



Audit and Governance Committee

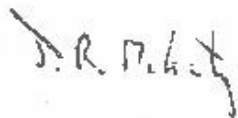
Meeting: Monday, 23rd November 2015 at 6.30 pm in Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP

Membership:	Cllrs. Llewellyn (Chair), Gravells (Vice-Chair), McLellan, Hobbs, Taylor, Patel and Hampson
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 5 - 10) To approve as a correct record the minutes of the meeting held on 21 September 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 11 - 12) To consider the Action Plan.

7.	UPDATE ON BENEFITS ACCURACY RATE To receive an update from the Senior Client Officer on the benefits error rate. PLEASE NOTE: This update will be published as a supplement to the agenda when it is available.
8.	UPDATE ON CHOICE BASED LETTINGS AUDIT (Pages 13 - 18) To receive an update from the Homelessness & Housing Advice Service Manager on the recommendations of the Choice Based Lettings audit.
9.	LOCAL GOVERNMENT OMBUDSMAN DECISION (Pages 19 - 28) To consider the report of the Monitoring Officer relating to a recent Ombudsman investigation resulting in a finding of fault or injustice on the part of the Council.
10.	ANNUAL AUDIT LETTER 2014/15 (Pages 29 - 36) To receive the Annual Audit Letter 2014- 15 from KPMG.
11.	TREASURY MANAGEMENT UPDATE QUARTER 2 REPORT 2015/16 (Pages 37 - 50) To consider the report of the Head of Finance updating members on treasury management activities for Quarter 2, (1st July 2015 to 30th September 2015).
12.	ZURICH RISK MANAGEMENT UPDATE (Pages 51 - 76) To receive the report of the Head of Finance detailing the Zurich Risk Management Assessment review and report.
13.	STRATEGIC RISK REGISTER (Pages 77 - 94) To consider the report of the Cabinet Member for Performance and Resources detailing the Strategic Risk Register.
14.	AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME (Pages 95 - 96) To consider the Work Programme.
15.	DATE OF NEXT MEETING Monday, 18 January 2016 at 6:30pm



Jon McGinty
Managing Director

Date of Publication: Friday, 13 November 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, lucy.hamilton@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.



AUDIT AND GOVERNANCE COMMITTEE

MEETING : Monday, 21st September 2015

PRESENT : Cllrs. Llewellyn, Gravells, McLellan, Hobbs and Taylor and D. Norman

Others in Attendance

Jon Topping, Head of Finance

Terry Rodway, Audit, Risk and Assurance Manager

Sarah Tilling, Senior Client Officer

Darren Gilbert, KPMG LLP

Duncan Laird, KPMG LLP

APOLOGIES : Cllrs. Patel and Hampson

23. DECLARATIONS OF INTEREST

There were no declarations of interest.

24. MINUTES

The minutes of the meeting held on 1 July 2015 were approved and signed by the Chair as a correct record.

The Chair referred to item 10 in the minutes of the last meeting and questioned whether a date had been agreed for the follow up audit of Benefits. The Audit, Risk and Assurance Manager advised the committee that the follow-up audit would now take place during the October to December quarter.

25. PUBLIC QUESTION TIME (15 MINUTES)

There were no questions from members of the public.

26. PETITIONS AND DEPUTATIONS (15 MINUTES)

There were no petitions or deputations.

27. AUDIT AND GOVERNANCE COMMITTEE ACTION PLAN

The Committee considered the Action Plan.

AUDIT AND GOVERNANCE COMMITTEE
21.09.15

Councillor McLellan referred to minute no. 17 in the Action Plan and suggested the wording was outdated. He advised the Committee that the cross party working group of Members had now completed their review of the Guildhall operations.

The Committee noted that the target date for minute no. 17 had been moved to March 2016. The Head of Finance advised the Committee that the implementation date listed referred to the date the new system would go live.

Members of the Committee questioned why minute nos. 27, 60 and 74 were included in the Action Plan when they were listed as completed. The Audit, Risk and Assurance Manager advised the Committee that the items had been rated green (on target) at the previous meeting and were now listed as blue (completed) so there was a clear trail of when the items had been dealt with. He also stated that these items would be removed from the Action Plan before the next committee meeting.

RESOLVED that the Action Plan be updated with the suggested amendments.

28. BENEFIT AUDIT FOLLOW UP ON ACCURACY RATE

The Committee considered a report on the benefits error rate.

The Senior Client Officer updated the Committee on the benefits error rate. She advised the Committee that the report had been produced following the Committee's request for further information on the processes undertaken to date.

The Senior Client Officer stated that the July Civica performance report had confirmed the current annual local authority error rate was well within the threshold set by the Department for Work and Pensions (DWP). It was noted that the Council would be penalised if the threshold was exceeded.

Councillor Hobbs expressed concern at the level of errors and highlighted the number of financial errors that had resulted in overpayments. He referred to paragraph 3.2 of the report and suggested performance indicators should be included in the Council's contract with Civica.

The Senior Client Officer suggested improvements could be made to Civica's system of internal quality checks and stated that she would be happy to continue discussions with Civica regarding the error rate.

Councillor McLellan highlighted the impact of overpayments on claimants and questioned the timescale for repayment. He was advised by the Senior Client Officer that the timescale for repayment varied and that in some cases it would be deducted from future payments.

The Senior Client Officer reminded Members that a significant number of customers claim both Council Tax Support and Housing Benefit and that one error would make both benefits incorrect. It was noted that the majority of errors were due to keying mistakes.

AUDIT AND GOVERNANCE COMMITTEE
21.09.15

Councillor Hobbs suggested the Committee continue to track the error rate and review the issue on a regular basis.

In response to a question from Members, the Senior Client Officer advised the Committee that there had been difficulties obtaining data on the benefits error rate of other local authorities. She stated that local authorities frequently used different methods to record the error rate meaning it would be difficult to compare data. It was noted that it would be most appropriate to compare the error rate to the rate found at the Forest of Dean District Council where similar methods were used to record errors.

Councillor Gravells suggested that any conclusions drawn from comparative data should be viewed with caution as they would only provide the error rate with some context. He questioned whether there were any penalties in the Council's contract with Civica for high levels of error and whether any trends had been identified to explain the cause of the errors.

The Senior Client Officer informed the Committee that no trends had been identified and that the errors had been found throughout the benefits assessment process.

Members of the Committee agreed that the benefits error rate should be reviewed quarterly and requested further information on the overpayments that had been recorded and anonymised examples of some of the errors that had been identified.

Councillor D. Norman agreed the Council's contract with Civica needed reviewing, particularly in light of its renewal until 2021, and agreed to speak with the responsible officers on the Committee's behalf.

RESOLVED that the report be noted and that further updates be added to the work programme on a quarterly basis.

29. ISA 260 REPORT TO THOSE CHARGED WITH GOVERNANCE

Darren Gilbert, KPMG summarised the key conclusions within the report and advised the Committee that the results of KPMG's audit work conducted at the Council had been very positive. He advised the Committee that they would be issuing an unqualified audit opinion on the Council's financial statements and an unqualified value for money (VFM) conclusion by 30 September 2015.

Darren Gilbert, KPMG advised the Committee that the Council's Annual Governance Statement was compliant with the necessary guidance and required no adjustments. He also highlighted the Council's housing stock transfer to Gloucester City Homes as a significant transaction.

The Chair questioned whether the Council's audit fee was in line with standard fees for local authorities. She was advised that the proposed fee was in line with the level set by the Audit Commission. It was also noted that a 25% reduction had been applied to the Council's audit fee.

AUDIT AND GOVERNANCE COMMITTEE
21.09.15

Members of the Committee recognised the work of staff within the Audit and Finance teams and expressed their appreciation for the commitment of these members of staff.

Councillor Gravells referred to page 8 of the report and asked for further information on the commentary suggesting the presentation of the Council's financial statements could be improved. He was advised by the Head of Finance and Darren Gilbert, KPMG that this was a common problem for local authorities and that it was an ongoing challenge to present the statements of accounts succinctly and in a reader- friendly manner.

RESOLVED that the report be noted.

30. STATEMENT OF ACCOUNTS 2014/15

The Committee considered the City Council's 2014/15 Statement of Accounts.

RESOLVED that the Statement of Accounts be noted.

31. INTERNAL AUDIT PLAN 2015/16- MONITORING REPORT

The Committee considered the report of the Audit, Risk and Assurance Manager detailing audits completed as part of the agreed Internal Audit Plan 2015/16.

The Audit, Risk and Assurance Manager introduced the report and drew Members attention to paragraph 5 which included the results of a data matching exercise conducted by the National Fraud Initiative (NFI), that had identified potential cases of fraud. He advised the Committee that 31 reports had been identified in total for the Council. It was noted that 14 of these reports related to Housing Benefit and would be investigated by Civica. The remaining reports relating to non-benefit areas such as payroll and creditors had been investigated by the Internal Audit team who had found no evidence of fraud.

The Chair referred to Appendix 1 and requested further explanation of the implementation dates for the agreed audit recommendations. She was advised that the date included had been agreed with the appropriate manager as a target date for the implementation of the recommendations. The Audit, Risk and Assurance Manager advised the Committee that he would check whether the recommendations had been implemented approximately three months after the agreed implementation date.

In response to a question from Councillor Gravells, the Audit, Risk and Assurance Manager advised the Committee that the duplicate claim payment highlighted in the Members Allowance audit related to a dependents care allowance claim that had been processed twice.

Councillor Hobbs referred to the audit of Choice Based Lettings (CBL) and expressed concern that system access had not been disabled for leavers. He questioned whether the Council's HR department had a procedure in place for disabling system access following the departure of a member of staff.

