We are asking that the terms of reference of that Panel should also be amended to reflect this approach.

- 3.37 If there is no separate Panel in being which can deal with any KPI, these further reviews can be dealt with by the Finance and Performance Management Scrutiny Panel.

### **The Public Profile of Overview and Scrutiny**

- 3.38 At previous reviews of Overview and Scrutiny there has been discussion regarding the public profile of Overview and Scrutiny. We feel that although the Constitution adequately reflects the need for Overview and Scrutiny to engage with the public, this has not been achieved in practice and continues to be a problem. We have a number of ideas as to how we can improve things and these are set out below.

#### **(a) Items from the Public**

- 3.39 The Overview and Scrutiny rules should be amended to allow the public the opportunity to ask questions at Overview and Scrutiny and Panel meetings and to address those bodies on issues of concern.
- 3.40 This is an issue which was commented upon by Overview and Scrutiny Committee at the provisional recommendation stage because there were fears about the public raising topics which are not otherwise on the agenda. The Committee also felt that Overview and Scrutiny should avoid a situation where the same question or request to address a Committee or Panel can be repeated.
- 3.41 We accept those concerns and are proposing that questions and requests to address a Panel or the OSC should be limited to existing agenda items. If requests are received for topics which are not included on the agenda, these need to be dealt with under the "pick" system and submitted to a later meeting. We are sure that officers will look at these proposals carefully to ensure that they are relevant before placing them before members.
- 3.42 On the question of the same matter being raised again, we are proposing that the rules should say such questions or proposals can only be dealt with once in any one year. We would also like to see more opportunities for Panels to deal with relevant subjects as questions may be better dealt with in a smaller group of Councillors with more background knowledge of the subject matter. However some matters will be more appropriate for OSC.

#### **(b) Encouraging Participation by the Public**

- 3.43 We wish Chairmen to use their discretion whenever possible at both at OSC and Panel meetings, to ensure that the public can easily engage with OS and make a real contribution. We would like to see the website used to encourage the public to come forward with questions and ideas, particularly where scrutiny of external agencies is planned. Specific publicity for those sessions should also be given.

### **Community Safety and National Health Service Scrutiny**

- 3.44 We have reviewed the arrangements for scrutiny of Crime and Disorder and NHS issues as these are likely to be of interest to the public and Councillors alike. We are broadly quite happy with the arrangements for crime and disorder. We feel that there is a willingness by the Police and Crime Commissioner to come to this District to answer questions from the public and Councillors and we are confident that this will continue.

- 3.45 There should be adequate advanced publicity for community meetings arranged in the District under the auspices of the Police and Crime Commissioner's office. One recent event was, so far as we can see, advertised only fairly late in the day, with the result that there was a disappointing public attendance. We are recommending that the Commissioner's office should be asked to provide more notice and make use of the Council's resources to publicise such events.
- 3.46 NHS scrutiny awareness of the process is not at a high level. This is particularly concerning because this is a topic which will be of great concern to the public. Currently, statutory responsibility for NHS scrutiny lies with the County Council but we are concerned about local scrutiny of health care issues. We take the view that scrutiny on a County-wide basis may not be at a sufficiently local scale and we are proposing that an approach should be made to the County Council to carry out local review as and when the need arises. We are hopeful that Essex County Council will accept the need for local NHS reviews. However, it will be important that the results are fed back to the County Council and this Council's representatives clearly have a crucial role in acting as a link.

## **Training**

- 3.47 We have mentioned training in relation to the budget and we are proposing that the training courses on OS should be reinstated and held each June in the years when there are Epping Forest District Council elections. We think it is very important that Councillors are constantly refreshed regarding Overview and Scrutiny techniques and particularly newly-elected Councillors, who need to be aware of the opportunities which OS opens up to non Cabinet members. We hope that this will not be the only Overview and Scrutiny training to be provided and that more specialist courses will be facilitated as and when needed.
- 3.48 Finally, we have been advised that the Tenants' Federation are forming their own Overview and Scrutiny Committee to monitor their relationship with the Council as housing authority. We are very supportive of this initiative and wish to see representatives of the Federation fully involved in any training sessions held.

## **4. Constitutional Changes**

- 4.1 Revised Overview and Scrutiny Procedure Rules are attached as Appendix 2 and incorporate those proposals which require constitutional changes. The Committee will appreciate that many of the changes mentioned in our recommendations are more operational in character or merely support provisions in the Constitution which exist already. Any changes to the Rules are shown in bold type/underlined and, if approved, should be submitted to the next Council meeting for adoption and publication in the Constitution.

## **5. Conclusions**

- 5.1 Our overriding impression of OS within the Council at present is that constitutionally it is well established but the full scope of the opportunities it offers to Councillors and the community to influence the way in which the Council and others work has yet to be fully grasped.

## **6. Thanks**

- 6.1 The Panel wishes to acknowledge the support and responses received from all those consulted about this review. In particular we acknowledge the work carried out in support of the review by Connor Lattimer and Nicholas Trower in undertaking research and general support for the review during their summer internships in 2012.

## **7. Reservation by Councillor D. Stallan**

- 7.1 Councillor D. Stallan is a member of the Review Panel and has asked that his opposition to recommendation 13 (f) (ii) in Appendix 1 relating to the order of speakers at a call in meetings of the Overview & Scrutiny Committee. He believes that to have 5 speakers before the Portfolio Holder responds will mean that some points could be missed in that response, because many points can be raised all of which need to be answered. As a portfolio holder who has experience of call ins, he believes that he speaks from experience.
- 7.2 However, he supports the proposal that the order of speakers be formalised.

K Angold-Stephens (Chairman)

Z:\C\OVERVIEW AND SCRUTINY\REPORT – 26 NOVEMBER2013

## OVERVIEW AND SCRUTINY REVIEW – DRAFT RECOMMENDATIONS

Section marked thus \* involve constitutional changes.

### Overview and Scrutiny Committee – Chairman\*

(1) That Overview and Scrutiny Procedure Rule 8 be amended by the addition of a new sub-paragraph (3) as follows:

“3. The Chairman of the Committee must have experience and understanding of the Overview and scrutiny system.”

(2) That the Chairman and Vice Chairman of the Overview and Scrutiny Committee shall be invited to attend agenda planning sessions conducted by officers.

### Cabinet/Overview and Scrutiny Committee Liaison\*

(3) That in order to improve liaison arrangements between the Cabinet and Leader of the Council with the Overview and Scrutiny Committee the following proposals be agreed and incorporated in the Overview and Scrutiny rules:

(a) that the Leader of Council attend the first Overview and Scrutiny Committee of any Council year so as to present the Cabinet’s Forward Plan and to attend after six months to update the Overview and Scrutiny Committee on progress with that plan;

(b) that at the first meeting of the Overview and Scrutiny Committee each year, the Leader should indicate, where appropriate, any work which could be undertaken by Overview and Scrutiny on behalf of the Cabinet and likewise the Committee will indicate to the Leader work which will be undertaken by the Committee in the following year;

(c) that at the initial meeting of the Overview and Scrutiny Committee each year, members should have the opportunity to ask the Leader of Council and Portfolio Holders questions on matters of concern regarding Cabinet business;

(d) individual Portfolio Holders should attend appropriate Overview and Scrutiny Standing Panel meetings which deal with matters relating to their portfolios and should answer questions on their portfolio from Panel members;

(e) that relevant Portfolio Holders should attend any of the appropriate Standing Panel meetings dealing with matters related to their portfolio;

(f) that all Councillors be encouraged to attend discussions with the Leader of Council and Portfolio Holders at OSC or Panels, where they have an interest in the subject matter concerned;

(g) that the Standing Item on the Overview and Scrutiny Committee Agenda relating to the review of Cabinet business at its next meeting be placed earlier on the Committee’s agenda to allow more opportunity for discussion; and

(h) that the Council calendar of meetings be reviewed so as to allow more time between meetings of the Cabinet and the Overview and Scrutiny Committee so as to ease the process for call-ins and also the review of Cabinet agenda business.

### **Overview and Scrutiny - Work Programme\***

(4) That the first meeting of the Overview and Scrutiny Committee each year should include consideration of the work programme both for the Committee and Panels and that the compilation of the work programme should take account of the following:

- (a) significant decisions, whether or not they are key decisions, which are included in the Council's Forward Plan;
- (b) monitoring of the Cabinet Forward Plan as to progress and content of proposed decisions;
- (c) items arising from the Forward Plan to be raised as part of the Cabinet review item on Overview and Scrutiny Committee agenda;
- (d) requests by the public or Councillors;
- (e) a review of topics raised by way of formal complaints to the Council during the preceding year;
- (f) topics which have arisen in Freedom of Information Act requests during the previous year;
- (g) agreed Cabinet priorities for the year;
- (h) any outstanding work by Scrutiny Panels not completed during the previous Council year;
- (i) digests of information arising from petitions received during the previous year;

(5) That the submission of items by members of the Council or the public for consideration by Overview and Scrutiny Committee continue to be based on the "pick" work request form, use of which should be enforced and that in cases where the pick form is unclear or incomplete in relation to the nature of the work to be undertaken by Overview and Scrutiny, this be returned to the proposer with a request for greater clarity;

(6) That items or questions requested by the public be dealt with by officers so that these can be presented in the "Pick" form format;

(7) That where Overview and Scrutiny Committee or a Panel undertakes a review of Council services affecting the Cabinet, more follow-up work be undertaken as follows:

- (a) **after 3 months** – the relevant portfolio holder should give a verbal report on whether the OS recommendations have been agreed or any reasons why they have not been agreed or have been amended; and
- (b) **after six months** – the relevant portfolio holder should report back on the implementation of those recommendations.

(8) That the Overview and Scrutiny Agenda Planning Group of officers in consultation with the Chairman of the Overview and Scrutiny Committee be given prime responsibility for managing the Overview and Scrutiny work programme including reviews of requests from the public and members via the “pick” form procedure so as to establish the relevance and suitability of reviews requested;

(9) That the preparation of the Overview and Scrutiny Work Programme should commence in February each year but with account taken of the election period April/May each year if District Council elections are taking place;

(10) That, in terms of Council budgets scrutiny, provision be made in the Council’s annual training programme for Overview and Scrutiny members to be trained in budget processes before the commencement of the budget round each year and that the Director of Finance and ICT being asked to determine the most appropriate timing and content for such training sessions.

#### **Overview and Scrutiny Panels\***

(11) That Overview and Scrutiny Procedure Rules 12 and 13 be amended so as to require all Chairmen of Standing and Task and Finish Panels to attend each Overview and Scrutiny Committee to give oral or written progress reports on the work of their Panels.

(12) That the term “Standing” be discontinued in respect of the titles of Scrutiny Panels with Scrutiny Panels and Task and Finish Scrutiny Panels being used in future.

#### **Call-in Procedure\***

(13) That the following changes be made to the call-in procedure set out in the Overview and Scrutiny Procedure Rules and Protocol:

- (a) that the Chairman of the Overview and Scrutiny Committee, if requested either by the lead Councillor for a call-in or the relevant Cabinet member, should convene a meeting to discuss the call-in before this is considered formally by the Overview and Scrutiny Committee with a view to establishing whether there could be agreement between the Cabinet member and the call-in sponsor on proposals to modify the decision or the terms of the “Call in” so as to progress the matter;
- (b) that the present deadline for calling in decisions by the Cabinet or Portfolio Holders remain at five days and that a more flexible approach of allowing signing by separate e-mails from the members who support the call-in concerned be noted;
- (c) that further work be undertaken as to the possibility of instituting full electronic call-ins so as to speed up the process for dealing with these requests;
- (d) that a new provision be introduced so as to allow “call-in” sponsors to withdraw any objections they may have notified if having met with the Portfolio Holder and the Chairman of the Overview and Scrutiny Committee their concerns are met;

- (e) that situations where the procedure outlined in (d) above has been followed, an agreement has been reached on the withdrawal of call-in objections, an information report be submitted to the next meeting of the Overview and Scrutiny Committee on that withdrawal and the circumstances which led to changes in the original Cabinet decision being agreed by the Portfolio Holder or the Cabinet;
- (f) that the procedure for dealing with call-ins at the Overview and Scrutiny Committee meetings be amended to take place in the following order:
  - (i) lead call-in sponsor to speak first;
  - (ii) the four other signatories to the call-in to be given the opportunity to speak next;
  - (iii) Portfolio Holder then responds;
  - (iv) debate;
  - (v) final response by Portfolio Holder; and
  - (vi) voting.
- (g) that in cases where the number of signatories to a call-in exceeds five, the first five signatories on the call-in notification be dealt with under the previous sub-paragraph with any other signatories being able to speak only during the ensuing debate on the call-in.

### **Scrutiny of External Organisations**

- (14) That arrangements for scrutinising the work of external organisations be amended as follows:
  - (a) that for the purposes of presentations by representatives of outside organisations, they should be seated in the well of the Chamber for a trial period of 9 months from the commencement of the 2014/15 Council year and reviewed subsequently by the Constitution and Member Services Scrutiny Panel.
  - (b) that this layout also be used on a trial basis for call-ins with the relevant Portfolio Holder and Director sitting together in the well of the Chamber in order to answer questions from the Overview and Scrutiny Committee on call-in business.
  - (c) that members take a more critical approach to the selection of outside organisations to be scrutinised, ensuring that invitations are only issued to the organisations where there are public concerns.
  - (d) that a flexible approach be taken on whether or not scrutiny of an external organisation would be better conducted by a Standing or Task and Finish Panel rather than the Overview & Scrutiny Committee.
  - (e) that priority be given to preparing for external scrutiny sessions by extending existing arrangements by the addition of preliminary consideration at the meeting preceding the visit of the organisation concerned on the topics to be covered with Service Directors being encouraged to assist with background information which might assist follow-up questions to be formulated.



(f) that the Overview and Scrutiny Chairman determine the appropriate time allocation for presentations by external organisations but no time limit be set for questions from members of the Council.

(g) that more emphasis be given to monitoring undertakings given and proposals made by external organisations through follow up reviews after six months and reporting back to the Overview and Scrutiny Committee or the relevant Panel.

### **Scrutiny of Council Finance and Budgets**

(15) That a new timetable for review of the budget by Overview and Scrutiny be introduced as follows:

September – Financial Issues paper from Director of Finance submitted to the Finance and Performance Management Scrutiny Panel (“the Panel”).

November – Draft growth lists/savings and DDF programme and information on fees and charges submitted to the Panel.

January – Update of medium term financial strategy for the next financial year to be considered by the Panel.

February – Final form of draft budget to be submitted to the Panel for comment.

(16) That the timetable for the budget review be publicised in the Council Bulletin so that members who are interested in particular budget issues are aware of the meetings at which the Standing Panel will be examining proposals.

(17) That in future the Panel should concentrate on policy issues and emerging trends, problems and themes rather than individual budget details which are a matter for the Cabinet.

(18) That the Panel be asked to review their terms of reference so as to avoid duplication with the work of the Finance and Performance Management Cabinet Committee.

(19) That, in line with this new approach for the Standing Panel, the present practice of holding joint meetings with the Cabinet Finance Committee be discontinued so as to separate the roles of the two bodies.

(20) That, in reviewing budgets, the Panel should take account of budget issues from previous years if relevant to the current budget.

### **Key Performance Indicators – Role of Overview and Scrutiny**

(21) That the following changes be made to arrangements for the quarterly review of key performance indicators by Overview and Scrutiny:

(a) that the Finance & Performance Management Standing Scrutiny Panel (“Standing Panel”) should continue to be responsible for the review of KPI performance on behalf of the Overview & Scrutiny Committee;

- (b) that the Standing Panel should continue each quarter to take an overview of all KPI performance but any “red” (below target) or “amber”(within target tolerance) designated KPIs be referred for further review to the appropriate Scrutiny Panel (where one exists) if more detailed analysis is considered necessary;
- (c) the Standing Panel should deal with “red” or “amber” designated KPIs for which there no other Panel exists;
- (d) that the Standing Panel be asked to review their terms of reference with these changes in mind.

### **Overview and Scrutiny – Public Profile**

(22) That the following steps be taken so as to improve the public profile of the Council’s Overview and Scrutiny function:

- (a) that a more proactive stance be adopted with regard to engagement with the public;
- (b) that the Overview and Scrutiny rules be amended so as to allow an opportunity for the public to ask questions at Overview and Scrutiny Committee meetings and Scrutiny Panels and also to address those bodies on issues of concern subject to the following:
  - (i) that the questions concerned or the matters on which the Committee or Panel is to be addressed are relevant to the powers and responsibilities of the Council or relevant to the District;
  - (ii) that questions or matters of concern only be raised once in any Council year either at a Panel or the OS Committee but not at both;
  - (iii) that matters on which questions or issues are raised should be items which are on the relevant agenda;
  - (iv) that any questions or issues raised for the Overview and Scrutiny Committee or a Panel which are not set out in the agenda for the following meeting be deferred and subjected to the pick process and brought back for further discussion at the next available meeting;
- (c) that a flexible approach be adopted to facilitating the submission of business from the public for Overview and Scrutiny including the use of correspondence, email through the website and the pick form process as appropriate;
- (d) that the Forester and local press releases and the website be used to heighten the profile of Overview and Scrutiny including:
  - (i) the annual work programme for Overview and Scrutiny;
  - (ii) specific items due to be considered by the Overview and Scrutiny Committee or its Panels so as to encourage the public to submit evidence or comments, particularly where scrutiny of external bodies is planned; and

- (iii) that the Chairman of the OS Committee be allowed maximum discretion within the Overview and Scrutiny rules to allow the public to contribute fully to the work of Overview and Scrutiny

### **Scrutiny of Community Safety**

(23) That the current arrangements for scrutiny of Community Safety issues including the activities of the Police and Crime Commissioner for Essex be continued.

(24) That the Police and Crime Commissioner's office be asked to give longer notice of local community meetings and to take up the Council's offer of using the Council's resources to advertise these events.

### **Scrutiny of National Health Service**

(25) That, notwithstanding that the health scrutiny was a County Council function, that an approach be made to Essex County Council for local health scrutiny to be undertaken under the auspices of the Overview and Scrutiny Committee and conducted by the Safer Cleaner Greener Standing Panel.

