



Audit and Governance Committee

Meeting: Monday, 8th September 2014 at 6.30 pm in Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP

Membership:	Cllrs. Wilson (Chair), Hobbs (Vice-Chair), Llewellyn, Noakes, Haigh, McLellan and Taylor
Contact:	Parvati Diyar Democratic Services Officer 01452 396192 parvati.diyar@gloucester.gov.uk

AGENDA

1.	APOLOGIES To receive any apologies for absence.
2.	DECLARATIONS OF INTEREST To receive from Members, declarations of the existence of any disclosable pecuniary, or non-pecuniary, interests and the nature of those interests in relation to any agenda item. Please see Agenda Notes.
3.	MINUTES (Pages 7 - 14) To approve as a correct record the minutes of the meeting held on 26 June 2014.
4.	PUBLIC QUESTION TIME (15 MINUTES) To receive any questions from members of the public provided that a question does not relate to: <ul style="list-style-type: none"> • Matters which are the subject of current or pending legal proceedings, or • Matters relating to employees or former employees of the Council or comments in respect of individual Council Officers
5.	PETITIONS AND DEPUTATIONS (15 MINUTES) To receive any petitions and deputations provided that no such petition is in relation to: <ul style="list-style-type: none"> • Matters relating to individual Council Officers, or • Matters relating to current or pending legal proceedings

6.	<p>UPDATE ON PAYROLL CONTRACT SLA</p> <p>To consider a brief written report from the HR & OD Manager.</p> <p>Please note that this report will be published as soon as it is available.</p>
7.	<p>COMPLAINTS POLICY (Pages 15 - 38)</p> <p>To consider a report of the Cabinet Member for Communities and Neighbourhoods for the approval of a Corporate Complaints Policy.</p>
8.	<p>ANNUAL COMPLAINTS MONITORING (Pages 39 - 44)</p> <p>To consider a report of the Monitoring Officer relating to complaints and compliments received by the Council between April 2013 and March 2014 and complaints made to the Local Government Ombudsman.</p>
9.	<p>AUDIT AND GOVERNANCE COMMITTEE ACTION PLAN (Pages 45 - 48)</p> <p>To consider the Action Plan.</p>
10.	<p>EXTERNAL AUDIT ISA 260 REPORT (KPMG)</p> <p>To consider the report of KPMG.</p> <p>Please note that this report will be published as soon as it is available.</p>
11.	<p>TECHNICAL UPDATE (KPMG)</p> <p>To consider a written update from KPMG.</p> <p>Please note that this document will be published as soon as it is available.</p>
12.	<p>AUDITED STATEMENT OF ACCOUNTS</p> <p>To consider the report of the Head of Finance.</p> <p>Please note that this report will be published as soon as it is available.</p>
13.	<p>INTERNAL AUDIT PLAN 2014-15 - MONITORING REPORT (Pages 49 - 58)</p> <p>To consider the report of the Audit, Risk and Assurance Manager.</p>
14.	<p>ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2014-15 - UPDATE (Pages 59 - 64)</p> <p>To consider the report of the Head of Finance produced on behalf of the Corporate Governance Group.</p> <p>Please note that Appendix A1 will be published as soon as it is available.</p>
15.	<p>BUSINESS RATES POOLING REPORT 2013-14 (Pages 65 - 68)</p>

	To consider the report of the Head of Finance.
16.	TREASURY MANAGEMENT UPDATE - QUARTER 1 REPORT 2014/15 (Pages 69 - 84) To consider the report of the Head of Finance.
17.	AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME (Pages 85 - 88) To consider the Committee's Work Programme.
18.	DATE OF NEXT MEETING Thursday, 13 November 2014 at 6.30 pm.

M. Shields

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Martin Shields
Corporate Director of Services and Neighbourhoods

Date of Publication: Friday, 29 August 2014

NOTES

Disclosable Pecuniary Interests

The duties to register, disclose and not to participate in respect of any matter in which a member has a Disclosable Pecuniary Interest are set out in Chapter 7 of the Localism Act 2011.

Disclosable pecuniary interests are defined in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 as follows –

<u>Interest</u>	<u>Prescribed description</u>
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the Council) made or provided within the previous 12 months (up to and including the date of notification of the interest) in respect of any expenses incurred by you carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between you, your spouse or civil partner or person with whom you are living as a spouse or civil partner (or a body in which you or they have a beneficial interest) and the Council (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged
Land	Any beneficial interest in land which is within the Council's area. For this purpose "land" includes an easement, servitude, interest or right in or over land which does not carry with it a right for you, your spouse, civil partner or person with whom you are living as a spouse or civil partner (alone or jointly with another) to occupy the land or to receive income.
Licences	Any licence (alone or jointly with others) to occupy land in the Council's area for a month or longer.
Corporate tenancies	Any tenancy where (to your knowledge) – (a) the landlord is the Council; and (b) the tenant is a body in which you, your spouse or civil partner or a person you are living with as a spouse or civil partner has a beneficial interest
Securities	Any beneficial interest in securities of a body where – (a) that body (to your knowledge) has a place of business or land in the Council's area and (b) either – i. The total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or ii. If the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, your spouse or civil partner or person with

whom you are living as a spouse or civil partner has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

For this purpose, “securities” means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

NOTE: the requirements in respect of the registration and disclosure of Disclosable Pecuniary Interests and withdrawing from participating in respect of any matter where you have a Disclosable Pecuniary Interest apply to your interests and those of your spouse or civil partner or person with whom you are living as a spouse or civil partner where you are aware of their interest.

Access to Information

Agendas and reports can be viewed on the Gloucester City Council website: www.gloucester.gov.uk and are available to view five working days prior to the meeting date.

For further details and enquiries about this meeting please contact Parvati Diyar, 01452 396192, parvati.diyar@gloucester.gov.uk.

For general enquiries about Gloucester City Council’s meetings please contact Democratic Services, 01452 396126, democratic.services@gloucester.gov.uk.

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If the fire alarm sounds continuously, or if you are instructed to do so, you must leave the building by the nearest available exit. You will be directed to the nearest exit by council staff. It is vital that you follow their instructions:

- You should proceed calmly; do not run and do not use the lifts;
- Do not stop to collect personal belongings;
- Once you are outside, please do not wait immediately next to the building; gather at the assembly point in the car park and await further instructions;
- Do not re-enter the building until told by a member of staff or the fire brigade that it is safe to do so.

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AUDIT AND GOVERNANCE COMMITTEE

MEETING : Thursday, 26th June 2014

PRESENT : Cllrs. Wilson (Chair), Haigh and Taylor

Others in Attendance

Darren Gilbert, KPMG LLP
Tara Westcott, KPMG LLP
Sue Mullins, Head of Legal and Policy Development
Terry Rodway, Audit, Risk and Assurance Manager
Jon Topping, Head of Finance
Andrew Cummings, Finance
Richard Webb, Asset Manager
Tanya Davies, Democratic and Electoral Services Manager

APOLOGIES : Cllrs. Hobbs, Llewellyn, Noakes and McLellan

1. APPOINTMENT OF CHAIR AND VICE-CHAIR

The appointments of Councillor Wilson as Chair and Councillor Hobbs as Vice Chair were noted.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES

The Chair noted that the revised Committee Action Plan did not reflect what was agreed in the minutes and would need to be amended.

RESOLVED – That the minutes of the meeting held on 17 March 2014 be confirmed as a correct record and signed by the Chair.

4. PUBLIC QUESTION TIME (15 MINUTES)

There were no questions from members of the public.

5. PETITIONS AND DEPUTATIONS (15 MINUTES)

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There were no petitions or deputations.

6. UPDATE ON COMBINED HEAT AND POWER INSTALLATION AT GL1

The Committee considered an update on the Combined Heat and Power (CHP) Installation at GL1 from the Council's Asset Manager.

The Asset Manager summarised history of events and advised that recommended changes had been made to the CHP controls, which were in the process of being monitored on site and would be assessed to identify what savings were being achieved as a result.

The Chair welcomed the progress and requested a further update in January 2015.

Councillor Haigh welcomed the opportunity to compare the savings when the next update was presented to the Committee.

RESOLVED – that the update be noted.

7. AUDIT AND GOVERNANCE COMMITTEE ACTION PLAN

The Audit, Risk and Assurance Manager presented the updated action plan.

The Chair noted that the rating for Item 17 concerning the Combined Heat and Power Installation at GL1 could be changed to green.

The Audit, Risk and Assurance Manager stated that the Corporate Director Services & Neighbourhoods had advised that the purchase of software with a modern stock control facility for The Guildhall was on hold pending the outcome of a wider service review and that it would be considered as part of the review; options for future service delivery would be considered and therefore it was not desirable to invest further in the service until the review was complete. The Audit, Risk and Assurance Manager added that an audit of the Guildhall was included in the Audit Plan for the quarter ending September 2014 and that he would report the results back to the next meeting of the committee. Councillor Haigh expressed concern about the further delay and stated that the stock control issues should be resolved more quickly outside of the service review. The Chair noted the committee's concern in respect of the further delay and wanted these concerns to be reported to the Corporate Director. The Chair agreed to await the outcome of the audit before pressing for further action.

RESOLVED – That the Action Plan be updated with the suggested amendments.

8. KPMG INTERIM AUDIT REPORT 2013/14

The Committee considered the Interim Audit Report 2013/14 presented by Darren Gilbert from KPMG.

Mr Gilbert reported that the audit was going well and that the interim audit was positive, with a small number of areas to consider in more detail.

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Tara Westcott of KPMG reported that the interim audit had found the Council's financial controls to be generally sound, with some areas of weakness that would be followed up and that organisational controls were effective overall. KPMG were pleased to be able to place full reliance on the work of Internal Audit and noted significant improvements in the account production process.

The Chair welcomed the largely positive report and asked for further explanation of the decision not to rely on the work of the external auditors of Gloucester City Homes and Gloucestershire Airport Limited.

Mr Gilbert stated that it was most efficient to conduct their own tests and that it was not a comment on their ability to rely on the audit work.

In response to a question from Councillor Haigh regarding the Peer Challenge report, Mr Gilbert explained that the recommendations from the report were of interest, but that they would not be placing significant reliance on it. He advised that they looked for broad comfort in respect of the organisational environment, but that other areas carried more importance.

RESOLVED – that the Interim Audit Report 2013/14 be noted.

9. KPMG ANNUAL AUDIT FEE LETTER 2014/15

The Committee considered the KPMG Annual Audit Fee Letter 2014/15 presented by Mr Gilbert.

Mr Gilbert reported relative stability in respect of the planned audit fee and, in response to a question from the Chair, advised that KPMG would reassess the fee on completion of the audit and give consideration to revising the figure.

RESOLVED – that the Annual Audit Fee Letter 2014/15

10. KPMG PROTECTING THE PUBLIC PURSE FRAUD BRIEFING 2013

The Committee received a briefing from KPMG on fraud and 'Protecting the Public Purse' presented by Ms Westcott.

Ms Westcott took Members through the briefing and advised that it aimed to encourage Members to consider the how best to deploy counter fraud activity. She advised the audit included consideration of the potential for internal fraud and tested to ensure controls were working well.

RESOLVED – that the briefing be noted.

11. KPMG EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE

The Committee considered the External Audit Progress Report and Technical Update from KPMG.

Ms Westcott explained that the report was technical in nature and largely for the purpose of the Council's finance officers.

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In response to a question from the Chair concerning changes to council tax calculations, Mr Gilbert confirmed that the draft Order proposed some refinement to the existing process rather than a completely new process.

RESOLVED – that the report be noted.

12. INTERNAL AUDIT PLAN 2013/14 - MONITORING REPORT

The Committee considered a report of the Audit, Risk and Assurance Manager concerning the remaining audits completed as part of the approved Internal Audit Plan 2013/14.

The Audit, Risk & Assurance Manager reported that Internal Audit had achieved a completion rate of 88% against a target of 90% for the 2013/14 Audit Plan. The report detailed the audits that had been completed and noted a split-level of assurance in a number of areas. In respect of the Rank 1 'high priority' recommendation from the audit of the payroll contract that had not been implemented by the specified date, he explained that the payroll contract was currently operating without a service level agreement (SLA) as there were a number of operational issues to resolve before an SLA could be agreed. The service provision was still under review and it was anticipated that the recommendation would be implemented by the end of the calendar year.

Members expressed concern about the delay in implementing the payroll Rank 1 recommendation and requested that the responsible manager be asked to attend the next meeting. The Audit, Risk & Assurance Manager undertook to invite the Head of Human Resources and Organisational Development to the next committee meeting.

The Chair requested that the Committee be informed if the Rank 1 recommendation from the audit of the Revenues and Benefits contract was not implemented by the deadline and, if that was the case, then the responsible manager be requested to attend the next meeting.

In response to concerns from Councillor Haigh in relation to audits on two catering operations reporting only a 'limited' level of assurance, the Audit, Risk & Assurance Manager noted the concerns and advised that officers were working to implement the agreed recommendations. It was agreed that the Audit, Risk & Assurance Manager would report back to the next meeting on the implementation of the agreed recommendations..

RESOLVED – That Members endorse the audit work undertaken to date, and the assurance given on the adequacy of internal controls operating in the systems audited.

13. AUDIT, RISK AND ASSURANCE MANAGER'S ANNUAL REPORT 2013/14

The Committee considered a report of the Audit, Risk & Assurance Manager concerning an overview of Internal Audit work, compliance with Financial Regulations, Contract Standing Orders, and general probity issues for the financial

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year ending 31st March 2014, and, providing an opinion on the overall adequacy and effectiveness of the organisation's control environment.

The Audit, Risk & Assurance Manager reported that his overall opinion was that a satisfactory level of assurance could be given that there was a generally sound system of internal control. In response to a query from Councillor Haigh regarding the monitoring of progress in the areas where the audit opinion was either limited or unsatisfactory, he explained that managers undertake to implement the agreed audit recommendations by a specified date and that a further audit would be carried out to check for successful implementation. He advised that any Rank 1 recommendations not implemented by the deadline set would be reported to the Committee and that Members could request the attendance of the responsible manager.

In response to a question from the Chair regarding the low return rate for feedback questionnaires, the Audit, Risk & Assurance Manager explained that feedback on internal audits was not mandatory because it could result in questionnaires being completed without proper consideration. He advised that it was anticipated that a new, intranet-based form would improve the response rate.