AUDIT AND GOVERNANCE COMMITTEE
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The Audit, Risk and Assurance Manager advised the Committee that the Council had a system in place for disabling access to networked systems whereby a notification was sent to the system administrator. He also assured the Committee that once network access had been disabled, leavers had no access to the Council's networked systems. It was noted that the CBL system was internet based and therefore a slightly different form of this control was required.

Councillor McLellan enquired whether the new CBL system would also be internet based. He was advised that the new system would be internet based and would be accessed by staff from the all six local authorities in Gloucestershire.

In response to a question from Councillor Gravells, the Audit, Risk and Assurance Manager advised the Committee that an audit of CBL had been completed several years ago but could not confirm whether or not its scope had included user access.

Following a request from Councillor Gravells it was agreed that the previous CBL audit report would be circulated to Members by the Audit, Risk and Assurance Manager.

Members of the Committee expressed concerns at the outcome of the CBL audit. Members requested a written report on the issues discussed and further information on CBL along with the attendance of the Homelessness and Housing Advice Service Manager at the next Committee meeting.

RESOLVED:-

- (1) That Members endorse the audit work undertaken to date, and the assurance given on the adequacy of internal controls operating in the systems audited.**
- (2) That a report on the outcomes of the CBL audit be added to the work programme for presentation at the next Committee meeting.**

32. TREASURY MANAGEMENT PERFORMANCE 2015/16- QUARTER 1

The Committee considered the report of the Head of Finance detailing treasury management activities for Quarter 1: 1 April 2015 to 30 June 2015.

The Head of Finance highlighted the key points within the report and advised the Members of the Committee that during quarter 1 the Council had repaid long term market debt that had been associated with the housing stock transfer to Gloucester City Homes. It was also noted that following the repayment of the market debt the Council had returned to an under- borrowing position.

RESOLVED that the report be noted.

33. AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

The Committee considered the work programme.

The Committee noted that updates on the benefits error rate would be added to the work programme on a quarterly basis, to include the next meeting in November.

**AUDIT AND GOVERNANCE COMMITTEE
21.09.15**

It was also noted that a report on the results of the Choice Based Lettings audit would be added to the work programme for the November meeting.

RESOLVED, that subject to the agreed amendments, the work programme be noted.

34. DATE OF NEXT MEETING

Monday, 23 November 2015 at 6:30pm

Time of commencement: 18:30 hours

Time of conclusion: 20:00 hours

Chair

MINUTE NO.	MATTER	CURRENT STATUS	RAG	TARGET DATE	OWNER
<u>Actions arising from meeting held on 1 July 2015:</u>					
10	Internal Audit Plan Monitoring Report- Benefits Update	It was agreed that a further update be added to the Work Programme for the September Committee meeting to update Members on the benefits error rate.	Action Complete	21.09.15	SN

MINUTE NO.	MATTER	CURRENT STATUS	RAG	TARGET DATE	OWNER
<u>Actions arising from meeting held on 21 September 2015:</u>					
28	Benefit Audit Follow up on Accuracy Rate	The Committee requested quarterly updates on the Benefit accuracy rate. Updates added to work programme.	G	23.11.15	ST
31	Internal Audit Plan Monitoring Report- Choice Based Lettings	The Committee requested a report on the Choice Based Letting audit be presented at the meeting in November. Report added to work programme.	G	23.11.15	MH

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.

CBL Internal Audit Report Briefing Note for Audit and Governance Committee

Purpose

The purpose of this note is to provide details of the Choice Based Lettings Scheme and inform members how the agreed audit recommendations have been /are being dealt with, following the concerns, raised in the report, presented at the Audit and Governance meeting held on 21/09/2015.

Gloucestershire Homeseeker Choice Based Lettings (CBL) Scheme

The Gloucestershire Homeseeker Partnership was formed in 2007 to bring together the six district councils to introduce a Choice Based Lettings scheme, for the allocation of social housing across the county. A countywide policy was agreed and the system introduced in September 2009. The aim of moving to a Choice based lettings scheme was to promote greater customer choice, transparency and fairness.

The web-based scheme enables social housing landlords to advertise their vacant homes, and eligible households can bid for suitable properties for their family size each week.

All applicants seeking social housing across Gloucestershire complete the same application process via the internet at www.gloshomeseeker.co.uk and are assessed against the criteria laid out in the Gloucestershire Homeseeker Policy. Once an application has been made, applicants are advised of their housing need banding, application date and unique reference number. This enables households to bid for social housing vacancies advertised through the choice based letting system, each week. Bidding for properties is via the internet, the automated phone line or by text message.

All applicants have the right to request a review of their housing need assessment and the Homeseeker Appeal Process can be found on the website.

Progress of how the agreed audit recommendations have been /are being dealt with.

Concern	Progress
<ul style="list-style-type: none"> • CBL system access should be immediately disabled for the 8 leaver cases identified within the audit review. 	Completed on 14 th August 2015.
<ul style="list-style-type: none"> • The Housing Services Manager (HSM) should ensure that strengthening of the CBL system user access controls is required by the Management Board and Operations Group when update of the CBL 	This is a function that is available in the updated version of the current CBL system and is something that will be requested as a necessity when either upgraded or another system is purchased.

<p>system is completed.</p>	
<ul style="list-style-type: none"> • Until a new CBL system is procured, the HSM should complete a regular review (e.g. monthly) of Gloucester system user accounts to ensure that users are appropriate current officers. 	<p>Monthly monitoring review now in place for all Gloucester City Council users.</p>
<ul style="list-style-type: none"> • The HSM should consider improvement of controls over new user set up – including a new user set up form requiring authorisation, to ensure that only relevant authorised officers are given appropriate access within the CBL system and have signed up to relevant Data Protection/Information Security requirements. 	<p>Gloucestershire Homeseecker Operations group, looked at the roles available to staff on the system to address some of the access issues, and instructed that a super-user role was created. This means that only the super users can add/amend user access roles on the system. Reporting was also added to this role as one authority did not want all staff able to access/run reports. The ability to add/amend users was removed from every other role available on the system so that this can be managed closely. Since this change has been implemented it has become apparent that it this is not the perfect solution.e.g. some feel that there are still too many super users and that maybe reporting should not have been included; and a working group has been set up to look at this issue, among others raised.</p> <p>Every year an audit is carried out on all users by the GHS Co-ordinator to ensure that the users on the system still need access. Anyone identified during this audit that has not used the system for 3 months will have their account suspended. However local authority partners have a responsibility to ensure their team's access is up to date and only users who require access, have access.</p> <p>The GHS system is an online hosted solution which by definition means people can access the system from any PC/Laptop with internet connection. There are around 220 users that have access to GHS (August 2015 user audit) so what is in place to ensure users are responsible? All Councils are signed up to data protection policy within their staff induction and RP's are expected to sign up to Service Level Agreements/Data</p>

	Sharing Protocol to reinforce the importance of protecting data and to outline our data protection expectations as a Choice Based Lettings System.
<ul style="list-style-type: none"> The HSM should raise at an appropriate Partnership level that new user set up and leaver de-registration controls should be considered for implementation Partnership wide, to reduce the risk of inappropriate release of GCC applicant data. 	<p>The Operational group have been discussing what needs to be put in place to reduce this risk:</p> <ul style="list-style-type: none"> A new, brief data protection/data sharing agreement has been written that must be signed by all new users (Registered Providers) before they can have access to the system. All Registered Providers have been asked to sign a new agreement to highlight their responsibility to inform the GHS co-ordinator should a GHS user leave their company and no longer requires access to GHS
<ul style="list-style-type: none"> CBL assessing officers should be reminded that assessment and banding letters should be formally issued, following completion of assessment & banding. 	Discussions have taken place with the Choice Based Lettings Team to enforce the importance of notifications being issued following any changes to housing need assessments and banding outcomes.
<ul style="list-style-type: none"> Training of Homelessness team officers should be completed to ensure that the Gloucestershire Home-seeker Policy criteria for application suspension, annual renewal and cancellation is understood and appropriately applied. 	CBL training is now included in the induction programme for all new homeless officers, who have to demonstrate proficiency at the end of the probationary period. The Homeless Team Leader is currently shadowing homeless officers to identify training needs and to ensure processes are followed correctly, to deliver the same standard of service to all customers.
<ul style="list-style-type: none"> The HSM should ensure that all stage 1 decision review requests are processed in line with the Gloucestershire Home-seeker Policy and Appeals Process guidance. Where the H&HASM is aware that additional review time will be required (due to workload/backlog), the 	Review of the Appeals Process has been completed by the Housing Services Manager and the audit recommendations included in the revised process. The backlog of appeals due to staff resources and high number received at the beginning of the financial year has now been addressed.

<p>applicant should be contacted within the initial 14 days review criteria to be informed of the Council position and expected timing for decision.</p>	
<ul style="list-style-type: none"> • CBL targets for housed applicants should be reviewed in line with the agreed criteria (and updated where required) to ensure that the target percentages are reasonable, based on current housing supply and demand within Gloucester, and able to support the goal of balanced communities. The review should be evidenced by appropriate, authorised audit trail. 	<p>The Housing Services Member Information Sheet is produced at the end of each month and at the end of each financial year. The number of households seeking social housing by housing band and bedrooms required, and the number of social homes let by band and bedroom size is included. At the end of the previous financial year there was a total of 556 lettings, of which 5%Emergency Band, 50% Gold Band, 38%Silver Band and 7% Bronze Band.</p> <p>The current financial year, at the half year point,5% Emergency Band,59% Gold Band,33% Silver Band & 3% Bronze Band.</p>
<ul style="list-style-type: none"> • The HSM should ensure that data and document retention and destruction are considered by the Management Board and Operations Group when update of the CBL system is completed i.e. ensure that the system supports destruction of an applicant's core information and supporting documentation, where applicable and permitted, while maintaining key performance audit trail within the system. 	<p>This is a function that is available in the updated version of the CBL system and will be requested as a necessity when current system upgraded or another system is purchased.</p>
<ul style="list-style-type: none"> • At a service level, the Council's CBL data retention and destruction policy should be reviewed and updated to ensure that it is in line with regulatory and operational requirements. 	<p>Each Local Authority is responsible for this. It will be added to the next Management Board Agenda to ensure all Data Retention Policies are in line with regulatory and operational requirements prior to the upgrade/purchase of a new system.</p> <p>Gloucester's retention policy is in need of a review to comply with the Data Protection Act and is being looked at by the Information Security Board.</p>

Outcome

The Gloucestershire Homeseeker Management Board has appointed a Project Manager to procure an improved software package to address the concerns raised in the audit report.