(26) That if members of the public or Councillors wish to raise specific health issues for review by the Panel, the pick form procedure be used and authority sought from Essex County Council to undertake local scrutiny.

(27) That liaison arrangements be put in place between the Safer Cleaner Greener Standing Panel and the Council's representative on the County Council's Health Scrutiny Committee to ensure that there is proper liaison with the County Council.

### **Training**

(28) That the following arrangements be put in place regarding training of Councillors in Overview and Scrutiny techniques:

(a) that each year an Introductory Course on Overview and Scrutiny be held in June during years when there are District Council Elections;

(b) that Budget Scrutiny Training be given by the end of September as indicated earlier in these recommendations;

(c) that further specialist training in Overview and Scrutiny techniques be arranged as and when thought necessary and dependent on available funding; and

(d) that the Tenant's Federation which has established its own Overview and Scrutiny Committee be invited to attend future training courses on Overview and Scrutiny and that the possibility of a financial contribution towards the cost of such training from the Housing Revenue Account be researched.

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Appendix 1 Protocol on Consideration and Reporting on Executive Decisions Called in by the Overview and Scrutiny Committee.

## OVERVIEW AND SCRUTINY PROCEDURE RULES

### 1. ARRANGEMENTS FOR OVERVIEW AND SCRUTINY

- (a) The Council will, at the Annual Council meeting, appoint an Overview and Scrutiny Committee as set out in Article 6.
- (b) Each Overview and Co-ordinating Committee shall comprise 11 members, including a Chairman and Vice-Chairman appointed by the Council.

### 2. OVERVIEW AND SCRUTINY COMMITTEE - FUNCTIONS

- 1. The Overview and Scrutiny Committee will discharge the Overview and Scrutiny functions conferred by Section 20 of the Local Government Act 2000 plus those responsibilities allocated by the Council.

### 3. OVERVIEW AND SCRUTINY COMMITTEE - TERMS OF REFERENCE

- 1. The functions of the Overview and Scrutiny Committee shall be as follows:
  - (a) review of corporate strategies;
  - (b) ensuring that the decisions/actions of the Cabinet accord with the Council's policies and budget;
  - (c) monitoring and scrutinising the financial performance of the Council and making recommendations to the Cabinet in relation to annual revenue and capital guidelines, bids and submissions;
  - (d) when required, questioning members of the Cabinet or other Committees and officers about their decisions and performance whether generally in comparison with service plans and targets over a period of time, or in relation to particular decisions, initiatives or projects;
  - (e) making recommendations to Cabinet and appropriate Committees and the Council arising from the outcome of the overview and scrutiny process;
  - (f) review and scrutiny **and monitoring** of the performance of other public bodies **including the National Health Service ( with the agreement of Essex County Council) and of the community safety responsibilities of the Police and Crime Commissioner** active in the District, inviting reports from them by requesting them to address the Committee and local people about their activities and performance;
  - (g) questioning and gathering evidence from any person (including Councillors, members of Council staff and others) on issues falling within the functions of the Committee;

- (h) determining terms of reference, memberships (including the appointment of Chairman and Vice-Chairman) and reporting for all Standing and 'Task and Finish' Scrutiny Panels;
- (i) scrutinising executive decisions;
- (j) considering and making responses to executive decisions which are called in either as a Committee or through referral to a Standing or 'Task and Finish' Panel;
- (k) monitoring the effectiveness of the call-in procedure, reviewing the number and reasons for call-in and making recommendations to the Council on any changes required to improve operation of the process;
- (l) monitoring and scrutiny of the Forward Plan;
- (m) review of implications of Government Consultation documents where requested by members;
- (n) reports on key performance Indicators referred to the Committee;
- (o) reports on Service Business Plans as requested by members;
- (p) receiving presentations from the Leader of the Council and other Portfolio Holders early in the Council year outlining their plans for the year ahead and reporting performance in the previous Council year;
- (q) consideration of requests from Cabinet for scrutiny involvement in policy development and determining appropriate action;
- (r) to receive evidence from a senior officer relating to a petition where the number of signatures meets or exceeds the trigger level contained in the Council's Petitions Scheme and make recommendations as appropriate;
- (s) to review, when requested by the petition organiser, the Council's response to any petition which they consider has not been dealt with properly including, if appropriate, investigating, making recommendations to the Council or Executive or arranging for the matter to be considered at a meeting of the full Council;
- (t) determining work programmes in accordance with items falling within Committee's ambit in accordance with (a)-(s) above.

#### **4. WHO MAY SIT ON THE OVERVIEW AND SCRUTINY COMMITTEE?**

1. All councillors except members of the Executive may be members of the Overview and Scrutiny Committee. However, no member may be involved in scrutinising a decision which he/she has been directly involved.



## 5. CO-OPTees

1. The Overview and Scrutiny Committee shall be entitled to recommend to Council the appointment of appropriate persons as non-voting co-optees.

## 6. MEETINGS OF THE OVERVIEW AND SCRUTINY COMMITTEE

1. Meetings of the Overview and Scrutiny Committee will be held in accordance with the Council's calendar of meetings in each year. In addition, extraordinary meetings may be called from time to time as and when appropriate. An Overview and Scrutiny Committee meeting may be called by the Chairman, or by the Proper Officer if he/she considers it necessary or appropriate.

## 7. QUORUM

1. The quorum for the Overview and Scrutiny Committee shall be as set out for committees in the Council Procedure Rules in Part 4 of this Constitution.

## 8. WHO CHAIRS OVERVIEW AND SCRUTINY COMMITTEE MEETINGS?

1. The Overview and Scrutiny Committee will be chaired by the Councillor appointed as Chairman of the Committee at the Annual Council meeting.

2. A Vice-Chairman will also be appointed by the Council at its Annual Meeting. The Chairman and Vice-Chairman of the Committee will be appointed from those Councillors serving on the Committee. The Chairman and Vice-Chairman will be appointed for a term of one year and will be eligible for re-appointment.

**3. The Chairman of the Committee must have experience and understanding of the Overview and scrutiny system.**

## 9. WORK PROGRAMME

### Responsibilities

1. The Overview and Scrutiny Committee shall approve an Overview and Scrutiny Work Programme. **This programme will be co-ordinated and prepared in draft by the Overview & Scrutiny Agenda Planning Group or equivalent body in consultation with the Chairman of the Committee.**
2. **The programme shall be compiled over the period February to May each year, with allowance made in the timetable for preparing the programme for the electoral period. A draft programme will be submitted to the first Overview and Scrutiny Committee meeting of each Council year for approval.**

### Compiling the Work Programme

2. In determining the contents of the work programme, the Committee will:
  - (a) seek proposals for inclusion from all Members of the Council through the Council Bulletin **and from the public including via the Council's website;**

- (b) invite the Leader of the Council and other Portfolio Holders **to attend the first meeting of each Council year to present the forward plan for the Cabinet for the following year in respect of the Council's executive functions, to answer questions on that plan and to indicate where appropriate work on the Cabinet's behalf which could be undertaken by Overview & Scrutiny;**
- (c) arrange for the Leader of the Council and other Portfolio Holders **to attend a further meeting of the meeting six months after the first meeting of the council year to provide a progress report on the forward plan for the year in question;**
- (d) agree with the Leader of the Council and Portfolio Holders on any items for inclusion in the work programme which may be undertaken by Overview and Scrutiny on the Cabinet's behalf;
- (e) seek proposals from any partnership organisations on any projects which Overview and Scrutiny could undertake on behalf of those partnerships;
- (f) review the work programme for Overview and Scrutiny in respect of the current year;
- (g) consider external organisations to be scrutinised during the year in question.**

### **Approving the Work Programme**

3. The Overview and Scrutiny Work Programme shall be approved prior to the Annual Council meeting each year and shall be of twelve months' duration. The programme shall be reviewed after six months.
4. The Committee will, in determining the work programme for Overview and Scrutiny:
  - (a) review all proposals submitted to ensure that they relate to the Council's Policy Framework including the Corporate Plan , the Forward Plan and other appropriate corporate information;
  - (b) ensure the agreed work programme has sufficient member and officer resources to support it;
  - (c) identify in advance any budgetary provision required for specific projects;
  - (d) ensure that the work programme is properly prioritised.
  - (e) allocate time limits for each project;
  - (f) ensure that any projects which do not find a place in the work programme are placed in a reserve programme for further review;

- (g) ensure that all Members of the Council are informed about the work programme as part of the annual report to the Council in April each year;
- (h) review the work programme on a regular basis during the year.

### **Urgent Items and New Proposals**

5. Where new proposals or matters of urgency arise during the currency of an annual work programme, the Committee may:

- (a) determine that any new project should be added to the programme and adjust the remainder of the programme accordingly;
- (b) determine that a new project should be deferred for review when the next work programme is considered;
- (c) decline to accept an additional project and give grounds for so doing.

6. All proposals for additional or urgent projects shall be submitted in writing and presented at a convenient meeting of the Overview and Scrutiny Committee by the member or officer so proposing.

### **Motions at Council Meetings**

7. Any motion adopted by the Council following due notice from a Member of the Council and which relates to the responsibilities of Overview and Scrutiny shall, on adoption, stand referred to the Overview and Scrutiny Committee for consideration. In determining how to respond to the motion, the Overview and Scrutiny Committee shall consider whether the proposal should be incorporated in the work programme or held for future consideration in accordance with the procedures outlined in Paragraph 4 and 5 above. The Committee shall also advise the Council, via the Members' Information Bulletin, of the action taken on such motions.

## **10. AGENDA ITEMS**

1. Any member of the Overview and Scrutiny Committee shall be entitled to give notice to the Proper Officer that he/she wishes an item relevant to the functions of the Committee to be included on the agenda for the next available meeting of the Committee. On receipt of such a request the Proper Officer will ensure that it is included on the next available agenda.

2. Any members of the Council who are not members of the Overview and Scrutiny Committee may give written notice to the Proper Officer that they wish an item to be included on the agenda of that Committee. If the Proper Officer receives such a notification, then he/she will include the item on the first available agenda of the Overview and Scrutiny Committee for consideration.

3. The Overview and Scrutiny Committee shall also respond, as soon as their work programme permits, to requests from the Council or the Executive to review particular areas of Council activity. Where they do so, the Overview and Scrutiny Committee shall report their findings and any recommendations back to the Executive and/or the Council. The Executive shall consider the report of the

Overview and Scrutiny Committee within one month of receiving it and the Council within two months of receiving it, or, in either case, as soon as is reasonably possible.

## 11. POLICY REVIEW AND DEVELOPMENT

1. The role of the Overview and Scrutiny Committee in relation to the development of the Council's budget and policy framework is set out in detail in the Budget and Policy Framework Procedure Rules.
2. In relation to the development of the Council's approach to other matters not forming part of its policy and budget framework, the Overview and Scrutiny Committee may make proposals to the Executive in so far as they relate to matters within their terms of reference.
3. The Overview and Scrutiny Committee may hold enquiries and investigate the available options for future direction in policy development and may appoint advisers and assessors to assist them in this process. They may go on site visits, conduct public surveys, hold public meetings, commission research and do all other things that they reasonably consider necessary to inform their deliberations. They may ask witnesses to attend to address them on any matter under consideration and may pay to any advisers, assessors and witnesses a reasonable fee and expenses for doing so.
4. In carrying out any policy review or policy development work within their terms of reference, the Overview and Scrutiny Committee may refer all or part of such matters to a Standing Scrutiny Panel or a 'Task and Finish' Scrutiny Panel for consideration in accordance with the programme approved by the Overview and Scrutiny Committee.

**5. The Overview and Scrutiny Committee or relevant Scrutiny Panel shall receive a verbal report from the relevant portfolio holder after three months from completion of any completed scrutiny study indicating whether recommendations from that study have been agreed or modified. After six months the Portfolio Holder will give a report to the Committee or Panel on Progress with implementation of those recommendations.**

## 12. SCRUTINY PANELS - PROCEDURAL REQUIREMENTS

1. Scrutiny Panels may be established on an annual basis by the Overview and Scrutiny Committee.
2. Scrutiny Panel status will be restricted to those activities of a recurring or cyclical character which require a longer term involvement by members.
3. The Overview and Scrutiny Committee shall determine the number and terms of reference of Scrutiny Panels and shall review whether they should continue in being before the end of each Council year.
4. Scrutiny Panels will:

- (a) adhere to a work programme agreed by the Overview and Scrutiny Committee;
- (b) have a chairman and vice-chairman appointed by the Overview and Scrutiny Committee;
- (c) have memberships which reflect pro rata requirements and the lowest number of members required to achieve cross-party representation whilst allowing the inclusion of members who are not members of a political group or are not members of the Overview and Scrutiny Committee;
- (d) have memberships which represent the minimum number necessary to adhere to their work programmes;
- (e) be able to make proposals to the Overview and Scrutiny Committee for the variation of their terms of reference or work programme;
- (f) be able to seek delegated authority from the Overview and Scrutiny Committee, to vary their terms of reference and work programme according to circumstances;
- (g) report **through the Panel Chairman to meetings** of the Overview and Scrutiny Committee on progress with their work programme and on any recommendations for consideration;
- (h) be able, after consideration by the Overview and Scrutiny Committee, to report direct to the Council, the Cabinet Committee a Portfolio Holder, or any other Council body'
- (i) in the circumstances set out in (h), the report shall be submitted in the name of the Panel and presented by its Chairman, unless the work of more than one Scrutiny Panel is involved, in which case any report to another Council body will be in the name of the Overview and Scrutiny Committee and presented by its Chairman;
- (j) in the event that the submission of a Panel report to another Council body is required such that it cannot be considered by the Overview and Scrutiny Committee in accordance with paragraph (h) above, the Panel report may proceed for consideration subject to prior consultation with the Chairman of that Committee as to the reasons for urgency;
- (k) extend a standing invitation to relevant portfolio holder(s) to attend panel meetings to answer questions and provide information on any matters affecting their portfolios which are under consideration; and**
- (l) hear questions and presentations by members of the public or external organisations which are relevant to the work of the Panel concerned.**

5. Any member of the Council may be a member of a Scrutiny Panel, provided that any Cabinet member may not be a member of a Panel which directly deals with matters within his or her portfolio.

6. Any member of the Council shall be able to attend any meeting of a Scrutiny Panel and be notified of the publication of the agenda.

7. The provisions of Operational Standing Order 14 shall apply to these Scrutiny Panels.

### 13. 'TASK AND FINISH' SCRUTINY PANELS

1. 'Task and Finish' Scrutiny Panels may be established by the Overview and Scrutiny Committee in order to deal with ad hoc projects or reviews included in the annual work programme for Overview and Scrutiny.

2. 'Task and Finish' Scrutiny Panel status will be restricted to those activities which are issue-based, time limited and non-cyclical in character and have clearly defined objectives.

3. 'Task and Finish' Scrutiny Panels will:

- (a) have terms of reference, membership and a work programme approved by the Overview and Scrutiny Committee;
- (b) have a Chairman and Vice-Chairman appointed by the Overview and Scrutiny Committee;
- (c) have memberships which need not be based on pro rata rules;
- (d) have memberships which represent the minimum number necessary to adhere to their work programmes;
- (e) be able to make proposals to the Overview and Scrutiny Committee for the variation of their terms of reference or work programme;
- (f) be able to seek delegated authority from the Overview and Scrutiny Committee for the variation of their terms of reference and work programmes according to circumstances;
- (g) report **through the Panel Chairman at each meeting of** the Overview and Scrutiny Committee on progress with their work programme and on any recommendations for consideration;
- (h) be able, after consideration by the Overview and Scrutiny Committee, to report to the Council, the Cabinet, a Cabinet Committee, a Portfolio Holder or any other Council body;
- (i) in the circumstances set out in (h), the report shall be submitted in the name of the Panel and presented by its Chairman, unless the work of more than one Scrutiny Panel is involved, in which case any report to another Council body will be in the name of the Overview and Scrutiny Committee and presented by its Chairman;

(j) in the event that the submission of a Panel report to another Council body is required such that it cannot be considered by the Overview and Scrutiny Committee in accordance with paragraph (h) above, the Panel report may proceed for consideration subject to prior consultation with the Chairman of that Committee as to the reasons for urgency;

**(k) extend a standing invitation to relevant portfolio holder(s) to attend Panel meetings to answer questions and provide information on any matters affecting their portfolios which are under consideration; and**

**(l) hear questions and presentations by members of the public or external organisations which are relevant to the work of the Panel concerned.**

4. 'Task and Finish' Scrutiny Panels shall be flexible as to the number of Councillors appointed to membership. There will be no restriction on the numbers appointed.

5. Any Councillor may be a member of a 'Task and Finish' Scrutiny Panel, save that a member of the Cabinet may not be a member of any Panel which bears directly on his or her portfolio.

6. No 'Task and Finish' Scrutiny Panel shall be comprised of members of a single group only.

7. Any member of the Council shall be able to attend any meeting of a 'Task and Finish' Scrutiny Panel and to receive copies of agenda.

8. The normal arrangements for substitute members as set out in Operational Standing Order 14 shall not apply to Task and Finish Panels but the Chairman of any such Panel shall have discretion to accept alternate members to cover for existing members for any meeting.

#### **14. NOMINATIONS TO STANDING SCRUTINY AND 'TASK AND FINISH' PANELS**

1. The Leader of each political group (and any Councillor who is not a member of a political group) shall be notified before the commencement of each Council year of the number of Standing Scrutiny and 'Task and Finish' Panels to be appointed and the number of members to serve on each Panel, indicating pro rata requirements where applicable. Similar notice will be given through the Members' Bulletin to other members of the Council.

2. The Leader of each political group will also be notified of the number of Chairmen and Vice-Chairmen positions to be filled before the commencement of each Council year.

3. Group Leaders shall ensure that members of all political groups have an opportunity to nominate to any positions referred to under 1 and 2 above. Any nominations may be made up to the day before the meeting in question. Such nominations shall include a case for the position sought.

4. Nominations to these Panels shall be excluded from the calculation required under the Council's protocol regarding allocation of Chairman and Vice-Chairman positions between the political groups.

#### **15. REPORTS FROM THE OVERVIEW AND SCRUTINY COMMITTEE**

1. Once recommendations on proposals for policy review or development, the Overview and Scrutiny Committee will prepare a formal report and submit it for consideration by the Executive if the proposals are consistent with the existing budgetary and policy framework, or to the Council if the recommendation would require a departure from, or a change to, the agreed budget and policy framework.

