



Audit and Governance Committee

Meeting: Monday, 16th March 2015 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:	Lucy Hamilton Democratic and Electoral Services Officer 01452 396192 lucyh@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 19 January 2015.
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 or deputation 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.	AUDIT AND GOVERNANCE COMMITTEE ACTION PLAN (Pages 15 - 18) To consider the Action Plan.

7.	<p>KPMG EXTERNAL AUDIT PLAN / ANNUAL AUDIT FEE</p> <p>To consider a report from KPMG.</p> <p>PLEASE NOTE: This report will be published as a supplement to the agenda when it is available.</p>
8.	<p>INTERNAL AUDIT PLAN- MONITORING REPORT (Pages 19 - 30)</p> <p>To consider a report from the Audit, Risk and Assurance Manager which informs Members of the audits completed as part of the original and revised Internal Audit Plan 2014/15.</p>
9.	<p>INTERNAL AUDIT ANNUAL PLAN (Pages 31 - 38)</p> <p>To consider a report from the Audit, Risk and Assurance Manager which informs members of the Internal Audit Plan 2015/16.</p>
10.	<p>REVIEW OF ANTI- FRAUD AND CORRUPTION POLICIES (Pages 39 - 72)</p> <p>To consider a report from the Audit, Risk and Assurance Manager which seeks Members approval for revisions to the Anti- Fraud and Corruption policies the Council has in place.</p>
11.	<p>TREASURY MANAGEMENT STRATEGY (Pages 73 - 106)</p> <p>To consider a report from the Head of Finance which details the Treasury Management Strategy.</p>
12.	<p>TREASURY MANAGEMENT QUARTER 3 REPORT (Pages 107 - 120)</p> <p>To consider a report from the Head of Finance which informs Members of the Council's performance in Quarter 3.</p>
13.	<p>AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME (Pages 121 - 122)</p> <p>To consider the Committee's Work Programme.</p>
14.	<p>STRATEGIC RISK REGISTER (Pages 123 - 142)</p> <p>To consider the report of the Audit, Risk Management and Value for Money Officer which details the Strategic Risk Register for Members consideration.</p> <p>PLEASE NOTE: Appendix 2 contains exempt material as defined in paragraph 3 and 7 of Part 1 of Schedule 12A to the Local Government Act 1972 as amended. If Members wish to discuss material contained within Appendix 2 it will be necessary to notify the Chair to enable a resolution to be passed to exclude the press and public.</p>
15.	<p>DATE OF NEXT MEETING</p> <p>Monday, 22 June 2015 at 6:30pm.</p>

M. Shields

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Martin Shields
Corporate Director of Services and Neighbourhoods

Date of Publication: Friday, 6 March 2015

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.

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For further details and enquiries about this meeting please contact Lucy Hamilton, 01452 396192, lucyh@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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Any recording must take place in such a way as to ensure that the view of Councillors, Officers, the Public and Press is not obstructed. The use of flash photography and/or additional lighting will not be allowed unless this has been discussed and agreed in advance of the meeting.

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- 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 : Monday, 19th January 2015

PRESENT : Cllrs. Wilson (Chair), Hobbs (Vice-Chair), Llewellyn, Noakes, Haigh, McLellan and Taylor

Others in Attendance

Darren Gilbert, KPMG LLP

Terry Rodway, Audit, Risk and Assurance Manager

Jon Topping, Head of Finance

Richard Webb

Sadie Neal, Business Improvement and Performance Service Manager

Tanya Davies, Democratic and Electoral Services Manager

Sue Mullins, Head of Legal and Policy Development

Lucy Hamilton, Democratic Services Officer

53. DECLARATIONS OF INTEREST

Councillor Hobbs declared a personal interest in agenda item 7, Combined Heat and Power Installation at GL1, as a Director of GL1.

54. MINUTES

The minutes of the meeting held on 13 November 2014 were approved and signed by the Chair as a correct record.

55. PUBLIC QUESTION TIME (15 MINUTES)

There were no questions from members of the public.

56. PETITIONS AND DEPUTATIONS (15 MINUTES)

There were no petitions or deputations.

57. AUDIT AND GOVERNANCE COMMITTEE ACTION PLAN

The Committee considered the Audit and Governance Committee Action Plan.

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Councillor Wilson made reference to item 17 on the Action Plan and questioned whether the consultant's report had been received.

Councillor McLellan advised the Committee that the Cultural Services Steering Group had agreed with the recommendations made regarding the purchase of software with a modern stock control facility at The Guildhall.

The Head of Legal and Policy Development advised the Committee that Cabinet had considered the recommendations and had requested further information before making a decision.

The Chair advised the Committee that he expected a decision would be made in advance of the next Committee meeting in March.

RESOLVED that the Action Plan be noted.

58. PEER REVIEW ACTION PLAN

The Committee considered a report of the Cabinet Member for Performance and Resources concerning progress made against the Corporate Peer Challenge.

The Chair enquired whether monthly meetings were held with budget holders. He was advised by the Head of Finance that these were ongoing.

The Chair asked for an update regarding 'pulse checks' with staff and was advised by the Head of Business Improvement and Performance that the first one was due to be rescheduled as a result of the Staff Event overrunning, but that they would be held quarterly as outlined in the Action Plan.

Councillor Haigh questioned whether the items raised at Member sessions would be added to the Peer Review Action Plan. She was advised by the Head of Business Improvement and Performance that it would depend on the nature of the matters and on the feedback received from the Local Government Association.

The Chair advised the Committee that he felt it was necessary for these items to be included. Councillor Llewellyn also suggested that it was important for these items to be monitored on an ongoing basis.

RESOLVED that the report and action plan be noted and that updates be received on a quarterly basis.

59. INTERNAL AUDIT SHARED SERVICE PROPOSALS

The Committee considered a report of the Head of Finance concerning proposals to form an Internal Audit and Risk Management Shared Service between Gloucester City Council, Stroud District Council and Gloucestershire County Council.

The Chair questioned what the current arrangements were for the shared services board and enquired as to its effectiveness. The Audit, Risk and Assurance Manager

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advised the Committee that it was effective and currently included the Section 151 officers from Gloucester and Stroud District Councils. He advised the Committee that the new board would include the Section 151 officers from each of the three members of the partnership.

The Chair enquired whether the timescale provided for the proposed Internal Audit and Risk Management Shared Service was too ambitious. In response, the Head of Finance advised the Committee that service delivery would remain the same in each local authority and a revised structure would be developed and introduced later. He also informed the Committee that the only changes made in the first year would be to governance arrangements.

The Chair raised concerns about the impact the proposals would have on the Committee and questioned whether there would be any differences at the next Audit and Governance Committee meeting.

The Audit, Risk and Assurance Manager advised the Committee that business would continue as usual and that the Committee would still receive the same reports. He also advised the Committee that the shared service would give staff the opportunity to work across Councils and would increase service resilience.

Councillor McLellan questioned whether any conflicts would arise if the partner authorities had different external auditors or by virtue of the fact that the City Council provided services for the County Council.

The Head of Finance and the Audit, Risk and Assurance Manager both assured the Committee that they had not identified any potential conflicts.

Darren Gilbert of KPMG informed the Committee that it was not uncommon for member authorities of a shared service to have different external auditors.

The Chair questioned who staff would report to under the proposed shared service. The Audit, Risk and Assurance Manager advised the Chair that the staff would be employed by the County Council where the service would be managed. He also advised the committee that the Shared Services Board would oversee the arrangements and help resolve any disagreements between partners.

Members of the Committee expressed support for the proposed Internal Audit Shared Service.

RESOLVED that the report be noted.

60. COMBINED HEAT AND POWER INSTALLATION AT GL1

The Committee considered an update from the Asset Manager concerning the combined heat and power installation at GL1. He informed the Committee that following changes made in April 2014, early indications were positive and suggested the situation be reviewed bi- annually or annually when more data was available for review.

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Councillor Hobbs questioned whether the installation had made significant savings in return for the money invested. The Asset Manager advised the Committee that it was difficult to distinguish the savings that had been made, but informed the Committee that indications were positive.

The Chair enquired whether the installation company was still involved in the project. He was advised that the company's only involvement with the installation was through a maintenance contract they had with GL1.

The Chair and Members agreed that the Committee should receive another update on the installation at GL1 when they meet in June.

RESOLVED that the update be noted and that a further update be added to the Work Programme for the June Committee meeting.

61. RISK MANAGEMENT STRATEGY

The Committee considered the report of the Leader of the Council concerning the revised Risk Management Strategy. The Committee noted that the revised strategy included good practice guidance and reflected the changes made to the Council Plan.

The Committee were informed by the Audit, Risk and Assurance Manager that, subject to the approval of the revised strategy, the Corporate Risk Register would be presented to Members at the March Committee meeting.

RESOLVED that the revised Risk Management Strategy be endorsed and recommended to Cabinet for approval.

62. KPMG UPDATE ON GRANTS AUDIT

The Committee received an update on the Grants Audit from Darren Gilbert of KPMG.

Mr Gilbert reported that, in respect of the certification work carried out on the Housing Benefit subsidy claim, a bug had been identified in the Open Revenues system that affected a small number of claims for which the total value was relatively small. He explained that the Department for Work and Pensions had requested some additional work to be carried out, after which, the subsidy claim would be recertified.

The Chair enquired whether the software issue bug had been resolved. The Head of Finance advised that it was an ongoing national issue that had affected every local authority using the system and that Civica IT were in the process of working through the problem. He added that the issue related to the subsidy claim, not the amounts paid out to recipients.

RESOLVED that the update be noted.

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63. INTERNAL AUDIT PLAN

The Committee considered a report of the Audit, Risk and Assurance Manager outlining the audits completed as part of the approved Internal Audit Plan 2014/15.

The Committee noted that the 90% completion target had not been achieved. The Audit, Risk and Assurance Manager advised the Committee that this had been due to the inability to recruit a suitable candidate to a vacant post within the team. He recommended to the Committee that a revised plan be followed for the remainder of the year.

The Audit, Risk and Assurance Manager advised that, in respect of the audit of Members' allowances, some of the recommendation had been implemented and others would be picked up through the implementation of a new Scheme of Allowances for 2015/16 and payroll corrections. Recommendations from the audit of the Docks Catering Service were on hold pending the outcome of the Cultural Services Review.

Councillor Hobbs drew attention to the review of the street care contract. He queried whether there had been any difficulties in completing the review in light of frequent changes to the services delivered through the contract.

The Audit, Risk and Assurance Manager advised the committee that operational delivery statements would be reviewed to ensure that all services being delivered on a day to day basis were included. He informed the Committee that, should any gaps be identified, it would be necessary to revise the operational delivery statements.

Councillor Hobbs queried whether the review would be completed on an annual basis. In response, the Audit, Risk and Assurance Manager stated that once the operational delivery statements were up to date it would be easier to amend annually and to take account of agreed changes.

Councillor McLellan questioned whether there was a commitment from the Internal Audit Shared Service to provide the Council with the resources necessary to deliver the audit plan.

The Audit, Risk and Assurance Manager informed the committee that the proposed shared service would allow for a new plan which would be delivered by a larger team. The Committee were also informed that the shared service would allow skills to be utilised across both Councils. The committee noted that Gloucestershire County Council did not have spare resources or appropriate knowledge of district services meaning the vacant post would be covered by agency staff if necessary.

Councillor Llewellyn questioned why there had been difficulties recruiting to a vacant post within the Audit Team. The Audit, Risk and Assurance Manager advised the Committee that the post came with a competitive salary and that he hoped the prospect of working across Councils would attract suitable candidates in the future.

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RESOLVED

- (1) That Members approve the audit work undertaken to date, and the assurance given on the adequacy of internal controls operating in the systems audited be endorsed.
- (2) That the revised Internal Audit Plan – January 2015 to March 2015, as detailed in **Appendix B**, be approved.

64. AUDIT AND GOVERNANCE WORK PROGRAMME

The Committee considered the Audit and Governance Work Programme.

Members agreed to add a further update on the Combined Heat and Power Installation at GL1 to the work programme for the meeting in June.

Members of the committee expressed concern that the meeting in March may clash with interviews for the Joint Managing Director post.

RESOLVED that the Work Programme be noted.

65. EXCLUSION OF PRESS AND PUBLIC

To resolve:-

“That the press and public be excluded from the meeting during the following item of business on the grounds that it is likely, in view of the nature of business to be transacted or the nature of the proceedings, that if members of the press and public are present during consideration of this item there will be disclosure to them of exempt information as defined in Schedule 12A of the Local Government Act 1972 as amended”.

Agenda Item No.	Description of Exempt Information
14	Paragraph 3: Information relating to the financial or business affairs of any particular person (including the Authority holding that information). Paragraph 7: Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

66. EXEMPT MINUTES

The exempt minutes of the meeting held on 13 November 2014 were approved and signed by the Chair as a correct record.

**AUDIT AND GOVERNANCE COMMITTEE
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67. DATE OF NEXT MEETING

Monday, 16th March at 6:30pm.

Time of commencement: 18:30 hours

Time of conclusion: 19:30 hours

Chair

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AUDIT AND GOVERNANCE COMMITTEE – 16 MARCH 2015

ACTION PLAN

MINUTE NO.	MATTER	CURRENT STATUS	RAG	TARGET DATE	OWNER
<u>Actions arising from meeting held on 24 September 2012:</u>					
17 Page 15	Purchase of software with a modern stock control facility at The Guildhall.	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.	G	31.03.14	SG
		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 early 2015..		30.11.14 (revised date)	MS
				June 2015 (revised date)	MS
<u>Actions from meeting held on 26 June 2014:</u>					
6	Combined Heat & Power installation at GL1	The Asset Manager to provide a further update at the Audit & Governance Committee in January.	Action Complete	19.01.15	RW

MINUTE NO.	MATTER	CURRENT STATUS	RAG	TARGET DATE	OWNER
<u>Actions arising from meeting held on 8 September 2014:</u>					
27	Annual Complaints Monitoring	It was agreed that future reports would reflect where action on a complaint had led to a change in a Council policy or procedure.	G	30.06.15	SM / WJ
32	Internal Audit Plan 2014-15 – Monitoring Report	It was agreed that the outcome of follow up audits on Docks Catering and Members' Allowances would be reported to the Committee in January 2015	Action Complete	19.01.15	TR

MINUTE NO.	MATTER	CURRENT STATUS	RAG	TARGET DATE	OWNER
<u>Actions arising from meeting held on 13 November 2014:</u>					
44	Peer Review Action Plan	The committee requested that the report be reviewed, closed matters to be coloured blue and target dates incorporated.	Action Complete	19.01.15	SN
<u>Actions arising from meeting held on 19 January 2015:</u>					
60	Combined Heat & Power installation at GL1	It was agreed that a further update be added to the Work Programme for the June Committee meeting.	G	22.06.15	Asset Manager

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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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Gloucester City Council

Meeting:	SMT	Date:	3rd March 2015
	Audit & Governance Committee		16th March 2015
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: Audits completed as part of the original and revised Internal Audit Plan 2014/15 – January to February 2015		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To inform Members of the audits completed as part of the original and revised 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 19th January 2015, Members approved the Revised 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 audit work completed during the period January to February 2015, as part of the original, and revised, 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 Revised Plan for the 2 month period January to February 2015 is 50% (3 out of 6 planned audits completed) compared to a target of

90% (5 out of 6 planned audits completed). These figures do not include three audits that were substantially complete, as at 28th February 2015.

- 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.

4.0 Results from Follow-Up Audits

- 4.1 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. There were none identified during the period covered by this report.

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.

- 6.2 The Standards also require the Audit, Risk & Assurance Manager to communicate the impact of resource limitations on the Internal Audit Plan to senior management and the Audit & Governance Committee.

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

- 9.1 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 recommendations in this report.

Sustainability

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

Staffing & Trade Union

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

Background Documents:

Internal Audit Plan 2014/15
Revised Internal Audit Plan 2014/15
Public Sector Internal Audit Standards

Appendix A

Audits completed as part of the original, and revised, Internal Audit Plan 2014/15 – January to February 2015

Audit	Comments	Level of Assurance
Cash & Bank	<p><u>Audit Objective</u> The objective of the audit was to verify that the following controls are in place and operating effectively: -</p> <ul style="list-style-type: none"> • A regular bank reconciliation is performed and subject to management review and approval; • A reconciliations of the cash receipting system to General Ledger is regularly performed and subject to management review and approval; • Reviews performed upon the unallocated cash suspense account; • Reconciliations of procurement card and credit card transactions. <p><u>Period of Audit</u> The audit covered the testing of processes and controls in place for the 10 month period to January 2015.</p> <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 a Good level of assurance on the adequacy and operating effectiveness of controls in place over reconciling bank accounts to the general ledger, reviewing and actioning the unallocated cash suspense account, issuing procurement cards and reconciling card transactions. A Satisfactory level of assurance has been given on the adequacy and operating effectiveness of controls in place over the reconciliations of the cash receipting system to General Ledger.</p> <p>The main areas of weakness identified for which four Rank 2 'Medium Priority' recommendations have been made relate to:-</p> <ul style="list-style-type: none"> • Actions to resolve the identified issue of VAT recovered through VAT code 'I' within the Sundry Debtors system being interfaced to the ledger at 17.5% instead of the recovered rate 	Good/Satisfactory

Audit	Comments	Level of Assurance
	<p>of 20% are to be seen through to completion, with further actions being required to ensure that all related variances during the current year are journalled to the ledger as required;</p> <ul style="list-style-type: none"> • Variances between the notified and interfaced values between the Flex and General Ledger systems should be investigated at the time of interface in order to assess the accuracy of the interface and address the issues behind the variance; • Reasons for variances between the interface and Flex system report values should be recorded on the interface spreadsheets in order to highlight recurring reasons from which actions can be taken as appropriate to resolve; • Variances between the Sundry Debtors system cash postings and the values posted to the General Ledger system should be investigated to assess the reasons and address any issues behind the variance. 	
Creditors	<p><u>Audit Objective</u> The objective of the audit was to verify that the following controls are in place and operating effectively in relation to: -</p> <ul style="list-style-type: none"> • Reconciliation of the creditors system to the General Ledger; • Review of exceptions such as payments to new suppliers, potentially duplicated payments etc; • Review of orders for which invoices have not been received (open orders); • Access restrictions and review of access rights to the Creditors system; • Setting up new suppliers; • Creditor Control Accounts (purchase ledgers) are updated to general ledger when the payment batches are created and posted. <p><u>Period of Audit</u> The audit covered the testing of processes and controls in place for the 10 month period to January 2015.</p> <p><u>Audit Opinion</u> On the basis of work carried out during this audit</p>	Good/ Satisfactory

Audit	Comments	Level of Assurance
	<p>review, and the number and classification of recommendations identified through audit testing, the audit opinion is that there is a Good level of assurance on the adequacy and operating effectiveness of controls in place over all areas covered by this audit except for the adequacy and operating effectiveness of controls in place relating to Creditor system exception reporting for which a Satisfactory level of assurance has been given.</p> <p>The main area of weakness identified for which one Rank 2 'Medium Priority' recommendation has been made relates to the lack of exception reporting for new suppliers, or changes to supplier details.</p>	
Capital Accounting	<p><u>Audit Objective</u> The objective of the audit was to ensure that the following capital accounting processes and controls were in place and operating effectively:</p> <ul style="list-style-type: none"> • Documented approach confirming method and content of data transfer from the spreadsheet based fixed asset register to the eFinancials fixed asset register module; • Reconciliation of the old to new fixed asset register – including total value, total property volume and split by asset categories; • Reconciliation of the new fixed asset register to the general ledger as at 1st April 2014 • Adequate password-based access restrictions to the Fixed Assets Register system; • Regular evidenced, independent review of user access rights to the Fixed Assets Register system; • Periodic review of capital expenditure against the capital programme • Periodic reconciliation of the fixed asset register to the general ledger. <p><u>Period of Audit</u> The audit covered the testing of processes and controls in place for the 10 month period to January 2015.</p> <p><u>Audit Opinion</u> On the basis of work carried out during this audit review, and the number and classification of</p>	Satisfactory

