

**NORTHAMPTON BOROUGH COUNCIL
AUDIT COMMITTEE**

Your attendance is requested at a meeting to be held in the
The Jeffrey Room, St. Giles Square, Northampton, NN1 1DE.

on Monday, 25 July 2011
at 6:00 pm.

**D Kennedy
Chief Executive**

AGENDA

1. APOLOGIES

Please contact Michelle Allan on 01604 837355 or mallan@northampton.gov.uk when submitting apologies for absence.

2. MINUTES

3. DEPUTATIONS / PUBLIC ADDRESSES

4. DECLARATIONS OF INTEREST

5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

6. COUNCILLOR ALLOWANCE & EXPENSES C Triggs, Ext 7680

7. NORTHAMPTON BOROUGH COUNCIL PARTNERSHIP PROTOCOL C Triggs, Ext 7680

8. RISK MANAGEMENT OVERVIEW S Morrell, Ext 8420

9. TREASURY MANAGEMENT OUTTURN 2010/11 R Smith, Ext 8046

10. ANNUAL GOVERNANCE STATEMENT 2010/11CONSULTATION R Smith, Ext 8046

11. ANTI-FRAUD ANNUAL REPORT M Steele, Ext 7317

12. INTERNAL AUDIT UPDATE C Dickens, Internal Auditor (PWC)

The Internal Auditor submitted a report and summarised the progress made against the approved internal audit plan.

13. EXTERNAL AUDIT UPDATE

N Bellamy, External
Auditor
(Audit Commission)

14. EXCLUSION OF PUBLIC AND PRESS

THE CHAIR TO MOVE:

“THAT THE PUBLIC AND PRESS BE EXCLUDED FROM THE REMAINDER OF THE MEETING ON THE GROUNDS THAT THERE IS LIKELY TO BE DISCLOSURE TO THEM OF SUCH CATEGORIES OF EXEMPT INFORMATION AS DEFINED BY SECTION 100(1) OF THE LOCAL GOVERNMENT ACT 1972 AS LISTED AGAINST SUCH ITEMS OF BUSINESS BY REFERENCE TO THE APPROPRIATE PARAGRAPH OF SCHEDULE 12A TO SUCH ACT.”

SUPPLEMENTARY AGENDA

Exempted Under Schedule, 12A of L.Govt Act 1972, Para No: -

<TRAILER_SECTION>
A6820

Public Participation

Members of the public may address the Committee on any non-procedural matter listed on this agenda. Addresses shall not last longer than three minutes. Committee members may then ask questions of the speaker. No prior notice is required prior to the commencement of the meeting of a request to address the Committee.

AUDIT COMMITTEE

Monday, 27 June 2011

PRESENT: Councillor Duncan (Chair); Councillors Beardsworth, Gowen and Patel
APOLOGIES: Councillor Phil Larratt and Councillor Jonathan Nunn

1. MINUTES

The Minutes of the meeting on 21 March 2011 were confirmed and signed by the Chair.

2. DEPUTATIONS / PUBLIC ADDRESSES

There were none.

3. DECLARATIONS OF INTEREST

There were none.

4. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

There were none.

5. COMMITTEE TERMS OF REFERENCE-AUDIT PLAN 2011/12

The Committee received a report from Bill Lewis, Head of Finance on the Committee Terms of Reference-Audit Plan 2011/12.

Discussion on the Terms of Reference took place around the following:

- Changes to the Terms of Reference due to changes in legislation, including changes in Statement of Accounts approval processes;
- The frequency of changes to the constitution being as and when necessary; and
- That depending on the size of change some would be dealt with by the Constitution Working Party and others internally.

Discussion on the Internal Audit Risk Assessment and Plan took place around the following:

- Assurances were given to the Committee that the plan was rigorous and robust;
- Content of the plan, including the Council's own knowledge and the control of the environment indicator;
- The indicative timetable and that some key areas of work had been highlighted;
- That training would be provided in certain areas to decrease risk such as fraud; and
- That the frequency of assessment in some areas needed to be reconsidered, such as Customer Services and IT.

It was therefore RESOLVED:

1. That the Committee noted the Terms of Reference and responsibilities of the Committee; and
2. That the Committee were aware of the approved 2011/12 Internal Audit Risk Assessment and Plan.

6. IBS CREDITORS INTERNAL AUDIT REPORT

The Committee received an update report from Christine Ansell, Head of Landlord Services regarding the IBS Creditors Internal Audit Report.

Discussion took place around the following:

- The internal audit review and the uncovering of issues with the use of the new Integrated Business Systems (IBS) software and the recommendations post the outcome of the review;
- That the software was not difficult to use but there was a lack of compliance with the controls of the system which had led to a backlog of invoices;
- The addition of the 'Open Mobile' feature to the system;
- That procedure notes were now in place and there were sample checks on the use of the system;
- Items 2 and 4 and that updates on leavers are currently being done monthly;
- That item 7 is in process with a deadline of July 2011 for the transfer to Agresso;
- That Item 8 has been completed and tested;
- That Item 9, limits to the cost of order raised, is still in progress due to not wanting to put limits on services with need such as the Contact Centre as this could delay important works; and
- That there is an additional area of the system that has not been purchased but this is currently being looked into.

It was therefore RESOLVED:

1. That the Committee note the progress on implementing the recommendations as set out in Appendix 1 of the report; and
2. That the Head of Landlord Services will bring an update report a future meeting of the Committee.

7. IFRS AND CHANGES TO THE ACCOUNTS AND AUDIT REGULATIONS 2003

The Committee received a report and a presentation from Bill Lewis on the IFRS and Changes to the Accounts and Audit Regulations 2003.

Discussion took place around the following:

- The hierarchy of regulation and that UK regulation would be firstly considered. This would be followed by, the Code of Practice on Local Authority Accounting (CIPFA), containing largely international financial reporting standards. If any gaps occurred, the International Financial Reporting Standards (IFRS) or the Generally Accepted Accounting Principles (GAAP) would be used as a guide as they are currently for the Housing Revenue account;
- The role of the Audit and they are required to consider, review and approve the Audited Statement of Accounts in September and consider the annual audit letter; and
- Changes to the Statement of Accounts and the way that things are accounted for, such as staff holidays, time off in lieu and maternity leave. This was noted to have no affect on the Council but will initially have an affect on the accounts.

It was therefore RESOLVED:

1. That the contents of this report be noted; and

2. That the fact the Statement of Accounts is no longer being brought to Committee prior to 30 June and the commencement of the year-end audit be noted.

8. FUTURE OF LOCAL PUBLIC AUDIT - CONSULTATION

The Committee received a report from Bill Lewis on the Future of Local Public Audit – Consultation.

Discussion took place around the following:

- That the consultation was brought about by the disbanding of the Audit Commission;
- The Pension Funds and how these are processed by Northamptonshire County Council (NCC) meaning the Council had to rely on them for accuracy and timings of the figures;
- Lord Sharman's report, 'Holding to Account: the Review of Audit and Accountability in Central Government' and how this Council may have to consider the appointment of Independent Members to the Audit Committee and examine the costs that this would incur;
- The extra work that would be created by the disbanding of the Audit Commission, particularly the burden on the Section 151 Officer; and
- The tendering process that would be required to deal with the appointment of external auditors. The Audit Committee would have a say in this process but the decision to appoint an external auditor would be down to the Section 151 Officer.

Members wished to thank the Officers for such a thorough and informative report.

It was therefore RESOLVED:

To consider and approve a response to the Communities and Local Government consultation on the Future of Local Public Audit.

9. INTERNAL AUDIT ANNUAL OPINION REPORT

The Committee received a report from Chris Dickens, Senior Manager at PricewaterhouseCoopers LLP (PwC) on the Internal Audit Annual Opinion Report.

Discussion took place around the following:

- Appendix 1 and how all recommendations from 2009/10 were closed and only 18 were outstanding from 2010/11, of which, none are overdue. This was noted to be a significant improvement on previous years;
- The conducted internal audit work and that areas of previous concern had seen significant improvements and were now well controlled;
- That the level of risk is average to lower than that of other authorities; and
- That the internal audit work completed in Housing Benefits had led to an improved service for the public and made a huge difference overall.

It was therefore RESOLVED:

That the draft annual audit report for 2010/11 be noted.

10. EXTERNAL AUDIT UPDATE

The Committee received a Report from Trevor Croote, Audit Commission, on the External Audit Update.

Discussion took place around the following:

- The overall Audit framework and responsibilities;
- The confirmation of fees and that there had been a reduction. This was due to the amount of reliance that the Audit Commission could put on the Statement of Accounts. It was noted that there were specific actions the Council could take to minimise its fees further;
- The specific risks that had been identified and were being looked at such as pay and grading settlements and the potential for back pay;
- That external audit would rely on the work of internal audit where possible and other auditors such as those of the Pension Fund at NCC;
- That last year there were two issues with the information received in regard of the Pension Fund in that it was late and insufficient;
- That the Audit Committee ensures the Councils financial resilience; and
- The robust procedure in place to ensure that Audit Commission has an annual declaration of interests and that any potential conflicts are strictly monitored.

It was therefore RESOLVED:

1. That the External Audit Opinion Plan (Appendix 1) be noted; and
2. That the External Audit fees be noted.

11. EXCLUSION OF PUBLIC AND PRESS

The Chair moved that the Public and Press be excluded from the remainder of the meeting on the grounds that there was likely to be disclosure to them of such categories of exempt information as defined by Section 100(1) of the Local Government Act 1972 as listed against such items of business by reference to the appropriate paragraph of Schedule 12A to such Act.

The Motion was Carried.

The meeting concluded at 7:30 pm



AUDIT COMMITTEE REPORT

Report Title	Councillor Allowances and Expenses
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	25 July 2011
Policy Document:	None
Directorate:	Chief Executive's Office
Accountable Cabinet Member:	Cllr Michael Hill

1. Purpose

- 1.1 Audit Committee to note the outcome of a review conducted by Management Board to consider the cost of councillor allowances and expenses and officer time taken to process expenses claims in order to identify if any changes to the process should be recommended.

2. Recommendations

- 2.1 To note outcome of the Management Board review in that no changes should be made to the current scheme for paying expenses claims.

3. Issues and Choices

3.1 Report Background

- 3.1.1 As part of the Council's Members' Allowances Scheme, elected councillors are paid an annual Basic Allowance. Additional payments called Special Responsibility Allowances are also paid to councillors that hold other positions in the Council.
- 3.1.2 At a meeting of Full Council in May 2011 Councillors agreed to an allowance freeze for 4 years.
- 3.1.3 Travel and subsistence expenses are payable to councillors for attendance at committee meetings, training, conferences and other meetings that are approved and in accordance with the constitution. The rates of payment used

are the same that apply to all employees of Northampton Borough Council under the Council's Staff Travel and Subsistence Scheme.

- 3.1.4 Expenses claims are processed by councillors submitting claim forms with relevant receipts to the Chief Executive's Office for processing and authorisation. Challenges arising out of the validity and appropriateness of claims are referred to the Democratic and Chief Executive Services Manager if unresolved. The approved claims are then submitted to the payroll section for payment.
- 3.1.5 The topic of Members Expenses was discussed at Audit Committee on 21 March 2011. Reference was made to a decision of Full Council in October 2008 when the recommendations of the Remuneration Panel to introduce a flat allowance to compensate Councillors for travelling and subsistence expenses arising out of recognised duties was considered and turned down.
- 3.1.6 Audit Committee Members noted that "they would welcome better guidance on the allowance scheme. Members also commented that if Councillors had more knowledge of Members Expenses and were given an option to 'opt out' Members might be in a position to reconsider an optional basic allowance for travel within the Borough, particularly if this would be a more cost effective exercise taking into account the amount of officer time used to process allowances."
- 3.1.7 Audit Committee requested that a review of the policy be carried out, giving special consideration to the allowances claimed by Councillors and the officer time taken to process them and resolved:
 - a. That the cost of Member allowances and officer time taken to process, be considered and reviewed with a report of the outcome taken to Management Board; and
 - b. That the outcome be brought to a future Committee for noting.

3.2 Issues

- 3.2.1 Among the known issues and problems arising out of the current approach are the following
 - a. Not all councillors submit claims for expenses.
 - b. Not all mileage claims are submitted with receipts. When receipts are included in relation to mileage claims, the Council is able to reclaim VAT back.
 - c. There can sometimes be a lack of clarity on what expenses are allowed, for example, attendance to certain events can be purely a political activity which is not undertaken on behalf of the Council or claims made for expenses incurred by other persons.
 - d. Some claims are not made within the month in which they were incurred and the delay can result in longer processing time and potential challenges more difficult due to poorer recollection.

- 3.2.2 In 2009/10 the sum of £2545.20 was paid to 11 Councillors for travel and subsistence expenses. (This indicates that 36 Councillors did not either submit a claim or incur allowable expenses).
- 3.2.3 In 2010/11 the sum of £3257.55 was paid to 12 Councillors (This indicates that 35 Councillors did not either submit a claim or incur allowable expenses). The average amount paid to Councillors who made a claim was £271.42.
- 3.2.4 Approving claims for payment can take approximately 5 minutes each. 121 claims were processed during 2010/11 equating to around 10 hours of officer time. Payroll time spent on Councillor payments (including allowances) has been estimated to take 1 day per month.
- 3.2.5 The October 2008 review of the Remuneration Panel proposed the introduction of a flat amount of £650 (as at 2008) payable to all Councillors. In 2010/11 (with zero indexation) the scheme would have cost £30,550.00.
- 3.2.6 In 2010/11 only two Councillors made claims for expenses that exceeded £650 pa (the flat figure proposed in 2008). All the rest were for significantly lower amounts.
- 3.2.7 In 2010/11 the average claim was £271.42 pa. If all 47 Councillors had claimed the average amount, this would have cost £12,756.74 (less than half than would have been paid under a flat payment scheme).
- 3.2.8 Under the current scheme not all Councillors are repaid expenses duly incurred, although this is an option available to all, in accordance with the rules.
- 3.2.9 Last year only a handful of claims needed to be escalated for clarification.

3.3 Choices (Options)

- 3.3.1 The options considered by the Management Board were to:
- a. Do nothing - The current scheme allows for Councillors not to be out of pocket when they incur approved expenses on behalf of the Council.
 - b. Re-consideration of the scheme as recommended by the 5th Report of the Remuneration Panel - The adoption of this scheme would need to be approved by Council. Having only just agreed an allowance freeze for 4 years this could be seen as inconsistent policy, it would also incur Remuneration Panel costs and would necessitate additional budget to be approved. There may be a perception that some Councillors may receive payments for expenses not actually incurred and that the allowance scheme has already been designed to compensate Councillors for their roles.
 - c. Keep the current scheme as is but introduce clarification - Ensure clear guidelines are available, continue to monitor any problems or issues and publicise the scheme to maximise take-up.

- 3.3.2 In view of the significant potential costs which would be incurred following a scheme change, Management Board supported the continuation of the current scheme for expenses.
- 3.3.3 In response to comments raised by the Audit Committee about the lack of guidance provided to councillors on the current scheme, Management Board supported the improvements that had been in preparation for the Councillor Induction in May 2011 to provide clear guidance for new and returning councillors on this matter. Information was provided in the Councillor Welcome Pack and is also available online at www.northampton.gov.uk/councillorallowances.
- 3.3.4 Councillor payments will continue to be published annually on the Council's Website and this will give the Democratic and Chief Executive Services Manager an opportunity to annually review whether the current process continues to be the most appropriate for the Council.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 The decision was taken to retain the current policy and therefore there are no changes.

4.2 Resources and Risk

- 4.2.1 The decision was taken to retain the current policy and therefore there are no changes identified.

4.3 Legal

The decision to retain the current policy has no legal implications.

4.4 Equality

- 4.4.1 All councillors retain the right to claim expenses duly incurred in accordance with the rules and therefore the decision to retain the current policy has no implications on equality.

4.5 Consultees (Internal and External)

- 4.5.1 The officers that administer the process for claiming expenses were consulted with during the review, as well as the council's Management Board.

4.6 Other Implications

- 4.6.1 There are no other implications.

5. Background Papers

- 5.1 None

Report Author: Cassie Triggs, Democratic and Chief Executive Services Manager



AUDIT COMMITTEE REPORT

Report Title	Northampton Borough Council Partnership Protocol
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	25 July 2011
Policy Document:	None
Directorate:	Chief Executive's Office
Accountable Cabinet Member:	Councillor David Palethorpe

1. Purpose

- 1.1 At a meeting of the Audit Committee earlier this year, the committee asked that the partnership protocol that was adopted by the authority in May 2011 be brought to them for information.

2. Recommendations

That the Audit Committee:

- 2.1 Comment on the partnership protocol.
- 2.2 Note the content of the report and the Protocol, which is attached at **appendix 1**.

3. Issues and Choices

3.1 Report Background

- 3.1.1 Following the review of partnership arrangements undertaken as part of the 2009/10 Internal Audit plan which identified a number of weaknesses that needed to be addressed, a project group was established to develop a Partnership Protocol for NBC.

- 3.1.2 In May 2011 the Northampton Borough Council Partnership Protocol was adopted and subsequently communicated to officers. Details of the protocol are published on the council's internet at:
www.northampton.gov.uk/partnershipprotocol
- 3.1.3 The protocol integrates the requirement for service areas to review their involvement in partnerships with existing processes, such as service planning and change management, rather than creating a separate and potentially bureaucratic protocol.
- 3.1.4 The protocol establishes a clear policy on engagement and disengagement, with clear monitoring and performance criteria.
- 3.1.5 It is also designed to empower service areas to self regulate their involvement in partnership, whilst ensuring from the corporate centre that they conduct regular monitoring and review
- 3.1.6 In addition to the protocol officers are provided with guidance for what they must consider when entering into a partnership. The way in which they must do this is not heavily prescribed, in recognition that a single protocol could not cover the plethora of different partnerships that the council is currently involved in or may wish to join in the future, particularly as a result of initiatives such as Localism and Big Society.

3.2 Issues

- 3.2.1 There are none.

3.3 Choices (Options)

- 3.3.1 There are none.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 The Partnership Protocol outlines the council's policy on engaging in and exiting partnership arrangements.

4.2 Resources and Risk

- 4.2.1 Careful accounting of resources the council commits to partnership working is crucial and decisions made as part of such arrangements need to be aligned to our plans and future decision-making. The protocol is designed to prevent the council committing to projects without adequate exit strategy and awareness of long-term financial implications.

4.3 Legal

4.3.1 The protocol encourages the council to consider whether the governance arrangements it has in place for the partnerships to which it belongs are adequate and appropriate.

4.4 Equality

4.4.1 The Partnership Protocol commits the Council to ensuring that any partnership arrangement it enters into meets the statutory requirements outlined in Equalities Legislation.

4.5 Consultees (Internal and External)

4.5.1 Officers with experience of partnership working, as well as risk management, performance management and legal expertise were involved in the development of the protocol.

4.6 Other Implications

4.6.1 There are no other implications.

5. Background Papers

5.1 None

Report Author: Cassie Triggs, Democratic and Chief Executive Services Manager

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Northampton Borough Council Partnership Protocol

Context

Partnership working is an increasingly important way in which Local Government can deliver more efficient and effective services to local residents. Northampton Borough Council is a member of a number of partnerships with organisations across the local area, and in some cases is also the lead authority, responsible for establishing and leading some of these partnerships.

This protocol establishes minimum standards of governance and management to be followed by partnerships in order to satisfy the Council that the partnerships are being well run and are delivering benefit to the authority. The protocol will outline key requirements in initiating, approving, setting up, operating, reviewing and exiting partnership arrangements.

What is a partnership?

Definition of a Partnership

The word partnership is used with increasing frequency across all sectors. It can mean different things to different groups. A partnership can be described as a group of stakeholders brought together from a range of organisations, to be responsible for tackling challenges, and exploiting opportunities in which they have a shared interest.

A partnership can be described as a joint working arrangement where the Partners:

- Are otherwise independent bodies;
- Agree to co-operate to achieve common goals or outcomes;
- Create a new organisational structure or process to achieve these outcomes;
- Plan and implement a jointly agreed programme, often with joint staff or resources;
- Share relevant information, and pool risks and rewards.

For the purposes of this protocol, a partnership is defined as:

- An arrangement involving the Council and one or more other organisations, from any sector, **who share the responsibility for agreeing and then delivering a set of actions and outcomes** that improve the economic and/or social environmental well-being of people living in, working in, or visiting Northampton.
- *For example: local authorities working together to reduce the environmental and financial impact of domestic and commercial waste. This is defined as a partnership because the local authorities involved are working together to agree aims and objectives and also sharing the tasks which will deliver on those aims and objectives.*

Features of Partnerships

Although partnerships vary widely in the exact form they take, they usually share a number of basic features:

- **Common purpose of the member organisations**
- **Defined roles and relationships of those involved**
- **A range of organisations working together**

- **A lead agency**
- **A good understanding of the work of the other bodies in the partnership and other partnerships**
- **A constitution and/or clear terms of reference**
- **Be resources in some way**
- **A commitment to share information needed to review value for money and performance**
- **A protocol for dispute resolution**

Northampton Borough Council would not define as a partnership:

- An arrangement made by the Council with a third party to deliver one or more services on its behalf. This is a contract for services. The Council is defined as the procurer/commissioner of the service and the third party as the contracted provider of that service.
An example might be a Community Centre that is run by an external management company.
- Networks, forums or groups of elected Councillors and/or officers from local authorities and others who come together to discuss forthcoming issues, policy and strategy.
For example: the Council is part of a local authority benchmarking group which formulates better practice to improve service delivery.
- Contractual arrangements that include partnership arrangements and partnership arrangements that include contractual arrangements.
- External bodies that are single organisations but in which councils may be invited to take part. *An example is nominations to governing bodies*

The Council's protocol is designed to support engagement in all partnerships meeting this definition. It is recognised that the Council is a member of a large number of partnerships and that they do not all carry the same level of risk. For this reason the level of governance and management processes applied to each partnership will vary.

Significant Partnerships

A significant partnership is one that is material in terms of the amount of money involved and/or the level or nature of service delivery concerned, in line with the Financial Regulations contained in the Council's Constitution.

The Cabinet and/or the Chief Executive, in accordance with standing orders, are responsible for approving the Council's participation in all significant partnerships/joint working arrangements with other public, private, voluntary and community sector organisations.

The Cabinet can delegate functions - including those relating to partnerships - to specific Members or Officers. These are set out in the Scheme of Delegation that forms part of the Council's Constitution. Where functions are delegated the Cabinet remains accountable for them to the full Council.

The Chief Executive, Members or other properly authorised individual will represent the Council on partnership and external bodies, in accordance with the Scheme of Delegation.

The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Council.

The Section 151 Officer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. In conjunction with the Monitoring Officer, he/she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. He/she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

Chief Officers and Service Heads are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

If financial procedures or standing orders of a partner are being followed which are not consistent with the Council's regulations Cabinet approval must be obtained. However, legislation must be complied with regardless.