All administrative processes where issues were identified, within the Housing Services team have now been addressed.

Mary Hopper**Housing Services Manager****4th November'15**

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Meeting:	Audit and Governance Committee	Date:	23 November 2015
Subject:	Local Government Ombudsman decisions		
Report Of:	Monitoring Officer		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Shirin Wotherspoon, Monitoring Officer		
	Email:	Tel:	01684
	shirin.wotherspoon@teWKesbury.gov.uk	272017	
Appendices:	1. Report of the Local Government Ombudsman no 14 018 495		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To consider the report of the Ombudsman in respect of one recent Ombudsman investigation resulting in a finding of fault or injustice on the part of the Council.

2.0 Recommendations

2.1 Audit and Governance Committee is asked to **RESOLVE** that:

- (1) The contents of the report be noted;
- (2) It is satisfied that appropriate steps have been taken to address the findings and that no further action needs to be taken by the Council.

3.0 Background and Key Issues

3.1 The Local Government Ombudsman investigates and reports on complaints from members of the public who claim to have sustained injustice as a result of maladministration. Maladministration can encompass a number of failings by a local authority, including inattention, neglect and delay. Where the Ombudsman decides that injustice has been caused by an authority’s maladministration, the authority concerned must consider the Ombudsman’s report. In this case, the Ombudsman’s final report was published on 18 June 2015.

3.2 The Council has 3 months from the publication of the final report to notify the Ombudsman of the action that has been taken or will be taken in response to the report; however, on 4 August, before the Council had formally responded, the Ombudsman informed the Council that the complainant had requested a review of the decision. The review was concluded on 20 August and Council is now in a position to formally respond in respect of the action taken in response to the report.

Complaint by Mrs A (on behalf of Mr A)

- 3.3 In this case, Mrs A complained on behalf of her husband Mr. A that the Council denied receiving his payments for council tax arrears even though he had receipts. Mrs A also complained that the Council has given different amounts and has now sent a bill addressed to her when she did not own the property at the time.
- 3.4 The Ombudsman found that there was fault by the City Council regarding recovery of Council tax from Mr and Mrs A, specifically in respect of the recovery of fees relating to Mr A. The Council was at fault in not withdrawing the costs and the Ombudsman recommended that the Council deducted £177.50 from Mr A's outstanding balance in respect of summons costs and bailiff fees. The Ombudsman, however, found that there was no fault by the Council regarding missing payments and considered that the Council had offered a reasonable resolution by inviting Mrs A to bring in evidence of any missing payments.
- 3.5 The former Head of Legal and Policy Development agreed to comply with the Ombudsman's recommendations and £177.50 was removed from Mr A's account.
- 3.6 In considering the Ombudsman's decision, officers have concluded that it was an unusual set of circumstances, but that it has not been necessary to change any processes as a result of the decision. However, staff have been briefed to ensure that they consider the issues of fees and charges incurred when re-billing customers to ensure that they remain reasonable.
- 3.7 On 4 August 2015 the Ombudsman commenced a review of the decision at the request the complainant and on 20 August confirmed that the case would not be re-investigated. The Ombudsman also encouraged the customer to take up the Council's offer to attend the offices to resolve the dispute.

4.0 Alternative Options Considered

- 4.1 There are no alternative options relevant to this matter.

5.0 Reasons for Recommendations

- 5.1 There is a statutory requirement to respond to an Ombudsman report that identifies maladministration and a need for the Council to consider what action needs to be taken as a result of the report.
- 5.2 Audit and Governance Committee is responsible for reviewing the Council's corporate governance arrangements and for monitoring the operation of the Council's codes and protocols and the Council's complaints process and to advise the Council on the adoption or revision of such codes.

6.0 Future Work and Conclusions

- 6.1 On this occasion there is no intention to review processes; however, staff have been briefed in respect of this case as a learning exercise.
- 6.2 The Council's offer to review her evidence in respect of missing payments remains open to Mrs. A, however, she has so far declined to meet with Council officers.

7.0 Financial Implications

7.1 The agreed amount of £177.50 has been deducted from Mr A's outstanding Council Tax account.

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

8.0 Legal Implications

8.1 The Local Government and Housing Act 1989 places a duty on the Monitoring Officer to report the Ombudsman's findings to the Council and send a copy of her report to each Member of the Council in accordance with the Council's procedural requirements.

8.2 The Ombudsman's reports are available for members of the public to inspect.

8.3 The Ombudsman's recommendations are not legally enforceable although it is extremely unusual for an authority not to accept them. If the Ombudsman is not satisfied with the action proposed, she can publish a further report and can compel an authority to publicise her views.

8.4 In this instance, Officers have accepted the findings of the Ombudsman and have made the necessary deduction from Mr and Mrs A's account.

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

9.0 Risk & Opportunity Management Implications

9.1 The findings highlight the need to be mindful of recovery costs in respect of council tax arrears.

10.0 People Impact Assessment (PIA):

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

11.0 Other Corporate Implications

Community Safety

11.1 There are no community safety implications.

Sustainability

11.2 There are no sustainability implications.

Staffing & Trade Union

11.3 There are no staffing implications.

Background Documents: None.

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Complaint reference:
14 018 495

Complaint against:
Gloucester City Council

The Ombudsman's final decision

Summary: There is fault by the Council regarding recovery of Council tax from Mr and Mrs A. I recommended the Council removes £177.50 costs and it has agreed. However, there is no fault regarding missing payments. I recommend Mrs A accepts the Council's offer to check the evidence she has of Mr A's payments.

The complaint

1. Mrs A complains on behalf of her husband Mr A that the Council denies receiving his payments for council tax arrears even though he has receipts. Mrs A also complains the Council has given different amounts and has now sent a bill addressed to her when she did not own the property at the time.

The Ombudsman's role and powers

2. The Ombudsman investigates complaints about 'maladministration' and 'service failure'. In this statement, I have used the word fault to refer to these. She must also consider whether any fault has had an adverse impact on the person making the complaint. I refer to this as 'injustice'. If there has been fault which has caused an injustice, she may suggest a remedy. (*Local Government Act 1974, sections 26(1) and 26A(1)*).

How I considered this complaint

3. I have
 - discussed the issues with the complainant
 - considered the complaint and the copy correspondence provided by the complainant;
 - made enquiries of the Council and considered the comments and documents the Council provided;
 - considered the complainant's and the Council's comments on my provisional view.

What I found

4. Mr and Mrs A moved out of their home which they owned in October 2011. They were in considerable council tax arrears and the Council had obtained liability orders on a number of council tax years. Mr A visited the Council's offices and said he had moved out. He said he was seeking advice from the law centre or the

-
- Citizens Advice Bureau regarding his financial situation. He said he would provide documentation by 21 October 2011. The Council says it did not receive anything.
5. Mrs A says Mr A had been paying the arrears since 2008 by making regular payments of £200 every month. He believed he had paid off all the arrears. However, in February 2012 bailiffs visited Mr A at his new home adding charges for visiting. Mr A agreed to pay the bailiffs £40 per month. Mr A came into the Council's offices and confirmed his new address to the Council. He also explained the arrangement he had made with the bailiffs. The Council said this arrangement was only a temporary one and that it would review in August 2012 when he should come in to the Council's offices. The bailiff also wrote to Mr A on 28 February 2012. It confirmed he could pay £40 per month until August 2012 but this would not clear the balance and was a temporary agreement. He must contact the bailiff office once this expired.
 6. Mr A paid £200 between March and July 2012 but then stopped. However, Mr A did not contact the bailiff or the Council in August 2012 regarding the review of the arrangement.
 7. The Council and its bailiffs did not take any recovery action from August 2012 to August 2014. In its response to my enquiries the Council accepts that it should have reviewed the arrangement earlier and follow this up with Mr A when he stopped paying.
 8. In August 2014 the Council's bailiffs sent a letter to Mr A at his new address explaining the new enforcement rules and fees that commenced in April 2014. It said that Mr A had council tax arrears of £1700 and should contact them to make an arrangement.
 9. In September 2014 Mrs A complained to the Council about the bailiff action. She also said that the new local authority she had moved into had taken over the case and it was closed. But the Council was still pursuing arrears for the old property. She said Mr A had paid all the council tax arrears by 2012. She explained he was suffering from dementia and she was acting on his behalf.
 10. On 4 November 2014 the Council wrote to Mr A giving a statement of the outstanding arrears. There were three years with council tax owing, 2009/10, 2010/11, and 2011/12. In total Mr A owed the Council £1711 was outstanding. Of this amount £55.50 was due to charges. The Council stated the total amount of payments received for each year but said it could give further details if he wished. The Council noted that the Mr A's new local authority told him there were no arrears. But it confirmed this was not correct. The Council said it had passed her concerns about the bailiff action on to its bailiff for a response. It said that it would hold recovery action while it responded. The Council said it would take the debts back from its bailiff in order to resolve the situation. However, it said that Mr A must make an arrangement with the Council to pay the arrears.
 11. Mrs A complained further in November 2014. She said that
 - Mr A had paid much more than the amounts the Council stated. The Council had ignored the evidence of payments she had sent which consisted of a list of payments.
 - The Council continued to send letters to Mr A when he had given authority to Mrs A to deal with this matter.
 - The Council had sent a letter in January 2011 saying that £70 was outstanding. How could it now say that he owed over £1700?

