Webcast Meeting

Epping Forest District Council

AUDIT AND GOVERNANCE COMMITTEE
Thursday, 5th February, 2015

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, 5th February, 2015**
at **7.00 pm** .

Glen Chipp
Chief Executive

Democratic Services Officer	Gary Woodhall The Directorate of Governance Tel: 01992 564470 Email: democraticservices@eppingforestdc.gov.uk

Members:

Councillors A Watts (Chairman), P Keska and S Weston.

Independent R Thompson (Vice-Chairman) and A Jarvis

PLEASE NOTE THE START TIME OF THIS MEETING

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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

(Director of Governance) To be announced at the meeting.

3. DECLARATIONS OF INTEREST

(Director of Governance) To declare interests in any item on this agenda.

4. MINUTES

To confirm the minutes of the last meeting of the Committee held on 24 November 2014 (previously circulated).

5. MATTERS ARISING

To consider any matters arising from the previous meeting.

6. AUDIT & GOVERNANCE WORK PROGRAMME 2014/15 (Pages 5 - 6)

(Director of Governance) To consider the attached Work Programme 2014/15 for the Committee.

7. OVERVIEW & SCRUTINY PANEL FRAMEWORK REVIEW - RECOMMENDATIONS OF TASK & FINISH PANEL (Pages 7 - 12)

(Director of Governance) To consider the attached report (AGC-017-2014/15).

8. TREASURY MANAGEMENT STRATEGY STATEMENT AND INVESTMENT STRATEGY 2015/16 TO 2017/18 (Pages 13 - 46)

(Director of Resources) To consider the attached report (AGC-018-2014/15).

9. INTERNAL AUDIT MONITORING REPORT - OCTOBER TO DECEMBER 2014 (Pages 47 - 66)

(Chief Internal Auditor) To consider the attached report (AGC-019-2014/15).

10. 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.

11. 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):

Agenda Item No	Subject	Exempt Information Paragraph Number
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.

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Audit & Governance Committee Report Schedule

2014/15

30 June 2014
- ➢ Internal Audit Annual Report.
- ➢ Review of the Effectiveness of Internal Audit.
- ➢ Audit & Governance Committee Annual Report.
- ➢ Annual Governance Statement.
- ➢ Q4 Internal Audit Monitoring Report.

25 September 2014
- ➢ Treasury Management Annual Outturn Report.
- ➢ Statutory Statement of Accounts.
- ➢ Q1 Internal Audit Monitoring Report.
- ➢ Appointment of Co-Opted Member – Report on Recruitment.

- ❖ Annual Governance Report 2013/14.

24 November 2014
- ➢ Treasury Management Mid-Year Report.
- ➢ Q2 Internal Audit Monitoring Report.
- ➢ Review of Business Continuity Plan for Internal Audit.

- ❖ Annual Audit Letter 2013/14.

5 February 2015
- ➢ Treasury Management Investment & Strategy Statements.
- ➢ Q3 Internal Audit Monitoring Report.

- ❖ Grant Claims Audit Report 2013/14.

30 March 2015
- ➢ Effectiveness of Risk Management.
- ➢ Internal Audit Business Plan.

- ❖ Planning Letter 2015/16.
- ❖ Audit Plan 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 30 March 2015 meeting.

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Report to the Audit and Governance Committee

Epping Forest District Council

Report Reference: AGC-017-2014/15
Date of Meeting: 5 February 2015

Portfolio: **Governance & Development Management.**

Subject: **Overview & Scrutiny Panel Framework Review – Recommendations.**

Responsible Officer:	**Simon Hill**	**(01992 564249)**
	Stephen Tautz	**(01992 564180)**
	Gareth Nicholas	**(01992 564243)**
Democratic Services:	**Gary Woodhall**	**(01992 564470)**

Recommendations/Decisions Required:

(1) That the Committee consider the recommendations of the Task and Finish Panel established to review the Council's Overview and Scrutiny framework, for the establishment of a new structure based on four 'Select Committees'.

Executive Summary

This report provides details of recommendations for the future structure of the Council's overview and scrutiny panel framework, as part of a review being undertaken by a Task and Finish Panel during 2014/15.

Reasons for proposed decision:

At certain stages during the review, it was possible that scrutiny arrangements for some functions within the responsibility of the Director of Governance might have implications for audit and governance matters or the terms of reference of the Committee.

Other options for action:

None. This report is presented at the specific request of the Audit and Governance Committee at its last meeting.

Report

1. In February 2014, the Overview and Scrutiny Committee established a new Task and Finish Panel to review the existing framework of the Council's scrutiny panels and make recommendations for how the structure could best complement the new management structure of the Council. The remit of the Task and Finish Panel is only to address the future structure of the scrutiny panel framework, and wider constitutional aspects or the operation of the Overview and Scrutiny Committee itself, are excluded from the scope of the review exercise.

2. An item was included in the agenda for the meeting of the Audit and Governance Committee held on 24 November 2014, to enable the Committee to formally participate in the review process and make appropriate comment to the Task and Finish Panel as part of the

evidence gathering phase of its review. The views of the Committee in respect of options being investigated by the Task and Finish Panel at that time, which included the possible combination of the Committee with the Standards Committee (as an 'Audit and Governance Select Committee'), included:

- the possible conflict of interest if audit issues and standards matters were to be considered by the same body;
- the importance of ensuring that members of the Audit and Governance Committee are separate from any involvement in Cabinet decision-making to uphold their monitoring role;
- the importance of recognising the difference between an audit committee and a standards committee, and why these should be maintained as separate bodies; and
- guidance issued by CIPFA regarding the relationship between audit and scrutiny and why these matters might best be kept separate.

3. The Task and Finish Panel considered the views of the Committee at its meeting on 25 November 2015 and agreed that the possible combination of the Audit and Governance Committee and the Standards Committee should be omitted from its recommendations as to the future structure of the overview and scrutiny framework. The decision of the Panel in this respect had regard to the need to ensure the continued independence of audit and governance matters from the Council's executive and scrutiny functions. Members also fully accepted that more detailed work would need to be undertaken on how any Audit and Standards Select Committee would operate, than had so far been possible. The Panel requested however, that general member views on any future possible combination of the Audit and Governance Committee and the Standards Committee should be sought as part of the consultation undertaken in respect of its preferred overview and scrutiny framework option.

4. Although feedback arising from this consultation exercise indicated that the combination of the Audit and Governance Committee and the Standards Committee was not generally supported by members, the Panel noted that it might be necessary to review the operation of the Audit and Governance Committee at some point in the future, to address the requirements of the Local Audit and Accountability Act 2014. Although no legal impediment has been identified to prevent the Council from combining the two committees if this was desired, the Panel was mindful of the Act, which changes the way in which the Council's external auditors are appointed, and considered that there might therefore be a need to review the terms of reference of the Audit and Governance Committee in the future.

5. At its meeting on 15 January 2015, the Task and Finish Panel agreed that the following matters be recommended to the Overview and Scrutiny Committee on 10 February 2015 with regard to the future structure of the overview and scrutiny panel framework:

(a) the establishment of a new overview and scrutiny framework of four 'select committees' (attached as Appendix 1), with no increase in the number of members appointed to each select committee (i.e. remaining at 11 Councillors in accordance with pro-rata provisions;

(b) the re-establishment of the existing Constitution and Member Services Scrutiny Panel as a new 'Constitution Working Group' and the appointment of existing members of the Scrutiny Panel to the Working Group (wherever possible);

(c) no action to be taken at the present time with regard to the possible combination of the Audit and Governance Committee and the Standards Committee but that, if necessary, a further Task and Finish Panel be established in future to consider such combination in light of new legislative audit requirements;

(d) the development of focused and achievable work programmes for each select committee each year, drawing on Portfolio Holder and service delivery aims and objectives, and relevant community priorities; and

(e) the enhancement of current training arrangements for members in respect of overview and scrutiny, including the use a variety of appropriate techniques and methodologies in the undertaking of future scrutiny and service review activity.

6. The select committee framework recommended by the Task and Finish Panel is substantially aligned with the Council's current management structure. The proposed framework improves current arrangements that appear to have resulted in a situation where not all service areas are subject to scrutiny (if required) or allocated to a particular panel for scrutiny purposes.