How to enter into a Partnership

Before entering into any partnership the Council will give consideration to its ability to contribute effectively to the partnership. The Council will be mindful of the resource implications of entering into any partnership, particularly for staff, finance and operational assets, and existing commitments. The Council should ensure that the objectives of the partnership are in line with their corporate priorities, and thereby the partnership will assist in the delivery of the Council's corporate priorities. The Council should not enter into any partnership, which requires an unbudgeted financial commitment from the Council, without seeking appropriate approval first.

Putting arrangements in place

Any partnership that the Council enters into must be clear on its purpose and the outcomes it is to deliver. The Council will ensure that all partnerships have in place robust performance management arrangements.

When entering into partnership arrangements the Council will ensure the following arrangements are in place:

- The partnership has an officer accountable for monitoring its performance;
- Performance reporting takes place in agreed time frames and to an agreed body and/or partners;
- The partnership has a sound evidence base to inform its objective, planning and target setting;
- Objectives and outcomes to be delivered are formally reviewed and evaluated annually through an agreed process;
- All partners can be clear on the outcomes being delivered by the partnership and the links to their own business or Corporate Plan priorities;
- Each partner will ensure that their actions are embedded into organisational plans to ensure delivery and accountability;
- Agreed action plans are reviewed and refreshed annually by all partners;
- Action plans are supported by a Risk Register which is reviewed in agreed time frames and maintained by partners;
- Partners share information to enable effective performance monitoring and option appraisal;
- Data sharing is to comply with data quality and transparency requirements to ensure accountability;
- Information is provided in formats that meet partner requirements;
- There are mechanisms in place for performance management between all partners;

- Findings are owned and acted upon;
- There are clear channels and processes in place to ensure accountability;
- Arrangements are in place to tackle issues of non and/or poor performance, and;
- All partners can evaluate at any time the added value of being a member of the partnership and the performance and outcomes being achieved by it. Performance can be challenged through agreed processes.

For **Points to consider when Setting-up a partnership**, see [Appendix 1](#)

Further advice in relation to performance can be sought from the **Performance & Change team**.
 Further advice in relation to risk management can be sought from the **Risk Management team**.
 Further advice in relation to legal issues can be sought from the **Legal Services team**.

What needs to be done when a partnership is in place?

Register

The Council will maintain a database of all partnerships it is involved in. This will contain details of the Council's representatives in the partnership, the Council's contribution, name of lead organisation, resources committed by the Council, risk register, and will be held by the Democratic Services and Chief Executive's Support Manager. For **Partnership Registration Form** see [Appendix 2](#)

Evaluation

The Council will evaluate each partnership to assess the risks and rewards to the Council and local communities, including legal issues, insurance, implications arising from the Councils Constitution, the Councils own processes and applicable protocols, financial regulations, issues of partnership procurement and whether the benefits from the partnership are likely to justify the costs involved in membership.

Performance Management

The Council will ensure that agreed partnership involvement, activity and outcomes are part of the Councils performance management systems, and thereby the effectiveness of specific partnerships are monitored and reviewed as part of the Councils performance management framework.

There are three key elements to ensure effective performance management across partnership working; a joined up evidence base, effective delivery planning and accountability.

Evidence base

In order for the partnership to identify common goals and work towards shared objectives, priorities and targets, there must be an agreed and shared evidence base to work from.

Partnerships should , as is proportionate and appropriate:

- a) Agree data sets
- b) Identify data for different purposes
- c) Share definitions for measures
- d) Mapping communities to understand community need (e.g. equality, deprivation)
- e) Ensure data quality
- f) Note the importance of perception data

Effective delivery planning

To deliver shared objectives and targets, effective delivery plans must be in place. For example, action plans may be developed for specific objectives or working groups. All action plans must be SMART (specific, measurable, achievable / agreed, realistic / results focused and timely) with resources (people and funding) clearly allocated.

Effective planning work will identify areas of duplication, waste and areas for shared working.

Risk Management

The risk exposure for each partnership will be assessed to help to determine the level of risk monitoring a partnership will need to undertake. Prior to entering into a Partnership, the risks associated to the Council should be assessed to ensure the level of exposure is acceptable.

In a partnership environment, risks should be assessed and managed both from the perspective of the partnership and of each member partner.

The Partnership Manager will undertake the following steps at the commencement of the Partnership:

1. Using the partnership's objectives, agreement, memorandum of understanding etc., undertake an initial risk identification exercise to understand both the barriers to achieving the partnership's objectives and any potential opportunities. Guidance can be found in the Council's Risk and Business Continuity Handbook.
2. Record the risks on a risk register. For each risk identified, complete all sections of the register:
 - i. Cause, event and impact.
 - ii. Risk Owner.
 - iii. Inherent, actual and residual risk scores.
 - iv. Mitigating actions and controls.
 - v. Action owners and estimated completion dates.
3. Routinely (depending on the partnership governance cycle and level of risk exposure) each Risk Owner should review and update their risks. The Action Owner should update progress on the actions.
4. In line with the partnership's governance approach, high risks or risks causing concern should be reported to the Partnership Board. Risk should be a standing agenda item at Partnership Board and Team Meetings.

Equalities

The Council will ensure that any partnership arrangement it enters into meets the statutory requirements outlined in Equalities Legislation. The Council must ensure that Equality Impact Assessments are undertaken in relation to the functions and activities of the partnership as is appropriate and proportionate.

Auditing and Scrutiny Arrangements

The auditing and scrutiny arrangement for a partnership should be clear. The Council must ascertain where responsibility for these functions lies. This is particularly important if a partnership manages or allocates resources to its partners through any pooled or

alignment arrangements. These arrangements should be clearly referenced in any partnership agreement or terms of reference agreed.

Resources

Before entering into any partnership, the Council will give consideration to its ability to contribute effectively to the partnership. The Council will not enter into any new partnership where it considers it cannot fully and effectively contribute to its success. The Council will be mindful of the resource implications, particularly for staff, finance and operational assets, existing commitments and its corporate priorities in taking decisions on new partnerships and extending existing partnerships.

Information Sharing

The Council's Data Protection Policy will generally apply where Council business is concerned.

The Council will seek to secure an Information Sharing Protocol within a partnership and between partnership organisations. The Council will also have regard to any existing Data Sharing Statements that may have been agreed through the Northamptonshire Partnership.

Communications Strategy

Each individual partnership should adopt a communications strategy specific to the work of the partnership and in agreement with partners. Where appropriate, one organisation should be identified as the lead agency for partnership communications. The lead agency will be responsible for ensuring liaison with the communications functions within other partner organisations.

Consultation arrangements

A partnership may wish to undertake consultation, for example, on an issue or to help identify priorities. The Council will endeavour to ensure that any consultation programmes and publicity exercises for the Council, its partnerships and its partners are co-ordinated as effectively as possible. All partners may have their own consultation standards and it may therefore need to be agreed collectively how consultation activity is conducted. Refer to the NBC Consultation toolkit for support and advice on approaches and methodologies.

Reviewing Partnerships

Checking the viability and validity of continuing with any partnership must be reviewed on a regular basis as part of the ongoing service planning process.

The review process will either approve the continuation of the Council's involvement in the partnership, or propose that the Council withdraws.

If the proposal is to withdraw or end, the partnership Exit/Succession Strategy will then be referred to.

If the outcome is to continue with the partnership working, no further action is necessary.

Exit/Succession Strategy (When and How to leave a partnership)

Annual reviews should be undertaken where consideration to continue or cease with existing arrangements should be considered. Partnerships should have an Exit Strategy in place once agreement to withdraw has been given by the appropriate body.

Roles of Councillors and Officers

The Council will be represented on any agreed partnership by specified Councillors or officers. Each partnership that the Council is represented on will be allocated a sponsoring officer who (usually a Head of Service), although they may personally not be the representative on the partnership, they will be responsible for ensuring the delivery of this protocol in respect of the relevant partnership.

Any specified officers or Councillors attending approved partnerships will represent only the Council and no other organisation, unless by specific agreement of the Chief Executive (for officers) or the Leader in consultation with the Chief Executive (for Members). They shall abide by their respective Council Codes of Conduct at all times.

The terms of reference for any Council representative will include requirements for them to:

Act on behalf of the Council within specific parameters;

Ensure activities are coordinated across the Council to meet the Council's commitment to the partnership;

Seek agreement with Corporate Management Team/Head of Service or, if the Constitution requires it, the Council, for any new resources not already agreed or budgeted for.

Representation on any partnership does not permit any officer or Councillor to commit the Council to use resources not contained within approved budgets nor to act as a public spokesperson for the Council.

Legal Services can provide any necessary advice and guidance to its representatives on partnerships regarding potential liabilities for them and the Council, and on their responsibilities and accountabilities.

Appendix 1

Points to consider when Setting-up a Partnership

General

- Does the Council have the legal power to enter into the partnership arrangement?
- Is there any law or other provision that prevents the Council from entering into the partnership arrangement?

Written Agreement / Governing Document

All partnerships that the Council participates in must have a written agreement or governing document in place. It is necessary to have such a document to ensure that there is a shared understanding amongst partners about the purpose, aims and objectives of the partnership and about membership and accountability. It is important to appreciate that there is no single form of document that will be appropriate for all kinds of partnerships.

- Will the agreement take the form of a legally binding document or have the status of a statement of intent, memorandum of understanding or protocol? *(It should be noted that this Protocol is not applicable to contractual partnerships).*
- The main components of the agreement should:
 - Make the status of the partnership clear;
 - Include the Terms of Reference of the partnership (ie. the purpose of the Partnership and what it will do);
 - Define how the partners will work together; and
 - Set out the responsibilities of each of the partners.
- Other factors for consideration for inclusion in the agreement:
 - What powers will the partnership have?
 - Constitution of the Partnership:
 - What Council representation in the partnership will be required / is appropriate?
 - Officer representation?
 - Member representation?
 - Identification of substitute representatives?
 - How will the other partners be represented?
 - How will the partnership make decisions?
 - Will there be a partnership Board?
 - How will it make decisions? Eg. by simple majority vote, casting vote by chair?
 - Membership? Identity of Chair, secretary etc?
 - Will membership be reviewed? Any time limits on membership?

- Frequency of meetings?
 - Quorum?
 - Recording and distribution of minutes.
- Financial arrangements?
- Risk Management arrangements?
- How / when will the work of the partnership be reviewed?
- What mechanism will be used for dispute resolution?
- What provision is there to enable the Council to exit the partnership (in relation to both a planned and unplanned exit)?
- Have the potential liabilities of the partnership and the Council (if any) been identified?
- Is a mechanism to deal with complaints necessary?
- Is there a need for an information sharing protocol?
- Has equalities legislation been considered?
- What provisions will be included to enable review/variation of the agreement itself over time?

This list is not exhaustive. The content of the agreement will depend upon the status of the agreement itself and the partnership in question. Further, not all of the considerations listed above will be relevant to all types of partnership.

Delegated Powers

Will the persons representing the Council need delegated authority to take decisions on behalf of the Council? Do such people have the necessary delegated powers?

Legal Services should be contacted for advice in relation to all legal and governance issues.

Appendix 2
NORTHAMPTON BOROUGH COUNCIL

PARTNERSHIP REGISTRATION FORM

This form needs to be completed for all partnerships that the Council is involved in, whether the Council is the lead authority or a member.

Once completed the form should be sent to the **Democratic and Chief Executive Services Manager** where it will be logged on the Council's Partnerships Register. A copy of this form should also be kept by your department.

SECTION 1 – DETAILS OF PERSON COMPLETING THE REGISTRATION FORM.

Name:	
Title:	
Directorate:	
Extension :	
Role in the partnership: (E.g. representative, chair, sponsor or manager)	

SECTION 2 – DETAILS OF THE PARTNERSHIP

Name of Partnership:	
Role of the Council:	Lead Member: Yes/No Representative: Yes/No Other (please describe):
Representatives- Councillors- how many and who: Officers- how many and who:	
Contribution of the Partnership towards the Council's Corporate Plan <i>(Please list those elements of the Corporate Plan to which the partnership contributes. Use the terminology used in the Corporate Plan)</i>	
List other partners and Name of Organisation Leading the Partnership	
	Page 22

<p>Resources committed to the partnership.</p> <p>Financial (<i>how much and in what form e.g., grant, diversion of existing budgets etc</i>)</p> <p>Officer resource (<i>who and estimate time</i>)</p> <p>Other (<i>including in kind such as administrative support, office accommodation, postage, photocopying, printing or equipment such as computers</i>)</p>	
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SECTION 3 – RISK ASSESSMENT

<p>Does the Partnership have a risk register? If not, please state why</p>	
<p>Who is responsible for managing risk for the partnership?</p>	

Signed.....

Date.....

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AUDIT COMMITTEE REPORT

Report Title	Risk Management Overview
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AGENDA STATUS: PUBLIC

Meeting Date:	25 th July 2011
Directorate:	Finance and Support
Accountable Cabinet Member:	Cllr Alan Bottwood
Ward(s)	Not Applicable

1. Purpose

- 1.1 To provide an introduction to the Council's Risk Management function and to update on progress in Risk and Business Continuity Management across the authority.

2. Recommendations

- 2.1 To note recent progress in Risk and Business Continuity Management across the authority.

3. Issues and Choices

3.1 Report Background

- 3.1.1 To provide an introduction to the Council's Risk Management function.

3.2 Issues

- 3.2.1 The Risk Manager will provide a verbal outline of the Council's Risk Management Function, covering key processes and procedures to the Committee. An highlevel overview to risk management is attached at **appendix A**.
- 3.2.2 Over recent months the Strategic Risk Register has undergone a significant refresh. The following definition was used for guidance in identifying strategic risks, 'strategic risks are those risks concerned with ensuring overall business

success, vitality and viability'. The current version of the Strategic Risk Register is attached for information – **appendix B**.

- 3.2.3 The Council's Risk Appetite was reviewed and updated by Management Board in May. A definition of 'risk appetite' is the level of residual risk the Council is willing to accept in order to achieve its corporate objectives. Management Board agreed that the Council's risk appetite was over-cautious and needed adjusting to reflect the Council's entrepreneurial and innovative in approach to exploring opportunities and in the current economic climate, where managed risk taking is an inevitable by-product of the tough decisions facing the Council, along with the need to target resource more effectively.
- 3.2.4 Risk management is one element of good partnership governance and contributes to partnerships achieving the objectives they set out to deliver, whilst protecting the interests of the individual partners and stakeholders. The Risk Manager has been working with the Council's Partnerships Group to ensure risk management is adequately covered within the Partnership Protocol to meet the Council's requirements. The protocol is now complete and available on the intranet.
- 3.2.5 Significant improvements to Risk Management within the Council's key projects has been seen over recent months. Risk Management forms part of the Council's Project Governance requirements and a large number of the Council's key projects can evidence excellent risk management arrangements. The Risk Manager is a member of the Council's Project Initiation Group which enables support and guidance to be provided to projects in their very early stages of initiation.
- 3.2.6 The Risk Manager is in the process of developing the Corporate Business Continuity Plan. Part of this process involves updating the Council's Critical Functions. Once a draft is complete, a report, seeking final approval, will go to Management Board.
- 3.2.7 Many Service Continuity Plans require a significant update following the recent move from Cliftonville House. The Risk Manager has contacted Heads of Service to remind them of the need for updates and a deadline has been set for all plans to be reviewed by the end of July.
- 3.2.8 On 7th July the Council ran an internal desktop exercise to test the Council's emergency arrangements. The exercise incorporated some tough Business Continuity challenges and provided some excellent lessons-learned for teams to take away with them.

3.3 Choices (Options)

- 3.3.1 To suggest any additional areas to cover in future updates.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 None.

4.2 Resources and Risk

4.2.1 This report provides an update on the progress being made to ensure that risk and business continuity management arrangements are in place across the Council.

4.3 Legal

4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 The Director of Finance and Support and the Head of Finance have been asked to comment on this report.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Providing an early warning system to alert Officers and Members to potential opportunities and threats.

4.6.2 Targeting resources at areas and issues of greatest risk where the Council's objectives are most under threat.

4.6.3 Reduction in interruptions to service delivery.

4.6.4 Continuity of critical Council activities.

4.6.5 Enabling the Council to act proactively, avoiding reactive management wherever possible.

4.6.6 Protecting and enhancing the reputation of Northampton Borough Council.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

Appendix A – Introduction to Risk Management

Appendix B – The current Strategic Risk Register (please print in colour on A3 paper)

Sue Morrell
Corporate Risk and Business Continuity Manager, ext 8420

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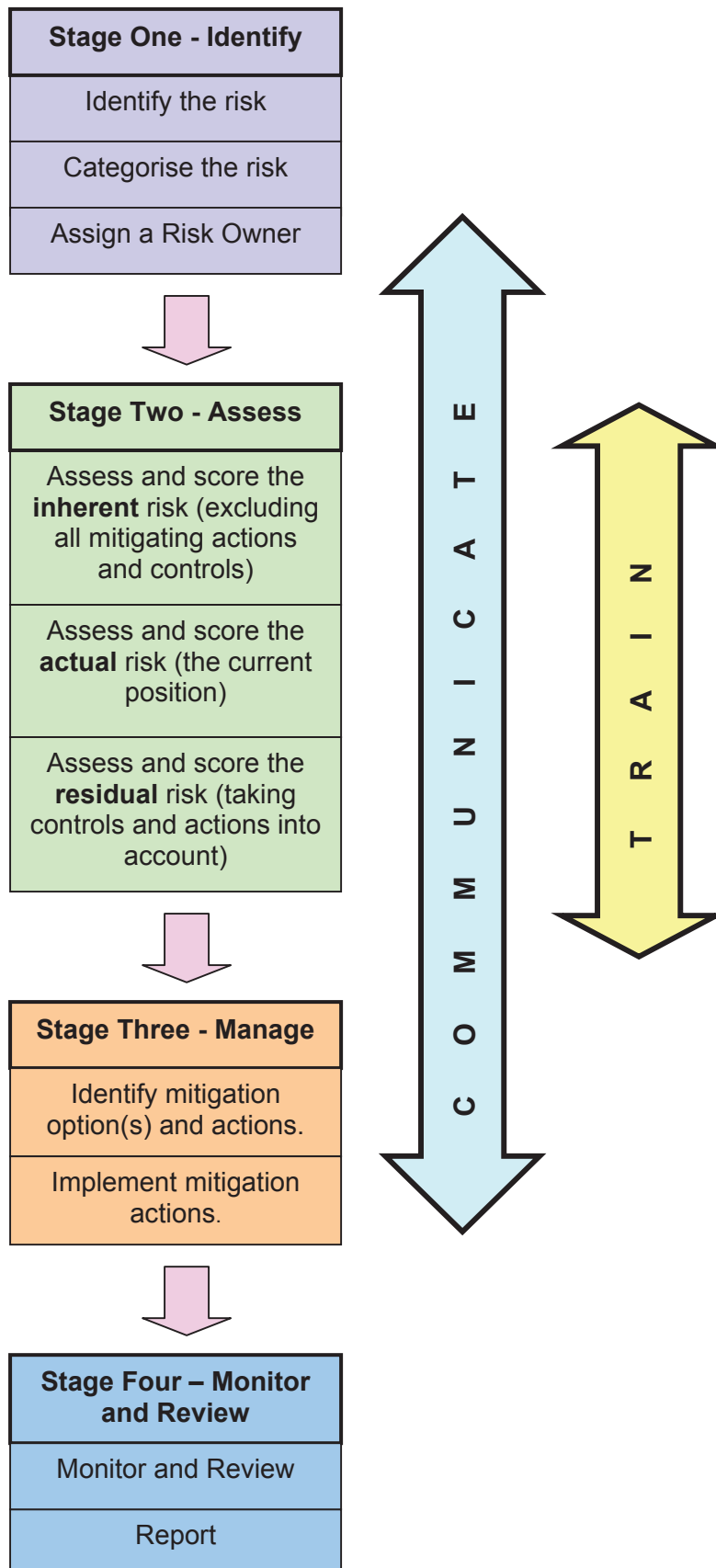
Introduction to Risk Management

Audit Committee

25th July 2011

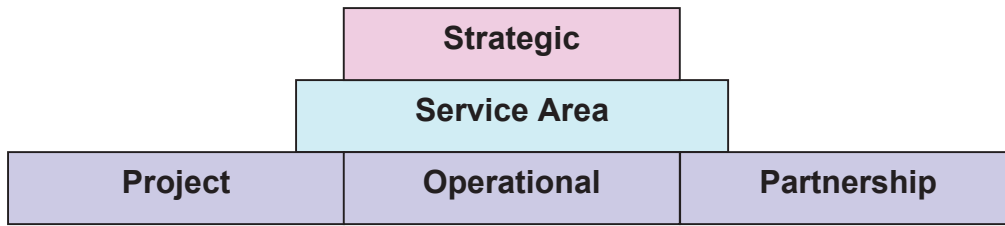
For support with Risk Management please contact Sue Morrell – Corporate Risk Manager
Ext. 8420 or smorrell@northampton.gov.uk

1. The Risk Management Process



A risk is an uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives.