2. If the Overview and Scrutiny Committee cannot agree on a single final report to the Council or Executive as appropriate, then up to one minority report may be prepared and submitted for consideration by the Council or Executive with the majority report.

3. Reports by the Overview and Scrutiny Committee shall normally be presented by the Chairman of that Committee, unless he or she determines that it would be beneficial for a Panel Chairman to undertake this role instead or that a joint presentation is appropriate.

#### **16. ENSURING THAT OVERVIEW AND SCRUTINY REPORTS ARE CONSIDERED BY EXECUTIVE**

##### **(a) Executive matters not delegated to the Cabinet, a Cabinet Committee or a Portfolio Holder**

1. Once the Overview and Scrutiny Committee has completed its deliberations on any matter it will forward a copy of its final report to the Proper Officer who will allocate it to either or both the Executive and the Council for consideration, according to whether the contents of the report would have implications for the Council's budget and policy framework. If the Proper Officer refers the matter to Council, he/she will also serve a copy on the Leader with notice that the matter is to be referred to Council. The Executive will have 6 weeks or as soon as reasonably practical thereafter in which to respond to the overview and scrutiny report, and the Council shall not consider it within that period. When the Council does meet to consider any referral from the Overview and Scrutiny Committee on a matter which would impact on the budget and policy framework, it shall also consider the response of the Executive to the overview and scrutiny proposals.

##### **(b) Executive Matters Delegated to an Executive Committee or Executive Member**

2. Where the Overview and Scrutiny Committee prepares a report for consideration by the Executive in relation to a matter where the Executive has delegated decision making powers to another individual member of the executive or to an Executive Committee, then the Overview and Scrutiny Committee will submit a copy of their report to that individual or committee for consideration. At the time of doing so, the Overview and Scrutiny Committee shall serve a copy on the Proper Officer and the Leader. If the member or Executive Committee with delegated decision making powers does not accept the recommendations of the Overview and



Scrutiny Committee then the matter will then be referred to the next available meeting of the Executive for debate before exercising his/her decision making power and responding to the report in writing to the Overview and Scrutiny Committee. The Executive member or Committee to whom the decision making power has been delegated will respond to the Overview and Scrutiny Committee within 6 weeks of receiving it. A copy of his/her written response to it shall be sent to the Proper Officer and the Executive Member or Committee Chairmen will attend a future meeting to respond.

**(c) Cabinet Business - Work Plan**

3. The Overview and Scrutiny Committee will have access to the Executive's forward plan and timetable for decisions and intentions for consultation. Even where an item is not the subject of detailed proposals from the Overview and Scrutiny Committee following a consideration of possible policy/service developments, the committee will at least be able to respond in the course of the executive's consultation process in relation to any key decision.

**17. RIGHTS OF OVERVIEW AND SCRUTINY COMMITTEE MEMBERS TO DOCUMENTS**

1. In addition to their rights as councillors, members of the Overview and Scrutiny Committee have the additional right to documents, and to notice of meetings as set out in the Access to Information Procedure Rules in Part 4 of this Constitution.

2. Nothing in this paragraph prevents more detailed liaison between the Executive and the Overview and Scrutiny Committee (or any Scrutiny Panel) as appropriate depending on the particular matter under consideration.

**18. MEMBERS AND OFFICERS GIVING ACCOUNT**

1. The Overview and Scrutiny Committee or a Standing Scrutiny Panel or 'Task and Finish' Scrutiny Panel may scrutinise and review decisions made or actions taken in connection with the discharge of any Council functions. As well as reviewing documentation, in fulfilling the scrutiny role, it may require any member of the Cabinet, the Head of Paid Service, a Director or Assistant Director to attend before it to explain in relation to matters within their remit:

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

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

2. Where any member or officer is required to attend the Overview and Scrutiny Committee or Panel under this provision, the Chairman will inform the Proper Officer. The Proper Officer shall inform the member or officer in writing giving at least 14 working days notice of the meeting at which he/she is required to attend. The notice will state the nature of the item on which he/she is required to attend to give account and whether any papers are required to be produced for the Committee. Where the account to be given to the Committee will require the production of a report, then the member or officer concerned will be given sufficient notice to allow for preparation of that documentation.
3. Where, in exceptional circumstances, the member or officer is unable to attend on the required date, then the Overview and Scrutiny Committee or Panel concerned shall in consultation with the member or officer arrange an alternative date for attendance not less than 14 days from the date of the original attendance.

## 19. ATTENDANCE BY OTHERS

1. The Overview and Scrutiny Committee or Panel may invite people other than those referred to in paragraph 18 above to address it, discuss issues of local concern and/or answer questions. It may for example wish to hear from residents, stakeholders and members and officers in other parts of the public sector and shall invite such people to attend. Such attendance is optional for those invited.
2. Any member of the public or a representative of an outside organisation may ask a question or address the Overview and Scrutiny Committee, or **any Scrutiny Panel** on any agenda item (except those dealt with in private session as exempt or confidential business) due to be considered at a meeting. The following rules shall apply to such requests:
  - (i) requests must relate to an existing agenda item;
  - (ii) requests must not raise new business for the meeting concerned;
  - (iii) all requests must be notified to the Council by 4 pm on the day of the meeting;
  - (iv) the request to ask a relevant question or address the Committee or a Panel shall only be allowed once and the same question or address may not be repeated subsequently at another scrutiny body in that Council year;**
  - (iv) requests accompanied by proposals to circulate written material must be received **five clear days** before the meeting in time to be sent to Overview and Scrutiny Committee members in advance of the meeting;
  - (v) requests need not be in writing;
  - (vi) a maximum of two persons shall be permitted to address the Committee on any one agenda item;
  - (vii) a time limit of 3 minutes per speaker shall apply;

(viii) the Overview and Scrutiny Committee shall be able to ask questions on any comments made;

(ix) the Chairman of the Overview and Scrutiny Committee shall have discretion as to whether to limit the number of persons wishing to address the Committee if it is considered that the number of such speakers will unduly delay the proper despatch of business at any meeting.

## 20. CALL-IN

1. When a decision is made by the Executive, an individual member of the executive or a committee of the Executive, or a key decision is made by an officer with delegated authority from the Executive, or an area committee or under joint arrangements, the decision shall be published, including where possible by electronic means, and shall be available at the main offices of the Council normally within 5 working days of being made. All members of the Council will be sent copies of the written records of all such decisions within the same timescale, by the person responsible for publishing the decision.

2. That notice will bear the date on which it is published and will specify that the decision will come into force, and may then be implemented, on the expiry of 5 working days after the publication of the decision, unless the required number of members objects to it and calls it in.

3. During that period, the Proper Officer shall call in a decision for scrutiny if so requested in accordance with paragraph (h) below and shall then notify the decision-taker of the call-in. He/she shall consult with the Chairman of the Overview and Scrutiny Committee who will determine that consideration of the call in will be referred to:

- (i) the next Overview and Scrutiny Committee; or
- (ii) **an appropriate Panel**; or
- (iii) a Task and Finish Panel.

If consideration of any executive decision is likely, under these rules, to be delayed for more than two weeks the Chairman of the Overview and Scrutiny Committee may require an extraordinary meeting to be convened at an earlier date if the circumstances appear to warrant this.

4. If, having considered the decision, the Overview and Scrutiny Committee or delegated Panel is still concerned about it, then it may, subject to the procedures outlined in Rule 16(a) or (b) above, refer it back to the decision making person or body for reconsideration, setting out in writing the nature of its concerns or refer the matter to full Council. If referred to the decision maker they shall then reconsider within a further 5 working days, or in the case of a Cabinet decision, as soon as practically possible amending the decision or not, before adopting a final decision.

5. If the matter was referred to full Council and the Council does not object to a decision which has been made, then no further action is necessary and the decision will be effective in accordance with the provision below. However, if the Council does

object, it has no power to make decisions in respect of an executive decision unless it is contrary to the policy framework, or contrary to or not wholly consistent with the budget. Unless that is the case, the Council will refer any decision to which it objects back to the decision-making person or body, together with the Council's views on the decision. That decision-making body or person shall choose whether to amend the decision or not before reaching a final decision and implementing it. Where the decision was taken by the Executive as a whole or a committee of it, a meeting will be convened to reconsider within 14 working days of the Council request. Where the decision was made by an individual, the individual will reconsider within 14 working days of the Council request.

6. If the Council does not meet, or if it does but does not refer the decision back to the decision-making body or person, the decision will become effective on the date of the Council meeting or expiry of the period in which the Council meeting should have been held, whichever is the earlier.

7. Where an Executive decision has been taken by an area committee, then the right of call-in shall extend to any 3 members of another area committee if they are of the opinion that the decision made but not implemented will have an adverse effect on the area to which their committee relates. In such cases, those 3 members may request the Proper Officer to call-in the decision. He/she shall call a meeting of the Overview and Scrutiny Committee on such a date as he/she may determine, where possible after consultation with the chairman of the committee, and in any case within five days of the decision to call-in. All other provisions relating to call in shall apply as if the call in had been exercised by members of the Overview and Scrutiny Committee.

8. Three members of the Overview and Scrutiny Committee or any five members of the Council have the right to call in an Executive decision. Such a request shall be in writing in the prescribed format and referred in Person to the Proper Officer.

9. Call in arrangements shall not apply to decisions on non-executive functions by Committees, Sub-Committees, Panels or Boards of the Council.

10. In the operation of "call in" arrangements, members of the Council shall also adhere to the terms of the Protocol approved by the Council and set out in Appendix 1 to these rules.

## **21. CALL-IN AND URGENCY**

1. The call-in procedure set out above shall not apply where the decision being taken by the Executive is urgent. A decision will be urgent if any delay is likely to be caused by the call in process would seriously prejudice the Council's or the public interest. The record of the decision, and notice by which it is made public shall state whether in the opinion of the decision making person or body, the decision is an urgent one, and therefore not subject to call in. The Chairman of the Council must agree both that the decision proposed is reasonable in all the circumstances and to it being treated as a matter of urgency. In the absence of the Chairman, the Vice-Chairman's consent shall be required. In the absence of both, a Joint Chief Executive or his/her nominee's consent shall be required. Decisions taken as a

matter of urgency must be reported to the next available meeting of the Council, together with the reasons for urgency.

2. The operation of the provisions relating to call-in and urgency shall be monitored annually, and a report submitted to Council with proposals for review if necessary.

## **22. PROCEDURE AT OVERVIEW AND SCRUTINY COMMITTEE MEETINGS**

1. The Overview and Scrutiny Committee shall consider the following business:

- (a) minutes of the last meeting;
- (b) declarations of interest;
- (c) consideration of any matter referred to the committee for a decision in relation to a call in;
- (d) responses of the executive to reports of the Overview and Scrutiny Committee;
- (e) **questions or requests by members of the public to address the Committee on any agenda item provided that these are relevant to the Council or the District and have not been dealt with at a previous meeting of the Committee or of any Scrutiny Panel**
- (f) the business otherwise set out on the agenda for the meeting.

## **23. CONDUCT OF OVERVIEW AND SCRUTINY FUNCTIONS**

1. Where the Overview and Scrutiny Committee or a Panel conducts investigations (e.g. with a view to policy development), they may also ask people to attend to give evidence at committee meetings which are to be conducted in accordance with the following principles:

- (a) that the investigation be conducted fairly and all members of the committee be given the opportunity to ask questions of attendees, and to contribute and speak;
- (b) that those assisting the committee by giving evidence be treated with respect and courtesy; and
- (c) that the investigation be conducted so as to maximise the efficiency of the investigation or analysis.

2. Following any investigation or review, the Committee/or Panel concerned shall prepare a report, for submission to the Cabinet and/or Council as appropriate and shall make its report and findings public.

**24. ANNUAL REPORT**

1. The Overview and Scrutiny Committee shall submit an annual report to the Council in April each year on work undertaken during the preceding 12 months.

**25. PARTY WHIPS**

1. To facilitate cross party working, party whips will not be applied to the overview and scrutiny process.

## PROTOCOL ON CONSIDERATION AND REPORTING ON EXECUTIVE DECISIONS CALLED IN BY OVERVIEW AND SCRUTINY

### 1. Purpose of Protocol

- (a) To codify how the Overview and Scrutiny Committee or delegated Panel should deal with "call in" items.
- (b) To codify how the Executive should respond to reports by Overview and Scrutiny on decisions which have been called in.

### 2. Validation of "Call In"

- 2.1 All "call in" requests shall be made in writing in accordance with the Council's constitution. "Call in" requests shall only be made by members of the Council who are not members of the Executive. The "call in" shall be validated by the Chief Executive and referred to the Overview and Scrutiny Committee for consideration in accordance with the provisions of the constitution.

### 3. Consideration of "Call In" Items by Overview and Scrutiny Committee

- 3.1 Consideration of Call-ins shall be the responsibility of the Overview and Scrutiny Committee which will decide whether to consider the issue itself or direct a Panel to undertake it and report back to the decision maker. "Call in" items shall be referred to the next available date for the Overview and Scrutiny Committee or delegated Panel. The provisions of the Overview and Scrutiny Rules in the Council's constitution will apply to "call in" requests which need to be dealt with more quickly.
- 3.2 At its meeting, the Overview and Scrutiny Committee or delegated Panel will receive:
  - (a) copies of all documentation submitted to the Executive on which the decision was based;
  - (b) a copy of the written notification of the "call in" including the names of the relevant Councillors who requested the "call in" and their grounds for so doing; and
  - (c) any other relevant documentation.
- 3.3 The relevant Executive Portfolio Holder and at least one of the members who activated the "Call in" and who shall act as spokesperson for those members, shall attend the Overview and Scrutiny Committee or delegated Panel meeting.
- 3.4 The "Call in" decision shall be considered in the following manner:
  - (a) the **Lead Signatory to the calling in of the decision** shall describe their concerns;
  - (b) **the four remaining signatories shall then speak in support of the "Call in"**

**(NB if there are more than 5 signatories, the only the lead member and the following 4 Councillors on the call in notification shall be called to speak. Any other Councillor whose name appears on the call in notification shall be able to speak during the general debate on the item – see (d) below.)**

- (c) the Portfolio Holder shall then respond;
- (d) the Overview and Scrutiny Committee or delegated Panel will then debate the issues involved. The Chairman of the meeting shall have the discretion to vary the way in which evidence is gathered including speakers and public participation if appropriate but shall seek a response from the initiating Councillor(s) and the Portfolio Holder before formulating its recommendations;
- (e) The Overview and Scrutiny Committee or delegated Panel has the following options:
  - (i) confirm the decision, which may then be implemented immediately, or
  - (ii) refer the decision back to the decision taker for further consideration setting out in writing the nature of its concerns, or
  - (iii) refer the matter to full Council in the event that the Committee or Panel considers the decision to be contrary to the policy framework of the Council or contrary to, or not wholly in accordance with, the budget.
- (f) If it appears that the review of a decision of the Executive cannot be completed at one meeting, the Executive or decision taker will be informed, indicating any preliminary views the Committee or Panel may have and a proposed timescale for the completion of the review. The Chairman of the Overview and Scrutiny Committee/Panel shall, if necessary, consult with the Leader of the Council regarding the urgency of the proposed decision or any other related matter;
- (g) The Chairman of the Overview and Scrutiny Committee or delegated Panel shall sum up the recommendations to be submitted to the Executive and these shall be incorporated in full in the Minutes or report of the meeting;
- (h) In cases where the Overview and Scrutiny Committee or delegated Panel determines that a review of the decision is not justified or that, having reviewed the decision of the Executive, it has no adverse comment to make, the Committee or Panel shall ensure that its decision is published in the Members' Bulletin;
- (i) In the circumstances outlined in (g) above, the decision of the Executive or Decision Taker may be implemented with effect from the date of that meeting;
- (i) A report detailing any appropriate recommendations of the Overview and Scrutiny Committee or delegated Panel shall be reported to the Decision Taker
- (k) In presenting the recommendations of the Overview and Scrutiny Committee or delegated Panel, the Chairman may make general comments on the



Committee's/Panel's recommendations, answer questions and respond to comments or new proposals made by the Executive at that meeting; and

(l) The report of the Overview and Scrutiny Committee or delegated Panel shall be sent in draft to all its Members for approval prior to their submission to the Decision Taker.

(m) Minority reports may be made by members of Overview and Scrutiny Committee or delegated Panel in accordance with the Protocol for that purpose.

#### **4. Consideration of Reports on "Call In" Items by the Executive**

4.1 The report of an Overview and Scrutiny Committee or delegated Panel will be referred in the first instance to the relevant Portfolio Holder(s) for the executive function concerned.

4.2 If the Executive decision is one which the Portfolio Holder(s) has delegated powers to make, he or she shall consider the written proposals of the Overview and Scrutiny Committee or delegated Panel, must consult the Overview and Scrutiny Committee and delegated Panel Chairmen if he or she is minded to accept or reject them. In doing so the Portfolio Holder will ensure that, in recording that decision, the reasons for accepting, rejecting or amending those views are set out in the decision notice.

4.3 If the Executive decision is one which the Executive itself or a Committee of the Executive (acting under delegated powers) is competent to take, the relevant Portfolio Holder will consider the proposals of the Overview and Scrutiny Committee or delegated Panel and refer them, with his or her written response, to the decision making body concerned.

4.4 At a meeting of the Executive or of any Committee of the Executive, the following documentation shall be submitted:

(a) the agreed report of the Overview and Scrutiny Committee or delegated Panel and any other supporting documents considered by it;

(b) a report of the Portfolio Holder indicating the response to the proposals of the Overview and Scrutiny Committee or delegated Panel, indicating the options available and recommendation for acceptance, rejection or alteration of those proposals with reasons; and

(c) any other information.

4.5 The Executive or Committee of the Executive shall consider the matter as follows:

(a) the Chairman of the Overview and Scrutiny Committee or delegated Panel shall present the views and recommendations of the Committee/Panel based on the report of the relevant OSC meeting and respond to questions, make general comments and respond to new proposals as appropriate;

(b) the relevant Portfolio Holder shall then respond by presenting his report and recommendations on the proposals of the Overview and Scrutiny Committee or delegated Panel;

(c) the Executive (or Committee thereof) shall then consider the original decision, the views of the Overview and Scrutiny Committee or delegated Panel and any proposals by the Portfolio Holder; and

(d) the Executive (or Executive Committee) will then make a final decision on whether to re-affirm the original decision, amend the original decision or substitute a new decision. This decision shall be recorded in the minutes of the meeting together with supporting reasons.