RESOLVED – That the assurance from the Audit, Risk & Assurance Manager that a satisfactory level of assurance can be given that there is a generally sound system of internal control, designed to meet the Council's objectives, and that controls are generally being applied consistently be endorsed.

14. REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT

The Committee considered a report of the Corporate Director of Resources concerning the outcome of the review of the effectiveness of Internal Audit as required under the Accounts and Audit (England) Regulations 2011.

The Head of Finance reported that overall conclusion from the review was that internal audit at Gloucester City Council was effective.

The Chair asked whether the 'gaps' in conformance with the Public Sector Internal Audit Standards (PSIAS) identified should be of concern.

The Audit, Risk & Assurance Manager advised that there was no penalty associated with non-conformity and was aware that other District Councils reported gaps in conformance against the Standards. He explained that it was important to consider the impact of any partial or non-conformity, but that the gaps identified did not adversely affect his responsibility to provide an overall opinion on the effectiveness of the system of internal control. He advised that, as per the requirements of the Standards, an external review of effectiveness of internal audit was due to be scheduled.

RESOLVED - That the review process be approved and the outcome of the review of the effectiveness of Internal Audit be noted.

15. TREASURY MANAGEMENT UPDATE - QUARTER 4 REPORT 2013/14

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The Committee considered a report of the Corporate Director of Resources concerning the Treasury Management Update for quarter 4 of 2013/14.

The Head of Finance summarised the report and confirmed that one prudential indicator had been exceeded during 2013-14. He explained that the limits for fixed rate borrowing had been set incorrectly, resulting in the breach, and that all of the relevant levels had been revised to a more reasonable level for 2014/15.

RESOLVED –

(1) *That the report be noted and it be noted that no changes are required to the prudential indicators.*

(2) *That it be noted that one prudential indicator has been exceeded during 2013-14.*

16. ANNUAL GOVERNANCE STATEMENT

The Committee considered a report of the Corporate Director of Resources on behalf of the Corporate Governance Group concerning the Annual Governance Statement.

The Audit, Risk and Assurance Manager summarised a number of minor presentational amendments to the statement detailed in an addendum circulated to Members (see Appendix 1). In response to a question from the Chair he confirmed that the accompanying Action Plan would come back to the Committee to monitor progress.

Councillor Haigh noted that all Members had been invited to respond to the recent Peer Challenge report.

RESOLVED – that, subject to the amendments detailed at Appendix 1 to the minutes, the Annual Governance Statement for 2013-14 be approved.

17. AUDIT & GOVERNANCE COMMITTEE ANNUAL REPORT 2013/14

The Committee considered the Audit & Governance Committee's Annual Report 2013/14 from the Audit, Risk and Assurance Manager.

RESOLVED – that the report be noted and recommended to Council for approval.

18. INDEPENDENT PERSON PROTOCOL

The Committee considered a report of the Monitoring Officer seeking the adoption of a protocol in relation to the Independent Person.

The Monitoring Officer reported that the protocol had been considered by a Working Group and that the Independent Person had been consulted and proposed no further changes. She advised that the protocol would be incorporated into the Council's Constitution.

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In response to a question from the Chair, the Monitoring Officer confirmed that the Independent Person received copies of all agendas and minutes for the Audit and Governance Committee.

RESOLVED – that the draft Independent Person Protocol at Appendix 1 be approved.

19. COMMITTEE WORK PROGRAMME

The Committee considered their revised work programme.

The Chair noted that the work programme had not yet been amended to reflect the change to the frequency of meetings and that he and the Vice Chair would consider the new timetable and allocate items to the revised meeting dates.

RESOLVED – that the items in the work programme be noted and the work plan be amended to reflect the change to the frequency of meetings.

20. DATE OF NEXT MEETING

The date of the next meeting to be confirmed following Council approval of a change to the frequency of meetings.

Time of commencement: 19:00 hours
Time of conclusion: 20:25 hours

Chair

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Gloucester City Council

Meeting:	Cabinet Audit & Governance Committee Council	Date:	30 July 2014 8 September 2014 25 September 2014
Subject:	Complaints Policy		
Report Of:	Cabinet Member for Communities & Neighbourhoods		
Wards Affected:	All Wards		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Wendy Jones, Contact Centre & Customer Services Manager		
	Email: wendy.jones@gloucester.gov.uk	Tel:	396101
Appendices:	<ol style="list-style-type: none"> 1. One Stop Shop Complaints Policy 2. How to handle Complaints/Feedback (internal) 3. Complaints Process document 4. Complaint/Feedback Form 		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To review and approve the Corporate Complaints Policy.

2.0 Recommendations

2.1 **Cabinet** is asked to **RESOLVE** that the report be noted.

2.2 **Audit & Governance Committee** is asked to **RECOMMEND TO COUNCIL** that the Complaints Policy at Appendix 1 be approved, subject to any amendments it wishes to put forward.

2.3 **Council** is asked to **RESOLVE** that, subject to any amendments, the Complaints Policy at Appendix 1, be approved.

3.0 Background and Key Issues

3.1 The Complaints Process was rewritten and approved by Cabinet in November 2010.

3.2 A new complaints form and a process document were produced and made available to customers in our receptions. A copy of the process is available for download from the web site along with an on-line complaints form.

3.3 The complaints process document and complaints form were redesigned in 2013 to bring a fresh look and feel to the documents.

3.4 The implementation of our Policy Management system “NetConsent” and the introduction of a pro forma to deliver the policy to members and staff identified that the Council had not formally adopted a corporate complaints policy although a process for dealing with complaints had been approved and was being followed.

3.5 Following consultation with a number of Service Managers, a Complaints Policy has been written and approved by SMT.

4.0 Alternative Options Considered

4.1 There were no alternatives considered for this report.

5.0 Reasons for Recommendations

5.1 A Corporate Complaints policy contributes to and forms part of the Council’s governance framework. An effective complaints policy can help improve service delivery and the Council’s reputation.

6.0 Future Work and Conclusions

6.1 Once approved the Complaints Policy and associated documents will be placed on the Council’s NetConsent system so that it can be disseminated to all staff.

6.2 Separate drop in training courses and attendance at team meetings will be arranged to explain the policy and associated documents and to answer any questions.

6.3 The policy will be reviewed every 3 years.

7.0 Financial Implications

7.1 There are no financial implications within this report.

(Financial Services have been consulted in the preparation this report.)

8.0 Legal Implications

8.1 There are no Legal implications within this report.

(Legal Services have been consulted in the preparation of this report.)

9.0 Risk & Opportunity Management Implications

9.1 If members and staff are not aware of our complaints policy and process this could have an adverse effect on the reputation of the authority.

10.0 People Impact Assessment (PIA):

10.1 The PIA Screening Stage was completed and did not identify any potential or negative impacts, therefore a full PIA was not required.

11.0 Other Corporate Implications

11.1 Community Safety

None identified.

11.2 Sustainability

None identified

11.3 Staffing & Trade Union

None identified

Back Ground Documents - None

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Complaints Policy

Applicable To	All Staff, Customers
Effective Date	May 2014
Current Policy Date	New Policy
Next Review Date	May 2017
Review Cycle	3 Years
Policy Owner Who is responsible? Name & Role	Wendy Jones Contact Centre & Customer Services Manager
Accountable Person Who is accountable? Name & Role	Martin Shields Corporate Director of Services & Neighbourhoods

Policy Introduction:

This policy covers formal Complaints to Gloucester City Council. It sets out the different stages of the complaints process, required timescales and who should be involved in handling the complaint.

The purpose of the policy is to clarify how customers can make a complaint and defines the standards they can expect. The policy seeks to create a positive approach to complaints where they are valued as a means of continuously reviewing and improving the services we offer.

What is a complaint?

A Complaint is *“An expression of dissatisfaction by a customer about the Council’s actions or lack of action and the standard of service received”*

This is where the responsibility for the action or the service provided rests with the Council or person or body acting on behalf of the Council.

The following are not covered by the Corporate Complaints policy as there are other separate points of resolution for them:

- An initial request for a service e.g. reporting non collection of waste, reporting graffiti or other street problems etc or initial reports of faults or defects unless they concern work that the council has carried out. We must have had the chance to provide the service or put something right which we can only do if we have received a request or been informed of a problem.
- A complaint against a Councillor where there is evidence that the Councillor has not followed the Council’s Code of Conduct (Part 5 of the Council Constitution). These complaints should be reported through to the Monitoring Officer for investigation and response.
- Where there is an appeals procedure within the Council or where there is a right of appeal to an independent tribunal. At Gloucester City Council this includes:
 - Benefit or Planning appeals
 - Penalty Charge Notice (PCN) appeals

How can complaints be made?

The Council encourages customers who have concerns to first speak to a member of staff in the relevant service area. If the problem can be solved on the spot then there is no need for the issue to go through the formal complaints process. However, if the complaint cannot be dealt with immediately or the customer wishes to have a formal response, we must make it easy for them to do so. We accept complaints:

- Via our website
- By telephone
- On the Council's complaints form
- By email
- By letter
- In person
- By fax

When can a complaint be made?

The Council will normally only accept complaints made within twelve months of the incident or circumstances that led to the complaint being made.

If a customer wishes to escalate a complaint to the next stage in the process, they should respond within one month of receipt of the Council's response outlining the reasons why they are not satisfied and what outcome they would like to see.

If there are exceptional circumstances provided by the complainant for the delay in submitting the complaint (e.g. illness, changes in personal circumstances etc), the relevant Director has discretion to consider accepting a late complaint providing the circumstances are evidenced.

Anonymous Complaints

We will not accept anonymous complaints.

Response timescales

Each Council service has a duty to deal with complaints. Complaints should be acknowledged verbally or in writing within 1 working day by the person receiving the complaint. The table below sets out agreed timescales and responsibility for each stage of a complaint:

Stage	Timescale	Response agreed by
Stage 1	10 working days	Service Manager (or designated representative)
Stage 2	10 working days	Senior Manager/Director
Local Government Ombudsman	25 calendar days (internal deadline)	Director

We will always try to keep to our published timescales for dealing with complaints but sometimes investigations take longer because the complaint is complex. In these cases it may be necessary to extend the timescales set out in this policy. If this is the case the complainant will be informed of the reasons why timescales cannot be met and also when they should receive a full response. Notification should be sent to the complainant at the first opportunity.

Where a complaint relates to an insurance claim, the insurance team will be notified immediately and the response dealt with through separate process.

Complaints made directly to the local government ombudsman

Complaints should not, in most circumstances, be made direct to the Local Government Ombudsman (LGO). Those complaints made direct to the LGO are known as 'premature complaints' and customers who make them are likely to be asked by the Ombudsman to follow our complaints procedure first. In a few instances the LGO has indicated they will deal directly with cases they deem to be exceptionally serious or urgent. We will be informed of these immediately and such complaints should be dealt with as appropriate to the individual circumstances of the case.

Complaints against contractors or **Partner organisations**

We review complaints against the Council's contractors and any organisation contracted to work for the Council. Complaints about the Council's contractors are handled under the Council's complaints procedure and can be made directly to the Council.

Complaints about funded voluntary and community organisations should be dealt with by the organisations unless the complaint concerns serious fraud, financial or governance malpractice.

Organisations funded by the council will be expected to have a complaints procedure in place that can be monitored by the council.

Customer rights

Customers have the right:

- To be treated with courtesy and respect at all times
- To have a friend or other representative help them with their complaint (a letter of authority may be required)
- To confidentiality (if an investigation cannot proceed without the complainant being identified, the complainant will be given the option whether or not to continue)
- To be kept informed of the progress of their complaint(s)
- To receive an apology if a complaint is upheld
- To be informed of action taken including any changes to Council policy or procedures arising from a complaint

Behaviour of complainants

In a minority of cases, complainants pursue their cases in a way that can impede the investigation of their complaint or have significant resource implications for the Council. We do not expect Council staff to spend time dealing with unreasonable complainants, nor do we expect staff to tolerate threatening or abusive behaviour by complainants and we will take action to protect staff from such behaviour. The Council has a separate policy for dealing with 'unreasonable behaviour'.

Related Policies and Procedures:

- Complaints Process (customer facing)
- Complaints form
- Complaints procedure (staff)
- Unreasonable Behaviour Policy

Revision History		
Version	Made By	Effective Date
1.0	Wendy Jones Customer Services Manager	
1.1		
1.2		

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How to Handle Complaints/Feedback

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Introduction

The purpose of this document is to explain your responsibility for handling complaints and feedback and the internal processes you need to follow.

Gloucester City Council actively encourages all customer feedback about its services, including complaints and wants to hear from customers or their representatives about their experiences whether good or bad. This will help us to shape and improve the services we deliver.

To do this we must:

- listen carefully to people;
- take their views seriously and act on them where we can.

We need to:

- find out when things have gone well and customers are happy;
- improve our services by making the most of bright ideas or comments about our services;
- find out when things go wrong and put them right;
- learn from our mistakes and make sure they don't happen again.

All complaints, compliments and comments need to be recorded on our corporate complaints system so we can monitor how we are doing.

Definition of a Complaint

A Complaint is an expression of dissatisfaction by a customer about:-

- The Council's actions or lack of action
- The standard of service received

This is where the responsibility for the action, or the service provided, rests with the council or a person or body acting on behalf of the Council.

The following will **not** be treated as Complaints in their first instance :-

- Initial Requests for Service e.g. my bin has not been emptied, reporting graffiti, reporting overhanging vegetation.
- Initial report of faults or defects unless they concern work that the council has carried out.

We will not exclude these requests but will deal with them as normal work requests.

A repeat request (i.e. where the original request was not actioned/completed) should be treated as a complaint.

Officer Role

Any member of staff, person or body acting on behalf of the Council receiving a Complaint/Feedback needs to report this:-

- Via the web using our online "Report it" form
- By emailing the details to heretohelp@gloucester.gov.uk
- By telephoning Customer Services on ext 5319 (*This is an internal number only please do not release to customers. Customers should ring 396396*).
- Completing/arranging for customer to complete a comment form and sending through to Customer services.

The customer should be asked how they would like to receive their response e.g. letter, email, telephone or visit.

Note: Customers may ask for a different service or officer with no previous involvement with their case to investigate their complaint. This request will need to be included within the complaint so Customer Services can arrange and send to the correct officer.