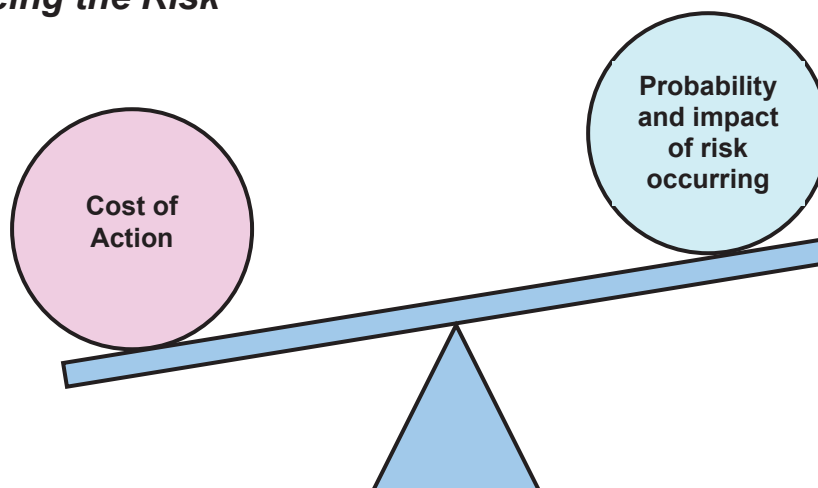
2. Levels of Application at NBC



3. Scoring Matrix

Impact	5 <i>Catastrophic</i>	5	10	15	20	25	Risk appetite ↓
	4 <i>Major</i>	4	8	12	16	20	
	3 <i>Moderate</i>	3	6	9	12	15	
	2 <i>Minor</i>	2	4	6	8	10	
	1 <i>Insignificant</i>	1	2	3	4	5	
		1 <i>Rare</i>	2 <i>Unlikely</i>	3 <i>Possible</i>	4 <i>Likely</i>	5 <i>Almost certain</i>	
		Probability					

4. Balancing the Risk



5. Risk Register Template

Category	Risk Owner	Risk Cause (as a result of)	Risk Event (there is a risk that)	Risk Impact (which may result in)	Inherent Risk Scores (assume no controls)			Mitigation Actions and Controls	Actual Risk Score (current position)			Residual Risk Scores			Action Owner	Action Completion Date
					Impact (1-5)	Probability (1-5)	Score I x P		Impact (1-5)	Probability (1-5)	Score I x P	Impact (1-5)	Probability (1-5)	Score I x P		

ID	Risk Owner	Risk Lead	The Risk (there is a risk that)	Risk Cause (as a result of)	Risk Impact (which may result in)	Inherent Risk Scores (assume no controls)		Mitigation Actions and Controls		Actual Risk Scores (current position)		Residual Risk Scores (after mitigating actions and controls)		Action Due Date	Progress Update and Estimated Completion Date	Date Action Completed		
						Impact (1-5)	Probability (1-5)	Score (I x P)	Impact (1-5)	Probability (1-5)	Score (I x P)	Impact (1-5)	Probability (1-5)				Score (I x P)	Score (I x P)
SR1	David Kennedy	Isabell Procter	Failure to deliver a balanced and deliverable budget.	Council unable to deliver sufficient savings to balance budget.	Inability to set a legal budget. Savings options being implemented which are not thoroughly thought through or will have significant impact on services and people of Northampton.	5	4	20	Apply reserves to balance the budget. Bring forward plans for following financial year with aim of implementation six months into financial year.	5	2	10	3	2	6	31st March 2011	A balanced 3 year budget was presented to Full Council and approved on 28/02/11. The budget will be closely monitored during 11/12, particularly in light of potential changes following the local elections.	28th Feb 2011
SR2	David Kennedy	Cara Boden	The organisation fails to deliver its responsibilities.	Service delivery failure. Effectiveness and capacity of Senior Management.	Financial implications. Sustainability of organisation. Reputational impact.	5	4	20	1.Strong programme management and governance. 2.Effective corporate performance monitoring. 3.Appropriate constitutional governance. 4.Effective leadership capacity - recruitment and retention of appropriately skilled and capable Senior Management. 5.Effective financial management. 6.Strong external communications plan.	5	3	15	5	2	10	1b. Summer 11/12. 2.Ongoing 3.14/03/11. 5.Ongoing 6.Ongoing	1a. Programme management and governance protocols rolled out across the organisation. These need reviewing once the change plan is updated and further developed. 1b. Further training planned for the organisation to embed the practices. 2.Effective corporate performance monitoring is in place. 3.Constitution approved 14/03/11. 4.A review of Senior Management has been instituted to consider the right senior management arrangements and capacity for the next stage of the Council's improvement journey. This is at informal consultation stage and will be moving to formal consultation in due course. 5.Arrangements are in place. The effectiveness of the financial management processes is tested by both internal and external audit. A fully balanced budget was set for 2011/12. A full review of financial processes will be undertaken in 2011/12. 6.A fully developed external communications plan is in place and will be updated as and when required.	1a. August 2010. 3. Completed 14 March 2011. 5. 31st March 2011
SR3	David Kennedy	Lesley Wearing	The plans for improving Northampton are not delivered.	Changes in Government strategies and legislation. Disengagement by partners. Impact of current economic climate. Loss/reduction of Government funding. Housing Strategy not delivered. Housing Asset Management and Delivery Strategy not delivered. Loss/reduction of Government funding for Regeneration sites. Community Safety, also partner organisations. Investment in town centre attracted elsewhere due to policy departures.	Damage to Council's reputation. Resources diverted elsewhere. Loss of skills and expertise. Decent homes standard not met. People living in inadequate and unsuitable accommodation. Housing stock becomes more expensive to maintain. Crime and offending increases. Regeneration sites remain undeveloped, the town's reputation as an investment location reduces.	4	4	16	Performance management and monitoring in place. Leadership team and capacity in place. 1.Strong implementation plan and programme in place to deliver Housing Strategies. 2.Review of the Community Safety Strategy underway - aims to identify, develop and implement initiatives to reduce crime and disorder in the town. 3.Sound planning policies in place, robust project management and strong partnership working to lever in available funds.	4	3	12	4	2	8	2.31/05/11	1. Decent Homes Backlog bid submitted and successful. This has secured £49m for Decent Homes although funding in years 3 and 4 are subject to review. This will be sufficient to deal with all non-decency up to 2012 and the HRA reforms are intended to resource the Council to deal with non-decency after 2012. HRA Business Planning process underway to verify this and to identify need and resources available to the HRA. This will be completed by the end of 2012 as all figures issued by CLG are subject to confirmation. 2.Action plan under consultation, Business Support Group to consider on 10th May in order to finalise for agreement at the CS Board on 18th May. 3.On target to put a sound planning policy framework in place in accordance with the LDS timetable.	1.Christine Ansell. 2.Steve Elsey. 3.Sue Bridge
SR4	David Kennedy	Francis Fernandes	Failure of governance processes to facilitate the direct desired outcomes.	Lack of clear documented governance procedures, understanding and application.	Financial implications. Legal action. Reputational impact.	5	4	20	Gap analysis of strategic governance procedures together with a review of key governance documents, for example, the Constitution.	5	3	15	5	2	10	Francis Fernandes	Gap analysis to commence after new Constitution is approved - Commence May 2011.	

Strategic Risk Register

ID	Risk Owner	Risk Lead	The Risk (there is a risk that)	Risk Cause (as a result of)	Risk Impact (which may result in)	Inherent Risk Scores (assume no controls)		Mitigation Actions and Controls		Actual Risk Scores (current position)		Residual Risk Scores (after mitigating actions and controls)		Action Due Date	Progress Update and Estimated Completion Date	Date Action Completed		
						Impact (1-5)	Probability (1-5)	Score (I x P)	Impact (1-5)	Probability (1-5)	Score (I x P)	Impact (1-5)	Probability (1-5)				Score (I x P)	
SR5	David Kennedy	Cara Boden	The Council fails to exceed its goals and aims and make the best use of resources (assets, people, technology).	Non-delivery of key Strategic Business Reviews. Holding non-performing assets and assets that are not in line with our Asset and Capital Strategies. Not developing our use of technology and new ways of working.	Reduced efficiency and productivity. Failure to achieve and exceed desired aims and goals. Additional costs to the Council for holding assets that are not in line with the Councils Strategies. Damage to the Councils reputation. Failure to improve accessibility to services. Flexibility of working not delivered.	5	3	15	1. Undertaken a strategic review on the ownership and purpose of retaining assets. Cabinet Report due outlining the findings on retain or sell. Asset Management Strategy in place, linked to Capital Management Strategy. Corporate Asset Board in place. 2. The Council recognises people as our most valuable asset. Strategic Review undertaken on new ways of working to ensure maximum efficiency. People Strategy in place. Continue to develop staff in new ways of working. Linked to better use of technology and working in partnership with other agencies. 3. Projects supporting effective use of assets include - IP telephony, Hot Desking, Virtual Contact Centre, Redevelopment of the One Stop Shop, Chanel Shift, Work Flow Management.	5	2	10	5	1	5	1. Strategic review on the ownership and purpose of retaining assets completed in 2010. Cabinet Report July 2010 approved the findings and four franchises of property disposals approved by Cabinet in 2010/11. Further disposals to be completed in 2011/12. Corporate Asset Management Strategy 2010 -2013 adopted and linked to Capital Management Strategy. Corporate Asset Board in place and meeting regularly. 2. New Ways of working and culture change programme to this moving forward. Review of People Plan 11/12. 3. The redevelopment of the OSS is currently on schedule with Phase 1 opened in April 11 and Phase 2 (self-serve area) due to open in late May 11. Customers will have assisted self-service. The IP Telephony Project is on track -June 11. The virtual contact centre project is on track and will be completed by June 11. A channel shift strategy has been developed and adopted, channel shift promotion is taking place between March and July 11. All council tax bills have been published with log-on details for payers to register for electronic billing. EDRMs and CRM are scheduled for PIG in May 11	2.31/03/12	



AUDIT COMMITTEE REPORT

Report Title	TREASURY MANAGEMENT OUTTURN 2010-11
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	25 July 2011
Policy Document:	Yes
Directorate:	Finance & Support
Accountable Cabinet Member:	Alan Bottwood

1. Purpose

1.1 To put the Treasury Management Outturn Report for 2010-11 before Audit Committee for review prior to it being put to Cabinet on 27 July and Council on 12 September 2011 and to invite Audit Committee to put forward comments or recommendations as they think appropriate.

2. Recommendations

2.1 That Audit Committee:

- a) Review the Treasury Management Outturn Report for 2010-11 before Audit Committee for review prior to it being put to Cabinet on 27 July and Council on 12 September 2011
- b) Put forward recommendations and comments to be tabled at Cabinet as they think appropriate.

3. Issues and Choices

3.1 Report Background

3.1.1 A report was brought to Audit Committee on 22 March 2010 that explained new regulatory requirements for the Council to place greater emphasis on the scrutiny of treasury management strategies and policies. Under these arrangements the Audit Committee has been nominated by Council as the

body responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices. This role includes the review of all treasury management policies and procedures, the review of all treasury management reports to Cabinet and Council, and the making of recommendations to Council.

3.2 Issues

Treasury Management Outturn Report 2010-11

- 3.2.1 The Council's Treasury Management Outturn Report for 2010-11 is attached at Appendix A. This comprises a report and annexes (A to G). This report is timetabled to go to Cabinet on 27 July 2011 and Council on 12 September 2011.
- 3.2.2 Audit Committee are asked to review the report and to put forward recommendations and comments to Cabinet as they think appropriate.

3.3 Choices (Options)

- 3.3.1 Audit Committee have the option to comment on the areas considered in the report and to make recommendations to Officers and to Cabinet.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 The updated CIPFA Treasury Management Code of Practice (published in 2009) requires the Council to place greater emphasis on the scrutiny of treasury management strategies and policies. This includes the nomination of the body (such as an audit or scrutiny committee) responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices. Council has nominated the Audit Committee for this role, which includes the review of all treasury management policies and procedures, the review of all treasury management reports to Cabinet and Council, and the making of recommendations to Council.

4.2 Resources and Risk

- 4.2.1 As set out in the attached Cabinet report – Treasury Management Outturn 2010-11

4.3 Legal

- 4.3.1 As set out in the attached Cabinet report – Treasury Management Outturn 2010-11

4.4 Equality

4.4.1 As set out in the attached Cabinet report – Treasury Management Outturn 2010-11

4.5 Consultees (Internal and External)

4.5.1 As set out in the attached Cabinet report – Treasury Management Outturn 2010-11

4.6 Other Implications

4.6.1 As set out in the attached Cabinet report – Treasury Management Outturn 2010-11

5. Background Papers

As set out in the attached Cabinet report – Treasury Management Outturn 2010-11

Report Author: Bev Dixon, Finance Manager (Treasury), ext 7401

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CABINET REPORT

Report Title	TREASURY MANAGEMENT OUTTURN 2010-11
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	27 July 2011
Key Decision:	NO
Listed on Forward Plan:	YES
Within Policy:	YES
Policy Document:	NO
Directorate:	Finance and Support
Accountable Cabinet Member:	Alan Bottwood
Ward(s)	Not Applicable

1. Purpose

- 1.1 To inform the Cabinet of the Council's performance in relation to its borrowing and investment strategy for 2010-11.

2. Recommendations

- 2.1 That Cabinet recommend to Council that they note the Council's treasury management performance in 2010-11.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Council adopted the latest version of the CIPFA Code of Practice on Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes ("the Treasury Management Code of Practice") following its publication in 2009.
- 3.1.2 The Treasury Management Code of Practice includes recommendations on reporting requirements. The table below shows how the specific requirements have been incorporated into this report.

Reporting Requirement	Reference
Report on the risk implications of decisions taken and transactions executed	Paragraph 3.2.6
Transactions executed and their revenue (current) effects	Paragraph 3.2.7 to 3.2.10 Annexes B to F
Performance report	Paragraph 3.2.7 to 3.2.10 Annexes B to F
Monitoring of treasury management indicators for local authorities.	Paragraph 3.2.11 to 3.2.12 Annex G
Compliance report on agreed policies/practices and on statutory/regulatory requirements	Paragraph 3.2.13

3.2 Issues

Accounting & Audit Issues

- 3.2.1 The 2010 CIPFA Code of Practice on Local Authority Accounting includes a complex set of regulations on accounting for financial instruments. These requirements have been fully complied with in the preparation of the Council's Statement of Accounts.
- 3.2.2 The regulations include the values at which financial instruments, including borrowing and investments, should be calculated for inclusion on the balance sheet at year-end. In some instances, this is at amortised cost, whereby the balance sheet value is written up or down via the comprehensive income and expenditure account over the life of the instrument to reflect costs or benefits, such as transaction costs or interest earned or due to date. Alternatively, financial instruments may be valued at their original cash value
- 3.2.3 In summary, and broadly speaking, the balance sheet values of the Council's debt and investments at 31 March 2011 are shown in the following ways:

Borrowing (Financial Liabilities)	
Long term borrowing	Amortised cost
Short term borrowing	Original (cash) value
Investments (Financial Assets)	
Deposit and call accounts (cash equivalents)	Original (cash) value
Money market funds (cash equivalents)	Original (cash) value
Short term money market investments up to three months duration (cash equivalents)	Original (cash) value
Short term money market investments over three months duration	Amortised cost

3.2.4 Outturn figures relating to borrowing and investments are shown and discussed at paragraphs 3.2.7 to 3.2.9 below, and at Annexes B, C and D. All outturn figures contained in this report are subject to external scrutiny, through the annual audit by the Audit Commission of the Council's Statement of Accounts

Economic Environment and Interest Rates

3.2.5 2010-11 has brought further significant changes in the economic environment and the trend of low interest rates has continued throughout, against a background of a Bank of England base rate that has remained consistently at 0.5% throughout the year. Commentary on the economic environment and interest rates provided by Sector, the Council's treasury management advisers, is included at **Annex A1**. Definitions of the key terms used (Bank of England base rate, LIBID rate, LIBOR rate) and an analysis of interest rate movements in the year are included at **Annex A2**.

Risk implications of decisions taken and transactions executed

3.2.6 The Treasury Management Code of Practice identifies eight main treasury management risks. Definitions of these are included in the Council's Treasury Management Practices (TMPs) for 2010-11 reported to Cabinet on 24 February 2010 & Council 25 February 2010. The management of these risks during 2010-11 is covered in the following paragraphs.

a) Credit and counterparty risk – In the economic and banking environment that prevailed during 2010-11, this was an area of considerable risk for all local authority investors. The Council managed this risk extremely closely during the year through strict adherence to its treasury management policies and practices and a tightly controlled counterparty list that took into account a range of relevant factors including sovereign rating, credit ratings, inclusion in the UK banking system support package and credit default swap spreads. The advice of the Council's treasury management advisers was also an underlying feature. The Council was not subject to

the failure of any of its counterparties to meet their contractual obligations to the Council under treasury transactions during 2010-11.

- b) Liquidity risk – This was managed effectively during 2010-11 through proactive management of the Council's cashflow, including the choice of suitable investment values and maturity dates and the maintenance of sufficient levels of liquid cash in bank and deposit accounts. The Council also maintained its access to overdraft facilities and temporary borrowing facilities as a contingency for use in exceptional circumstances. The Council undertook no long- or short-term borrowing during 2010-11.
- c) Interest rate risk - The Council's upper limits for fixed and variable interest rate exposures in respect of net external debt are managed as treasury indicators. These are reported at **Annex G**. A technical breach of the treasury indicator for fixed rate interest rate exposure was reported to Council on 15 September 2011. This was due to the existing long term investments over 365 days falling out of the investment portfolio and being replaced with shorter term investments due to the prevailing economic conditions and interest rate environment. At the same meeting the Council approved a change to the original indicator from zero to £10m for the remainder of 2010-11.
- d) Exchange rate risk - The Council has a policy of only entering into loans and investments that are settled in £ sterling, and has no treasury management exposure to this category of risk.
- e) Refinancing risk – The Council did not refinance any of its debt during 2010-11 and was therefore not exposed to this category of risk during the year.
- f) Legal and regulatory risk - The Council has carried out its treasury management activities for 2010-11 within the current legal and regulatory framework. Officers responsible for strategic and operational treasury management decisions are required to keep abreast of new legislation and regulations impacting on the treasury management function, and have applied any changes as necessary. Legal and regulatory risks associated with other organisations with which the Council deals in its treasury management activities have been managed through counterparty risk management policies.
- g) Fraud, error and corruption and contingency management - Officers involved in treasury management are explicitly required to follow treasury management policies and procedures when making investment and borrowing decisions on behalf of the Council. All treasury activities must be carried out in strict accordance with the agreed systems and procedures in order to prevent opportunities for fraud, error and corruption. The measures in place to ensure this include a scheme of delegation and segregation of duties, internal audit of the treasury function, detailed procedure notes for dealing and other treasury functions, and emergency and contingency planning arrangements (including a business continuity plan for treasury management). The most recent internal audit report on

treasury management (2009-10) gave a high level of assurance with no recommendations for action.

- h) **Market risk** – The Council did not hold any investments during 2010-11 that were subject to fluctuations in market value, such as gilts, CDs (Certificates of Deposit) and bonds, and was therefore not exposed to this category of risk during the year. However, the Council does have deposits placed in a Money Market Fund, whereby the underlying assets of the fund are subject to capital fluctuations. The movements in capital are as a result of interest rate risk and credit risk. The structure of the fund minimises the movement of capital value due to the restrictions laid down by the credit rating agencies.

Performance Report - Borrowing

3.2.7 Long Term Borrowing

- a) **Annex B** shows the Council's long-term debt as at 31 March 2011 at amortised cost. The total debt outstanding is £32m. Of this amount, 77% (£24.8m) is in the form of money market LOBO loans, 19% (£6m) is PWLB borrowing and the remaining balance of 4% (£1.2m) is in the form of an annuity loan with the Homes and Communities Agency (HCA).
- b) No loans were repaid during the year other than the scheduled repayment of the principal element of the annuity with HCA (£16k) due in 2010-11. The principal amount due to HCA in 2011-12 (£17k) is treated as short-term borrowing and is included in the discussion at paragraph 3.2.8 below.
- c) No new borrowing or rescheduling of loans took place during the financial year.
- d) Under Section 3 of the Local Government Act 2003, the Council is required to set an annual affordable borrowing limit. This limit is also set as a prudential indicator, i.e. the authorised limit for external debt. The affordable borrowing limit for 2010-11 was set by Council at its meeting on 25 February 2010.

Compliance is demonstrated below:

	Affordable Borrowing Limit as set 25 February 2010	Maximum Actual Amount Outstanding in Year
Overall Borrowing	£50m	£32m

- e) **Annex C** illustrates the Council's long-term debt maturity profile as at 31 March 2011.

Two LOBO loans totalling £15.6m are due for repayment in 2014-15. Rescheduling of these loans is not available unless the lender opts to increase rates at the six monthly call date, which is not anticipated in the current interest rate environment. Options for the repayment and, if

applicable, refinancing of these loans will be fully considered and evaluated as their maturity date approaches, and advice taken from Sector, the Council's treasury management advisor.

3.2.8 Short Term Borrowing

- a) The year-end position on temporary borrowing, and the range of rates applied, is set out at **Annex D**.
- b) The Council has long-standing agreements with two local organisations, Billing Parish Council and Northampton Volunteering Centre, for the short-term deposit of funds with the Council. Accounting regulations require that these be treated in the accounts as short-term borrowing. The interest rate applicable on these accounts is set quarterly using the Council's average investment rate for the previous quarter, less 0.5% to cover administrative costs.
- c) The repayment of the principal element of the HCA annuity (£17k) due in 2011-12 is also treated as short term borrowing in the accounts in order to comply with accounting requirements.

Performance Report - Investments

3.2.9 Investments Strategy

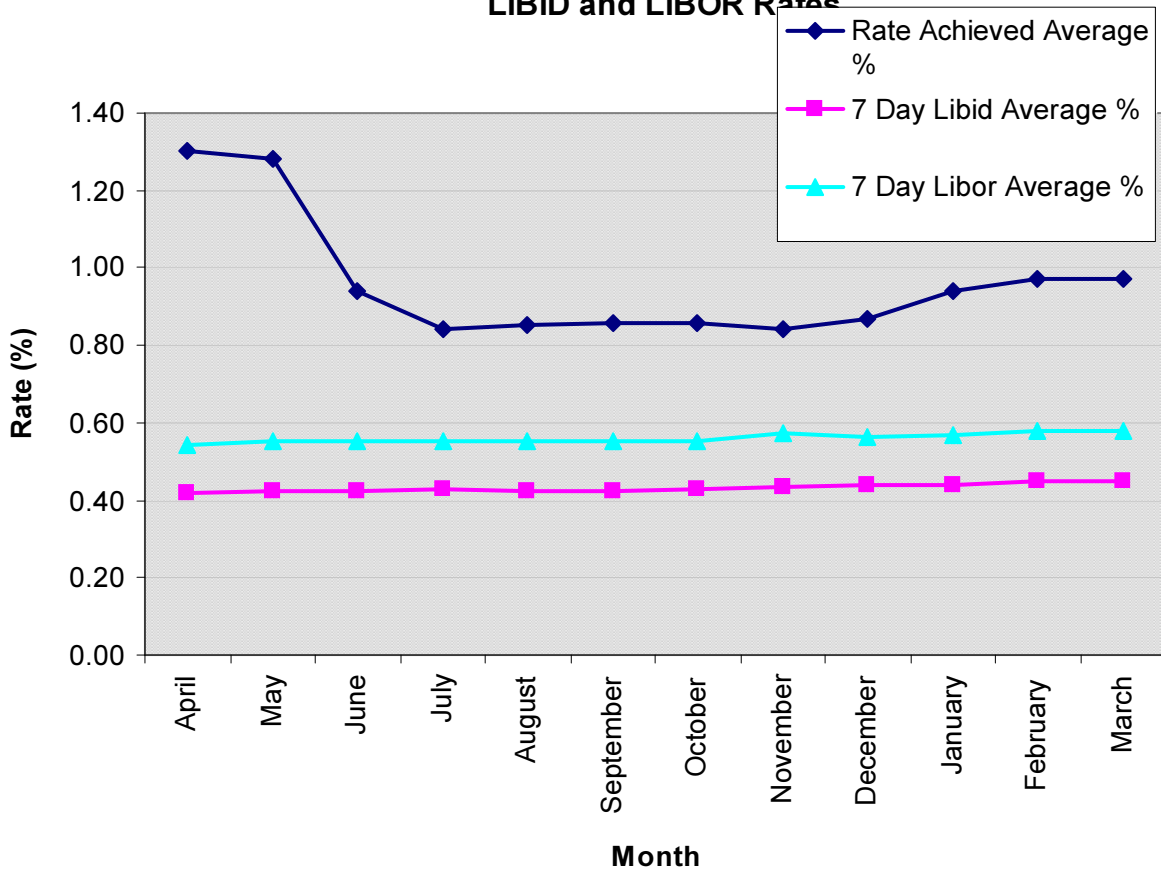
- a) The CLG Guidance on Local Government Investments requires Councils to set an Investment Strategy. The regulations in force for 2010-11 required this to cover types of investment, liquidity issues, interest rates and prudential indicators. The Council's Investment Strategy for 2010-11 was included in the Treasury Strategy for 2010-11, approved by Council at its meeting on 25 February 2010.
- b) Investments are split into 2 categories:
 - (i) Specified investments which are broadly sterling investments, not exceeding 364 days and with a high credit rating; and
 - (ii) Non-specified investments that do not satisfy the conditions for specified investments.
- c) The Council's Investment Strategy for 2010-11 set out the Council's credit rating criteria for specified investments, and the types of unspecified investments that it might enter into, including investments over 364 days.
- d) Investments and deposits are made only with financial institutions that meet identified minimum credit criteria that includes, but is not entirely dependent on, external credit ratings, including sovereign ratings. Investments periods are determined in line with the maximum periods recommended by Sector, the Council's treasury management advisor. In addition, the Investment Strategy imposes Council specific value and investment period limits for each category of approved counterparty.