Audit	Comments	Level of Assurance
	<p>recommendations identified through audit testing, the audit opinion is that there is a Satisfactory level of assurance on the adequacy and operating effectiveness of controls in place over capital accounting.</p> <p>The main areas of weakness for which two Rank 2 'Medium Priority' recommendations have been made relate to:-</p> <ul style="list-style-type: none"> • All capital monitoring reports are reviewed for accuracy and completeness prior to issue to officers and/or Members; • A specific capital monitoring recommendation should be included within the quarterly financial monitoring reports to Committee, to prompt Member review and discussion on the Council's capital budget position. 	
Guildhall	<p><u>Audit Objective</u> The objective of this audit was to verify that the following controls are in place and operating effectively:-</p> <ul style="list-style-type: none"> • All income is properly accounted for and has been promptly banked. • Goods and services have been ordered, received and paid for in accordance with Contract Standing Orders and Financial Regulations. • Reconciliation of tickets sales and payments for performances and events. • Sundry Debtor invoices have been raised promptly and accurately and that staff responsible for collecting payments have no involvement in the issuing, administration or recovery of debts. • An inventory of equipment is maintained in accordance with Financial Regulations. • Floats and petty cash are maintained at the authorised level • A Gifts and Hospitality register is held and is correctly utilised. <p><u>Period of Audit</u> The audit covered the testing of processes and controls in place for the 9 month period to December 2014.</p>	Good/ Satisfactory/ Limited

Audit	Comments	Level of Assurance
	<p><u>Audit Opinion</u> On the basis of the work carried out during this audit a Good level of assurance can be provided on the adequacy and operating effectiveness of controls in place for the controls relating to the control and banking of income and gifts & hospitality; a Satisfactory level of assurance is provided on the adequacy and operating effectiveness of controls in place for controls relating to the reconciliation of tickets sales and payments for performances & events, and security & control of assets. However, only a Limited level of assurance can be provided over the controls relating to creditors and sundry debtors.</p> <p>The main areas of weakness identified for which two Rank 1 'High Priority' and nine Rank 2 'Medium Priority' recommendations have been made are as follows:-</p> <ul style="list-style-type: none"> • Official orders for the purchase of goods or services should be raised in advance of the provision of the goods / services, in line with the requirements of the Councils Financial Regulations; • The aged commitments (outstanding orders) should be reviewed within the Financial Management System on a regular basis; • Review the appropriateness of the current user who has 2 login ID's for the Sundry Debtor system; • Review individual user authorisations within the Sundry Debtor system to ensure that there are adequate separation of duties within the roles of raising invoices and raising credits / write offs; • All sundry debtor invoices should contain the full legal entity (debtor name) in order to reduce the potential for invoices being challenged and debt recovery being adversely affected; • Sundry Debtor invoices should be raised in line with current service targets, which is currently either within 14 days of the event for individual bookings or the start of the following month for regular multiple bookings; • Consideration should be given to ensure that payment is fully receipted prior to the hire date 	

Audit	Comments	Level of Assurance
	<p>in instances where the booking could be considered to be a one off hire, and / or there is no trading history with the hirer;</p> <ul style="list-style-type: none"> • The Sundry Debtor Team should be contacted to arrange for the provision of regular debtor reports and for meetings to be set up to aid with reviewing and addressing ongoing recovery and removing irrecoverable debt and aged credits from the system; • The spreadsheet used for calculating charges for events hosted by Guildhall requires amendment to ensure that VAT is accounted for at the appropriate rate. • All previous events recorded on the spreadsheet should be reviewed to assess whether the correct payments have been made to promoters / acts and to the PRS, with actions being taken as appropriate to address any incorrect payments; • The Guildhall inventory spreadsheet requires an overhaul in to ensure that all appropriate assets are recorded. 	
Benefits	<p><u>Audit Objective</u> The objective of the internal audit was to review the following areas, to ensure Benefits processes and controls are in place and operating effectively:</p> <ul style="list-style-type: none"> • Adequate password-based access restrictions to the Benefits system in place; • Regular evidenced, independent review of user access rights to the Benefits system; • Spot checks: including new claims, change of circumstances and risk areas (backdating/modified schemes/overpayments etc); • Overpayments: identification, calculation, categorisation, recovery, write off and reporting; • Exception reporting: e.g. overpayment write offs; • Periodic reconciliation of the Benefits system to the appropriate feeder systems. <p><u>Period of Audit</u> The audit covered the testing of processes and controls in place for the 10 month period to January 2015.</p>	Good/ Limited

Audit	Comments	Level of Assurance
	<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 a Good level of assurance on the adequacy and operating effectiveness of controls in place over 'Reconciliations', however, only a Limited level of assurance can be provided on the adequacy and operating effectiveness of controls in place over the remaining areas covered within this audit.</p> <p>The main areas of weakness for which four Rank 1 'High Priority' and three Rank 2 'Medium Priority' recommendations have been made relate to:-</p> <ul style="list-style-type: none"> • The Client Team should ensure that action is taken by Civica to complete the rectification of errors backlog from May 2014 to September 2014 by year end 2014/15. This should include review of both the customer and subsidy impact caused by the backlog. • Actions are required to ensure the Civica rectification of errors, identified by the Client Team 10% spot check of benefits assessment decisions, is completed on a timely basis and in line with the contract service standards on an ongoing basis. • The write off for approval cases identified with no action since 2012 should have write off completed, in line with the approved write off procedure. • Appropriate action should be taken to update the identified overpayment cases which have inappropriate overpayment categories. • Independent review of user access rights to the Benefits system should be completed on a regular basis to ensure that user access is appropriate and up to date. • System access should be immediately disabled for the 4 leaver cases identified within the audit sample • Action should be taken to enable Client Team review and scrutiny of the benefits overpayment position, support identification of issue areas (including recovery delay) and confirm actions to be taken. 	

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 or two 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 in-efficiencies.

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Meeting:	SMT	Date:	24th February 2015
	Audit & Governance Committee		16th March 2015
Subject:	Internal Audit Plan 2015/16		
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. Internal Audit Plan 2015/16		
	B. Internal Audit Risk Assessment		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To present to Members, for their consideration and approval, the Internal Audit Plan 2015/16.

2.0 Recommendations

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

- (1) Members approve the Internal Audit Plan 2015/16 as detailed in **Appendix A**.

3.0 Background and Key Issues

- 3.1 The work of Internal Audit is carried out in accordance with, and is assessed against, the professional code of practice in Internal Audit. This Code includes a requirement for the Audit, Risk & Assurance Manager to prepare a risk-based plan that should be fixed for a period of no longer than one year.

4.0 Progress

- 4.1 The proposed Internal Audit Plan for 2015/16 follows risk-based principles and starts with the completion of an audit needs assessment of all the areas of the Council that could be included within an annual audit plan. The risk-based approach has taken into account the following:-

- 'Known' changes to service delivery (budget/legislation);
- Joint Working protocol with the Council's external auditor;
- Audit Commission publication 'Protecting the Public Purse';
- Internal Audit Risk Assessment

- 4.2 The proposed Internal Audit Plan is split into the following main areas:-
- 4.2.1 Corporate Governance/Annual Governance Statement (AGS)
The production of the AGS is a requirement under the Accounts and Audit Regulations 2011. The purpose of the AGS is to provide assurance that the Council's governance framework is adequate and effective. This area of Audit & Assurance audit work is one of the key components of the internal control assessment that supports the completion of the AGS.
- 4.2.2 Work on fundamental financial systems
This is the work on the Council's financial systems, which are significant in relation to financial control and materiality. The work supports the Head of Finance to discharge his duties as the Council's s.151 Officer. It also forms a key element of the Joint Working Protocol with the Council's External Auditors, as the External Auditor can place reliance on the internal audit work on these systems. This will help inform their judgement on the Council's financial control environment, and is also one of the factors taken into account when calculating the External Audit fee.
- 4.2.3 Work of a service based or cross Council nature
This is all of the other service activities or cross cutting themed audit reviews that could be undertaken, which are risk scored using the risk-based approach detailed in paragraph 4.3 below.
- 4.2.4 Follow-up reviews
The plan will include follow-up reviews, which will ensure recommendations have been adopted and successfully implemented, providing the enhanced control/reduced level of risk exposure intended. The extent of this work will again be risk based dependant upon the audit findings and the recommendations made within the original audit reports.
- 4.2.5 Audit work brought forward
There will be a number of audit reviews, which are ongoing as at 31st March. Provision to complete this work is made in the annual plan.
- 4.2.6 Contingency
In line with the Code, the Annual Plan includes a contingency element to accommodate assignments which could not have been reasonably foreseen, e.g. investigation of alleged fraud.
- 4.3 The next stage is to apply the risk-based approach. The approach adopted borrows from various models and is based on allocating scores to a number of objective and subjective factors which, when multiplied together, produce a total risk score. The aim of the model is to indicate the relative risk of one activity over another based on knowledge of the assessment factors.
- 4.4 The various factors considered in determining the risk of an activity include the statutory requirement to undertaken the function; the internal audit review of the control environment based on previously completed audit work; the financial value of the activity; the period since the last audit review; the complexity of system in use; and the level of inherent risk. Details of the risk assessment approach are included in **Appendix B**.

- 4.5 In addition to the risk assessment outlined in paragraph 4.3, the Council's senior managers have been consulted on the key risk areas within their areas of responsibility.
- 4.6 Due to the nature and relevance of the assurance work for the AGS (para 4.2.1), and the audit work on the fundamental financial systems (para 4.2.2), both will automatically be included in the Annual Plan and not be subject to the detailed risk assessment.
- 4.7 Having completed the risk assessment, the next stage is for the assessment to be compared to resource availability; i.e. the number of audit days available. This is calculated as the gross number of days available during the year, less an allocation for leave, training, sickness etc. The number of available days for audit for 2015/16, based on the current establishment of 2.6 FTE audit staff is 515 days (198 days per FTE).
- 4.8 Risk is key to the planning process, but risk is not static, therefore the plan needs to be flexible to be able to reflect the changing risks and priorities of the organisation. Whilst some provision for flexibility is made through the inclusion in the plan of a contingency, this usually covers other unplanned items, which may impact on a small section, e.g. additional sickness or investigation of alleged fraud. Any significant matters that may jeopardise the delivery of the Plan, or require changes to the Plan, will be identified and reported to the Audit & Governance Committee.

5.0 Alternative Options Considered

- 5.1 None.

6.0 Reasons for Recommendations

- 6.1 A requirement of the professional Code of Practice for Internal Audit is for the risk-based Internal Audit plan to be approved by the appropriate body. In the case of the City Council, this is the Audit & Governance Council.

7.0 Future Work and Conclusions

- 7.1 Regular reports on achievement against the Plan, and any significant control issues identified, will be presented to the Audit & Governance Committee.
- 7.2 The professional code of practice for Internal Audit includes a requirement for the Audit, Risk & Assurance Manager to prepare a risk-based plan that should be fixed for a period of no longer than one year. The proposed Internal Audit Plan for 2015/16 follows risk-based principles and starts with the completion of an audit needs assessment of all the areas of the Council that could be included within an annual audit plan.

8.0 Financial Implications

- 8.1 There are no specific financial implications.

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

9.0 Legal Implications

9.1 There are no specific legal implications.

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

10.0 Risk & Opportunity Management Implications

10.1 The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit, through the delivery of the annual audit plan, plays a vital part in advising the organisation that these arrangements are in place and operating properly.

11.0 People Impact Assessment (PIA):

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

12.0 Other Corporate Implications

Community Safety

12.1 There are no specific Community Safety implications identified.

Sustainability

12.2 There are no specific Sustainability implications identified.

Staffing & Trade Union

12.3 There are no specific Staffing and Trade Union implications identified.

Background Documents: The Public Sector Internal Audit Standards

PROPOSED INTERNAL AUDIT PLAN 2015-2016

Main Area	Audit	Estimated Days	Comment
Corporate Governance/Work to support the AGS	<ul style="list-style-type: none"> • Risk Management • Performance Management • Information Governance • Recruitment & Selection 	<ul style="list-style-type: none"> • 15 • 15 • 15 • 10 	<ul style="list-style-type: none"> • Review of management of significant risks • Review of PI reporting and data quality arrangements • Review of information governance processes and controls • Review of compliance with council policies
Work on Fundamental Financial Systems	<ul style="list-style-type: none"> • Civica – Benefits • Civica – NNDR (SBA) • Civica – Council Tax • Payroll (including Client Monitoring) • Creditors (SBA) • Civica – Debtors • Treasury Management • Budgetary Control • Cash & Bank • Capital Accounting (SBA) • General Ledger 	<ul style="list-style-type: none"> • 25 • 15 • 8 • 15 • 15 • 8 • 8 • 10 • 10 • 15 • 8 	<p>Annual compliance testing of high level key controls in fundamental financial systems, in accordance with the Joint Working Protocol the Audit Team has with the Council's External Auditor.</p> <p>3 year cyclical plan of system based audits (SBA) on fundamental financial systems to gain assurance on adequacy of control framework.</p>
Work of a Service Based or Cross Cutting Theme	<ul style="list-style-type: none"> • Civica – IT • Client Monitoring of Contracts – Civica • Streetcare Contract 	<ul style="list-style-type: none"> • 25 • 15 • 10 	<ul style="list-style-type: none"> • Main areas (as per CIPFA Control Matrices) to be audited over a 3 year period • Review of controls relating to client monitoring of contract • Review of controls relating to

	<ul style="list-style-type: none"> • Building Control • VAT • Rugby World Cup • Commercial Rents • Community Grants • Licences • Members Expenses • Elections • Contract Audit • Choice Based Lettings • Disabled Facility Grants • Garden Waste 	<ul style="list-style-type: none"> • 10 • 10 • 10 • 10 • 10 • 10 • 8 • 10 • 20 • 10 • 10 • 10 	<p>client monitoring of contract.</p> <ul style="list-style-type: none"> • Review of shared service arrangements • Review of controls relating to correct accounting treatment of VAT • Review of risk register and compliance with formal agreements. • Review of rent agreements • Review of compliance with conditions of grant • Review of controls relating to the issue and monitoring of licences • Review to ensure payments made in accordance with approved scheme • Review of fee accounts • Contract Management arrangements/Final Account auditing • Review of controls over applications • Review of controls over applications and compliance with grant conditions • Review of controls over collection of income due.
Follow – Up Reviews	30 audits at 2 days per follow-up	• 60	Allocation of days to carry out Follow-Up audits to ensure agreed audit recommendations have been implemented.
Contingency		• 60	Allocation of days for unplanned tasks.
Audit Work Brought Forward		• 25	Allocation of days to complete previous year audit work outstanding as at 31 st March.

TOTAL DAYS		515	
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INTERNAL AUDIT RISK ASSESSMENT

ASSESSMENT	SCORE	DESCRIPTION
Monetary Value – Sum of income and expenditure	8	>£3.0M
	6	>£1.0M <£3.0M
	4	>£0.5M <£1.0M
	2	>£100K <£0.5M
	1	<£100k
Inherent Risk	5	High exposure to public scrutiny, complex legal framework, high volume of transactions, statutory function, outsources/partnership arrangement for service delivery
	4	High volume of ‘cash’ transactions, and/or exposure to public scrutiny, and/or statutory function
	3	High volume of ‘cash’ transactions, and/ or statutory function
	2	Low volume of ‘cash’ transactions, non-statutory function
	1	Low volume of transaction, non-statutory function.
Internal Audit Control Perception	4	Poor control system, and/or high opportunity for fraud and corruption/Unsatisfactory level of assurance
	3	Control weakness that needed rectification last audit/Limited level of assurance
	2	Control environment proved adequate last audit/Satisfactory level of assurance
	1	Control environment has proved adequate for a number of years/good level of assurance
Complexity of Systems	5	Very complex systems and processes used in generating significant service related results
	4	Complex data inputs, or strategically/operationally important outputs
	3	Moderate systems but accuracy of process has significant impact, systems stability issues
	2	Complex or moderate systems with stable performance and processing history
	1	Simple or no ICT system used
Period since last audit	4	3+ years – pre 2012/13
	3	3 years – 2012/13
	2	2 years – 2013/14
	1	Last financial year - 2014/15



Meeting:	SMT	Date:	3rd March 2015
	Audit & Governance Committee		16th March 2015
	Council		21st May 2015
Subject:	Review of Anti-Fraud & Corruption policies		
Report Of:	Audit, Risk & Assurance Manager on behalf of the Corporate Governance Group		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Terry Rodway Audit, Risk & Assurance Manager		
	Email: terry.rodway@gloucester.gov.uk	Tel:	396430
Appendices:	5 - Appendix A – Anti-Fraud & Corruption policy Appendix B – Whistleblowing Policy Appendix C – Fraud Response Plan Appendix D – Anti-Bribery Policy Appendix E – Anti-Money Laundering Policy		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To seek approval for revisions to the Anti-Fraud and Corruption policies the Council has in place.

2.0 Recommendations

- 2.1 Audit & Governance Committee is asked to **RECOMMEND TO COUNCIL**, subject to any amendments the Committee wishes to make, that the policies and plan in Appendices A to E of this report be approved.
- 2.2 Council is asked to **RESOLVE**, subject to any amendments Council wishes to make, that the policies and plan in Appendices A to E of this report be approved.

3.0 Background and Key Issues

- 3.1 The Terms of Reference for the Audit & Standards Committee include the requirement to “Monitor the operation of the Council’s codes and procedures (see Part 5 of the Constitution)” and to “advise the Council on the adoption or revision of

such codes". The Council's Anti-Fraud & Corruption policies form part of 'Part 5 of the Constitution'.

- 3.2 In addition, the Council's strategic risk register identified the need for review of these policies. The policies were previously reviewed in January 2014 for 'name changes' only.
- 3.3 Recent best practice guidance issued by Public Concern at Work has also resulted in the need to review the Council's Whistleblowing policy. Public Concern at Work is an independent charity that provides free advice for persons who wish to express concern about fraud and other serious malpractice.

4.0 Progress

4.1 As a result of the above, the following policies have been reviewed:-

4.1.1 Anti-Fraud and Corruption Policy

Subject to the comments in para. 3.2 above, the 'current' policy was last formally reviewed in February 2012. The main changes to the revised policy relate to:-

- Housing Benefit Fraud – fraud cases investigated by the Department for Work & Pensions (DWP) under the Single Fraud Investigation Service (SFIS);
- Changes to job titles.

4.1.2 Whistleblowing Policy

Subject to the comments in para 3.2 above, the 'current' policy was last reviewed in June 2013. The main changes to the revised policy relate to:-

- The individual who raises a concern has to have a reasonable belief that the disclosure is in the public interest - as per requirements of the Enterprise and Regulatory Reform Act 2013;
- Changes to job titles.

4.1.3 Fraud Response Plan

This was introduced as a new policy in February 2012, and subject to the comments in para 3.2 above, has not been formally reviewed since this date. The main changes to the revised policy relate to:-

- Housing Benefit Fraud – fraud cases investigated by the Department for Work & Pensions (DWP) under the Single Fraud Investigation Service (SFIS);
- Additions to the list of people to whom concerns can be raised. The list now includes the Head of Legal and Policy Development & Monitoring Officer, the Section 151 Officer, and the Head of Paid Service, as well as the (existing) Audit, Risk & Assurance Manager;
- Changes to job titles.

4.1.4 Anti-Bribery Policy

This was introduced as a new policy in February 2012, and subject to the comments in para 3.2 above, has not been formally reviewed since this date. The main changes to the revised policy relate to job titles only.

4.1.5 Anti-Money Laundering Policy

This was introduced as a new policy in February 2012, and subject to the comments in para 3.2 above, has not been formally reviewed since this date. The main changes to the revised policy relate to:-

- Scope of policy extended to include any contractors responsible for receiving money on behalf of the Council.
- Changes to job titles.

5.0 Alternative Options Considered

5.1 The Council could choose not to review its anti-fraud and corruption policies but this would lead potentially to the Council having policies that are out of date and not fit for purpose. Also, by not having a reporting mechanism in place where individuals can raise their concerns, may lead these individuals to report matters outside of the Council with consequential impacts upon the reputation of the Council.