7. The development of annual work programmes for each select committee, informed by relevant service aims and priorities, is a key feature of the new framework. To further address the concerns previously expressed by the Audit and Governance Committee, the lead officer (when designated) for the Governance Select Committee will need to ensure clear demarcation between those matters that are to be considered by the Select Committee and those that are within the clearly defined responsibilities of the Audit and Governance Committee.

8. The framework provides for relevant scrutiny activity to be undertaken by way of the creation of task and finish panels (as necessary), would ensure that all services have a 'reporting' route for overview and scrutiny and that there is clear scope to the scrutiny activities of each Committee. The new framework arrangements will include enhanced member training, particularly in the use of techniques to improve scrutiny activities

9. The proposed framework also provides for the existing Constitution and Member Services Scrutiny Panel to be re-established as a Working Group, in order to complete the ongoing review of the Constitution. At this point, relevant future related workload could be transferred to the new Governance Select Committee. The Panel is recommending that the Constitution Working Group should report directly to the Council and that a Special Responsibility Allowance be investigated for the Chairman of the Working Group.

10. The adoption of the proposed new overview and scrutiny framework is not a matter reserved to the Council. However, the Task and Finish Panel is recommending that, subject to the agreement of its recommendations, the Council formally be advised of the future overview and scrutiny structure in view of the likely wider member interest in the establishment of the new framework.

11. The Committee is requested to consider the proposed select committee framework recommended by the Task and Finish Panel. The Chairman of the Task and Finish Panel, Councillor K. Angold-Stephens, will attend the meeting to present this item on behalf of the Panel. The views of the Committee in this respect will be presented to the Overview and Scrutiny Committee at its meeting on 10 February 2015.

Resource Implications:

It is anticipated that the operation of the proposed new overview and scrutiny framework can be met from existing resources.

Legal and Governance Implications:

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

Safer, Cleaner, Greener Implications:

There are no implications arising from the recommendations of this report in respect of the Council's commitment to the Climate Local Agreement, the corporate Safer, Cleaner, and Greener initiative, or any crime and disorder issues within the District.

Consultation Undertaken:

This report is presented at the specific request of the Audit and Governance Committee. Consultation on a preferred option for the future structure of the Council's overview and scrutiny panel framework has been undertaken with all members and relevant senior officers.

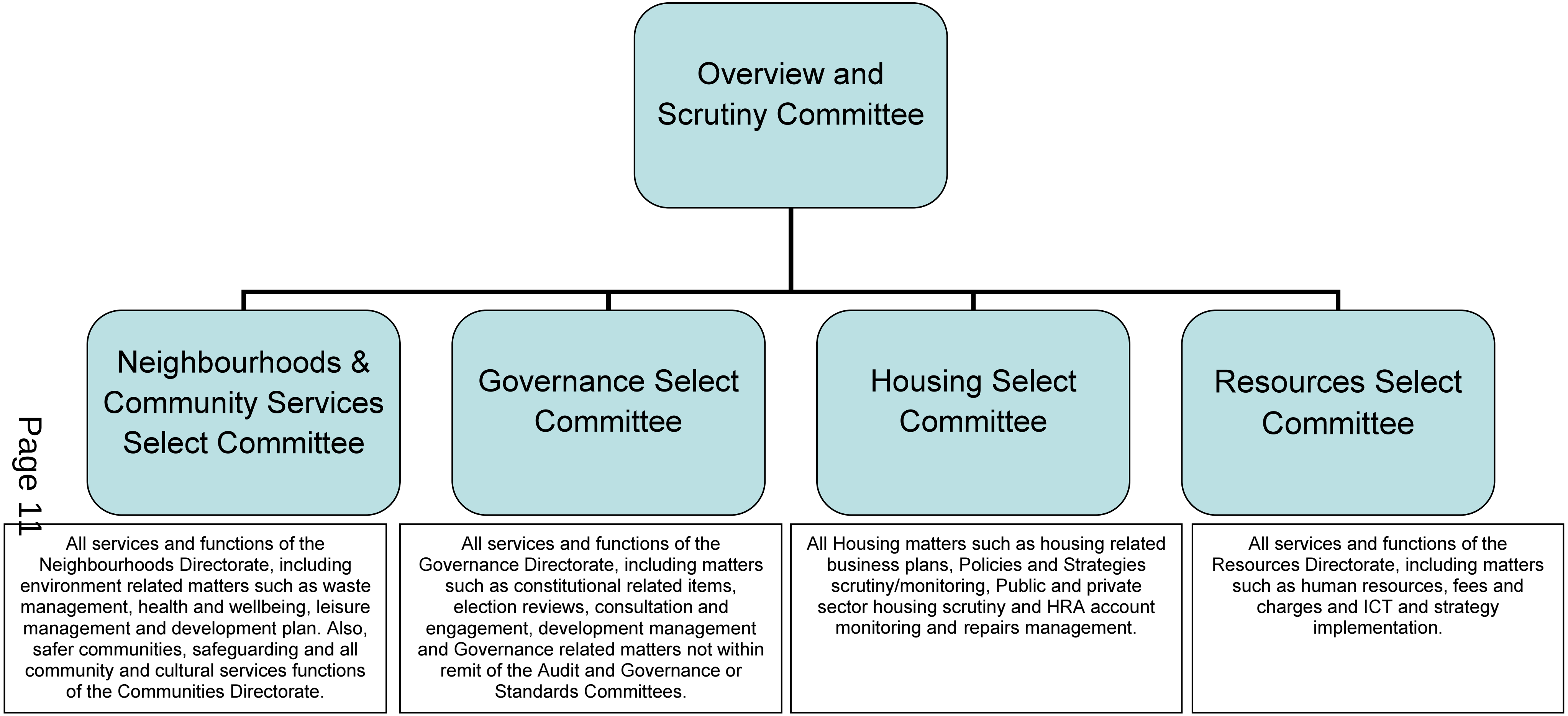
Background Papers:

None.

Risk Management:

Failure to have considered best practice in terms of audit and governance matters could have had negative implications for the Council's reputation and for judgements made about the governance of the authority.

Proposed Overview and Scrutiny Select Committee Structure



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Report to the Audit & Governance Committee

Epping Forest District Council

Report reference: AGC-nnn-2014/15
Date of meeting: 5 February 2015

Portfolio: **Finance**

Subject: **Treasury Management Strategy Statement and Investment Strategy 2015/16 to 2017/18**

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

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

Recommendations/Decisions Required:

(1) To consider how the risks associated with Treasury Management have been dealt with in the proposed Council's Treasury Management Strategy Statement and Investment Strategy 2015/16 to 2017/18; and

(2) To make any comments or suggestions that Members feel necessary to Full Council.

Executive Summary:

The annual treasury management strategy statement and investment strategy report is a requirement of the CIPFA Code of Practice on Treasury Management. It covers the treasury activity for the financial years 2015/16 to 2017/18.

The risks associated with setting these indicators are highlighted within the report along with how these risks are being managed.

Reasons for Proposed Decision:

To provide assurance to Full Council that the risks associated with Treasury Management are being appropriately managed.

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 forthcoming year.

2. The report attached at Appendix 1 shows the Treasury Management Strategy Statement and Annual Investment Strategy 2015/16 to 2017/18 in accordance with the revised CIPFA Treasury Management Code and the revised Prudential Code.

Capital Activity in the Year

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 programme. As mentioned in Appendix 1 it may borrow additional sums to pre or post-fund future year's requirements. The capital programme is shown below in the table:

Capital Expenditure	**2014/15 Revised £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**	**2017/18 Estimate £m**
Non-HRA capital expenditure	8.842	7.476	2.071	1.151
HRA capital expenditure	15.250	18.952	22.003	20.176
Total Capital expenditure	**24.092**	**26.428**	**24.074**	**21.327**
Financed by:				
Government Grants	2.348	1.545	0.540	0.505
Capital receipts	7.578	8.002	4.537	3.212
Revenue	5.412	4.912	7.762	10.155
Major Repairs Allowance	8.754	11.969	11.235	7.455
Total resources Applied	**24.092**	**26.428**	**24.074**	**21.327**
Closing balance on:				
Capital Receipts	14.104	7.661	4.679	3.022
Major Repairs Reserve	10.127	5.683	1.973	2.043

5. The closing balance on capital receipts is after taking into account new receipts being generated from the right to buy sales and for major repairs reserve for anticipated major repairs allowance.