Key Roles and Responsibilities

The Head of Paid Service is accountable to the Council for the Complaints system but the Customer Services Manager is responsible for monitoring the complaints process and analysing complaints for reporting purposes. Each Service Manager is responsible for ensuring the complaints process is adhered to in their service.

Customer Services will be responsible for the day-to-day administration of complaints system e.g. sending initial requests, chasing responses, producing monthly reports and monitoring complaint responses.

Each Service Manager is responsible for making sure that timescales for Stage 1 & 2 Complaints are adhered to and a response is given to the customer within the relevant timescale. The Service Manager is also responsible for ensuring that details of the response are posted into the complaints system and all mandatory fields completed. The Service Manager may delegate this process to a member of their team but ultimate responsibility for complaints lies with the Service Managers.

If you receive a complaint about your own service you should be aiming to deal with the complaint within 1 working day. Where this is not possible:-

- We must aim to complete the investigation and respond to the customer within 10 working days using the customers preferred response channel. (This will be monitored by the Customer Service Manager and monthly reports sent to the Corporate Director for Services & Neighbourhoods).
- Where a Complaint deadline is extended beyond the initial response date the customer must be informed and the information recorded on the complaints system as an event.

Where a complaint is received directly by Customer Services they will acknowledge receipt of the complaint and advise the customer which service/officer will be dealing with the complaint.

Where a complaint is received directly by the service they will enter the complaint onto the Corporate Complaint system and acknowledge receipt.

If you need access to the complaints system ask your manager to arrange access via the Civica Service Desk.

Managers are responsible for ensuring that all staff are trained on the Complaints/Feedback process.

Partner Complaints

The Council is responsible for ensuring that partner organisations either have their own complaints policy in place or that they agree to follow the Council's process. We should have clear accountability for complaints handling for each partner and complaints should be monitored to ensure they are resolved correctly.

If a complaint relates to more than one problem and across different organisations the Service Manager will need to ensure either a joint response is issued or ensure that a response is issued by each party.

Organisations funded by the council will be expected to have a complaints procedure in place that can be monitored by the council. There should be a strong commitment from all our partners to learn from complaints with a system in place to disseminate learning.

Confidentiality and Anonymity

Services will treat all customer information as confidential. Names and addresses will not be published or disclosed outside of the Council. We will not accept anonymous complaints.

Equalities

Information about the Complaint's Policy will be available in large print, appropriate languages and audio tape if requested. Help will be provided to any customer requiring assistance in completing the form.

Complaint Handling Procedure

Stage 1

On receipt of a complaint, the Customer Services officer will enter it onto the complaints system, send an acknowledgement to the customer and confirm which service or individual will be dealing with the complaint. They will also notify the service/officer/partner concerned. The service, officer or partner will receive notification of a stage 1 complaint via an email.

Officers can use the email link to provide information back to the system or can access the system directly and process the complaint from there.

If officers, other than Customer Services, receive a complaint, they should email all details of the complaint to heretohelp@gloucester.gov.uk for Customer Services to enter it onto the complaints system.

If a response to the complaint has not been issued to the customer and logged into the complaints system a reminder will be sent to the Service Manager prior to producing the monthly reports to remind them that the complaint is still outstanding.

When closing the matter the officer will need to update the system with the action taken and where a written response has been sent they need to attach a copy of the response. Finished complaints require completion of **4 mandatory fields** which describe how the complaint was resolved.

- 1. Date Answered:** Full date should be entered e.g. 06/08/2013.
- 2. How Resolved:** Whether Justified (e.g. found to be our fault) complaint is valid from our viewpoint. Example – City Council employee or partner employee was rude to the customer, caller complaining about the time they had to queue to talk to us.
Unjustified (e.g. customer found to be at fault) on investigation customer is proved to be incorrect. Example – customer advises officer was rude to them but on listening to the call the officer was not rude.
Misunderstanding (e.g. Customer misunderstood instructions or policy). Once explained customer satisfied.
Example – Customer waited in all day for officer to visit but customer had the wrong day.
No Action (e.g. complaint wrongly assigned to GCC but not us). Example customer reports refuse crew were rude to them but we were not in the area so was not our crew.

For each of the options above “how the complaint was resolved” you will need to select from a drop down list (e.g. whether it was a call made, email sent or the customer was visited etc).

- 3. Action Taken:** you will need to select from a drop down list (e.g. Was coaching/training required, system or process amendment, policy to be reviewed or no action as not Gloucester City Council).

4. Details of Action Taken: A text box to write a brief description of the action taken.

Where a service needs to extend the deadline for a response to be provided due to the complexity of a complaint, the customer should be contacted and Focus updated stating the date by when the complaint will be responded to.

Responses to customers should not be delayed unnecessarily because of outstanding procedures (e.g. disciplinary hearing awaited). We should respond to the customer and if appropriate apologise to them explaining the action we are taking.

Where a member sends in a complaint on behalf of a customer or is copied in on a customer complaint email the officer responding to the complaint must ensure that the member is updated with the action taken.

The response to a stage 1 complaint needs to include what they need to do if they are unhappy with the response received. (See example paragraphs for letters and emails in Appendix 1).

Once a response has been given and the matter status set to "Finished" stage 1 is complete.

Stage 2

On receipt of a Stage 2 complaint, the Customer Services Officer receiving the complaint will determine if the Complainant has reported the complaint before and received a response.

Customer Services will establish if this is a second level complaint and, if it is, will enter on the system as a stage 2 complaint. They will send an acknowledgement to the customer confirming who the complaint has been referred and advise the customer the anticipated response date.

If a Stage 2 complaint is received by an officer, other than Customer Services, details of that complaint should be emailed to: heretohelp@gloucester.gov.uk and a Customer Services officer will enter it onto the system.

The Complaint will then be sent to the next tier of Management to that which dealt with the previous complaint.

The relevant Manager/Director will:-

- Review the complaint and discuss with Service Managers and where necessary Legal and the Chief Executive to formulate a response.
- The response will notify the Customer of Stage three and give details of the Local Ombudsman if they wish to take this further.
- All correspondence must be recorded on the complaints system at the time of action pending queries in the future from the Ombudsman.

The response to a stage 2 complaint needs to include information referring customers to the Local Government Ombudsman if they are not satisfied with the response received. See example letters and emails attached.

Once a response has been given and the complaints system status updated to "Finished" stage 2 is complete.

Stage 3

If the customer is not satisfied with the responses received for stages 1 & 2 they can refer their complaint to the Local Government Ombudsman, P.O. Box 4771, Coventry CV4 0EH. The Ombudsman will review the complaint and responses received and may write to the Council for additional information. All Ombudsman complaints are administered through Democratic Services. If the Ombudsman feels that the complaint is justified or the handling of the process is at fault, the complaint will be forwarded to the Monitoring Officer for consideration/further action.

Unreasonable Behaviour/Vexatious Complaints

Where a complaint is considered to be unreasonable or vexatious the Service Manager should report this through to their Manager/Director for guidance. Corporate Directors may authorise action to be taken to restrict contact with the customer. Action may be taken under our Unreasonable Behaviour Policy which could include providing a single point of contact for a customer or contact via a specific channel.

Reviews

If a complaint is justified, managers should, as a matter of routine, consider whether there is a need for a change in procedures or whether there are lessons to be learnt which may have wider implications for the City Council.

Freedom of Information (FOI)

The Freedom of Information Act 2000 gives the customer the right to request information from any public authority. It promotes openness and accountability among public sector organisations, so that everyone can understand how authorities make decisions, carry out their duties and spend public money. For full details please read our Corporate Freedom of Information Policy.

When the customer has received a response to a Freedom of Information request where they are not satisfied with the way they have been treated or the information provided they can complain or appeal. Complaints or appeals should be sent in writing to the Freedom of Information Officer. These will be reviewed by the Head of Legal and Policy Development and a response provided to the customer.

Where the customer is still not satisfied with the response received from the Head of Legal and Policy Development the customer can write to the Information Commissioners Office, Wycliffe House, Water Lane, Wilmslow, Cheshire, SK9 5AF.

Reporting

Monthly reports will be produced to Service Managers detailing any complaints that have been assigned to their service that are still outstanding. A week later a report will be produced for the Corporate Director of Services & Neighbourhoods detailing the number of complaints raised for the month, the number resolved within 10 days and the number still outstanding.

The Corporate Director for Services & Neighbourhoods will review the report and contact the necessary manager to discuss any issues identified on the report.

Appendix 1

Letter or email footer following Stage 1 complaint.

If you are not satisfied with the response to this complaint you can request a more senior manager investigate under Stage 2 of our Complaints Policy. Please complete the complaints form on our web site at <https://forms.gloucester.gov.uk/contactusforms/ComplaintForm.aspx>, email heretohelp@gloucester.gov.uk or ring 01452 396396 to speak to a Customer Service Officer.

Letter or email footer following Stage 2 complaint.

If you are not satisfied with the response to this Stage 2 complaint you can contact the Local Government Ombudsman, an independent body, who will review your complaint and may consider acting on your behalf. They can be contacted by email advice@lgo.org.uk, via telephone on 0300 061 0614 or 0845 602 1983, via text "call back" on 0762 480 4299 or by writing to the Local Government Ombudsman, PO Box 4771, Coventry CV4 0EH.

Persistent/Vexatious Complaints

We want to treat complaints positively and, where possible, leave customers feeling satisfied with their experience of making a complaint to us.

A complaint can be regarded as vexatious where it has been considered and found to be unjustified, but when the person making the complaint is:

- not prepared to accept the conclusion and persists in making the same, or a substantially similar, complaint.

Continuing to respond to such complaints can take up a significant amount of resources in time and money and can thereby detract from the service that can be provided to others. If a manager considers that a complaint has become vexatious the manager can ask their director for support in dealing with the complaint.

The manager, in consultation with their director and with advice from their legal team, may decide not to pursue the complaint any further. The person making the complaint will be notified of this decision.

At Gloucester City Council, we pride ourselves on the way we treat you and how efficiently we help you with any of the city council's services.

We want you to feel confident that your issues will be dealt with promptly, patiently and courteously.

Help us to improve and maintain our standards. We want to be the best council for you, so we value your feedback.

Confidentiality and Anonymity

Gloucester City Council is fully committed to compliance with the requirements of the Data Protection Act 1998.

The council will therefore aim to ensure that all employees, elected members, contractors, agents, consultants, or partners of the council who have access to any personal data held by or on behalf of the council, are fully aware of and abide by their duties and responsibilities under the Act. We will treat all customer information as confidential.

Names and addresses will not be published or disclosed outside the council or our partners.

We will not accept anonymous complaints.

If you, or someone you know, cannot understand English and need help with this information, or if you would like a large print, Braille or an audio version please call

01452 396396

For any feedback we receive we will ensure everyone is treated fairly and equally.

We will be consistent in the way we handle and respond to customer complaints.

Customer Services,
Herbert Warehouse,
Gloucester Docks,
GL1 2EQ

T: 01452 396396
E: heretohelp@gloucester.gov.uk
W: www.gloucester.gov.uk

City_0133 11.12

How we handle your complaints

The Process

Gloucester
City Council

Here to help

We aim to give the best possible service at all times, but sometimes we make mistakes and do not get it right. We will investigate any problems and, where possible, review our processes to help improve your experience.

Definition of a Complaint

A complaint is an expression of dissatisfaction by a customer about:

- The council's actions or lack of action
- The standard of service received

This is where the responsibility for the action, or the service provided, rests with the council or person or body acting on behalf of the council.

The following will not be treated as complaints in their first instance:

- Initial requests for service e.g. my bin has not been emptied, reporting graffiti, reporting overhanging vegetation.
- Initial report of faults or defects unless they concern work that the council has carried out.

We will not exclude these requests but will deal with them as normal work requests.

If the original request was not actioned/completed a repeat request will follow the complaints procedure.

Feedback can be given in many ways:

Website

www.gloucester.gov.uk
Use the "Make a comment or complaint" link on our home page.

Email

heretohelp@gloucester.gov.uk

Telephone

Ring our Customer Services team on 01452 396396.

Letter/Complaint Form

Send to:
Here to Help, Customer Services,
Gloucester City Council,
Herbert Warehouse, The Docks,
Gloucester, GL1 2EQ.

Visit

Gloucester City Council Offices at
Herbert Warehouse, The Docks,
Gloucester, GL1 2EQ.

The following complaints will be dealt with under separate policies:

Parking

The issue of a Penalty Charge Notice (PCN) is dealt with within the Traffic Management Act 2004.

Following the decriminalisation of parking in the city there are legal procedures that need to be followed when challenging a PCN. To complain against a PCN you will need to put your request in writing as instructed on the reverse of the PCN.

The Freedom of Information Act 2000

This gives you the right to request information from any public authority.

If you have received our response to a Freedom of Information request but you are not happy with the way you have been treated or the information provided, you can complain or appeal.

Complaints or appeals should be sent in writing to the Freedom of Information Officer. These will be reviewed by the Freedom of Information Officer with the Head of Legal Services and a response provided to you within 20 days.

If you are still unhappy with the response received from the Head of Legal Services, you can write to:

The Information Commissioners Office,
Wycliffe House, Water Lane, Wilmslow,
Cheshire, SK9 5AF.

Fraud and Corruption

The city council operates a mechanism for confidential reporting for fraud and corruption. Please see our anti-fraud and corruption policy.

(Part 5 – Codes and Protocols of the Gloucester City Council Constitution).

Some services have separate processes for appeals

Benefits

If you are not satisfied with a response from our benefits service regarding a claim you have made, you can appeal against the decision.

You can call our Benefits Service on 396483, email: benefits@gloucester.gov.uk or visit us stating you wish to appeal. We can arrange for an independent tribunal to hear your case.

Planning

Planning appeals are made to the Planning Inspectorate and reports can be made by visiting:
www.gloucester.gov.uk/planning

How the process works

Stage ONE Acknowledgement & Action

Report your complaint using one of the methods previously mentioned. We will acknowledge your complaint verbally or in writing within one working day advising who will be dealing with the complaint.

If you require your complaint to be reviewed by someone not previously involved with your case please specify at the time of reporting and we can arrange this for you.

We will aim to investigate your complaint as soon as possible and you should receive a response to your complaint within 10 working days.

However, sometimes a complaint may be complex and may involve other council partners. In this instance you will be contacted to advise of the delay and will be informed of the amended response date and the proposed action being taken.