6.0 Reasons for Recommendations

6.1 It is good practice to review and maintain policies to ensure that they remain compliant and fit for purpose. They also help to ensure that the Council is minimising the risk of fraud and corruption occurring within the Council's business.

7.0 Future Work and Conclusions

7.1 In order to raise awareness of these revised policies, following approval, these policies will be put on the Council's website and Netconsent, and awareness training will be carried out for both staff and Members.

8.0 Financial Implications

8.1 As set out in the report.

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

9.0 Legal Implications

9.1 As set out in the main body of the report, the Council is required to have in place a number of policies and procedures to deal with matters such as fraud, bribery and corruption, and, money laundering. In some cases, the Council may face prosecution if it fails to have appropriate policies and procedures in place.

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

10.0 Risk & Opportunity Management Implications

10.1 The Council must have up to date policies in place and ensure all Members and staff are aware of their responsibilities under these policies. Failure to do so places the Council's reputation and finances at risk and renders the Council unable to properly deal with situations that require management action.

11.0 People Impact Assessment (PIA):

11.1 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 None identified.

Sustainability

12.2 None identified.

Staffing & Trade Union

12.3 Staff are required to be aware of, and comply with, the Council policies that are relevant to their work area.

Background Documents: None

APPENDIX A

GLoucester City Council ANTI-FRAUD AND CORRUPTION STRATEGY

1. Introduction

1.1 The City Council is committed to eliminating fraud and corruption whether it is attempted on or from within the Council, and is committed to an effective Anti-Fraud and Corruption Strategy designed to: -

- encourage prevention;
- promote detection; and
- identify a clear pathway for investigation.

1.2 The Council's expectation on propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to rules, procedures and recommended practices.

1.3 The Council also expects that individuals and organisations (e.g. suppliers/contractors) will act towards it with honesty and integrity and without thought or actions involving fraud or corruption.

1.4 The Council's Anti-Fraud and Corruption Strategy is based on a series of comprehensive and inter-related procedures designed to frustrate any attempted fraudulent or corrupt act. These cover: -

- Culture (Section 2)
- Risk (Section 3)
- Prevention (Section 4)
- Detection and Investigation (Section 5)
- Council Policies (Section 6)
- Training (Section 7)

1.5 In addition to its own internal controls and procedures, the Council is also subject to a high degree of external scrutiny of its affairs, by a variety of bodies including: -

- Local Government Ombudsman
- External Auditor
- Central Government Departments

- HMRC
- The Department for Work and Pensions (DWP)

1.6 Fraud has been defined by the Audit Commission as: *“Any intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss, or expose another to the risk of loss.”*

1.7 The Fraud Act 2006 states that a person is guilty of fraud if they are in breach of the following Sections of the Act:

- Section 1 – Fraud by False Representation
- Section 2 – Fraud by failing to disclose information
- Section 3 – Fraud by abuse of position

1.8 The Council’s Fraud Response Plan provides guidance on action to be taken in the event of Councillors and employees becoming aware of, or suspecting a fraud act being committed on the Council by a Councillor, employee, contractor, service user, or other member of the public.

1.9 Corruption has been defined as *“the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”* and *“the failure to disclose an interest in order to gain financial or other pecuniary gain.”*

1.10 There are corruption offences incorporated into the Bribery Act 2010. Under this Act offences relate to both the offering, promising, or giving of a bribe, and to the receipt of bribes.

1.11 The Council’s Anti-Bribery Policy provides guidance on action to be taken in the event of Councillors and employees becoming aware of, or suspecting a corrupt act being committed on the Council by a Councillor, employee, contractor, service user, or other member of the public.

2. Culture

2.1 The Council has determined that the culture and tone of the organisation will continue to be one of honesty and opposition to fraud and corruption. This is reflected in the Council’s Constitution which includes the Seven General Principles of Conduct. These include the principles of integrity, openness, and, honesty.

2.2 There is an expectation and requirement that all individuals and organisations associated in whatever way with the Council will act with integrity and that Councillors and Council staff, at all levels, will lead by example in these matters.

2.3 The Council’s staff are an important element in its stance on fraud and corruption and the Whistleblowing Policy encourages staff to raise any concerns that they may have on these issues, where they are associated with the Council’s activities. They can do this in the knowledge that such concerns will be treated in confidence and

properly investigated. If necessary, a route, other than the person's usual line manager, can be used to raise such concerns. Examples of such routes are to the:

- Audit, Risk & Assurance Manager
- Head of Legal and Policy Development & Monitoring Officer
- Section 151 Officer; or
- Head of Paid Service

2.4 Members of the public are also encouraged to report concerns through the above routes, plus either their Ward Member, or any Member of the City Council.

2.5 Members of the Council may also voice their concerns through various ways such as the Head of Paid Service, Head of Legal and Policy Development & Monitoring Officer, Section 151 Officer, or Audit, Risk & Assurance Manager.

2.6 The investigation of any suspicions of fraud or corruption (not related to Benefit Fraud) being committed against the Council by, for example, other members of staff, other managers, other Councillors, a service user, a contractor of the Council, or a member of the public, will be carried out by the Audit, Risk & Assurance Manager.

2.7 Allegations relating to Housing Benefit fraud will be passed to the Civica Benefits Team for initial investigation. Under the new Single Fraud Investigation Service (SFIS), the investigation of Benefit fraud is undertaken by the Department of Work and Pensions (DWP). If the initial investigation carried out by the Civica Benefits Team identifies that a benefit claim may be fraudulent, then it will be passed to the DWP for formal investigation.

2.8 Managers will be expected to deal swiftly and firmly with those who defraud the Council or who are corrupt. The Council should be considered as robust in dealing with financial malpractice.

2.9 It is necessary to ensure that any investigation process is not misused and any abuse, such as raising unfounded malicious allegations, may be dealt with as a disciplinary matter.

3. Risks

3.1 With regard to fraud and corruption risks, the Senior Management Team (SMT) and Heads of Service will ensure that:

- All possible fraud and corruption risks are identified
- Risks are assessed and scored in terms of probability and severity
- Mitigating controls are identified and assessed
- Actions necessary to reduce mitigated risk scores are specified

All the above will be recorded in the Council's risk register.

3.2 Each year, SMT and Heads of Service will ensure that fraud risks in the risk register are reviewed, by:

- Identifying new risks (if appropriate)
- Deleting risks which no longer exist
- Reviewing mitigating controls and scores
- Assessing the effectiveness of action taken to reduce scores, and achieve targets

3.3 Review work will be recorded in the fraud risk register, and will be reported to SMT, the appropriate Cabinet Member, and, to the Audit & Governance Committee.

4. Prevention

4.1 Staff

- (a) The Council recognises that a key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential staff, in terms of their propriety and integrity. In this regard, temporary and agency staff should be treated in the same manner as permanent staff.
- (b) Staff recruitment is required to be in accordance with procedures laid down in the Council's Recruitment and Selection policy. The policy includes safeguards on matters such as determining eligibility to work in the UK, obtaining written references regarding the known honesty and integrity of potential staff, and verifying professional and educational qualifications of new employees...
- (c) Council staff are expected to follow any Code of Conduct related to their professional institute and also to abide by the Council's Officer's Code of Conduct, which sets out the Council's requirements on personal conduct.
- (d) The Council has a Disciplinary Procedure in place to ensure that poor standards of work and conduct are addressed.

4.2 Members

- (a) Members are required to work in accordance with the Council Constitution and within current legislation
- (b) The Monitoring Officer in consultation with the Council's Audit & Governance Committee will ensure that training is provided for all elected Members at the beginning of each Civic Year and as and when required

- (c) Every elected Member is required to sign a Declaration of Acceptance of Office which also includes the declaration that they will abide by the Council's Code of Conduct.
- (d) Forms for the Declaration of Interests are issued at the beginning of each Civic Year and at any other such time that the Member requests.
- (e) Members are also required to declare (if they have any) any known interests at the start of each meeting and/or at any point in the meeting where they discover they have such an interest

4.3 Systems

- (a) The Council has Standing Orders, Contract Standing Orders, and Financial Regulations in place that require Members and staff, when dealing with the Council's affairs, to act in accordance with best practice.
- (b) The Members of the Council are responsible for regulating and controlling the finances of the City Council and the Head of Finance, for the purposes of Section 151 of the Local Government Act 1972, is responsible under the general direction of the Members for the proper administration of the Council's financial affairs. Financial codes of practice and accounting instructions have been developed, which outline the systems, procedures, and responsibilities of staff, in relation to the Council's financial activities. These have been widely distributed to staff throughout the Council.
- (c) The Council has developed, and is committed to continuing with, systems and procedures, which incorporate efficient and effective internal controls, and adequate separation of duties. All managers should ensure that such controls are properly maintained and documented, and should notify the Head of Finance of any major changes to agreed procedures and controls. As part of the system for producing the Annual Governance Statement, all Directors and managers are required to complete an Assurance Statement on the adequacy of their internal controls. In addition the Council's Audit & Assurance Service independently monitors the existence and appropriateness of internal controls.

4.4 Combining with Others

- (a) Arrangements are in place and are continually being developed to encourage the exchange of information between the Council and other agencies on national and local fraud and corruption activity.
- (b) These include: -
 - * Police
 - * County, Unitary, and, District Councils

- * NHS Bodies
- * Department for Work and Pensions (DWP)
- * National Fraud Initiative
- * National Anti Fraud Network (NAFN)

5. Detection and Investigation

- 5.1 The array of preventative systems, particularly internal control systems within the Council, are designed to provide indicators of any fraudulent activity, although generally they should be sufficient in themselves to deter fraud.
- 5.2 It is often the alertness of staff, Members and the public to indicators of fraud and corruption that enables detection to occur and the appropriate action to take place.
- 5.3 Despite the best efforts of financial managers and auditors, many frauds are discovered by chance or by 'tip-offs', and the Council has in place arrangements for dealing with such information. These are shown within this Strategy at paragraph 2.3 above.
- 5.4 Staff of the City Council are required by its Financial Regulations, and the Complaints Procedure, to report all suspected irregularities to the Audit, Risk & Assurance Manager. Reporting is essential to the Anti-Fraud and Corruption Strategy and: -
- * Ensures the consistent treatment of information regarding fraud and corruption
 - * Facilitates proper investigation by the Audit & Assurance service.
- 5.5 Allegations relating to Housing Benefit fraud should be reported to the Civica Benefits Team for initial investigation. Under the new Single Fraud Investigation Service (SFIS), the investigation of Benefit fraud is undertaken by the Department of Work and Pensions (DWP). If the initial investigation carried out by the Civica Benefits Team identifies that a benefit claim may be fraudulent, then it will be passed to the DWP for formal investigation.
- 5.6 Depending on the nature and extent of the allegations, the Audit & Assurance team will normally work closely with management and other agencies, such as the police, to ensure that all allegations are properly investigated and reported upon.
- 5.7 The Council's Disciplinary Procedure will be used where the outcome of the audit investigation indicates improper behaviour.

5.8 The Council will normally wish the police to be made aware of, and to independently prosecute offenders where financial impropriety is discovered. Referral to the police is a matter for the Head of Legal and Policy Development & Monitoring Officer and the Head of Finance .

6. Council Policies

The Council policies for preventing, detecting, managing, and, reporting theft, fraud and corrupt conduct include (but are not limited to):-

- Codes of Conduct for members and employees.
- The Constitution (including Standing Orders, Financial Regulations, and the Scheme of Delegation).
- Registers of Interests, Gifts and Hospitality.
- Disciplinary Rules and Procedures.
- The Whistle-Blowing Policy.
- Procurement Strategy.
- Risk Management Strategy.
- Recruitment procedures (pre-employment vetting, references, etc).
- Anti-Bribery Policy.
- Money Laundering Policy.
- Fraud Response Plan.

7. Training

7.1 The Council recognises that the success of its Anti-Fraud and Corruption Strategy and its general credibility will depend largely on the effectiveness of appropriate training, and the responsiveness of staff and Members throughout the organisation.

7.2 To facilitate this, the Council supports induction training for Members and staff.

7.3 Investigation of fraud (non benefit) and corruption will normally centre on the Council's Audit & Assurance Service Team. Under the new Single Fraud Investigation Service (SFIS), the investigation of Benefit fraud is undertaken by the Department of Work and Pensions (DWP). Staff involved in this work should therefore be properly and regularly trained.

8. Conclusion

8.1 The Council has in place a clear network of systems and procedures to assist it in the fight against fraud and corruption. It is determined that these arrangements will keep pace with any future developments in both preventative and detection techniques regarding fraudulent or corrupt activity that may affect its operation.

8.2 To this end, the City Council, and the Head of Finance in particular, will maintain a continuous overview of the authority's arrangements for combating fraud and corruption. This policy document will also be subject to regular review.

February 2015

APPENDIX B

GLOUCESTER CITY COUNCIL WHISTLEBLOWING POLICY

1.0 Raising Concerns at Gloucester City Council

1.1 All of us at one time or another have concerns about what is happening at work. Usually these concerns are easily resolved. However, when they are about:-

- possible fraud and corruption
- financial irregularities
- discrimination
- unethical conduct or a breach of the law
- health and safety risks/dangerous working conditions
- damage to the environment
- an unlawful act
- deliberate concealment of any of the above

it can be difficult to know what to do.

1.2 Gloucester City Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment, the Council has introduced this policy to encourage and enable you to raise your concerns about such malpractice at an early stage and in the right way. We would rather that you raised the matter when it is just a concern rather than wait for proof. This is sometimes known as 'Whistleblowing'.

What the Law says:

The Public Interest Disclosure Act 1998 (PIDA), popularly known as the 'Whistleblowers' protection act, protects employees who make disclosures about a range of subjects from recriminations. Whistleblowers can claim PIDA protection by disclosing their concerns either to their employer or, if they prefer, to another organisation authorised to receive disclosures).

1.3 Although this policy is predominately aimed at employees of the Council who have statutory protection under the Public Interest Disclosure Act, the Council recognises that other individuals and groups may also have concerns that they may wish to raise with the Council in a controlled and protected way. The policy framework in terms of reporting, investigation and confidentiality applies equally to all employees, Members, agency workers, contractors, suppliers, partner organisations and the public. The Council will ensure that as part of its procurement processes this Policy is brought to the attention of such external contractors, suppliers and service providers.

- 1.4 Any employee, or contractor, who raises a concern shall be treated as though they are making a 'protected disclosure' (within the meaning of employment legislation), which means any disclosure of information which, in the reasonable belief of the person making the disclosure, is made in the public interest and is in connection with any of the areas listed in para 1.1 above.

If in doubt - raise it!

- 1.5 If you have concerns over malpractice, we want you to raise the matter so that the Council can investigate and put things right.
- 1.6 This procedure should not be confused with the Council's Grievance Policy, which should be used when an employee is aggrieved about their own employment situation. Details of the Council's Grievance Policy can be obtained found on the Council's Netconsent system or obtained from Human Resources.

2.0 How to Proceed

- 2.1 You may be worried about raising such issues or may want to keep the concerns to yourself, perhaps feeling it's none of your business or that it's only a suspicion. You may feel that raising the matter would be disloyal to colleagues, managers or to the organisation. You may decide to say something but find that you have spoken to the wrong person or raised the issue in the wrong way and are not sure what to do next. If you have any concern, we hope you will feel able to raise it first with your appropriate line manager or Director. This may be done verbally or in writing.
- 2.2 If you feel unable to raise the matter with your manager for whatever reason, or you believe that management is involved, then please raise the matter with one of the following:
- Audit, Risk & Assurance Manager
 - Head of Legal and Policy Development & Monitoring Officer
 - Section 151 Officer
 - Head of Paid Service
- 2.3 Please say if you want to raise the matter in confidence so that they can make appropriate arrangements.

3.0 What Happens Next?

- 3.1 Having alerted us to the concern, it is our responsibility to investigate the matter. The initial stage will be to interview you and then assess what further action should be taken.
- 3.2 We would need to know:-
- the details of your concerns, including the nature, dates and location of any relevant incidents

- the reasons why you feel concerned about the situation and the grounds for your concern.

- 3.3 When you raise the concern you may be asked how you think the matter might best be resolved, and whether you would want to be told about how we will conduct the investigation.
- 3.4 If you do have any personal interest in the matter, we do ask that you tell us at the outset. If your concern falls more properly within the Grievance Policy we will tell you.
- 3.5 If the Officer you have approached feels that the concern can be resolved quickly, or in a straightforward manner, it will be brought to the attention of the appropriate manager. This procedure may lead to other processes being implemented such as the disciplinary procedure or to more formal investigations by the Audit & Assurance team.
- 3.6 Remember that if you do not tell us who you are, it will be much more difficult for us to look into the matter or to protect your position or to give you feedback. The Council has the right not to investigate anonymous allegations which appear frivolous or malicious and are unsupported by credible evidence.
- 3.7 We will not tolerate the harassment or victimisation of anyone raising a genuine concern. However, we recognise that you may nonetheless want to raise a concern in confidence under this policy. If you ask us to protect your identity by keeping your confidence, we will not disclose it without your consent. If the situation arises where we are not able to resolve the concern without revealing your identity (for instance because your evidence is needed in court), we will discuss with you whether and how we can proceed. Accordingly, while we will consider anonymous reports, this policy is not well suited to concerns raised anonymously and therefore we may decide we are unable to investigate them.

4.0 Untrue Disclosures

- 4.1 Council Members, the Senior Management Team (SMT) , and the Trade Unions are all committed to this policy. If you make a disclosure you believe to be true, but it is not confirmed by the investigation, no action will be taken against you. If however, your allegation is frivolous, malicious or for personal gain, you may be subject to disciplinary action.

5.0 How we will Handle the Matter – Our Assurances

- 5.1 The Council is committed to dealing accurately, professionally and confidentially with all issues of concern raised within the organisation.
- 5.2 Concerns raised under this Policy will be treated seriously and sensitively. Where practicable, immediate steps will be taken to remedy the situation. However the final outcome may take longer depending on the issue that is raised.

- 5.3 Some concerns may be resolved by agreed action without the need for an investigation. If urgent action is required, this will be taken before any investigation is conducted.
- 5.4 Within 10 working days of a concern being raised, you will receive a response acknowledging that the concern has been received. The response will address the following:-
- Whether initial enquiries have been made
 - Give an estimate of how long it will take to provide a final response
 - If there is to be no investigation, giving you reasons why this is so
 - Supply you with information on employee support mechanisms
- 5.5 The Council will take steps to minimise any difficulties you may experience as a result of making a disclosure. For instance, if you are required to give evidence in criminal or disciplinary proceedings the Council will arrange for you to receive advice about the procedure.
- 5.6 While the purpose of this policy is to enable us to investigate concerns raised, and take appropriate steps to deal with it, you will need to be assured that the matter has been properly addressed. We will give you as much feedback as we properly can. Please note, however, that we may not be able to tell you the precise action we take where this would infringe a duty of confidence owed by us to someone else.
- 5.7 Employees who wish to raise concerns under this Policy may bring a friend or Trade Union representative along with them to any interviews that are arranged, providing that person is not involved in the area of work to which the concern relates. It should be noted that this person should attend to provide support only, and will not be allowed to become involved in the proceedings.

6.0 How to Raise a Concern Internally – What we Ask of You

- 6.1 The purpose of this Policy is to enable you to raise your concerns within the Council in confidence, without any fear of reprisal or detriment to you. We therefore ask that you do not take your concerns outside the Council other than as stated in this policy or in the Public Interest Disclosure Act (PIDA).
- 6.2 Concerns should be raised in writing if at all possible. When raising your concern you must declare any personal interest, which you have in the matter. If you disclose your concerns in any other manner, publicise your concerns, or abuse the process by maliciously raising unfounded allegations, or seek to make the disclosure for the purposes of personal gain, you are at risk of disciplinary action, subject to the provisions of the PIDA.

7.0 Procedure for Contractors

- 7.1 As a first step, you should normally raise your concerns with your manager, who will then inform the lead Council client officer who is dealing with the particular contract. If

you feel unable to raise the matter with your manager for whatever reason, or you believe that management is involved, then please raise the matter direct with the Audit, Risk & Assurance Manager or the Head of Legal and Policy Development & Monitoring Officer, at the Council.