-
- The Council was continually harassing Mr A and adding charges.
 - She had receipts from 2008 and Mr A had never missed a payment.
 - She calculated the Council owed him money and it should refund it to him.
 - She had proved Mr A had paid the arrears so the Council should investigate its own cashiers department.
12. The Council replied on 11 December 2014. It sent a detailed statement showing the liability and all payments made from 2005. Some payments Mr A made by cheque had been returned due to insufficient funds. The Council said that its statement agreed with much of what Mrs A had set out in her list of payments. But it concluded that Mr A had not overpaid. However, it said that it had removed costs of £7.50 so the amount Mr A now owed was £1704. The Council invited Mrs A to come into the office so that it could go through the payments received.
 13. Mrs A complained further that the Council's calculations were wrong. She said she had absolute proof of all the payments. She said the Council refused to answer why it had not mentioned the outstanding arrears when Mr A came in to the Council.
 14. The Council replied inviting Mrs A to come into the Council's offices with the evidence of payments she had. It said it would be happy to review all the payments with her.
 15. Mrs A replied the Council was patronising. She said that despite Mr A visiting the Council several times it had not mentioned historic arrears. She repeated that the Council gave inconsistent figures in its responses.
 16. The Council replied apologising if Mrs A found the situation is stressful and its responses patronising. The Council gave details of Mr A's two visits in October 2011 and February 2012. In February 2012 he had advised the Council he made an arrangement to pay arrears to the bailiff. It considered Mr A was aware of the arrears. The Council did not find evidence it had sent inaccurate bills. The Council sent copies of bills and explained that payments Mr A made were allocated to the oldest years debt. The Council said that its records did not completely match hers but the purpose of sending statement was to enable her to check her records. The Council requested that she made an arrangement to pay. It said that if she failed to do this it would reissue the bills in both Mr A's and her name.
 17. In February 2015 the Council reissued bills in the joint name of Mr and Mrs A. The Council has advised me that it has withdrawn the liability orders against Mr A therefore it must start the summons and liability order process again. The Council had not withdrawn the costs due to the summons against Mr A or the remaining bailiff costs. In total these amount to £183.
 18. Mrs A said that her records showed Mr A had paid £8300 but the Council's records showed £7500. She said she would get copies of bank statements in order to show the payments he made. She repeated the Council's cashiers must be at fault.

Analysis

19. I have considered the evidence that Mrs A sent to the Council. This consisted of a handwritten list of payments rather than receipts. It covered the period from 2007 to 2012. These payments match the Council's records apart from two items. One is a payment of £208 Mrs A says was paid on 24 April 2008. But the Council says it recorded a payment of £100 on that date. Secondly, the payments Mr A made

to the bailiff amounting to £202.50 were not shown the Council's spreadsheet record. However, the Council's record does show a credit adjustment of £73, and bailiff fees of £42.50 being removed. This total, £115 equates to £202.50-£85(bailiff fees for 2009 and 2011) -£2 (4x £0.50 transaction fees). So I do not consider there are any payments that need investigation apart from the one on 24 April 2008. I suggest that Mrs A sends a copy of the receipt to the Council. She may also wish to send any other evidence of payments she has that she has not already mentioned on her list. I consider that the Council's offer to meet with Mrs A and review the payments alongside her receipts is a reasonable resolution.

20. Mrs A complained the Council has not recognised that Mr A made regular payments every month. However, having seen Mrs A's list of payments and the Council's records it is clear there are gaps in payments.
21. Mrs A complained the Council gave conflicting information. I have considered this and it is correct the Council has given some information in the form of bills, and some in the form of a spreadsheet statement showing all payments for each year. This is slightly confusing but having considered it I find it is consistent. The Council has presented information on payments based on council tax years (from April to March) but Mrs A has questioned it based on calendar years. This too may have caused confusion. However, I am satisfied that the Council has tried to provide relevant information about the payments it received and the liability owed.
22. I have considered the meetings that Mr A had with the Council in October 2011 and February 2012. I consider that these show Mr A was aware of the outstanding debt. However, he did not make any payments after July 2012.
23. There was some fault by the Council in not reviewing matters and pursuing recovery using bailiffs from August 2012 to August 2014. However, I do not consider this caused injustice to Mr A. If it had not been for this fault, the bailiffs would have visited again and added charges.
24. Mrs A complains the Council has made her liable for Mr A's former property but she did not own it. The Council has explained that it can make her liable as the partner of the owner, even if she is not the owner herself. In addition it appears Mrs A lived at the former property with Mr A. I find there is no apparent fault by the Council in making Mrs A liable retrospectively. Mrs A has the right of appeal to the Valuation Tribunal if she disagrees with this. The Council has withdrawn the liability orders for 2009/10, 2010/11 and 2011/12 but not the costs. These amount to £177.50. I consider the Council is at fault in not withdrawing the costs and this has caused injustice. If a liability order is withdrawn the summons cost and any consequent bailiff's costs should also be withdrawn.

Agreed action

25. I recommended the Council removed costs of £177.50 in respect of summons costs and bailiff fees. It has agreed. I have not found fault by the Council regarding missing payments and I consider it has offered a reasonable resolution by inviting Mrs A to come in with the receipts she has so that it can check these and if necessary investigate.

Final decision

26. The Council has agreed to the remedy I recommended so I have completed my investigation and closed the complaint.

Investigator's decision on behalf of the Ombudsman

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Annual Audit Letter 2014/15

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Gloucester City Council

October 2015

Agenda Item 10

The contacts at KPMG in connection with this report are:

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Report sections

- Headlines

Appendices

1. Summary of reports issued
2. Audit fees

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies* summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Darren Gilbert, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This report summarises the key findings from our 2014/15 audit of Gloucester City Council (the Authority).

Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Authority's 2014/15 financial statements and the 2014/15 VFM conclusion.

VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2014/15 on 21 September. This means we are satisfied that that Authority had proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at the Authority's financial governance, financial planning and financial control processes, as well as the arrangements for prioritising resources and improving efficiency and productivity.</p>
VFM risk areas	<p>We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.</p> <p>Our work identified the following significant matters:</p> <ul style="list-style-type: none"> ■ We have reviewed the Council's Money Plan, which sets out the Council's strategic approach to the management of its finances and presents indicative budgets and Council Tax levels for the medium term. We have confirmed that the Money Plan accurately reflects the annual budget agreed by Council and that the funding assumptions are consistent with those used by other authorities in the region. We have concluded that the MTFP is based on appropriate assumptions and savings plans are achievable.
Audit opinion	<p>We issued an unqualified opinion on the Authority's financial statements on 21 September. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements also include those of the Authority's Group, which for 2014/15 consisted of the Authority itself, Gloucester City Homes Ltd and Gloucestershire Airport Ltd.</p>
Financial statements audit	<p>The Authority has continued to improve the processes in place for the production of the accounts and supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p> <p>We did not identify any significant audit adjustments. We identified a small number of presentational adjustments required to ensure that the accounts are compliant with the <i>Code of Practice on Local Authority Accounting the United Kingdom 2014/15</i>.</p> <p>The Authority has implemented all of the recommendations in our <i>ISA 260 Report 2013/14</i> relating to the financial statements.</p>
Annual Governance Statement	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.</p>

All the issues in this Annual Audit Letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 1.

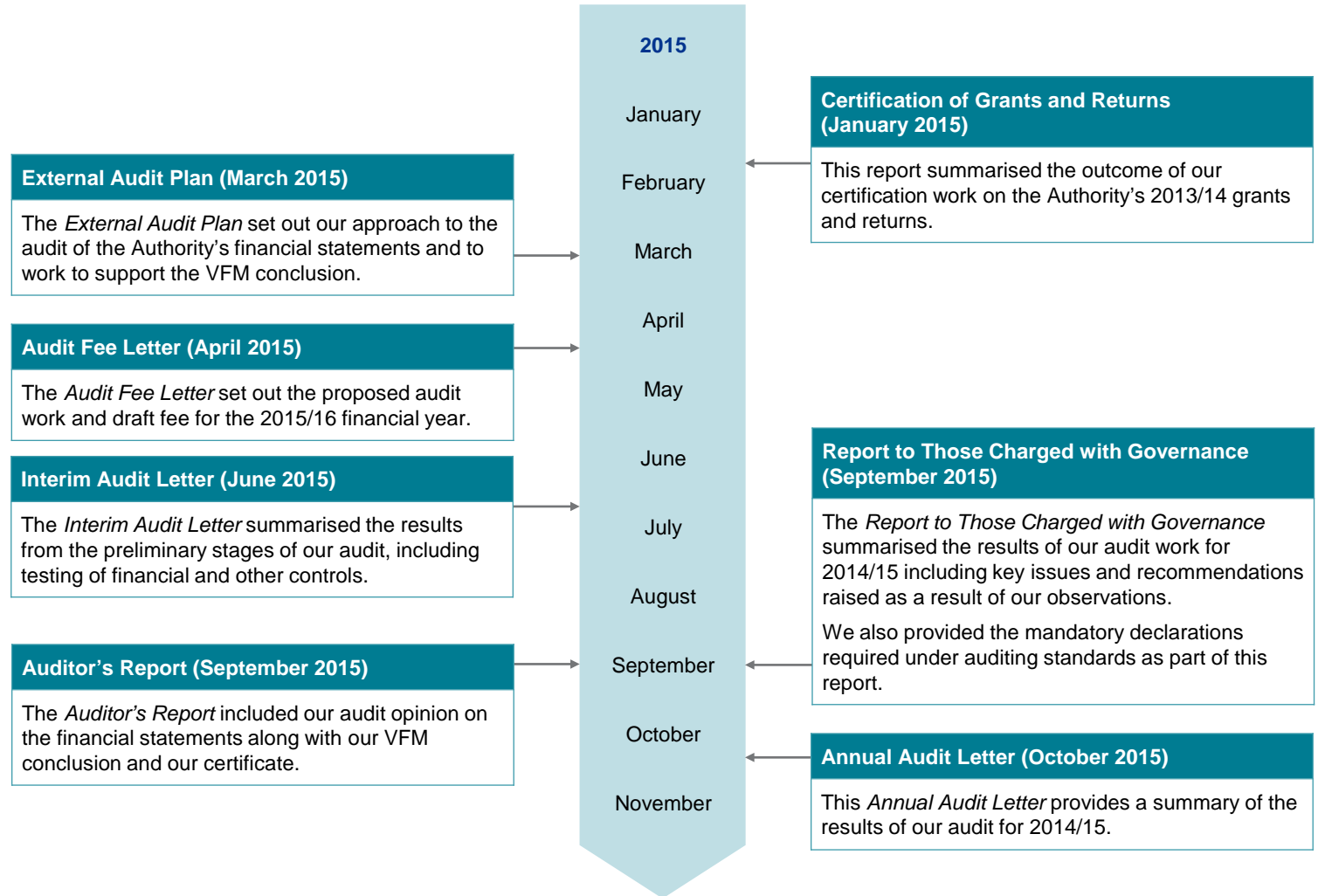
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Whole of Government Accounts	The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review your pack in detail as the Authority falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.
Certificate	We issued our certificate on 21 September. The certificate confirms that we have concluded the audit for 2014/15 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i> .
Audit fee	Our fee for 2014/15 was £84,600, excluding VAT. Further detail is contained in Appendix 2.