Once a response has been given this stage is complete. We may contact you to obtain feedback about the way the complaint was handled. This information will be used to review the process and help us make improvements and provide important monitoring data.

Stage TWO Appeal

If you are not satisfied with the response received you can ask for a more senior manager or director to look at it. We will acknowledge your appeal verbally or in writing within one working day advising which manager/director will be reviewing the complaint.

The manager will respond within 10 working days but will advise you if more time is required and give you an estimated response date.

Once a response has been given this stage is complete.

Stage THREE Ombudsman

If you are still not satisfied with the response you can contact the Local Government Ombudsman.

This service is independent of the council and free of charge. Their contact details are:

The Local Government
Ombudsman
PO Box 4771, Coventry CV4 0EH.
advice@lgo.org.uk
Telephone:
0300 061 0614 or 0845 602 1983

Have your say

Give us feedback on our services

We encourage you to tell us how we are doing, whether good or bad, so we can review what we do, change the way we work and deliver excellent customer service. If you have a complaint or comment about the services we are delivering or wish to compliment us please complete this form.

If there is anything you
would like to discuss
with us, please ring
01452 396396

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Gloucester
City Council

What to expect from us

We aim to give the best possible service at all times, but sometimes we make mistakes and do not get it right. We will investigate any problems and, where possible, review our processes to help improve your experience.

Please contact us in any of these ways:

Website

www.gloucester.gov.uk

Use the “Make a comment or complaint” link on our home page.

Email

heretohelp@gloucester.gov.uk

Telephone

Call our Customer Services team on 01452 396396.

Write a letter or complete this form

Send to:

Here to Help,
Customer Services,
Gloucester City Council,
Herbert Warehouse, The Docks,
Gloucester, GL1 2EQ

Visit

Gloucester City Council Offices at Herbert Warehouse, The Docks, Gloucester, GL1 2EQ.

For any feedback we receive we will ensure everyone is treated fairly and equally. We will be consistent in the way we handle and respond to customers.

Your feedback will be taken into consideration when planning and reviewing our services.

If you are not satisfied with our response, please contact us again and we will take your complaint to a senior manager or director to review.

If you are still not satisfied, you can then refer the matter to:

The Local Government Ombudsman
PO Box 4771, Coventry CV4 0EH

advice@lgo.org.uk

Telephone numbers:
0300 061 0614 or 0845 602 1983

About you

Name

Address

Phone

Mobile

Email

Preferred method of contact. We can respond more quickly if you include a telephone number or email address

Would you like a response?

Yes

No

Your feedback

Date event or action happened:

Please tick:

Complaint

Compliment

Comment

Please describe what happened:

If you feel you have experienced unfair treatment please explain why:

Empty response box for explaining unfair treatment.

Suggestions for improvement:

Empty response box for suggestions for improvement.

Equality Information

This information will help us supply statistical information to the government. It will enable us to improve services and identify gaps in service delivery. With and help us know our customers. You only have to complete the questions you are happy to answer.

Gender

Female

Male

Was this the gender you were born with? Yes

No

Age

Under 16

16 – 24

25 – 34

35 – 44

45 – 54

55 – 64

65 – 74

75+

Ethnicity

White

Black or Black British

Asian or Asian British

British

African

Bangladeshi

Irish

Caribbean

Indian

Other White Background

Other Black Background

Pakistani

Other Asian Background

If other, please specify:

Mixed and other ethnicity

White & Asian

White & Black African

White & Black Caribbean

Other mixed background

If other, please specify:

Disability

Do you consider yourself to have a disability that needs to be taken into consideration in order to ensure that you have equal and fair access to services?

Yes

No

Religion or Belief System

Buddist

Christian

Hindu

Jewish

Muslim

Sikh

None

Other

Decline to identify

If other, please specify:

Sexual Orientation

Bisexual

Gay Man

Gay Woman/Lesbian

Heterosexual/Straight

Decline to identify

If other, please specify:

If you, or someone you know, cannot understand English and need help with this information, or if you would like a large print, Braille or an audio version please call

01452 396396

If there is anything you would like to discuss with us, please ring

01452 396396

Customer Services,
Herbert Warehouse,
Gloucester Docks,
GL1 2EQ

T: 01452 396396
E: heretohelp@gloucester.gov.uk
W: www.gloucester.gov.uk

Meeting:	Audit and Governance Committee	Date:	8 September 2014
Subject:	Annual Complaints monitoring		
Report Of:	Monitoring Officer		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Sue Mullins, Monitoring Officer		
	Email: sue.mullins@gloucester.gov.uk	Tel:	39-6110
Appendices:	1. Summary of total complaints and compliments for last 4 municipal years 2. 2013/14 complaints shown by service area		

1.0 Purpose of Report

- 1.1 To consider statistics relating to complaints and compliments received by the Council between April 2013 and March 2014 and complaints made to the Local Government Ombudsman about the Council during the same period.

2.0 Recommendations

- 2.1 The Audit and Governance Committee is asked to **RESOLVE:**

(a) That the report be noted; and

(b) Following consideration of the information contained in the report, to make any other recommendations it wishes to make.

3.0 Background and Key Issues

- 3.1 The Council has a process for dealing with complaints about its services and for receiving compliments and other comments. The Council's Complaints Policy and procedure is being reviewed at present and, following public consultation, is in the process of being finalised. When a revised Complaints procedure has been approved, training on how to use the procedure will be provided to relevant officers within the Council.
- 3.2 Any complaints received by the Council are recorded and monitored to ensure that we know whether or not we are meeting our targets for responding to complaints.
- 3.3 Appendix 1 contains a summary of the total numbers of complaints and compliments for each municipal year from 2010/11 onwards to enable the Committee to understand how the number of complaints and compliments received in 2013/14 compares with previous years.
- 3.4 Appendix 2 shows the complaints received in 2013/14 broken down by service area, together with the numbers of those complaints which are found to be justified or unjustified and whether the number of complaints is an increased or decrease on the previous year.

3.5 Where a complainant is dissatisfied with the Council's response to their complaint, they can refer the matter to the Local Government Ombudsman (LGO). In 2013/14, a total of 6 complaints were made to the LGO. The Ombudsman decided that 2 of the complaints were premature, and that a further 2 of the complaints should not be investigated. The remaining 2 complaints have been accepted by the LGO and are ongoing.

4.0 Alternative Options Considered

4.1 There are no alternative options relevant to this matter.

5.0 Reasons for Recommendations

5.1 The Audit and Governance Committee needs to be kept informed about the Council's performance in dealing with complaints as part of its governance role. Monitoring of complaint volumes, response times and services against which complaints are raised can help with early identification of issues that might need addressing or to identify service improvements.

6.0 Future Work and Conclusions

6.1 Information on complaints handling will continue to be recorded during 2014-15 for presentation to the Committee in June 2015.

7.0 Financial Implications

7.1 There are no financial implications arising from this report.

(Financial Services have not been consulted in the preparation this report.)

8.0 Legal Implications

8.1 There are no legal implications arising from this report.

(Legal Services have been consulted in the preparation this report.)

9.0 Risk & Opportunity Management Implications

9.1 Regular consideration of complaints enables the Council to ensure that its governance arrangements are appropriate and up-to-date.

10.0 People Impact Assessment (PIA):

10.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

11.0 Other Corporate Implications

Community Safety

11.1 There are no community safety implications.

Sustainability

11.2 There are no sustainability implications.

Staffing & Trade Union

11.3 There are no staffing implications.

Background Documents: None.

Appendix 1

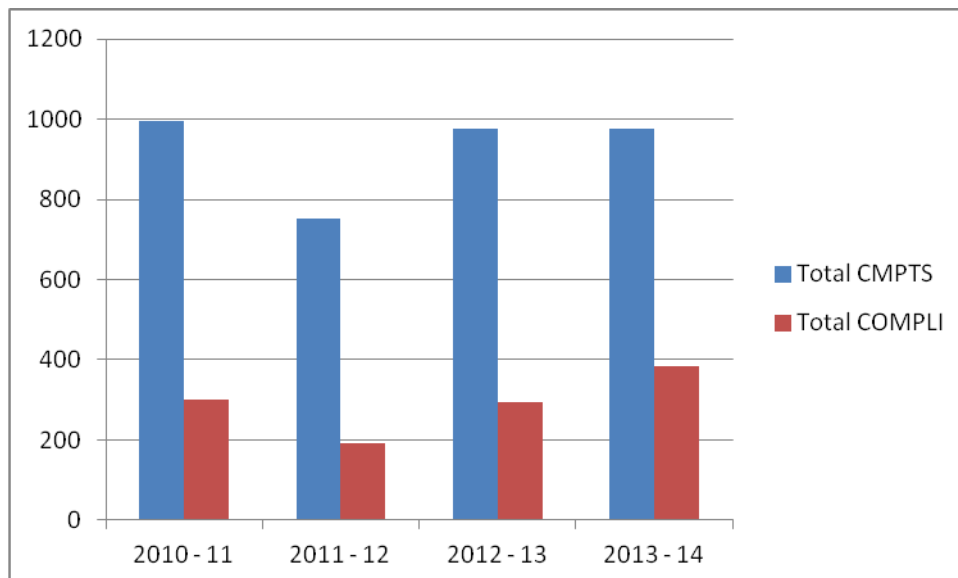
Complaints Stats Year on Year comparison – 2010 - 2014

Stage 1													
	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Stage 1
2010/11	125	72	68	90	127	82	37	53	40	68	42	126	930
2011-12	95	77	75	57	66	69	60	49	45	49	46	48	736
2012-13	49	52	101	115	108	105	82	65	48	105	56	59	945
2013-14	52	112	103	87	91	73	82	68	56	53	59	100	936

Stage 2													
	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Stage 2
2010/11	10	10	15	4	6	5	5	2	2	2	2	3	66
2011-12	0	4	1	0	1	5	0	0	0	2	3	1	17
2012-13	2	2	2	5	4	2	3	2	2	4	4	0	32
2013-14	6	4	5	7	1	3	4	1	3	1	2	2	39

	Total COMPLAINTS	Total COMPLIMENTS
2010 - 11	996	300
2011-12	753	193
2012-13	977	293
2013-14	975	*385

*Compliments have increased by almost 100 over the previous year. This is the highest number of compliments received over the last 4 years.



APPENDIX 2

Complaints received in 2013-14

Department Name	Stage 1	Stage 2	Total	Justified	Unjustified	Other	Change in total from 2012/13
THE ARBOR	1	0	1	1	0	0	+ 1
ASSET MANAGEMENT	12	3	15	10	0	5	+ 14
BENS, INVESTIGATIONS, W.R. (CIVICA)	23	0	23	8	4	11	+7
BUILDING STANDARDS AND CONTROL	4	0	4	2	2	0	+ 4
CEMETERIES AND CREMATORIUM	3	0	3	1	1	1	0
CIVICA CLIENT TEAM	3	0	3	2	1	0	*
COUNCIL TAX (CIVICA)	35	1	36	6	0	30	- 4
CUSTOMER SERVICES	46	0	46	35	6	5	+ 18
DEMOCRATIC SERVICES	1	0	1	0	0	1	+1
DEVELOPMENT CONTROL-REGENERATION	13	1	14	0	13	1	+ 12
ELECTORAL ROLL	3	0	3	3	0	0	- 4
ENVIRONMENTAL HEALTH ENFORCEMENT	3	0	3	1	2	0	*
ENVIRONMENTAL HEALTH	33	2	35	7	17	11	*
ENVIRONMENTAL PLANNING CONSERVATION	2	0	2	1	0	1	*
AMEY	560	20	580	420	72	88	- 54
FREEDOM OF INFORMATION	1	0	1	1	0	0	- 1
FOLK MUSEUM	3	0	3	2	0	1	+ 3
GLOS CITY HOMES	3	0	3	1	1	1	+ 8
MARKETING GLOUCESTER	1	0	1	1	0	0	+ 1
GUILDHALL	8	2	10	2	2	6	- 11
HOMELESS & HOUSING ADVICE MANAGER	2	0	2	0	1	1	+ 2
HOMELESS	2	0	2	0	1	1	+ 2
MARKETS	13	0	13	6	5	2	+ 8
COMMUNICATIONS AND MARKETING	1	0	1	1	0	0	0
MUSEUMS	6	0	6	5	1	0	+ 4
NMS ENVIRONMENTAL	80	8	88	45	22	21	*
NMS NEIGHBOURHOODS	33	1	34	21	2	11	*
PARKING	7	0	7	1	6	0	- 14
PARKING PARTNER	3	0	3	2	0	1	- 2
Pest Control Contractor	2	0	2	1	1	0	- 1
PLANNING	5	1	6	1	2	3	+ 3
ENVIRONMENTAL PLANNING	6	0	6	5	1	0	+ 1
PROJECTS AND MAINTENANCE SERVICE	1	0	1	1	0	0	0
REGENERATION SERVICES	1	0	1	1	0	0	- 1
HOUSING RESOURCE TEAM	6	0	6	3	1	2	*
REVENUES,FEES AND CHARGES (CIVICA)	8	0	8	2	2	4	#
SPATIAL PLANNING & ENVIRONMENT	1	0	1	1	0	0	0
TOURIST OFFICE (TIC)	1	0	1	1	0	0	- 1
Total	936	39	975	601	166	208	

* Direct comparison not possible because of service changes

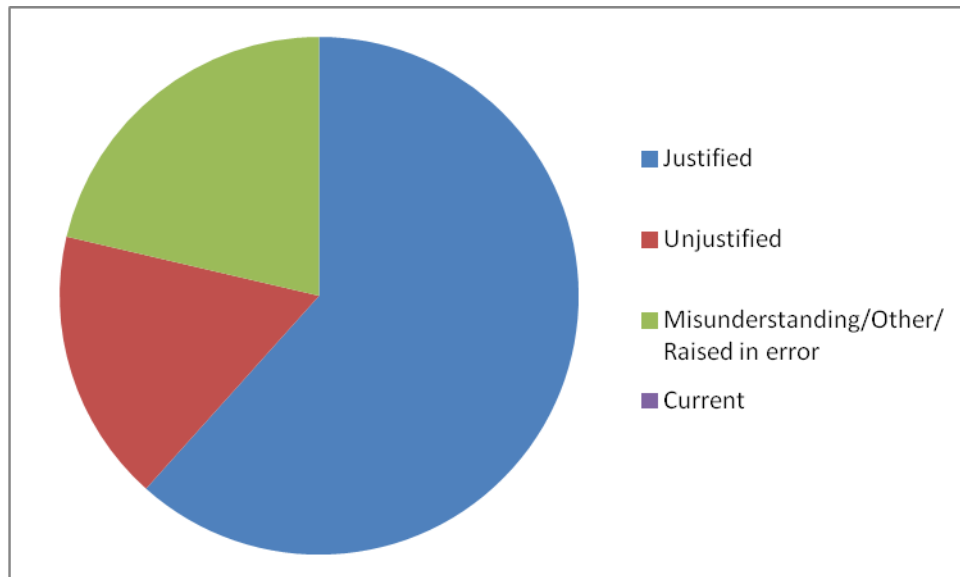
Direct comparison not possible due to changes in complaints processing

The above table shows a drop of 54 complaints against Amey this year which is a great achievement.