- 7.2 Concerns may be raised verbally or in writing. Please say if you want to raise the matter in confidence so that appropriate arrangements can be made.
- 7.3 The matter will be treated, and investigated, in accordance with the procedures in this Policy.

8.0 At the end of the Process

- 8.1 All concerns raised under this policy, together with the outcome of the investigation, will be recorded in a register held by the Audit, Risk & Assurance Manager. The purpose of this register is to ensure a central record is kept which can be cross referenced with other complaints in order to monitor any patterns of concern across the Authority, and to assist us in monitoring the procedure. You will be informed of the action that has been taken to resolve your concern. Sometimes, however, it may not be possible to reveal the full extent of the investigation where this relates to personal issues involving a third party.
- 8.2 Where action is not taken we will explain the reasons for that decision.

9.0 External Contacts

- 9.1 The Council would prefer that a serious concern be raised responsibly rather than not at all. Therefore, if you still feel unable to raise your concern under this Policy, then you may seek advice from:-

- the Council's External Auditor (KPMG) – <http://www.kpmg.com>
- your trade union
- your local Councillor (if you live in the area of the Council)
- your local MP
- relevant professional bodies or regulatory organisations
- the Citizen Advice Bureau
- your solicitor
- the police
- a relevant voluntary organisation
- the charity - Public Concern at Work* - <http://www.pcaw.co.uk>

*Public Concern at Work is an independent charity that provides free advice for persons who wish to express concern about fraud and other serious malpractice.

February 2015

APPENDIX C

Gloucester City Council Fraud Response Plan

1. Introduction

- This document provides guidance to Councillors, employees and management in the event of them becoming aware of, or suspecting a fraud or corrupt act being committed on Gloucester City Council by a Councillor, member of staff, contractor, service user, or member of the public.
- Allegations relating to Housing Benefit fraud will be passed to the Civica Benefits Team for initial investigation. Under the new Single Fraud Investigation Service (SFIS), the investigation of Benefit fraud is undertaken by the Department of Work and Pensions (DWP). If the initial investigation carried out by the Civica Benefits Team identifies that a benefit claim may be fraudulent, then it will be passed to the DWP for formal investigation.

2. Raising concerns

- Councillors, members of staff, or managers, should immediately report any suspicions of fraud or corruption being committed against the Council by, for example, other members of staff, other managers, other Councillors, a service user, a contractor of the Council, or a member of the public. These can be raised with one of the following :-
 - Audit, Risk & Assurance Manager
 - Head of Legal and Policy Development & Monitoring Officer
 - Section 151 Officer
 - Head of Paid Service
- Concerns may also be raised via the Council's Whistleblowing arrangements.
- Only genuine concerns which are believed to be true must be reported. Any reports which are subsequently determined to be malicious could be dealt with as a disciplinary matter.
- Suspicions should not be discussed with any other person, unless permission to do so has been given by the person to whom the suspicion has been reported.
- If there are suspicions that similar frauds are, or could be, being committed, the person to whom the suspicion has been reported should be told straight away.

3. Evidence

- All evidence held should be handed over to the Audit, Risk & Assurance Manager at the time of referral of the concern to him.
- A person's desk drawers or locker should not be searched without consent from the Audit, Risk & Assurance Manager, who will obtain the relevant permissions should this be deemed necessary
- Evidence may be in the form of paper documents, CCTV records, or computer records, all of these could easily be destroyed or tampered with. The securing of computers and associated data and records is a specialised procedure and should only be attempted by specialists at the request of the Audit, Risk & Assurance Manager. The Audit, Risk & Assurance Manager may consider the commissioning of specialist services from both within and outside the Council to assist with an investigation (e.g. IT specialists to preserve and extract information held on personal computers or computer systems).
- Guidance on preserving specific forms of evidence is given below:

- **Original paper documents**

Original documents should be obtained and retained. The documents should be handled as little as possible and should be put in a protective folder. Under no circumstances should they be marked in any way. All original documents should be given to the Audit, Risk & Assurance Manager for review and preparation as evidence. A record of all documents will be maintained by the Audit, Risk & Assurance Manager, detailing how, when and where they were obtained. All copies of original documents or screen images should be formally certified as a true copy with the date of copying.

- **Desk Search**

If an employee is under suspicion then their desk/work station can be searched. However any such search must be undertaken by line management and the Audit, Risk & Assurance Manager. The contents of the desk/work station should be listed and the list should be signed by those officers present as being a true record of what was found.

- **Computer based data**

When evidence is held on a computer, the computer should be secured and the Head of Business Improvement & Performance and the Audit, Risk & Assurance Manager should decide on the most appropriate way of retrieving the data. Under no circumstances should any individual who is not appropriately trained attempt to secure the evidence.

- **Video evidence**

There may be CCTV based evidence available. If a camera system may have information of value, the Audit, Risk & Assurance Manager will arrange to secure the hard copy media or arrange for a certified download of the data in such a way as it can be treated as evidence in accordance with the rules of evidence. The camera system engineer should be able to provide an appropriate download.

4. Suspension

- Suspension from work of an employee during an investigation is a neutral act and should not be a presumption of guilt. Suspension allows an investigation to continue in an impartial and unfettered way. If the allegation relates to a Councillor, consideration will be given to restricting the Councillor's access to the offices, computer systems and staff, whilst an investigation is carried out.
- A decision on suspension will be taken by line management, after taking advice from a Corporate Director, the Audit, Risk & Assurance Manager, and Human Resources. In the case of a Councillor, the decision to restrict access would be taken by the Monitoring Officer.
- Whenever a person is suspended from work they should be asked to remove all personal belongings from their desk/cupboard and be informed that the desk/cupboard may be examined.
- Under no circumstances should an employee, once suspended, be allowed to access their files or computer records.

5. Investigations

- The Audit, Risk & Assurance Manager will carry out and lead any investigation. In the case of a Councillor, the investigation would be lead by the Monitoring Officer.
- Interviews will always be conducted by Audit & Assurance staff. Other people (e.g. line manager, interviewee's friend) may attend by invitation.
- At the conclusion of the investigation, the Audit, Risk & Assurance Manager will present a report to management on the findings.
- The Audit, Risk & Assurance Manager may be called to act as a witness at any subsequent disciplinary interviews.

6. Money Laundering

- Concerns about any suspected money laundering must be referred immediately to the Audit & Assurance team, in line with the Council's Money Laundering Policy.

- Audit & Assurance will pass details on to the Police where appropriate.

7. External Audit

- In some cases it may be necessary to inform the Council's External Auditor of the suspected fraud or corruption. This will be the responsibility of the Section 151 Officer.

8. Housing Benefit Fraud

- Allegations relating to Housing Benefit fraud will be passed to the Civica Benefits Team for initial investigation. Under the new Single Fraud Investigation Service (SFIS), the investigation of Benefit fraud is undertaken by the Department of Work and Pensions (DWP). If the initial investigation carried out by the Civica Benefits Team identifies that a benefit claim may be fraudulent, then it will be passed to the DWP for formal investigation.
- If the allegation relates to an employee of the Council then the employee's Head of Service and Strategic Director will be informed and kept apprised of the investigation.
- If it is established that a Council employee has personally been involved in benefit fraud they may face disciplinary proceedings in accordance with the Council's Disciplinary Procedure.
- If the allegation relates to a Councillor then the Head of paid service and the Head of Legal and Policy Development & Monitoring Officer will be informed and kept apprised of the investigation.
- If it is established that a Councillor has personally been involved in benefit fraud they may face both prosecution and proceedings in accordance with the Members' Code of Conduct.

9. Police referral

- Should any irregularity reported to Audit & Assurance be thought to warrant Police involvement, the Police shall be contacted by the Audit, Risk & Assurance Manager after consultation with the Head of Legal and Policy Development & Monitoring Officer and the Section 151 Officer.
- The Audit, Risk & Assurance Manager will liaise with the Police as necessary during their investigation, and provide all available evidence.
- The Audit, Risk & Assurance Manager, and any other employee or Member of the Council may be required to act as witnesses in any subsequent court case.

10. Post investigation

- The Council may seek to recover financial losses. This may, for example, be from the perpetrator's accrued pensions benefits, from any monies due to the person at termination of employment, or from voluntary repayment.
- In appropriate circumstances the Council will consider taking civil action against the perpetrator to recover losses.
- The Council may seek to recover financial losses from its insurers.
- A review will be undertaken, by the Audit, Risk & Assurance Manager, to look at weakness and breakdowns in the financial control systems which led to the loss, and to recommend remedial action.

11. Audit & Assurance

- The Council's Audit & Assurance Charter states that the Audit & Assurance team has the authority to:-
 - access all Council premises at reasonable times
 - access all assets, records, documents, correspondence and control systems
 - receive any information and explanation from any officer or elected Member of the Council considered necessary concerning any matter under consideration
 - require any employee or elected member of the Council to account for cash, stores or any other Council asset under his or her control
 - access records belonging to third parties, such as contractors, when required
 - unrestricted access to senior management and Members.
- The Audit & Assurance service is not part of the formal disciplinary process – this is carried out by line management. Audit & Assurance staff may, however be called to act as witnesses in a disciplinary interview.
- Under normal circumstances, Audit & Assurance staff will conduct investigations for non-benefit cases. Any other investigations will only be undertaken under the authority of the Audit, Risk & Assurance Manager and/or the Section 151 Officer and/or Head of legal Services and policy Development & Monitoring Officer.
- Audit & Assurance's role is to establish the facts of the case and report to management upon this.
- The Audit, Risk & Assurance Manager will ensure that Audit & Assurance staff have adequate experience and training in order to allow them to carry out investigations.

- The Audit, Risk & Assurance Manager will direct and guide Audit & Assurance staff throughout the investigation.

12. Press and Publicity

The Communications Team will deal with the press and publicity in all matters regarding fraud and corruption. Where appropriate the details of all successful prosecutions for fraud should be released to the media through the Communications Team. Staff and managers must not directly disclose to the press the details of any cases suspected or under investigation. Disclosure of details to the media otherwise than through the Communications Team may be regarded as a disciplinary matter. The aim is to publicise the Council's intolerance of fraud or corruption within the Council by users of its services, and by contractors.

13. Conclusion

This Fraud Response Plan, in conjunction with the Anti-fraud and Corruption Strategy, the Whistleblowing policy and Codes of Conduct, will ensure that the Council's objectives in countering and investigating corporate fraud and corruption are achieved. However, if you have any issues or are unsure of the action to take in a given situation you should immediately contact the Audit, Risk & Assurance Manager.

February 2015

APPENDIX D

GLoucester City Council ANTI-BRIBERY POLICY

1. Policy Statement – Anti Bribery

- 1.1 Bribery is a criminal offence. The Council does not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor does, or will the Council, accept bribes or improper inducements.
- 1.2 To use a third party to channel bribes to others is a criminal offence. The Council does not, and will not, engage indirectly in or otherwise encourage bribery.
- 1.3 The Council is committed to the prevention, deterrence and detection of bribery. The Council has zero-tolerance towards bribery. The Council aims to maintain anti-bribery compliance “business as usual”, rather than as a one-off exercise.

2. Bribery

- 2.1 A bribe is a financial or other advantage. Bribery is offering, or giving a bribe to another to induce someone (not necessarily the person to whom the bribe is offered or given) to perform a relevant function or activity improperly or as a reward for such improper performance once it has been done.
- 2.2 “Relevant functions” are functions where the person performing the function is expected to perform it in good faith, or impartially, or the person performing it does so in a position of trust, and the functions are functions of a public nature, activities connected with a business, activities in the course of employment or activities performed by or on behalf of bodies of persons (incorporated or not).
- 2.3 There is a legal expectation that relevant functions will be performed in good faith, impartially and in a way which is consistent with being in a position of trust. Performance of a relevant function in breach of these expectations amounts to improper performance. Non-performance of a relevant function where the expectation is that the function would be performed is also improper performance. The standard of the expectation is what a reasonable person would expect of the person performing the function.
- 2.4 It is unacceptable to:-
 - accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that an advantage will be provided by us in return
 - retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy
 - engage in activity in breach of this policy.

3. Objective of this policy

- 3.1 This policy provides a coherent and consistent framework to enable the Council, its employees, and those dealing with the Council, to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable employees and others to identify and effectively report a potential breach.
- 3.2 The Council requires that all staff, including those permanently employed, temporary agency staff and contractors, to:
- act honestly and with integrity at all times and safeguard the organisation's resources for which they are responsible
 - comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the Council operates

4. Scope of this policy

- 4.1 This policy applies to all of the Council's activities. For partners, joint ventures and suppliers, the Council will seek to promote the adoption of policies consistent with the principles set out in this policy.
- 4.2 Within the Council, the responsibility to control the risk of bribery occurring resides at all levels of the Council. This policy covers all staff at all levels and grades, including those permanently employed, temporary or agency staff, contractors, agents, Members (including co-opted Members), volunteers and consultants.

5. The Council's commitment to action

- 5.1 The Council commits to:
- publishing a clear anti-bribery policy and reviewing other associated policies
 - making all staff aware of their responsibilities to adhere to this policy at all times
 - training all staff so that they can recognise and avoid the use of bribery by themselves and others
 - ensuring that all business partners are aware of the Council's anti-bribery policy and that their staff abide by it
 - ensuring that policies and control systems are audited regularly to ensure they are fit for purpose.
 - investigating instances of alleged bribery and assisting the Police and other appropriate authorities in any resultant prosecution
 - taking appropriate action against any individual(s) involved in bribery
 - encouraging staff to be vigilant and to report breaches and suspected breaches of this policy

6. Facilitation payments

- 6.1 Facilitation payments are not tolerated and are illegal. Facilitation payments are unofficial payments made to public officials in order to perform or expedite functions they are otherwise obliged to perform.

7. Gifts and hospitality

- 7.1 This policy is not meant to change the requirements of the Gifts and Hospitality guidance, which is included in the Officers' Code of Conduct and the Members' Code of Conduct.
- 7.2 If you have any questions in relation to the Gifts & Hospitality guidance do ask your line manager, Head of Service, or Director. Any Member queries should initially be directed to the Council's Monitoring Officer.

8. Public contracts and failure to prevent bribery

- 8.1 Under the Public Contracts Regulations 2015 (which gives effect to EU law in the UK), a company is automatically debarred from competing for public contracts when it has been convicted of a corruption offence including bribery. These Regulations do not include the crime of failure to prevent bribery, but that organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts. However, the Council has the discretion to exclude organisations convicted of this offence.

9. Staff responsibilities

- 9.1 The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the Council or under its control. All staff are required to avoid activity that breaches this policy.
- 9.2 You must:
- ensure that you read, understand and comply with this policy
 - raise concerns as soon as possible if you believe or suspect that a breach of this policy has occurred, or may occur in the future.
- 9.3 As well as the possibility of civil and criminal prosecution, staff who breach this policy will face disciplinary action, which could result in summary dismissal for gross misconduct.

10. Raising a concern

- 10.1 This Council is committed to ensuring that there is a safe, reliable, and confidential way of reporting any suspicious activity. We want each and every member of staff to know how they can raise concerns.
- 10.2 All Members and staff have a responsibility to help detect, prevent and report instances of bribery. If you have a concern regarding a suspected instance of bribery or corruption, please speak up – your information and assistance will help. The sooner you act, the sooner it can be resolved.

- 10.3 There are multiple channels to help you raise concerns. Please refer to the Council's Whistleblowing Policy, the Anti-Fraud and Corruption Policy and to determine the most appropriate course of action.
- 10.4 As a first step you should normally raise concerns with your immediate line manager. This depends, however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if you believe that management is involved, you should approach the Audit, Risk & Assurance Manager, the Head of Legal and Policy Development & Monitoring Officer, a Director or the Head of paid Service.
- 10.5 Where internal disclosure proves inappropriate, concerns can be raised with the Police, the External Auditor or relevant professional bodies or regulatory organisations. Raising concerns in these ways may be more likely to be considered reasonable than making disclosures publicly (e.g. to the media).
- 10.6 Concerns can be raised anonymously. In the event that an incident of bribery, corruption, or wrongdoing is reported, we will act as soon as possible to evaluate the situation. The Council has clearly defined anti-fraud & corruption policies which set out procedures for investigating fraud, misconduct and non-compliance issues and these will be followed in any investigation of this kind. This is easier and quicker if concerns are not raised anonymously..
- 10.7 Staff who refuse to accept or offer a bribe, or those who raise concerns or report wrongdoing can understandably be worried about the repercussions. The Council encourages openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken.
- 10.8 The Council is committed to ensuring nobody suffers detrimental treatment through refusing to take part in bribery or corruption, or because of reporting a concern in good faith.
- 10.9 If you have any questions about these procedures, please contact the Audit, Risk & Assurance Manager.

The Bribery Act - Summary

There are four key offences under the Act:

- bribery of another person (section 1)
- accepting a bribe (section 2)
- bribing a foreign official (section 6)
- failing to prevent bribery (section 7)

The Bribery Act 2010 makes it an offence to offer, promise or give a bribe (Section 1). It also makes it an offence to request, agree to receive, or accept a bribe (Section 2). Section 6 of the Act creates a separate offence of bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business. There is also a corporate offence under Section 7 of failure by a commercial organisation (the Council is a commercial organisation under the Act) to prevent bribery. An organisation will have a defence to this corporate offence if it can show that it had in place adequate procedures designed to prevent bribery by or of persons associated with the organisation.

Penalties

An individual guilty of an offence under sections 1, 2 or 6 is liable:

- On conviction in a Magistrates Court, to imprisonment for a maximum term of 12 months, or to a fine not exceeding £5,000, or to both
- On conviction in a Crown Court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both

Organisations are liable for these fines and, if guilty of an offence under section 7, are liable to an unlimited fine.

Bribery is a serious offence against the Council and employees will face disciplinary action if there is evidence that they have been involved in this activity, which could result in summary dismissal for gross misconduct. Disciplinary action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case.

Adequate procedures

Whether the procedures are adequate will ultimately be a matter for the courts to decide on a case-by-case basis. Adequate procedures need to be applied proportionately, based on the level of risk of bribery in the Council. It is for individual services to determine proportionate procedures in the recommended areas of six principles. These principles are not prescriptive. They are intended to be flexible and outcome focussed, allowing for the different circumstances of services. The detail of how services apply these principles will vary, but the outcome should always be robust and effective anti-bribery procedures.

THE SIX PRINCIPLES

Proportionate procedures

The procedures to prevent bribery by persons should be proportionate to the bribery risks faced and to the nature, scale and complexity of the service's

activities. They should also be clear, practical, accessible, effectively implemented and enforced.

Top level commitment

All Councillors and the Senior Management Team (SMT) are committed to preventing bribery by persons associated with the Council. It fosters a culture within the organisation in which bribery is never acceptable.

Risk Assessment

The Council assesses the nature and extent of its exposure to potential external and internal risks of bribery on its behalf by persons associated with it. The assessment is periodic, informed and documented. It includes financial risks but also other risks such as reputational damage.

Due diligence

The Council applies due diligence procedures, taking a proportionate and risk based approach, in respect of persons who perform or will perform services for or on behalf of the Council, in order to mitigate identified bribery risks.

Communication (including training)

The Council seeks to ensure that its bribery prevention policies and procedures are embedded and understood throughout the organisation through internal and external communication, including training that is proportionate to the risks it faces.

Monitoring and review

The Council monitors and reviews procedures designed to prevent bribery by persons associated with it and makes improvements where necessary.

This Council is committed to proportional implementation of these principles.

February 2015

APPENDIX E

GLOUCESTER CITY COUNCIL ANTI MONEY LAUNDERING POLICY & PROCEEDS OF CRIME ACT

Scope of this Policy

1. This Policy applies to all employees of Gloucester City Council (GCC). The Policy sets out the procedures which must be followed to enable the Council to comply with its legal obligations.
2. This Policy also applies to any contractors responsible for receiving money on behalf of the Council. The Council will ensure that as part of its procurement processes this Policy is brought to the attention of such external contractors, suppliers and service providers.
3. Failure by a member of staff to comply with the procedures set out in this Policy may lead to serious disciplinary and legal action being taken against them. Failure by a contractor responsible for receiving money on behalf of the Council to comply with the procedures set out in this Policy may be subject to claim of breach of contract.