Appendix 1: Summary of reports issued

This appendix summarises the reports we issued since our last *Annual Audit Letter*.

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This appendix provides information on our final fees for the 2014/15 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2014/15 planned audit fee.

External audit

Our final fee for the 2014/15 audit was £84,600, which is in line with the planned fee.

Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2016.

Other services

We are charging £3,000 for additional audit-related services for the certification of the Pooling of Housing Capital Receipts grant claim which is outside of Public Sector Audit Appointment's certification regime.



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Meeting:	Cabinet	11 November 2015
	Audit and Governance Committee	23 November 2015
Subject:	Treasury Management Update – Quarter 2 Report 2015/16	
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 Investment Portfolio 3. Economic Outlook 4. Interest rate forecasts 	

FOR GENERAL RELEASE

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 2, 1st July 2015 to 30th September 2015.
- 1.2 This report will highlight issues specific to the Council and also highlight the overall economic outlook as provided by the Council’s treasury advisors Capita Asset Services.
- 1.3 The body of the report provides an overview of the Councils performance in Quarter 2;
 - **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 2.
 - **Appendix 3** is an economic summary provided by the Council’s treasury advisors.
 - **Appendix 4** is a detailed commentary on interest rate forecasts.

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RESOLVE**, that subject to any recommendations it wishes to make to Cabinet, the contents of the report be noted.

2.2 Cabinet is asked to **RESOLVE** that the contents of the report be noted subject to any comments subsequently received by the Audit and Governance Committee.

3.0 Annual Investment Strategy

3.1 The Treasury Management Strategy Statement (TMSS) for 2015/16, which includes the Annual Investment Strategy, was approved by the Council on 18th March 2015. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield

3.2 The Council will also aim to achieve the optimum return (yield) on its 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 cash flow 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 a minimum sovereign credit rating, and Credit Default Swap (CDS) overlay information.

3.3 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 ultra-low Bank Rate. The average level of funds available for investment purposes during the quarter was £6.5m. 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

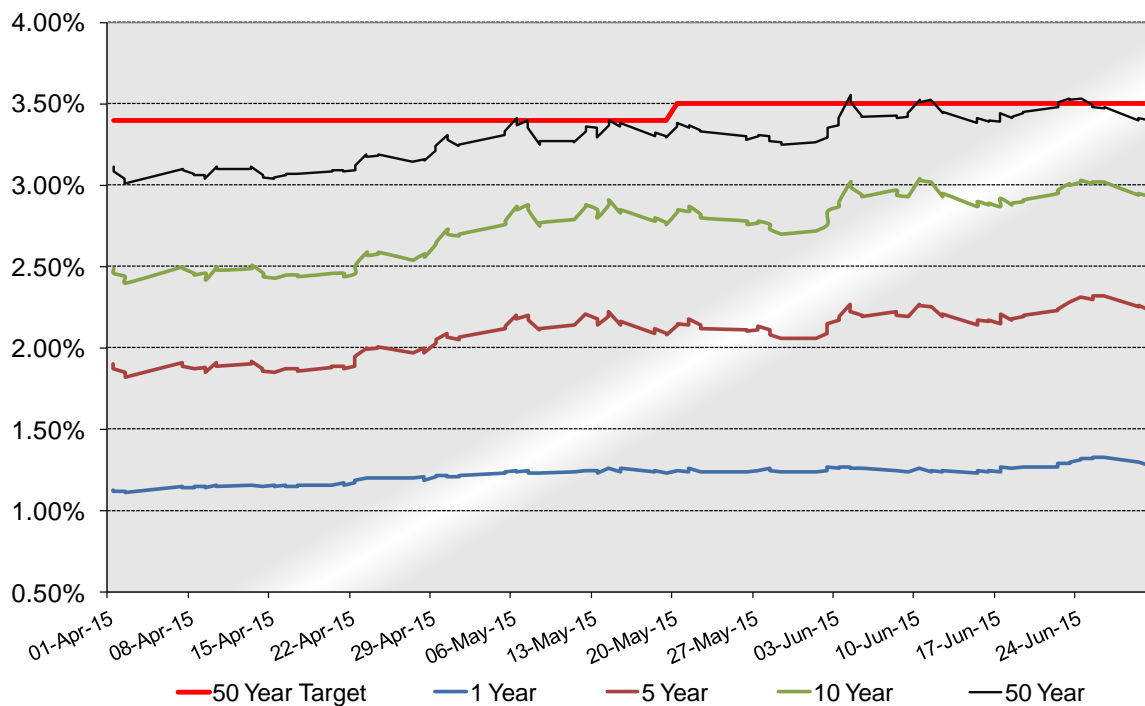
4.1 As outlined below, the general trend in PWLB rates has been an increase in interest rates during the first quarter but then a fall during the second quarter. The 50 year PWLB target (certainty) rate for new long term borrowing, for the quarter ending 30th September, fell slightly from 3.60% to 3.40% after the August Bank of England Inflation report.

4.2 No long term borrowing was undertaken during the quarter.

4.3 PWLB certainty rates, quarter ended 30th September 2015

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.23%	1.96%	2.56%	3.21%	3.07%
Date	24/09/2015	24/09/2015	29/09/2015	12/08/2015	12/08/2015

High	1.35%	2.35%	3.06%	3.66%	3.58%
Date	05/08/2015	14/07/2015	14/07/2015	02/07/2015	14/07/2015
Average	1.29%	2.15%	2.78%	3.40%	3.28%



4.4 Borrowing in advance of need.

On the 17th March 2015 the Council completed the voluntary stock transfer to GCH, the Council received funding from the Government and GCH to repay debt associated with the Council housing stock. Due to uncertainty in the market around debt premia at the time of the transfer, the Council did not repay all of the market debt at that time. Certainty returned to the markets in Quarter 1 and the Council repaid associated debt. At the end of Quarter 2, the Council is not borrowing in advance of need.

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 30th September 2015, 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 limits set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The housing stock transfer in 14/15 changed the Council debt profile from long term to short term borrowing. The Council is able to benefit from reduced costs associated with short term borrowing compared to longer term rates while operating within the Council's borrowing requirements.
- 6.3 In quarter 2 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 within appendix 1.

7.0 Other

- 7.1 The Council continued to maintain an under-borrowed position in Quarter 2.
- 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.

8.0 Asset Based Community Development (ABCD) Considerations

- 8.1 This report notes the treasury management performance of the Council. There are no anticipated ABCD implications from this report.

9.0 Financial Implications

- 9.1 Contained in the report

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

10.0 Legal Implications

- 10.1 There are no legal implications from this report

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

11.0 Risk & Opportunity Management Implications

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

12.0 People Impact Assessment (PIA):

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

13.0 Other Corporate Implications

Community Safety

13.1 None

Sustainability

13.2 None

Staffing & Trade Union

13.3 None

Press Release drafted or approved

13.4 Not applicable at this stage.

Prudential and Treasury Indicators as at 30th September 2015

Treasury Indicators	2015/16 Budget £'000	Quarter 2 (Jul-Sept) Actual £'000
Authorised limit for external debt	£35M	£10M
Operational boundary for external debt	£30M	£10M
Gross external debt	£30M	£10M
Investments	N/A	£7.3M
Net borrowing	£30M	£2.7M
Maturity structure of fixed and variable rate borrowing - upper and lower limits		
Under 12 months	0% - 50%	50.00%
12 months to 2 years	0% - 50%	0%
2 years to 5 years	0% - 50%	0%
5 years to 10 years	0% - 80%	50.00%
10 years to 20 years	0% - 80%	0%
20 years to 30 years	0% - 80%	0%
30 years to 40 years	0% - 80%	0%
40 years to 50 years	0% - 80%	0%
Upper limit of fixed interest rates based on net debt	100%	50.00%
Upper limit of variable interest rates based on net debt	100%	50.00%

Investment Portfolio

Investments held as at 30th September 2015 compared to our counterparty list:

Specified Investments	Outstanding Investments £'000	Date of Maturity	Interest Rate %
Banks			
Barclays Bank Plc	£2,600	N/A (call a/cs)	
Goldman Sachs	£1,700	N/A (call a/cs)	
	£4,300		
Building Societies			
Nationwide Building Society	£1,500	10/11/2015	0.46
Nationwide Building Society	£1,500	21/12/2015	0.51
	£3,000		
Total Invested	£7,300		

1. Economic Background

UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, possibly being equal to that of the US. However, quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a rebound in quarter 2 to +0.7% (+2.4% y/y). Growth is expected to weaken marginally to about +0.5% in quarter 3 as the economy faces headwinds for exporters from the appreciation of Sterling against the Euro and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme, although the pace of reductions was eased in the May Budget. However, the Purchasing Manager's Index, (PMI), for services issued on 5 October would indicate an even lower growth rate of around +0.3%, in quarter 4, which would be the lowest growth rate since the end of 2012.