6. The financial risk involved within the Capital Activity is the impact on reducing the balance of usable capital receipts over the next three years. This risk is no longer included in the Council's Corporate Risk Register, as the impact has reduced.

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 three-year period. Currently, the Capital Programme for the next three years totals £71.829m and is fully funded. It is predicted that at the end of 2017/18 there will still be £3.022m available in usable Capital Receipts and £2.043m 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. A positive CFR would normally mean a Council would have to borrow to fund a capital programme, but this situation has only arisen as a consequence of Housing Subsidy reform. The previous table illustrates that the capital programme can be funded without any further requirement to borrow.

However, borrowing is anticipated for land purchase or development schemes, but these are not yet certain. This report sets an authorised limit for borrowing of £230 million.

CFR	31-Mar-15 £m	31-Mar-16 £m	31-Mar-17 £m	31-Mar-18 £m
Non-HRA	29.6	59.6	59.6	59.6
HRA	155.1	155.1	155.1	155.1
Total Capital expenditure	**184.7**	**214.7**	**214.7**	**214.7**

9. Each year the Council has to approve at Full Council its statement on the Minimum Revenue Provision (MRP). In previous years the Council has been debt free and therefore, we did not have to provide MRP in our accounts. However, the Council has taken on debt of around £185.5m and this would normally require the local authority to charge MRP to the General Fund. CLG has produced regulations intended to mitigate this impact, whereby we can ignore the borrowing incurred in relation to the Housing Self-Financing when calculating MRP and therefore (for MRP purposes only) we are classed as debt free and do not have to make provision for MRP. Additional borrowing if it were to take place for General Fund purposes in 2015/16 would create a MRP in 2016/17. The MRP statement is at Appendix E.

10. The Council had to borrow to fund Housing Self-Financing and so £185.456m was borrowed from PWLB on 28 March 2012. This was split into 6 separate loans, one variable rate loan of £31.8m maturing in 10 years, 4 fixed rate loans of £30m maturing between 26 and 29 years and a further fixed rate loan of £33.656m maturing in 30 years. The table below only covers the fixed rate borrowing. The upper and lower limits for next year are set to allow maximum flexibility if a re-financing opportunity arises, although this is unlikely.

Maturity structure of fixed rate borrowing	Existing level (or Benchmark level) at 31/03/14 %	Lower Limit for 2015/16 %	Upper Limit for 2015/16 %
under 12 months	0	0	100
12 months and within 24 months	0	0	100
24 months and within 5 years	0	0	100
5 years and within 10 years	0	0	100
10 years and within 20 years	0	0	100
20 years and within 30 years	100	0	100
30 years and within 40 years	0	0	100
40 years and within 50 years	0	0	100
50 years and above	0	0	100

11. The risk associated with this section relate to Refinancing – the risk that maturing borrowings, capital project or partnership refinancing cannot be refinanced on suitable terms. The borrowing portfolio is based on the Housing Revenue Account (HRA) financial plan and the borrowing maturities are linked to when the financial plan has the resources to repay the debt.

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

The Council's Treasury Position

13. The Council's investments are all denominated in UK sterling and regular information is received from our treasury advisors on the latest position on the use of Counterparties. The latest information supplied is as follows:

(a) UK Banks and building societies:

(i) A maximum maturity limit of 12 months applies to no one;

(ii) A maximum maturity limit of 6 month to Lloyds TSB, Bank of Scotland, Santander UK, HSBC, Nationwide Building Society, and Standard Chartered;

(iii) A maximum maturity limit of 100 days applies to Barclays plc;

(iv) A maximum maturity limit of Overnight applies to RBS and NatWest.

(b) European Banks:

(i) A maximum maturity limit of 100 days applies to Credit Suisse , ING Bank;

(ii) A maximum maturity limit of 6 months applies to Svenska Handelsbanken, Rabobank, Bank Nederlande Gemeenten, ;

(iii) A maximum maturity limit of 12 months applies to no one.

(c) Non European Banks:

A maximum maturity limit of 6 months applies to Australian, Canadian and US banks that are on our Counterparty list.

(d) Money Market Funds:

A maximum exposure limit of 10% of our total investments per MMF.

14. The Council currently has an investment portfolio of £63.3m, this will vary from day to day, depending on the cash flow of the authority. A breakdown of this portfolio by Country and length of time remaining on investments are shown in the two tables below.

Country of Counterparty	**£m**
United Kingdom	55.3
Euro Zone	0.0
Australia/Canada/USA	0.0
Ireland	0.0
Sweden	8.0
Total	**63.3**

Current Maturity profile of investments	£m
Overnight (Call / Money Market Fund)	24.3
Up to 7 days	0.0
7 days to 1 month	10.0
1 month to 3 months	15.0
3 months to 6 months	4.0
6 months to 9 months	5.0
9 months to 1 year	0.0
> 1 year	5.0
Total	**63.3**

15. 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.

16. The Council is proposing to set the following indicators:

(a) the Upper Limit for Fixed Rate Exposure (100%) and Upper Limit for Variable Rate Exposure (75%) for each of the years up to 2017/18;

(b) the maximum amount of the portfolio being invested for longer than 364 days is £30m; and

(c) the maximum limit set for investment exposure per country is 30%.

17. The risks associated with 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 advisors. It can be seen from the table above and from advice given by Arlingclose that the Council is keeping deposits fairly liquid and the number of Counterparties is restricted.

(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 Resources has monthly meetings with treasury staff, to go through the cash flow for the coming month. A number of Money Market Funds are used to ensure adequate cash remains available.

(c) Interest Rate Risk – the risk of fluctuations in interest rates. The Council is proposing a maximum of 75% of its investments can be invested in variable rates, and the remainder are in fixed rate deposits. 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.

18. 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 an adequate level of money is available immediately through instant access accounts; and

(c) potentially losing out on investment income when interest rates start to increase by ensuring the investment portfolio has a balanced but relatively short maturity profile.

Housing Finance Reform

19. In setting the original HRA budget for 2012/13 it was estimated that the borrowing would all be fixed rate at 4.24% and that this would result in annual interest payments of £6.3m. The actual debt portfolio comprises £154m of fixed rate borrowing at rates between 3.45% and 3.5% and variable rate borrowing of £32m which is currently at 0.57%. The actual annual interest payments will be £5.5m which continues to represent a considerable saving.

Inter-Fund Balances

20. The Council has inter-fund borrowed for many years between the General Fund and Housing Revenue Account and the interest charge made between the funds has been based on the average interest earned on investment for the year. Under draft regulations issued by CIPFA, it is now proposed that the interest rate applicable to any inter-fund borrowing should be approved by Full Council before the start of the financial year. As the Council has been undertaking inter-fund borrowing for many years, it is proposed to continue to use the average interest earned for the year on investments as the rate for any inter-fund borrowing.

Policy Statement

21. The Treasury Management Policy Statement is a high level statement setting out how the Council Treasury function will be undertaken. The Policy Statement was last updated as part of the 2014/15 Treasury Strategy. The Policy is attached at Appendix 2 for the Committee to consider, no changes are currently proposed.

Resource Implications:

The continued low interest rates, the use of limited counterparties and the short durations of investments have reduced estimated interest income for 2014/15 to £400,200.

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 advisors provided the framework for this report and have confirmed that the content satisfies all regulatory requirements.

Background Papers:

None.

Risk Management:

As detailed in the report, a risk aware 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.

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

No groups of people are affected by this report which is not directly service related.

Treasury Management Strategy Statement and Investment Strategy 2015/16 to 2017/18

Introduction

In April 2002 the Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (now the 2011 Edition) (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year.

In addition, the Department for Communities and Local Government (CLG) issued revised Guidance on Local Authority Investments in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.

This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Guidance.

The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

External Context

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

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

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

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

Authority. In consequence the Council intends to develop its use of Treasury Bills and Certificates of Deposit. These are currently permissible within our Treasury Strategy, and will be via the broker King and Shaxson.

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

A more detailed economic and interest rate forecast provided by Arlingclose is attached at ***Appendix A***.

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.93%, and that new long-term loans will be borrowed at an average rate of 3 to 4%.