- e) In August 2010, the Chief Finance Officer approved a change to the Investment Strategy, extending the range of counterparties available for investments over 364 days. This was in order to reduce the risk that the Council could be unable to take advantage of preferential interest rates for long-term investments if they arose. This change was reported in the treasury management mid-year report to Cabinet on 15 December 2010 and Council on 17 January 2011.
- f) The maximum limits for placements with individual or group counterparties are £15m and 729 days for UK nationalised or part nationalised banking institutions and UK banks or building societies supported by the UK banking system support package, and £12m and 729 days for counterparties having sovereign ratings of AAA (Overseas or UK). Lower limits apply in many instances depending on credit ratings and other factors specific to each institution.
- g) Instant access deposit accounts and call accounts continued to be used during 2010-11 to ensure liquidity and security of funds. The rates on offer on these accounts have also been attractive compared with short-term money market rates for investments up to 6 months. The average balance in deposit and call accounts throughout the year was £15m, representing 19% of the overall investment portfolio.
- h) In July 2010, the Chief Finance Officer gave approval for the use of triple-A rated money market funds. These have the benefits of high credit rating, high liquidity, easy access to funds, portfolio diversification, competitive returns, and administrative convenience. In October 2010, the Council opened a triple-A rated money market fund with Ignis, making an initial deposit of £5m in December 2010.
- i) The total value of investments held at 31 March 2011, at amortised cost for money market investments and cash values for deposit accounts, was £79.5m. All investments were placed with reference to the pre-determined lending list, in line with the investment strategy. The breakdown of investments at year-end is shown in the table below:

Investment Type	Balance at 31 March 2011 £m
<i>Cash & cash equivalents</i>	
Deposit and call accounts	21.4
Money Market Funds	5.0
Bank & Building Society investments up to 3 months	9.0
<i>Current investments under 1 year</i>	
Bank & Building Society investments < 1 year	38.1
Local authority investments < 1 year	6.0
Total	79.5

- j) Most short-term investments were held for cashflow purposes. 77 money market investments were made during the year (excluding instant access deposit accounts). The range of investment periods was from 16 days to 364 days (1 year). The average investment period was 146 days.
- k) **The graph below** shows the analysis of the Council's performance on investment returns by plotting the Council's average monthly investment rate achieved against the average 7 day London Interbank Bid Rate (LIBID), and the average 7 day London Interbank Offered Rate (LIBOR). More detail is shown at **Annex E**. The average rate achieved was above the target rates, at 0.96% compared to 0.43% LIBID, and 0.56% LIBOR. The differential to LIBID represents a value of £5,300 per £1m invested per annum.

Average Temporary Investment Rate Achieved Against 7 Day LIBID and LIBOR Rates



l) A number of two year investments entered into in the first quarter of 2008, when interest rates were high, enabled the Council to achieve a significant variance above the LIBID rate at the beginning of the year. The Council's rate of return then fell as these investments matured and the funds were reinvested at prevailing lower rates. Performance stabilised during the mid part of the year at just above 0.4% over LIBID, rising to just over 0.5% over LIBID for the final quarter.

m) The Council does not hold any financial instruments listed or publicly traded on a stock exchange.

Performance Report - Debt Financing Budget Outturn

3.2.10 Annex F shows the budget, outturn and variance for the Council's debt and investment portfolio in 2010-11. This demonstrates the revenue (current) effects of the treasury transactions executed. A summary is set out below:

Budget Comparison	Approved Budget 2010-11 £000	Outturn 2010-11 £000	Variance 2010-11 £000
Debt Financing & Interest	2,358	879	(1,479)

The main features of the outturn variance are as follows:

- £1,117k backdated interest on a refund from HMRC on overpaid VAT in previous years
- £185k reduction in Minimum Revenue Provision (MRP) due to refinancing of capital expenditure in previous years from borrowing to capital receipts
- £183k over budget on interest earned on temporary investments (net of recharge for HRA cash balances) due to higher than budgeted cash balances and interest rates achieved.

Prudential Indicators and Treasury Management Indicators

3.2.11 Throughout the course of the year, the Council's treasury staff have monitored the prudential Indicators and the treasury management indicators set for 2010-11. The outturn indicators are shown at **Annex G**. Figures are shown at original (cash) value rather than amortised cost, in line with the requirements of the Prudential Code.

3.2.12 A technical breach of the treasury indicator for fixed rate interest rate exposure was reported to Council on 15 September 2011. This was due to the existing long term investments over 365 days falling out of the investment portfolio and being replaced with shorter term investments due to the prevailing economic conditions and interest rate environment. At the same meeting, the Council approved a change to the original indicator from zero to £10m for the remainder of 2010-11.

Compliance with agreed policies and practices, and statutory and regulatory requirements

3.2.13 The Council's officers and members have individual and collective responsibilities to comply with agreed policies and practices and statutory and regulatory requirements. These are set out in detail in the Schedules to the Council's Treasury Management Practices (TMPs). There were no recorded breaches of these responsibilities during 2010-11.

3.3 Choices (Options)

3.3.1 That the Portfolio Holder for Finance recommends to Council that they note the Council's Treasury Management Performance in 2010-11.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The Council is required to adopt the latest CIPFA Treasury Management Code of Practice, and to set and agree the following policy and strategy documents:

- a) A Treasury Management Policy Statement
- b) Treasury Management Practices (TMPs) and TMP Schedules
- c) An annual Treasury Strategy incorporating:

(i) The Capital Financing and Borrowing Strategy for the year including:

- The Council's policy on the making of Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008.
- The Affordable Borrowing Limit for the year as required by the Local Government Act 2003.

(ii) The Investment Strategy for the year as required by the CLG Guidance on Local Government Investments issued in 2004, and updated in 2010.

d) A mid-year review report and an annual review report of the previous year.

With the exception of those at (d) above, these policy documents are reported to Cabinet and Council as part of the budget setting process. The Council's Treasury Strategy for 2010-11 was approved by Council at its meeting on 25 February 2010.

4.1.2 The updated CIPFA Treasury Management Code of Practice (published in 2009) required the Council to place greater emphasis on the scrutiny of treasury management strategies and policies. This includes the nomination of the body (such as an audit or scrutiny committee) responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices. The Audit Committee has been nominated for this role, which includes the review of all treasury management policies and procedures, the review of all treasury management reports to Cabinet and Council, and for making recommendations to Council.

4.2 Resources and Risk

4.2.1 The resources required for the Council's debt management and debt financing budgets are agreed annually through the Council's budget setting process. The debt financing budget outturn position is shown at paragraph 3.2.10 and **Annex F**.

4.2.2 The risk management of the treasury function is an integral part of day-to-day treasury activities. It is also specifically covered in the Council's Treasury Management Practices (TMPs), which are reviewed annually.

4.2.3 The risk implications of decisions taken and transactions executed during 2010-11 financial year are discussed in the body of the report at paragraph 3.2.6.

4.3 Legal

4.3.1 The Council is obliged to carry out its treasury management activities in line with statutory requirements and associated regulations and professional

guidance. The relevant legislative and regulatory documents are referred to within the report and listed in the background papers.

4.4 Equality

- 4.4.1 An Equalities Impact Assessment was carried out on the Council's Treasury Strategy for 2010-11, and the associated Treasury Management Practices (TMPs) and the Schedules to the TMPs. This was included as an annex to the report to Cabinet on 24 February 2010 and to Council on 25 February 2010.
- 4.4.2 As a result of that assessment, it was noted that the potential impact of the strategy and associated documents (including Treasury Management Practices (TMPs) and the Schedules to the TMPs) on the different equalities groups must be considered as it is developed and put together each year. This includes the consideration of the potential impact on the different equalities groups of any processes, procedures or outcomes arising from these.

4.5 Consultees (Internal and External)

- 4.5.1 Consultation on treasury management matters is undertaken as appropriate with the Council's treasury advisor, Sector, and with the Portfolio holder for Finance.
- 4.5.2 Under the regulatory requirements, the Audit Committee has been nominated by Council as the body responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices. This role includes the review of all treasury management policies and procedures, the review of all treasury management reports to Cabinet and Council, and the making of recommendations to Council. Audit Committee reviewed and noted the draft Treasury Management Outturn 2010-11 report and annexes at their meeting on 25 July 2011.

4.6 How the Proposals deliver Priority Outcomes

- 4.6.1 The Council is required to keep its Treasury Management Strategy under review and monitor against it. The strategy should reflect the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services.
- 4.6.2 This supports the Council's priority of providing quality services.

4.7 Other Implications

- 4.7.1 No other implications have been identified

5. Background Papers

5.1 Statute, Regulation and Guidance

- CIPFA Treasury Management in the Public Services - Code of Practice and Cross-Sectoral Guidance Notes (Fully Revised Second Edition) 2009

- Local Government Act 2003
- Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2010
- CIPFA Prudential Code for Capital Finance in Local Authorities (Fully Revised Second Edition) 2009
- ODPM Guidance on Local Government Investments 2004
- CIPFA Treasury Management in the Public Services - Guidance Notes for Local Authorities including Police Authorities and Fire Authorities (Fully Revised Third Edition) 2009
- CIPFA Prudential Code for Capital Finance in Local Authorities – Fully Revised Guidance Notes for Practitioners 2007
- Audit Commission. Risk & Return: English Local Authorities and the Icelandic Banking Crisis (March 2009)
- CLG Select Committee report on Local Authority Investments (11 June 2009)
- The Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008
- CLG Guidance on Local Government Investments (11 March 2010)
- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2010-11

5.2 Reports to Cabinet & Council

- Treasury Management Outturn 2009-10 – Member decision report to Portfolio Holder for Finance 1 September 2010 & Council 13 September 2010
- Treasury Strategy 2010-11 to 2012-13 – Report to Cabinet 24 February 2010 & Council 25 February 2010 (Contains formal adoption of the fully revised second edition of CIPFA Code of Practice for Treasury Management)
- Treasury Management Mid Year Report 2010-11 – Report to Cabinet 15 December 2010 & Council 17 January 2011
- Treasury Strategy 2011-12 to 2013-14 – Report to Cabinet 23 February 2011 & Council 28 February 2011

5.3 Reports to Audit Committee

Treasury Management Outturn 2010-11 – Report to Audit Committee 25 July 2011

Bev Dixon, Finance Manager – Treasury, ext 7401
Isabell Procter, Director of Finance & support ext 8757

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Commentary on the Economy and Interest Rates provided by Sector Treasury Services (May 2011)

2010-11 proved to be another watershed year for financial markets. Rather than a focus on individual institutions, market fears moved to sovereign debt issues, particularly in the peripheral Euro zone countries. Local authorities were also presented with changed circumstances following the unexpected change of policy on Public Works Loan Board (PWLB) lending arrangements in October 2010. This resulted in an increase in new borrowing rates of 0.75 – 0.85%, without an associated increase in early redemption rates. This made new borrowing more expensive and repayment relatively less attractive.

UK growth proved mixed over the year. The first half of the year saw the economy outperform expectations, although the economy slipped into negative territory in the final quarter of 2010 due to inclement weather conditions. The year finished with prospects for the UK economy being decidedly downbeat over the short to medium term while the Japanese disasters in March, and the Arab Spring, especially the crisis in Libya, caused an increase in world oil prices, which all combined to dampen international economic growth prospects.

The change in the UK political background was a major factor behind weaker domestic growth expectations. The new coalition Government struck an aggressive fiscal policy stance, evidenced through heavy spending cuts announced in the October Comprehensive Spending Review, and the lack of any “giveaway” in the March 2011 Budget. Although the main aim was to reduce the national debt burden to a sustainable level, the measures are also expected to act as a significant drag on growth.

Gilt yields fell for much of the first half of the year as financial markets drew considerable reassurance from the Government’s debt reduction plans, especially in the light of Euro zone sovereign debt concerns. Expectations of further quantitative easing also helped to push yields to historic lows. However, this positive performance was mostly reversed in the closing months of 2010 as sentiment changed due to sharply rising inflation pressures. These were also expected (during February / March 2011) to cause the Monetary Policy Committee to start raising Bank Rate earlier than previously expected.

The developing Euro zone peripheral sovereign debt crisis caused considerable concerns in financial markets. First Greece (May), then Ireland (December), were forced to accept assistance from a combined EU / IMF rescue package. Subsequently, fears steadily grew about Portugal, although it managed to put off accepting assistance till after the year end. These worries caused international investors to seek safe havens in investing in non-Euro zone government bonds.

Deposit rates picked up modestly in the second half of the year as rising inflationary concerns, and strong first half growth, fed through to prospects of an earlier start to increases in Bank Rate. However, in March 2011, slowing

actual growth, together with weak growth prospects, saw consensus expectations of the first UK rate rise move back from May to August 2011 despite high inflation. However, the disparity of expectations on domestic economic growth and inflation encouraged a wide range of views on the timing of the start of increases in Bank Rate in a band from May 2011 through to early 2013. This sharp disparity was also seen in MPC voting which, by year-end, had three members voting for a rise while others preferred to continue maintaining rates at ultra low levels.

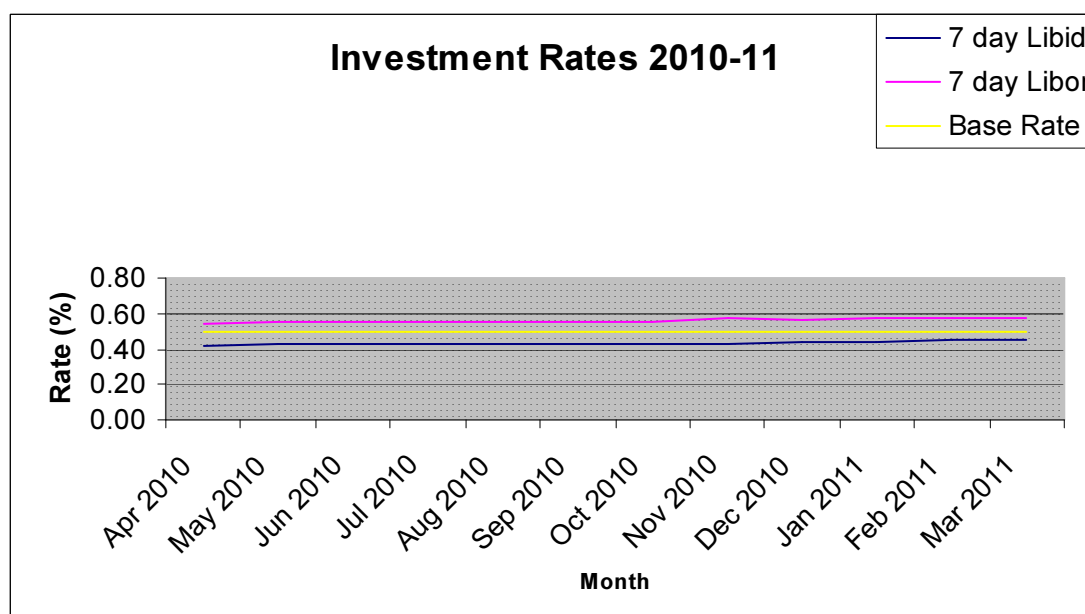
Risk premiums were also a constant factor in raising money market deposit rates beyond 3 months. Although market sentiment has improved, continued Euro zone concerns, and the significant funding issues still faced by many financial institutions, mean that investors remain cautious of longer-term commitment. The European Commission did try to address market concerns through a stress test of major financial institutions in July 2010. Although only a small minority of banks “failed” the test, investors were highly sceptical as to the robustness of the tests, as they also are over further tests now taking place with results due in mid-2011.

Interest Rate Movements 2010-11

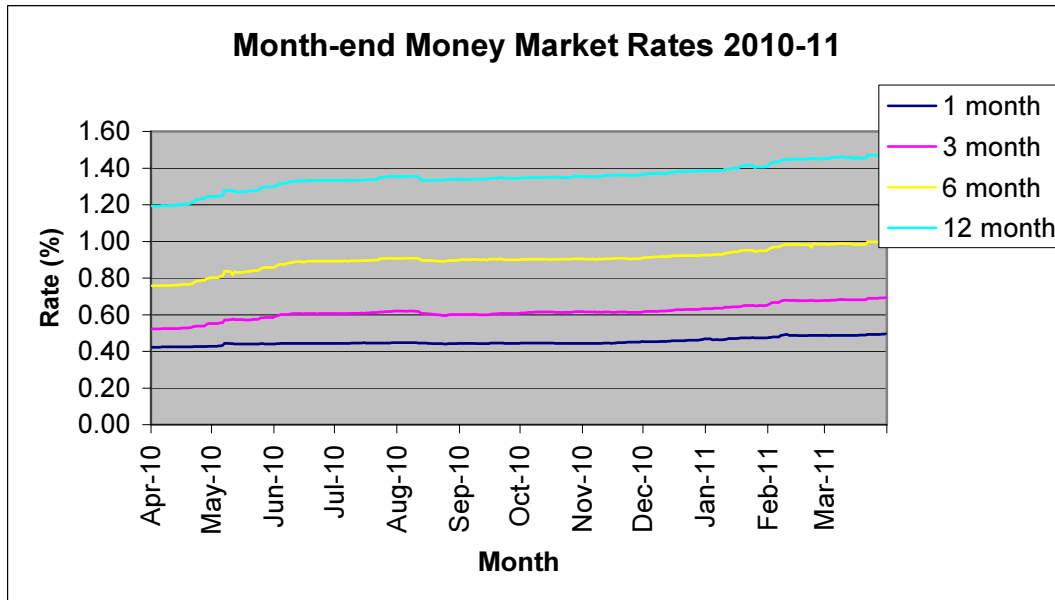
Definitions of key terms used are set out below.

Bank of England Base Rate	The interest rate at which the Bank of England lends to financial institutions. This affects interest rates set by commercial banks, building societies and other institutions. Changing interest rates affects spending in the economy. A reduction in interest rates makes saving less attractive and borrowing more attractive, stimulating spending. The opposite occurs when interest rates are increased.
Libor Rate	The London Interbank <i>Offered</i> Rate is based on the average rate at which banks offer to <i>lend</i> to other banks.
Libid Rate	The London Interbank <i>Bid</i> Rate is the rate bid by banks on Eurocurrency deposits, i.e., the rate at which a bank is willing to <i>borrow</i> from other banks.

Interest rates were closely monitored during the course of the year. The bank base rate remained at 0.5% throughout 2010-11. Throughout the year, the average 7 day London Interbank Bid Rate (LIBID), and average 7 day London Interbank Offered Rate (LIBOR) remained within narrow ranges, between 0.42% and 0.45% for LIBID and 0.54% and 0.58% for LIBOR. This is illustrated in the chart below:



Rates for money market investments rose gently in the first three months of 2010-11, levelled during the second and third quarters, then rose gently again during the fourth quarter. This is illustrated in the chart below:

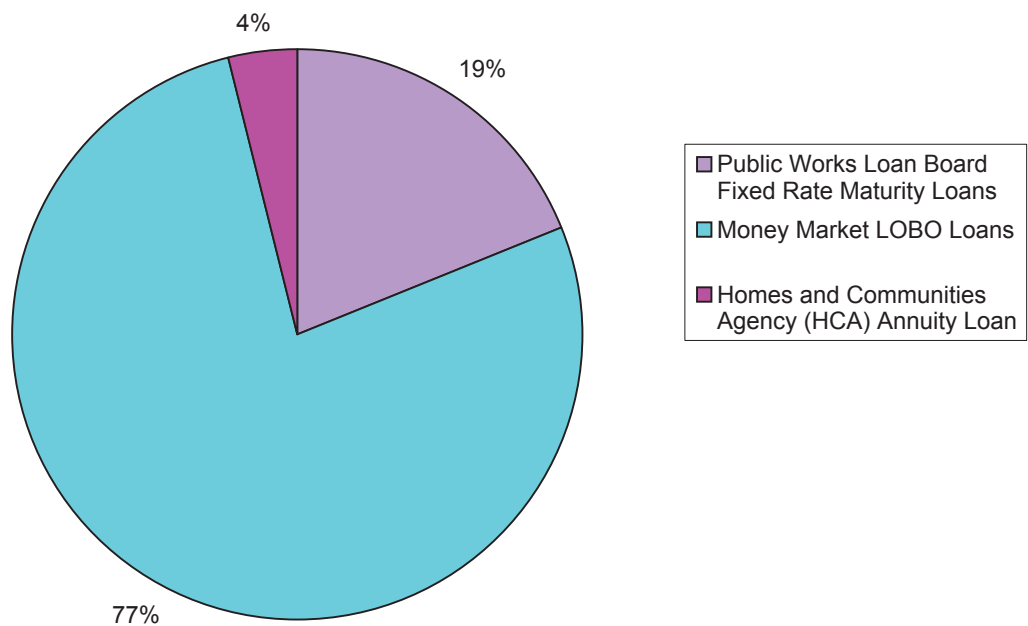


The following table shows the minimum and maximum rates available during 2010-11. The minimum rates were available on 1 April 2010 and the maximum rates on 31 March 2011.