Customer Service saw an increase of 18 complaints. Following analysis ten of these complaints were for corporate/external organisations where the customer had reported the initial enquiry through us e.g. Highways, ASB team at GCH,. Security team at North Warehouse reception, Out of Hours Service, Civica re payment kiosk not working following break in. We did also see an increase in complaints for the face to face teams seeing customers in reception regarding waiting times and information given by some of our temporary staff who are no longer with us.

Parking shows a reduction of 14 complaints but following the transfer of certain car parks to Asset Management their complaints have risen by 14. This means that the number of parking complaints actually remained the same.

Complaint outcomes – 2013-14			
Justified	Unjustified	Misunderstanding/Other/Raised in error	Current
601	166	208	0



AUDIT AND GOVERNANCE COMMITTEE – 8 SEPTEMBER 2014

ACTION PLAN

MINUTE NO.	MATTER	CURRENT STATUS	RAG	TARGET DATE	OWNER
<u>Actions arising from meeting held on 24 September 2012:</u>					
17	Combined Heat and Power installation at GL1.	<p><u>Minute 95 – Meeting on 17 March 2014</u></p> <p>The Asset Manager to provide the Committee with an update on progress and a chronology of events.</p>	Action complete	26.06.14	RW
		<p><u>Minute 6 – Meeting on 26 June 2014</u></p> <p>The Asset Manager to provide a further update at the Audit & Governance Committee in January.</p>	G	19.01.15	RW
17	Purchase of software with a modern stock control facility at The Guildhall.	<p>The stock control facility is part of a broader system requirement for the Guildhall operations. A new Manager has now been appointed at the Guildhall, who will review existing processes and systems and develop a business case for a new system as required. This will include stock control functionality.</p> <p>NB A review of the Guildhall operations, including IT requirements, is currently being undertaken by Consultants and a cross party working group of Members. A decision on whether to purchase new software has been put on hold pending the results of the consultants' review, the findings from which are due to be reported in November 2014.</p>	G	31.03.14 30.11.14 (revised date)	SG MS

MINUTE NO.	MATTER	CURRENT STATUS	RAG	TARGET DATE	OWNER
		<p><u>Minute 7 – Meeting on 26 June 2014</u></p> <p>The Committee requested that their concerns relating to the further delays of the stock control facility are reported to the Corporate Director of Services and Neighbourhoods.</p> <p>Committee also requested for an audit of current bar stock controls to be carried out.</p>	Action complete	27.06.14	TR
21	Internal Audit Plan 2012/13 – Fixed Asset Register to be in place.	<p>Detailed spreadsheet in place. Currently evaluating a system linked to the financial ledger.</p> <p>Financial System upgrade to be completed December 2013. Once upgrade completed successfully project will commence for asset register transfer to ledger.</p>	G	Priority	JT
Page 46					
<u>Actions arising from meeting held on 26 November 2012:</u>					
35	Business Rates Pooling – annual report to be presented to the Committee.	<p>This item was added to the agenda for the Audit & Governance Committee on 26 June 2014. However, the necessary information will not be available in time for this meeting so the item has been added to the agenda for the Audit and Governance Committee on 8 September 2014.</p>	Action complete	<p>26.06.14</p> <p>08.09.14 (revised date)</p>	JT
<u>Actions arising from meeting held on 17 March 2014:</u>					
98	Budget Monitoring – Month 9. Corporate Director of Resources to advise all Members that some of the issues raised in the peer review report had been addressed.	<p>Complete. Briefings on progress made to inform Members of the financial planning processes have been sent.</p>	Action complete	31.03.14	PG

MINUTE NO.	MATTER	CURRENT STATUS	RAG	TARGET DATE	OWNER
<u>Actions arising from meeting held on 26 June 2014:</u>					
12	Payroll Contract SLA – HR & OD Manager to be invited to attend the September meeting to update the Committee	This item has been added to the agenda for the Audit & Governance Committee on 8 September 2014.	Action Complete	08.09.14	TR/RA
12	Revenues and Benefits Contract – Audit, Risk and Assurance Manager to report on implementation of o/s Rank 1 recommendation to the September Committee.	This item will be included as part of the Internal Audit Plan Quarterly Monitoring Report for the Audit & Governance Committee on 8 September 2014.	Action Complete	08.09.14	TR
12	The Docks / the Arbor Catering. Audit, Risk and Assurance Manager to provide an update on the implementation of recommendations to the September Committee.	This item will be included as part of the Internal Audit Plan Quarterly Monitoring Report for the Audit & Governance Committee on 8 September 2014.	Action Complete	08.09.14	TR

PLEASE NOTE: Rolling agenda items requested by the Committee have not been included above but have been included on the Audit and Governance Work Programme.

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Meeting:	Audit & Governance Committee	Date:	8th September 2014
Subject:	Internal Audit Plan 2014/15 – Monitoring Report		
Report Of:	Audit, Risk & Assurance Manager		
Wards Affected:	Not applicable		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Terry Rodway, Audit, Risk & Assurance Manager		
	Email:	Terry.Rodway@gloucester.gov.uk	Tel: 396430
Appendices:	A: List of audits completed as part of the 2014/15 Internal Audit Plan – April to August 2014		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To inform Members of the audits completed as part of the approved Internal Audit Plan 2014/15.

2.0 Recommendations.

- 2.1 Audit & Governance Committee is asked to **RESOLVE** that:

- (1) Members endorse the audit work undertaken to date, and the assurance given on the adequacy of internal controls operating in the systems audited.

3.0 Background and Key Issues

- 3.1 At the Audit & Governance Committee meeting held on 17th March 2014, Members approved the Internal Audit Plan 2014/15. In accordance with the Public Sector Internal Audit Standards, this report details the outcomes of internal audit work carried out in accordance with the approved Plan.
- 3.2 This report includes details of the audits completed during the period April to August 2014, as part of the 2014/15 Annual Plan. The performance monitoring information is based on the number of completed audits vs. the number of planned audits (i.e. an output measure). The indicator for the 5 month period to August 2014 is 89% (8 out of 9 planned audits completed) compared to a target of 90%.

- 3.3 Details of the audits completed, together with the overall conclusion reached on each audit, have been provided in **Appendix A**. This should provide Members with a view on the adequacy of the controls operating within each area audited.
- 3.4 It has previously been agreed that Members would be notified of all 'Rank 1 Fundamental' recommendations that have not been fully implemented within the agreed timescale. Subject to the comments in paragraph 4.3.2.2 below, there were none identified during the period covered by this report.

4.0 Results from Follow-up Audits

4.1 At the previous meeting of the Audit & Governance Committee, Members requested Internal Audit to carry out follow-up audits relating to the Guildhall, Catering, and to provide an update on an outstanding recommendation relating to the client monitoring of the Revenues and Benefits contract.

4.2 Guildhall

4.2.1 An outstanding issue relating to the Guildhall is the purchase of software with a modern stock control facility. At the June 2014 meeting of this Committee, Members requested an audit of current bar stock controls to be carried out. This audit has identified that the bar stock controls are operating satisfactorily. A review of the Guildhall operations, including IT requirements, is currently being undertaken by Consultants and a cross party working group of Members. A decision on whether to purchase new software has been put on hold pending the results of the consultants' review, the findings from which are due to be reported in November 2014.

4.3 Catering

4.3.1 The Arbor

4.3.1.1 As a result of the original audit, 3 'High Priority' and 6 'Medium Priority' recommendations were made which resulted in a limited assurance opinion being provided. The follow-up audit has identified that of the 9 recommendations agreed, 8 have been implemented with 1 'Medium Priority' recommendation only being partially implemented.

4.3.1.2 The area of weakness that remains is:-

- Outstanding order commitments are not being cleared on a monthly basis (Medium Priority – Partial)

4.3.2 The Docks

4.3.2.1 As a result of the original audit, 3 'High Priority' and 3 'Medium Priority' recommendations were made which resulted in a limited assurance opinion being provided. The follow-up audit has identified that of the 6 recommendations agreed, 2 have been implemented, 1 'High Priority' and 1

'Medium Priority' have not been implemented and 2 'Medium Priority' recommendations have only been partially implemented.

4.3.2.2 The areas of weakness that remain are:-

- Incorrect VAT coding of catering cash income (High Priority)
- Lack of formal daily till reconciliations (Medium Priority)
- Lack of independent review of monthly stock take report (Medium Priority – Partial)
- Sundry Debtor invoices not raised on a timely basis (Medium Priority – Partial)

4.4 Client Monitoring of the Revenues and Benefits Contract

4.4.1 At the previous meeting of this Committee, Members were notified of a Rank 1 'High Priority' recommendation, relating to the above audit, that had not been implemented by the agreed implementation date. The recommendation made was as follows:-

"Actions are required to ensure that the '10% checks' required to be performed upon benefit assessments are to be completed on a timely basis".

4.4.2 The agreed management action at the time of making the recommendation was that the Financial Projects Supervisor was working with the council's contractor to review the process.

4.4.3 The Financial Projects Supervisor has confirmed that an additional resource has been brought in, and that the backlog has been reduced to approximately 3 weeks.

5.0 Alternative Options Considered

5.1 No other options have been considered as the purpose of the report is to inform the Committee of the audit work undertaken to date, and the assurance given on the adequacy of internal controls operating in the systems audited.

6.0 Reasons for Recommendations

6.1 The Public Sector Internal Audit Standards state that the Audit, Risk & Assurance Manager should report on the outcomes of internal audit work, in sufficient detail, to allow the Committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address.

7.0 Future Work and Conclusions

7.1 The role of the Audit & Assurance service is to examine, evaluate and report upon the adequacy of internal controls. Where weaknesses have been identified, recommendations have been made to improve the level of control.

8.0 Financial Implications

8.1 As detailed in this report.

(Financial Services have been consulted in the preparation this report).

9.0 Legal Implications

8.1 None specific to this report.

(Legal Services have been consulted in the preparation this report).

10.0 Risk & Opportunity Management Implications

10.1 Delays in response to acceptance/implementation of audit recommendations lead to weaknesses continuing to exist in systems, which has the potential for fraud and error to occur.

11.0 People Impact Assessment (PIA):

11.1 A requirement of the Accounts & Audit Regulations 2011 is for the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control. The internal audit service is delivered by the in house team. Equality in service delivery is demonstrated by the team being subject to, and complying with, the Council's equality policies.

11.2 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

12.0 Other Corporate Implications

Community Safety

12.1 There are no community safety implications arising out of the recommendation in this report.

Sustainability

12.2 There are no sustainability implications arising out of the recommendation in this report.

Staffing & Trade Union

12.3 There are no staffing and trade union implications arising out of the recommendation in this report.

Background Documents:

Internal Audit Plan 2014/15

Public Sector Internal Audit Standards

Appendix A

List of audits completed as part of the 2014/15 Internal Audit Plan – April to August 2014

Audit	Comments	Level of Assurance
Council Tax – Opening Debit	<p><u>Audit Objective</u> The objectives of this audit were to ensure that:-</p> <ul style="list-style-type: none"> • The Council Tax Base has been correctly calculated. • Charges for each band have been correctly apportioned. • Charges have been appropriately authorised. • Approved charges have been accurately transferred to the billing system. <p><u>Audit Opinion</u> A good level of assurance has been obtained that Council Tax charges have been appropriately set, approved, and properties have been appropriately billed for 2014/15.</p>	Good
NNDR – Opening Debit	<p><u>Audit Objective</u> The objectives of this audit were to ensure that:-</p> <ul style="list-style-type: none"> • Appropriate notifications have been received advising of the NDR multipliers and transitional relief rates for the current financial year. • The advised NDR multipliers and transitional relief rates have been accurately transferred to the billing system. <p><u>Audit Opinion</u> A good level of assurance has been obtained that the NNDR charges for 2014/15 have been accurately applied and that businesses have been billed appropriately.</p>	Good
NNDR Rate Relief	<p><u>Audit Objective</u> The objectives of this audit were to ensure that:-</p> <ul style="list-style-type: none"> • Documentation is readily available to support the granting of relief • Appropriate approval has been given to award relief. • Continuance of the relief is reviewed in line with requisite timeframes. • Charge payers are made aware of their requirement to provide notification if relief is incorrectly applied or no longer valid. • The granting of relief has been in accordance with legislative requirements and / or Council policy. • Potential fraudulent claims are identified and investigated. 	Satisfactory

Audit	Comments	Level of Assurance
	<p><u>Audit Opinion</u> On the basis of the work carried out during this audit, and the level of error identified through audit testing, the audit opinion is that there is a satisfactory level of assurance over this area. The main area of weakness identified related to:-</p> <ul style="list-style-type: none"> • Potential fraudulent claims are identified and investigated. 	
Council Tax – Relief	<p><u>Audit Objective</u> The objectives of the audit were to obtain assurance that: -</p> <ul style="list-style-type: none"> • Documentation is readily available to support the granting of relief. • Appropriate approval has been given to award relief. • Continuance of the relief is reviewed in line with requisite timeframes. • Charge payers are made aware of their requirement to provide notification if relief is incorrectly applied or no longer valid. • The granting of relief has been in accordance with legislative requirements and / or Council policy. • Potential fraudulent claims are identified and investigated. <p><u>Audit Opinion</u> On the basis of the work carried out during this audit, and the level of error identified through audit testing, the audit opinion is that there is a satisfactory level of assurance over this area. The main areas of weakness identified related to:-</p> <ul style="list-style-type: none"> • Potential fraudulent claims are identified and investigated. • Each of the entries within the Audit Commission’s data matching exercise produced in March 2014 should be reviewed in order to determine continuance of Single Person Discount on a case by case basis. 	Satisfactory
Creditors & Debtors (Year End)	<p><u>Audit Objective</u> The audit objectives were to ascertain, through testing, that controls are in place and operating effectively towards ensuring that:</p> <ul style="list-style-type: none"> • Auto accruals for 2013/14 are valid, by obtaining evidence to support that the relevant goods or service were provided prior to 1 April 2014. • Manual creditors, debtors, payments in advance and receipts in advance are valid and supported by appropriate evidence. <p><u>Audit Opinion</u> Testing performed upon a sample of 22 of the 2013/14</p>	Satisfactory