Local Context

The Authority currently has £185.5m of borrowing and £62m of investments. This is set out in further detail at ***Appendix B***. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance Sheet Summary and Forecast

	31.3.14 Actual £m	**31.3.15 Estimate £m**	**31.3.16 Estimate £m**	**31.3.17 Estimate £m**	**31.3.18 Estimate £m**
General Fund CFR	29.6	29.6	59.6	59.6	59.6
HRA CFR	155.1	155.1	155.1	155.1	155.1
Total CFR	**184.7**	**184.7**	**214.7**	**214.7**	**214.7**
Less: Other debt liabilities *	0	0	0	0	0
Borrowing CFR	**184.7**	**184.7**	**214.7**	**214.7**	**214.7**
Less: External borrowing	-185.5	-185.5	-214.5	-214.5	-214.5
Internal borrowing	**-0.8**	**-0.8**	**0.2**	**0.2**	**0.2**
Less: Usable reserves	57.5	55.0	45.0	50.0	55.0
Less: Working capital	47	45.0	45.0	45.0	45.0
Resources available for Investment	**103.7**	**100.0**	**90.0**	**95.0**	**100.0**

* finance leases and PFI liabilities that form part of the Authority's debt

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain investments below their underlying level, sometimes known as internal borrowing, subject to holding a minimum investment balance of £30m.

Investments are forecast to fall to £35m as capital receipts are used to finance capital expenditure and reserves are marginally used to finance the revenue budget.

The Authority has an increasing CFR due to a number of potential investment opportunities, these are not in the capital programme yet as there are still some uncertainties to resolve. It is likely that the Council will therefore be required to borrow up to £30m over the forecast period.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation from 2015/16.

Borrowing Strategy

The Authority currently holds £185.5 million of loans, the same as the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Council expects to borrow up to £215m in 2015/16.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to use internal resources.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2015/16 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

In addition, the Authority may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages. Though in the main we are only lending at present.

Sources: The approved sources of long-term and short-term borrowing are:

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

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

- operating and finance leases
- hire purchase

- Private Finance Initiative
- sale and leaseback

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

LGA Bond Agency: Local Capital Finance Company was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for three reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; there will be a lead time of several months between committing to borrow and knowing the interest rate payable; and up to 5% of the loan proceeds will be withheld from the Authority and used to bolster the Agency's capital strength instead. Any decision to borrow from the Agency will therefore be the subject of a separate report to Full Council. This Council is not at present committed to working with the Agency.

LOBOs: The Council holds no LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost.

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

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

Investment Strategy

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £50.7 and £66.7 million, and similar levels are expected to be maintained in the forthcoming year.

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

Strategy: Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council aims to diversify into more secure and/or higher yielding asset classes during 2015/16. This is especially the case for the estimated £10m that is available for longer-term investment. The majority of the Councils surplus cash is currently invested in short-term unsecured bank deposits, and money market funds. This diversification will therefore represent a substantial change in strategy over the coming year.

Approved Counterparties: The Council may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 2: Approved Investment Counterparties and Limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates (by Group)	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£10m 10 years	£10m 20 years	£10m 50 years	£10m 20 years	£1m 10 years
AA+	£10m 5 years	£10m 10 years	£10m 25 years	£10m 10 years	£1m 10 years
AA	£10m 4 years	£10m 5 years	£10m 15 years	£10m 5 years	£1m 10 years
AA-	£10m 3 years	£10m 4 years	£10m 10 years	£10m 4 years	£1m 10 years
A+	£10m 2 years	£10m 3 years	£10m 5 years	£10m 3 years	£1m 10 years
A	£10m 12 months	£10m 2 years	£10m 5 years	£10m 2 years	£1m 10 years
A-	£10m 12 months	£10m 13 months	£10m 5 years	£10m 13 months	£1m 10 years
BBB+	£10m 100 days	£10m 6 months	£10m 2 years	£10m 6 months	n/a
BBB or BBB-	£10m next day only	£10m 100 days	n/a	n/a	n/a
None	n/a	n/a	n/a	n/a	n/a
Pooled funds	£5m per fund				

This table must be read in conjunction with the notes below

Credit Rating: Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

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

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

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. The Treasury Management Strategy Statement for 2014/15 to 2016/17 was previously amended to permit lending to service providers with which the Council is in a contractual relationship (e.g. the Waste Management Contractor). A maximum of £5m will be lent to any one service provider and the repayment term may not exceed the end of the contract period. Where a loan is made to a service provider the loan will be secured on the assets the loan is used to finance.

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

Pooled Funds: Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

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

Segregated Fund Manager: none of the Council's funds are managed on a discretionary basis by a Fund Manager.

Risk Assessment and Credit Ratings: Credit ratings are obtained and monitored by the Council's treasury advisers, currently Arlingclose, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

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

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

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

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified Investments: The CLG Guidance defines specified investments as those:

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

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

Non-specified Investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-Specified Investment Limits

	Cash limit
Total long-term investments	£30m
Total investments without credit ratings or rated below A-	£5m
Total investments with institutions domiciled in foreign countries rated below AA+	£5m
Total non-specified investments	£40m

Investment Limits: The Council's useable revenue reserves available to cover investment losses are forecast to be £30million on 31st March 2015. In order that no more than 33% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £10million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below:

Table 4: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£10m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£10m per group
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker's nominee account	£15m per broker
Foreign countries	£10m per country
Registered Providers	£5m in total
Unsecured investments with Building Societies	£10m in total
Loans to unrated corporates	£10m in total
Money Market Funds	£15m in total

Liquidity Management: The Council uses spread sheets for cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast and known large transactions that may not be included in the forecast.

Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

	Target	Q3 Rating
Portfolio average credit rating	A-	A+

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	Target
Total cash available within 3 months	£20m

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2015/16	2016/17	2017/18
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	75%	75%	75%

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year.

Maturity Structure of Borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Lower	Upper
Under 12 months	0%	100%
12 months and within 24 months	0%	100%
24 months and within 5 years	0%	100%
5 years and within 10 years	0%	100%
10 years and within 20 years	0%	100%
20 years and within 30 years	0%	100%
30 years and within 40 years	0%	100%
40 years and within 50 years	0%	100%
50 years and above	0%	100%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2015/16	2016/17	2017/18
Limit on principal invested beyond year end	£30m	£30m	£30m

Other Items

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

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

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

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

Policy on Apportioning Interest to the HRA: On 1st April 2012, the Authority notionally split its existing long-term loans into General Fund and HRA pools. Though all the debt has since been in the HRA pool. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Authority's average interest rate on investments, adjusted for credit risk.

Investment Training: The needs of the Council's treasury management staff for training in investment management are assessed every month as part of the Treasury Management meetings, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

Investment Advisers: The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled by Officers experienced in these matters.

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

The total amount borrowed will not exceed the authorised borrowing limit of £230 million. The maximum period between borrowing and expenditure is expected to be two years, although the Council is not required to link particular loans with particular items of expenditure.

Financial Implications

The budget for investment income in 2015/16 is £332,000, based on an average investment portfolio of £35million at an interest rate of 0.95%. The budget for debt interest paid in 2015/16 is £5.5 million, based on an average debt portfolio of £185million at an average interest rate of 3%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

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

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

Appendix A – Arlingclose Economic & Interest Rate Forecast October 2014

Underlying assumptions:

- The UK economic recovery has continued. Household consumption remains a significant driver, but there are signs that growth is becoming more balanced. The greater contribution from business investment should support continued, albeit slower, expansion of GDP throughout this year.
- We expect consumption growth to slow, given softening housing market activity, the muted outlook for wage growth and slower employment growth. The subdued global environment suggests there is little prospect of significant contribution from external demand.
- Inflationary pressure is currently low and is likely to remain so in the short-term. Despite a correction in the appreciation of sterling against the US dollar, imported inflation remains limited. We expect commodity prices will remain subdued given the weak outlook for global growth.
- The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee.
- Nominal earnings growth remains weak and below inflation, despite large falls in unemployment, which poses a dilemma for the MPC. Our view is that spare capacity remains extensive. The levels of part-time, self-employment and underemployment are significant and indicate capacity within the employed workforce, in addition to the still large unemployed pool. Productivity growth can therefore remain weak in the short term without creating undue inflationary pressure.
- However, we also expect employment growth to slow as economic growth decelerates. This is likely to boost productivity, which will bear down on unit labour costs and inflationary pressure.
- In addition to the lack of wage and inflationary pressures, policymakers are evidently concerned about the bleak prospects for the Eurozone. These factors will maintain the dovish stance of the MPC in the medium term.
- The continuing repair of public and private sector balance sheets leave them sensitive to higher interest rates. The MPC clearly believes the appropriate level for Bank Rate for the post-crisis UK economy is significantly lower than the previous norm. We would suggest this is between 2.5 and 3.5%.
- While the ECB is likely to introduce outright QE, fears for the Eurozone are likely to maintain a safe haven bid for UK government debt, keeping gilt yields artificially low in the short term.
- The probability of potential upside risks crystallising have waned a little over the past two months. The primary upside risk is a swifter recovery in the Eurozone.