4.6 Where a Committee of the Executive is required to report to the full Executive on any matter, it shall submit a recommendation on action proposed to the Executive as part of the minutes of the meeting.

## **5. Implementation of Decisions When Cabinet Control or Membership Changes**

5.1 Notwithstanding the provisions of paragraphs 3.4(g) and (h) above, where political control of the Cabinet or Cabinet membership changes following the Annual Council meeting each year, any decision made by the Executive and supported by the Overview and Scrutiny Committee or delegated Panel following a "call-in" but not implemented before the changes occur, shall stand referred to the Cabinet for further review before action is taken.

## **6. Consideration of "Call In" Reports of Overview and Scrutiny Committees made to the Full Council**

6.1 In some circumstances, the Overview and Scrutiny Committee or delegated Panel may choose to refer the results of their consideration of "call in" items to the full Council, rather than the Executive in those instances set out in paragraph 3.4 (d) (iii) above and 6.2 below. With any necessary modification the "call in" shall be dealt with at the Council meeting in accordance with paragraphs 4.1 - 4.5 above.

6.2 In considering whether to report to the full Council, the Overview and Scrutiny Committee or delegated Panel shall take account of the advice of the proper officer on:

(a) whether the Council may properly determine the matter if the function is delegated to the Executive;

(b) whether the Executive decision affects the policy or budget framework of the Authority and should properly be determined by the Council;

(c) whether the Executive decision relates to a matter which either reserved to the full Council by the constitution or by resolution; and

(d) any other advice which indicates that, for whatever reason, a report to the Executive is more appropriate to the proper despatch of Council business.

## **7. Restriction on "Call In"**

7.1 The Overview and Scrutiny Committee shall at all times be aware that the decisions of the regulatory or non-executive bodies of the Council are not subject to "call in".

7.2 The "call in" procedure shall also not apply to any recommendation by the Cabinet to the full Council.

## **8. Withdrawal or Modification of a "Call In"**

**8.1 A valid "Call in" may be withdrawn at any time by the Lead signatory.**

**8.2 The lead signatory to a validated "Call In" or the relevant Portfolio Holder may request a meeting with the Chairman of the Committee prior to the "Call in" being considered by the Committee in order to discuss the following:**

- (a) the management of the "Call in" debate at the Committee meeting concerned;**
- (b) the possibility of reaching agreement on removing any objections to the decision in question which are raised in the call in request; and**
- (c) the withdrawal of a "Call in".**

**8.3 Where the lead signatory agrees to withdraw or modify a "Call in", the Councillor concerned shall notify his fellow signatories as soon as practicable and the circumstances shall be reported to the Overview & Scrutiny Committee.**

**8.4 If a "Call in" is withdrawn, the circumstances will be notified to all members of the Council via the Council Bulletin.**

**8.5 In cases where a Portfolio Holder has agreed to modify a decision, he or she shall issue a revised decision notice or refer the proposal back to the Cabinet, if the latter made the original decision.**

## **8. Definitions**

8.1 For the purpose of this Protocol, the following definitions shall apply:

**(a) "Executive"**

This term should be interpreted as referring to the Cabinet, a Cabinet Committee or an individual Portfolio Holder acting under delegated powers.

**(b) "Decision"**

Denotes a decision on an Executive function by the Cabinet, a Committee of the Cabinet or of an individual Portfolio Holder.

**(c) "Decision Taker"**

This means the Cabinet, a Cabinet Committee or an individual Portfolio Holder who made the original decision.

## **9. Review of Protocol**

9.1 This Protocol will be reviewed by the Council as part of its constitution as and when appropriate.

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



**Report reference:** **AGC-019-2013/14**  
**Date of meeting:** **27 November 2013**

**Epping Forest District Council**

**Portfolio:** **Finance and Technology**

**Subject:** **Due Diligence**

**Responsible Officer:** **Brian Bassington (01992 564446).**

**Democratic Services Officer:** **Gary Woodhall (01992 564470).**

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### **Recommendations/Decisions Required:**

**(1) The Committee is requested to note the findings within the report and comment thereon.**

### **Executive Summary:**

The Audit and Governance Committee had requested that a report be provided on the due diligence checks undertaken by the Council on companies it entered into contracts with, and with particular emphasis on the Leisure Management Contract and the former Bailiffs contract.

This report brings together the findings of two audits of contracts carried out as a part of the Audit Plan for 2013/14 regarding due diligence and specific work relating to the Leisure Management Contract and the former Bailiffs contract.

### **Reasons for Proposed Decision:**

Report as requested by the Audit and Governance Committee.

### **Other Options for Action:**

No other options.

### **Report:**

#### Introduction

1. Generally, due diligence refers to the care a reasonable person should take before entering into an agreement or a transaction with another party. Contract Standing Orders require that for contracts over £50,000 the following checks are carried out in order to provide due diligence:

*“C10 (b). As part of the tender process, the pre-qualification information held on Constructionline (or obtained from other sources), should be in conjunction with pre-contract checks on any contractor as follows:*

*(i) the contractor’s background and competence to carry out the task in question;*

*(ii) evidence of satisfactory Employers and Public liability Insurance cover, the amount and*

*terms of which are to the satisfaction of the Head of Finance;*

*(iii) acceptable Health and Safety and Equal Opportunities policies;*

*(iv) details of any registration with a nationally recognised regulating body or its European equivalent as appropriate to the work and any guarantee schemes attached are satisfactory;*

*(v) the qualification of the workforce and supervisors in relation to the proposed works is satisfactory;*

*(vi) the contractor's previous work record for the Council is considered satisfactory;*

*(vii) obtaining satisfactory banking references, statements of account (which should be no more than 18 months old) or similar references by referees of sufficient standing.*

*An entry in Constructionline may count as one reference; and*

*(viii) asking the contractor to attend for interview if considered necessary."*

2. Purchases of less than £50,000 require less stringent testing depending on their value.

3. To aid staff in following the requirements of Contract Standing Orders a detailed guide is provided on the Council's Intranet along with the documentation to be used such as Pre-Qualification Questionnaires (PQQ's), Assessment forms and Evaluation Matrixes. The guide provides a step by step trail of what to do depending on the value of the purchase, advising that each step should be documented and retained for review by Internal Audit when required.

4. The guide ensures that staff refer to the Essex Procurement Hub and Constructionline where appropriate to make use of the services they provide. Constructionline is a UK Government Certification Service for construction and related industries, provided by Capita on behalf of the Department for Business Innovation & Skills. Constructionline provides an up-to-date register of pre-qualified suppliers for construction contracts, reducing the need for further detailed assessment by the Council.

5. Where a company is not on Constructionline or part of a framework agreement through the Essex Procurement Hub and accounts are provided, these are reviewed by the Chief Internal Auditor and extracted figures are entered into a spreadsheet model which calculates financial ratios which result in what is termed an Altman's Z Score. This provides an accept or reject result, a contract maximum value and an annual maximum value.

6. As an alternative to this process, the Chief Internal Auditor may request an Equifax full company report, part of the service provided by the National Anti-Fraud Network (NAFN). These reports also provide a result based on financial ratios and recommend a value limit.

7. Recent Financial Appraisals have ranged from Private Housing Preferred Contractors and the North Weald Masterplanning Study through to the Waste Management Contract.

#### Current Reviews

8. As part of the Annual Internal Audit Plan 2013/14 two separate audits have been carried out on the contract process, one reviewing Contracts & Procurement Fraud and the other specifically with Housing Service contracts due to the increased levels of expenditure on contracts within the Housing Revenue Account (HRA). The review of evidence of due diligence applied to the contracts was included in the audit assignments.

### Findings – Housing Contracts

9. The audit reviewed 5 separate Housing Contracts taken from the Contracts Register. The sample was selected at random.

10. The tender process was found to be accurate and complete. Documented dialogue with tenderers was evidenced and the process showed good practice throughout the selection, evaluation and award stages. Due diligence was demonstrated in ensuring that the companies selected were deemed appropriate, competent and a going concern prior to award. Monitoring of the quality of work and of the contract budgets was evidenced. This audit was given a Full Assurance rating.

### Findings – Contracts & Procurement Fraud

11. A sample of contracts from across the Directorates were reviewed and no evidence of fraudulent activity was found. However there were issues identified which need to be addressed to reduce the risk to the Council which included the standardisation of tender evaluation reports and the need for tender evaluations to be held within the legal contract files to provide a full audit trail.

12. Adherence to Contract Standing Orders has been evidenced and due diligence demonstrated in the selection of contractors. This audit was given a Substantial Assurance rating.

### Leisure Services Contract

13. When the contract for Leisure Services was tendered in 2004 a high level of officer time and effort was expended to ensure that the successful tenderer was suitable and met the Council's requirements as closely as possible. A review of the files held within the Environment and Street Scene Directorate has shown that the requirements of Contract Standing Orders were covered and additional work carried out including visits to existing facilities run by the tenderers, a mystery shopper exercise on a sample of those facilities and presentations by the tenderers to EFDC Members during which detailed questioning was carried out. In all, the evaluation matrix contained 70 individual valuation factors.

14. Since the contract was let, two Equifax Full Company reports have been ordered at the request of the Director of Environment and Street Scene, covering the annual accounts for 31/03/11 and 31/03/12 to monitor the financial standing of the management company, the results of which have given no concern to Officers, having reported that the company appeared to be both financially sound and improving. A further Full Company report will be requested when the accounts for the year ending 31/03/13 are published with Companies House.

### Bailiffs Service Contract

15. A restricted report was presented to Cabinet on 25 October 2010 regarding the liquidation of a Bailiff Company providing services to the Council.

16. It is believed that the company had provided bailiff services to the Council since the early 1990's, with name changes in November 1998 and January 2001 with the same directors in charge. Throughout this period the Council had also used a number of other external bailiff companies. No records have been found covering the appointment of this company under its various names, so it has not been possible to identify the level of due diligence applied to their appointment.

17. The bailiff companies at that time had signed up to a Service Level Agreement (including a Code of Conduct which also applied to the internally employed bailiff) providing a

level of control and a base with which to monitor the services provided. Unfortunately, while regular payments were being received nothing appeared to be wrong until it was identified that payments made by customers to the bailiffs had not been passed over to the Council. All of the outstanding money was recovered along with Council costs and interest. Controls are now in place to minimise the risk and to ensure that payments made to the bailiffs are received promptly by the Council.

18. Following the failure of this company a full tender process was carried out during which, as part of the detailed PQQ evaluation, the Chief Internal Auditor reviewed the last three years accounts prior to the PQQ, for twelve bailiff companies. Eleven companies passed the financial appraisal of which, following further evaluation with assistance from the Essex Procurement Hub, three companies were contracted to provide the service to the Council.

### Conclusion

19. It is considered that the Council has in place a robust set of Contract Standing Orders which include steps to ensure due diligence in the selection of contractors and that these are generally adhered to by staff. Controls are in place to identify errors or omissions which provide reasonable assurance regarding the efficient and effective processing of contracts and training and the guide provided to staff ensure that staff are aware of their responsibilities when spending public money.

#### **Resource Implications:**

Within the report.

#### **Legal and Governance Implications:**

Within the report.

#### **Safer, Cleaner and Greener Implications:**

No specific implications.

#### **Consultation Undertaken:**

Corporate Governance Group.

#### **Background Papers:**

Audit files and working papers.

#### **Impact Assessments:**

#### Risk Management

Internal Audit has a primary objective to provide an independent and objective opinion on the adequacy of the Council's control environment, including its governance and risk management arrangements. This report will assist Members and management to determine the adequacy and effectiveness of the arrangements in place for due diligence.

#### Equality and Diversity

*Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications?*

No



*Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?* No

*What equality implications were identified through the Equality Impact Assessment process?*  
There are no specific equalities impacts.

*How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?*  
There are no specific equalities impacts.

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



**Report reference: AGC-020-2013/14**  
**Date of meeting: 28 November 2013**

**Epping Forest  
District Council**

**Portfolio: Finance & Technology**

**Subject: Mid-Year Report on Treasury Management and Prudential Indicators 2013/14**

**Responsible Officer: Simon Alford (01992 564455).**

**Democratic Services Officer: Gary Woodhall (01992 564470).**

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### **Recommendations/Decisions Required:**

- (1) To note how the risks associated with Treasury Management have been dealt with in the first half of 2013/2014; and**
- (2) To make any comments or suggestions that Members feel necessary to the Finance and Performance Management Cabinet Committee.**

### **Executive Summary:**

The mid-year treasury report is a requirement of the CIPFA Code of Practice on Treasury Management. It covers the treasury activity for the first half of the financial year 2013/14.

During the first half of the year: the Council has continued to finance all capital expenditure from within internal resources; the average net investment position has been approximately £57.5m; and there have been no breaches on any of the prudential indicators.

### **Reasons for Proposed Decision:**

To inform the Committee about the risks associated with Treasury Management and how the Council has sought to manage these risks.

To comply with the Committee's role and responsibilities, which include to be responsible for the scrutiny of the Council's Treasury Management Strategy, including consideration of mid financial year and outturn reports.

### **Other Options for Action:**

Members could ask for additional information about the CIPFA Codes or the Prudential Indicators.

### **Report:**

#### Introduction

1. The Council's treasury activities are strictly regulated by statutory requirements and a

professional code of practice (the CIPFA Code of Practice on Treasury Management), which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the current year. The updated code in November 2009 also recommended that Members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.

2. The report attached at appendix 1 shows the mid-year position of the treasury function in accordance with the revised CIPFA Treasury Management Code and the revised Prudential Code.

#### Capital Activity for the Year and How it was Financed

3. The Council undertakes capital expenditure on long-term assets. These activities may either be financed immediately through capital receipts, grants etc; or through borrowing.

4. The Council does not plan to borrow in order to carry out its capital investment. The original estimate, along with the spend to month 6 (30 September 2013) is shown below in the table:

<b>Financial Year 2013/14</b>			
<b>Capital Expenditure</b>	<b>Estimated £m</b>	<b>to month 6 £m</b>	<b>Revised £m</b>
Non-HRA capital expenditure	4.293	0.153	4.732
HRA capital expenditure	13.918	4.028	12.888
<b>Total Capital expenditure</b>	<b>18.211</b>	<b>4.181</b>	<b>17.620</b>
<b>Financed by:</b>			
Capital grants	0.987		1.597
Capital receipts	4.315		3.518
Revenue	12.909		12.505
<b>Total resources Applied</b>	<b>18.211</b>		<b>17.620</b>

5. The Committee requested a comparison of previous years Capital Expenditure with each years Revised Capital Estimates. This is to be found at Appendix 1, Table L of the attached Outturn report. Considering the first three lines, that is to say the Capital Expenditure, from 2008/09 to 2011/12 the actual spend is always slightly below estimate. Only for 2012/13 is the Capital Spend on budget. The spend for 2013/14 is at Month 6 too incomplete to be informative.

6. There is a financial risk involved in reducing the balance of usable capital receipts over the next five years. This risk has the following potential consequences; loss of interest; loss of cover for contingencies; financial strategy becoming untenable in the long run; service reductions required; and large Council Tax increases required.

7. This prudential indicator assists the Council in controlling and monitoring the level of usable capital receipts that will be available at the end of a five-year period. Currently, the Capital Programme for the five years to 2017/18 totals £87.97m and is fully funded. It is predicted that at the end of 2017/18 there will still be £6.69m available in usable Capital Receipts and £3.6m in the Major Repairs Reserve. Therefore it can be concluded that

adequate resources exist for the Capital Programme in the medium term.

The Impact on the Council’s Indebtedness for Capital Purposes

8. The Council’s underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a gauge for the Council’s debt position. The Council now has an overall positive CFR (HRA and Non-HRA) following the borrowing in relation to the HRA self-financing, but has no underlying need to borrow for capital purpose as highlighted in the previous section.

CFR	Financial year 2013/14		
	Estimated £m	Revised £m	to month 6 £m
Non-HRA	33.544	33.544	33.544
HRA	155.14	155.14	155.14
<b>Total Capital expenditure</b>	<b>188.684</b>	<b>188.684</b>	<b>188.684</b>

9. The Director of Finance & ICT confirms that there were no breaches of the Authorised Limit (£200m), the Operational Boundary (£188m) and the Maturity Structure of Fixed Rate Borrowing during the period to 30 September.

10. The risks for Councils are associated with affordability, interest rates and refinancing – the affordability risk is whether the Council can afford to service the loan, this has been evidenced through the Council producing a viable thirty-year financial plan for the HRA. This plan is reviewed quarterly by officers and half yearly reports are presented to Housing Scrutiny Panel. The interest rate risk is whether a change in interest rate could have an impact on the viability of the financial plan. The Council received advice from our treasury advisors before undertaking the borrowing. Only 17% of the amount borrowed was at a variable rate, the remainder was fixed. Any upward movement in interest rates would be ‘hedged’ by a corresponding increase in interest earned on Council investments. The refinancing risk is that maturing borrowings, capital project or partnership financing cannot be refinanced on suitable terms. Within the financial plan it is anticipated that all borrowing will be repaid on maturity and all future capital expenditure will be financed through internal resources, therefore no risk currently exist for refinancing.

11. These prudential indicators assist the Council in controlling the level of debt the Council may need to finance over the coming years and ensure where debt is owed it is managed, such that the Council would not be left in a situation where it finds itself having to refinance on unsuitable terms.

The Council’s Overall Treasury Position

12. During the first half of 2013/14 the average investment position was £57.5m. The table below shows the treasury position as at 30 September 2013.

<b>Treasury position</b>	<b>31/03/2013 £m</b>	<b>30/09/2013 £m</b>
<b>Total external borrowing</b>	<b>(185.456)</b>	<b>(185.456)</b>
Short term investment		
Fixed investment	31.48	40.059
Variable investment	6.579	11.439
Long term investment	10.074	10.074
<b>Total investments</b>	<b>48.133</b>	<b>51.572</b>
<b>(Net Borrowing) / Net Investment Position</b>	<b>(137.323)</b>	<b>(133.884)</b>

13. It is important that the cash flow of the Council is carefully monitored and controlled to ensure enough funds are available each day to cover its outgoings. This will become more difficult as the Council uses up capital receipts and reduces investment balances.