Audit	Comments	Level of Assurance
	<p>accruals revealed 7 entries with a combined value of £16,329.36 that required rectification.</p> <p>These findings represented a 31.82% error rate across the sample size and 23.63% across the sample value. A comparison of these error rates was made to previous year's audits where it was apparent that the identified error rate is an improvement on the 2012/13 figures. Assurance has therefore been obtained that action to remove erroneous entries prior to running the accruals list have improved since last year's audit.</p> <p>As a result of testing undertaken, satisfactory assurance can be given that the risk of invalid auto accruals and manual creditors and debtors appearing in the Council's end of year accounts is being mitigated to an acceptable level.</p>	
Performance Management	<p><u>Audit Objective</u> The objectives of the audit were to ensure that:-</p> <ul style="list-style-type: none"> • Responsibilities for performance management have been set. • The Council has set corporate objectives which have been approved at an appropriate level and are realistic targets. • Service objectives are set which link to corporate objectives. • SMART principles are used to measure progress against objectives. • Performance measures are based on realistic, measurable targets. • Performance Indicator factual data is collected and reported. • Performance data is reported to appropriate levels of management (including SMT, Members) at appropriate frequencies and in appropriate form. <p><u>Audit Opinion</u> On the basis of the work carried out during this audit, and the level of error identified through audit testing, the audit opinion is that there is a satisfactory level of assurance over this area. The main areas of weakness identified related to:-</p> <p>Lack of formal reporting of Performance Indicators to Members.</p> <ul style="list-style-type: none"> • A small number of service units have not submitted their business plans to the Business Improvement team. • The Corporate Plan 2014-2017 should be uploaded on to the Council's website immediately following approval by Cabinet, to allow access to members of the public. 	Satisfactory

Audit	Comments	Level of Assurance
	<ul style="list-style-type: none"> • The monthly and quarterly Performance Monitoring reports should also be uploaded on to the Council's website to promote transparency of reporting against the targets and performance indicators contained within the Council Plan. 	
Financial Services Improvement Plan	<p>The 2014–15 Audit of the FSIP assessed the latest position for 5 External Audit (KPMG) and 20 Internal Audit (IA) recommendations outstanding from the 2013/14 FSIP audit, and 3 KMPG recommendations added from the ISA 260 report relating to the audit of the 2012/13 statement of accounts.</p> <p>At the time of the audit, internal audit agree with the RAG ratings for 7 of the 8 external audit recommendations and 17 of the 20 IA recommendations. The instances where IA disagrees with the RAG rating were: -</p> <ul style="list-style-type: none"> • 2 instances where the blue (complete) rating could not be substantiated due to there being insufficient data available at the time of testing to demonstrate that required actions are being completed on a regular and consistent basis:- <ul style="list-style-type: none"> ○ KPMG recommendation 1 relating to budget monitoring reporting to Members. ○ IA recommendation 7 relating to budget monitoring reporting to Members. • 1 instance where the blue (complete) rating was considered inaccurate because the second part of the recommendation, for the completion of the Reconciliations Control Sheet, was not being enacted - IA recommendation 23. • 1 instance where the green (on time) rating was considered inaccurate because testing conducted for the 2013/14 Cash to Bank Audit revealed that the interface values were now in agreement with the notified values, therefore, the rating should be blue (complete) - IA recommendation 14. 	Satisfactory
Members Allowances	<p><u>Audit Objective</u> The objective of the internal audit was to ensure that the following Members' Allowances controls were in place and operating effectively:-</p> <ul style="list-style-type: none"> • The Members' Allowances scheme (the Scheme) is appropriately updated and approved. • Payments to Members are in line with the current Scheme, in correct amounts and at the proper frequencies. • Travelling and subsistence claim payments are made only for proper duties, for correct amounts and in a timely manner. • Members' Allowances are published on the 	Limited

Audit	Comments	Level of Assurance
	<p>Council website and the published data is up to date.</p> <ul style="list-style-type: none"> • Budgetary responsibility is assigned for Members' Allowances and satisfactory budgetary control is exercised. <p><u>Audit Opinion</u> On the basis of work carried out during this audit review, and the number and classification of recommendations identified through audit testing, the audit opinion is that there is limited assurance on the adequacy and operating effectiveness of controls in place over Members' Allowances.</p> <p>The main areas of weakness identified were:-</p> <ul style="list-style-type: none"> • A small number of incorrect payments made to Members identified by internal audit testing should be corrected. • Formal confirmation should be obtained as to whether the 2014/15 Allowances should be updated to include the 1% 2013/14 staff pay award. • The Democratic & Electoral Services Manager should ensure that claimed expenses are supported by receipts, prior to authorisation of Member expense claims. • The Council website should be updated to ensure that the Members' Allowances Schemes for 2013/14 and 2014/15 are available for public viewing. • The 2012/13 and the 2013/14 Scheme payments should be published on the Council website and through a local newspaper public notice as soon as reasonably practicable. • Regular budget monitoring meetings (including a split of payments to individual Members) should be held between Financial Services & the Democratic & Electoral Services Manager. 	

The report includes an audit opinion on the adequacy of controls in the area that has been audited, classified in accordance with the following descriptions:-

CONTROL LEVEL	DESCRIPTION
Good	Robust framework of controls – provides substantial assurance. A few minor recommendations (if any) i.e. Rank 3 (Low Priority).
Satisfactory	Sufficient framework of controls – provides satisfactory level of assurance – minimal risk. A few areas identified where changes would be beneficial. Recommendations mainly Rank 3 (Low Priority), but one of two in Rank 2 (Medium Priority).
Limited	Some lapses in framework of controls – provides limited level of assurance. A number of areas identified for improvement. Mainly Rank 2 (Medium Priority) recommendations, but one or two Rank 1 (High Priority) recommendations.
Unsatisfactory	Significant breakdown in framework of controls – provides an unsatisfactory level of assurance. Unacceptable risks identified – fundamental changes required. A number of Rank 1 (High Priority) recommendations.

Ranking of Recommendations:-

RANK		DESCRIPTION
1	High Priority	Necessary due to statutory obligation, legal requirement, Council policy or major risk of loss or damage to Council assets, information or reputation, or, compliance with External Audit key control.
2	Medium Priority	Could cause limited loss of assets or information or adverse publicity or embarrassment. Necessary for sound internal control and confidence in the system to exist.
3	Low Priority	Current procedure is not best practice and could lead to minor inefficiencies.



Meeting:	Audit & Governance Committee	Date: 8 th September 2014
Subject:	Annual Governance Statement Action Plan 2014-15 - Update	
Report Of:	Head of Finance on behalf of the Corporate Governance Group	
Wards Affected:	Not Applicable	
Key Decision:	No	Budget/Policy Framework: No
Contact Officer:	Jon Topping, Head of Finance	
	Email: Jon.Topping@gloucester.gov.uk	Tel: 396242
Appendices:	A Annual Governance Statement Action Plan 2014-15 A1 Peer Review Action Plan (not attached – to follow)	

FOR GENERAL RELEASE/ EXEMPTIONS

1.0 Purpose of Report

- 1.1 To advise Members of action taken on the Annual Governance Statement Action Plan 2014-15.

2.0 Recommendations.

- 2.1 Audit & Governance Committee is asked to **RESOLVE** that

- (1) Members of the Audit Committee endorse the action taken on the Annual Governance Statement Action Plan 2014-15.

3.0 Background and Key Issues

- 3.1 The Council is required to produce an annual governance statement under Regulation 4 of the Accounts and Audit Regulations 2011 and, under the Council's Constitution, the Audit & Governance Committee has responsibility for approving the Statement.
- 3.2 The 2013-14 Annual Governance Statement (AGS) was approved by the Audit & Governance Committee at its meeting held on 26th June 2014. The purpose of the AGS is to provide assurance that the Council's Governance Framework is adequate and effective.
- 3.3 It was agreed at the June 2014 Audit & Governance Committee meeting that a monitoring report on the achievement of the Annual Governance Statement Action Plan 2014-15 would be presented to the next meeting of the Committee.

4.0 Alternative Options Considered

- 4.1 The alternative option would be to not formally review proposed actions identified to address 'Significant Governance Issues'. However, under this option, there would be limited assurance that, where the review of governance arrangements has revealed gaps, actions have been taken to ensure effective governance in future.

5.0 Reasons for Recommendations

- 5.1 In compiling the AGS, the Council is required to identify any 'Significant Governance Issues' faced by the Council and to set out the proposed actions to be taken to address those issues, and the timescale within which those actions will be taken. The role of the Audit & Governance Committee is to formally monitor progress on actions arising from the 'Significant Governance Issues' identified in the AGS.

6.0 Future Work and Conclusions

- 6.1 The 2013-14 Annual Governance Statement included an Action Plan detailing actions to be undertaken during 2014-15 to improve the governance arrangements. Assurances have been obtained that the required actions either have been, or are in the process of being implemented. A further report identifying actions undertaken will be presented to a future meeting of the Committee.

7.0 Financial Implications.

- 7.1 There are no direct financial implications.

(Financial Services have been consulted in the preparation this report.)

8.0 Legal Implications

- 8.1 The Accounts and Audit Regulations 2011 require the Council to conduct a review, at least once a year, of the effectiveness of its system of internal control and to publish an annual governance statement each year to accompany its statement of accounts.

(Legal Services have been consulted in the preparation this report.)

9.0 Risk & Opportunity Management Implications

- 9.1 Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It is important to realise that the purpose of the Annual Governance Statement is not just to be 'compliant', but also to provide an accurate representation of the arrangements in place during the year and to highlight those areas where improvement is required. Where the review of governance arrangements has revealed gaps, assurance should be provided that identified actions have been completed to ensure effective governance in future.

10.0 People Impact Assessment (PIA):

10.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

11.0 Other Corporate Implications

Community Safety

11.1 There are no specific Community Safety implications arising from the recommendation in the report.

Sustainability

11.2 There are no specific Sustainability implications arising from the recommendation in the report.

Staffing & Trade Union

11.3 There are no specific Trade Union implications arising from the recommendation in the report. The Peer Review Action Plan includes issues relating to staff communications and staff decision making for which actions required to address these issues have been identified.

Background Documents: Annual Governance Statement 2013-14

Annual Governance Statement Action Plan 2014-15

No.	Core Principle	Governance Issue	Responsible Officer	Action Required	Action Taken
1	External Audit and Other Review/Assurance mechanisms	An external review of the Governance arrangements of Gloucestershire Airport Ltd, has been jointly commissioned by Gloucester City and Cheltenham Borough Councils. Whilst the report is not yet finalised, it will make recommendations for ongoing improvements to both governance and operations at the airport.	Head of Regeneration & ED/Head of Finance/Head of Legal & Policy Development & Monitoring Officer	To implement the recommendations made by York Aviation, through a report to Cabinet and Full Council in July 2014.	<p>The recommendations in the report from York Aviation Limited were approved by Full Council. It was also agreed that the Head of Regeneration and Economic Development and the Head of Legal and Policy Development be instructed to undertake more detailed work on how the report recommendations will be implemented and to report to Cabinet later in 2014. Full Council also recommended that the following actions be initiated at this stage:</p> <ul style="list-style-type: none"> • Establishment of the Shareholder Forum; • Expanding on the capability of the Board and Management; and • Commence the process of strategy formulation to improve business performance and the development of the 2015-16 Business Plan.

2	External Audit and Other Review/Assurance mechanisms	Key areas identified from the Corporate Peer Challenge Report	SMT	<p>A comprehensive action plan to address each of the key recommendations arising from the peer challenge is being produced, a draft of which was discussed with political Group Leaders on 16th June 2014.</p> <p>This approach to producing and monitoring the action plan is an inclusive one – and has been informed by staff involvement and feedback, which was completed in May 2014. In addition, following the Group Leaders meeting on 16th June, all City Council Members have also been given the opportunity to contribute to this process, with a timescale of 30th June 2014.</p> <p>The action plan when finalised with member comments will be closely monitored throughout the year.</p>	See attached Peer Review Action Plan shown as Appendix A1. (NB To Follow)
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Gloucester City Council

Meeting:	Audit and Governance	Date:	8th September 2014
Subject:	Business Rates Pooling Report 2013-14		
Report Of:	Head of Finance		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Jon Topping Head of Financial Services		
	Email: jontopping@gloucester.gov.uk	Tel:	39-6242

1.0 Purpose of Report

- 1.1 The Gloucestershire Business Rates Pool was set up to maximise the business rate income retained within the County and to support economic growth within the area of the Local Enterprise Partnership.
- 1.2 2013/14 was the first year of operation of the Pool and this report sets out the outturn position for the year.

2.0 Recommendations

- 2.1 Audit & Governance is asked to **RESOLVE** that
 - (1) The 2013/14 outturn position and performance of the Gloucestershire Business Rates Pool be noted.

3.0 Background and Key Issues

- 3.1 The Business Rates Retention Scheme was introduced on 1st April 2013. Under the Scheme, the Council retains some of the business rates raised locally.
- 3.2 In order to maximise the value of business rates retained within Gloucester, the Council entered into the Gloucestershire Business Rates Pool.
- 3.3 The Gloucestershire Business Rates Pool governance arrangements determine out how the surplus is to be distributed and this is set out in the **Table 1** below. The first £300,000 has been set aside in an appeals/losses reserve. 20% of the remaining surplus, £94,352, has been set aside in a Strategic Economic Development Fund with the remaining 80% distributed amongst the pool members in accordance with the governance arrangements.
- 3.4 Table 1 sets out the finances for the Gloucestershire Business Rates Pool for the year ended 2013/14. To summarise, Gloucestershire retained £771,761 more

business rates by pooling than if each authority had operated as a standalone authority of which Gloucester City was able to retain £72,670.