Forecast:

- Arlingclose continues to forecast the first rise in official interest rates in Q3 2015; general market sentiment is now close to this forecast. There is momentum in the economy, but inflationary pressure is benign and external risks have increased, reducing the likelihood of immediate monetary tightening.

- We project a slow rise in Bank Rate. The pace of interest rate rises will be gradual and the extent of rises limited; we believe the normalised level of Bank Rate post-crisis to range between 2.5% and 3.5%.

- The short run path for gilt yields is flatter due to the deteriorating Eurozone situation. We project gilt yields on an upward path in the medium term.

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

Appendix B – Existing Investment & Debt Portfolio Position

	31.12.14 **Actual Portfolio** **£m**	31.12.14 **Average Rate** **%**
External Borrowing:		
PWLB – Fixed Rate	**153.656**	**3.000**
PWLB - Variable Rate	**31.800**	**0.57**
Local Authorities	**0**	**0**
LOBO Loans	**0**	**0**
Total External Borrowing	**185.456**	
Other Long Term Liabilities:		
PFI	**0**	
Finance Leases	**0**	
Total Gross External Debt	**185.456**	
Investments:		
Managed in-house		
Short-term investments	**43.7**	
Long-term investments	**10.0**	
Managed externally		
Fund Managers	**0**	
Pooled Funds	**5.0**	
Total Investments	**58.7**	
Net Debt	**126.756**	

Appendix C –

Prudential Indicators 2015/16 to 2017/18

1. **Background:**

   There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

2. **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 Resources reports that the Council had no difficulty meeting this requirement in 2014/15 excepting in a very minor way, 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.

3. **Estimates of Capital Expenditure:**

3.1 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	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Non-HRA	8.842	7.476	2.071	1.151	1.020
HRA*	15.250	18.952	22.003	20.176	19.400
Total	**24.092**	**26.428**	**24.074**	**21.327**	**20.420**

3.2 Capital expenditure will be financed or funded as follows:

Capital Financing	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Capital receipts	7.578	8.002	4.537	3.212	2.811
Government Grants	1.638	1.395	0.390	0.355	0.324
Other Contributions	0.710	0.150	0.150	0.150	0.150
Major Repairs Allowance	8.754	11.969	11.235	7.455	7.407
Revenue contributions	5.412	4.912	7.762	10.155	9.728
Total Financing	**24.092**	**26.428**	**24.074**	**21.327**	**20.420**

Table 1 shows that the capital expenditure plans of the Authority can be funded entirely from sources other than external borrowing.

4. Ratio of Financing Costs to Net Revenue Stream:

4.1 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.

4.2 The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2013/14 Actual %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
Non-HRA	-0.39	-0.05	-0.06	-0.83	-1.22
HRA	16.47	16.05	15.81	15.03	14.47

5. Capital Financing Requirement:

5.1 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.

Capital Financing Requirement	2013/14 Actual £m	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
HRA	155.1	155.1	155.1	155.1	155.1
Non-HRA	29.6	29.6	59.6	59.6	59.6
Total CFR	**184.7**	**184.7**	**214.7**	**214.7**	**214.7**

5.2 The Council has embarked on a house building programme. The preliminary work started during 2012/13 with the works themselves starting in 2013/14. Whilst the business plan includes a very modest allocation for this, it is expected that the programme will be expanded in years beyond 2014/15 once the first schemes have been completed successfully and following the Government announcement with regards to "Reinvigorating Right to Buy and One for One Replacement" where the Government desire is that at a national level every additional home sold under Right to Buy will be replaced by a new home for affordable rent. Given the need to borrow for any additional house building the Council took advantage of the competitive borrowing rates whilst it could, rather than borrowing in a few years time when those rates will be unavailable. In the meantime this will allow the General Fund to continue (as it has done for a number of years) to internally borrow from the Housing Revenue Account at an appropriate rate, resulting in no detrimental impact on the General Fund from self-financing and would be fair to the HRA as it will still broadly receive the same level of income that it would have had if it had invested the money, rather than loaned internally to the GF.

6. Incremental Impact of Capital Investment Decisions:

6.1 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.

Incremental Impact of Capital Investment Decisions	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £
Increase in Band D Council Tax	-0.45	-0.28	0.15	-0.06
Increase in Average Weekly Housing Rents	-0.48	0.02	0.01	-16.80

7. Authorised Limit and Operational Boundary for External Debt:

7.1 The Authority has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Authority and not just those arising from capital spending reflected in the CFR.

7.2 The **Authorised Limit** sets the maximum level of external debt on a gross basis (i.e. excluding investments) for the Authority. It is measured on a daily basis against all external debt items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Authority's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

7.3 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

7.4 The Operational Boundary has been set on the estimate of the most likely, i.e. prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

7.5 The Operational Boundary links directly to the Authority's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

	2014/15 Approved £m	**2014/15 Revised £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**	**2017/18 Estimate £m**
Authorised Limit for Borrowing	230.00	230.00	230.00	230.00	230.00
Authorised Limit for External Debt	**230.00**	**230.00**	**230.00**	**230.00**	**230.00**
Operational Boundary for Borrowing	204.00	204.00	219.00	219.00	219.00
Operational Boundary for External Debt	**204.00**	**204.00**	**204.00**	**219.00**	**219.00**

8. Adoption of the CIPFA Treasury Management Code:

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

Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the adoption of the CIPFA Treasury Management Code at its meeting on 22 April 2002.

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

9. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

9.1 These indicators allow the Authority to manage the extent to which it is exposed to changes in interest rates. This Authority calculates these limits on *(select as appropriate)* net principal outstanding sums, (i.e. fixed rate debt net of fixed rate investments / net interest paid (i.e. interest paid on fixed rate debt net of interest received on fixed rate investments)

9.2 The upper limit for variable rate exposure has been set to ensure that the Authority is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

	2014/15 Approved %	2014/15 Revised %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
Fixed					
Upper Limit for Fixed Interest Rate Exposure on Debt	100	100	100	100	100
Upper limit for Fixed Interest Rate Exposure on Investments	(100)	(100)	(100)	(100)	(100)
Variable					
Upper Limit for Variable Interest Rate Exposure on Debt	25	25	25	25	25

Upper Limit for Variable Interest Rate Exposure on Investments	(75)	(75)	(75)	(75)	(75)

9.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Authority's treasury management strategy.

10. Credit Risk:

10.1 The Authority considers security, liquidity and yield, in that order, when making investment decisions.

10.2 Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Authority's assessment of counterparty credit risk.

10.3 The Authority also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

10.4 The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

Appendix D –

Appendix D – Current Recommended Sovereign and Counterparty List as at 31/12/2014 (Section 8)

Country/ Domicile	Counterparty	Maximum Counterparty Limit £m	Maximum Group Limit (if applicable) £m	Maximum Maturity Limit
UK	Santander UK Plc (Banco Santander Group)	10.0		6 months
UK	Bank of Scotland (Lloyds Banking Group)	10.0	10.0	6 months
UK	Lloyds TSB (Lloyds Banking Group)	10.0		6 months
UK	Barclays Bank Plc	10.0		100 days
UK	HSBC Bank Plc	10.0		6 months
UK	Nationwide Building Society	10.0		6 months
UK	NatWest (RBS Group)	Suspended	10.0	Suspended
UK	Royal Bank of Scotland (RBS Group)	Suspended		Suspended
UK	Standard Chartered Bank	10.0		6 months
Australia	Australia and NZ Banking Group	10.0		6 months
Australia	Commonwealth Bank of Australia	10.0		6 months
Australia	National Australia Bank Ltd (National Australia Bank Group)	10.0		6 months
Australia	Westpac Banking Corp	10.0		6 months
Canada	Bank of Montreal	10.0		6 months
Canada	Bank of Nova Scotia	10.0		6 months
Canada	Canadian Imperial Bank of Commerce	10.0		6 months
Canada	Royal Bank of Canada	10.0		6 months
Canada	Toronto-Dominion Bank	10.0		6 months
Finland	Nordea Bank Finland	8.0		6 months
France	BNP Paribas	Suspended		Suspended
France	Credit Agricole CIB (Credit Agricole Group)	Suspended		Suspended
France	Credit Agricole SA (Credit Agricole Group)	Suspended		Suspended