	1 month	3 months	6 months	12 months
Minimum rate	0.4225	0.5222	0.7575	1.1931
Maximum rate	0.4956	0.6931	1.0019	1.4738

Long Term Borrowing as at 31st March 2011

	Principal £'000	Proportion of Debt %	Range of Interest Rates Paid within the Year	
			From %	To %
Public Works Loan Board Fixed Rate Maturity Loans	6,049	19	3.47	3.97
Money Market LOBO Loans	24,788	77	4.85	7.03
Homes and Communities Agency (HCA) Annuity Loan	1,209	4	9.25	9.25
Total Long Term Debt Outstanding at 31st March 2011	32,046	100		



Figures shown at amortised cost as per the CIPFA Code of Practice on Local Authority Accounting 2010-11

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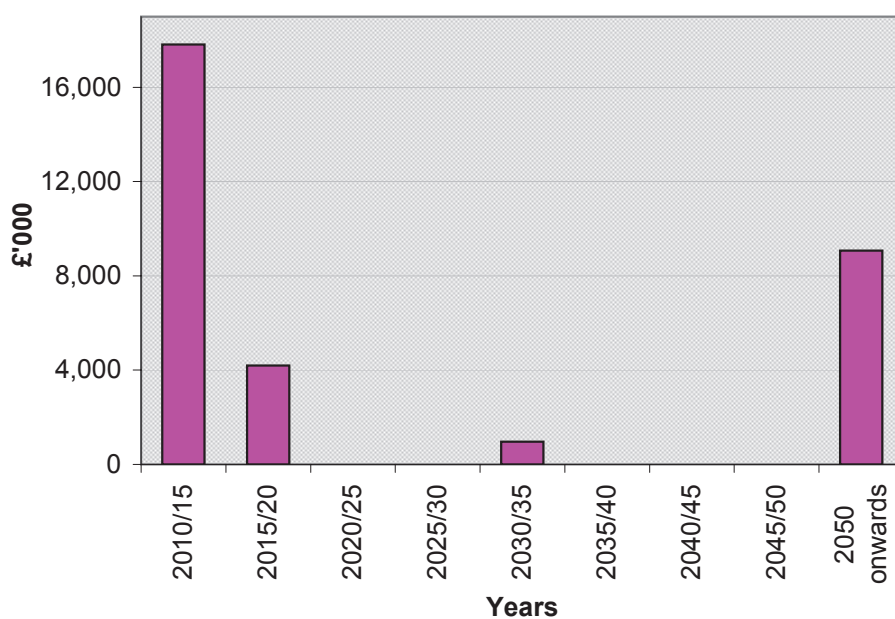
ANNEX C

Long Term Debt Maturity Profile as at 31st March 2011

Time Frame	Year	Value of Loans Maturing £'000	Proportion of Long Term Debt %
Within: 5 years	2010/15	17,821	55.6
10 years	2015/20	4,193	13.1
15 years	2020/25	-	0.0
20 years	2025/30	-	0.0
25 years	2030/35	964	3.0
30 years	2035/40	-	0.0
35 years	2040/45	-	0.0
40 years	2045/50	-	0.0
Over: 40 years	2050 onwards	9,068	28.3
Total		32,046	100.0

The LOBO loans mature in 2014-15 (£15.6m) and in 2065/66 (£9m). The PWLB Loans mature in 2016, 2017 and 2018 (£2m each year, £6m in total). The HCA annuity is repaid across the term of the loan, with the final payment due in 2033-34.

Long Term Debt Maturity Profile as at 31st March 2011



Figures shown at original (cash) value rather than amortised cost to reflect commitment at maturity.

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Short Term Borrowing as at 31st March 2011

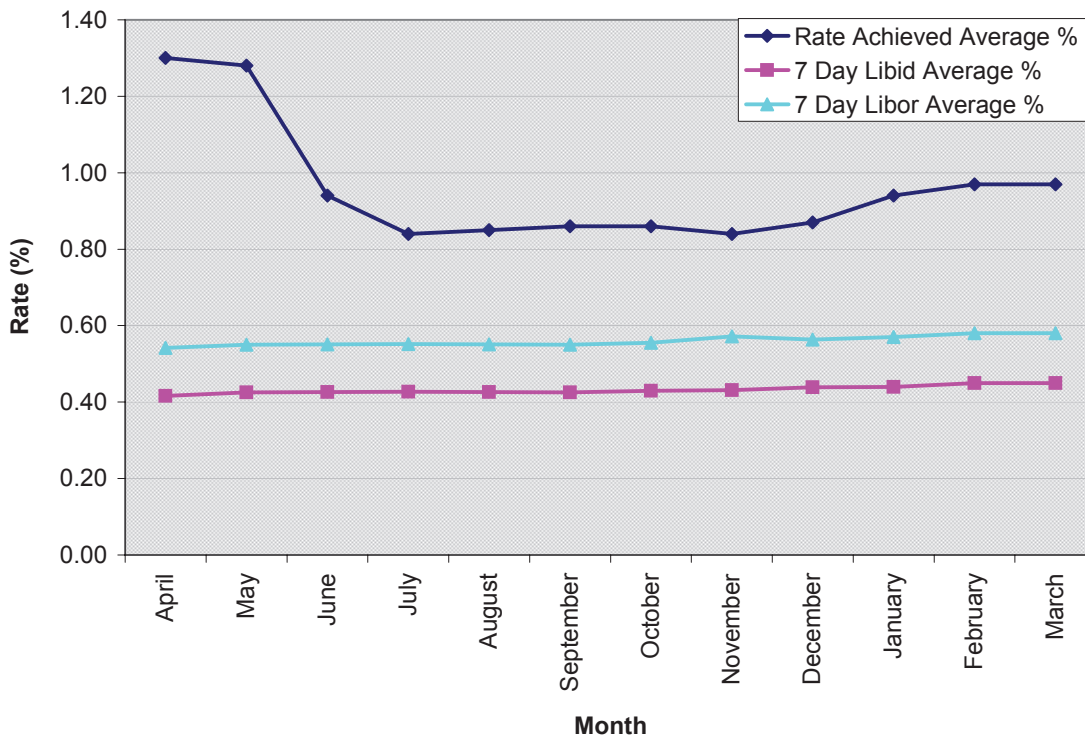
	Principal £'000	Proportion of Debt %	Range of Interest Rates Paid within the Year	
			From %	To %
Northampton Volunteering Centre 7 Day Notice Account	94	49.2	0.35	0.67
Billing Parish Council 7 Day Notice Account	80	41.9	0.35	0.67
Homes and Communities Agency (HCA) principal due within one year	17	8.9	9.25	9.25
Total Debt Outstanding at 31st March 2011	191	100		

Shown at original (cash) value as per the CIPFA Code of Practice on Local Authority Accounting 2010

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Comparison of investment rate achieved against 7 day LIBID and 7 day LIBOR 2010-11

Average Temporary Investment Rate Acheived Against 7 Day LIBID and LIBOR Rates



	Rate Achieved Average %	7 Day Libid Average %	7 Day Libor Average %	Variance - Rate achieved to Libid %
April	1.30	0.42	0.54	0.88
May	1.28	0.43	0.55	0.85
June	0.94	0.43	0.55	0.51
July	0.84	0.43	0.55	0.41
August	0.85	0.43	0.55	0.42
September	0.86	0.43	0.55	0.43
October	0.86	0.43	0.55	0.43
November	0.84	0.43	0.57	0.41
December	0.87	0.44	0.56	0.43
January	0.94	0.44	0.57	0.50
February	0.97	0.45	0.58	0.52
March	0.97	0.45	0.58	0.52
Average for Year	0.96	0.43	0.56	0.53

The Monthly Return percentage is calculated by dividing the total interest earned in the month by the average principal invested in deposit accounts and temporary investments. This is then plotted on a graph against the base rate, libid and libor rates to show NBC's performance against those benchmarks.

As most investments are fixed for a set period, changes in the base rate which tend to affect the libid and libor rates immediately will not usually be reflected in the monthly return until later, as older investments mature and newer deals are fixed at the new rates.

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DEBT FINANCING BUDGET OUTTURN 2010-11

	Budget 2010-11 £	Draft Outturn 2010-11 £	Variance 2010-11 £
Debt Financing & Interest			
<u>INTEREST PAYABLE</u>			
Interest on long term debt - LOBOs	1,382,500	1,377,930	(4,570)
Interest on long term debt - HCA Annuity	114,890	114,885	(5)
Interest on long term debt - PWLB	263,800	223,800	(40,000)
Interest on temporary borrowing	1,500	931	(569)
Interest on finance leases	47,685	48,629	944
Other miscellaneous interest payable	23,820	25,364	1,544
TOTAL INTEREST PAYABLE	1,834,195	1,791,539	(42,657)
<u>INTEREST RECEIVABLE</u>			
Interest on temporary investments	(465,400)	(756,729)	(291,329)
Other miscellaneous interest receivable	0	(1,117,973)	(1,117,973)
TOTAL INTEREST RECEIVABLE	(465,400)	(1,874,701)	(1,409,301)
NET INTEREST PAYABLE/(RECEIVABLE)	1,368,795	(83,163)	(1,451,958)
<u>OTHER ADJUSTMENTS</u>			
Recharges to/from HRA	88,200	246,190	157,990
Minimum Revenue Provision (MRP) for debt repayment	721,790	536,323	(185,467)
MRP on finance leases	179,564	179,564	0
TOTAL OTHER ADJUSTMENTS	989,554	962,077	(27,477)
Total Debt Financing & Interest	2,358,349	878,914	(1,479,435)
Total Debt Financing & Interest	2,358,349	878,914	(1,479,435)

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2010-11 Prudential Indicators

Outturn Position 31/03/11

Affordability**a) Estimate of the ratio of financing costs to net revenue stream**

Ratio of financing costs to net revenue stream		
	2010-11 Estimate %	2010-11 Estimate at 31/03/11 %
General Fund	6.51	5.99
HRA	18.38	18.03

Actual financing costs were lower than estimated due to a number of factors, including interest on the investment of cash balances being over achieved against budget.

b) Estimate of the incremental impact of capital investment decisions on the council tax

<i>Estimates of incremental impact of new capital investment decisions on the Council Tax</i>	
	2010-11 Estimate £.p
General Fund	3.35

This indicator is set before the start of the financial year, in the context of the budget setting process, which feeds into the setting of Council Tax and Housing Rents. As these are set and fixed for the financial year ahead, any capital investment decisions made during the year cannot impact on the existing Council Tax and Housing rent levels. This means that new capital investment plans approved during the year must be funded externally or from within existing resources.

c) Estimate of the incremental impact of capital investment decisions on the housing rents

<i>Estimates of incremental impact of new capital investment decisions on weekly housing rents</i>	
	2010-11 Estimate £.p
HRA	1.57

This indicator is set before the start of the financial year, in the context of the budget setting process, which feeds into the setting of Council Tax and Housing Rents. As these are set and fixed for the financial year ahead, any capital investment decisions made during the year cannot impact on the existing Council Tax and Housing rent levels. This means that new capital investment plans approved during the year must be funded externally or from within existing resources.

Prudence

d) Net borrowing and the capital financing requirement (CFR)

Net external debt less than CFR			
	2010-11 Estimate £000	2010-11 Position at 31/03/2011 £000	2010-11 Maximum Net to 31/03/2011 £000
Borrowing	31,726	32,519	32,840
Less investments	57,400	76,174	105,379
Net external debt	0	0	0
2009-10 Closing CFR (Forecast)	19,481	18,224	18,224
Changes to CFR:			
2010-11	5,403	1,883	1,883
2011-12	4,951	14,193	14,193
2012-13	9,209	12,106	12,106
Adjusted CFR	39,044	46,405	46,405
Net external debt less than adjusted CFR	Yes	Yes	Yes

This is the key indicator of prudence. It is intended to show that net external borrowing 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 requirement for the current and new two financial years.

The Council's net external debt figure is a negative figure – ie investments are in excess of debt. The net external debt figure has therefore been presented as zero.

The forward looking changes to CFR are estimates that will be firmed up as more accurate forecasts become available. Net external debt for 2011-12 falls below the adjusted Capital Financing Requirement.

Capital Expenditure

e) Estimate of capital expenditure

Capital Expenditure		
	2010-11 Estimate £000	2010-11 Actual at 31/03/2011 £000
General Fund	9,579	8,420
HRA	15,911	11,826
Total	25,490	20,246

The underspend against original estimate relates predominantly to the timing of tendering and contract award processes and therefore unspent budget in 2010-11 will be carried forward to 2011-12. Full details of capital outturn, variances and slippage is set out in the Capital Outturn report elsewhere on this agenda.

f) Estimates of capital financing requirement (CFR)

Capital Financing Requirement (Closing CFR)		
	2010-11 31 March 2011 Estimate £000	2010-11 31 March 2011 Actual £000
General Fund	31,059	26,281
HRA	(6,175)	(6,175)
Total	24,884	20,106

The CFR can be understood as the Council's underlying need to borrow money long term for a capital purpose – that is, after allowing for capital funding from capital receipts, grants, third party contributions and revenue contributions. Changes to the CFR are linked directly to the use of borrowing to finance new capital expenditure (including finance leases), and the repayment of debt through Minimum Revenue Provision (MRP).

The General Fund CFR at 31 March 2011 is below the estimate due to slippage in the capital programme of schemes funded by borrowing, and the planned refinancing from capital receipts of some existing borrowing. The HRA closing CFR is in line with the estimate.

External Debt

g) Authorised limit for external debt

Authorised limit for external debt			
	2010-11	2010-11	2010-11
	Limit	Actual at	Maximum to
	£000	31/03/2011	31/03/2011
		£000	£000
Borrowing	48,000	32,000	32,046
Other long-term liabilities	2,000	351	415
Total	50,000	32,351	32,461

No new long term external borrowing or rescheduling of existing borrowing was undertaken during 2010-11, and external debt has remained significantly below the authorised limit throughout the year. The long term liabilities figure relates to finance leases, which have come onto the balance sheet as a result of the move to International Financial Reporting Standards (IFRS) accounting.

h) Operational boundary for external debt

Operational boundary for external debt			
	2010-11	2010-11	2010-11
	Boundary	Actual at	Maximum to
	£000	31/03/11	31/03/11
		£000	£000
Borrowing	43,000	32,000	32,046
Other long-term liabilities	2,000	351	415
Total	45,000	32,351	32,461

No new long term external borrowing or rescheduling of existing borrowing was undertaken during 2010-11, and external debt has remained significantly below the operational boundary throughout the year. The long term liabilities figure relates to finance leases, which have come onto the balance sheet as a result of the move to International Financial Reporting Standards (IFRS) accounting.

i) Adoption of the CIPFA code of Practice for Treasury Management in the Public Services

The fully revised second edition of the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2009), as set out at Annex A of the Treasury Management Strategy 2010-11 to 2012-13, was adopted by Council on 25 February 2010.

Treasury Management Indicators

1. Upper limits on interest rate exposures

Upper limits on interest rate exposures			
	2010-11 Limit £000	2010-11 Actual at 31/03/2011 £000	2010-11 Maximum to 31/03/2011 £000
Fixed Interest Rate Exposures	10,000	7,226	7,226
Variable Interest Rate Exposures	0	(51,400)	(21,184)

The purpose of the indicator is to express the Council's appetite for exposure to fixed and variable interest rates. A change to the original indicator for the upper limit on fixed rate interest exposure from zero to £10m was approved by Council at their meeting of 15 September 2011, and both indicators have remained within the revised limits for the duration of the year and at year end.

As a result of advice from the Council's treasury advisors, it is proposed from 2011-12 to revert back to representing these indicators as percentages rather than absolute values.

2. Total principal sums invested for periods longer than 364 days

Upper limit on investments for periods longer than 364 days			
	2010-11 Upper Limit £000	2010-11 Actual as at 31/03/2011 £000	2010-11 Maximum to 31/03/2011 £000
Investments longer than 364 days	8,500	-	8,000

Investments longer than 364 days have remained within the upper limit throughout the year. The interest rate environment and forecasts throughout the year have been such that investments have been kept to periods of below one year, to maximise returns and avoid longer term commitments at poor rates. The year end position is therefore that of nil investments over 364 days.

3. Maturity Structure of Borrowing

Maturity structure of borrowing			
	2010-11 Lower Limit %	2010-11 Upper Limit %	2010-11 Actual at 31/03/2011 %
Under 12 months	0.00	25.00	0.60
1-2 years	0.00	25.00	0.06
2-5 years	0.00	50.00	48.96
5-10 years	0.00	100.00	19.25
Over 10 years	0.00	100.00	31.14

No new long term external borrowing or rescheduling of existing borrowing was undertaken during 2010-11, and the maturity structure of borrowing remained within planned parameters and within the limits set in the prudential indicator.

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AUDIT COMMITTEE REPORT

Report Title	Annual Governance Statement 2010/11 Consultation
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	25 th July 2011
Policy Document:	No
Directorate:	Finance and Support
Accountable Cabinet Member:	Cllr Alan Bottwood

1. Purpose

- 1.1 To present the outline Annual Governance Statement 2010/11 to the Audit Committee and request input to the Statement.

2. Recommendations

- 2.1 To consider the outline Annual Governance Statement;
- 2.2 To identify areas of concern for inclusion in the Statement;
- 2.3 To review the outline Statement and identify if additional comment or content is required on the areas considered in the Statement.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Council must publish an Annual Governance Statement. For 2010/11, this statement must accompany the Statement of Accounts, but does not to be included in the Statement of Accounts
- 3.1.2 The system on internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance.

3.1.3 In many organisations the system (and statement) of internal control is often seen as an audit or finance function. The responsibility lies with both officers and Members. In summary:

- The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to value for money.
- In discharging this overall responsibility, the Council (elected Members and officers) is responsible for ensuring there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

3.1.4 Audit Committee are requested to

- Consider the outline Annual Governance Statement 2010/11 (attached at Appendix 1);
- Identify any additional areas of concern that the Audit Committee has and which need to be considered for inclusion in the final Annual Governance Statement 2010/11; and
- Review the outline Statement and identify if additional comment or content is required on the areas already considered in the Statement.

3.1.5 Following Audit Committee, the outline Annual Governance Statement will receive extensive consideration by the Annual Governance Group (who will consider contributions and comments from Senior Managers), Management Board, and Internal Audit. It will be reviewed by External Audit and will then be presented back to Audit Committee at its September meeting.

3.2 Issues

3.2.1 As noted within the document, the significant governance issues are detailed in section 6.

3.3 Choices (Options)

3.3.1 None

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no direct implications in relation to the statement on internal control.

4.2 Resources and Risk

4.2.1 The system on internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance.

4.3 Legal

4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 None at this stage.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Protecting and enhancing the reputation of Northampton Borough Council.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

Appendix 1 – Outline Annual Governance Statement 2010/11

Bill Lewis
Head of Finance, ext 7167

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Outline Annual Governance Statement

NORTHAMPTON BOROUGH COUNCIL OUTLINE ANNUAL GOVERNANCE STATEMENT 2010/11

1 Executive Summary

This document describes Northampton Borough Council's governance arrangements and assesses how closely the Council aligns with good practice. In overall terms this is a positive statement for the financial year 2010/11. This document relies on several assurance mechanisms including the internal audit annual review, internal audit reports throughout the year, the Statement of Accounts, Audit Committee, the overview and scrutiny process and external audit.

External audit is undertaken by the Audit Commission and provides assurance on the controls the Council has in place. Where the auditor identifies weaknesses in the Council's arrangements, these are highlighted in the Annual Audit and Inspection Letter. The Council received an unqualified audit opinion on its 2009/10 accounts, the latest ones published.

The statement reports positive progress on the three significant issues that arose as part of last year's statement:

- Debtors
- Uniclass Creditors
- Grounds Maintenance

There are three significant areas raised for the financial year 2010/11:

- IBS creditors
- Debt recovery
- Expenses

2 Scope of responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk. Overview and challenge of the Council's management of risk is performed by the Audit Committee.

Northampton Borough Council has, through its cross party Constitutional Review Working Group, agreed a local code of corporate governance which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) Framework 'Delivering Good Governance in Local Government' from 2007. A copy of the local code is on the Council's website at www.northampton.gov.uk.

This Annual Governance Statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, in relation to the publication of a statement on internal control.

Outline Annual Governance Statement

3 The purpose of the governance framework

The System of Internal Control and the Governance Framework have been in place at Northampton Borough Council for the year ended 31 March 2010 and up to the date of the approval of the statement of accounts.

The Governance Framework comprises the systems and processes, and culture and values, by which the council is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives. It is also designed to evaluate the likelihood of those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

4 The Governance Framework

The Constitution is the relevant governance document and the Code of Governance forms part of it. The Council's Governance Framework derives from the six core principles identified in a 2004 publication entitled The Good Governance Standard for Public Services. This was produced by the Independent Commission on Good Governance in Public Services – a commission set up by CIPFA, and the Office for Public Management. The commission utilised work done by, amongst others, Cadbury (1992), Nolan (1995) and CIPFA / SOLACE (2001). These principles were adapted for application to local authorities and published by CIPFA in 2007. The six core principles that this Governance Framework follows and the key elements of each of those core principles are as follows.

4.1 Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

The Council's strategic objectives are set out in the Corporate Plan 2011-14 which was adopted by the Full Council at its meeting on 28th February 2011. These objectives are based around the three headings:

- You
- Your Town
- Your Council

Progress against the plan is monitored via the Council's Corporate Performance Framework which integrates financial and service planning. The Council's annual financial planning process is driven by the council's Medium Term Financial Strategy to ensure that the future priorities and ambitions are resourced.

Partnership working is an increasingly important way in which Local Government can deliver more efficient and effective services to local residents. The Council is a member of a number of partnerships with organisations across the local area, and in some cases

Outline Annual Governance Statement

is also the lead authority with responsibility for establishing and leading some of these partnerships.

The Council has adopted a Partnerships Protocol over the last year. The protocol establishes minimum standards of governance and management to be followed by partnerships in order to satisfy the Council that the partnerships are being well run and are delivering benefit to the Council and the residents of the Borough. The protocol outlines key requirements for initiating, approving, setting up, operating, reviewing and exiting partnership arrangements including the Governance Arrangements to be adopted.

The Council maintains a database of all partnerships it is involved in. This contains details of the Council's representatives in the partnership, the Council's contribution, the name of the lead organisation, the resources committed by the Council and the risk register. The Council evaluates each partnership to assess the risks and rewards to the Council and local communities, including legal issues, insurance, implications arising from the Councils Constitution, the Councils own processes and applicable protocols, financial regulations, issues of partnership procurement and whether the benefits from the partnership are likely to justify the costs involved in membership. The viability and validity of continuing with any partnership is reviewed on a regular basis as part of the ongoing service planning process.

The Council undertakes a significant number of consultations with customers. To facilitate this, the Council has adopted a consultation strategy, toolkit and web based portal. This process sets out a clear methodology for defining aims and objectives, resourcing the consultation, defining the level and method of consultation required, identifying whom to consult, ensuring inclusivity, planning the consultation, using the results, and evaluating the effectiveness of the consultation. Through adopting this methodology, the Council can be sure that consultations are more focussed and effective.