14. The Director of Finance & ICT confirms that there have been no breaches of:

(a) The Upper Limit for Fixed Rate Exposure (100%) and Upper Limit for Variable Rate Exposure (25%) on investment during the period, with the average rates of 93% and 7% being achieved;

(b) The limit set for investment over 364 days (£30m). The Council made two investments totalling £10m over 364 days. The average length of short term investment for the period is 220 days; and

(c) The limit set for investment in non UK Country (30%). The Council made two investments (18%) to counterparties outside of the UK.

15. The risks associated to this section are as follows:

(a) Credit and Counterparty Risk – the risk of failure by a third party to meet its contractual obligations to the Council, i.e. goes into liquidation. The Council's counter-party lists and limits reflect a prudent attitude towards organisations with which funds may be deposited and these are regularly updated by our treasury management advisors (Arlingclose).

(b) Liquidity Risk – the risk that cash will not be available when it is needed, incurring additional unbudgeted costs for short-term loans. The Director of Finance & ICT has monthly meetings with treasury staff, to go through the cash flow for the coming month. A number of instant access accounts are used to ensure adequate cash remains available.

(c) Interest Rate Risk – the risk of fluctuations in interest rates. The Council has currently around 18% of its investments in variable rates, and the remainder are in fixed rate deposits on average for around 220 days. This allows the Council to receive reasonable rates, whilst at the same time, gives the Council flexibility to take advantage of any changes in interest rates. The view of the Council's treasury advisors is that interest rates are unlikely to change significantly in the short to medium term.

16. The prudential indicators within this section assist the Council to reduce the risk of:

(a) counterparties going into liquidation by ensuring only highly rated institutions are used when investing the Council's money;

(b) The Council incurring unbudgeted short-term loans, to pay unexpected expenditure items through ensuring adequate amounts of money are available immediately through instant access accounts; and

(c) Potentially losing out on investment income when interest rates start to increase by ensuring that most deposits are kept within one year.

### Heritable Bank

17. During the first half of this financial year, the Council has received a further dividend from the administrators of the Heritable Bank which has taken total dividends so far to 94% of the value of deposits. No additional dividends are expected until all of the outstanding litigation has been settled and the administration process completed.

### **Resource Implications:**

The continued low interest rate will result in estimated investment income to the Council of £415,000 in 2013/14. Interest rates are not expected to rise in the short to medium term.

### **Legal and Governance Implications:**

The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance:

- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2009/10);
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
- Under the Act the ODPM (now DCLG) has issued Investment Guidance to structure and regulate the Council's investment activities.
- Under section 21(1) AB of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8 November 2007.

### **Safer, Cleaner and Greener Implications:**

None.

### **Consultation Undertaken:**

The Council's external treasury management advisors provided the framework for this report and have confirmed that the content satisfies all regulatory requirements.

## Background Papers:

The report on the Council's Prudential Indicators for 2013/14 to 2015/16 and the Treasury Management Strategy for 2013/14 to 2015/16 went to Council on 19 February 2013.

## Impact Assessments:

### Risk Management

As detailed in the report, a risk averse position is adopted to minimise the chance of any loss of the capital invested by the Council. The specific risks associated with the different aspects of the treasury management function have been outlined within the main report.

### Equality and Diversity

*Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications?* No

*Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?* N/A

*What equality implications were identified through the Equality Impact Assessment process?*  
N/A

*How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?*  
N/A



## Semi-annual Treasury Outturn Report April - September 2013

### 1. Background

The Treasury Management Strategy for 2013/14 has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.

The Code also recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing best practice in accordance with CIPFA's recommendations.

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

In addition to reporting on risk management related to treasury activities, the Treasury Management Code also requires the Authority to report on any financial instruments entered into to manage treasury risks.

### 2. Economic Background

**Growth:** The UK economy showed some improvement, with consumer spending boosting growth. GDP for the first quarter of 2013 was revised up to +0.4% and for the second quarter was +0.7%. Recent data suggests a stronger rate in quarter three. Revisions by the Office of National Statistics to GDP back-data showed the UK avoided a double-dip recession in 2012, but that the downturn in 2008-09 was deeper than previously estimated. GDP is now still over 3% below its peak back in 2007.

Some positive signs for household spending emerged. The deterioration in real earnings growth (i.e. earnings less inflation) slowed, which implied a slower erosion of purchasing power. Consumer confidence improved. Household savings rates remained high, which is unsurprising given the uncertain economic outlook, but appear to be on a downward track, suggesting spending was being driven by borrowing or lower savings. This raises questions about the sustainability of the recovery at these rates of growth.

**Inflation:** Annual CPI for August (published September) was 2.7%. Inflation fell in line with expectations and is expected to remain close to this level throughout the autumn. Further out, inflation should fall back towards the 2% target as external price pressures fade and a revival in productivity growth curbs domestic cost pressures. The oil price (Brent Crude) climbed above \$100/barrel on the back of political unrest in Egypt and the unresolved crisis in Syria.

**Monetary Policy:** There was no change to UK monetary policy with official interest rates and asset purchases maintained at 0.5% and £375bn respectively. The main development for UK monetary policy was the start of Mark Carney's tenure as Governor and the implementation of forward guidance. Within the August Inflation Report, the Bank stated its forward guidance, the main element of which is to defer monetary tightening at least until the ILO Unemployment Rate falls to a threshold of 7% (among a raft of caveats). The Bank projected that the probability of this happening would remain below 50% until 2016. The Governor has had to defend the Bank's guidance in the face of rising financial market expectations of an earlier rate rise on the back of the encouraging economic data.

**Semi-annual Treasury Outturn Report**  
**April - September 2013**

In his testimony to Congress on 22<sup>nd</sup> May the US Federal Reserve Chairman Ben Bernanke stated that, if the nascent recovery in the US economy became established, the Fed would reduce its \$85bn monthly asset purchase programme (QE). The apparent movement by the Fed towards tapering its open-ended QE programme prompted extreme asset price volatility in bonds and equities, as investors sought to crystallise gains driven by excessive liquidity. As a consequence, government bond yields spiked. There had been a growing expectation that the Federal Reserve would seek to commence ‘tapering’ in September but they took markets by surprise and maintained asset purchases at the existing level.

**Global:** Whilst the outlook for the global economy appeared to have improved over the first half of calendar 2013/14, significant economic risks remain, particularly in China and the Eurozone. The Chinese banking system is facing tighter liquidity conditions as officials seek to slow down rampant credit growth, and, despite the time gained by the ECB to allow individual members and the Eurozone as a whole to reform their economies, the Eurozone debt crisis has not gone away. The region appears to be dragging itself out of recession and September’s German general election passed with little incident but political uncertainties, particularly in Italy, could derail any progress towards a more balanced and stable regional economy. The US recovery appeared to be in train, but a lack of agreement on the federal budget by the end of September caused a partial government shutdown at the start of October, which could have an effect on GDP growth. Political risks also remain regarding the debt ceiling.

**3. Debt Management**

**Borrowing Activity in 2013/14**

	Balance on 01/04/2013 £m	Debt Maturing £m	Debt Prematurely Repaid £m	New Borrowing £m	Balance on 30/09/2013 £m	Avg Rate % and Avg Life (yrs)
CFR	188.684				188.684	
Short Term Borrowing <sup>1</sup>	0	0	0	0	0	
Long Term Borrowing	185.456	0	0	0	185.456	3% - 25 years
<b>TOTAL BORROWING</b>	185.456	0	0	0	185.456	
Other Long Term Liabilities	0	0	0	0	0	
<b>TOTAL EXTERNAL DEBT</b>	185.456	0	0	0	185.456	
Increase/ (Decrease) in Borrowing £m	0				0	

**PWLB Borrowing**

The PWLB remains an attractive source of borrowing for the Authority as it offers flexibility and control. As concerns mounted over the timing of the removal or ‘tapering’ of QE by the US Federal Reserve, gilts sold off and yields rose in May and June. The sharp rise in gilt yields led to a corresponding rise in PWLB rates (see Appendix 2), with the most pronounced increase for 10 year loans where rates as at 30th September were 0.83% higher than 1st April. Affordability and the “cost of carry” remained important influences on the Authority’s borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds

<sup>1</sup> Loans with maturities less than 1 year.

## Semi-annual Treasury Outturn Report April - September 2013

would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing.

For the Authority the use of internal resources in lieu of borrowing has, therefore, continued to be the most cost effective means of funding £17.6m of capital expenditure in 2013/14. This has lowered overall treasury risk by reducing both external debt and temporary investments. Borrowing options and the timing of such borrowing will continue to be assessed in conjunction with the Authority's treasury advisor.

The Authority has funded none of its capital expenditure in 2013/14 so far from borrowing. The PWLB remains the Authority's preferred potential source of borrowing given the transparency and control that its facilities continue to provide.

£31.8m of PWLB variable rate loans have been borrowed in the past at an average rate of 0.62% which mitigates the impact of changes in variable rates on the Authority's overall treasury portfolio. Variable rate borrowing is expected to remain attractive for some time as the Bank of England maintains the base rate at historically low levels.

This strategic exposure to variable interest rates will be regularly reviewed and, if appropriate, reduced by switching into fixed rate loans.

### **Debt Rescheduling:**

The increase in PWLB repayment rates during the quarter lowered the premium that would apply on premature redemption of loans, but the premia was still relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

A year after their commencement, the £185.456m of loans borrowed on 28<sup>th</sup> March 2012 for the HRA self-financing settlement became eligible for rescheduling. These loans were borrowed at one-off preferential rates made available specifically for the settlement. The increases in gilt yields and PWLB redemption rates have resulted in these loans presenting early repayment opportunities at close to par, i.e. with a very small premium or discount. However debt rescheduling would have involved the Authority refinancing at a much higher rate, i.e. gilts + 0.8% (certainty rate). For example 10-, 20- and 30-year self-financing maturity borrowing rates were around 2.4%, 3.3% and 3.5% respectively. The equivalent new borrowing certainty rates at 30<sup>th</sup> September for these maturities were 3.46%, 4.16% and 4.29% respectively.

The Authority will continue to first assess early repayment or rescheduling against the requirements of the HRA business plan and any future borrowing requirements. Where rescheduling is appropriate, the Authority will consider alternative refinancing to achieve cost savings and a reduction in risk.

#### **4. Investment Activity**

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

**Semi-annual Treasury Outturn Report**  
**April - September 2013**

**Investment Activity in 2013/14**

Investments	Balance on 01/04/2013 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance on 30/09/2013 £m	Avg Rate % and Avg Life (yrs)
Short Term Investments	38.059	135.294	131.855	41.498	0.73% 220 days
Long Term Investments	10.074			10.074	1.15% 1278 days
Investments in Pooled Funds (MMF)	5.000	10.000	10.000	5.000	-----
<b>TOTAL INVESTMENTS</b>	<b>53.133</b>	<b>145.294</b>	<b>141.855</b>	<b>56.572</b>	

Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2013/14. New investments can be made with the following institutions:-

- Other Local Authorities;
- AAA-rated Money Market Funds;
- Call Accounts, Certificates of Deposit (CDs) and Term Deposits with select UK and non-UK Banks and Building Societies. The non-UK banks comprised those domiciled in Australia, Canada, USA and Europe.
- Treasury-Bills and DMADF (Debt Management Office);
- Gilts
- Bonds issued by Multilateral Development Banks, such as the European Investment Bank;
- Pooled funds (collective investment schemes);

Counterparty credit quality is assessed and monitored with reference to: Credit Ratings (the Authority's minimum long-term counterparty rating of A- or equivalent across rating agencies Fitch, S&P and Moody's); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; sovereign support mechanisms /potential support from a well-resourced parent institution; share price.

**Credit Risk**

Counterparty credit quality as measured by credit ratings is summarised below:

Date	Value Weighted Average - Credit Risk Score	Value Weighted Average - Credit Rating	Time Weighted Average - Credit Risk Score	Time Weighted Average - Credit Rating
31/03/2013	5.27	A+	2.71	AA
30/06/2013	5.23	A+	3.50	AA
30/09/2013	4.96	A+	2.95	AA

**Scoring:**

- Value weighted average reflects the credit quality of investments according to the size of the deposit
- Time weighted average reflects the credit quality of investments according to the maturity of the deposit
- AAA = highest credit quality = 1
- D = lowest credit quality = 26
- Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

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### **Counterparty Update**

In April Fitch downgraded the UK's long-term sovereign rating by one notch from AAA to AA+, the second of the rating agencies to do so (Moody's had downgraded the UK's ratings in February to Aa1). Where assigned, local authorities' ratings, which benefit from an uplift due to their close and direct links to central government, were also downgraded.

The proposed sale of 632 Lloyds' branches to the Co-op Bank - referred to as Project Verde - fell through in April. These branches will now be transferred in September to TSB Bank, a new bank which will be sold through a listing on the stock market in 2014.

In May Moody's downgraded the long-term rating of Co-op Bank by six notches from A3 to Ba3 which is sub-investment grade. The downgrade reflected the agency's opinion that the bank faced the risk of further substantial losses in its non-core portfolio. In June the Co-op announced it had a £1.5bn regulatory capital shortfall requiring a recapitalisation via burden-sharing with junior creditors and asset disposals of its parent's insurance businesses. Moody's downgraded the bank's long-term rating a further four notches to Caa1 whilst Fitch downgraded the long-term from BBB- to BB-. The Co-op is no longer on our counterparty list.

In the Chancellor's Mansion House speech on 19<sup>th</sup> June he signalled his intention to sell the government's stake in the Lloyds Banking Group reasonably soon and a 6% stake was indeed sold to institutional investors on 17<sup>th</sup> September at a price of 75p. In a positive move, Fitch upgraded Lloyds' viability rating to bbb+. The situation was more complicated with RBS since its problems were greater and reflected in its share price. It appeared that a 'good bank' and 'bad bank' split for RBS was being favoured by the Chancellor and sat behind the announcement concerning the departure of RBS Chief Executive, Stephen Hester, who disagreed with that route.

Moody's placed the RBS's long-term of A3 and standalone financial strength rating of D+ on review for downgrade on 5<sup>th</sup> July 2013, amid concerns about the impact of any potential breakup of the bank on creditors. Although the probability of losses remains low there is a possibility of capital impairment especially as the government has clearly indicated that it will not put up any further taxpayers funds. As a precautionary measure the Authority has reduced its maximum duration on RBS investments to overnight. This also applies to National Westminster Bank plc, who are the Council's Bankers.

Maturities for new investments with financial institutions on the Authority's list are as shown in Appendix 3.

### **Budgeted Income and Outturn**

The Authority's budgeted investment income for the year was estimated at £0.446m. The average cash balances representing the Authority's reserves, working balances etc, were £57.5m during the period.

The UK Bank Rate has been maintained at 0.5% since March 2009 and not expected to rise until 2016/2017. Short-term money market rates have remained at very low levels (see Table 1 in Appendix 2). New deposits were made at an average rate of 0.86%. Investments in Money Market Funds were at an average rate of 0.56%. The Authority now anticipates an investment outturn of £0.415m for the whole year.

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### Update on Investments with Icelandic Banks

- **Heritable** - The authority has now recovered 94% of its investments in Heritable Bank. It is possible that further distributions will be received, although the administrators have not made any further estimate of final recoveries yet.

CIPFA issued further guidance on the accounting treatment surrounding these transactions in September 2013 when LAAP 82 (update 8) was issued. “there was no evidence to suggest that there will be any further dividends in amounts that might be considered material. Such evidence may become available in future, for example through the medium of statutory reports to creditors issued by the Heritable administrators, at which point a further update to this bulletin will be considered”.

### 5. Compliance with Prudential Indicators

The Authority can confirm that it has complied with its Prudential Indicators for 2013/14, which were approved by Council on 19<sup>th</sup> February 2013 as part of the Authority’s Treasury Management Strategy Statement and Investment Strategy 2013/14 to 2015/16.

(which can be accessed through the following link

[http://haako/Published/C00000296/M00006973/AI00039464/\\$ReportoftheCabinetTMSFinal.docA.ps.pdf](http://haako/Published/C00000296/M00006973/AI00039464/$ReportoftheCabinetTMSFinal.docA.ps.pdf) ) Details of treasury-related Prudential Indicators can be found in Appendix 1.

### 6. Outlook for Q3

At the time of writing this report in October 2013, the UK economic outlook appears to have improved. The projected path for growth has risen, but remains relatively subdued, with a distinct reliance on household consumption, which itself remains under pressure given the deterioration in real earnings growth, high unemployment and general low confidence. A variety of other factors will continue to weigh on a domestic recovery, including on-going fiscal consolidation, muted business confidence and subdued foreign demand. While the economic recovery may pick up steam, forward guidance from the Bank of England suggests that monetary policy is unlikely to be tightened until the ILO Unemployment Rate falls below 7%. Unless any one of 3 knock-out conditions are met, which would invalidate the guidance in the event that 1) CPI forecasts exceed 2.5% in 18-24 months; 2) if inflation expectations are not met; and 3) if monetary policy poses a threat to financial stability.

The Bank projected this Unemployment Rate level would be reached in 2016. The latest forecast for Bank Rate from our advisors Arlingclose is below:

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
<b>Official Bank Rate</b>												
<b>Upside risk</b>		0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75
<b>Arlingclose Centra</b>	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<b>Downside risk</b>	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25

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7. **Summary**

In compliance with the requirements of the CIPFA Code of Practice this report provides Members with a summary report of the treasury management activity during the first half of 2013/14. As indicated in this report none of the Prudential Indicators have been breached and a prudent approach has been taking in relation to investment activity with priority being given to security and liquidity over yield.