France	Société Générale	Suspended		Suspended
Germany	Deutsche Bank AG	8.0		100 days
Netherlands	ING Bank NV	8.0		100 days
Netherlands	Rabobank	8.0		6 months
Netherlands	Bank Nederlandse Gemeenten	8.0		6 months
Sweden	Svenska Handelsbanken	8.0		6 months
Switzerland	Credit Suisse	8.0		100 days
US	JP Morgan	8.0		6 months

***Please note this list could change if, for example, a counterparty/country is upgraded, and meets our other creditworthiness tools or a new suitable counterparty comes into the market. Alternatively, if a counterparty is downgraded, this list may be shortened.*

Group Limits - For institutions within a banking group, the authority executes a limit of that of an individual limit of a single bank within that group.

The Council is not currently investing with the Euro Zone counterparties but the limits above are those recommended by Arlingclose.

Appendix E – Non-Specified Investments

Instrument	Maximum maturity	Maximum £M	Capital expenditure?	Example
Call accounts, term deposits & CDs with banks, building societies & local authorities which do not meet the specified investment criteria (on advice from TM Adviser)	5 years	20	No	
Deposits with registered providers	5 years	20	No	
Gilts	5 years	10	No	
Bonds issued by multilateral development banks	5 years	5	No	*EIB Bonds, Council of Europe Bonds etc.*
Sterling denominated bonds by non-UK sovereign governments	5 years	5	No	
Money Market Funds and Collective Investment Schemes	5 years	20	No	*Investec Target Return Fund; Elite Charteris Premium Income Fund; LAMIT; M&G Global Dividend Growth Fund*
Corporate loans and debt instruments issued by corporate bodies	5 years	10	No	
Collective Investment Schemes (pooled funds) which do not meet the definition of collective investment schemes in SI 2004 No 534 or SI 2007 No 573	These funds do not have a defined maturity date	10	Yes	*Way Charteris Gold Portfolio Fund; Lime Fund*

Appendix F – MRP Statement 2014/15

CLG's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

NB This does not preclude other prudent methods.

MRP in 2014/15: Options 1 and 2 may be used only for supported (i.e. financing costs deemed to be supported through Revenue Support Grant from Central Government) Non-HRA capital expenditure funded from borrowing. Methods of making prudent provision for unsupported Non-HRA capital expenditure include Options 3 and 4 (which may also be used for supported Non-HRA capital expenditure if the Authority chooses). There is no requirement to charge MRP in respect of HRA capital expenditure funded from borrowing.

The MRP Statement will be submitted to Council before the start of the 2014/15 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Authority at that time.

The Authority's CFR at 31st March 2012 became positive as a result of the Housing Subsidy reform settlement. This would normally require the Authority to charge MRP to the General Fund in respect of Non-HRA capital expenditure funded from borrowing. CLG has produced draft regulations intended to mitigate this impact, and as such under Option 2 (the CFR method) there is no requirement to charge MRP in 2013/14.

If, as is likely, the Council undertakes General Fund borrowing in 2015/16 then in the following financial year, 2016/17, there will be a requirement to charge MRP.

TREASURY MANAGEMENT POLICY STATEMENT

1. INTRODUCTION AND BACKGROUND

1.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.

1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
- Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

1.3 The Council will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

1.4 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Finance & Performance Cabinet Committee and for the execution and administration of treasury management decisions to the Director of Resources who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

1.5 The Council nominates the Audit & Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2. POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

2.1 The Council defines its treasury management activities as:

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

2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management."

2.4 The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

2.5 The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

Report to the Audit and Governance Committee

Epping Forest District Council

Report reference: AGC-019-2014/15
Date of meeting: 5 February 2015

Portfolio: Governance and Development Management

Subject: Internal Audit Monitoring Report - October to December 2014

Responsible Officer: Brian Bassington (01992 564446).

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) The Committee is requested to note the following issues arising from the Internal Audit Team's third quarter monitoring report for 2014/15:

> **(a) The reports issued between October and December 2014 and significant findings therein(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 2014/15 Audit Plan status report (Appendix 4).**

Executive Summary:

This report provides a summary of the work undertaken by the Internal Audit Unit between October and December 2014, and details the overall performance to date against the Audit Plan for 2014/15. 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 third quarter are listed in paragraph 3 below.

2. At the end of the quarter a further six audits were in progress or at the draft report stage.

Reports Issued:

3. The following audit reports were issued in the quarter:

(a) Full Assurance
None

(b) Substantial Assurance
Bank Reconciliation
Car mileage Claims
Private Housing Assistance
Corporate Asset Register
Housing Repairs Service
Gifts and Hospitality (Members and Officers)
Contracts – Fraud Prevention

(c) Limited Assurance
Corporate Procurement
Car Parking Contract

(d) No Assurance
None

(e) At Draft Report Stage
Overtime Claims
Committee Allowances and Subsistence Claims
ICT Access Controls

Limited Assurance

4. During the quarter a report on Corporate Procurement was given a limited assurance rating due to a number of departures from Contract Standing Orders, specifically failure to monitor expenditure and take action when financial thresholds are reached. This audit resulted from the findings in the Facilities Management audit which was included in the last quarter's report which was also given a Limited Assurance rating.

5. This additional audit targeted procurement across the remainder of the Council's services and used IDEA to analyse data from the Marketplace system where Contract Standing Orders require quotes rather than formal tenders (up to £50,000). This was separate to the Contracts – Fraud Prevention audit which was given a substantial assurance which concentrated on contracts over £50,000. These contracts are subject to a more rigorous process and level of monitoring.

6. An audit was carried out on the Car Parking Contract which is managed by the North Essex Parking Partnership (NEPP). Based on the current limitations of the information supplied by NEPP, which is in the process of being resolved, this audit was given a limited assurance. It should be noted that based on the evaluation and testing of the system of key controls in place at EFDC, designed to achieve the objectives relating to off street car parking income, we provided management with assurance that the processes are sound and are in place for when the full data is made available from NEPP. Since the audit was completed NEPP have outsourced their cash collection and now payments to EFDC have become erratic and documentation supplied often does not agree to the money received. Extra audit time has been allocated to this problem and further work is currently in progress.

Follow Up of Previous Priority 1 Recommendations

7. 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

8. 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 2014/15 (Appendix 4)

9. The status of the 2014/15 Audit Plan is set out at Appendix 4.

Performance Management

10. The Internal Audit Team has local performance indicator targets to meet in 2014/15, as set out below:

	Actual 2011/12 For year	Actual 2012/13 For year	Actual 2013/14 For year	Target 2014/15 For year	Actual 2013/14 Quarter 3	Actual 2014/15 Quarter 3
% Planned audits completed	82%	85%	88%	90%	64%	62%
% chargeable "fee" staff time	71%	69%	74%	75%	70%	66%
Average cost per audit day	£213	£243	£225	£245	£232	£237
% User satisfaction	89%	N/A	N/A	90%	90%	100%

11. 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. The percentage is down slightly due to additional training for a new member of staff, which is non chargeable.

(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 – A customer survey is given to the relevant Assistant Director or Manager at the audit exit meeting.

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.

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.

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.