Despite these headwinds, the Bank of England August Inflation Report had included a forecast for growth to remain around 2.4 – 2.8% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero over the last quarter. Investment expenditure is also expected to support growth. Since then, worldwide economic statistics have been distinctly weak so it would not be a surprise if the next Inflation Report in November were to cut those forecasts.

The August Bank of England Inflation Report forecast was notably subdued with inflation barely getting back up to the 2% target within the 2-3 year time horizon. However, with the price of oil taking a fresh downward direction and Iran expected to soon rejoin the world oil market after the impending lifting of sanctions, there could be several more months of low inflation still to come, especially as world commodity prices have generally been depressed by the Chinese economic downturn.

There are therefore considerable risks around whether inflation will rise in the near future as strongly as previously expected; this will make it more difficult for the central banks of both the US and the UK to raise rates as soon as had previously been expected, especially given the recent major concerns around the slowdown in Chinese growth, the knock on impact on the earnings of emerging countries from falling oil and commodity prices, and the volatility we have seen in equity and bond markets in 2015 so far, which could potentially spill over to impact the real economies rather than just financial markets.

The American economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by no less than 3.9% in quarter 2 of 2015. While there had been confident expectations during the summer that the Fed. could start increasing rates at its meeting on 17 September, or if not by the end of 2015, the recent downbeat news about Chinese and Japanese growth and the knock on impact on emerging countries that are major suppliers of commodities, was cited as the main reason for the Fed's decision to pull back from making that start. The nonfarm payrolls figures for September and revised August, issued on 2 October, were disappointingly weak and confirmed concerns that US growth is likely to weaken. This has pushed back expectations of a first rate increase from 2015 to 2016. However, there are increasing concerns, both in the US and UK, that the growth rates currently being achieved are only being achieved with monetary policy being highly aggressive with central rates at near zero and huge QE in place. This is causing an increasing debate as to how realistic it will be for central banks to start on reversing such aggressive monetary policy until such time as strong growth rates are more firmly established and confidence increases that inflation is going to get back to around 2% within a 2-3 year time horizon. In the Eurozone, the ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This already appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.0% y/y) but came in at +0.4% (+1.5% y/y) in quarter 2 and looks as if it may maintain this pace in quarter 3. However, the recent downbeat Chinese and Japanese news has raised questions as to whether the ECB will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

2. Interest Rate Forecast

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

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%
5yr PWLB rate	2.40%	2.50%	2.60%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%
10yr PWLB rate	3.00%	3.20%	3.30%	3.40%	3.50%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PWLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
50yr PWLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%

Capita Asset Services undertook a review of its interest rate forecasts on 11 August after the August Bank of England Inflation Report. This latest forecast includes no change in the timing of the first increase in Bank Rate as being quarter 2 of 2016. With CPI inflation now likely to be at or near zero for most of 2015, it is difficult for the MPC to make a start on increasing Bank Rate when the Inflation Report forecast was also notably subdued with inflation barely getting back up to the 2% target within the 2-3 year time horizon. Despite average weekly earnings ticking up to 2.9% y/y in the three months ending in July, (as announced in mid-September), this is unlikely to provide ammunition for the MPC to take action to raise Bank Rate soon as labour productivity growth meant that net labour unit costs are still only rising by about 1% y/y. The significant appreciation of Sterling against the Euro in 2015 has also acted as a dampening to UK growth while sharp volatility in financial markets since the Inflation Report has depressed equity prices, raised bond prices and lowered bond yields (and PWLB rates).

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 just starting a significant recovery as a result of recent increases in the rate of wage inflation, though some consumers will not have seen that benefit come through for them.

DETAILED COMMENTARY ON INTEREST RATES FORECASTS

Our treasury management advisers, Capita Asset Services have provided us with the following update to their interest rate forecasts.

Post Bank of England Inflation Report August 2015 interest rate review

- There has been very little change in our forecasts since our previous forecasts in February and May. This time, we have left unchanged the start of the increases in Bank Rate at quarter 2 of 2016; this is in line with comments from the Bank of England.
- The so called Bank of England's 'super Thursday' on 6 August turned out to be a damp squib with market expectations of the first increase in Bank Rate being pushed back to quarter 2 2016 after the flurry of excitement caused by Mark Carney's comments in July where he said that an interest rate rise would come "into sharper relief around the turn of the year". However, as he subsequently clarified, this was not intended to give rise to an inference that rates would rise in 2015!
- What did stand out in the MPC voting on 6 August was that one member started to vote for an immediate increase in Bank Rate, while the minutes showed that "some members" were concerned about upside risks to inflation, (but not to downside risks).
- CPI inflation has been between -0.1% to +0.1% between April and August and is expected to continue near to zero for some months to come. The latest Inflation Report was notably subdued in its forecast for inflation over the 2 – 3 year time horizon with inflation barely getting above the 2% target. However, there are significant downside risks to even this level of inflation as the report was also notable for downgrading its forecasts for growth in labour productivity despite robust forecasts for increases in business investment (which ought to boost productivity growth). This is key as the real cost of wages will be depressed by strong productivity growth and so would therefore cause price rises for goods and services to be subdued. In addition, the downturn in Chinese growth has depressed commodity prices but these will take time to feed through into CPI figures. We also have the potential for a further increase in oil supply depressing oil prices further if the end of sanctions on Iran occurs in the near future. A further factor is that the Fed. is likely to commence raising rates, probably in early 2016, which will cause the dollar to appreciate relative to Sterling and so cause the UK cost of imports, denominated in dollars, to fall.
- UK quarterly growth in quarter 2 2015 jumped back up to +0.7% (+2.4% y/y) from the disappointing +0.4% (2.7% y/y) in quarter one. However, growth is expected to subside to about +0.5% in quarter 3 2015 but the services Purchasing Manager's Index, (PMI), at the beginning of October was particularly weak and would indicate a

lower growth rate of +0.3% in quarter 4; this would be the lowest growth rate since the end of 2012.

- The election of a majority Conservative Government which is going to implement significant cuts in government expenditure in order to reduce the size of the annual budget deficit, will slow GDP growth marginally.
- Greece: the Greek government capitulated to EU demands for further austerity at the eleventh hour and 59th minute and has now agreed a third bailout package. However, there is considerable doubt as to whether Greece will be able to implement and tolerate the level of cuts stipulated. The bailout also does nothing to address the unsupportable size of total debt relative to GDP that is now outstanding after nine months of prevarication and disaster for the economy this year. It is therefore eminently possible that Greek exit from the euro has only been delayed by this third bailout.
- We remain concerned at the level of potential risk surrounding the government and corporate debt of several of the major emerging economies, from the perspective of both the potential for default in some countries and also a sharp swing in investor sentiment: investors have previously sought out higher yields in these economies during an extended period when yields in western countries have been heavily suppressed. Corporates heavily involved in mineral extraction and / or the commodities market may also be at risk and this could also cause volatility in equities and safe haven flows to bonds. Financial markets may also be buffeted by sovereign wealth funds of countries highly exposed to falls in commodity prices which, therefore, may have to liquidate some of their investments in order to cover national budget deficits.
- Clients should therefore expect a high level of volatility in PWLB rates over 2015, depending on how long it takes to resolve the longer term future and financial viability of Greece and as various factors impinge on market and investor sentiment. We would not be surprised to see PWLB rates swinging by 50 bps in a quarter, which makes any forecasts in the shorter term subject to a much higher level of volatility than has been usual.

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.

Despite market turbulence in late August, and then September, causing a sharp downturn in PWLB rates, the overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established accompanied by rising inflation and

consequent increases in Bank Rate, and the eventual unwinding of QE. 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.

We have pointed out above that the Fed. rate is likely to go up sooner and more strongly than Bank Rate in the UK. These increases will have corresponding effects in pushing up US Treasury and UK gilt yields. While there is normally a high degree of correlation between the two yields, we would expect to see a decoupling of yields between the two i.e. we would expect US yields to go up faster than UK yields. We will need to monitor this area closely and the resulting effect on PWLB rates.

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. However, the weak US nonfarm payroll figures and weak UK PMI figures at the beginning of October have provided added weight to the view that the first increase in central rates in the US and UK is more likely to occur later in 2016 than previously expected, and then only if there is substantial evidence that stronger growth is firmly in place and that inflation is going to reach around 2% within a 2-3 year time horizon. Market expectations have shifted at the beginning of October to the second half of 2016 for the first increase in Bank Rate.

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.

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.
- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or the start of Fed. rate increases, causing a flight to safe havens.

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

- Uncertainty around the risk of a UK exit from the EU.
- 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 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.



Meeting:	Audit & Governance Committee	Date:	23rd November 2015
Subject:	Zurich Municipal (Zurich) Risk Management Standards Assessment		
Report Of:	Head of Finance		
Wards Affected:	All		
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: 39-6432
Appendices:	1. Zurich Risk Management Standards Assessment – minimum requirement observations action plan 2. Zurich Risk Management Standards Assessment report		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To update the Audit & Governance Committee on the Zurich Risk Management Standards Assessment review and report, including subsequent actions by officers to improve the Council position against the assessment criteria.