The Council has a comprehensive and robust performance management framework. The framework is reviewed annually to ensure that learning and improvement is captured and changes made where necessary. The Council monitors delivery of its priorities and objectives through the performance management framework. A service plan is in place for each of the Council's service areas and the objectives set out in the Corporate Plan are embedded in these plans. The service plans represent the key plan for each service and clearly set out targets and actions for each service and how each service area contributes to corporate objectives and targets. The service plans address service-level improvements, including value for money objectives. Service plans also set out how each service will contribute to a range of corporate performance and improvement imperatives, including data quality, Equalities, and Employee Opinion Survey action plans. Local service improvement plans are reflected in the plans.

A Management Board Data Set is reported on a monthly basis to Management Board and performance data is included in monthly dashboard monitoring reports to Cabinet. Service plans are reviewed at Departmental Management Teams, ensuring that plans remain current, that targets remain relevant and appropriately challenging and that the service is delivering the actions necessary to achieve the corporate objectives.

Through reviews by external auditors, external agencies, Internal Audit, and internal review teams, the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency

Outline Annual Governance Statement

and effectiveness. A corporate procurement strategy/toolkit has been developed to ensure proper arrangements are in place for procurement of goods and services. This was reviewed by Members and senior officers before being adopted.

The Council reviewed its financial regulations during 2010/11 with the updated financial regulations being approved by Council in May 2011. Revised procurement rules were adopted in March 2008. All budget heads are allocated to named budget officers, who are responsible for controlling spend against budgets, and who are also responsible for assets used in the provision of their services.

The Council's Risk Management Strategy, which incorporates business continuity management, has been further improved in 2010. The Strategy clearly sets out the processes and responsibilities for managing risks across the authority and is supported by a Risk and Business Continuity Management Handbook. Risks are identified and registers comprehensively refreshed on an annual basis as part of the Service Planning process and are updated monthly at Departmental Management Team meetings. This enables risks to be associated clearly to objectives and priorities, providing management with valuable monthly reporting information and ensuring resources are targeted to the priorities and objectives most at risk.

The Council has approved critical functions and business continuity plans for these functions are well developed across the authority. A high proportion of these plans have been tested. These business continuity plans are currently being reviewed and a Corporate Business Continuity Plan is being drafted. Assurance on the Council's risk and business continuity function is provided through regular verbal and written updates to the Audit Committee and through internal audits.

4.2 Members and officers working together to achieve a common purpose with clearly defined functions and roles

4.2.1 The Constitution

The Council has adopted a Constitution, which sets out how the Council operates, how decisions are made and the procedures that are followed to ensure these are efficient, transparent and accountable to local people. The constitution reflects the 'Executive/Scrutiny' model following the Local Government Act 2000. The Constitution has been reviewed and a revised Constitution adopted in May 2011.

4.2.2 The Cabinet

Cabinet is responsible for making executive decisions as defined by law and operates within the budget and policy framework approved annually by full Council. Meetings are open to the public except when personal or confidential matters are being discussed. Cabinet Portfolio Holders have authority to make non-key delegated decisions in accordance with the Leader's Scheme of Delegations in the Constitution. Furthermore, senior and other officers of the Council can make decisions under delegated authority – again the extent of these delegations is set out in the Officers' Scheme of Delegations in the Constitution. The Council publishes a forward plan, which contains details of key decisions to be made by the Cabinet. Each Cabinet member has a specific portfolio of responsibilities requiring him or her to work closely with senior and other employees in order to achieve the Council's ambitions.

4.2.3 Management Board

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The Council's Management Board, which consists of the Chief Executive, Directors (including the S151 officer), the Monitoring Officer, Assistant Chief Executive and Head of Human Resources, met on a weekly basis during 2010/11. Management Board considers other internal control issues, including strategic risk management, performance management, compliances, efficiency and value for money, and financial management. Management Board has a corporate responsibility for the messages that the Council puts out, both internally and externally.

4.2.3 Corporate Briefing

This group consists of Management Board members and also all Heads of Service. The meetings are diarised fortnightly to meet as required. The agenda and meeting go ahead is agreed weekly by the Chief Executive.

The group, which is non-decision making, provides collective responsibility for:

- Providing corporate leadership
- Employee development
- Internal and external communications
- Performance management
- Co-ordinating and delivering corporate objectives and priorities for action
- Reviewing corporate policy
- Reviewing corporate standards
- Considering key operational matters

4.2.5 Directorate Management Team

Each Directorate has a Directorate Management Team where the Director and Heads of Service meet to discuss Management Board feedback, council wide and service specific matters. These meetings ensure that:

- Directorates contribute to Management Board, Corporate Briefing and other teams/groups
- Feedback from Management Board, Corporate Briefing and other teams/groups is communicated within the Directorate
- Communication of corporate requirements within and between teams within the respective directorate occurs
- Service area performance is reviewed through Performance Report Packs

4.2.6 Managers' Workshop

The managers' workshop started in 2007/08 and has a planned roll out of corporate subjects. The workshop attendance covers over 100 managers across the council.

4.2.7 Project Initiation Group

During 2009/10 the Project Initiation Group (PIG) was formed. This group reviews all new change plan initiatives and all existing live projects currently in progress. The group ensures that correct project management principles are applied, using the standard templates that have been introduced. The group will review and challenge where necessary, ensuring that the projects are robust, financed, managed appropriately, authorised and necessary.

4.2.8 Other Groups

Outline Annual Governance Statement

There are also corporate groups for equalities, comprehensive performance assessment use of resources, ICT Exchange Group, Procurement Monitoring Group (PMG) to name a few.

4.2.9 Codes and Protocols

The council has adopted a number of codes and protocols that govern both Member and officer activities. These are mainly reviewed annually:

- Members Code of Conduct
- Members Register of Interests
- Officers Code of Conduct
- Officers Register of Interests
- Protocol for Members and officers regarding probity planning
- Protocol on Member/Employee relations
- Register of Gifts and hospitality – Members and Officers
- Counter Fraud
- Whistleblowing policy
- RIPA Policy
- Complaints and compliments procedures

4.3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The Council has designated the Borough Solicitor as the Council's Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. The Monitoring Officer also supports the Standards Committee and is the nominated officer for Whistleblowing. After consulting the Chief Executive and Director of Finance and Support, he will report to the Council, under Section 5 of the Local Government and Housing Act 1989, if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

The Council has a Standards Committee which is responsible for: -

- Ensuring Councillors and other representatives are trained to carry out their duties effectively;
- Advising on the Members' Code of Conduct and helping Councillors and other representatives to understand what their duties are in relation to the Code;
- Investigating complaints received about elected Borough and Parish Council Members;
- Monitoring the operation of the Code;
- Conducting local hearings and determination of sanctions should a breach of the Code of Conduct be found;
- Granting dispensations to Councillors, co-opted members from requirements relating to interests set out in the Members' Code of Conduct;
- Advising the Council on other Codes and Protocols forming the authority's ethical framework;
- Considering arrangements for the appointment of Independent Members to the Committee;

Outline Annual Governance Statement

- Ensuring the authority operates within a robust corporate governance framework; and
- Considering any report referred to it by the Cabinet or any other Committee where there are implications for ethical standards and report back as appropriate.

The Council's internal auditors carried out an electronic governance survey in March 2010, as part of the planned 2009/10 audit work. A similar survey was carried out in 2006/07, which was compared with the 2009/10 results. In summary, the results indicate that perceptions of the strength and quality of governance have increased for Members and senior management as a whole since the 2006/07 survey.

The financial management of the Authority is conducted in accordance with the financial rules set out at Article 13 and the Financial Regulations section within the Constitution. The Council has designated the Director of Finance as the Chief Finance Officer in accordance with Section 151 (S151) of the Local Government Act 1972. The Head of Finance is the Deputy S151 officer. The Council has in place a three-year Financial Strategy, updated annually, to support the medium-term aims of the Corporate Plan.

The Council maintains an Internal Audit service provided through a contract with PricewaterhouseCoopers, who operate to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'. Individual services produce annual service plans. These Service Plans are updated each year so as to incorporate the Council Plan requirements into service activities, so that services know what they are required to do to achieve the Council's priorities and ambitions. These plans also identify any governance impact.

The Council's external audit services are provided by the Audit Commission, who audit the statement of accounts, grant returns, whole of government accounts and national fraud initiative.

4.4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Council has several committees, which carry out regulatory or scrutiny functions:

4.4.1 Cabinet

Cabinet makes executive decisions.

4.4.2 Planning Committee

Planning Committee determines planning applications and related matters.

4.4.3 Standards Committee

Standards Committee promotes, monitors and helps to maintain high ethical standards amongst the Council's Members, and this extends to having the same responsibility for all town and parish councils within the Borough;

4.4.4 Audit Committee

Audit Committee provides assurance about the adequacy of internal controls, financial accounting and reporting arrangements, and that effective risk management is in place. Its work is intended to enhance public trust in the corporate and financial governance of the council;

The Audit Committee has become a very effective committee meeting. During 2010/11, the committee has again monitored the delivery of internal audit recommendations. The

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Committee has requested officers to attend where recommendations have not been implemented by the due date. This extends to audit reports that have a no or limited assurance rating or where there is a significant high risk recommendation. This supports a good internal control framework.

The Committee also reviews risk registers, approved the 2009/10 Annual Governance Statement (AGS) and Statement of Accounts and will approve these for 2010/11. The committee received its annual training from internal audit in March 2010.

4.4.5 Licensing Committee

Licensing Committee monitors and reviews the effectiveness of the Council's licensing policy and procedures.

4.4.6 General Purposes Committee

General Purposes Committee, which is a sub-committee of full Council, makes decisions which are not the responsibility of the Executive or other committees,

4.4.7 Appointments and Appeals Committee

Appointments and Appeals Committee has responsibility for appraising senior officers and dealing with certain disciplinary and grievance matters.

4.4.8 The Overview and Scrutiny Committee

In May 2010 the Overview and Scrutiny Structure changed. One Overview and Scrutiny Committee was established which sets up time-limited Scrutiny Panels to carry out in-depth Reviews. The Overview and Scrutiny Committee comprises fifteen Members. The Scrutiny Panels now hold their meetings in public and individuals are encouraged to attend.

Some of the Overview and Scrutiny Committee responsibilities are:

- **Co-ordinating Work Programme** – to co-ordinate the work plan to avoid duplication and ensure joint working, or other suitable arrangements.
- **Allocation of Resources** – to consider the overall work loads of Scrutiny Panels and to agree the allocation of resources to each Panel according to need on an equal basis.
- **Involvement of other People in the Overview and Scrutiny Process** – to review arrangements for involving Councillors or people outside the Council, in the Overview and Scrutiny process, such as by co-option, or setting up working parties which include outside representatives and be responsible for agreeing appointments of external parties to relevant Scrutiny Panel.
- **Training and Development** – to review training needs of Overview and Scrutiny Committee Members and of Councillors and Council employees generally in relation to the Overview and Scrutiny process; and to consider the development of operational styles and techniques to aid the usefulness and effectiveness of the Overview and Scrutiny process.
- **Appoint three Overview and Scrutiny Panels**
- **Policy Development and Review** – The Overview and Scrutiny Committee may assist the Council and Cabinet in the development of its Budget and Policy Framework by in-depth analysis of policy issues by a variety of methods.
- **Support Needs** – To consider any general issues which arise with regard to the levels of co-operation and support which the Overview and Scrutiny Committee and Scrutiny Panels receive from other parts of the Council.

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Overview and Scrutiny is a key part of the modernised arrangements for governance in local councils and also an important mechanism for driving forward performances in services. The four key legislative roles are: -

- Holding the Executive to account
- Policy development and review
- Best Value Reviews
- External Scrutiny

Overview and Scrutiny provides the opportunity for Councillors that are not members of Cabinet to examine various functions of the Council, to question how key decisions have been made and to champion issues of local concern to residents.

Overview and Scrutiny is charged with finding ways of ensuring that the issues that matter to the public are the focus of their attention, and with finding new ways of getting citizens involved in the things that affect them. Overview and Scrutiny has considerable powers:

- Holding decision makers to account
- Challenging and improving performance
- Supporting the achievement of value for money
- Challenging the ways things are done
- Influencing decision makers with evidence based recommendations
- Bringing the evidence and views of stakeholders, users and citizens

Overview and Scrutiny is Councillor led. As well as Councillors leading on the review of topics, where they research issues and develop recommendations, they are also involved in setting the Overview and Scrutiny Committee agenda, bringing forward topics and issues, identifying who they want to hear from to help their work and what they want to know and how they want it presented to them.

The O&S Committees can “call-in” a decision that has been made by the Executive but not yet implemented, to enable it to consider whether the decision is appropriate. Call in can be referred to O&S by at least two Councillors. There were four Call-In Hearings during 2010/2011, which demonstrates that the decision-making process is transparent and open to challenge.

Overview and Scrutiny becomes involved with decisions at an appropriate early stage to apply real influence and therefore play the important role of ‘critical friend’ to Cabinet. The first piece of pre-decision scrutiny work that the Overview and Scrutiny Committee undertook, early in 2010/2011, was looking at the Delapre Abbey Options Appraisal. The Committee undertook five pre-decision scrutiny activities during this year and already has one pre-decision scrutiny activity programmed for 2011/2012.

A key example of pre-decision scrutiny was on the Environmental Services Procurement. Cabinet agreed that the Council’s waste, grounds and street care services should be market tested. The procurement would be undertaken in partnership with Daventry District Council. This project was recognised as being a major procurement initiative for the Council. In addition to its large scale and ambitious scope, it presented the added challenge of being undertaken in partnership with another Local Authority. Its outcomes had the potential for a major impact on key factors, i.e. customer experience, finance and organisational reputation. Risk and legal implications were noted as potential concern. For these reasons, the process was selected for pre-

Outline Annual Governance Statement

decision scrutiny by O&S. A non-Executive from Daventry District Council was co-opted to the pre-scrutiny activity.

Upon completion of the pre-decision scrutiny process, O&S was satisfied a thorough process had been undertaken to determine the preferred bidder for the award of the proposed joint contract and was satisfied that robust mechanisms would be developed to ensure that costs and benefits would be appropriately shared between the two partner Councils and neither Council would in any way subsidise (or be subsidised by) the other. This pre-decision scrutiny activity demonstrates non-Executives influencing organisational culture at the Council.

During 2010/11, the scrutiny panels reviewed the following areas: -

- **Northamptonshire Alcohol Strategy** – to review the local delivery of Northamptonshire Alcohol Strategy in Northampton
- **Commissioning Framework for the Voluntary and Community Sector** – To investigate the development of a Commissioning Framework for the Voluntary and Community Sector.
- **Absence Management** – To evaluate the impact that staff absence has upon service delivery.
- **Neighbourhood Model** – To investigate which groups will be engaging with and who the Council will be working with.
- **Lease between Northampton Borough Council and Northampton Town Football Club and the contractual arrangements between Northampton Town Football Club and the Rugby and Northampton Athletics Club** – To review the operation of the lease that Northampton Borough Council has with Northampton Town Football Club, the contractual arrangements between Northampton Town Football Club and the Rugby and Northampton Athletics Club, and make recommendations for improvement to the facility, if appropriate.

4.5 Developing the capacity and capability of members and officers to be effective

The Council has a structured Councillor development programme which is informed by corporate priorities, legislative changes and individual personal development plans for councillors. The programme is overseen by the Councillor Development Group, which comprises of councillors from all political groups and officers to determine priorities and agree programmes of development on a rolling three-month programme. It also evaluates and monitors outcomes from development sessions.

Extensive Members training was undertaken during 2010/11. The developments focused on three key areas: Knowledge briefings, personal skills development and Committee Development Sessions. Some topics covered in knowledge briefings were: Emergency Planning, Community Safety, and Financial Budgets & Service Planning. Personal skills development was identified through Personal Development Reviews (based on the IdeA competencies). These ranged from IT skills to developmental conferences. Training was conducted for Committee members in the areas of Planning, Licensing, Standards & Overview & Scrutiny.

4.6 Engaging with local people and other stakeholders to ensure robust public accountability

The Council's community engagement activities have been brought together into one overarching strategy. The key principles of the strategy are that:

- All communities should be involved in the decisions that affect them

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- All communities deserve high quality public services, shaped around their needs
- Council policies and strategies should reflect local priorities, requirements and aspirations.

The Community Engagement Strategy recognises the diversity of our communities, the importance of community capacity building and the need to provide appropriate opportunities for customers and communities to participate at whatever level they wish to influence service delivery, decision making and policy development.

The Community Engagement Strategy aims to support strong, active and inclusive communities, who are informed and involved in decision-making and enable us to improve public services to enhance quality of life in Northampton. By this we mean:

- strong communities, who can form and sustain their own neighbourhoods, bringing people together to deal with their common concerns
- active communities, where people are supported to improve quality of life in their own communities
- influential communities, where all sections of the community feel they have opportunities to be involved in decision-making and influence public services

5 Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of its governance framework including the system of internal control. The process adopted during 2010/11 for a review is below.

- Contributions and comments from Heads of Service
- Audit Committee review for comment
- Internal Audit review for comment
- Review and approval by Management Board
- Review and approval by the Audit Committee

The review of effectiveness is informed by the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Auditor's annual report and also by comments made by the external auditors and other review agencies and inspectorates. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes:

The Borough Solicitor (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes. A full review of the Constitution was undertaken during 2010/11 to ensure it was accurate and reflected current best practice and legal requirements and a revised Constitution was approved by Full Council on 14th March 2011.

The Council's Overview and Scrutiny (O&S) Committee is described above and is a very effective model, both for pre-decision investigations, and for a call-in process to scrutinize decisions of the executive. The annual report of the Overview and Scrutiny Committee was presented to Cabinet on 11th July 2011.

The Standards Committee has produced periodic newsletters for the benefit of Members, Parish Councillors and relevant officers, to provide updates on the national position, advice on matters in relation to Standards generally and to also remind

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Members of their obligations under the Code of Conduct, the Register of Interests, Gifts and Hospitality.

The Audit Committee has been very effective during 2010/11. An example is that all outstanding Internal Audit recommendations are reviewed at each meeting. Senior officers are requested to attend the committee to explain why recommendations have not been implemented within the agreed timescales. The Committee, through its review of outstanding recommendations, has assisted in drastically reducing the number of overdue recommendations.

Internal Audit, under the terms of engagement, is required to provide those charged with governance with an opinion on the overall adequacy and effectiveness of the council's:

- Risk management
- Control and;
- Governance processes.

Collectively this is referred to as "the system of internal control".

An audit plan is prepared each year and is agreed at the Audit Committee prior to the year commencing. For 2010/11 the audit plan was agreed at the Audit Committee meeting on 22nd March 2010.

The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service manager and/or chief officer. The report includes recommendations for improvements that are included within an action plan and requires agreement or rejection by service manager and/or chief officers. The process includes follow-up reviews of recommendations to ensure that they are acted upon, usually within six months. All Internal Audit reports include a report on the quality and effectiveness of internal control within the Council's systems, and an assessment in accordance with quantification and classification of internal control level definitions. These definitions are summarised below:

High Assurance: No control weaknesses were identified or some low impact control weaknesses were found.

Moderate Assurance: There are some weaknesses in the design and/or operation of controls, which could impair the achievement of the objectives of the system, function or process. However, their impact would be less significant or they are unlikely to occur.

Limited Assurance: There are some weaknesses in the design and/or operation of controls, which could have a significant impact, but should not have a significant impact on the achievements of the organisational objectives.

No Assurance: There are some weaknesses in the design and/or operation of controls, which could have a significant impact and may put at risk the achievement of organisational objectives.

Risk ratings, ranging from critical to low, are also included within the audit reports.

The Internal Audit Annual Report for 2010/11 was reported to Audit Committee on 27th June 2011. In this report, Internal Audit noted excellent progress in some areas, including:

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- **Bank Reconciliations** – where Internal Audit found that “The Authority has successfully made significant changes to this process over the last two years and we can now conclude that bank reconciliations are well controlled.”
- **Fixed Assets, Housing Benefits and IT Backup and Recovery** – where Internal Audit found that “We were able to provide high assurance opinions for all three of these areas.”
- **General Ledger and Cash Collection** – where Internal Audit found that “We identified an overall improvement in control for both these audits.”

In 2009/10 Internal Audit provided a ‘No assurance’ opinion for three audits and this resulted in their limited assurance opinion on the system of internal control.

In 2010/11 however, no internal audit reports were issued with a no assurance opinion which indicates improving levels of control at the Authority. Internal Audit have, however, provided ‘Limited’ assurance opinions for Expenses, IBS Creditors and Debt Recovery. The Authority has further work to do in these areas to address the control weaknesses identified. These issues are identified in more detail below.

Therefore, on the basis of their conclusions, Internal Audit gave **moderate** assurance on the design, adequacy and effectiveness of the system of internal control at the Council. Internal Audit noted this significant improvement on their prior year assessment and recognised the improved control framework that is now in place. Internal Audit provide ‘moderate’ assurance in our annual opinion where they have identified mostly low and medium rated risks during the course of their audit work on business critical systems, but there have been some isolated high risk recommendations and the number of medium rated risks is significant in aggregate. The level of their assurance is therefore moderated by these risks and so they cannot provide a high level of assurance.

The Internal Audit service is subject to a review by the council’s external auditors, the Audit Commission, who place reliance on the work carried out by the section. Internal Audit also carries out an annual self-assessment that is reviewed by the Director of Finance and Support, the Head of Finance and external audit.

6 Significant Governance Issues

6.1 Review of the previous year’s Significant Governance Issues

The 2009/10 statement highlighted significant control weaknesses in the following areas:

Significant Control Weakness areas	Update
Core Financial Systems: Debtors Uniclass Creditors	
Other Systems Audits: Grounds Maintenance	

It should be noted that the 2008/09 statement highlighted significant control weaknesses in Uniclass Creditors system which was reported again 2009/10 due to the delay in the

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implementation of the IBS system. However, the replacement for the Uniclass Creditors system, IBS Creditors, has been reported in 2010/11 (below).

6.2 This year's Significant Governance Issues

Significant control weaknesses in relation to the following services for 2010/11 were identified by Internal Audit and highlighted to the Audit Committee at its meeting of 27th June 2011 in the Annual Audit Report.

Significant Control Weakness areas	Action to address weakness
<p>IBS creditors: There was no review or authorisation of new suppliers on the IBS system, increasing the risk of false suppliers being created</p> <p>The following value for money issues were identified:</p> <ul style="list-style-type: none"> • 4 significant contracts between the Authority and their suppliers had expired. • There was no preferred supplier listing in place. • The Authority did not use any purchasing consortium. 	
<p>Debt recovery A high number of control issues around delays within the debt recovery process were identified, increasing the likelihood that debts won't be collected</p>	
<p>Expenses The Authorised Signatory List was out of date and poorly organised meaning that signatures authorising expenses claims could not be checked properly.</p>	

The Council proposes to address the above matters, as set out in the table, to further enhance governance arrangements. The Council is satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and the progress of these will be monitored during the year and their implementation and operation will be reported on as part of our next annual review.