- 3.5 As anticipated, this was a difficult first year with a large number of backdated appeals settled as the Government urged the Valuation Office to deal with all outstanding appeals by July 2015. Cotswold DC was paid a safety net payment of £14,854 largely as a result of lower than anticipated business rate income in part due to the effect of appeals and refunds. Other pool members will have experienced similar losses reducing the surplus that could have been achieved. The Governments policy on Small Business Rate Relief and the funding for the associated losses added a further layer of complexity.

Table 1 - Pooling Distribution 2013/14 (NNDR3) and 2014/15 (NNDR1)

	2013/14 (£)	2014/15 (£)
Retained Business Rates (outside pool)	81,594,294	84,948,896
Retained Business Rates (with pool)	82,366,055	86,658,932
Total amount to distribute (before putting authorities back to pre-pool position)	786,615	1,710,035
1a. Put all authorities in same position as before pooling		
Cotswold Safety Net Payment	14,854	
Total amount to distribute (after putting authorities back to pre-pool position)	771,761	1,710,035
1b. Share of losses if Pool in deficit (if no pool reserve)	0	0
2. Pool Reserve for Safety Net/Appeals/Losses	300,000	300,000
3. Strategic Economic Development Fund (20%)	94,352	282,007
4. Remaining balance to Districts & County (80/20 split)	377,409	1,128,028
Cheltenham	52,590	154,613
Cotswold	25,161	114,074
Forest of Dean	46,897	107,107
Gloucester	72,670	205,454
Stroud	37,351	143,602
Tewkesbury	67,258	177,573
Gloucestershire	75,482	225,606

- 3.6 It must be noted that the 2014/15 figures and possible further retention for Gloucester City are budgeted figures and the final outturn position will not be known until May 2015 when the NNDR3 is completed. Risks to this figure are possible reduced business rates income plus the effect of appeals and refunds.

4.0 Alternative Options Considered

- 4.1 There are no alternative options

5.0 Reasons for Recommendations

- 5.1 To review the performance of the Gloucestershire Business Rates Pool in 2013/14.

6.0 Financial Implications

- 6.1 Contained in the body of the report.

(Financial Services have been consulted in the preparation this report.)

7.0 Legal Implications

7.1 There are no legal implications from this report

(Legal Services have been consulted in the preparation this report.)

9.0 Risk & Opportunity Management Implications

9.1 Contained in the body of the report

10.0 People Impact Assessment (PIA):

10.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

11.0 Other Corporate Implications

Community Safety

11.1 Nil

Sustainability

11.2 Nil

Staffing & Trade Union

11.3 Nil

Background Documents: None

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Gloucester City Council

Meeting:	Audit and Governance Committee	:	8 September 2014
	Cabinet		17 September 2014
Subject:	Treasury Management Update – Quarter 1 Report 2014/15		
Report Of:	Head of Finance		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	Yes
Contact Officer:	Jon Topping, Head of Finance		
	jon.topping@gloucester.gov.uk		Tel: 396242
Appendices:	<ol style="list-style-type: none"> 1. Prudential and Treasury Indicators 2. Treasury Management Investments 3. Economic Outlook 4. Detailed interest rate forecasts 		

1.0 Purpose of Report

- 1.1 One of the requirements of the revised Code of Practice for Treasury Management in November 2011 recommends that members should be updated on treasury management activities at least twice a year, but preferably quarterly. This report covers Quarter 1, 1st April 2014 to 30th June 2014.
- 1.2 This report will highlight issues specific to the Council and also highlight the overall economic outlook as provided by the Councils treasury advisors Capita Asset Services.
- 1.3 The body of the report provides an overview of the Councils performance in Quarter 1 ;
 - **Appendix 1** highlights the key performance indicators in line with the Councils Treasury Management Strategy.
 - **Appendix 2** is the investments held at the end of quarter 1.
 - **Appendix 3** is an economic summary provided by the Councils treasury advisors.
 - **Appendix 4** is a detailed commentary on interest rate forecasts

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RESOLVE** that the report be noted and note that no changes are required to the prudential indicators.

3.0 Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2014/15, which includes the Annual Investment Strategy, was approved by the Council on 10th April 2013. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield

3.1 The Council will also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cashflow needs, but also to seek out value available in periods up to 12 months, with highly credit rated financial institutions, using our suggested creditworthiness approach, including sovereign credit rating and Credit Default Swap (CDS) overlay information.

3.2 Investment rates available in the market have been broadly stable during the quarter and have continued at historically low levels as a result of the Funding for Lending Scheme. The average level of funds available for investment purposes during the quarter was £5.4m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.

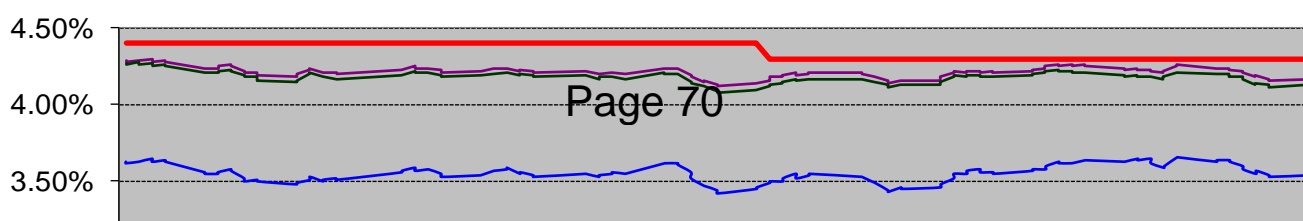
4.0 New Borrowing

4.1 The 25 year PWLB target (certainty) rate for new long term borrowing for the quarter remained at 4.40% until the 19th May when it fell to 4.30%.

4.2 No borrowing was undertaken during the quarter.

4.3 PWLB certainty rates, quarter ended 30th June 2014

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.20%	2.50%	3.42%	4.12%	4.08%
Date	08/04/2014	14/04/2014	16/05/2014	16/05/2014	16/05/2014
High	1.47%	2.85%	3.66%	4.30%	4.28%
Date	17/06/2014	20/06/2014	20/06/2014	03/04/2014	02/04/2014
Average	1.29%	2.66%	3.56%	4.22%	4.18%



4.4 Borrowing in advance of need.

The Council has not borrowed in advance of need during the quarter ended 30th June 2014 and has not borrowed in advance in all of 2014/15.

5.0 Debt Rescheduling

5.1 Debt rescheduling opportunities have been limited in the current economic climate and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. During the quarter ended 31st March 2014, no debt rescheduling was undertaken.

6.0 Compliance with Treasury and Prudential Limits

6.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.

6.2 During the financial year to date the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The prudential and treasury Indicators are shown in appendix 1.

7.0 Other

7.1 During 2014/15 the Council continued to maintain an under-borrowing position.

7.2 This under-borrowing reflects that the Council resources such as reserves and provisions will have reduced debt rather than be externally invested. This strategy is sensible, at this point in time, for two reasons. Firstly, there is no differential

between the marginal borrowing rate and investment rate so there is nothing to be gained by investing Council resources externally. Secondly, by using the resources to reduce debt the Council will reduce exposure to investment counterparty risk.

8. Financial Implications

8.1 Contained in the report

(Financial Services have been consulted in the preparation this report.)

9. Legal Implications

9.1 There are no legal implications from this report

(Legal Services have been consulted in the preparation this report.)

10.0 Risk & Opportunity Management Implications

10.1 There are no specific risks or opportunities as a result of this report

11. People Impact Assessment (PIA):

11.1 A PIA screening assessment has been undertaken and the impact is neutral. A full PIA is not required.

12. Other Corporate Implications

Community Safety

12.1 None

Sustainability

12.2 None

Staffing & Trade Union

12.3 None

Prudential and Treasury Indicators as at 30th June 2014

Treasury Indicators	2014/15 Strategy	Quarter 1 Actual
Authorised limit for external debt	£86M	£66.09m
Operational boundary for external debt	£86M	£66.09M
Gross external debt	£86M	£66.09m
Investments	Nil	Nil
Net borrowing	£86m	£66.09m
Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	0% - 50%	0%
12 months to 2 years	0% - 50%	15.63%
2 years to 5 years	0% - 50%	23.44%
5 years to 10 years	0% - 50%	9.77%
10 years to 20 years *1	0% - 80%	12.10%
20 years to 30 years *1	0% - 80%	39.06%
30 years to 40 years *1	0% - 80%	0%
40 years to 50 years *1	0% - 80%	0%
Upper limit of fixed interest rates based on net debt *2		
Upper limit of fixed interest rates based on net debt *2	100%	46.04%
Upper limit of variable interest rates based on net debt *2		
Upper limit of variable interest rates based on net debt *2	100%	53.96%
Upper limit for principal sums invested for over 364 days		
Upper limit for principal sums invested for over 364 days	Nil	Nil

Prudential Indicators	2014/15 Strategy	Quarter 1 Actual
Capital expenditure * <ul style="list-style-type: none"> • HRA • GF 	£7.100m £6.882m	£0 £439k

Investment Portfolio

There were no Investments held as at 31st March 2014

1.0 Economic Background

- 1.1 After strong UK GDP growth of 0.7%, 0.8% and 0.7% in quarters 2, 3 and 4 respectively in 2013, and 0.8% in Q1 2014, it appears very likely that strong growth will continue into 2014 as forward surveys are very encouraging. There are also positive indications that recovery is starting to broaden away from reliance on consumer spending and the housing market into construction, manufacturing, business investment and exporting. This strong growth has resulted in unemployment falling much faster through the threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it said it would consider any increases in Bank Rate. The MPC has, therefore, now broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of about eighteen indicators in order to form a view on how much slack there is in the economy and how quickly slack is being used up. Accordingly, markets are expecting a first increase around the end of 2014.
- 1.2 Also encouraging has been the sharp fall in inflation (CPI), reaching 1.5% in May, the lowest rate since 2009. Forward indications are that inflation is likely to fall further in 2014 to possibly 1%. The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the Autumn Statement, and by an additional £24bn, as announced in the March 2014 Budget - which also forecast a return to a significant budget surplus, (of £5bn), in 2018-19. However, monthly public sector deficit figures have disappointed in this quarter.
- 1.3 In June, the Federal Reserve continued with its monthly \$10bn reductions in asset purchases, which started in December 2014. Asset purchases have now fallen from \$85bn to \$35bn and are expected to stop by Q3 201, providing strong economic growth continues this year. First quarter GDP figures were depressed by exceptionally bad winter weather, but growth rates since then look as if they are recovering well.
- 1.4 The Eurozone is facing an increasing threat from deflation. In May, the inflation rate fell further, to reach 0.5%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB did take some rather limited action in June to loosen monetary policy in order to promote growth.

2.0 Interest Rate Forecast

2.1 The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	2.00%	2.00%
5yr PWLB rate	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.60%
10yr PWLB rate	3.70%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.20%	4.20%	4.30%	4.40%	4.40%
25yr PWLB rate	4.40%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	4.90%	5.00%
50yr PWLB rate	4.40%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	4.90%	5.00%

2.2 Capita Asset Services undertook a review of its interest rate forecasts in May, after the Bank of England's Inflation Report. However, more recent developments to the Bank of England's forward guidance have necessitated a second updating in this quarter carried out on 30 June. This latest forecast now includes a first increase in Bank Rate in quarter 1 of 2015 (previously quarter 4 of 2015).

3.0 SUMMARY OUTLOOK

3.1 Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth rebounded during 2013 and the first quarter of 2014 to surpass all expectations, propelled by recovery in consumer spending and the housing market. Forward surveys are currently very positive in indicating that growth prospects are also strong for the rest of 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. This is very encouraging as there does need to be a significant rebalancing of the economy away from consumer spending to construction, manufacturing, business investment and exporting in order for this start to recovery to become more firmly established. One drag on the economy has been that wage inflation has been significantly below CPI inflation, so disposable income and living standards were being eroded, (although income tax cuts had ameliorated this to some extent). However, recent falls in inflation have created the potential for the narrowing of this gap and it could narrow further during this year, especially if there is also a recovery in growth in labour productivity (leading to increases in pay rates). With regard to the US, the main world economy, it faces similar debt problems to those of the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth, although labour force participation rates remain lower than ideal.

3.2 As for the Eurozone, concerns subsided considerably during 2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed.

DETAILED COMMENTARY ON INTEREST RATES FORECAST

THE UK

May Bank of England Quarterly Inflation Report

Over the last four quarters, we have had a continuing run of strong economic news which has consolidated confidence that the UK economy is recovering strongly. However, please note that the Governor said the economy “has only just begun to head back towards normal” after the slowest ever recovery from a recession. Widespread disbelief that unemployment would take nearly three years to fall to 7%, as the Bank forecast at the time of the August Inflation Report, has indeed proved to be well founded as the rate fell to 6.8% in Q1 2014 and then to 6.6% in quarter 2. Accordingly, this latest Inflation Report has seen the Bank provide a view of the economy as moving from a recovery supported by household spending to a more broadly based expansion sustained by:-
Growth in business investment;

- A change from falling to rising real wages (average wage increases started to exceed the rate of CPI inflation over the last quarter but more recently, this situation has reversed back again);
- Increasing employment;
- Productivity growth to support those real wage increases and improve export competitiveness – expected to reach 2.5% by the end of 2014.

Key economic statistics in the Inflation Report were as follows: -

- GDP has grown at an annual rate of 3.1% over the last four quarters;
- Bank of England GDP forecasts: 2014 unchanged at 3.4%, 2015 upped from 2.7% to 2.9%, and for 2016 unchanged at 2.8%;
- Inflation to be well behaved over the next two years: rising to 2.0% in two years’ time from 1.7% in Q2 2015;
- Growth of productivity has only started to marginally improve, although it is expected to gradually rise back to its average historical rate.