2.0 Recommendations

2.1 Audit & Governance Committee is asked to **RESOLVE** that the Zurich Risk Management Standards Assessment report and subsequent actions by officers be noted.

3.0 Background and Key Issues

3.1 Zurich contract

3.1.1 The Council’s current insurance contract with Zurich includes an annual allocation for risk management support services. This is effectively a block of consultancy time which the Council can access for risk management specific products. The product type (e.g. plan testing or training provision) is selected by the Council per year of the contract.

3.1.2 The insurance contract term is 1st April 2014 to 31st March 2017.

3.1.3 SMT agreement was obtained in February 2015 for the 2014/15 risk management allocation to be utilised on a Risk Management Standards Assessment of the Council, to include review of the following areas:

- Combined liability:
Health and safety – legislation, policies & procedure; Health and safety – staff management, training & awareness; Maintenance and inspections; Hiring of facilities; and Use of contractors and partnerships
- Motor:
Legislation; Driver and staff management; and Vehicle management
- General property:
Facilities management; Fire safety management; Fire inception risks; Fire development risks; Fire control systems; Building security; Storm & flood protection; and Unoccupied premises
- Claims management

3.2 Risk Management Standards Assessment review completion and output

3.2.1 On site delivery was completed by the Zurich Risk Consultant over two days within June 2015 and co-ordinated by the Audit, Risk Management & Value for Money Officer. The review approach included officer group interviews and review of relevant supporting documents.

3.2.2 Officers from the following services fed into and supported completion of the review: Asset Management; Finance; Contact Centre & Customer Services; Countryside Unit; Cemeteries & Crematorium; Business Improvement; Health, Partnerships & Engagement; Public Protection; and Neighbourhood Services.

3.2.3 The Zurich Risk Management Standards Assessment report was issued in July 2015 and is included at **Appendix 2**. The report confirms that at the time of review the Council achieved the following levels of risk management standards:

- Combined liability: Good - minimum statutory requirements met with evidence of systems/procedures in excess of legal obligations: e.g. staff management & training (including health & safety and stress awareness) and local risk assessments
- General property: Good (as above), including best practice areas noted within facilities management and fire safety management
- Claims management: Minimum - compliant with relevant legislation, codes of practice and other statutory requirements
- Motor: Below minimum - not fully compliant with relevant statutory requirements for driver & staff management and vehicle management

3.2.4 The Zurich report includes areas for improvement observations, split between minimum requirement observations (to meet statutory requirements) and best practice observations (to improve current processes and/or procedures). **Appendix 1** details all minimum requirement observations.

3.3 Planned actions

3.3.1 The Council has taken the following immediate steps to mitigate risks arising from the 'below minimum' requirements:

- Review of driver check options completed (including the potential for self-certification through SAP) and driver check approach drafted for immediate roll out within the Council in line with the **Appendix 1** action plan
- Instructed all Managers, for services where Council owned vehicles are in use, that daily vehicle inspections must be completed (Council wide consistent approach to be rolled out by 31st December 2015 in line with the **Appendix 1** action plan)

3.3.2 The Council's target is to meet minimum requirements across all reviewed Risk Management Standards Assessment categories by 31st March 2016. The target will be monitored through the minimum requirement observations action plan at **Appendix 1**.

4.0 Asset Based Community Development (ABCD) Considerations

4.1 There are no anticipated ABCD implications from this report.

5.0 Alternative Options Considered

5.1 No other options have been considered as the purpose of this report is to inform the Committee of the risk management review undertaken by Zurich and their assessment of the Council's position against risk management standards.

5.2 The Council could choose to not implement the minimum requirement observations (motor) raised in the Zurich report. This is not deemed an appropriate alternative option as it would cause the Council to continue as non-compliant with relevant statutory requirements (motor) and would not effectively manage the relevant operational risks.

6.0 Reasons for Recommendations

6.1 The Council Risk Management Strategy and Constitution confirm the Audit & Governance Committee role 'to monitor the effective development and operation of risk management'. This report is to update Committee on the Zurich Risk Management Standards Assessment review and ongoing actions by officers, to evidence the effective development of risk management at the Council.

7.0 Future Work and Conclusions

7.1 All motor minimum requirement observations raised within the Zurich report are under review by allocated responsible officers and are planned for implementation at the Council by 31st March 2016 – see **Appendix 1**. No other minimum requirement observations were raised by the Zurich report.

7.2 Best practice observations raised within the Zurich report are being considered at service level for inclusion within future service business plans, where appropriate.

7.3 The Zurich 2015/16 provision for risk management is to be discussed and agreed by SMT within quarter 3 2015/16 for delivery in 2016. The agreed product and relevant output will be reported to Audit & Governance Committee.

8.0 Financial Implications

8.1 The Zurich Risk Management Standards Assessment review was completed as part of the Council's insurance contract with Zurich, which includes an annual allocation for risk management support services. The review incurred no additional cost.

8.2 Zurich has confirmed that the review does not impact future insurance premiums.

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

9.0 Legal Implications

9.1 Non implementation of the minimum requirement observations (motor) raised in the Zurich report would cause the Council to continue as operating at below the minimum risk management standards (motor). The Council would therefore not meet motor statutory requirements for driver, staff & vehicle management, or relevant motor insurance criteria.

9.2 If a motor incident/accident were to occur involving a Council vehicle (leased/owned) or grey fleet (Council employees using private vehicles for work purposes/business use), the Council could be directly and fully liable for costs. The Council has, therefore, taken immediate steps to mitigate this risk as set out in the report.

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

10.0 Risk & Opportunity Management Implications

10.1 Non implementation of the minimum requirement observations (motor) raised in the Zurich report would cause the Council to continue as operating at below the minimum risk management standards (motor) and would not effectively manage relevant operational risks, which could cause significant legal, financial and reputational impact.

11.0 People Impact Assessment (PIA):

11.1 A PIA screening assessment has been completed 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.

Press Release drafted/approved

12.4 None.

Background Documents: Council Constitution 2015/16
Risk Management Strategy

Appendix 1

Zurich Risk Management Standards Assessment – minimum requirement observations action plan

Minimum requirement observation	Planned action	Responsible officer	Deadline
Motor			
Driver and staff management			
An occupational road risk (Driving at Work) policy should be implemented that covers all driving that takes place within the council.	<p>Council Driving at Work Policy to be drafted and approved.</p> <p>Policy scope and application to include all Council staff and vehicles within the control of or being used by the Council.</p>	Jeff Thomas, Health & Safety Advisor	31 st March 2016
Annual driver licence checks should then be conducted for all authorised drivers of council owned vehicles. This could be done by the DVLA who should check points, medical fitness and licence category.	Review of driver check options completed. Driver checks guidelines and form drafted. Scope applicable to all Council staff and all vehicles within the control of or being used by the Council (e.g. Council owned & leased vehicles and grey fleet).	Jeff Thomas, Health & Safety Advisor	Immediate implementation
The appropriate class of licence needs to be checked against the vehicle/plant as some licences now require that a specific trailer test be completed before towing.	<p>Minimum requirement for annual driver checks, plus new appointments or role changes. To include review of licence and licence permissions.</p> <p>Drivers to be responsible for ensuring that they meet the driver checks criteria. Completion of the annual driver checks form will be the responsibility of Drivers, for verification by Line Managers. Audit trail to be retained by Line Managers.</p> <p>Annual spot checks will then be completed by the Health & Safety Advisor.</p>		

Minimum requirement observation	Planned action	Responsible officer	Deadline
Motor			
Vehicle management			
Roles and responsibilities for managing this small fleet of vehicles should be formalised, so that central records can be kept and schedules monitored for the servicing and MOT of vehicles.	Central record of all Council vehicles (owned and leased) to be maintained by Financial Services – to include details and supporting documentation (where relevant) of vehicle type, specific location, insurance, servicing, MOT and road tax.	Andrew Cummings, Management Accountant	31 st December 2015
Daily vehicles inspections should be consistent across the council and undertaken by the driver, even in the case of several different drivers in one vehicle in one day.	Daily vehicle inspection guidelines and form to be drafted. Approach to then be rolled out to all services where Council vehicles (leased and owned) are in use. Annual spot checks will then be completed by the Health & Safety Advisor.	Jeff Thomas, Health & Safety Advisor	31 st December 2015

The below action plan is to be co-ordinated and supported by the Audit, Risk Management and Value for Money Officer.

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Risk Management Standards Assessment

Customer name: **Gloucester City Council**

Date of Assessment: **1st - 2nd June 2015**

Name of Assessors: **Vivien Gumble FCII & Grad. IOSH
Risk Consultant (Casualty Practice)
Zurich Risk Engineering UK**

Summary

Standards Achieved

Combined Liability	Below Minimum	Minimum	<u>Good</u>	Best Practice
Motor	<u>Below Minimum</u>	Minimum	Good	Best Practice
Property	Below Minimum	Minimum	<u>Good</u>	Best Practice

Overall Comments:

Zurich Risk Engineering UK have been requested to assess the risk management practices regarding general property, motor, employer and public liability at **Gloucester City Council** and to comment upon current measures in place to reduce losses and possible ways of further reducing risks.

This assessment also includes areas of improvement for the implementation of any additional loss control measures that may be required to assist in the further reduction of losses.

General Note:

Areas of improvement in this assessment where key areas could be reviewed and improved are highlighted in **bold text**.

Those highlighted in **bold and blue text** are key elements. If these minimum requirements are not met the local authority would not be able to achieve the minimum standard in that section

The following provides definitions for the levels within the standard:

Below Minimum – failure to have in place basic and fundamental systems and/or procedures.