What is money laundering?

4. Money laundering is a general term for any method of disguising the origin of “dirty” or criminal money. This money may be the proceeds of any criminal activity including terrorism, drugs trafficking, corruption, tax evasion, and theft.
5. The purpose of money laundering is to hide the origin of the dirty money so that it appears to have come from a legitimate source. No organisation is safe from the threat of money laundering, particularly where it is receiving funds from sources where the identity of the payer is unknown. It is, therefore, possible that the Council will be targeted by criminals wishing to launder the proceeds of crime.
6. All staff dealing with the receipt of funds or having contact with third parties must, therefore, be aware of the Council’s anti money laundering policy.

The law relating to money laundering

7. There are two areas of legislation which deal with money laundering:

Proceeds of Crime Act 2002

8. The Proceeds of Crime Act relates to all organisations and sectors. If there is a suspicion that funds may be from a criminal source a disclosure must be made.

Money Laundering Regulations 2003 and 2007

9. The Money Laundering Regulations 2003 and 2007 primarily relate to “regulated” sectors (i.e. legal, financial services). Whilst these Regulations do not specifically apply to the Council, best practice is that public sector organisations should apply their key principles, by ensuring that:

- There are adequate systems and procedures in place to prevent money laundering;
- Staff are made aware of the procedures and systems;
- Staff are trained in how to recognise and deal with transactions which may be related to money laundering;
- All third parties dealing with the Council who fall within certain criteria are properly identified;
- Identification and transaction records are maintained;
- Compliance and Reporting Officers are nominated.

The Authority's position

10. The Council accepts Cipfa's guidance as detailed in its 2005 document "Proceeds of Crime (Anti Money Laundering) Practical Guidance for Public Sector Organisations, which states that Councils:-

- would be "acting reasonably if it were to use the conclusions set out in the guidance for the purpose of creating its own policy and procedures"
- may "reasonably assume that the legislation does not oblige it to implement the requirements of the Money Laundering Regulations"
- should "embrace the principles of the money laundering legislation and regulations"
- should "put in place appropriate and proportionate anti money laundering safeguards and reporting arrangements, designed to enable it to detect and avoid involvement in the crimes described in the legislation and regulations"
- should "use a risk based approach to deciding the extent to which activities are exposed to the dangers of money laundering".

This Policy addresses these issues.

Proceeds of Crime Compliance Officer

11. The Proceeds of Crime Compliance Officer has a corporate responsibility for ensuring that legislation with regard to money laundering is followed, and that proper procedures and policies have been established.

12. The Head of Finance is the Council's Proceeds of Crime Compliance Officer. In the absence of the Head of Finance, the Head of Legal and Policy Development & Monitoring Officer will deputise.

13. The duties of the Proceeds of Crime Compliance Officer are:

- To ensure that the Council complies with the requirements of the Money Laundering Regulations, and with the Proceeds of Crime Act 2002.
- To ensure that all relevant staff are aware of, and comply with, the Council's Anti-Money Laundering Policy
- To ensure that all relevant staff receive training on how to identify and report money laundering.
- To ensure that the Council can identify third parties dealing with the Council in areas where there is a higher risk of the Council receiving the proceeds of crime.
- To ensure that processes are in place to allow disclosures to be made immediately by staff to the Council's Proceeds of Crime Reporting Officer,

- To ensure that processes are in place to enable the Proceeds of Crime Reporting Officer to report suspicions to the National Crime Agency (NCA) where necessary.
- To evaluate any new chargeable services for potential Money Lending Regulations implications.

Proceeds of Crime Reporting Officers

14. Any money laundering suspicions should be reported to one of the Proceeds of Crime Reporting Officers **immediately** they become apparent.
15. GCC's Proceeds of Crime Reporting Officers are the members of the Audit & Assurance team.
16. The specific responsibilities of the Officer with whom concerns are raised are:
 - To receive all suspicions transaction reports from employees of the Council.
 - To maintain a record of all disclosures made by staff
 - To prepare disclosure forms for forwarding to NCA.
 - To maintain a record of all disclosures made to NCA showing the status of each disclosure.
 - To liaise with NCA regarding the outcome of disclosures.
 - To notify staff of the outcome of disclosures (i.e. whether they can continue with their proposed actions).
 - To ensure that documents relating to any disclosures and reports are kept on file.
 - To notify the Proceeds of Crime Compliance Officer of any reports and disclosures, and any other significant issues regarding money laundering.

Staff responsibility

17. Staff responsibilities in relation to money laundering are as follows:
 - To be alert to where the Council may be targeted by individuals trying to launder the proceeds of crime
 - To avoid alerting anyone dealing with the Council that they are under suspicion that they may be attempting to launder, or have laundered, the proceeds of crime
 - To report any suspicions of money laundering to the Council's Proceeds of Crime Reporting Officer immediately
18. It is not an employee's responsibility to decide whether a suspicious transaction actually constitutes money laundering, or to investigate further. If suspicions are raised that a transaction may involve laundering the proceeds of crime, then they must be reported to the Council's Proceeds of Crime Reporting Officer immediately. Staff must not undertake their own investigations.

Dealing with individuals or organisations about which there are suspicions

19. If there are suspicions concerning an individual or organisation with which the Council is dealing, the subject must not be alerted to those suspicions.
20. If there is a suspicion the facts of the situation should be established without alerting the subject. Details of suspicions should be passed immediately to the Council's Proceeds of Crime Reporting Officer.
21. Cash, cheques or other form of payment from the subject must not be banked until clearance has been obtained from the Proceeds of Crime Reporting Officer.

Cash acceptance policy

22. Due to the increased risk of dealing in cash the Council will try to discourage payments being received in cash. However, it is recognised that some people will still wish to make payments in cash, so an upper cash acceptance limit of £9,000 in relation to individual transactions has been set.
23. If payment of more than £9,000 is being offered in cash this must not be accepted unless express permission to do so has been given by either the Council's Proceeds of Crime Reporting Officer or Proceeds of Crime Compliance Officer. This permission must be given in writing and retained on file.
24. Cash based businesses are ideal vehicles for money laundering. When dealing with a business which deals in cash on a regular basis there is a higher chance that the business bank account may have been used to launder the proceeds of crime. There are two reasons for this:
 - as the business is receiving all or part of its income in cash it is easier for sums to be taken out of the business without there being a record of the transactions; taking sums out of the business in this manner could constitute tax evasion, which is an offence for purposes of money laundering, and
 - cash based businesses are often used as a simple means of laundering cash; this is done by banking illicit funds with the legitimate takings of the business thereby making it appear that all of the cash has been generated by the business.
25. If funds are received from such an organisation and information is possessed which indicates that criminal activity may be taking place on the business's premises or within the business then an appropriate disclosure must be made.

Information received by the Council

26. The Council may receive information, as part of its day to day business, that criminal activity and money laundering may be taking place within the Council's area. Any such information must be disclosed. Such criminal activity could involve:
 - Tax evasion;
 - Operating without any appropriate licences;
 - Operating without appropriate insurances;
 - Employing illegal immigrants or assisting in their trafficking;
 - Employing staff who are known to be illegally claiming benefits;

- Any form of fraudulent activity;
- Dealing in drugs or other illegal substances;
- Dealing in bootleg alcohol and cigarettes;
- Dealing in illegal pornographic material, and,
- Prostitution, protection schemes or counterfeiting

27. This list is not exhaustive. Disclosure must be made of any instances of suspected money laundering, even if not included in the above categories. Disclosure should be made to the Council's Proceeds of Crime Reporting Officer as soon as possible after the information is received.

Reporting procedures

28. Disclosures must always be made to the Proceeds of Crime Reporting Officer who will decide whether to refer the disclosure to the National Crime Agency.

29. No information about concerns, suspicions, disclosures or reports should be held on client files. Such information should only be held on a confidential file held by the Proceeds of Crime Reporting Officer.

30. The Proceeds of Crime Reporting Officer should record as much relevant detail as possible about each case, bearing in mind that the information collected may well form the basis of a report to the National Crime Agency. If possible detail collected should include:

- Names of all people involved at GCC
- Details of suspect, including name of person and/or organisation, address, accounts
- Individual transactions, including type of payment, location, amounts and dates
- Reasons for suspicion
- Type of crime suspected (if known) e.g. drugs, terrorism.

Staff training and awareness

31. All relevant staff will require training on the requirements of the legislation and the requirements of this policy

32. Any new staff will be made aware by their manager of occurrences which could generate suspicions of money laundering, and how to report these.

Risk Assessment

33. The Council has undertaken a risk assessment of its activities and has identified those areas which it considers to be at highest risk of money laundering. These are listed below. Staff in the services dealing with these areas will need to be aware of the risk of money laundering occurring in their particular service.

- Council Tax (Civica Revenues and Benefits)
 - National Non Domestic Rates (Civica Revenues and Benefits)
 - Unsolicited direct payments (Accountancy)
 - Property sales
 - Cashiers
- February 2015



Meeting:	Audit & Governance Committee Council	Date:	16 March 2015 18 March 2015
Subject:	Treasury Management Strategy 2015/16		
Report Of:	Cabinet Member for Performance and Resources		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	Yes
Contact Officer:	Jon Topping, Head of Finance		
	Email:	jon.topping@gloucester.gov.uk	Tel: 396242
Appendices:	1. Treasury Management Strategy 2015/16		

1.0 Purpose of Report

1.1 To formally recommend that full Council approves the attached Treasury Management Strategy, the prudential indicators and note the Treasury activities.

2.0 Recommendations

2.1 Audit and Governance Committee is asked to **RECOMMEND** that the Treasury Management Strategy be approved.

2.2 Council is asked to **RESOLVE** that:

- (1) The Treasury Management Strategy at Appendix 1 be approved;
- (2) The authorised borrowing limit be approved at:-
 - a) 2015/16 £45m
 - b) 2016/17 £35m
 - c) 2017/18 £35m
- (3) The prudential indicators set on in section two of the strategy be approved.
- (4) Authority is delegated to s151 Officer in consultation with the Cabinet Member for Performance and Resources to make decisions on Treasury Management from 17th March 2015 to the 1st April 2015 outside of the 14/15 Treasury Strategy as a result of the stock transfer.

3.0 Background and Key Issues

- 3.1 2015-16 is the first year for the Treasury Management Strategy since the transfer of Housing Stock to Gloucester City Homes. The stock transfer changes the financial landscape of the Council. However uncertainty in the market around debt premia means not all market debt relating to the stock transfer may be paid off immediately. The Treasury Management Strategy for 2015/16 factors in the uncertainty within the market for debt premia and as a result the Council will move to an over-borrowing position. The Council's level of external debt is forecast to exceed the capital financing requirement until certainty returns to the markets for debt premia at which point the Council will reschedule market debt relating to the stock transfer.
- 3.2 The Council is moving from an under to an over borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has been fully funded with loan debt, and additional funds will be reinvested reducing the gap between cost of loans and interest received. This strategy is sensible as existing debt premia is high, yet forecast to reduce in future years. It is the intention of this strategy that debt will be rescheduled at the most opportune time and return the Council to an under borrowed position.
- 3.3 Stock transfer funds will be invested and short term cashflow balances will be invested for short periods within the year. Section 4 of the strategy outlines the Annual Investment Strategy; in particular it outlines the creditworthiness policy through the use of credit ratings.
- 3.4 The borrowing strategy is to utilise existing market debts in the short term while market uncertainty has adverse affects on debt premia, use investments to reduce the cost gap and repay long term debt as it becomes repayable. It is anticipated that any new debt will be short term as the current market rates are attractive and this also maximises future flexibility.
- 3.5 The strategy allows for either debt rescheduling or new long term fixed rate borrowing in place of short term borrowing if circumstances were to change during 2015/16.
- 3.6 The strategy also includes the minimum revenue provision (MRP) policy statement. This policy continues with the practice approved last year. MRP is the revenue charge to reduce debt and is only required by the General Fund. This option provides for a reduction in the borrowing need over the approximate asset life. For clarity the options for reduction are explained and can either be through an annuity calculation (providing a consistent overall annual borrowing charge) or straight line (where the principal repayment is the same each year).

4.0 Alternative Options Considered

- 4.1 The following option has been considered:

The potential to repay market debts related to stock transfer immediately and borrow short term rather than long term. Present interest rates show short terms

rates are only 0.35% whereas long term rates are over 2.5% (10 years plus). This remains an option should debt premia conditions improve.

5.0 Reasons for Recommendations

- 5.1 As outlined in the legal implications the recommendations require Council approval.

6.0 Future Work and Conclusions

- 6.1 The Treasury Management Strategy provides a logical basis to fund the Council's capital financing requirement. The main issue that will impact on the strategy is market uncertainty around debt premia meaning market debt associated to the stock transfer will not be paid off immediately.

7.0 Financial Implications

- 7.1 The expenditure and income arising from treasury management activities are included within the Council General Fund budget.

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

8.0 Legal Implications

- 8.1 The Council is required to have a Treasury Management Strategy is required to meet the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

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

9.0 Risk & Opportunity Management Implications

- 9.1 There is a risk that short term and long term interest rates could increase and this will be monitored both in-house and by the Council Treasury Management Advisor, Capita Asset Services. In this event the risk will be managed through the opportunities either to reschedule debt or new long term fixed rate borrowing in place of short term borrowing.
- 9.2 The risk of deposits not being returned by the counterparty is minimised by only investing short term cash flow monies with counterparties on the approved lending list. All counterparties on this list meet minimum credit rating criteria, ensuring the risk is kept extremely low although not eliminated.

10.0 People Impact Assessment (PIA):

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

11.0 Other Corporate Implications

Community Safety

11.1 None

Sustainability

11.2 None

Staffing & Trade Union

11.3 None

Background Documents:

Local Government Act 2003
CIPFA Treasury Management Code
CIPFA Prudential Code
CLG MRP Guidance

Appendix 1: Treasury Management Strategy 2015/16

1. INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

CIPFA defines treasury management as:

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

1.2 Reporting requirements

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and Treasury Indicators and Treasury Strategy (this report) - The first, and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

Quarterly Treasury update reports – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit and Governance Committee.

1.3 Treasury Management Strategy for 2015/16

The strategy for 2015/16 covers two main areas:

Capital issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training for Members was provided in 2014/15, further training will be arranged as required during 15/16. The training needs of treasury management officers are periodically reviewed.

1.5 Treasury management consultants

The Council uses Capita Asset Services, Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2. THE CAPITAL PRUDENTIAL INDICATORS 2015/16 – 2017/18

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure £m	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Regeneration	2.266	8.021	2.257	7.130	0.900
Services & Neighbourhood	0.864	0.518	1.152	0.683	0.627
Resources	0.423	0.141	1.050	0.500	0.200
Housing GF	0.734	0.750	0.715	0.715	0.539
Total Non-HRA	4.239	9.430	5.174	9.028	2.266
HRA	6.050	7.109	0	0	0
Total	10.337	16.539	5.174	9.028	2.266

The Council has other long term liabilities which relate to the difference between the Local Government Pension Liabilities and Assets. These do not have any treasury impact on Gloucester City Council as the Pension Fund is managed by Gloucestershire County Council. Therefore, other long term liabilities have been excluded from this strategy.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital expenditure £m	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Total	10.377	16.539	5.174	9.028	2.266
Financed by:					
Capital receipts	2.774	1.196	2.730	0.552	0.385
Capital grants	0.824	0.806	2.234	8.041	1.881
HRA Major repairs	2.100	2.100	0	0	0
HRA Revenue	0	5.009	0	0	0
Net financing need for the year	4.639	7.428	0.210	0.435	0

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

The Council is asked to approve the CFR projections below:

£m	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Capital Financing Requirement					
Total CFR	80.876	24.010	23.565	23.291	22.577
Movement in CFR	4.174	(56.866)	(0.445)	(0.274)	(0.714)

Movement in CFR represented by					
Net financing need for the year (above)	4.639	7.428	0.211	0.435	0
Less MRP/VRP and other financing movements	(464)	(1.544)	(0.656)	(0.709)	(0.714)
Housing Stock Transfer	0	(62.75)	0	0	0
Movement in CFR	4.174	(56.866)	(0.445)	(0.274)	(0.714)

2.3 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

CLG regulations have been issued which require the full Council to approve an **MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision.

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Existing practice** - MRP will follow the existing practice outlined in former CLG regulations (option 1); this option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be:

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3); This option provide for a reduction in the borrowing need over approximately the asset's life.

2.4 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

2.5 Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Ratio	4.56%	4.31%	7.16%	7.36%	7.52%

The estimates of financing costs include current commitments and the proposals in this budget report.

There is an increase in this indicator from 2015/16 onwards which is due to two primary factors. Firstly, the uncertainty in the market around debt premia

mean that not all of the market debt relating to the stock transfer may be paid off immediately. This will create a cost as the stock transfer funds will be reinvested at a lower rate of return than the cost of the market debt. Secondly, the Council has taken on additional borrowing to pay for asset purchases as part of the Kings Quarter Development.

2.6 Incremental impact of capital investment decisions on Council Tax

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

Incremental impact of capital investment decisions on the band D Council Tax

£	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Council Tax - Band D	0.85	-0.86	11.92	1.26	-0.11

3. BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2014, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
External Debt					
Debt at 1 April	76.932	71.142	41.500	30.000	20.000
Expected change in Debt	(5.790)	(29.642)	(11.500)	(10.000)	0
Other long-term liabilities (OLTL)	0	0	0	0	0
Expected change in OLTL	0	0	0	0	0
Actual gross debt at 31 March	71.142	41.500	30.000	20.000	20.000
The Capital Financing Requirement	80.875	24.010	23.565	23.291	22.577
Under / (over) borrowing	9.733	(17.490)	(6.435)	3.291	2.577

At the 31st March 2014 there was an under borrowing of £9.733m compared with the capital financing requirement. The 14/15 estimate is an over borrowed position due to uncertainty in the market around debt premia. The debt structure includes market loans with premia associated to current market conditions. Current uncertainty means that not all of the market debt relating to the stock transfer may be paid off immediately, it will be invested in the short term while the position is reviewed to ensure the Council maximises its return from the stock transfer. While the Council holds market loans associated with the stock transfer, the gross debt will exceed the capital financing requirement.

The Head of Finance reports that the Council will at the most opportune moment pay off market debts and return the Council to an under borrowed position. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational boundary £m	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Debt	45	30	30	30
Other long term liabilities	0	0	0	0
Total	45	30	30	30

The authorised limit for external debt. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit:

Authorised limit £m	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Debt	45	35	35	35
Other long term liabilities	0	0	0	0
Total	45	35	35	35

3.3 Prospects for interest rates

The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view:

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Mar 2015	0.50	2.20	3.40	3.40
Jun 2015	0.50	2.20	3.50	3.50
Sep 2015	0.50	2.30	3.70	3.70
Dec 2015	0.75	2.50	3.80	3.80
Mar 2016	0.75	2.60	4.00	4.00
Jun 2016	1.00	2.80	4.20	4.20
Sep 2016	1.00	2.90	4.30	4.30
Dec 2016	1.25	3.00	4.40	4.40
Mar 2017	1.25	3.20	4.50	4.50
Jun 2017	1.50	3.30	4.60	4.60
Sep 2017	1.75	3.40	4.70	4.70
Dec 2017	1.75	3.50	4.70	4.70
Mar 2018	2.00	3.60	4.80	4.80

UK GDP growth surged during 2013 and the first half of 2014. During the second half of 2014, it has cooled somewhat but still remained strong by UK standards. Growth is likely to strengthen marginally in 2015 and 2016 under the stimulative effect of the fall in oil prices. There still needs to be a significant rebalancing of the economy away from consumer spending to manufacturing, business investment and exporting in order for this recovery to become more firmly established. One drag on the economy has been that wage inflation had only recently started to exceed CPI inflation, so enabling disposable income and living standards to start improving. The plunge in the price of oil brought CPI inflation down to a low of 0.5% in December, the lowest rate since May 2000 and it could even turn negative in the first half of 2015; this will further increase consumer disposable income and so underpin economic growth during 2015. However, labour productivity needs to improve substantially to enable wage rates to increase and further support consumer disposable income and economic growth. In addition, the encouraging rate at which unemployment has been falling must eventually feed through into pressure for wage increases, though current views on the amount of hidden slack in the labour market probably means that this is unlikely to happen early in 2015.