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**Appendix 1**

**Borrowing in Comparison to the Capital Financing Requirement**

Estimates of the Authority's cumulative maximum external borrowing requirement for 2013/14 to 2015/16 are shown in the table below:

	31/03/2013 Actual £000s	31/03/2014 Estimate £000s	31/03/2015 Estimate £000s	31/03/2016 Estimate £000s
Gross CFR	188.684	188.684	188.684	188.684
Less: Other Long Term Liabilities	0	0	0	0
<b>Borrowing CFR</b>	<b>188.684</b>	<b>188.684</b>	<b>188.684</b>	<b>188.684</b>
Less: Existing Profile of Borrowing	185.456	185.456	185.456	185.456
<b>Gross Borrowing Requirement/Internal Borrowing</b>	<b>3.228</b>	<b>3.228</b>	<b>3.228</b>	<b>3.228</b>
Usable Reserves	49.1	45.4	44.6	45.8
<b>Net Borrowing Requirement/Investment Capacity</b>	<b>(45.872)</b>	<b>(42.172)</b>	<b>(41.372)</b>	<b>(42.572)</b>

In the Prudential Code Amendment (November 2012), it states that the chief finance officer should make arrangements for monitoring with respect to gross debt and the capital financing requirement such that any deviation is reported to him/her, since any such deviation may be significant and should lead to further investigation and action as appropriate.

	31/03/2013 Actual £000s	31/03/2014 Estimate £000s	31/03/2015 Estimate £000s	31/03/2016 Estimate £000s
CFR	188.684	188.684	188.684	188.684
Gross Debt	185.456	185.456	185.456	185.456
<b>Difference</b>	<b>3.228</b>	<b>3.228</b>	<b>3.228</b>	<b>3.228</b>
<b>Borrowed in excess of CFR? (Yes/No)</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>

**Usable Reserves**

Estimates of the Authority's level of Usable Reserves for 2013/14 to 2015/16 are as follows:

	31/03/2013 Actual £000s	31/03/2014 Estimate £000s	31/03/2015 Estimate £000s	31/03/2016 Estimate £000s
Usable Reserves	49.1	45.4	44.6	45.8



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**Prudential Indicator Compliance**

**(a) Gross Debt and the Capital Financing Requirement**

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with **gross** external debt.

The Director of Finance & ICT reports that the Authority had no difficulty meeting this requirement in 2012/13 and 2013/14 (to date), nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

**(b) Estimates of Capital Expenditure**

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels.

Capital Expenditure	2013/14 Approved £m	2013/14 Revised £m	2014/15 Estimate £m	2015/16 Estimate £m
Non-HRA	4.293	4.732	4.67	1.467
HRA	13.918	12.888	16.872	15.183
<b>Total</b>	<b>18.211</b>	<b>17.620</b>	<b>21.542</b>	<b>16.650</b>

Capital expenditure will be financed or funded as follows:

Capital Financing	2013/14 Approved £m	2013/14 Revised £m	2014/15 Estimate £m	2015/16 Estimate £m
Capital receipts	4.315	3.518	4.431	2.002
Grants	0.987	1.597	1.981	0.549
Major Repairs Allowance	8.709	8.305	9.430	8.399
Revenue contributions	4.200	4.200	5.700	5.700
<b>Total Financing</b>	<b>18.211</b>	<b>17.620</b>	<b>21.542</b>	<b>16.650</b>
Supported borrowing	0	0	0	0
Unsupported borrowing	0	0	0	0
<b>Total Funding</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Financing and Funding</b>	<b>18.211</b>	<b>17.620</b>	<b>21.542</b>	<b>16.650</b>

The table above shows that the capital expenditure plans of the Authority can be funded entirely from sources other than external borrowing.

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**(c) Ratio of Financing Costs to Net Revenue Stream:**

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code.

The ratio is based on costs net of investment income.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2013/14 Approved %</b>	<b>2013/14 Revised %</b>	<b>2014/15 Estimate %</b>	<b>2015/16 Estimate %</b>
Non-HRA	-3.28	-0.36	-0.36	-0.42
HRA	16.97	16.20	15.77	15.54

**(d) Capital Financing Requirement**

The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and financing.

<b>Capital Financing Requirement</b>	<b>2013/14 Approved £m</b>	<b>2013/14 Revised £m</b>	<b>2014/15 Estimate £m</b>	<b>2015/16 Estimate £m</b>	<b>2016/17 Estimate £m</b>
Non-HRA	33.544	33.544	33.544	33.544	33.544
HRA	155.14	155.14	155.14	155.14	155.14
<b>Total CFR</b>	<b>188.684</b>	<b>188.684</b>	<b>188.684</b>	<b>188.684</b>	<b>188.684</b>

**(e) Incremental Impact of Capital Investment Decisions**

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

<b>Incremental Impact of Capital Investment Decisions</b>	<b>2013/14 £</b>	<b>2014/15 Estimate £</b>	<b>2015/16 Estimate £</b>
Increase in Band D Council Tax	-0.30	-0.45	-0.28
Increase in Average Weekly Housing Rents	-2.84	-0.48	0.02

**(f) Authorised Limit and Operational Boundary for External Debt**

The Local Government Act 2003 requires the Authority to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached.

The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit.

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The Authority confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2013/14; borrowing at its peak so far was £185.456m.

	Authorised Limit (Not Yet Approved) as at 31/03/2014 £000s	Operational Boundary (Not Yet Approved) as at 31/03/2014 £000s	Actual External Debt as at 30/09/2013 £000s
Borrowing	200.00	188.00	185.456
Other Long-term Liabilities	0	0	0
<b>Total</b>	<b>200.00</b>	<b>188.00</b>	<b>185.456</b>

**(g) Adoption of the CIPFA Treasury Management Code**

This indicator demonstrates that the Authority has adopted the principles of best practice.

<b>Adoption of the CIPFA Code of Practice in Treasury Management</b>
The Council approved the adoption of the key recommendations in the CIPFA Treasury Management Code at its meeting on 19 <sup>th</sup> February 2013.

*The Authority has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.*

**(h) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure**

- These indicators allow the Authority to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Approved Limits for 2013/14 £/%	Maximum during 2013/14 £/%
<b>Upper Limit for Fixed Rate Exposure</b>	100	93
Compliance with Limits:		Yes
<b>Upper Limit for Variable Rate Exposure</b>	25	7
Compliance with Limits:		Yes

**(i) Maturity Structure of Fixed Rate Borrowing**

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

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Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing as at 30/9/2013 £000s	% Fixed Rate Borrowing as at 30/9/2013	Compliance with Set Limits?
under 12 months	100	0	0	0	Yes
12 months and within 24 months	100	0	0	0	Yes
24 months and within 5 years	100	0	0	0	Yes
5 years and within 10 years	100	0	0	0	Yes
10 years and within 20 years	100	0	0	0	Yes
20 years and within 30 years	100	0	153.656	100	Yes
30 years and within 40 years	100	0	0	0	Yes

**(j) Upper Limit for Total principal sums invested for periods longer than 364 days**

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Authority having to seek early repayment of the sums invested.

Upper Limit for total principal sums invested over 364 days	2013/14 Approved £000s	30/9/2013 Actual £000s	31/03/2014 Estimate £000s	31/03/15 Estimate £000s
	<b>30</b>	<b>10</b>	<b>30</b>	<b>30</b>

**(k) HRA Limit on Indebtedness**

This indicator reports on the level of the limit imposed by the CLG at the time of the self-financing settlement (or subsequently amended) to which the HRA Capital Financing Requirement is compared.

	2013/14 Approved £000s	31/03/2014 Estimate £000s	31/03/15 Estimate £000s	31/03/16 Estimate £000s
HRA Debt Cap (as prescribed by CLG)	<b>185.457</b>	<b>185.457</b>	<b>185.457</b>	<b>185.457</b>
HRA CFR	<b>155.14</b>	<b>155.14</b>	<b>155.14</b>	<b>155.14</b>
Difference	<b>30.317</b>	<b>30.317</b>	<b>30.317</b>	<b>30.317</b>
HRA Debt (Actual)	<b>185.456</b>	<b>185.456</b>	<b>185.456</b>	<b>185.456</b>

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(l) Capital Expenditure - comparison of Revised and Actual

Capital Expenditure	2008/09 Revised £m	2008/09 Actual £m	Variance	2009/10 Revised £m	2009/10 Actual £m	Variance	2010/11 Revised £m	2010/11 Actual £m	Variance
Non-Housing	2.972	2.020	0.952	4.906	4.060	0.846	3.228	2.584	0.644
Housing	9.928	8.454	1.474	9.300	9.162	0.138	8.194	7.347	0.847
Total	12.900	10.474	2.426	14.206	13.222	0.984	11.422	9.931	1.491
Funding	1.022	1.228	(0.206)	1.621	1.436	0.185	1.398	1.008	0.39
Grants									
Capital Receipts	3.721	2.786	0.935	4.557	3.674	0.883	3.431	2.680	0.751
Revenue	8.157	6.460	1.697	8.028	8.112	(0.084)	6.593	6.243	0.35
Total	12.900	10.474	2.426	14.206	13.222	0.984	11.422	9.931	1.491

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2011/12 Revised £m	2011/12 Actual £m	Variance	2012/13 Revised £m	2012/13 Actual £m	Variance	2013/14 Revised £m	2013/14 Actual £m Month 6
4.128	2.993	1.135	2.647	2.477	0.17	4.732	0.153
8.201	6.570	1.631	10.44	10.612	(0.172)	12.888	4.028
12.329	9.563	2.766	13.087	13.089	(0.002)	17.620	4.181
1.071	0.974	0.097	0.758	0.783	(0.025)	1.597	
4.237	3.206	1.031	2.881	2.660	0.221	3.518	
7.021	5.383	1.638	9.448	9.646	(0.198)	12.505	
12.329	9.563	2.766	13.087	13.089	(0.002)	17.620	

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**Appendix 2**

**Money Market Data and PWLB Rates**

The average, low and high rates correspond to the rates during the financial year rather than those in the tables below.

Please note that the PWLB rates quoted below relate to the standard rates. Those authorities eligible for Certainty Rate borrowing would be eligible for a 0.20% reduction.

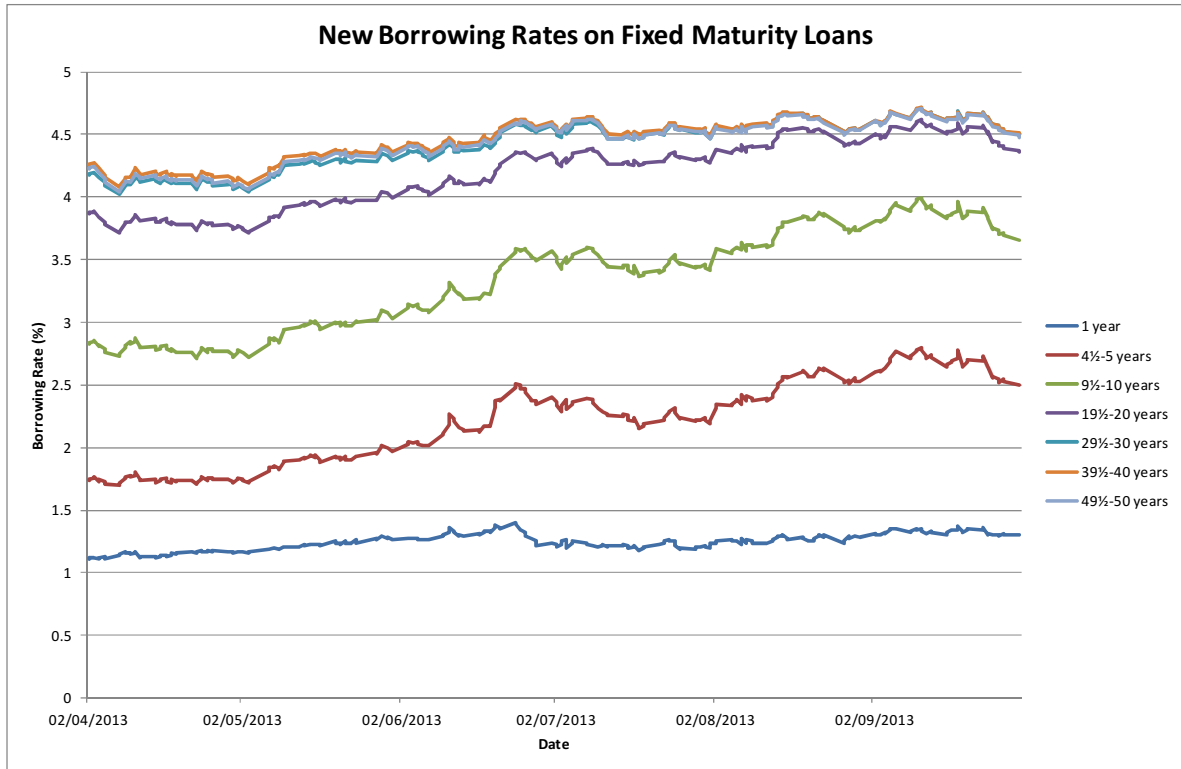
**Table 1: Bank Rate, Money Market Rates**

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/04/2013	0.50	0.40	0.50	0.40	0.44	0.51	0.75	0.59	0.68	0.97
30/04/2013	0.50	0.50	0.47	0.40	0.44	0.51	0.75	0.57	0.64	0.91
31/05/2013	0.50	0.38	0.42	0.40	0.44	0.51	0.75	0.68	0.82	1.15
30/06/2013	0.50	0.43	0.38	0.40	0.44	0.51	0.75	0.78	0.99	1.52
31/07/2013	0.50	0.42	0.50	0.40	0.44	0.51	0.75	0.68	0.86	1.39
30/08/2013	0.50	0.43	0.41	0.41	0.44	0.51	0.76	0.81	1.10	1.71
30/09/2013	0.50	0.38	0.38	0.41	0.44	0.51	0.76	0.83	1.12	1.73
<b>Average</b>	<b>0.50</b>	<b>0.42</b>	<b>0.43</b>	<b>0.40</b>	<b>0.44</b>	<b>0.51</b>	<b>0.76</b>	<b>0.72</b>	<b>0.91</b>	<b>1.38</b>
<b>Maximum</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.45</b>	<b>0.53</b>	<b>0.65</b>	<b>0.84</b>	<b>0.95</b>	<b>1.32</b>	<b>1.99</b>
<b>Minimum</b>	<b>0.50</b>	<b>0.35</b>	<b>0.38</b>	<b>0.40</b>	<b>0.44</b>	<b>0.51</b>	<b>0.75</b>	<b>0.55</b>	<b>0.62</b>	<b>0.87</b>
<b>Spread</b>	<b>--</b>	<b>0.15</b>	<b>0.12</b>	<b>0.05</b>	<b>0.09</b>	<b>0.14</b>	<b>0.09</b>	<b>0.40</b>	<b>0.70</b>	<b>1.12</b>

**Table 2: PWLB Borrowing Rates - Fixed Rate, Maturity Loans**

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2013	125/13	1.11	1.74	2.83	3.87	4.18	4.25	4.22
30/04/2013	166/13	1.16	1.72	2.72	3.74	4.06	4.13	4.08
31/05/2013	208/13	1.26	1.97	3.03	3.99	4.29	4.36	4.33
28/06/2013	248/13	1.22	2.34	3.49	4.30	4.52	4.56	4.54
31/07/2013	293/13	1.21	2.22	3.43	4.29	4.50	4.52	4.50
30/08/2013	335/13	1.28	2.53	3.74	4.43	4.54	4.54	4.53
30/09/2013	377/13	1.30	2.50	3.66	4.36	4.49	4.50	4.48
	<b>Low</b>	1.11	1.70	2.71	3.71	4.02	4.08	4.04
	<b>Average</b>	1.25	2.21	3.34	4.19	4.42	4.46	4.43
	<b>High</b>	1.40	2.80	3.99	4.62	4.71	4.72	4.71

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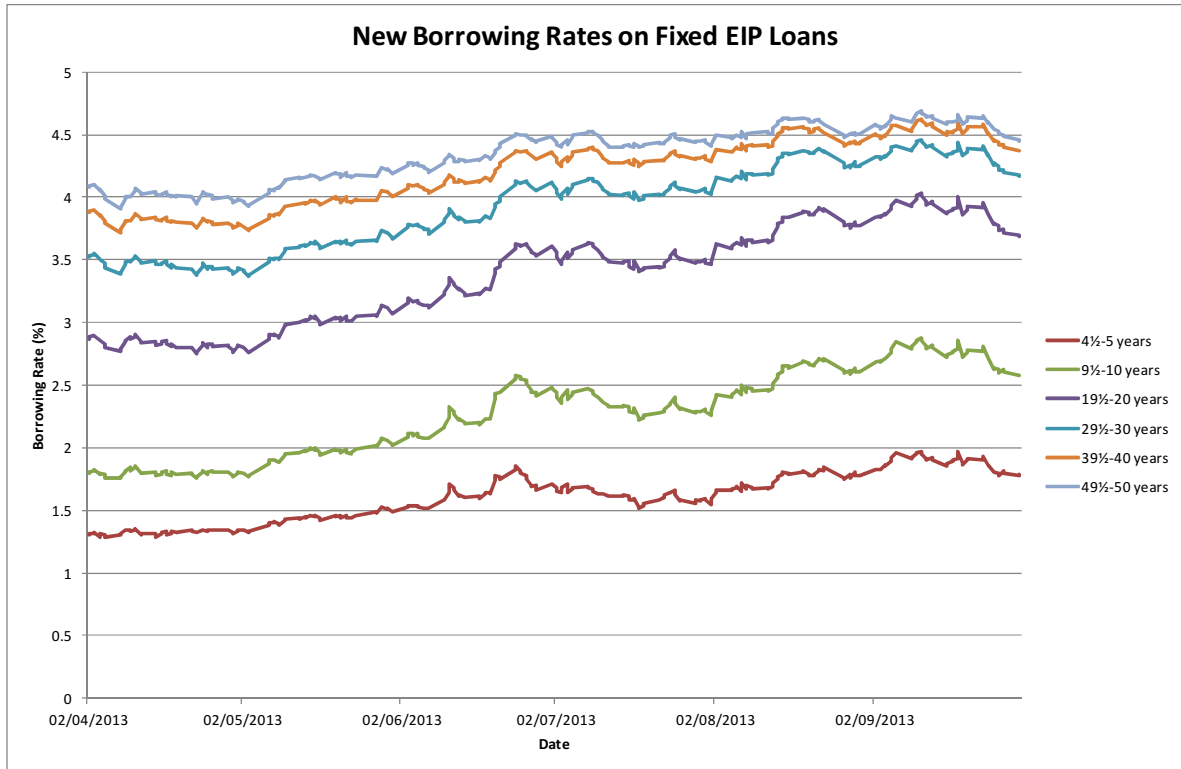