Level	Evaluation opinion	Priority Triggers
Full assurance	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.
Substantial assurance	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).
Limited assurance	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.
No assurance	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 3
October - December 2014

Appendix 1

Title	Service	Assurance Rating/Audit Opinion	Main Conclusions/Comments
Bank Reconciliation	Resources Directorate	**Substantial Assurance** The systems and controls in relation to bank reconciliations are operating effectively. All bank accounts are reconciled on at least a monthly basis and all reconciliations are independently reviewed.	Unpresented and returned cheques are regularly reviewed and action taken as appropriate. However, the unreconciled items report which forms part of the payment account reconciliation should be reviewed to manually clear any matching items not automatically cleared by the system.
Car Mileage Claims	Resources Directorate	**Substantial Assurance** There was no evidence of fraudulent activity found, however there were issues identified which need to be addressed to reduce the risk to the Council	There were several cases where the car mileage claim forms were not fully completed by the claimant, leaving the payroll staff to complete the form. Mileage claims that are not fully completed should be returned to the relevant officer. Officers and Managers need to be reminded that forms need to be fully completed prior to being authorised.
Private Housing Assistance	Communities Directorate	**Substantial Assurance** The systems and controls in place with respect to the award, approval and payment of private housing assistance are operating effectively.	Housing Assistance is awarded in accordance with the Housing Assistance Policy 2012-2015. The application form has been reviewed by the Housing Fraud Investigation Officer and now requires updating. It should be ensured that all application forms are fully completed, leaving no blank sections. In addition, all documentation in support of the application should be obtained and filed.
Procurement Fraud	Resources Directorate	**Substantial Assurance** There was no evidence of fraudulent activity found. However there were issues identified which need to be addressed to reduce the risk	This report provides a view that there are checks and balances in place within this authority to ensure compliance with contract standing orders. The only real issue highlighted will be covered by

Title	Service	Assurance Rating/Audit Opinion	Main Conclusions/Comments
		to the Council: - non-compliance with contract standing orders and one contract tender opening had an incorrect date recorded.	a waiver of standing orders report from the relevant Assistant Director.
Corporate Asset Register	Resources Directorate	**Substantial Assurance** The systems and controls in relation to the asset register are operating effectively.	The asset register holds an accurate record of the Authority's assets. The annual review by the external auditors concluded that the valuation of land and buildings is not unreasonable, and no recommendations have been made by them in relation to the asset register. Further attempts should be made with Cipfa to resolve the problem with the reclassification of assets on the CIPFA Asset Management System.
Housing Repairs Service	Communities Directorate	**Substantial Assurance** Implementation of the MCM system has significantly improved the management of responsive repairs and has eliminated many of the manual processes previously employed. The enhanced management reporting facility has also improved the monitoring of budgets and staff performance.	There is currently a problem with the interface between MCM and OHMS, which has given rise to a number of issues. This matter is already being addressed by management and it is expected that a solution will be in place by the end of January 2015.
Gifts and Hospitality (Members and Officers)	Resources Directorate	**Substantial Assurance** Officers and Members demonstrate a compliance and understanding of the Gifts and Hospitality process, and abide to the relevant policy and Codes of Conduct.	The Audit review of the Officers and Members gifts and hospitality process demonstrated that there was good compliance with Council policy. There were some minor errors, however they were not considered to be a high enough risk to be recognized individually. This does not affect the process. The development of an electronic form of the gifts and hospitality register should improve the recording of offers of gifts, particularly for those Officers in remote offices. The issuing of a reminder on the gifts and

Title	Service	Assurance Rating/Audit Opinion	Main Conclusions/Comments
			hospitality rules in the District Lines will help improve awareness among Officers.
Car Parking Contract	Neighbourhoods Directorate	**Limited Assurance** The off street Pay and Display income is transferred from NEPP to the Authority on an approximately weekly basis and can be verified by reference to cash collection sheets requested from NEPP. However, this process will be improved with new pay & display machines, which will allow remote access to revenue data and better control and monitoring of machines. The PCN, MiPermit and season ticket income is transferred irregularly and there is currently no documentation to support the transfer, which means that independent verification of the income is not possible. However, following a request from the Car Park and Street Furniture Manager this income is now being transferred on a monthly basis.	The North Essex Parking Partnership (NEPP) is governed by the Joint Parking Committee which comprises members from each Authority in the partnership. They meet at least 4 times each year and all agendas and minutes are published on the Parking Partnership website. The Parking Partnership produces an Annual Report and has a 5-year Strategy & Development Plan which was presented to meeting in June 2014. The Parking Partnership is subject to internal audit by Colchester BC. The most recent audit (May 2014) was awarded Substantial Assurance. The off street parking income is collected by NEPP and transferred to EFDC by BACS from Colchester Borough Council. However, the transfers, particularly in relation to PCN and season ticket income, are irregular and there is no supporting documentation in order to verify the income. It has been suggested that access to Chipside, the PCN/season ticket income IT system, is requested from NEPP. It was found that none of the MiPermit (telephone and internet) income from 2014/15 had been transferred and two days' Pay & Display income had inadvertently been omitted from the transfers.
Corporate Procurement	Resources Directorate	**Limited Assurance** Good practice areas were identified, however	The audit highlighted the method of procurement is not always documented, therefore value for

Title	Service	Assurance Rating/Audit Opinion	Main Conclusions/Comments
		there are various policies and procedures in place which should be considered to ensure the correct procurement method is undertaken. Officers are generally aware of and understand CSO's and procurement guidance, however adequate expenditure monitoring processes are not in place. The implementation of the recommendations arising from this audit will ensure expenditure complies with Council policy and demonstrates the Council obtains value for money from it's purchasing arrangements.	money is not evidenced and Officers are not monitoring overall expenditure by supplier over a period of four years, as required by CSO's C2 (9). The majority of Officers were not aware of this principle.

INTERNAL AUDIT
OUTSTANDING PRIORITY 1 ACTIONS – STATUS AS AT 5th January 2015

Appendix 2

Report Title	Agreed Action	Responsible Officer	Target Date	Director's Assurance	Status	Completion Date / Comments
Planning Fees	Development Control management to liaise with ICT to establish reports from M3 that are easily reconcilable and if required Cashiers to ensure referencing in the right format to reconcile. Reconciliation to be brought up to date and then completed monthly to establish control within the process.	**Assistant Director Development Control**	March 2015	Planning staff are bringing the reconciliation up to date with the assistance of Accountancy staff and will ensure that reconciliation will be carried out in a timely manner.		
Facilities Management	Where similar items of work are required, repeat orders should not be submitted without consideration of the total sum of expenditure during previous years with reference to Contract Standing Orders. Overall expenditure with individual suppliers should be reviewed and (if required) a retrospective waiver of Contract Standing Orders should be obtained from the Portfolio Holder. (CSO C2 (10). This was also	Facilities Manager.	1.12.14	FM will involve the Essex Procurement Hub for all relevant purchases. The commitment accounting system will be further developed to more clearly highlight companies nearing the contract standing order thresholds. Reports will also be generated from the Market Place system and these will all be monitored by the FM manager on a regular basis.		

Report Title	Agreed Action	Responsible Officer	Target Date	Director's Assurance	Status	Completion Date / Comments
	recommended following a previous audit (February 2010). Facilities Management should consult the Essex Procurement Hub for advice regarding tender specifications and to ensure the best potential suppliers are selected on the basis of the quality of work and best price. (CSO C3(3)					
Facilities Management	All Marketplace orders should include comprehensive details of goods and services. Employment details such as the nature and period of work should be provided. The employment of an additional member of staff could be considered more cost effective than using a contractor.	Facilities Manager	1.12.14	Of these orders 2 were for emergency works following the water leak in the then Planning Directorate, and there was a requirement to use of electrician at short notice and with a knowledge of the building and the 3rd was for an electrician, at the end of the financial year, with a good knowledge of the building who could work alone, to complete the replacement of lighting, LED, in the Conder Building. A request for an additional electrician will be made in due course. This will ultimately result in revenue savings as well as addressing the issues identified above.		