The US, the biggest world economy, has generated stunning growth rates of 4.6% (annualised) in Q2 2014 and 5.0% in Q3, followed by a cooler 2.6% in Q4 (overall 2.4% for 2014 as a whole). This is hugely promising for the outlook for strong growth going forwards and it very much looks as if the US is now firmly on the path of full recovery from the financial crisis of 2008. Consequently, it is now confidently expected that the US will be the first major western economy to start on central rate increases by the end of 2015.

The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- Greece: the general election on 25 January 2015 brought to power a coalition which is strongly anti EU imposed austerity. However, if this should eventually result in Greece leaving the Euro, it is unlikely that this will directly destabilise the Eurozone as the EU has put in place adequate firewalls to contain the immediate fallout to just Greece. However, the indirect effects of the likely strengthening of anti EU and anti austerity political parties throughout the EU is much more difficult to gauge;
- As for the Eurozone in general, concerns in respect of a major crisis subsided considerably in 2013. However, the downturn in growth and inflation during the second half of 2014, and worries over the Ukraine situation and the Middle East, have led to a resurgence of those concerns as risks increase that it could be heading into a prolonged period of deflation and very weak growth. Sovereign debt difficulties have not gone away and major concerns could return in respect of individual 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 to levels that could result in a loss of investor confidence in the financial viability of such countries. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2015/16 and beyond;
- Borrowing interest rates have been highly volatile during 2014 and early 2015 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. The opening weeks of 2015 saw gilt yields dip to historically phenomenally low levels after inflation plunged, a flight to quality as a result of the Greek situation and the start of a huge programme of quantitative easing (purchase of EZ government debt), by the ECB in January 2015. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt;

- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

3.4 Borrowing strategy

The Council is moving from an under to an over borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has been fully funded with loan debt, additional funds will be reinvested reducing the gap between cost of loans and interest received. This strategy is prudent as existing debt premia is high, yet forecast to reduce in future years.

Against this background and the risks within the economic forecast, caution will be adopted with the 2015/16 treasury operations. The Head of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered subject to debt premia.
- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast*, perhaps arising from a greater than expected increase in the anticipated rate to US tapering of asset purchases, or in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

3.5 Treasury management limits on activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs/ improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

£m	2015/16	2016/17	2017/18
Interest rate exposures			
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	100%	100%	100%
Maturity structure of fixed interest rate borrowing 2015/16			
	Lower	Upper	
Under 12 months	0%	50%	
12 months to 2 years	0%	50%	
2 years to 5 years	0%	50%	
5 years to 10 years	0%	80%	
10 years and above	0%	80%	
Maturity structure of variable interest rate borrowing 2015/16			
	Lower	Upper	
Under 12 months	0%	100%	
12 months to 2 years	0%	100%	
2 years to 5 years	0%	100%	
5 years to 10 years	0%	80%	
10 years and above	0%	50%	

3.6 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. The Council will be in an over borrowed position in the short term, the intended policy is to return the Council to an under borrowed position at the earliest opportunity.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.7 Debt rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;

- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the Cabinet, at the earliest meeting following its action.

3.8 Municipal Bond Agency

It is likely that the Municipal Bond Agency, currently in the process of being set up, will be offering loans to local authorities in the near future. It is also hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority intends to make use of this new source of borrowing as and when appropriate.

4. ANNUAL INVESTMENT STRATEGY

4.1 Introduction: changes to credit rating methodology

The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. More recently, in response to the evolving regulatory regime, the agencies have indicated they may remove these "uplifts". This process may commence during 2014/15 and / or 2015/16. The actual timing of the changes is still subject to discussion, but this does mean immediate changes to the credit methodology are required.

It is important to stress that the rating agency changes do not reflect any changes in the underlying status of the institution or credit environment, merely the implied level of sovereign support that has been built into ratings through the financial crisis. The eventual removal of implied sovereign support will only take place when the regulatory and economic environments have ensured that financial institutions are much stronger and less prone to failure in a financial crisis.

Both Fitch and Moody's provide "standalone" credit ratings for financial institutions. For Fitch, it is the Viability Rating, while Moody's has the Financial Strength Rating. Due to the future removal of sovereign support from institution assessments, both agencies have suggested going forward that these will be in line with their respective Long Term ratings. As such, there is no point monitoring both Long Term and these "standalone" ratings.

Furthermore, Fitch has already begun assessing its Support ratings, with a clear expectation that these will be lowered to 5, which is defined as "A bank for which there is a possibility of external support, but it cannot be relied upon." With all institutions likely to drop to these levels, there is little to no differentiation to be had by assessing Support ratings.

As a result of these rating agency changes, the credit element of our future methodology will focus solely on the Short and Long Term ratings of an institution. Rating Watch and Outlook information will continue to be assessed where it relates to these categories. This is the same process for Standard & Poor's that we have always taken, but a change to the use of Fitch and Moody's ratings. Furthermore, we will continue to utilise CDS prices as an overlay to ratings in our new methodology.

4.2 Investment policy

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk.

Continuing regulatory changes in the banking sector are designed to see greater stability, lower risk and the removal of expectations of Government financial support should an institution fail. This withdrawal of implied sovereign support is anticipated to have an effect on ratings applied to institutions. This will result in the key ratings used to monitor counterparties being the Short Term and Long Term ratings only. Viability, Financial Strength and Support Ratings previously applied will effectively become redundant. This change does not reflect deterioration in the credit environment but rather a change of method in response to regulatory changes.

As with previous practice, ratings will not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Investment instruments identified for use in the financial year are listed in appendix 5.3 under the ‘specified’ and ‘non-specified’ investments categories. Counterparty limits will be as set through the Council’s treasury management practices – schedules.

4.3 Creditworthiness policy

This Council applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody’s and Standard and Poor’s. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years *
- Dark pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
- Light pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

	Colour (and long term rating where applicable)	Money and/or % Limit	Time Limit
Banks	yellow	£5m	5yrs
Banks	purple	£5m	2 yrs
Banks	orange	£5m	1 yr
Banks – part nationalised	blue	£5m	1 yr
Banks	red	£5m	6 mths
Banks	green	£5m	100 days
Banks	No colour	Not to be used	
Limit 3 category – Council’s banker (not meeting Banks 1)	XXX	100 %	1 day
DMADF	AAA	unlimited	6 months
Local authorities	n/a	100 %	1yrs
	Fund rating	Money and/or % Limit	Time Limit
Money market funds	AAA	100 %	liquid
Enhanced money market funds with a credit score of 1.25	Dark pink / AAA	100 %	liquid
Enhanced money market funds with a credit score of 1.5	Light pink / AAA	100 %	liquid

Our creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalent) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of our creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on sovereign support for banks and the credit ratings of that supporting government.

4.4 Country limits

The Council has determined that it will only use approved counterparties other countries (where the approved counterparties from outside of the UK are from countries with a minimum sovereign credit rating of AAA from Fitch or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.5. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

4.5 Investment strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Investment returns expectations. Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 4 of 2015. Bank Rate forecasts for financial year ends (March) are:

- 2015/16 0.75%
- 2016/17 1.25%
- 2017/18 2.00%

There are downside risks to these forecasts (i.e. start of increases in Bank Rate occurs later) if economic growth weakens. However, should the pace of growth quicken, there could be an upside risk.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next eight years are as follows:

- 2015/16 0.60%
- 2016/17 1.25%
- 2017/18 1.75%
- 2018/19 2.25%
- 2019/20 2.75%
- 2020/21 3.00%
- 2021/22 3.25%
- 2022/23 3.25%
- Later years 3.50%

Investment treasury indicator and limit - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit: -

Maximum principal sums invested > 364 days			
£m	2015/16	2016/17	2017/18
Principal sums invested > 364 days	£m Nil	£m Nil	£m Nil

4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

5. APPENDICES

1. Interest rate forecasts
2. Economic background
3. Treasury management practice 1 – credit and counterparty risk management
4. Approved countries for investments
5. Treasury management scheme of delegation
6. The treasury management role of the section 151 officer

5.1 APPENDIX: Interest Rate Forecasts 2015 – 2018

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Capita Asset Services Interest Rate View													
	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank Rate View	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	1.75%	2.00%
3 Month LIBID	0.50%	0.50%	0.60%	0.80%	0.90%	1.10%	1.10%	1.30%	1.40%	1.50%	1.80%	1.90%	2.10%
6 Month LIBID	0.70%	0.70%	0.80%	1.00%	1.10%	1.20%	1.30%	1.50%	1.60%	1.70%	2.00%	2.10%	2.30%
12 Month LIBID	0.90%	1.00%	1.10%	1.30%	1.40%	1.50%	1.60%	1.80%	1.90%	2.00%	2.30%	2.40%	2.60%
5yrPW IB Rate	2.20%	2.20%	2.30%	2.50%	2.60%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.60%
10yrPW IB Rate	2.80%	2.80%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yrPW IB Rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
50yrPW IB Rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
Bank Rate													
Capita Asset Services	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	1.75%	2.00%
Capital Economics	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	-	-	-	-	-
5yrPW IB Rate													
Capita Asset Services	2.20%	2.20%	2.30%	2.50%	2.60%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.60%
Capital Economics	1.80%	2.05%	2.30%	2.55%	2.80%	2.80%	3.05%	3.05%	-	-	-	-	-
10yrPW IB Rate													
Capita Asset Services	2.80%	2.80%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
Capital Economics	2.30%	2.55%	2.55%	2.80%	3.05%	3.05%	3.30%	3.30%	-	-	-	-	-
25yrPW IB Rate													
Capita Asset Services	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
Capital Economics	2.95%	3.15%	3.15%	3.50%	3.90%	3.90%	4.15%	4.15%	-	-	-	-	-
50yrPW IB Rate													
Capita Asset Services	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
Capital Economics	3.10%	3.30%	3.30%	3.60%	4.00%	4.00%	4.30%	4.30%	-	-	-	-	-
Please note – The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012													

5.2 APPENDIX: Economic Background

UK. After strong UK GDP growth in 2013 at an annual rate of 2.7%, and then growth in 2014 of 0.6% in Q1, 0.8% Q2, 0.7% Q3 and 0.5% Q4 (annual rate for 2014 of 2.6%), there are good grounds for optimism that growth could pick back up again during 2015 after cooling towards the end of 2014, as the positive effects from the fall in the price of oil feeds through to consumers and other parts of the economy. For this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance. This overall strong growth has resulted in unemployment falling much faster than expected. The MPC is not expected to take any action for at least the first half of 2015 as inflation could even turn negative in this period. However, even if oil was to remain at around the \$50-60 per barrel price throughout all of 2015, the positive effect of the initial drop in price during Q4 2014 will fall out of the twelve month calculation of CPI towards the end of the year, leaving inflation vulnerable to a sharp jump upwards. The MPC will also be keeping alert as to how quickly slack in the economy is being used up, especially as unemployment continues to fall. It will also be monitoring how strong a stimulative effect the drop in oil prices has on the economy as falling inflation will be comfortably exceeded by wage increases meaning that the disposable incomes of consumers will recover strongly during 2015. One continuing area of weakness in the UK economy is the need for a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates after the positive effect of the fall in oil prices dissipates. Unemployment is expected to keep on its downward trend and this is likely to feed through into a return to significant increases in wage growth at some point during the next few years. However, just how much those increases in pay rates will counteract the dampening effect of stepped increases in Bank Rate, albeit at a slow rate, on consumer confidence, consumer expenditure and the buoyancy of the housing market, is open to conjecture.

Also encouraging has been the sharp fall in inflation (CPI), reaching 1.0% in November 2014 and then halving to 0.5% in December, the lowest rate since May 2000. Forward indications are that inflation could turn negative during the earlier part of 2015; however, the MPC is focused on where inflation will be over a 2 – 3 year time horizon so too much emphasis should not be placed on the short term outlook in terms of the risks around when Bank Rate is likely to start increasing. The return to strong growth has helped lower forecasts for the increase in Government debt over the last year but monthly public sector deficit figures during 2014 have disappointed, being only a fraction lower than the previous year through to December 2014. The autumn statement, therefore, had to revise the speed with which the deficit is forecast to be eliminated. The flight to quality in January 2015 has seen gilt yields fall to incredibly low levels, reducing interest costs on new and replacement government debt.

Eurozone (EZ). The Eurozone is facing an increasing threat from weak or negative growth and from deflation. In January 2015, the inflation rate fell further, to reach a low of -0.6%. However, this is an average for all EZ countries and includes some countries with even higher negative rates of inflation. Initially, the ECB took some rather limited action in June and September 2014 to loosen monetary policy in order to promote growth. As this failed to have much of a discernible effect, the ECB launched a massive €1.1 trillion programme of quantitative easing in January 2015 to buy up high credit quality government debt of selected EZ countries. This programme will run to September 2016.

Concern in financial markets for the Eurozone had subsided considerably after the prolonged crisis during 2011-2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address 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 for some countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. The ECB's pledge in 2012 to buy unlimited amounts of bonds of countries which ask for a bailout has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2013 figures) of Greece 180%, Italy 133%, Portugal 129%, Ireland 124% and Cyprus 112%, remain a cause for concern, especially as some of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. these debt ratios are likely to continue to deteriorate. Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US.

Greece: the general election on 25 January 2015 has brought to power a coalition which is anti EU imposed austerity. Although it is not certain that Greece will leave the Euro, the recent intractability of the troika (the EU, ECB and IMF), to finding a negotiated compromise with the new Greek government leaves this as a real possibility. However, if Greece was to leave the EZ, it is unlikely that this will directly destabilise the Eurozone as the EU has put in place adequate firewalls to contain the immediate fallout to just Greece. Nevertheless, the indirect effects of the likely strengthening of anti EU and anti austerity political parties throughout the EU is much more difficult to gauge. There are particular concerns as to whether democratically elected governments will lose the support of electorates suffering under EZ imposed austerity programmes, especially in countries which have high unemployment rates. Of particular concern is the fact that Spain and Portugal have general elections coming up in late 2015. This will give ample opportunity for anti austerity parties to make a big impact.

There are also major concerns as to whether the governments of France and Italy will effectively implement austerity programmes and undertake overdue reforms to improve national competitiveness. These countries already have political parties with major electoral support for anti EU and anti austerity policies. Any loss of market confidence in either of the two largest Eurozone economies, after Germany, would present a huge challenge to the resources of the ECB to defend their debt.

USA. The U.S. Federal Reserve ended its monthly asset purchases in October 2014. GDP growth rates (annualised) for Q2 of 4.6%, Q3 of 5.0% and Q4 of 2.6%, (overall 2.4% during 2014 as a whole), provides great promise for strong growth going forward. It is confidently forecast that the first increase in the Fed. rate will occur by the end of 2015.

China. Government action in 2014 to stimulate the economy almost succeeded in achieving the target of 7.5% growth but recent government statements have emphasised that growth going forward will slow marginally as this becomes the new normal for China. There are concerns that the Chinese leadership has only just started to address an unbalanced economy, which is heavily over dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it

did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

Japan. Japan is causing considerable concern as the increase in sales tax in April 2014 has suppressed consumer expenditure and growth to the extent that it has slipped back into recession. The Japanese government already has the highest debt to GDP ratio in the world.

CAPITA ASSET SERVICES FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data transpires over 2015. Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.

The overall longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

The interest rate forecasts in this report are based on an initial assumption that there will not be a major resurgence of the EZ debt crisis. There is an increased risk that Greece could end up leaving the Euro but if this happens, the EZ now has sufficient fire walls in place that a Greek exit would have little immediate direct impact on the rest of the EZ and the Euro. It is therefore expected that there will be an overall managed, albeit painful and tortuous, resolution of any EZ debt crisis that may occur 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 weak at best for the next couple of years with some EZ countries experiencing low or negative growth, which will, over that time period, see an increase in total government debt to GDP ratios. There is a significant danger that these ratios could rise to the point where markets lose confidence in the financial viability of one, or more, countries, especially if growth disappoints and / or efforts to reduce government deficits fail to deliver the necessary reductions. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a sharp 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.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK strong economic growth is weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Monetary policy action failing to stimulate sustainable growth and to combat the threat of deflation in western economies, especially the Eurozone and Japan.

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include:-

- An adverse reaction by financial markets to the result of the UK general election in May 2015 and the economic and debt management policies adopted by the new government.
- The ECB severely disappointing financial markets with a programme of asset purchases which proves insufficient to significantly stimulate growth in the EZ.
- The commencement by the US Federal Reserve of increases in the Fed. funds rate in 2015, causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

5.3 APPENDIX: Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum ‘high’ quality criteria where applicable.

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. A maximum of 50% ** will be held in aggregate in non-specified investment

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum credit criteria / colour band	** Max % of total investments/ £ limit per institution	Max. maturity period
DMADF – UK Government	N/A	100%	6 months
UK Government gilts	UK sovereign rating	50%	5 years
UK Government Treasury blls	UK sovereign rating	50%	5 years
Bonds issued by multilateral development banks	AAA (or state your criteria if different)	50%	6 months
Money market funds	AAA	100%	Liquid
Enhanced money market funds with a credit score of 1.25	AAA	100%	Liquid
Enhanced money market funds with a credit score of 1.5	AAA	100%	Liquid
Local authorities	N/A	100%	1 years
Term deposits with banks and building societies	Yellow Purple Blue Orange Red Green	£5M £5M £5M £5M £5M 0	Up to 5 years Up to 2 years Up to 1 year Up to 1 year Up to 6 Months

	No Colour		Up to 100 days Not for use
CDs or corporate bonds with banks and building societies	Yellow Purple Blue Orange Red Green No Colour	0 0 0 0 0 0	Up to 5 years Up to 2 years Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use
Corporate bond funds		Nil	
Gilt funds	UK sovereign rating	Nil	
Property funds		Nil	

5.4 APPENDIX: Approved countries for investments

Based on lowest available rating

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- Hong Kong
- Netherlands
- U.K.
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qatar

AA-

- Belgium
- Saudi Arabia

5.5 APPENDIX: Treasury management scheme of delegation

(i) Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Committees/Council

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Person(s) with responsibility for scrutiny

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

5.6 APPENDIX: The treasury management role of the section 151 officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

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Gloucester City Council

Meeting:	Audit and Governance Committee	Date:	16 March 2015
	Cabinet		25 March 2015
Subject:	Treasury Management Update – Quarter 3 Report 2014/15		
Report Of:	Cabinet Member for Performance and Resources		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Jon Topping, Head of Finance		
	Email:	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 3, 1st October 2014 to 31st December 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 3 ;
 - **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 3.
 - **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, subject to any recommendations it wishes to make to Cabinet, to note the contents of the report.

2.2 Cabinet 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 5th March 2014. 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 £7.02m. 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.