**Table 3: PWLB Borrowing Rates - Fixed Rate, Equal Instalment of Principal (EIP) Loans**

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2013	125/13	1.30	1.80	2.87	3.52	3.88	4.08
30/04/2013	166/13	1.31	1.77	2.76	3.39	3.75	3.96
31/05/2013	208/13	1.49	2.02	3.07	3.67	4.00	4.19
28/06/2013	248/13	1.66	2.41	3.53	4.05	4.30	4.45
31/07/2013	293/13	1.58	2.29	3.47	4.04	4.30	4.44
30/08/2013	335/13	1.78	2.61	3.77	4.26	4.44	4.51
30/09/2013	377/13	1.79	2.58	3.69	4.17	4.37	4.45
	<b>Low</b>	1.29	1.76	2.75	3.37	3.72	3.91
	<b>Average</b>	1.61	2.28	3.38	3.93	4.20	4.35
	<b>High</b>	1.97	2.88	4.03	4.46	4.62	4.69



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April - September 2013**



**Table 4: PWLB Variable Rates**

	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate
	Pre-CSR	Pre-CSR	Pre-CSR	Post-CSR	Post-CSR	Post-CSR
01/04/2013	0.5700	0.5600	0.5500	1.4700	1.4600	1.4500
30/04/2013	0.5700	0.5500	0.5400	1.4700	1.4500	1.4400
31/05/2013	0.5600	0.5600	0.5600	1.4600	1.4600	1.4600
28/06/2013	0.5600	0.5600	0.5600	1.4600	1.4600	1.4600
31/07/2013	0.5500	0.5500	0.5500	1.4500	1.4500	1.4500
30/08/2013	0.5600	0.5600	0.5600	1.4600	1.4600	1.4600
30/09/2013	0.5700	0.5700	0.5700	1.4700	1.4700	1.4700
<b>Low</b>	0.5500	0.5500	0.5400	1.4500	1.4500	1.4400
<b>Average</b>	0.5640	0.5607	0.5576	1.4640	1.4607	1.4576
<b>High</b>	0.5800	0.5700	0.5700	1.4800	1.4700	1.4700

**Semi-annual Treasury Outturn Report**  
**April - September 2013**

**Appendix 3**

**Maturity limits for new investments as at 30/09/2013**

***UK Institutions***

- \*\*Royal Bank of Scotland and National Westminster Bank for a maximum period of overnight;
  - Close Brothers, Santander UK for a maximum period of 100 days;
- Lloyds TSB and Bank of Scotland for a maximum period of 6 months;
- HSBC Bank, Standard Chartered, Nationwide BS and Barclays for a maximum period of 12 months.

***Non-UK Institutions***

- ING Bank NV, Credit Suisse, BNP Paribas, Credit Agricole CIB, Credit Agricole SA, Societe Generale for a maximum period of 100 days;
- Bank Nederlandse Gemeenten N.V., Deutsche Bank AG, Nordea Bank, Rabobank and Svenska Handelsbanken for a maximum period of 12 months;
- National Australia Bank, Westpac, ANZ, Commonwealth Bank of Australia, Canadian Imperial Bank of Commerce, Royal Bank of Canada, Toronto-Dominion Bank, Bank of Montreal, Bank of Nova Scotia and JP Morgan for a maximum period of 12 months.

\*\* Note: RBS and Natwest were placed on review for possible downgrade by Moody's on 5<sup>th</sup> July. The current long-term rating assigned by Moody's to the institutions is A3, which is the lowest threshold of the Authority's minimum credit criteria. The maturity limits for new investments with both institutions have been restricted to overnight investments until such time as the rating review has been resolved. National Westminster Bank are also the Council's bankers.

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



**Epping Forest  
District Council**

**Report Reference: AGC-021-2013/14**

**Date of meeting: 28 November 2013**

**Portfolio: Finance and Technology**

**Subject: Reports from the External Auditor**

**Responsible Officer: Bob Palmer (01992 564279)**

**Democratic Services: Gary Woodhall (01992 564470)**

---

### **Recommendations/Decisions Required:**

- (1) To consider and note the reports of the external auditor.**

### **Executive Summary:**

This Committee has within its Terms of Reference the considering of reports made by the external auditor.

The first report is the Annual Audit Letter for 2012/13, which summarises the key issues arising from BDO's work during the year. The detailed findings from the audit work have already been reported to this Committee and there are no additional recommendations in this report. The Annual Audit Letter was circulated to Members of the Committee on 28 October 2013, to comply with Audit Commission requirements.

The second report is the Fee Outturn Summary for 2012/13, which updates the costs of the audit. The total audit fee was £117,579 (2011/12 £157,215), compared to an estimate of £117,179 (2011/12 £142,215), although the claims and returns fee is still to be confirmed.

### **Reasons for Proposed Decisions:**

To comply with the Committee's Terms of Reference and ensure the proper consideration of these reports.

### **Other Options for Action:**

There are no other options for action.

### **Report:**

1. The reports will be presented to the Committee by Mr David Eagles, Partner, and Ms Clare Reed, Manager.

### **Resource Implications:**

Sufficient allowance was made in the original estimates for 2013/14 to cover the fees for the 2012/13 audit year and so no additional resources are required.

**Legal and Governance Implications:**

There are no legal implications or Human Rights Act issues arising from the recommendations in this report.

**Safer, Cleaner, Greener Implications:**

There are no implications arising from the recommendations in this report for the Council’s commitment to the Nottingham Declaration for climate change, the corporate Safer, Cleaner and Greener initiative or any Crime and Disorder issues within the district.

**Consultation Undertaken:**

None.

**Background Papers:**

None.

**Impact Assessments:**

Risk Management

Action plans have been agreed to address areas of risk identified during the audit.

Equality and Diversity:

*Did the initial assessment of the proposals contained in this report for relevance to the Council’s general equality duties, reveal any potentially adverse equality implications?* No

*Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?*

*What equality implications were identified through the Equality Impact Assessment process?*  
N/A

*How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?*  
N/A



# EPPING FOREST DISTRICT COUNCIL

Annual Audit Letter 2012/13

October 2013

# EXECUTIVE SUMMARY

## Background

This Annual Audit Letter summarises the key issues arising from the work that we have carried out during the year. It is addressed to the Council but is also intended to communicate the significant issues we have identified, in an accessible format, to key external stakeholders and members of the public.

It is the responsibility of the Council to publish this on the Council's website.

## Responsibilities of auditors and the council

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England.

As the external auditors, we have a broad remit covering financial and governance matters. We target our work on areas which involve significant amounts of public money and on the basis of our assessment of the key risks to the Council achieving its objectives.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

## Scope of the audit

Our main responsibility as the appointed auditor is to plan and carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, we are required to review and report on:

- the Council's Statement of Accounts
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are also required to review and report on the Council's Annual Governance Statement, Whole of Government Accounts (WGA) submission, grant claims and returns certification work and whether we have exercised our statutory powers under the Audit Commission Act 1998 in any matter.

Our work on the audit of the grant claims and other returns for 2012/13 is in progress and we will report the findings from this work in December 2013.

Our aim is to deliver a high standard of audit which makes a positive and practical contribution that supports the Council's own agenda. We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the audit.

## Key findings

	<b>STATEMENT OF ACCOUNTS</b>
<b>1</b>	We issued an unqualified true and fair opinion on the financial statements on 27 September 2013. No material misstatements were identified during the audit. There were a number of unadjusted audit differences identified by our audit work; the net effect of adjusting for these differences would be to increase the surplus for the year by £116,000.
	<b>USE OF RESOURCES</b>
<b>2</b>	We are satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We issued an unqualified value for money conclusion on 27 September 2013.
	<b>OTHER MATTERS</b>
<b>3</b>	We are satisfied that the Annual Governance Statement is not inconsistent or misleading with other information we were aware of from our audit of the financial statements and complies with "Delivering Good Governance in Local Government" (CIPFA / SOLACE). The Council's WGA is below the threshold for full assurance review, and we completed a short-form assurance review which confirmed that the information for property, plant and equipment and for the net pension liability was consistent with the audited financial statements.
	<b>GRANT CERTIFICATION</b>
<b>4</b>	Overall, there were improvements noted in the control environment for the 2011/12 Housing and Council Tax Benefit Subsidy claim and there were, as a consequence, fewer errors identified compared to previous years, although we qualified the claim in accordance with the mandated approach. No other claims that we certified for 2011/12 were qualified.

# STATEMENT OF ACCOUNTS

1

## OPINION

We issued an unqualified true and fair opinion on the financial statements on 27 September 2013.

## Financial statements

The following misstatements were identified and corrected during the audit:

- re-classification of assets held for sale £515,000 from long term assets to current assets on the balance sheet
- our testing of the implementation of a new property management system identified an issue regarding the Revaluation Reserve where an adjustment, amounting to £423,000, should have been made in prior periods and therefore the Revaluation Reserve has been reduced, and the Capital Adjustment Account increased, by this amount.
- a number of disclosures and presentation amendments were also made to the final audited financial statements.

Page 87  
Our current year misstatements were identified that were not corrected in the final published financial statements:

- **HRA income:** our testing identified income of £81,000 that had been incorrectly netted down with the Repairs and Maintenance expenditure line
- **Completeness of land:** our testing identified some pieces of land that belonged to the Council but were not included in the fixed asset register. These pieces of land were not material but we recommended that the Council identifies these pieces of land and include them as part of the revaluation programme.
- **Provisions:** our testing identified that expenditure and provisions were understated by £84,000, although this expenditure would have been funded from an earmarked reserve and therefore there would be no net impact on the HRA balance
- **Major Repairs Reserve:** our testing identified that the Major Repairs Reserve had been understated by £423,000, with the HRA reserve being overstated by the same amount

The overall impact of correcting for these remaining misstatements would result in the Council reporting a £116,000 higher surplus for the year. Management considered that these uncorrected misstatements did not have a material impact on the financial statements, either individually or in aggregate, and the Audit and Governance Committee accepted their assertion that the misstatements need not be corrected for this reason. We

consider that these misstatements did not have a material impact on our opinion on the financial statements.

## Internal controls

No significant deficiencies were identified during our review. However, some areas for improvement were identified which we have discussed verbally with management.

# USE OF RESOURCES

2

## CONCLUSION

We are satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We issued an unqualified value for money conclusion on 27 September 2013.

Our principal work in arriving at our value for money conclusion was comparing the Council's performance against the requirements specified by the Audit Commission in its guidance:

- the organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
- the organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We also updated our knowledge of the Council's governance arrangements, financial, performance and risk management arrangements and reviewed the Audit Commission's financial ratios data and value for money tool and discussed the findings with management.

## Financial resilience

The 2012/13 financial statements report that the Council has achieved an underspend of £498,000 against the revised budget for 2012/13 and has recognised a increase of £926,000 in its usable reserves (comprising the general fund, earmarked reserves, surplus revenue account, capital receipts reserve, major repairs reserve and capital grants unapplied) when compared to the closing balances in 2011/12.

The Council has set a balanced budget for 2013/14 and had identified required savings prior to the start of the year. From our review of current documentation, the Council is on track to deliver its 2013/14 budget. The Council also has a good track record of achieving budgets and its financial management arrangements have put the Council in a relatively strong position of having built up good levels of funds and reserves to support it in its response to the continued financial pressures faced.

The medium term financial plan forecasts that it will be necessary to utilise reserves until 2016/17. However, at the end of this period it is estimated that revenue reserves will still be approximately £7.8m, which is more than twice the minimum level of reserves necessary to comply with the Council's financial management policies.

The Council already outsources a number of services in order to achieve savings and has been actively reviewing the on-going value for money (VFM) of these arrangements.

## Challenging economy - efficiency - effectiveness

The Council has continued to review and consolidate its baseline arrangements for challenging and securing value for money during 2012/13. The arrangements operated during the year remain adequate. Business plans continue to outline annual value for money considerations and implications for each service and include benchmarking comparisons where appropriate.

Performance management and risk management arrangements that support the achievement of value for money are evidenced as continuing to operate as previously assessed with no contra-indicators.

The Council makes use of consultation, option appraisal and partnership working to assist in achievement of savings and delivery of improved services.



## OTHER MATTERS

3

REPORT BY EXCEPTION

We have no other matters to report.

### Annual Governance Statement

We are satisfied that the Annual Governance Statement is not inconsistent or misleading with other information we were aware of from our audit of the financial statements and complies with “Delivering Good Governance in Local Government” (CIPFA / SOLACE).

### Whole of Government Accounts

The Council’s WGA is below the threshold for full assurance review, and we completed a short-form assurance review which confirmed that the “property, plant and equipment carrying amount at 31 March 2013” and the “net funded pension balance” was consistent with the audited financial statements.

## GRANT CERTIFICATION

Page 4  
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SUMMARY FINDINGS

Overall, there were improvements noted in the control environment for the 2011/12 Housing and Council Tax Benefit Subsidy claim and there were, as a consequence, fewer errors identified compared to previous years, although we qualified the claim in accordance with the mandated approach. No other claims that we certified for 2011/12 were qualified.

This Annual Audit Letter reports on the findings of our 2011/12 certification work which was completed and reported to the Audit and Governance Committee since the issue of our 2011/12 Annual Audit Letter. Our work on certifying 2012/13 grant claims is ongoing and findings will be reported when this work is complete.

### Housing and Council Tax Benefits

Improvements noted in the control environment for the 2011/12 Housing and Council Tax Benefit Subsidy claim and there were, as a consequence, fewer errors identified compared to previous years. However, there were three issues identified which resulted in minor claim amendments (for confirmed, isolated errors) and extrapolated (estimated) errors for systematic issues. The net reduction to the claim was approximately £200, which is small in the context of a £45m total claim value.

### Other schemes

The Housing Revenue Account subsidy, National Non-Domestic Rates (NNDR) return and Pooled Capital Receipts returns for 2011/12 were all certified without qualifications.

# APPENDIX

## Reports issued

We issued the following reports in respect of the 2012/13 financial year.

REPORT	DATE
Planning letter	December 2012
2011/12 Grant Claims and Returns Certification Report	January 2013
Audit Plan	April 2013
Final Audit Report	September 2013
Annual Audit Letter	October 2013

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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Councillor Anthony Watts  
Chairman of the Audit and Governance Committee  
Epping Forest District Council  
Civic Offices  
High Street  
Epping  
Essex  
CM16 4BZ

Our ref: 4008927/2012-13/DE/CR

24 October 2013

Dear Anthony,

### Final fee outturn 2012/13

The Audit Commission's *Standing Guidance for Auditors* requires us to report the outturn fee position for the year against the budgeted fee included within your Planning Letter 2012/13, as updated in your Audit Plan 2012/13 (issued in April 2013).

We have now concluded the audit and our fees to date and any variance to the original proposal are shown below.

AUDIT AREA	PROPOSED FEES £	FEES UPDATE £
Scale fee	85,329	85,329
Certification work	31,850	(note 1) 32,250
Total fees for audit services	117,179	117,579
Non audit fees	0	0

*Note 1 - Our work on the audit of the grant claims and other returns is in progress and we will report the findings from this work and the final fees separately.*

The current scale fees have increased from the proposed fees as a result of the certification work fee, which has been amended since the fee reported in our Audit Plan due to there being an error in the original calculation made by the Audit Commission. This is the revised Audit Commission published scale fee.

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If you or your colleagues on the Audit and Governance Committee have any questions about the content of this letter, please don't hesitate to contact me or Clare Reed on 01473 320781 / [clare.reed@bdo.co.uk](mailto:clare.reed@bdo.co.uk)

Yours sincerely,

A handwritten signature in black ink, appearing to be 'DAVID EAGLES', with a long horizontal line extending from the end of the signature.

**David Eagles**  
Partner  
For and on behalf of BDO LLP

cc: Director of Finance & ICT

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



**Report reference:** C-022-2013/14  
**Date of meeting:** 27 November 2013

**Epping Forest  
District Council**

**Portfolio:** Finance and Technology

**Subject:** Internal Audit Monitoring Report - July to September 2013

**Responsible Officer:** Brian Bassington (01992 564446).

**Democratic Services Officer:** Gary Woodhall (01992 564470).

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### **Recommendations/Decisions Required:**

(1) The Committee is requested to note the following issues arising from the Internal Audit Team's second quarter monitoring report for 2013/14:

- (a) The reports issued between July and September 2013 and significant findings (Appendix 1);
- (b) The Outstanding Priority 1 Actions Status Report (Appendix 2);
- (c) The Limited Assurance Audits follow up status report (Appendix 3);  
and
- (d) The 2013/14 Audit Plan status report (Appendix 4).

### **Executive Summary:**

This report provides a summary of the work undertaken by the Internal Audit Unit between July and September 2013, and details the overall performance to date against the Audit Plan for 2013/14. The report also contains a status report on previous priority 1 audit recommendations which continues to be monitored by the Corporate Governance Group.

### **Reasons for Proposed Decision:**

Monitoring report as required by the Audit and Governance Committee Terms of Reference.

### **Other Options for Action:**

No other options.

### **Report:**

#### Work Carried Out in the Period

1. The audit reports issued in the second quarter are listed in paragraph 3 below.
2. Audits completed in the second quarter have included ICT specific subjects and the prevention and detection of fraud, the detailed findings of which are in appendix 1.

## Reports Issued

3. The following audit reports were issued in the quarter:
- (a) Full Assurance:
    - Bank Reconciliation; and
    - Council Tax Discounts – Fraud Prevention and Detection;
  - (b) Substantial Assurance:
    - ICT Access Controls;
    - Business Continuity;
    - Key Performance Indicators;
    - Gifts and Hospitalitys (Members and Officers);
    - Corporate Asset Register; and
    - Private Housing Assistance;
  - (c) Limited Assurance:
    - ICT Procurement; and
  - (d) No Assurance:
    - None.

### Limited Assurance

4. During the quarter, one report, ICT Procurement was issued with a Limited assurance rating. This rating was based on departures from Contract Standing Orders regarding monitoring expenditure with individual suppliers and Financial Regulations, which included inventory control and the incorrect authorisation of an invoice.