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7 Certification by the Leader of the Council, Chief Executive, Director of Finance and Support and the Monitoring Officer.

Signed:

Signed:

Date:

Date:

Councillor David Palethorpe
Leader of the Council

David Kennedy
Chief Executive

Signed:

Signed:

Date:

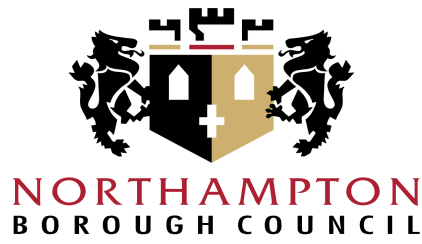
Date:

Isabell Procter
Director of Finance and Support
(S151 Officer)

Francis Fernandes
Borough Solicitor
(Monitoring Officer)

Northampton Borough Council has, through its cross party Constitutional Review Working Group, agreed a local code of corporate governance which is scheduled to be adopted by Full Council in July 2010. The code format is based on the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (CIPFA 2007). The code, when implemented, will be subject to a review by Internal Audit.

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AUDIT COMMITTEE REPORT

Report Title	Anti-Fraud Annual Report
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	25 th July 2011
Policy Document:	No
Directorate:	Finance & Support Directorate
Accountable Cabinet Member:	Cllr Alan Bottwood

1. Purpose

1.1 To provide a summary of anti fraud work and activity.

2. Recommendations

2.1 That the committee note the report.

3. Issues and Choices

3.1 Report Background

3.1.1 The Housing & Council Tax benefit system at Northampton Borough Council pays out in excess of £80m in awards in a year. While the gateway is secured we have to be mindful not to make it too difficult that genuine claimants are put off and in this gap the opportunist and organised fraudster has opportunity to take money from the system illegally. It is the role of the Investigation team to find these individuals identify the fraud/error and where appropriate prosecute.

3.1.2 The Counter Fraud & Prosecution Policy (previously agreed at cabinet) is enclosed at **Appendix 1** for reference.

- 3.1.3 The report will give an overview of the fraud activity from 2010/11 the expectations for 2011/12 and some potential enhancements to the anti-fraud activity that are currently being trialled.
- 3.1.4 It is the Council's duty to protect the Public Purse so there will always be a need to investigate irregularities. The preventative measures will deter some opportunist but those who are set on providing false information and/or failing to declare relevant changes in circumstances may succeed.
- 3.1.5 Designated Fraud Investigation Officers, who will be professionally trained and resourced, will carry out investigations. They must work to a specific Code of Conduct given the sensitive nature of their duties. They Operate under the Social Security Administration Act 1992 and have to follow guidance from the Police & Criminal Evidence Act 1984 and Criminal procedures and Investigations Act 1996 to bring a case to criminal prosecution.
- 3.1.6 Additional features must be maintained such as Safety and Visiting Procedures and joint working with the Department for Work and Pensions fraud staff.
- 3.1.7 Failure to investigate will see money leaving the Authority by way of Fraud & Error and failure to tackle this could lead to qualified subsidy claims and loss of revenue to the Authority.
- 3.1.8 Activity starts with a referral and goes through a process to establish the quality of the referral (this is demonstrated in the Fraud Support flow diagram) at **Appendix B**.
- 3.1.9 Once the referral is considered suitable it will be dealt with by an investigation office who will need to make an assessment as to how the case should be investigated an whether it should be completed informally (error) or formally (fraud) this will lead to an evidence gathering process that will lead to an interview and a decision on how to proceed. This process is outlined in the Fraud – Flow Diagram at **Appendix B**.

3.2 Issues

- 3.2.1 Our fraud service is audited as part of the audit commission's external audit of our annual subsidy claim. Work undertaken within our fraud and interventions team will also be reviewed as part the internal audit process. No issues were identified in 2009/10 and no issues have been identified to date in 2010/11 (audit still underway)

3.3 Fraud & Interventions Performance 2010/11

3.3.1 The performance figures for 2010/11 are outlined in the table below:

Measure	Totals
Number of claimants visited	3461.00
Number of Fraud referrals	2346.00
Number of Fraud Investigations	1098.00
Number of successful Cautions	58
Number of successful Administrative Penalty	26
Number of successful Prosecutions	36
Number of successful sanctions	120.00

3.3.2 In comparison to 2009/10:

- Visits are up almost 6% on 2008/09 with over 3400 visits completed and of these almost 1500 required financial adjustments on the system to correct the benefit paid.
- Referrals increased 32% in 2010/11 and show a 72% increase from 2007/08.
- Completed Investigations are up 9% on 2009/10
- Sanctions are up 5% on 2009/10 and 30% on 2007/08
- £1.2m incorrectly or fraudulently claimed benefit.

3.3.3 The fraud team have worked closely with local partners, most significantly the DWP investigations team where joint work led to frauds totalling £390,000. We have been involved with a number of agencies on joint operations including VOSA, Police, Trading Standards and Immigration (Operation Guardian). Events with these groups have led to changes to Benefits, Council Tax SPD, seizure of vehicles, red diesel & MOT issues and the apprehension of illegal workers. We have also this year been involved at Taxi induction to deliver to them a fraud awareness message.

3.3.4 Fraud & Interventions 2011/12 expectations:

Measure	Target
Number of claimants visited	3000
Number of Fraud Investigations	999
Number of successful sanctions	96

- 3.3.5 With the significant increase in HB caseload we have seen an equally significant rise in referrals; these have had to be robustly risk assessed to enable the team to manage the quantity. 2011/12 will see performance maintained with the expectation that the trials undertaken will show the team continues to add value to the fraud effort.
- 3.3.6 The team have taken on the work of internal HR investigations rather than this work being completed by managers and team leaders. The results so far have been excellent with the main benefit the turn round time of the investigative process leading to quicker decisions.
- 3.3.7 The team have also used their investigative skills to look into Illegal Sub-Letting with Housing colleagues leading to the potential recovery of up to 9 council houses that can be re-let.
- 3.3.8 A further avenue currently being explored is the investigation of Council Tax single person discounts. Rather than bringing in external bodies to do this work which proved successful, we are exploring a more cost effective in-house process.

4. Implications (including financial implications)

4.1 Policy None

4.2 Resources & Risk

- 4.2.1 The main risk at present is the move by Central Government to centralise investigative services and amalgamate HMRC, DWP and LA investigators.
- 4.2.2 There is still little detail as to how this service will operate or who will run the service. The expectation is that staff will start to move over mid 2013.
- 4.2.3 This will leave the Authority with a whole in terms of investigative personnel that has been recognised by the National Fraud Authority who are preparing a set of guidance encouraging LA's to look at other areas of fraud where potentially the cost benefits are greater than HB investigations.
- 4.2.4 Some of these areas are already being explored and outlined below in other Implications

4.3 Legal

4.3.1 There are no issues from a legal perspective; the investigation team work closely with the legal section that has ultimate sign off on all prosecutions. They provide guidance and advice and provide specific help in writing to customers heading for prosecution where circumstances may suggest a lesser penalty may apply should they attend the Interview under Caution.

4.4 Equality

4.4.1 These have been taken into account as part of the policy and an equality risk assessment undertaken.

4.5 Consultees (Internal and External)

4.5.1 None

4.6 Other Implications

4.6.1 None

5. Background Papers

5.1 Counter Fraud & Prosecution Policy



Name of Directorate	Customer & Service Delivery
Date	01/04/2008
Report Title	Benefit Counter Fraud & Prosecution Policy
Status	Corporate

1. Purpose & Scope

This document sets out Northampton Borough Council policy and guidance on the security of its benefit system, identifying roles and responsibilities in the prevention of fraud & error and when this fails the prosecution of persons who have committed offences.

It is intended to bring together the policies on counter fraud activity and the Prosecution Policy

Housing Benefits current pay out approximately £50m per annum, it is estimated that nationally 3% of this can be attributed to fraud & error that leaves a potential of £1.5m taken from the system incorrectly.

Headline figures for 2007/08: -

1366 referrals into the section.

794 referrals taken on.

429 case resulted in a reduction in benefits

46 Individuals faced a Caution, 10 Administrative Penalty & 18 Prosecution.

£572,000 has been identified as overpaid.

2. Policy Statement

Northampton Borough Council (The Council) is committed to the delivery of Housing Benefit and Council Tax Benefit to its customers. We will ensure our customers are made aware of the benefits available to them, through our promotion of the services provided.

We believe effective procedures and timely administration play a key role in promoting use of the service and in preventing fraud and error entering the system. Where benefit is paid in error, the Council is dedicated to the recovery of any overpaid amounts and will use all available legal processes to achieve this, We will not hesitate to prosecute an individual or group of individuals, who deliberately and knowingly set out to de-fraud the Benefit system or fail to declare relevant changes in circumstances.

3. Definitions

Fraud - "The deliberate misrepresentation or omission of facts in order to obtain for oneself or others a financial advantage, which would otherwise not be granted."

DWP – Department for Work & Pensions

PACE – Police & Criminal Evidence Act 1984

FIMS – Fraud Investigation Management System

4. Policy Guidance and Procedure

Aims

- Ensure that systems and procedures operate in a manner, which will minimise abuse both internally and externally.
- Ensure benefit fraud team members work in accordance to Codes of Conduct.
- Provide adequate resources to monitor and assess the right benefit at the right time and identify irregularities.
- Manage investigations of irregularities to a reasonable conclusion.
- Conduct pro-active investigations in order to detect benefit frauds not uncovered by routine verification.
- Take legal proceedings where there is a reasonable expectation of conviction, in line with the prosecution guidelines set out in this policy. Where possible we will notify Northampton Borough Council Press & Publicity department of the outcome for wider local exposure.
- Full recovery of fraudulent overpayments of benefit to deter further abuse.
- Produce an Annual Counter-Fraud Business Plan.
- Review this policy on an annual basis whilst considering the Annual Counter-Fraud Business Plan.

1. Corporate Framework

In order for the Benefit Counter Fraud Strategy to be effective, support and co-operation is required from across the Council. The Council's Corporate Anti-Fraud Policy requires employees to report to the appropriate manager, any impropriety. Sound procedures need to be maintained within all service areas, which have a role in respect of administration of benefits. Additionally sound recruitment procedures are required to ensure that internal abuse is minimized and any prospective fraudster does not manage to gain employment in these sensitive areas. The Council also has an employee declaration specific to areas within fraud, benefits and revenues which requires employees to provide details of: -

- Persons known to them, in receipt of benefit
- Properties owned by them and let out

2. Managing Benefit Administration

Clear responsibilities and standards are required within the administration of Benefits. In addition the importance of timely and good communication between internal sections such as One Stop Shop, Customer Service, Revenues & Benefits, Housing, Information Technology and Legal areas of the Council is vital. Good communication is required internally between officers and also externally between the officers, claimants and landlords.

We will employ quality controls checks and carry out performance monitoring to ensure standards are upheld and provide adequate training, flexibility and development to ensure we have an excellent administration. These factors will allow accurate gathering of data, assessment and verification of benefit applications. It is important that we identify irregularities arising from claim analysis and refer suspicions to the Fraud Team.

It is an integral part of that administration that everyone is aware of the risks of fraud and knows what to do when they suspect it. Consequently, the Council will further seek to promote counter-fraud awareness throughout the Benefit Service and other affected service areas within the Council.

3. Fraud Team

The Council will take steps to ensure that its fraud officers are fully up to date with current counter fraud issues. It is essential that staff remain up to date with policy & procedures and new staff are trained to a professional standard.

The Council is subscribed to NAFN – National Anti-Fraud Network and uses this services to gather intelligence and evidence to assist with the investigation work and criminal prosecutions.

The Council is committed to partnership working across its service provision. The Fraud team works within the national Fraud Partnership Agreement with the Department for Work & Pensions' (DWP) Fraud Investigation Service (FIS). We set and maintain locally agreed service standards with FIS in the form of Ad Hoc meetings between managers & as active members of locally held quarterly fraud liaison meetings with the other Northamptonshire Council's at which FIS staff are invited and encouraged to attend.

The Council will continue to maintain a network of partnerships to ensure the proper exchange of intelligence and good practice on counter fraud matters, whilst observing necessary confidentiality requirements.

4. Preventing Fraud & Error

The Council has a commitment to comply with principals of the Verification Framework in its attempts to prevent fraud and error from entering the system. We must have adequate procedures in place to verify and validate documents and forms, combined with accurate assessment of claims to support this.

With good liaison between all staff and a commitment to regular fraud awareness sessions this checking process will also assist in the detection of fraud and referrals to the fraud team for Investigation.

The Council has an Intervention Team that assists with this process by visiting customers. They use some of the latest technology to enable them to review the customers claim, check the declarations made previously and update the systems with changes while still in the customer's home.

5. Managing Investigations

It is the Council's duty to protect the Public Purse so there will always be a need to investigate irregularities. The preventative measures may deter some opportunist but those who are set on providing false information and/or failing to declare relevant changes in circumstances may succeed. Designated Fraud Investigation Officers, who will be professionally trained and resourced, will carry out investigations. They must work to a specific Code of Conduct given the sensitive nature of their duties. Additional features must be maintained such as Safety and Visiting Procedures and joint working with the Department for Work and Pensions fraud staff.

When investigating benefit fraud, the Council's fraud investigators and authorised officers will work within the guidelines of the Police and Criminal Evidence (PACE) Act 1984, The Human Rights (HRA) 1998, Regulation of Investigatory Powers (RIPA) Act 2000, The Data Protection (DPA) 1998, and The Criminal Procedures and Investigations (CPIA) Act 1996 and apply the Council's policies on equalities and customer care. The Council's officers will, at all times, apply appropriate procedures to maintain confidentiality.

6. Prosecution and Fraud Investigation

An investigation carried out by Officers charged with the duty of investigating possible fraud has one important function, to establish the facts.

It is essential that the Officers remember the importance of this function in the investigation and be aware of any tendency to look for evidence at the expense of retaining a balanced view.

Criminal prosecutions take place in a minority of cases, if investigators ensure they establish the facts, it is easier to bring a successful prosecution in appropriate cases, and time will not need to be spent gathering further evidence after the event.

The Council will ensure that its fraud investigation officers understand that, under section 67(9) of the Police and Criminal Evidence (PACE) Act 1984 they are persons charged with the investigation of crime and are, therefore, subject to the same restraints as the police, especially those contained in PACE.

Legal Proceedings

The Council is committed to a prosecution and sanction based, quality driven investigation strategy and supporting a consistent approach to the investigation of joint cases with the DWP fraud officers. The aim wherever possible, is to bring the whole criminality against the benefit system before the Courts.

Northampton Borough Council will not hesitate to prosecute an individual or group of individuals, whom deliberately and knowingly set out to de-fraud the benefit system. Equally, it will not hesitate to prosecute those who fail to declare relevant changes in circumstances.

When alleged frauds are detected, the decision whether to refer matters for prosecution rests with the appropriate Council's Officer's, who will use the following criteria: -

1. Is there a realistic prospect of a conviction? (The evidential test)
2. Is a prosecution in the public interest? (The public interest test)

The Council will only start or continue with a prosecution when the case has passed both tests.

It is very important to remember that a decision to prosecute an individual is a serious step. Fair and effective prosecution is essential to the maintenance of Law and Order even in a small case; a prosecution has serious implications for all involved – victims, witnesses and defendants. Northampton Borough Council applies its Prosecution Policy (appendix A), so that it can make fair and consistent decisions about prosecutions. Each case is unique and will be considered on its own facts and merits.

Appendix A (Northampton Borough Council Prosecution Policy) sets the criteria and considerations that should be applied in making these decisions. Appendix B is a flow diagram highlight how each stage fits into the next.

7. Publicity

The Council will seek to obtain appropriate publicity on individual prosecutions to send a clear message to the general public that we are committed to protecting the public purse and to potential Fraudsters a deterrent message that the council will not tolerate fraud and offenders can face criminal charges.

In all publications we will endeavour to advertise the Benefit fraud hotlines and e-mail account supported by the Council to encourage people to continue to support us in our efforts to reduce fraud in the system.

Hotlines

- **01604 837320** Internal benefit fraud hotline (24hour service with both Officer and answer phone contact)
- **0800 3286340** External freephone national hotline run by the DWP.
- reportfraud@northampton.gov.uk - e-mail address

8. Recovery of Overpayment

The Council will seek to recover the full fraudulent overpayment as a deterrent to future attempts to defraud the benefit system. Where prosecution has taken place a claim for compensation may be made towards the overpayment and the remainder will be sought through civil action as appropriate.

9. Recording and production of management information

The administration of benefits and the detection of benefit fraud have a significant effect on the subsidy claimed by Northampton Borough Council. Consequently sufficient management information is required in order to ensure that maximum subsidy is claimed accurately.

Additionally analysis of data will enable resources to be directed to the area of most effect. This applies in terms of administration and fraud detection.

10. Summary

- The Council is committed to the ensuring that the *right* benefit gets to the *right* people at the right time.
- The Council will act against those people who obtain benefits to which they are not entitled as a result of fraudulent activity.
- The Council will seek to ensure that any benefit obtained to which a claimant is not entitled is repaid in full. However, the Council will take care not to place anyone into a situation of financial hardship.
- The Council will respect the lives of all persons involved in an investigation of alleged benefit fraud and pay full regard to the legislation in dealing with these people.

5. Duties and Responsibilities

All Staff

It is the responsibility of every member of staff working for Northampton Borough Council to report incidents of suspected Fraud & Corruption.

Investigation Officers

It is the responsibility of each Investigator to raise and maintain an Investigation file and record all events during the investigation on the FIMS computer system and in accordance with CPIA 1996.

At the conclusion of a case the file will either be closed, as there was no criminal case to answer, or passed to the Fraud & Intervention Team Leader for consideration

of further action. The file will contain details of the offences, the overpaid amounts and a summary of the actions taken. The investigator will always check the DWP (Department for Work and Pension) and NAFN (National Anti-Fraud Network) database for previous benefit fraud sanctions and convictions before issuing a caution or penalty.

All outcomes will be fully recorded within the FIMS system, and appropriate documents will be passed to the DWP & NAFN for central registration to ensure further attempts to defraud by the same person are considered for prosecution as a first option.

A press release will be prepared and passed to the Press & Publicity section for publication in the local press to maximise the deterrent affect.

Fraud & Intervention Team Leader

Responsible for reviewing the cases and applying this policy when completing management checks, and in decision-making processes. They will complete a report that identifies if the sanction is appropriate, why it is considered in the public interest, and any aggravating or mitigating circumstances before presenting a recommendation. Where Prosecution is considered appropriate another senior officer will also review and endorse the recommendation before the case is passed to the appropriate legal section for a final decision.

Legal Team

The legal team will review the prosecution case and provide guidance on further action that may be required or evidence that needs to be acquired in order that the case may be correctly presented. The final decision on whether the case should proceed is the responsibility of the legal team.

6. Legal Framework

When considering counter fraud activity, Northampton Borough Council must operate under relevant legislation. Listed below are the main Legislative frameworks we work to.

Social Security Administration Act 1992
Theft Act 1968.
Social Security Administration (fraud) Act 1997
Code for Crown Prosecutors
Home Office guidance Circular 30-2005
Human Rights Act 1998
Crime & Disorder Act 1998
Data Protection Act 1998
Criminal Procedures and Investigations Act 1996
Police & Criminal Evidence Act 1984
Local Government Act 2000
Regulation of Investigatory Powers Act 2000
Fraud Act 2006.

7. References to Corporate Plan/Community Strategy/LAA/LSP/Sub-Policies/Procedures/Related work

Whistleblowing Policy – Held within the employee handbook.
Corporate Plan
Benefits Business Plan
Department for Work and Pensions – Performance Standards
Fraud & Intervention Business Plan

8. Consultation/Focus Groups/Consultative Groups/Expert Advice/Legal Advice/Financial Advice-Equality Impact Assessment

This policy has been passed to the following groups for comment.
Governance Section.
Northamptonshire Local Authority Fraud sections
Legal Services

9. Research/Benchmarking/How others deal/have dealt with this issue

This policy has been derived from the previous counter fraud policy and the prosecution policy. References have been taken from publications from Manchester City Council, Bristol City Council, Torrington District Council and Solihull Metropolitan Borough Council.

10. Process Documents

DWP – Fraud Procedures in Investigation – FPI guide (on NAFN website)
[Intervention Procedures](#)
[Fraud Admin Procedures](#)
[Fraud Procedures](#)

11. Training Requirements

The policy will be available to all staff via the Intranet.
Housing Benefit & Service Staff will receive a e-mailed copy for reference
In addition the document will be stored on the Fraud shared drive for ease of access.

12. Implementation, Monitoring and Review

The Prosecution Policy part of document will need require formal agreement with members before implementation; this is both a requirement for performance standards and an audit recommendation.

The Fraud & Intervention Team Leader will review the policy annually to ensure it remains fit for purpose and will be updated as required.

Significant amendments will be returned to members for agreement.

13. Performance and Risk

This policy impacts NI180 as it effects how we tackle fraud & error encourage customers to report the correct changes on time.

Despite changing national indicators The Fraud & Intervention Team remains an important aspect of benefit administration and local crime reduction. Targets will be set annually to measure performance as a department and individual officers.

This will impact on Northampton residents that use the Housing Benefit service as we will, as appropriate, require individuals to submit data as a review of their circumstances by various methods, including home visits.

The implementation of the policy should not effect to the performance of the fraud team, the purpose of the document is to incorporate recent legislative and operational changes into the policy and to again obtain full Council approval.

14. Appendices inc Work/Implementation Plan

Equalities Impact Assessment – Appendix C

Implementation – The policy will be used as a draft document until the document can be present to full council for approval.

Prosecution Policy

When alleged frauds are detected, the decision whether to refer matters for prosecution rests with the appropriate Council Officer, who will use the following criteria: -

1. Is there a realistic prospect of a conviction? (The evidential test)
2. Is a prosecution in the public interest?

The Council will only start a prosecution when the case has passed both tests.

In making the decision to prosecute, the following guidance would be used: -

- The amount of money obtained and the duration of the offence.
- The suspect's physical and mental condition both at the time any offence was committed and at the time prosecution is being considered
- Is the offence serious enough or is there a real possibility it could be repeated
- Voluntary disclosure.
- Co-operation by the suspect
- Any previous incidence of fraud.
- Does the defendant have previous convictions, administration penalties or cautions that are relevant to the present offence
- Whether a conviction is likely to result in a significant sentence.
- Whether there is evidence that the defendant was a ringleader or an organiser of the offence.
- Whether there is evidence of the offence being premeditated.
- Whether the person is in a position of authority or trust.
- Whether there are grounds for believing that the offence is likely to be continued or repeated, for example, by a history of recurring conduct.
- Whether the offence is widespread in the Local Area.
- Whether the Court is likely to impose a very small or nominal penalty.
- Whether the defendant has put right the loss or harm that was caused

- Defendants must not avoid prosecution simply because they can pay compensation.
- Failure in the investigation, including delay.