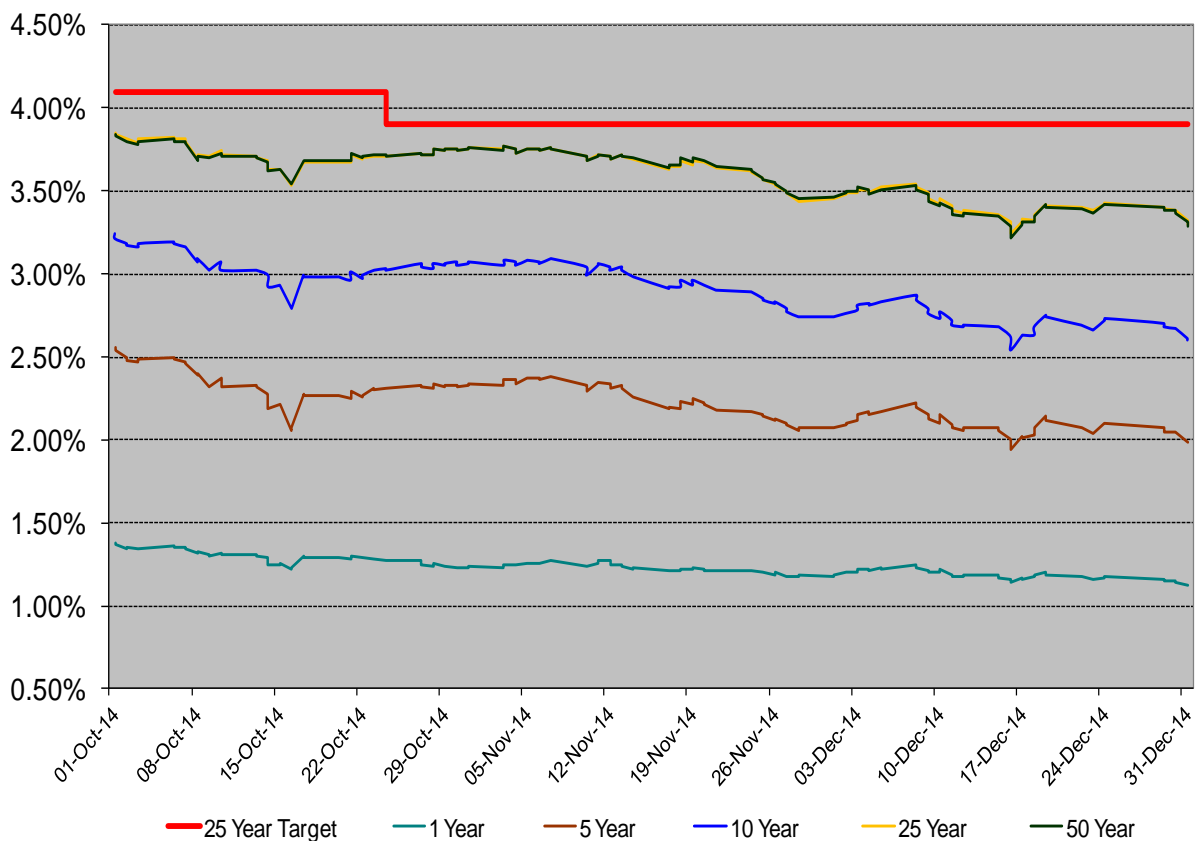
4.0 New Borrowing

4.1 The 25 year PWLB (Public Works Loan Board) target (certainty) rate for new long term borrowing for the quarter fell from 4.10% to 3.9% in late October.

4.2 No long term borrowing was undertaken during the quarter.

4.3 PWLB certainty rates, quarter ended 31st December 2014

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.12%	1.94%	2.54%	3.24%	3.22%
Date	31/12/2014	16/12/2014	16/12/2014	16/12/2014	16/12/2014
High	1.38%	2.56%	3.24%	3.85%	3.84%
Date	01/10/2014	01/10/2014	01/10/2014	01/10/2014	01/10/2014
Average	1.24%	2.23%	2.91%	3.60%	3.60%



4.4 Borrowing in advance of need.

The Council has not borrowed in advance of need during the quarter ended 31st December 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 December 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.
- 7.3 The Council will continue to monitor its approach to under borrowing in light of market movement and future events. In quarter four, the Council will complete the stock transfer of assets to Gloucester City Homes. In exchange the Government will write off a proportion of the Council debt. On transfer the Council debt landscape will alter, we will continue to monitor our position in light of the changes.

8.0 Financial Implications

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

9.0 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

11.0 People Impact Assessment (PIA):

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

12.0 Other Corporate Implications Community Safety

- 12.1 None

Sustainability

- 12.2 None

Staffing & Trade Union

- 12.3 None

Prudential and Treasury Indicators as at 31st December 2014

Treasury Indicators	2014/15 Strategy	Quarter 3 Actual
Authorised limit for external debt	£86M	£76.45m
Operational boundary for external debt	£85M	£76.45m
Gross external debt	£86M	£76.45m
Net borrowing	£86m	£75.45m
Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	0% - 50%	49.20%
12 months to 2 years	0% - 50%	8.61%
2 years to 5 years	0% - 50%	8.61%
5 years to 10 years	0% - 50%	5.38%
10 years to 20 years *1	0% - 80%	6.67%
20 years to 30 years *1	0% - 80%	21.53%
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%	60.76%
Upper limit of variable interest rates based on net debt *2		
Upper limit of variable interest rates based on net debt *2	100%	39.24%
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 3 Actual
Capital expenditure * <ul style="list-style-type: none"> • HRA • GF 	£7.100m £6.882m	£4.476m £7.729m

Investment Portfolio

Investments held as at 31st December 2014 compared to our counterparty list:

Name	£'000	Date of Redemption	Counterparty Limits
Natwest	50	N/A (Call A/cs)	£5M
Goldman Sachs	1,000	N/A (Call A/cs)	£5M

1. Economic Background

- After strong UK GDP(Gross Domestic Product) growth in 2013 at an annual rate 2.7%, and then in 2014 0.7% in Q1, 0.9% in Q2 2014 (annual rate 3.2% in Q2), Q3 has seen growth fall back to 0.7% in the quarter and to an annual rate of 2.6%. It therefore appears that growth has eased since the surge in the first half of 2014 leading to a downward revision of forecasts for 2015 and 2016, albeit that growth will still remain strong by UK standards. For this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance. This overall strong growth has resulted in unemployment falling much faster than expected. The MPC (Monetary Policy Committee) is now focusing on how quickly slack in the economy is being used up. It is also particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back significantly above the level of inflation in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Unemployment is expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in wage growth at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.
- Also encouraging has been the sharp fall in inflation (CPI) Consumer Price Index, reaching 1.0% in November, the lowest rate since September 2002. Forward indications are that inflation is likely to remain around or under 1% for the best part of a year. The return to strong growth has helped lower forecasts for the increase in Government debt over the last year but monthly public sector deficit figures during 2014 have disappointed until November. The autumn statement, therefore, had to revise the speed with which the deficit is forecast to be eliminated.
- The U.S. Federal Reserve ended its monthly asset purchases in October 2014. GDP growth rates (annualised) for Q2 and Q3 of 4.6% and 5.0% have been stunning and hold great promise for strong growth going forward. It is therefore confidently predicted that the first increase in the Fed. rate will occur by the middle of 2015.
- The Eurozone is facing an increasing threat from deflation. In November the inflation rate fell to 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB (European Central Bank) did take some rather limited action in June and September to loosen monetary policy in order to promote growth and is currently expected to embark on quantitative easing early in 2015 to counter this threat of deflation and to stimulate growth.

2. Interest Rate Forecast

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

	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank rate	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	1.75%	2.00%
5yr PWLB rate	2.20%	2.20%	2.30%	2.50%	2.60%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.60%
10yr PWLB rate	2.80%	2.80%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PWLB rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
50yr PWLB rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%

Capita Asset Services undertook a review of its interest rate forecasts on 5 January 2015 after a proliferation of fears in financial markets around the plunge in the price of oil had caused a flight from equities into bonds and from exposure to the debt and equities of emerging market oil producing countries to safe havens in western countries. These flows were compounded by further fears that Greece could be heading towards an exit from the Euro after the general election on January 25 and financial flows generated by the increasing likelihood that the ECB would soon be starting on full blown quantitative easing (QE) purchase of Eurozone government debt. In addition, there has been a sharp increase in confidence that the US will start increasing the Fed. rate by the middle of 2015 due to the stunning surge in GDP growth in quarters 2 and 3 of 2014. This indicated that the US is now headed towards making a full recovery from the financial crisis of 2008.

The result of the combination of the above factors is that we have seen bond yields plunging to phenomenally low levels, especially in long term yields. These falls are unsustainable in the longer term but just how quickly these falls will unwind is hard to predict. In addition, positive or negative developments on the world political scene could have a major impact in either keeping yields low or prompting them to recover back up again. We also have a UK general election coming up in May 2015; it is very hard to predict what its likely result will be and the consequent impact on the UK economy, and how financial markets will react to those developments.

This latest forecast includes a move in the timing of the first increase in Bank Rate from quarter 2 of 2015 to quarter 4 of 2015 as a result of the sharp fall in inflation due to the fall in the price of oil and the cooling of the rate of GDP growth in the UK, albeit, that growth will remain strong by UK standards, but not as strong as was previously forecast. The Governor of the Bank of England, Mark Carney, has repeatedly stated that increases in Bank Rate will be slow and gradual. The MPC is concerned about the impact of increases on many heavily indebted consumers, especially when average disposable income is only currently increasing marginally as a result of wage inflation now running slightly above the depressed rate of CPI inflation, though some consumers will not have seen that benefit come through for them. In addition, whatever party or coalition wins power in the next general election, will be faced with having to implement further major cuts in expenditure and / or increases in taxation in order to eradicate the annual public sector net borrowing deficit.

DETAILED COMMENTARY ON INTEREST RATES FORECASTS

- Change in market sentiment and outlook
- The plunge in the price of oil has been the major surprise of the last three months. This will reduce inflation and stimulate the economies of oil importing countries.
- There is a downside to the plunge in oil prices in terms of a sharp increase in the risk of emerging country debt default and emerging country oil producing corporate defaults. This could have a knock on effect on western banks who have lent to these areas and to hedge, pension and investment funds which have been wrong footed by holding debt or equities in these areas.
- Greece: the anti EU and anti austerity party Syriza is likely to be the strongest party in the January 25 general election. However, the Eurozone has put in place sufficient firewalls that a Greek exit would have little direct impact on the rest of the EZ and the Euro. The indirect effect is more problematic to quantify as such an election result would be likely to strengthen support for anti EU and anti austerity political parties in many EU countries. Italy is the greatest risk as it has the third biggest debt mountain in the world and has shown little progress so far in undertaking fundamental reforms to improve the competitiveness of the economy.
- UK GDP growth forecasts have recently been more subdued although growth will still remain strong, but not as strong as previously expected.
- The political risks around the UK general election in May 2015 have increased with the likely result now being very hard to predict.
- A combination of the above factors has caused us to put back the start of increases in Bank Rate from Q2 2015 to Q4 with knock on delays on increases in following years.
- We have also had to bring our short term PWLB forecasts down to reflect current abnormally low levels which are unsustainably low. However, how quickly or slowly they will unwind is very hard to predict.

The one area of resoundingly good news over the last three months has been that the American economy is well on track to making a full recovery from the financial crash. GDP growth rates (annualised) for Q2 and Q3 of 4.6% and 5.0% have been stunning and hold great promise for strong growth going forward and further falls in unemployment. It is therefore confidently predicted that the Fed. will start on the first increase in the Fed. rate by the middle of 2015. In contrast, the surge in UK growth during 2014 appears to have diminished (Q1 0.7%, Q2 0.9%, Q3 0.7%) and the year on year rate has subsided from 3.2% in Q2 to 2.6% in Q3. Forward indicators are also revealing some cooling of prospects going forward, though lets still keep hold of the fact that this remains strong growth by UK standards, but not as strong as previously forecast.

In consequence, it is now the US which is most likely to be putting central rates up before the UK. The prospects for the UK are somewhat mixed. The hoped for rebalancing of the economy towards greater reliance on exports is not happening and the UK faces an uphill struggle with its main trading partner, the EU now expected to resort to full blown quantitative easing (QE) early in 2015 in order to stimulate the economy to rise above near stagnation. However, UK consumer confidence is still buoyant although the housing market looks as if it is also cooling with house price rises and new mortgage approvals both subsiding. UK consumers are obviously benefiting from the fall in the oil price with overall inflation falling to 1.0% in

November, the lowest rate since September 2002. It is also forecast to stay around the same level for the best part of a year.

Nevertheless, the beneficial effect of the fall in oil prices will fall out after twelve months, so inflation will rise as a result after then, although it is still expected to remain at or near 2%. What this does mean, however, is that average wage increases are likely to exceed inflation for the coming year and so increase the disposable income of consumers. This, in turn, will underpin domestic demand and support GDP growth. Looking further forward, whichever political party or coalition comes to power after the general election in May 2015 will still have to decide what balance of government spending cuts and / or tax increases will be needed to bring the public sector net borrowing deficit down. This will likely mean an erosion of overall consumer disposable income although further falls in unemployment will counteract some of this effect. The Bank of England therefore faces an incredibly delicate task of balancing the pros and cons of when to start on increasing Bank Rate, especially knowing that many consumers are still heavily indebted and very vulnerable to increases in borrowing rates.

A further factor affecting financial markets and the confidence of UK producers is the increase in political risk. The UK faces a general election where the outcome looks very hard to predict as to the knock on effects on the UK economy.

As for the MPC, their last minutes appeared to show a consolidation of support for holding off on increasing Bank Rate due to the fall in inflation caused by the fall in oil prices. They will also be focusing in 2015 on how quickly wage inflation increases and said it needed to pick up further in order to meet the 2% inflation target. This resulted in financial market investors pushing back their bets on the timing of the next interest rate hike to late 2015 / early 2016. Our view has also shifted in this forecast to a first increase in Q4 2015 rather than Q2 2015.

CAPITA ASSET SERVICES FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data transpires over 2015. Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.

The overall longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

The interest rate forecasts in this report are based on an initial assumption that there will not be a major resurgence of the EZ debt crisis. There is an increased risk that Greece could end up leaving the Euro but if this happens, the EZ now has sufficient fire walls in place that a Greek exit would have little immediate direct impact on the rest of the EZ and the Euro. It is therefore expected that there will be an overall managed, albeit painful and tortuous, resolution of any EZ

debt crisis that may occur 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 weak at best for the next couple of years with some EZ countries experiencing low or negative growth, which will, over that time period, see an increase in total government debt to GDP ratios. There is a significant danger that these ratios could rise to the point where markets lose confidence in the financial viability of one, or more, countries, especially if growth disappoints and / or efforts to reduce government deficits fail to deliver the necessary reductions. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a sharp 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.

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.
- Fears generated by the potential impact of Ebola around the world.
- UK strong economic growth is currently mainly dependent on consumer spending and the potentially unsustainable boom in the housing market. The boost from these sources is likely to fade after the strong surge in growth in the first half of 2014.
- A weak rebalancing of UK growth to exporting and business investment causing a weakening of overall economic growth beyond 2014.
- Weak growth or recession in the UK's main trading partner - the EU, inhibiting economic recovery in the UK.
- A return to weak economic growth in the US, UK and China causing major disappointment in investor and market expectations.
- A resurgence of the Eurozone sovereign debt crisis caused by ongoing deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial viability of one or more countries and in the ability of the ECB and Eurozone governments to deal with the potential size of the crisis.
- Recapitalisation 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 face major challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- Italy: the political situation has improved but it remains to be seen whether the new government is able to deliver the austerity programme required and a programme of overdue reforms. Italy has the third highest government debt mountain in the world.
- France: after being elected on an anti austerity platform, President Hollande has embraced a €50bn programme of public sector cuts over the next three years. However, there could be major obstacles in implementing this programme. Major overdue reforms of employment practices and an increase in competitiveness are also urgently required to lift the economy out of stagnation.
- Monetary policy action failing to stimulate sustainable growth and to combat the threat of deflation in western economies, especially the Eurozone and Japan.

- Heightened political risks in the Middle East and East Asia could trigger safe haven flows into bonds.
- There are also increasing concerns at the reluctance of western central banks to raise interest rates significantly for some years, plus the huge QE measures which remain in place (and likely to be added to by the ECB in the near future). This 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 to a similar environment to the one which led to the 2008 financial crisis.

The potential for upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- An adverse reaction by financial markets to the result of the UK general election in May 2015 and the economic and debt management policies adopted by the new government
- ECB either failing to carry through on recent statements that it will soon start quantitative easing (purchase of government debt) or severely disappointing financial markets with embarking on only a token programme of minimal purchases which are unlikely to have much impact, if any, on stimulating growth in the EZ. (It should be noted that the Bundesbank and most German politicians have been very opposed to the concept of QE.)
- A sudden reversal of Russian policy on military intervention in eastern Ukraine caused by the likelihood of, or actual, severe damage done to the Russian economy by a prolonged depression in oil prices and by sanctions.
- A sudden reversal of Iranian policy on developing militarised nuclear capability caused by the likelihood of, or actual, severe damage done to the Iranian economy by a prolonged depression in oil prices and by sanctions.
- The commencement by the US Fed. of increases in the central rate in 2015 causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities, leading to a sudden flight from bonds to equities
- A surge in investor confidence that a return to robust world economic growth is imminent, causing a flow of funds out of bonds into equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

We would, however, remind clients of the view that we have expressed in our previous interest rate revision newsflashes of just how unpredictable PWLB rates and bond yields are at present. We are experiencing exceptional levels of volatility which are highly correlated to geo-political and sovereign debt crisis developments. Our revised forecasts are based on the Certainty Rate (minus 20 bps) which has been accessible to most authorities since 1st November 2012.

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Gloucester City Council
Audit and Governance Work Programme 2014-15
(updated 04 March 2015)

Item	Format	Lead Officer	Comments
22 June 2015:			
1. Audit and Governance Committee Action Plan	Timetable	-----	Standing agenda item requested by the Committee
2. Position Statement on Statement of Accounts	Verbal report	Head of Finance	Part of the Committee's annual work programme
3. Combined Heat and Power Installation at GL1	Verbal Report	Asset Manager	Part of the Committee's annual work programme
4. IT Performance Report	Written Report	Head of Business Improvement	Part of the Committee's annual work programme
5. Peer Review Action Plan Quarterly Update	Written Report	Head of Business Improvement	Standing agenda item requested by the Committee
6. Internal Audit Plan- Quarterly Monitoring Report	Written Report	Audit, Risk and Assurance Manager	Part of the Committee's annual work programme
7. Internal Audit Annual Report 2014-2015	Written Report	Audit, Risk and Assurance Manager	Part of the Committee's annual work programme
8. Review of Effectiveness of Internal Audit	Written Report	Audit, Risk and Assurance Manager	Part of the Committee's annual work programme
9. Treasury Management Performance	Written Report	Head of Finance/ Management Accountant	Part of the Committee's annual work programme

10. Draft Annual Governance Statement	Written Report	Head of Finance	Part of the Committee's annual work programme
11. Annual Complaints Monitoring Report	Written Report	Monitoring Officer	Part of the Committee's annual work programme
12. Annual Standards Report	Written Report	Monitoring Officer	Part of the Committee's annual work programme
13. Business Rates Pooling Annual Report	Written Report	Head of Finance	Part of the Committee's annual work programme
14. Annual Report of the Audit Committee	Written Report	Audit, Risk and Assurance Manager	Part of the Committee's annual work programme
15. Audit and Governance Committee Work Programme	Timetable	-----	Standing Agenda Item

FUTURE AGENDA ITEMS (NO DATE FIXED YET):

- Council IT – Lessons Learned

FUTURE AUDIT & GOVERNANCE COMMITTEE MEETING DATES:

- Monday, 21 September 2015



Meeting:	Audit & Governance Committee	Date:	16 March 2015
	Cabinet		25 March 2015
Subject:	Strategic Risk Register		
Report Of:	Cabinet Member for Performance and Resources		
Wards Affected:	All Wards		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Stephanie Payne – Audit, Risk Management and Value for Money Officer		
	Email: stephanie.payne@gloucester.gov.uk Tel: 396432		
Appendices:	1: Strategic Risk Register as at 24th February 2015 – for general release		
	2: Strategic Risk Register as at 24th February 2015 – exempt item (paragraph 7)		

EXEMPTIONS

The public are likely to be excluded from the meeting during consideration of part of this report as it contains exempt information as defined in paragraph 7 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended).

1.0 Purpose of Report

1.1 To present the Strategic Risk Register to Members for their awareness and consideration.

2.0 Recommendations

2.1 Audit & Governance Committee is asked to **RECOMMEND** that the Strategic Risk Register be noted and endorsed.

2.2 Cabinet is asked to **RESOLVE** that the Strategic Risk Register be noted and endorsed.

3.0 Background and Key Issues

3.1 Risk management is a core part of the Council's corporate governance framework and internal control environment. It is one of the six core principles within the Council's Code of Governance (part of the Council Constitution) –

'taking informed and transparent decisions which are subject to effective scrutiny and managing risk'.