Report Title	Agreed Action	Responsible Officer	Target Date	Director's Assurance	Status	Completion Date / Comments
Facilities Management	Procurement services will be utilised to provide a Marketplace reports of the value of orders raised (by supplier) to the Facilities Manager on a monthly basis. Facilities Management should also consider the use of reports of actual expenditure by supplier from Accountancy.	Facilities Manager	1.12.14	Agreed. Results from the reports generated from the commitment accounting, marketplace and accountancy systems will be collated and monitored regularly to prevent any future departure from CSO.		
Facilities Management	Written quotations should be obtained in accordance with Financial Regulations and Contract Standing Orders. The Marketplace order descriptions should provide more information than 'as per quotation'.	Facilities Manager	1.12.14	The required number of quotes will be obtained and full details entered onto Marketplace.		
Corporate Procurement	A realistic estimate of expenditure (consider previous years expenditure) and the length of employment should be considered at the start of the procurement process and one purchase order should be raised to cover the whole process if possible. Officers should agree	All Directors	31.3.15			

Report Title	Agreed Action	Responsible Officer	Target Date	Director's Assurance	Status	Completion Date / Comments
	rates with agencies where possible, in order that agency rates and exit fees are reasonable. Expenditure should be monitored in compliance with CSOs.					
Corporate Procurement	Documentary evidence should be retained to demonstrate Officers have taken appropriate steps to obtain competitive prices for goods, works and services. If suppliers are used regularly (due to best price, quality, or specialist service), a contract or service agreement should be considered as an alternative to obtaining quotes/waivering standing orders on an annual basis. It also demonstrates value for money if charges are negotiated. Such arrangements must adhere to Contract Standing Orders and the procurement strategy.	All Directors	31.3.15			

Report Title	Agreed Action	Responsible Officer	Target Date	Director's Assurance	Status	Completion Date / Comments
Corporate Procurement	The aggregate sum of expenditure to each supplier over four years should be monitored regularly, to ensure the correct quotation method is followed. Where Officers have exceeded the value thresholds within CSO's, they must report to the Portfolio Holder and seek a retrospective waiver of the standing order (CSOs C2(9,10). The procurement section will provide monthly Marketplace reports to Directors, to enable monitoring of supplier expenditure for each Directorate.	All Directors	31.3.15			
Housing Repairs Service	The issues surrounding the interface should be resolved as soon as possible	Housing Repairs Manager	31.3.15	This matter is progressing and will be resolved as soon as possible		
Car Parking Contract	Read only access to Chipside should be requested from Colchester Borough Council/NEPP in order to obtain an analysis of income received. Monthly BACS transfers of the PCN/ season ticket income from NEPP should be requested.	Assistant Director Technical Services	30.11.14	NEPP have been asked to transfer the PCN/season ticket and MiPermit money on a monthly basis and this is now happening. The means of checking the income to Chipside was explored further at the Internal Audit Managers meeting of the NEPP Partnership Authorities in November.		

Report Title	Agreed Action	Responsible Officer	Target Date	Director's Assurance	Status	Completion Date / Comments
Car Parking Contract	It should be ensured that Pay and Display income is received in respect of each day, and any missing dates followed up with NEPP.	Car Park and Street Furniture Manager	N/A	The missing income was requested from the Partnership and has been received. Checks will be carried out to ensure that income is received for each day and any discrepancies will be investigated promptly.	Achieved	
Car Parking Contract	NEPP should be asked to transfer all MiPermit payments to the Authority on a monthly basis.	Car Park and Street Furniture Manager	30.11.14	The MiPermit income is now transferred along with the PCN income. NEPP have been asked to transfer this income on a monthly basis and this is now happening. The MiPermit income will be checked along with the PCN income.		

INTERNAL AUDIT
FOLLOW UP OF LIMITED ASSURANCE AUDITS AS AT January 2015 **Appendix 3**

Report Title	Directorate	Date Issued	Agreed Actions by priority	Agreed Actions Outstanding	Time of Follow Up	Outstanding Issues / Comments
Car Parking Contract	Neighbourhoods Directorate	27.10.14	P1. 3 P2. 1 P3. 1	P1. 0 P2. 0 P3. 0	Q1 2015/16	Based on the current limitations of the information supplied by NEPP, which is in the process of being resolved, this audit is given a limited assurance. It should be noted that based on the evaluation and testing of the system of key controls in place at EFDC, designed to achieve the objectives relating to off street car parking income, we can provide management with assurance that the processes are sound are in place for when the full data is made available from NEPP.
Facilities Management	Resources Directorate	14.10.14	P1. 4 P2. 2 P3. 0	P1. 4 P2. 2 P3. 0	Q4 2014/15	Value for money should be demonstrated to evidence economic and effective use of public money. The procurement of works, goods and services should be in accordance with the thresholds within Contract Standing Orders. The Authority's Procurement section should be consulted at the start of each contract to ensure compliance with Council policy. Overall expenditure by each supplier will be monitored in future. Management implemented a system 1st April 2014 to enable the section to monitor committed expenditure. The Procurement section will also provide quarterly reports of expenditure by supplier on request.
Corporate Procurement	Resources Directorate	18.11.14	P1. 3 P2. 3 P3. 0	P1. 3 P2. 3 P3. 0	Q3 2014/15	Good practice areas were identified, however there are various policies and procedures in place which should be considered to ensure the correct procurement method is undertaken.

						Officers are generally aware of and understand CSO's and procurement guidance, however adequate expenditure monitoring processes are not in place. The implementation of the recommendations arising from this audit will ensure expenditure complies with Council policy and demonstrates the Council obtains value for money from it's purchasing arrangements.

AUDIT PLAN 2014/15

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

Audit area	Audit type	Days allocated	Completed	Risk Identifier
Resources				
Accountancy				
Bank Reconciliation	system/follow up	15	Completed	FFS
Sundry Debtors	system/follow up	15		FFS
Creditors	system/follow up	15		FFS
Treasury Management	system/follow up	10		FFS/R4
Budgetary Control (capital and revenue)	system/follow up	10	In Progress	FFS
Risk Management and Insurance (Fraud)	system/follow up	10		FFS
Main Accounting and Financial Ledger	system/follow up	15		FFS
Provision for ‘top up’ testing	systems	30	Completed	FFS
Benefits				
Housing Benefits	system/follow up	15		FFS
Council Tax Reduction	system/follow up	15		FFS
Revenues				
Council Tax	system/follow up	20	In Progress	FFS/R4/AC
Business Rates	system/follow up	20	In Progress	FFS/R4
Cash receipting and Income control	system/follow up	15		FFS
Human Resources				
Payroll	System/follow up	20		FFS
Recruitment and Selection	verification	10		R
Management of Sickness absence	verification	10	Completed	R
Overtime and Committee Allowances	verification	10	In Progress	R
Travelling & Subsistence Claims	verification	10	In Progress	R
Car Mileage claims	verification	10	Completed	R

Reprographics	System	10	Completed	
ICT and Facilities Management				
ICT Procurement	ICT	10		AC/R6
Access controls	ICT	10	In Progress	R6
Facilities Management Contracts	system	10	Completed	AC
TOTAL		**315**		
Governance				
Governance and Performance Mgmt.				
Key and Local Performance Indicators	verification	15	Completed	R
Business Plans	verification	10	Completed	R
Equality Analysis	verification	10		R
Gifts and Hospitality (Members & Officers)	system/follow up	10	Completed	R
Legal				
Debt recovery	Follow up	10	Carried Fwd	R4
Development Management				
Planning Fees	System	20	Completed	R4
TOTAL		**75**		
Neighbourhoods				
Neighbourhood Services				
North Weald airfield	establishment	15	Completed	R4
Technical Services				
Waste Management and Recycling	system	20		R
Car Parking Contract	system	10	Completed	R4
Fleet Operations income	system	5	Completed	R4
Forward Planning & Economic Devel.				
Commercial Property portfolio	Follow up	10	Completed	R2
TOTAL		**60**		
Communities				
Housing Property				
Housing Repairs Service	system	20	Completed	R

Council Housebuilding Programme	system	15	In Progress	AC
Housing Contracts	follow up	5		AC
Housing Operations				
Housing Rent Collection and Arrears	system/follow up	20		FFS/R4
Norway House/Rental Assistance Loans	Estab/system	10	Completed	R4
Private Sector Housing & Comm. Support				
Right to Buy	system	10	Completed	AC
Private Sector Housing - Grants	system	15	Completed	AC
TOTAL		**95**		
FRAUD PREVENTION & DETECTION				
Contracts	fraud	15		AC
Procurement	fraud	15	In Progress	AC
Council Tax Discounts	fraud	15		AC
National Fraud Initiative (NFI)	fraud	20	In Progress	AC
Data matching and analysis (IDEA software)	fraud	25	In Progress	AC
TOTAL		90		
CORPORATE				
Corporate Procurement	system/follow up	15	Completed	AC
Corporate Asset Register	system	5	Completed	FFS
Priority 1 Audit recommendations	follow up	10	In Progress	R
Governance Statement	management review	5	Completed	R
TOTAL		**35**		
TOTAL DAYS ALLOCATED		**670**		
Contingency/Minor investigations		**40**	In Progress	
Corporate/Service Advice		**65**	In Progress	
TOTAL		**775**		