Deciding on the public interest is not simply a matter of adding up the numbers of factors on each side. The Council must decide how important each factor is in the circumstances of each case and go on to make overall assessments.

Financial Guidelines

Financial guidelines are introduced to show a consistency of approach when applying the prosecution policy and deciding on the appropriate sanction, however, each case is unique and will be considered on its own facts and merits.

Regardless of the amounts involved, Northampton Borough Council will proceed directly to a prosecution where it considers the actions or inactions of the individual(s) warrant disposal through the court system.

Prosecution cases

Prosecution will be proceed for all cases where the total overpayment exceeds £3000 and the criteria above has been appropriately considered.

Formal cautions and administration penalties

The Council may consider offering a Formal Caution or an Administration Penalty depending on the circumstances of an individual case, before this is considered the following circumstances must apply.

- Evidential requirements for prosecution are satisfied, **and**
- Overpayment is less than £3,000

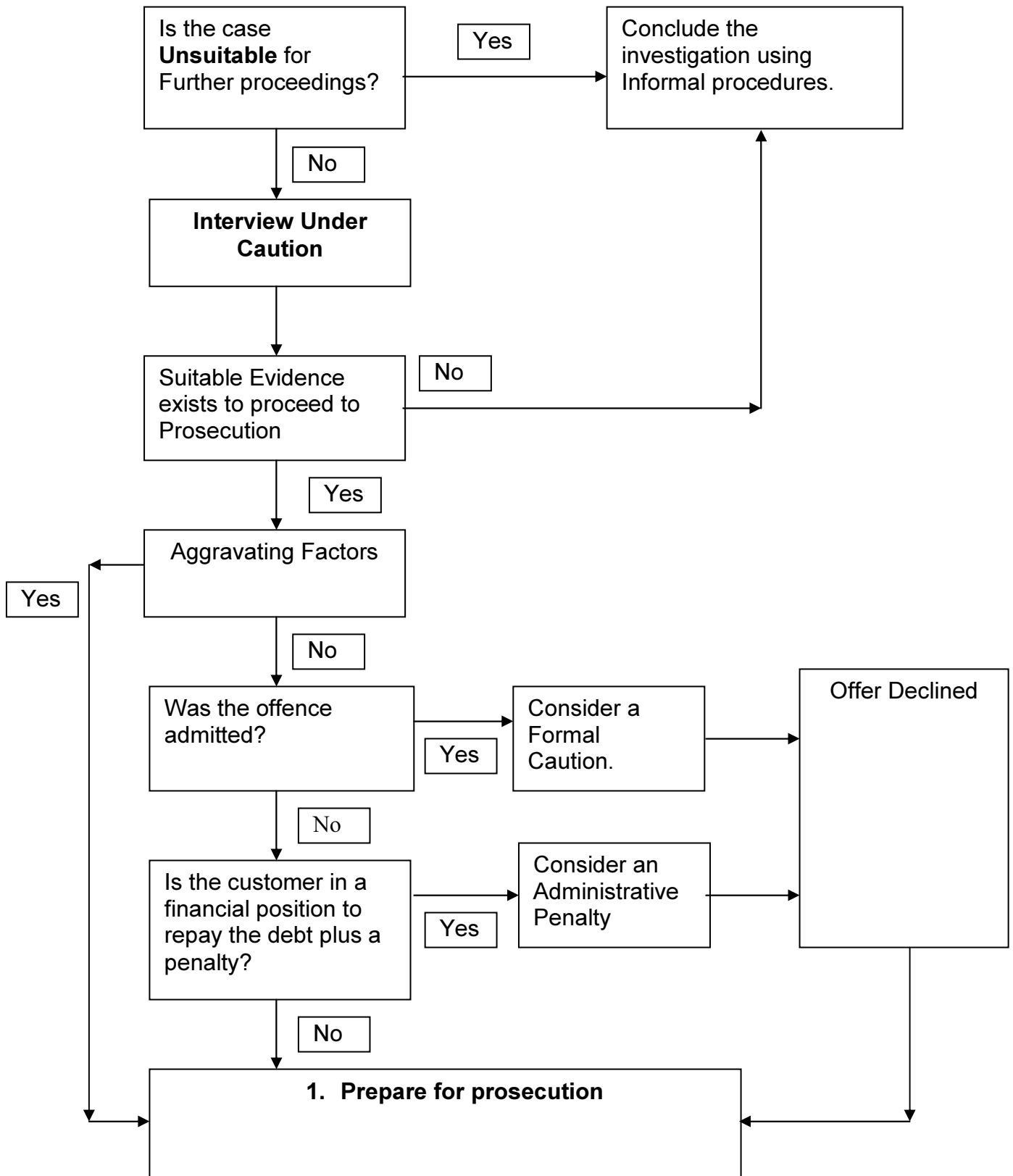
In order for a case to be considered for a Formal Caution, the customer must admit to the offence during an interview under caution and show some remorse for their actions. Northampton Borough Council will apply Home Office Guidance Circular 30-2005 when administering formal cautions.

As an alternative to a Formal Caution or in cases where the offence has not been admitted and the overpayment is less than £3000 we can consider an Administrative Penalty. In these cases we should be aware of the customers financial position and be mindful that the further penalty can be repaid by the customer or recovered by the council in line with any local anti-poverty strategies and that this will not cause the customer to further offend in order to repay the debt. In these cases we may consider that the case should proceed directly to prosecution.

In addition, any net overpayment of less than £50 is deemed too low to attract an administrative penalty (but not a caution). This does not mean that the debt will not be recovered by other means (deductions from current benefit or by way of Sundry Debt procedures).

In applying these guidelines we must consider the impact on partnership working. We will ensure, when working with other agencies that the policy is not a barrier to presenting the full extent of a fraud before the courts. As a general rule the policy of the prosecuting authority will provide the basis on how to proceed.

The process for the first time offenders where the overpayment is under £3000



Directorate	Customer & Service Delivery	Section	Revenues & Benefits	Person Responsible for the assessment			
Name of the Policy/Strategy/Service/ Function to be assessed		Housing Benefit Prosecution Policy	New or Existing		Existing	Date of the assessment	10/10/2007
Describe aims/ objectives and purpose of the policy/function to be assessed		To outline a standard that gives guidance as to the appropriate action to take when considering offences under the Social Security Administration Act 1992					
Are there any associated objectives associated with this function/policy? If so state		A published policy that tackles fraud with the benefit system should have a deterrent effect.					
Who is intended to benefit from this function/policy and in what way?		Northampton Borough Council and its Tax Payers					
Who is responsible for this policy/function?		Fran Rodgers		Who implements this policy/function?		Matthew Steele	
What outcomes are wanted from this function/policy?		Provide a document that outlines a system of standards that can be approved by elected members of Northampton Borough Council, to improve the anti-fraud message, reduce fraud & error in the system, minimise overpaid benefit and prosecute when these systems fail.					
What factors could contribute to inequality?		1. Adoption of a blanket policy 2. Communication Barriers(Language & Signing) 3. Cultural Bias 4. Targeting of areas 5. Poor or insufficient communication of benefit regulations					
Are there any concerns that the policy/function could have a negative differential impact on the equality groups? What evidence do you have in each relevant case?		Race: Statistical analysis (appendix c) has identified there are no concerns with the impact or targeting of fraud caseload	Disability: Statistical analysis (appendix c) has identified there are no concerns with the impact or targeting of fraud caseload	Gender: Statistical analysis (appendix c) has identified there are no concerns with the impact or targeting of fraud caseload	Sexuality: Statistical analysis (appendix c) has identified there are no concerns with the impact or targeting of fraud caseload	Religion/Belief: Statistical analysis (appendix c) has identified there are no concerns with the impact or targeting of fraud caseload	Age: Statistical analysis (appendix c) has identified there are no concerns with the impact or targeting of fraud caseload
Could the differential impact identified above give cause to a potential for adverse impact in this function/policy?			No	Explain:			
Can any adverse impact identified be justified on the grounds of promoting equality of opportunity for one group or any other reason?			No	Explain			
Should this policy/function proceed to a partial impact assessment?			No	At the present time statistical analysis has identified that the effect of prosecutions does not impact detrimentally on any particular group. I will continue to profile customers to monitor the effect of the new policy.			
Signed (completing officer)	Matthew Steele	Signed (Policy officer)		Date:		Comments:	

**Area:
Revenue Services**

Initial Screening-

Is there any evidence or reason to believe that the groups below could be adversely affected?

date started: 9/8/2008 date completed: 16/8/2008

Partial EIA-

if justified from Initial Screening

Full EIA

	Gender	Race	Disability	Age	Religion/ belief	Sexual orientation	date planned	date completed	date planned	date completed
Council Tax Billing	no	no	no	no	no	None but see recommendation	Not necessary		Not necessary	
Council Tax Recovery	?	?	?	?	?	As above	No profile available for section November 2007			
Benefits (Council Tax and Rent) and Recovery of overpayments	yes	yes	yes	yes	no	As above	November 2007			
Fraud and Intervention	no	?	no	no	?	As above	on evidence available this does not appear necessary but see recommendations			
Non Domestic Rates Billing and Recovery	no	?	no	no	no	no	Not necessary			

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Associated policies for this Area	Discretionary Housing Payments Fraud Policy (still in draft form-will require EIA before adoption) Customer Service Strategy Corporate Debt Policy (under development- Initial EIA carried out- will require Full EIA)
Comments/Recommendations	1. Since advent of civil partnership it has not been possible to update joint liability as this information is not always known. Action needed on future notices 2. No information on some of the strands available on enforcements- To ensure hen CRM fully implemented data cross match will enable accurate population profiling for all sections

Fraud/Sanctions

Benefit Claimant's Profile April 2007- June 2007

April 2006 to March 2007

Northampton Profile July 2005

Sample Total = 476
on Census 2001) 194458

Sample Total= 65

(based

Gender:

Male	99 of those who disclosed 49%	38.22%	25	38.46%
Female	160 51%	61.78%	40	61.53%
Not answered	217			

Age:

Under 25	84	17.64%		0%
25-60	260	54.62%	59	92%
Over 60	115 17%	24.26%	5	7.81%

Ethnicity (abstract)

BME	75 of those who disclosed 8.4%	25.33%		
White British	211 91.6%	71.28%		
White other Europe	7	2.36%		
Not answered	180			

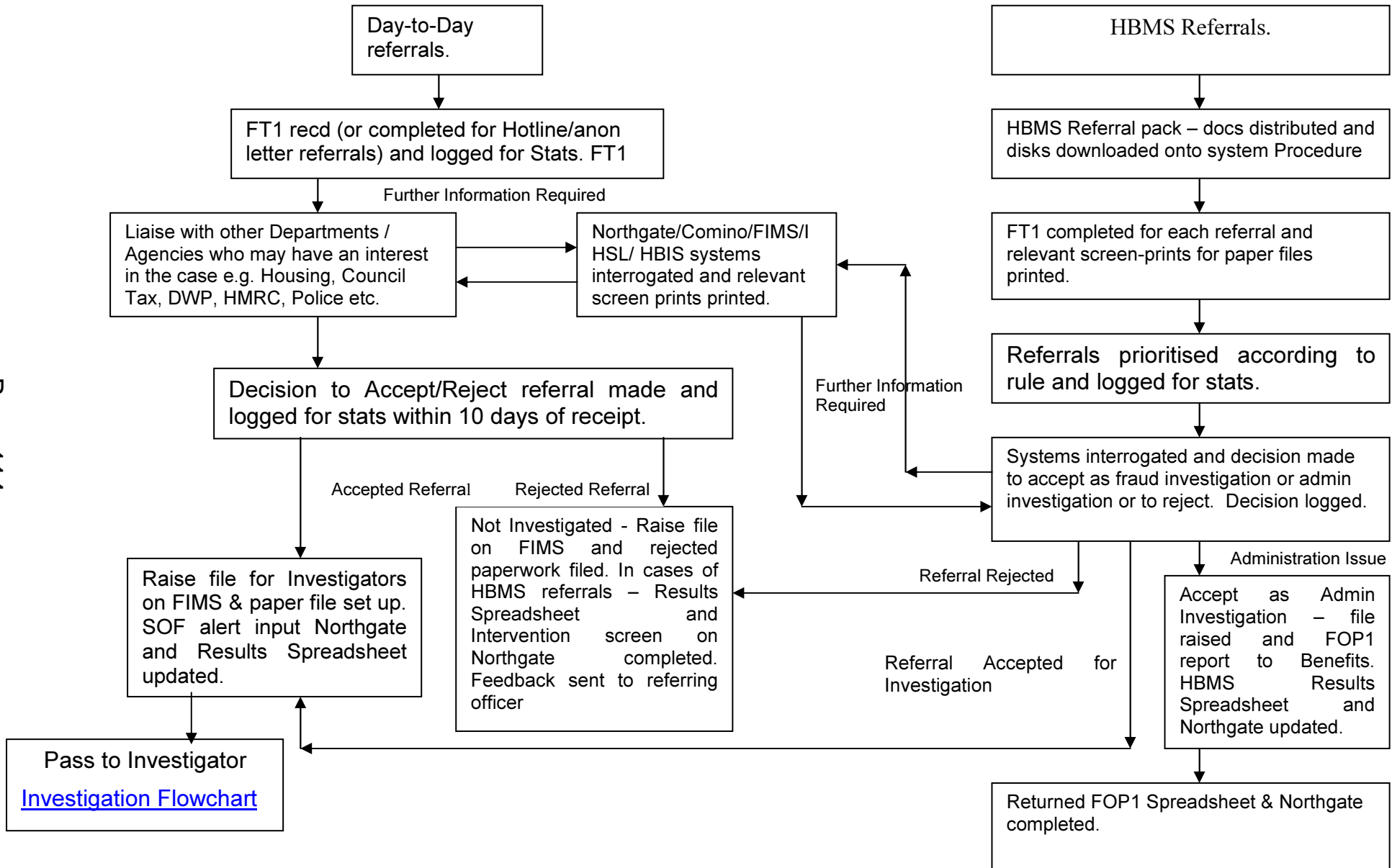
Sexuality:

Heterosexual	209 of those who disclosed	97.20%		
Bisexual/Gay/Lesbian	6	2.79%		
Not answered	261			

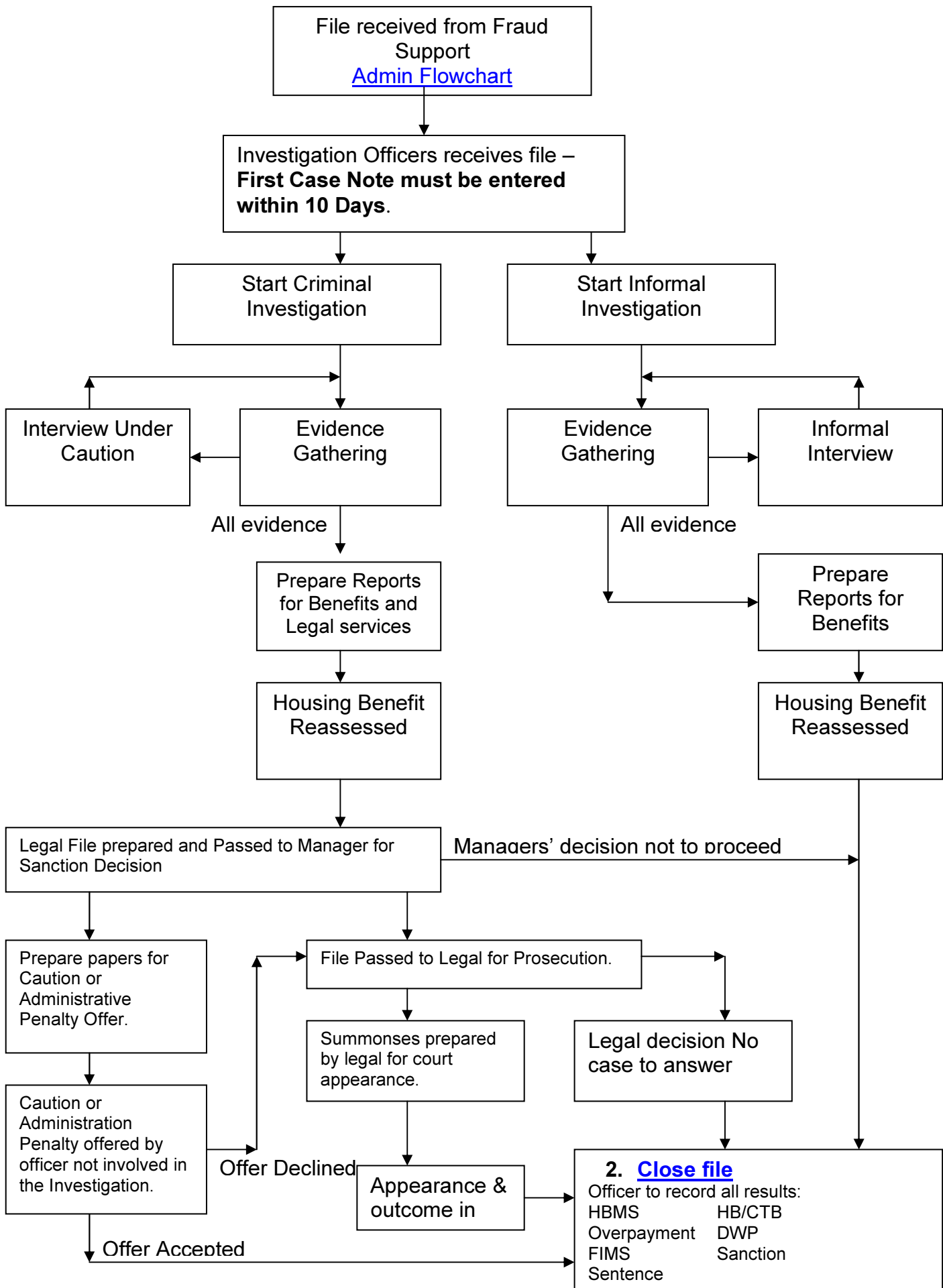
Disability:

Disabled	55 4.4%	21.82%	5	7.69%
Not disabled	197	78.17%		

Fraud Support – Flow Diagram



aud- Flow diagram



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AUDIT COMMITTEE REPORT

Report Title	Internal audit progress report
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	25 July 2011
Policy Document:	NO
Directorate:	Finance and Support
Accountable Cabinet Member:	Councillor Alan Bottwood

1. Purpose

1.1 To provide the Audit Committee with a report summarising progress made against the approved internal audit plan for 2011/12.

2. Recommendations

2.1 To note the report.

3. Issues and Choices

3.1 Report Background

3.1.1 Introduction

The report is produced to inform the Committee on internal audit activity in the current year up to the date of the Committee meeting.

3.1.2 2010/11 TeamCentral Report

We have included a report in Appendix 1 detailing progress against recommendations raised within our 2010/11 audit work.

3.1.3 2011/12 Plan Outturn

We have undertaken work in accordance with the 2011/12 Internal Audit Plan which was presented to the Audit Committee at its meeting in March 2011.

We have issued draft reports for the following reviews:

- Recruitment
- Void management

We will be commencing the following reviews in August:

- Risk Management and Business Continuity
- Treasury Management

We have also arranged initial scoping meetings for our specialist review of assumptions within the Housing Revenue Account Business Plan and our review of the Electronic Data Management System project. We will be looking to perform this work in August.

3.2 Issues

3.2.1 As detailed in the report

3.3 Choices (Options)

3.3.1 N/a

4. Implications (including financial implications)

4.1 Policy

4.1.1 No implications other than enabling monitoring of internal audit reporting performance.

4.2 Resources and Risk

4.2.1 Risks may be highlighted as a result of audit issues being reported.

4.3 Legal

4.3.1 N/a

4.4 Equality

4.4.1 N/a

4.5 Consultees (Internal and External)

4.5.1 Director of Finance and Support and Head of Finance.

4.6 Other Implications

4.6.1 N/a

5. Background Papers

5.1 Appendices to the report

- Appendix 1 – TeamCentral report summary

Other individual internal audit reports are available if required.

Chris Dickens
Senior Manager
PricewaterhouseCoopers LLP
01509 604041

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Appendix One

TEAMCENTRAL 11th July 2011

Year	Number of recommendations made	Implemented / Closed	Outstanding
2009/10	151	151	0
2010/11	113	99	14 – (0 overdue)

The table above shows the position as at the 11th July 2011.

Note:

- Only finalised reports are being tracked through TeamCentral
- All recommendations for 2009/10 have been marked as implemented on Teamcentral
- The 2010/11 recommendations are detailed in the table below:

2010/11 Recommendation Status

Review and number of recommendations still pending as at 10 June 2011	Responsible HoS	Total Outstanding	Outstanding & overdue	Outstanding but not yet due	Total Implemented
Project : 10_11 NBC 04 -NNDR (3)	Robin Bates	1	0	1	2
Project : 10_11 NBC 08 - Creditors (IBS) (15)	Christine Ansell	3	0	3	12
Project : 10_11 NBC 11 -General Ledger (9)	Bill Lewis	1	0	1	8
Project : 10_11 NBC 12 -Temporary Accommodation Follow Up (3)	Fran Rogers	3	0	3	0
Project : 10_11 NBC 13 -Home Renovation and DFG Follow Up (2)	Fran Rogers	2	0	2	0
Project : 10_11 NBC 14 -Debtors (11)	Bill Lewis	1	0	1	10
Project : 10_11 NBC 16 -Risk Management and Business Continuity (8)	Bill Lewis	1	0	1	7
Project : 10_11 NBC 17 - Creditors Agresso (6)	Bill Lewis	1	0	1	5

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AUDIT COMMITTEE REPORT

Report Title	External Audit Update
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	25 th July 2011
Policy Document:	No
Directorate:	Finance and Support
Accountable Cabinet Member:	Cllr Alan Bottwood

1. Purpose

- 1.1 To provide a verbal update on the progress of external audit plans relating to the 2010/11 audit.

2. Recommendations

- 2.1 To note the progress of external audit plans as presented to the Committee by the Council's external auditors.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Council's external auditors, the Audit Commission, audit the Statement of Accounts and major grant claim and returns.

3.2 Issues

- 3.2.1 The Council's external auditors, the Audit Commission have recently started their audit of the Council's Statement of Accounts for 2010/11. The external auditors will provide the Audit Committee with a verbal update on progress.

3.3 Choices (Options)

- 3.3.1 To comment on the reports and to question the Council's external auditors on any matters arising.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None.

4.2 Resources and Risk

4.2.1 There are no specific resources and risk implications arising from this report.

4.3 Legal

4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 None.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Protecting and enhancing the reputation of Northampton Borough Council.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

None

Bill Lewis
Head of Finance, ext 7167