- 3.2 The Council Risk Management Strategy provides the framework for the effective management of risks and opportunities within the Council, supports decision making at all levels, and aids delivery of the Council Plan priorities and objectives. The Strategy also includes the process for monitoring and reporting of strategic risks. The Risk Management Strategy was last updated and approved by Members in January 2015.
- 3.3 The Risk Management Strategy requires the Council to assess risks at a strategic level through documentation and management of the Strategic Risk Register. The Strategic Risk Register is owned and formally reviewed by Senior Management Team (SMT) on a monthly basis. Strategic risk owners are at SMT level.
- 3.4 A new requirement of the updated Risk Management Strategy is for Member receipt and endorsement of the Strategic Risk Register on a biannual basis by the Audit & Governance Committee and Cabinet. This is to enable Member awareness of the strategic risks facing the Council and the impact on decisions to be made by the Council.
- 3.5 This report is the first Strategic Risk Register update to Members, following Member approval of the updated Risk Management Strategy in January 2015.

4.0 Strategic Risk Register – position and review

- 4.1 The process for officer review and update of the Strategic Risk Register includes:
 - Update of individual strategic risks by designated risk owners on an ongoing basis (including risk scores, current control position, mitigating action position timing)
 - Monthly formal review of the Strategic Risk Register by SMT, including review & challenge of current strategic risks and consideration of potentially emerging strategic risks
 - Administration and update support from the Officer Risk Management Champion (including maintenance of version audit trail)

Operational risk registers are held at service, partnership and project levels. Where operational risks are high scoring or have potential strategic implications, these are also considered through the above process and added to the Strategic Risk Register where appropriate.

- 4.2 The Strategic Risk Register is documented in line with the Risk Management Strategy risk register template and assesses strategic risks over three stages:
 - Original risk score: the impact and likelihood of a risk if no action were taken

- Current risk score: the impact and likelihood of a risk considering current controls in place
- Mitigated risk score: the target risk score, achievable following full implementation of the agreed mitigating actions

Potentially emerging strategic risks (operational risks that may have a future strategic impact) are also documented and considered by SMT within the Strategic Risk Register.

4.3 The Strategic Risk Register was last reviewed and updated by SMT on the 24th February 2015. See Appendix 1 (for general release) and Appendix 2 (exempt under schedule 12A to the Local Government Act 1972 - as amended).

5.0 Alternative Options Considered

5.1 The alternative option is not to present the Strategic Risk Register to Members. This is not compliant with the Council Constitution and the CIPFA: Audit Committees Practical Guidance for Local Authorities and Police (2013). The alternative option does not support strategic risk awareness or informed prudent decision making.

6.0 Reasons for Recommendations

6.1 To support Member awareness of the strategic risks facing the Council and the management of those risks.

6.2 Compliance with Council policy and good practice:

- The Council Constitution confirms that the Leader and Cabinet function is to review the Council's Strategic Risk Register on at least an annual basis. The Constitution includes risk management as an Audit & Governance Committee function and area of responsibility.
- The Council Code of Governance requires the Council to ensure that an effective risk management approach is in place. This is supported by the Council's Constitution and Risk Management Strategy.
- The Council Risk Management Strategy requires the Strategic Risk Register to be reviewed by Members through Audit & Governance Committee and Cabinet on a biannual basis.
- The CIPFA 'Audit Committees – Practical Guidance for Local Authorities & Police (2013)' confirms that the role of an Audit Committee includes keeping up to date with the risk profile of an organisation through regular review of the risk profile and areas of strategic risk.

7.0 Future Work and Conclusions

7.1 SMT will continue to own the Strategic Risk Register and complete formal review on a monthly basis, updating the Strategic Risk Register as appropriate to ensure that it reflects the Council's current risk position.

- 7.2 The next Strategic Risk Register update will be presented to Audit & Governance Committee and Cabinet in September 2015. The subsequent Strategic Risk Register update to Members will be captured within the Annual Risk Management Report 2015/16.

8.0 Financial Implications

- 8.1 Review and update of the Strategic Risk Register is completed by responsible officers and Members and delivered within existing resources.
- 8.2 There are a number of risks within the Strategic Risk Register which, if not managed, have the potential to expose the Council to financial costs which are not provided for within existing budgets. The documented current controls and mitigating actions aim to manage the risk of Council exposure to these costs.

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

9.0 Legal Implications

- 9.1 It is fundamental that the Council has and maintains a Risk Management Strategy which considers identification, recording and management of risks to the Council in the delivery of its priorities and objectives.
- 9.2 The existence and application of an effective Risk Management Strategy (including Member review of the Strategic Risk Register and awareness of strategic risks) assists prudent decision making. Failure to identify and manage strategic risks could lead to inappropriate decision making, unnecessary liability and costly legal challenge.

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

10.0 Risk & Opportunity Management Implications

- 10.1 The lack of a robust approach to the management of risks and opportunities could result in inappropriately informed decision making and non achievement of the Council's priorities and objectives at both strategic and service levels.

11.0 People Impact Assessment (PIA):

- 11.1 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:

CIPFA: Audit Committees – Practical Guidance for Local Authorities & Police (2013 edition)

Council Constitution 2014/15

Risk Management Strategy – revised January 2015

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No.	Risk	Original score			Current controls	Current score			Further mitigating action	Timescale	Mitigated score			Risk owner
		Impact	Likelihood	Score		Impact	Likelihood	Score			Impact	Likelihood	Score	
1.	Non achievement of the Money Plan – including the annual savings / income targets and the result of a balanced budget	4	4	16	<p>*Budget setting process – including consultation; management / leadership input into savings targets; and Overview & Scrutiny and Council involvement</p> <p>*Forecasting Money Plan for medium term</p> <p>*Allocation of individual savings/income targets to an SMT sponsor, Cabinet Member and leading senior manager</p> <p>*Rigorous monthly monitoring of the Council’s financial position - monthly income / budget monitoring at budget holder level (Finance led) and by SMT</p> <p>* Financial Services staff professionally qualified in accountancy-related disciplines</p> <p>*Assurance reviews by Internal Audit to ensure compliance with approved policies and procedures</p> <p>*Business Plans aligned with resources and subject to regular review</p>	4	2	8	<p>*Alignment of financial monitoring and performance monitoring (balanced scorecard)</p> <p>*Monthly monitoring of 14/15 budget savings programme lines to confirm details of savings delivery and whether the savings target will be achieved (co-ordinated by Financial Services with detail from savings line owner). Savings line owner (service manager/head of service) to report to SMT where savings non achievement is expected. Monthly formal reporting to SMT on savings position and a weekly verbal update.</p>	<p>From 1 April 15/16 onwards</p> <p>Monthly within 2014/15</p>	4	1	4	<p>S Neal/J Topping</p> <p>Savings line service manager/head of service (accountable officer for savings)</p>

No.	Risk	Original score			Current controls	Current score			Further mitigating action	Timescale	Mitigated score			Risk owner
		Impact	Likelihood	Score		Impact	Likelihood	Score			Impact	Likelihood	Score	
2.	Adverse public and media relations	3	3	9	<ul style="list-style-type: none"> *Dedicated communications and marketing resource *Ongoing media training for members / staff *Regular monitoring of press coverage *Key contacts for liaison with the media (i.e. controlled approach) *Standardised FOI approach *Consultation approach on key areas *Development and delivery of communication strategy (internal and external) to include performance measures *Introduction of FOI Champions *Complaints policy / monitoring *Communications action plan *Publicise that business continuity plans are in place for key services *Digital communications team in place – including objectives, policies and procedures 	3	2	6	<ul style="list-style-type: none"> *Actions identified through ongoing communications group meetings and proactive media review *Controlled, regular meetings with GCC & press / media leads *Development of Council communications forward plan – to include proactive communication and feedback approach with full management team awareness and input *Review of comms service delivery and options for future service delivery *Actioning of social media internal audit review recommendations – including update and re-release of social media policy and guidance (ensuring officer and Member awareness) through NETconsent 	Daily comms team & monthly Council comms meetings Bi monthly 2014/15 Timescale to be agreed in liaison with County Council comms support 31 March 15 31 March 15	2	2	4	S Mullins

No.	Risk	Original score			Current controls	Current score			Further mitigating action	Timescale	Mitigated score			Risk owner
		Impact	Likelihood	Score		Impact	Likelihood	Score			Impact	Likelihood	Score	
3.	Lack of competence, probity and professionalism within the authority leading to diminished performance, inappropriate behaviour, and failure to comply with governance arrangements	3	3	9	<ul style="list-style-type: none"> *Adherence to best practice recruitment and selection procedures and principles *Member and staff training *Complaints monitoring *Member role descriptors *Codes of conduct for members and officers *Defined officer roles *Staff 1:1s and performance appraisals *Disciplinary procedure *Adherence to health and safety Policy and procedures *Ask SMT 	3	2	6	<ul style="list-style-type: none"> *Further development of staff engagement in the organisation and to adopt a learning organisational culture – OD plan short term & medium term objectives *Refreshing of Council vision & values (including development of management competencies) *Ongoing implementation of improvements arising from Peer challenge report (and Council action plan) *SMT visibility and walking the floor 	31 Mar 15 31 Mar 15 Monthly review of position (minimum requirement) Ongoing HKP presence	3	1	3	SMT

No.	Risk	Original score			Current controls	Current score			Further mitigating action	Timescale	Mitigated score			Risk owner
		Impact	Likelihood	Score		Impact	Likelihood	Score			Impact	Likelihood	Score	
5.	Failure to support (sustain) and enable economic growth within the city	3	3	9	*Support local businesses both start up and new (e.g. grants and business advice) – via Economic Development service *Partnership support for skills/jobs and attraction of inward investment *Council's promotion of city through links with GFirst LEP; Marketing Gloucester; and with adjacent authorities (e.g. JCS) *In-house Housing Service with qualified / experienced team and approved business plan objectives (including homelessness prevention and mortgage rescue schemes) *Housing & Homelessness Strategy – including 6 monthly review and update *Cultural Strategy – including 6 monthly review and update	3	2	6	*Restructure of Regeneration & Economic Development to consider reinforcement and enhancement of economic development activity *Development of the Regeneration and Economic Development Strategy (including alignment of objectives to the Council Plan and ensure an appropriate delivery mechanism is in place) *Bidding for regeneration funding & continued focus on regeneration sites *Strengthening of partner relations (e.g. Stanhope) *Effective promotion of the city and the council regards economic growth (promotion of the city as bucking the national trend) *City Plan and JCS aiding delivery of planned growth and housing numbers (x-ref with risks 7 & 12)	31 Mar 15 31 Mar 15 At least monthly review At least monthly review	2	2	4	A Hodge / M Shields

No.	Risk	Original score			Current controls	Current score			Further mitigating action	Timescale	Mitigated score			Risk owner
		Impact	Likelihood	Score		Impact	Likelihood	Score			Impact	Likelihood	Score	
6.	Loss of finance, resource and reputation due to fraudulent activity	4	3	12	*The following are approved policies available to officers on NETconsent: <ul style="list-style-type: none"> o Anti-fraud and corruption strategy o Anti-bribery policy o Whistle blowing policy o Anti-money laundering policy o Fraud response plan *Financial regulations (including standing orders) *Existing internal control framework *Internal Audit inc. Audit & Governance Committee and annual risk based internal audit plan (deterrent) *External audit presence (deterrent) *Benefits fraud team (via Civica partnership agreement)	4	1	4	*Further review and update of anti-fraud arrangements (including policies) in accordance with the Audit Commission 'Protecting the Public Purse' checklist	31 Mar 15	4	1	4	T Rodway

No.	Risk	Original score			Current controls	Current score			Further mitigating action	Timescale	Mitigated score			Risk owner
		Impact	Likelihood	Score		Impact	Likelihood	Score			Impact	Likelihood	Score	
7	Non-success of the delivery of key regeneration projects	3	3	9	*Regeneration Programme Advisory Board *Capital Monitoring Steering Group & existing capital programme controls Project specific controls that should be in place: *Project plans in place for major schemes *Project review meetings led by experienced/qualified Members and Officers with third party links/presence (e.g. developers and associated commercial agents) *Project update reporting to Cabinet and Council (in line with project plan milestones)	3	2	6	*Development of the Regeneration and Economic Development Strategy (including alignment of objectives to the Council Plan and ensure an appropriate delivery mechanism is in place) *Head of Regeneration and Economic Development to lead: Re-assessment of projects at appropriate points to review objectives and deliverables Maintenance and review of project risk registers for each regeneration project Review by Regeneration Programme Advisory Board Financial scrutiny of regeneration projects	31 Mar 15 Quarterly review (or as appropriate dependent on project profile)	2	2	4	A Hodge

No.	Risk	Original score			Current controls	Current score			Further mitigating action	Timescale	Mitigated score			Risk owner
		Impact	Likelihood	Score		Impact	Likelihood	Score			Impact	Likelihood	Score	
9.	Capacity to deal with unexpected events (e.g. weather/phone system failure/other)	4	3	12	<p>*Up-to-date Emergency Response Plan, Flood Plan, Vulnerable People Plan, Pandemic Plan etc. drafted in conjunction with agencies, government departments and other local authorities</p> <p>*Regular review and updating of Emergency Response Plan and other plans</p> <p>*Allocated Emergency Team Leaders within the Council</p> <p>*Business continuity plans in place for each Group/Service</p> <p>*Bad weather policy and communications</p> <p>*Climate change strategy supported by Local Resilience Forums</p> <p>*Emergency Contacts list updated every quarter</p> <p>*Continued testing of Emergency Plan arrangements; bi annual exercises & live events (e.g. Christmas call out exercise & Royal International Air Tattoo); set up of the emergency centre post relocation of contact centre; and use of Mutual Aid agreement.</p>	4	2	8	<p>*Continued review of arrangements in conjunction with partners (e.g. County Council - through the joint work programme)</p> <p>*Review and implementation of business continuity plan action points – business continuity self assessment toolkit roll out & call out exercise (toolkit set up as at 25 Mar 14)</p> <p>*Relocation of the Council's servers to a purpose built offsite data centre in order to improve performance and infrastructure resilience (approved by Cabinet as at Jan 15, subject to final Council approval of the budget Feb 15)</p>	<p>Emergency centre test: 28 Feb 15 (initial) and 30 April 15 (full)</p> <p>31 March 15</p> <p>Money Plan and budget proposals to Council - 26 Feb 15</p> <p>Data centre delivery target - 31 July 15</p>	3	2	6	<p>SMT / G Ragon (DEPLO)</p> <p>S Neal</p>

No.	Risk	Original score			Current controls	Current score			Further mitigating action	Timescale	Mitigated score			Risk owner
		Impact	Likelihood	Score		Impact	Likelihood	Score			Impact	Likelihood	Score	
10	Potential collapse of Council's banker leading to loss of cash & investments	4	1	4	*Adoption of best practice advice given by external treasury management advisors (no investments and overnight balances are minimised with the Co-operative bank)	4	1	4	*Regular meetings to be held with the bank representative to ensure GCC informed of current position *Bank tender process completed and tender awarded - new provision to start from 1 March 15	Up to new provision 1 March 15 1 March 15	4	1	4	J Topping
11	Lack of resilience in senior management structure	4	4	16	*Council Constitution *Statutory officer posts in place and resourced – S151 Officer and Monitoring Officer *Heads of Service structure in place and fully resourced *Deputy Head of Paid Service role agreed and allocated *Supporting Director role filled through 6 month internal secondment – leading on front line customer focused services (approach approved by Leader, Cabinet and Group Leaders)	4	2	8	*Additional support to Director of Services and Neighbourhoods provided by Peter Jones of Gloucestershire County Council, to include mentoring and coaching as well as practical support on any relevant projects. *Ongoing support provided to Director of Services and Neighbourhoods by the LGA *Action Plan in place to address Peer Challenge Issues which includes resilience for the organisation moving forward *Agreement from Cabinet to bring in short term specialist support if/when required *City/County Council shared Managing Director & Commissioning Director post approved by Council – Penna appointed to lead recruitment process	From June 2014 onwards – mitigating actions in place and ongoing until permanent recruitment completed for Director and Managing Director posts Recruitment process from Jan 15	4	1	4	M Shields

No.	Risk	Original score			Current controls	Current score			Further mitigating action	Timescale	Mitigated score			Risk owner
		Impact	Likelihood	Score		Impact	Likelihood	Score			Impact	Likelihood	Score	
12	Delay to or non-delivery of Joint Core Strategy	4	4	16	*Management, monitoring and review of JCS position & progress through regular programmed meetings of: - JCS Programme Board, Steering Group and Project Delivery Group - including joint work with various stakeholders (e.g. County Council and Highways Agency) - Council Leaders and the independent chaired Member Steering Group (comprising Councillors of the 3 Councils) - Individual Council review & approval of the Plan at key stages (e.g. Annual Monitoring Statement) - Duty to co-operate meetings with key stakeholders/partners *Allocated & trained officer resource with project management structure and co-location of staff (3 Councils) at key stages	4	2	8	*JCS has been submitted to the Secretary of State and is scheduled for Independent Examination (IE) – further mitigating actions will be dependent on the outcome of the IE – third party legal, technical and professional support to be retained during this period (as well as full continuation of current controls)	IE scheduled for May 15 – draft Inspector’s report expected late summer 2015	4	2	8	A Wilson

POTENTIALLY EMERGING STRATEGIC RISKS: DISCUSSED AND REVIEWED BY SMT:

- STOCK TRANSFER APPROVAL AND DELIVERY (initially considered as at 17/12/13):
 - o Risks managed at a project level – stock transfer risk register in place – stock transfer date confirmed as 16/03/15.
 - o Transfer position reviewed weekly at SMT (including update reports and discussions with professional advisors).
 - o Not to be added to strategic risk register as at 24 February 15.

- LOCAL GOVERNMENT BOUNDARY COMMISSION REVIEW – CITY COUNCIL IMPLICATIONS (initially considered as at 17/12/13):
 - o The LGBCR has the potential for considerable changes within the electoral registration system.
 - o The Boundary Commission draft recommendations propose that the size of the Council be increased to 39 Members (3 more than current arrangements), representing 2 single-member wards, 8 two-member wards and 7 three-member wards across the City. The 8-week public consultation period on the draft recommendations is 20/01/15 to 16/03/15. Final recommendations are expected to be published in Summer 15.
 - o Risks to be assessed and risk register to be completed at a project level on an ongoing basis. Project Officer appointed. Not to be added to strategic risk register as at 24 February 15.

- RUGBY WORLD CUP DELIVERY (initially considered as at 17/12/13):
 - o Areas discussed were the significance of the event; RFU criteria & signed contract; budget (£350k); weather impact; public interest (if local teams do not get through the early rounds); and RFU requirement to agree specific sponsorship areas.
 - o Risk management approach to be completed at a project level (A Balding - RWC Event Co-ordinator). Area discussed at Sub Group meetings. Not to be added to strategic risk register as at 24 February 15.

- EBOLA OUTBREAK (initially considered as at 21/10/14):
 - o Ebola virus disease is a serious, usually fatal, disease for which there are no licensed vaccines or treatments. Recent study found that the country outside the African region with the highest risk of importation was the UK (but the outbreak risk was noted as low).
 - o DEPLO in receipt of regular updates regarding threat rating. Local ebola exercise completed in October 14 (through Gloucestershire Resilience Forum).
 - o Ebola threat level to be assessed by DEPLO regularly. Not to be added to strategic risk register as at 24 February 15.

- WASTE & RECYCLING REVIEW (initially considered as at 10/02/15):
 - o Review to consider the viability of changing collection from current kerbside sort service to a co-mingled or single stream service. Review to be overseen by a Members Project Group (chaired by Cabinet Member for Environment) with support from an Officers Project Group (led by the Head of Neighbourhood Services). Target for preferred option (service model) report for Member approval Aug/Sept 15 with implementation within 2016.
 - o Risk management approach to be completed at a project level through the Members and Officers Groups.
 - o Not to be added to strategic risk register as at 24 February 15.

By virtue of paragraph(s) 3, 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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