We have reservations that the Bank’s current forecasts for GDP growth may be over optimistic and that strong economic growth could weaken as the main impetus has come from consumer spending and an uplift in borrowing to buy property. Whilst the release of this burst of pent up demand to buy property is having a very welcome effect on the economy, this surge is likely to fade in time and will then leave a question mark over where growth is going to come from. Basically, there are four main areas of demand in the UK economy: -

Consumers – but most consumers are maxed out on borrowing and trying to pay down debt. In addition, although average wage inflation is now higher than CPI inflation, many consumers are still experiencing declining disposable income as their wage increases are continuing to be less than inflation. This will not reverse until productivity and business investment improve, so as to warrant paying higher wages than are being paid currently. It

is mainly higher wages that could provide a solid stimulus to an increase in consumer expenditure which would then underpin strong growth. There are also concerns that a significant number of mortgage holders are going to find it very difficult to manage increases in Bank Rate, and so in mortgage rates, when they do start.

Government – again, maxed out on borrowing and committed to austerity programmes to reduce its expenditure. Further austerity measures are still to come.

Foreigners buying our exports – but the EU, our major export market, is likely to experience tepid growth, at best, for the next few years. Also the rise in the value of Sterling means that imports are becoming cheaper which will cause UK consumers to increase purchases of cheaper imported goods in preference to UK produced competing products, so depressing UK GDP growth.

Business investment in fixed capital formation; but this has fallen from 13.5% to 10.4% of GDP over 2008 - 2013. However, there are encouraging signs that businesses are catching the upturn in optimism and are beginning to increase investment and exports into new markets in emerging countries. However, it will take a significant length of time for this start to make a material impact on total UK GDP growth rates and to take over the baton from consumers.

The evolution of forward guidance

If you have been following the comments flying around through late June and early July, you may have ended up with the impression that Carney and other MPC members have been giving rather confused signals as to what the MPC's thoughts are when making "forward guidance" comments on what is going to happen to Bank Rate and when. Here is a quick recap of how forward guidance has evolved: -

- **August 2013.** The MPC would not consider raising Bank Rate until the unemployment rate falls to 7%; this was deemed unlikely to occur until late 2016.
- **February 2014 Quarterly Inflation Report.** Forward guidance mark 1 was abolished as the unemployment rate fell rapidly (the 7% threshold was breached in April 2014). Mark 2 'fuzzy guidance' was to be based on a range of about eighteen indicators but was still to be driven, ultimately, by the fundamental concept of how quickly the amount of slack in the economy after the recession, was used up. However, there were a wide range of views in the MPC as to how much slack there was and also around how quickly it would be used up, as there is no definitive and objective way of measuring this concept of slack. However, the Bank, and Carney, both commented that market views of likely increases in Bank Rate were in the right ball park (i.e. late 2014 / early 2015).
- **14 May: 2014 Quarterly Inflation Report.** By this time, we had hard data that the UK economic recovery was going full steam ahead in 2014, i.e. this pointed to it being more likely that Bank Rate would have to go up sooner than had been expected previously. Instead of which, Carney went out on a limb and made comments to the effect that the possibility of any Bank Rate increase in 2014 and, arguably, even as soon as Q1 2015 was minimal. No other MPC member

contradicted these comments, so the logical inference was that his comments must also have been a reflection of the view of the MPC.

- **12 June: Carney Mansion House speech.** Carney expressed surprise that financial markets had not factored in a higher probability that Bank Rate could go up in 2014. To say that the financial markets were flabbergasted by this dramatic change of tack since a month ago was a bit of an understatement!
- **18 June: MPC minutes.** The MPC said, (for a second time), that the decision on rates was becoming more balanced. It also said that the low probability (15%) attached in the markets to a rise in 2014 was “somewhat surprising”. So Carney’s comments at the Mansion House were not a Suarez moment of madness but rather comments that the whole MPC agreed with. So the financial markets now had to go back to where they started from; that they WERE right that a Bank Rate increase was likely in 2014, probably towards the end of the year (November 2014 would be the quarterly Inflation Report month when the MPC would be most likely to take action in Q4). However, to be fair to Carney and the MPC, saying that 15% was too low leaves wide open just how too low this was, i.e. should it have been a 30% risk; or 70%? Do those comments really mean the financial markets are now right to pencil in a first increase in Q4 2014?
- **24 June: Select Committee Carney comments.** An MP accused Carney of being an ‘unreliable boyfriend’ i.e. blowing hot one day and cold the next day. Overall, MPs felt that Carney’s attempts at communicating forward guidance had been muddled and left the financial markets, and others, confused in as much as the various attempts at forward guidance had pointed in different directions. Carney attempted to dig himself out of this onslaught by emphasising that the timing for the FIRST increase in Bank Rate would be data driven i.e. no one could say for certain when that would occur. However, what he placed the most emphasis on was the medium term, i.e. the timing of the first increase was of a lesser degree of importance. So, in the medium term, increases would be “**limited and gradual**”. Also, rates would not get back to around 5% as before the financial crisis. He also criticised the financial markets for not responding to the strength of recent economic data and commented that the MPC would change its views according to how data evolved. This evoked a response from one MP to say that in that case, forward guidance was redundant and we had returned to the days of “old fashioned smoke and mirrors”!

So where are we now?

- Let’s make an attempt at trying to blow away the smoke of battle to see clearly where we are now: -
- Since our previous interest rate forecast on 19 May, short Sterling rates (a good indicator for when financial markets expect the first increase in Bank Rate), have shifted significantly from indicating an early 2015 first increase to Q4 2014.
- The one piece of guidance which appears to have emerged from the fray of battle unscathed is that in the medium term increases in Bank Rate will be “**LIMITED AND GRADUAL**”. Also, rates would not get back to around 5% as before the financial crisis.
- The MPC have also indicated their concerns that an earlier increase in Bank Rate could help them later with implementing a slower pace of increases in Bank Rate

and keeping Bank Rate lower, than if there was a later timing for the first increase. It, therefore, becomes a matter of debate as to how rigidly they will be driven by actual data and what their 2 to 3 year forecasts for inflation (and on the other side of the same coin - slack), indicate, and instead how much weight they will put on their judgement to decide on the optimum time to vote for the first increase given their medium term concerns. Another way of putting this is 'should forecasters now be placing more weight on what they think the MPC will do, rather than what they think inflation, and other data, would warrant on their own in terms of the timing of the first increase in Bank Rate?'

- Many forecasters have, therefore, brought forward their forecast for the first increase in Bank Rate to take account of the various comments that have been made by the MPC and Carney and the fact that economic recovery in 2014 is likely to be very robust. (27.6.14 June Q1 GDP figure came in at an annual rate of 3.0%. Surveys and other economic data are now pointing to Q2 building further momentum to around an annual rate of 3.4%.) We agree with this movement and have moved forward our first increase in Bank Rate from Q4 2015 to Q1 2015.
- But...and this little word BUT can have such a powerful effect! What would happen in the medium term if economic data were to take a nasty turn? Suppose the MPC over estimate the amount of slack in the economy and under estimate the speed with which it is used up? Or, to put it another way, suppose they get their forecasts for inflation over the next 2-3 years too low and inflation builds up quickly and threatens to become a significant risk. Could the commitment to "limited and gradual" increases in Bank Rate melt and disappear like snow on a balmy spring day? One wonders.
- Accordingly, in our revised interest rate forecast, this earlier start to the timing of the first increase in Bank Rate has resulted in slight increases in Bank Rate in the two subsequent years compared to our previous forecast. However, we have slowed down the pace at which increases occur in line with the 'slow and gradual' forward guidance which has been emphasised recently.

THE GLOBAL ECONOMY

- We can only repeat our previous warnings that we are in times when events can precipitate major volatility in markets. During this year we have seen a flight to safe havens resulting from investment flows out of emerging countries back to western economies as the prospects for higher growth in these economies has improved. This has been triggered by the Fed's start to tapering and successive months of reducing QE purchases by \$10bn per month.
- As for the EZ, while Ireland and Portugal have made very good progress and have been able to exit from their bail out programmes, there remains the prospect that Greece could require a third bailout package, though not one on the same scale as the first two.
- A further concern over the EZ is the potential "Japanification" of the economy as some countries are now experiencing, or are very near to, deflation. Deflation causes a real increase in the value of debt. This is dangerous in itself for already heavily indebted countries but even more so where countries are still running up annual deficits of 3% or more. We are, therefore, concerned that some EZ countries experiencing low growth, will, over the next few years, see a significant

increase in total government debt to GDP ratios. There is a potential danger for these ratios to rise to the point where markets lose confidence in the financial viability of one, or more, countries. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a resurgence of the EZ debt crisis. While the ECB has adequate resources to manage a debt crisis in a small EZ country, if one, or more, of the larger countries were to experience a major crisis of market confidence, this would present a serious challenge to the ECB and to EZ politicians. All eyes are currently on the ECB in terms of whether they will provide further policy support, having resorted to negative interest rates in June in an effort to encourage financial institutions to lend into the “real economy”.

CAPITA ASSET SERVICES FORWARD VIEW

We would remind clients of the view that we expressed in our previous interest rate revision newsflashes of just how unpredictable PWLB rates and bond yields are as we are experiencing volatility which is highly correlated to geo-political developments.

As there remain the threat of potential risks from a number of sources caution must be exercised in respect of all interest rate forecasts at the current time. The general expectation for an eventual trend of gently rising gilt yields and PWLB rates is predicted to remain unchanged, as market fundamentals will focus on the improved UK economic performance as well as issues such as the sheer volume of UK gilt issuance (and also US Treasury issuance) and the price of those new debt issues. Negative (or positive) developments on the geo-political front as well as any fresh issues regarding an EZ-related sovereign debt crisis could significantly impact safe-haven flows of investor money into UK, US and German bonds and produce shorter term movements away from our central forecasts.

Our interest rate forecast is based on an initial assumption that we will not be heading into a major resurgence of the EZ debt crisis, or a break-up of the EZ, but rather that there will be a managed, albeit painful and tortuous, resolution of the debt crisis where EZ institutions and governments eventually do what is necessary - but only when all else has been tried and failed. Under this assumed scenario, growth within the EZ will be tepid for the next couple of years and, therefore, has the potential to dampen UK growth, as the EU is our biggest export market.

Our PWLB forecasts are based around a balance of risks. However, we would flag up the potential for upside risks, especially for longer term PWLB rates, as follows:-

- A further surge in investor confidence that robust world economic growth is firmly expected, causing a greater flow of funds out of bonds and into equities.
- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

Downside risks currently include:

- The situation over Ukraine poses a major threat to EZ and world growth if it was to deteriorate into “economic warfare” between the West and Russia, where Russia resorted to using its control over gas supplies to Europe. Heightened political risks in the Middle East and East Asia could also trigger safe haven flows back into bonds.
- A failure to rebalance UK growth towards exporting and business investment causing a weakening of overall economic growth beyond 2014.

- A resurgence of the EZ sovereign debt crisis caused by ongoing deterioration in government debt to GDP ratios.
- Recapitalising of European banks requiring more government financial support.
- Lack of support by populaces in Eurozone countries for austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which still face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- There are also increasing concerns that the reluctance of western economies to raise interest rates significantly for some years. This plus the huge QE measures which remain in place (and may be added to by the ECB in the near future), has created potentially unstable flows of liquidity searching for yield and therefore heightened the potential for an increase in risks in order to get higher returns. This is a return of the same environment which led to the 2008 financial crisis.

**Gloucester City Council
Audit and Governance Work Programme 2014-15
(updated 24 July 2014)**

Item	Format	Lead Officer	Comments
13 NOVEMBER 2014:			
1. Audit and Governance Committee Action Plan	Timetable	-----	Standing agenda item requested by the Committee
2. KPMG Annual Audit Letter	Written report	Darren Gilbert, KPMG	Part of the Committee's annual work programme
3. Risk Management Strategy	Written report	Audit, Risk and Assurance Manager	Part of the Committee's annual work programme
4. Risk Management Annual Report	Written report	Audit, Risk and Assurance Manager	Part of the Committee's annual work programme
5. Treasury Management Quarter 2 Report	Written report	Head of Finance	Part of the Committee's annual work programme
6. RIPA – Annual Update	Written report	Head of Legal and Policy Development	Part of the Committee's annual work programme
7. Standards Refresher	Written report	Head of Legal and Policy Development	Part of the Committee's annual work programme
8. Audit and Governance Committee Work Programme	Timetable	-----	Standing agenda item

Item	Format	Lead Officer	Comments
19 JANUARY 2015			
1. Audit and Governance Committee Action Plan	Timetable	-----	Standing agenda item requested by the Committee
2. Update on Combined Heat and Power Installation at GL1	Written report or verbal update?	Asset Manager	Update requested by the Committee
3. External Audit Annual Audit Letter	Written report	Darren Gilbert, KPMG	Part of the Committee's annual work programme
4. Internal Audit Plan – Monitoring Report	Written report	Audit, Risk and Assurance Manager	Part of the Committee's annual work programme
5. Treasury Management – Performance Report	Written report	Head of Finance	Part of the Committee's annual work programme
6. Update on Annual Governance Statement	Written report	Head of Finance	Part of the Committee's annual work programme
7. Audit and Governance Committee Work Programme	Timetable	-----	Standing agenda item
16 MARCH 2015:			
1. Audit and Governance Committee Action Plan	Timetable	-----	Standing agenda item requested by the Committee
2. KPMG Certification of Grants and Returns	Written report	Darren Gilbert, KPMG	Part of the Committee's annual work programme
3. KPMG External Audit Plan / Annual Audit Fee	Written report	Darren Gilbert, KPMG	Part of the Committee's annual work programme
4. Internal Audit Plan – Monitoring Report	Written report	Audit, Risk and Assurance Manager	Part of the Committee's annual work programme

Item	Format	Lead Officer	Comments
16 MARCH 2015 (Continued):			
5. Internal Audit Annual Plan	Written report	Audit, Risk and Assurance Manager	Part of the Committee's annual work programme
6. Treasury Management Strategy	Written report	Head of Finance	Part of the Committee's annual work programme
7. Treasury Management Quarter 3 Report	Written report	Head of Finance	Part of the Committee's annual work programme
8. Audit and Governance Committee Work Programme	Timetable	-----	Standing agenda item
<u>FUTURE AGENDA ITEMS (NO DATE FIXED YET):</u> <ul style="list-style-type: none"> • Review of the Whistleblowing Policy • Review of the Council's Anti-Fraud and Corruption Strategy 			
<u>FUTURE AUDIT & GOVERNANCE COMMITTEE MEETING DATES:</u> <ul style="list-style-type: none"> • Monday, 15 June 2015 • Monday, 21 September 2015 			

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