5. The Assistant Director (ICT) has agreed that the value of orders with each supplier over a period of four years should be monitored to ensure the thresholds within Contract Standing Orders are not exceeded and that a greater level of control will be applied to the future purchases of tablets. This will be monitored by the Corporate Governance Group through the regular review of priority 1 recommendations.

### Follow Up of Previous Priority 1 Recommendations

6... Attached at Appendix 2 is a schedule of outstanding priority 1 recommendations to ensure follow up both by Internal Audit and Service Management. These recommendations are monitored on a monthly basis by the Corporate Governance Group.

### Follow Up of Previous Limited Assurance Audits

7. Attached at Appendix 3 is a schedule of previous limited assurance audits to ensure follow up both by Internal Audit and Service Management.

### Audit Plan 2013/14 (Appendix 4)

8. The status of the 2013/14 Audit Plan is set out at Appendix 4.

### Performance Management

9. The Internal Audit Team has local performance indicator targets to meet in 2013/14, as set out below:



	Actual 2010/11 For year	Actual 2011/12 For year	Actual 2012/13 For year	Target 2013/14 For year	Actual 2012/13 Quarter 2	Actual 2013/14 Quarter 2
% Planned audits completed	82%	82%	85%	90%	37%	36%
% chargeable "fee" staff time	66%	71%	69%	72%	76%	77%
Average cost per audit day	£307	£213	£243	£245	£223	£217
% User satisfaction	86%	89%	N/A	90%	85%	93%

10. The indicators are calculated as follows:

(a) % Planned audits completed - a cumulative calculation is made each quarter based on the approved plan.

(b) % Chargeable fee time - a calculation is made each quarter based on reports produced from Internal Audit's time recording system.

(c) Average cost per audit day - the calculation is based on the costs for each quarter taken from the budget monitoring reports, divided by the number of fee earning days extracted from the time recording system.

(d) User satisfaction has been based on a customer survey form. A replacement electronic form has been developed for use from April with the new audit plan from which data is currently compiled. The new form has been simplified to encourage completion which has resulted in a higher return rate and positive comments from managers.

**Resource Implications:**

Within the report.

**Legal and Governance Implications:**

Within the report.

**Safer, Cleaner and Greener Implications:**

No specific implications.

**Consultation Undertaken:**

Corporate Governance Group.

**Background Papers:**

Audit files and working papers.

**Impact Assessments:**

Risk Management:

Internal Audit has a primary objective to provide an independent and objective opinion on the adequacy of the Council's control environment, including its governance and risk

management arrangements. The audit reports referred to in this monitoring report will assist managers to determine the adequacy and effectiveness of the arrangements in place in their services.

Equality and Diversity:

*Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications?* No

*Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?* No

*What equality implications were identified through the Equality Impact Assessment process?*  
There are no specific equalities impacts.

*How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?*  
There are no specific equalities impacts.

## **EFDC - Definition of Levels of Assurance**

### **Assurance levels:**

The level of assurance to be applied will be based on the auditor's assessment of the extent to which system objectives are met, with the agreement of the Chief Internal Auditor. As a guide, the following triggers will be used, taking into account the level of risk of error, loss, fraud or damage to reputation.

<b>Level</b>	<b>Evaluation opinion</b>	<b>Priority Triggers</b>
<b>Full assurance</b>	There is a sound system of control designed to achieve system objectives, and the controls are being consistently applied.	Priority 3s or no audit recommendations.
<b>Substantial assurance</b>	There is a sound system of control designed to achieve system objectives, and the controls are generally being consistently applied. However, there are some minor weaknesses in control, and/or evidence of non-compliance, which are placing some system objectives at risk.	Priority 2s and one Priority 1 (if assessed as a low risk).
<b>Limited assurance</b>	There is a system of control in place designed to achieve system objectives. However, there are significant weaknesses in the application of control in a number of areas, and / or evidence of significant non-compliance, which are placing some system objectives at risk.	Between 1 and four 1s and (usually) several Priority 2s.
<b>No assurance</b>	The system of control is weak, and / or there is evidence of significant non-compliance, which exposes the system to the risk of significant error or unauthorised activity.	Five or more Priority 1s.

### **Priority Ratings**

Each audit finding will generate an audit recommendation. These recommendations will be prioritised in accordance with the following criteria:

**Priority 1** – Observations refer to issues that are fundamental to the system of internal control. We believe that these issues have caused or will cause a system objective not to be met and therefore require management action as a matter of urgency to avoid risk of major error, loss, fraud or damage to reputation. Failure to apply a Financial Regulation or Contract standing Order will normally be in this category.

**Priority 2** – Observations refer mainly to issues that have an important effect on the system of internal control but do not require immediate management action. System objectives are unlikely to be breached as a consequence of these issues, although Internal audit suggested improvement to system design and / or more effective operation of controls would minimise the risk of system failure in this area.

**Priority 3** – Observations refer to issues that would if corrected, improve internal control in general and ensure good practice, but are not vital to the overall system of internal control.

**SUMMARY OF AUDITS COMPLETED DURING QUARTER 2**  
**July - September 2013**

Appendix 1

Title	Service	Assurance Rating/Audit Opinion	Main Conclusions/Comments
Bank Reconciliation	Finance and ICT	<p><b>Full Assurance</b>                      The systems and controls surrounding the reconciliation of the Council's bank accounts are operating effectively. No recommendations have been raised.</p>	<p>All bank accounts had been reconciled on at least a monthly basis.</p> <p>Reconciliations are independently reviewed and journals relating to bank transfers are processed promptly following the reconciliations.</p> <p>There is adequate separation of duties between raising, processing and authorising cheques, performing bank reconciliations and dealing with returned cheques and un-presented items.</p>
Council Tax Discounts	Finance and ICT	<p><b>Full Assurance</b>                      Datatank provide a data matching service on single person discounts (SPD), matching council tax data with credit bureau data.</p> <p>Datatank has proved to be a valuable resource in reducing claims for single person discount for individuals who were not entitled. This arrangement is at minimal cost to the authority as the majority of costs are paid for by Essex County Council. There are no audit recommendations.</p>	<p>There were over 17,000 SPD cases of which 3606 were contacted which resulted in 813 cases of removing discount awards.</p> <p>The Datatank exercise is performed on a regular basis and therefore there is no need to issue SPD Certificates.</p> <p>Essex County Council has recently agreed to a further data mining exercise with Datatank for 2013/14. This is currently being progressed. This exercise may be extended to other areas in 2014/15.</p>
ICT Access Controls	Finance and ICT	<p><b>Substantial Assurance</b>                      The system in place for controlling access to the Council's data network is operating effectively.</p>	<p>Access is authorised and modifications to user accounts are documented to provide a sufficient audit trail. Information from Human Resources to ensure accounts are cancelled where Officers have left the Authority should be provided to</p>

Title	Service	Assurance Rating/Audit Opinion	Main Conclusions/Comments
			systems administrators to ensure access controls are effective.
Business Continuity	Finance & ICT / Corporate	<p><b>Substantial Assurance</b> Business Continuity Planning is visibly evident, well monitored and embedded within the authority.</p>	<p>With business continuity in a state of development both on a corporate and ICT level, it is an area that will need further review of the progress made, to ensure that it continues to evolve to focus on new risks and retain focus on the provision of key services.</p> <p>Audit has no specific recommendations in regards changing of the current process. Business Continuity is, as stated, well managed and integrated into the authority.</p>
Key Performance Indicators	Office of the Deputy Chief Executive	<p><b>Substantial Assurance</b> There are satisfactory arrangements in place for the collection of performance management data.</p>	<p>Three indicators were not reported to Performance Improvement in a timely manner. Officers should be advised that in future, outstanding Performance Indicators data will be reported to the Corporate Governance Group.</p>
Officers and Members Gifts and Hospitality	Corporate	<p><b>Substantial Assurance</b> Officers and Members demonstrate a compliance and understanding of the Gifts and Hospitality process and abide to the relevant policy and Codes of Conduct.</p>	<p>Guidelines are clear and concise and offers as a result are recorded timely and accurately and approved appropriately. Audit has identified the Gifts and Hospitality Registers as an area that could be electronically developed.</p>
Asset Register	Finance & ICT	<p><b>Substantial Assurance</b> The systems and controls in relation to the asset register are operating effectively.</p>	<p>A review by the external auditors highlighted that some pieces of land are not included in the register and this is already being addressed by accountancy. Additions and disposals are correctly recorded on</p>

Title	Service	Assurance Rating/Audit Opinion	Main Conclusions/Comments
			the system. However, a formal system of notifying accountancy of disposals of assets should be implemented.
Private Housing Assistance	Housing	<p><b>Substantial Assurance</b> The systems and controls in place with respect to the award, approval and payment of private housing assistance are operating effectively.</p>	The written procedures should be updated to ensure that officers are aware of the current processes to follow and that all applications are dealt with equitably. Checks must be carried out which ensure that private housing assistance files hold all supporting documentation.
ICT Procurement	Finance & ICT	<p><b>Limited Assurance</b> Based on departures from Contract Standing Orders regarding monitoring expenditure with individual suppliers and Financial Regulations, which included inventory control and the incorrect authorisation of an invoice.</p> <p>The departure from Financial Regulations regarding authorisation has been identified as a one off occurrence and has been put down to human error.</p>	<p>Expenditure with suppliers should be monitored in accordance with contract standing orders.</p> <p>ICT will take control of purchasing tablets.</p> <p>The ICT guidelines should be updated to define the responsibilities of both management and employees for using smartphones, tablets and equipment owned by the Council.</p> <p>All ICT equipment should be recorded in the ICT inventory.</p> <p>The procurement process should be formalised from Officer requests for ICT equipment to delivering the equipment to the user.</p> <p>All quotes will be retained and alternative options are considered to demonstrate value for money. Management should ensure there is appropriate insurance cover in place for Council equipment used off site.</p>

**INTERNAL AUDIT**  
**OUTSTANDING PRIORITY 1 ACTIONS – STATUS AS AT October 2013**      **Appendix 2**

<b>Report Title</b>	<b>Agreed Action</b>	<b>Responsible Officer</b>	<b>Target Date</b>	<b>Director's Assurance</b>	<b>Status</b>	<b>Completion Date / Comments</b>
<b>Legal Debt Recovery</b>	<p>This audit has identified improvement areas to enhance the system of control and to ensure the process for collecting unpaid debts is monitored and action is taken to maximise the prospects of debt recovery.</p> <p>The debt recovery process is not always cost effective as the resources are not available to ensure all debts referred to Legal are monitored regularly.</p> <p>The recommendations included in this report will address the weaknesses identified and improve the controls surrounding debt recovery</p>	Assistant Director (Legal)	March 2013	<p>Management Board have agreed that a Working Party be convened to review corporate debt processing.</p> <p>This was put on hold pending the outcome of the recent debt review undertaken by the National Audit Office, who have now reported back to Management Board.</p> <p>A report is being presented to Management Board on 13<sup>th</sup> November on the terms of reference and membership of the working party.</p>	Awaiting outcome of NAO review.	In reviewing the procedures currently in place and the finance systems available to comply with the Audit recommendations it has become apparent that the debt collection process across the Council needs to be reviewed. A detailed report was discussed at Management Board on 3 April 2013.
<b>ICT Procurement</b>	Expenditure with each supplier during any financial year should be monitored in accordance with the thresholds in contract standing orders. Expenditure in excess of £25,000 should be reported to the Director and/or Portfolio Holder seeking a waiver of the standing order.	Assistant Director (ICT)	31/12/13	The new monthly procurement report will help address this issue.		

Report Title	Agreed Action	Responsible Officer	Target Date	Director's Assurance	Status	Completion Date / Comments
	<p>The value of orders with each supplier over a period of four years should be monitored to ensure the thresholds within contract standing orders are not exceeded.</p> <p>Procurement will provide monthly monitoring reports for ICT expenditure.</p> <p>ICT policies should be updated to ensure Council owned equipment is identified, their location/user is recorded and that they are appropriately marked and insured. As per Financial Regulations K45 5.18/5.25</p> <p>All ICT equipment should be recorded on the ICT inventory.</p> <p>Tablets should be inspected by ICT annually as part of the review of laptops.</p> <p>ICT should consider an appropriate method for marking equipment as property of EFDC.</p>		<p>31/3/14</p> <p>31/3/14</p>	<p>A revised policy including these and other associated issues is due for release shortly.</p> <p>The Assistant Director has agreed there is a requirement for more control over the purchase of tablets.</p> <p>Future purchases of tablets will be recorded on the ICT inventory in the same way as iPhones.</p>		



**INTERNAL AUDIT  
FOLLOW UP OF LIMITED ASSURANCE AUDITS AS AT October 2013**

**Appendix 3**

Report Title	Directorate	Date Issued	Agreed Actions by priority	Agreed Actions Outstanding	Time of Follow Up	Outstanding Issues / Comments
<p style="text-align: center;">Page 105</p> <p><b>Legal Debt Recovery</b></p>	Corporate Support Services	Sept2012	P1. 4 P2. 3 P3. 1	P1. 1 P2. 0 P3. 0	Q3 2013/14	<p>This audit has identified improvement areas to enhance the system of control and to ensure the process for collecting unpaid debts is monitored and action is taken to maximise the prospects of debt recovery.</p> <p>The debt recovery process is not always cost effective as the resources are not available to ensure all debts referred to Legal are monitored regularly.</p> <p>The recommendations included in this report will address the weaknesses identified and improve the controls surrounding debt recovery. The recommendations have been, or are currently being implemented with the remaining priority one recommendation on hold (as reported in appendix 2).</p>
<b>ICT Procurement</b>	Finance & ICT	Sept 2013	P1. 4 P2. 4	P1. 3 P2. 4	Q4 2013/14	<p>The audit has reviewed the systems in place for the procurement of ICT goods and services, focusing on the purchase of mobile phones and tablets.</p> <p>There are satisfactory controls in place for the procurement of ICT equipment, however improvement areas were identified specifically relating to the purchase of tablets.</p> <p>The implementation of the recommendations from this audit will ensure there is sufficient control over Council owned equipment, equipment is used responsibly, value for money is demonstrated and ICT equipment is recorded.</p>

<b>Audit area</b>	<b>Audit type</b>	<b>Days allocated</b>	<b>Completed</b>	<b>Risk Identifier</b>
<b>FINANCE AND ICT</b>				
<b>Finance</b>				
Bank Reconciliation	system/follow up	15	Completed	FFS
Sundry Debtors	system/follow up	15	In Progress	FFS
Creditors	system/follow up	15		FFS
Treasury Management	system/follow up	15	In Progress	FFS/R26
Budgetary Control (capital and revenue)	system/follow up	10		FFS
Risk Management and Insurance	system/follow up	15	In Progress	FFS
Main Accounting and Financial Ledger	system/follow up	15		FFS
Housing Benefits	system/follow up	20		FFS
Council Tax	system/follow up	20		FFS/R27/AC
National Non Domestic Rates	system/follow up	15		FFS/R27
Cash receipting and Income control	system/follow up	15		FFS
Provision for 'top up' testing	systems	30	Completed	FFS
<b>ICT</b>				
ICT Procurement	ICT	10	Completed	AC/R2
Access controls	ICT	10	Completed	FFS
Disaster recovery/business continuity	ICT	10	Completed	R8
<b>TOTAL</b>		<b>230</b>		
<b>PLANNING AND ECONOMIC DEVELOPMENT</b>				
Planning Fees	System	20		R27
Countrycare	System	10		R
<b>TOTAL</b>		<b>30</b>		
<b>ENVIRONMENT AND STREET SCENE</b>				
Waste Management and Recycling	system	20		R20
Car Parking Contract	system	10	In Progress	R27
North Weald airfield	establishment	15		R27
<b>TOTAL</b>		<b>45</b>		
<b>HOUSING</b>				
Housing Rent Collection and Arrears	system/follow up	20		FFS/R27
Right to Buy	system	10		AC
Housing Repairs Service	system	20		
Housing Contracts	system	20	In Progress	R2
Private Sector Housing - Grants	system	15	Completed	
Norway House	Establishment	10		
<b>TOTAL</b>		<b>95</b>		
<b>CORPORATE SUPPORT SERVICES</b>				

<b>Human Resources</b>				
Payroll	System/follow up	20		FFS
Recruitment and Selection	Follow up	5	In Progress	AC
Management of Sickness absence	Follow up	5	Completed	R15
Overtime and Committee Allowances	verification	10	Completed	R
Travelling & Subsistence Claims	verification	10		R
Car Mileage claims	verification	10		R
<b>Estates/Facilities Management/Other</b>				
Commercial Property portfolio	Follow up	5	In Progress	R9
Reprographics	System	10		
Fleet Operations income	system	5		R27
Facilities Management Contracts	system	10		R2
<b>Legal</b>				
Debt recovery	Follow up	10		R27
<b>TOTAL</b>		<b>100</b>		
<b>PERFORMANCE IMPROVEMENT</b>				
Key and Local Performance Indicators	verification	15	Completed	R
Business Plans	verification	10	Completed	R
Equality Analysis	verification	10		R
<b>FRAUD PREVENTION &amp; DETECTION</b>				
Contracts	fraud	15	In Progress	AC/R20
Procurement	fraud	15		AC/R2
Council Tax Discounts	fraud	15	Completed	AC/R23
National Fraud Initiative (NFI)	fraud	20	In Progress	R23
Data matching and analysis (IDEA software)	fraud	25		AC
<b>CORPORATE</b>				
Corporate Procurement	system/follow up	15		AC/R2
Gifts and Hospitality (Members & Officers)	system/follow up	10	Completed	R
Corporate Asset Register	system	5	Completed	FFS
Priority 1 Audit recommendations	follow up	10	In Progress	R23
Governance Statement	management review	5	Completed	AC/R
<b>TOTAL</b>		<b>170</b>		
<b>TOTAL DAYS ALLOCATED</b>		<b>670</b>		
Contingency/Minor investigations		<b>40</b>		R23
Corporate/Service Advice		<b>65</b>		
<b>TOTAL</b>		<b>775</b>		

<b>Key</b>	<b>Risk Identifier</b>
AC	Audit Commission
FFS	Fundamental Finance System
R no.	Risk No. in Corporate Register
R	Reputation of Council

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