Minimum – compliance with any relevant legislation, codes of practice and any other statutory requirements. Zurich would expect a local authority to be at this level.

Good – in addition to the minimum standard the local authority has exhibited systems and/or procedures that are in excess of their legal obligations.

Best Practice – exemplary systems and/or procedures are in place.

The following officers were interviewed:

Stephanie Payne	Audit, Risk Management & Value for Money Officer
Jeff Thomas	Health & Safety Advisor
Ed Pomfret	Health, Partnerships & Engagement Manager
Mark Foyn	Asset Manager (Acting)
Iona Lennon	Senior Building Works Officer
Kay Lillington	Landscape Architect
Sarah Gilbert	Guildhall Manager
Dan Charles	Programming & Marketing Manager (Guildhall)
Victoria Hollyhead	Events & Project Support Officer
Sadie Neal	Head of Business Improvement
Andrew Jackson	Cemeteries & Crematorium Assistant Manager & Registrar
Ian Elphick	Senior Countryside Ranger
Wendy Jones	Contact Centre & Customer Services Manager
Andrew Cummings	Management Accountant
Tom Fletcher	Accountancy Assistant
Hayley Taylor	Building Works Officer
Wayne Best	Environmental Protection Service Manager (Acting)
Lloyd Griffiths	Head of Neighbourhood Services (Acting)
Melloney Smith	Surveyor & Valuer
Anthony Hodge	Head of Regeneration & Economic Development
Gill Ragon	Head of Public Protection

Combined Liability

Overall Standard Achieved:

Below Minimum	Minimum	<u>Good</u>	Best Practice
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Section Standards Achieved:

Legislation	Below Minimum	Minimum	<u>Good</u>	Best Practice
Staff Training & Awareness	Below Minimum	Minimum	<u>Good</u>	Best Practice
Use of Contracts & Partnerships	Below Minimum	Minimum	<u>Good</u>	Best Practice
Hiring of Facilities	Below Minimum	<u>Minimum</u>	Good	Best Practice
Inspection & Maintenance	Below Minimum	<u>Minimum</u>	Good	Best Practice
Claims Management	Below Minimum	<u>Minimum</u>	Good	Best Practice

Legislation

Standard Achieved	Below Minimum	Minimum	<u>Good</u>	Best Practice
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Positive features:

- There are good systems in place to manage Health & Safety. Arrangements are reviewed periodically.
- A nominated Director and Council Member have undergone appropriate Health & Safety training and are responsible for and influential in Health & Safety management.
- A corporate Health & Safety policy is in place which is supported by service level policies and procedures.
- Health and Safety issues are communicated via intranet and e mail.
- Risk assessments are carried out locally with advice from the Health & Safety Advisor.
- A formal, structured Health & Safety Committee structure is in place (the Employee Forum) and is influential in implementing Health & Safety systems.
- Manual handling risks are well controlled with specific assessments carried out. Additional manual handling training is given.
- Comprehensive arrangements are in place to manage lone working but an overall risk assessment is required to identify lone workers.
- A formal policy and comprehensive arrangements are in place to manage Legionella within water systems.

- An asbestos management plan is in place for any asbestos present within council buildings. No council staff undertake work involving asbestos.
- A risk based approach has been taken to the provision of first aid, which is more than adequate.
- A working at height policy is in place and specific risk assessments completed. However a ladder inspection register is needed.
- Accidents are investigated and records are documented and retained in accordance with RIDDOR, INDG453 and HSG245.
- An Emergency Procedures Policy is in place. A formal programme of testing emergency equipment is in place and appropriate information, instruction and training is provided to relevant staff. Emergency scenario tests are carried out periodically.

Areas for improvement:

- **The proposal to run more risk assessment workshops is supported.**
- **Department risk assessments are carried out with help from the Health & Safety Advisor. A programme for auditing these should be formalised.**
- **A "ladder register" should be maintained for the inspection and maintenance of all equipment used for work at height.**
- **A variety of arrangements are in place to manage the lone working risk but not all employees perceive themselves to be lone workers. Conduct an overall risk assessment to identify lone workers and provide lone working training.**

Staff Management and Training

Standard Achieved	Below Minimum	Minimum	<u>Good</u>	Best Practice
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Positive features:

- Health & Safety training is managed by HR. Some Health & Safety training is provided in-house by the Health & Safety department.
- Health and Safety training is included within the induction process.
- The HR department are responsible for co-ordination of training but a Health & Safety training needs analysis has not been carried out. The Health & Safety department should be responsible for co-ordinating Health & Safety training according to job/role and this should feed into the HR database.
- A corporate wellbeing policy is in place but an overall stress risk assessment would be beneficial at this time of restructure and change.
- Stress awareness training is provided for managers.
- Staff have access to an independent counselling service.
- A robust Sickness / Absence Policy is in place. Regular contact with absent staff is maintained and reasonable adjustments are made to accommodate return to work.
- A competent person has been appointed for Health and Safety advice and management.

Areas for improvement:

- **A corporate Health & Safety training needs analysis should be conducted and mandatory training implemented and monitored according to job/role.**
- **The Health & Safety department should be responsible for co-ordinating Health & Safety training according to job/role and this should feed into the HR database.**
- **Health and safety training performance should be reported to the Senior Management Team (SMT) and Members.**
- **Ensure that all Health & Safety training is centrally recorded and records are readily available. A training record retention policy should be formalised.**
- **Statistically local authority workers are at high risk from stress. An overall stress risk assessment should be conducted at this time of restructure and change.**

Use of Contractors and Partnership

Standard Achieved

Below Minimum

Minimum

Good

Best Practice

Positive features:

- Procedures are in place to select and appoint competent contractors.
- Formal procedures are in place for contractor and partner performance monitoring.
- Contractors are closely supervised whilst on site by the Asset department &/or Custodians.
- Arrangements are in place to manage Construction, Design and Management Regulation requirements.

Areas for improvement:

- **See Inspection & Maintenance - Trees**

Hiring of facilities

Standard Achieved

Below Minimum

Minimum

Good

Best Practice

Positive features:

- There is a wide variety of facilities available for hire, the most notable being the Guildhall, Museum and Blackfriars.
- Local formal processes for the hiring out of facilities are in place. For example there are good arrangements at the Guildhall.
- Formal application forms and contracts are issued to hirers.
- Discussions, emails and face to face agreements are well documented on a central database.
- Licence requirements are reviewed and renewed as appropriate.
- Inspections of facilities are carried out between hirings but not formally recorded unless a problem is found, in which case it is entered in the day book.

Areas for improvement:

- **A corporate policy / procedure for hiring of facilities should be formalised to ensure a consistent approach across all venues.**
- **Either, contracts should include details on health and safety and emergency procedures at the venue or, when an initial site visit is carried out with the hirer, they should be issued with written instructions.**
- **Where appropriate, hirer's public liability insurance, H&S policy, risk assessments and evidence of first aid training should be provided.**
- **Inspections should be recorded in every instance in a formal inspection book or checklist. In other words if no issues are found between hirings it should be clearly recorded with date, time and signature as NIL DEFECTS FOUND.**

Inspection and maintenance

Standard Achieved

Below Minimum

Minimum

Good

Best Practice

Positive features:

- A centrally managed asset register is in place. The asset register is regularly updated.
- A Procurement Policy and inspection and planned maintenance regimes are linked to the asset register.
- Programmed building inspections are determined by risk assessment.
- Contracts are in place for statutory inspections of plant and equipment. The inspection regime links to an inventory of plant and equipment. The inspection regime is audited periodically. Inspection records are retained for the life of the plant.
- A formal defect reporting procedure is in place. Training in defect reporting has not been provided.
- A defined risk based responsive repair system is in place using contractors.
- Inspection records are initially paper-based but then kept electronically according to building on a shared drive. Unfortunately daily inspections are not always recorded.
- A monthly inspection programme is in place for the management of car parks.
- A risk based inspection programme is in place for the management of play areas.
- An inspection programme for the management of the tree stock is the responsibility of Amey but cannot be evidenced. See comments below.

Areas for improvement:

- **A corporate, council-wide inspection policy / strategy should be formalised and implemented. This will ensure a consistent, risk based approach and clearly identify any deficiencies and opportunities for improvements and or efficiencies.**
- **Although there is a defect reporting system in place for the Guildhall and Warehouses, daily records are not always kept. Ensure that all defects and the actions taken are recorded.**
- **A corporate inspection regime record retention policy should be formalised. This should detail the area inspected, the date of inspection, inspector details and any problems found together with remedial action taken. Reporting should always be positive. In other words, there should always be a report to prove that at that particular time there was no defect.**
- **Implement a council-wide tree policy / strategy and ensure that inspections are carried out on a risk-prioritised basis, recorded by Amey, available to Gloucester City Council staff, and regularly audited.**
- **Defects found should be formally defined and instruction / training provided for inspectors.**
- **All actions as a result of inspections should be prioritised and scheduled according to safety. This is particularly important for play areas.**

Claims Management

Standard Achieved

Below Minimum

Minimum

Good

Best Practice

Positive features:

- There is a central claims contact with formal claims procedures in place. Adequate cover is on place to cover absence.
- Claims procedure instruction and training has been provided for relevant staff. There are proposal to train 2 extra persons.

Areas for improvement:

- **Periodic loss analysis should be carried out and reports shared with relevant departmental managers. This could include key lessons learned in the form of recent cases "won" and "lost".**
- **Issue council-wide guidance on who to contact in the event of a claim and what immediate action to take.**
- **Issue information to departments on the Ministry of Justice (MOJ) reforms, to explain why evidence of maintenance and inspection is required within short timescales. See attached MOJ reforms.**

Motor

Overall Standard Achieved:				
<u>Below Minimum</u>	Minimum	Good	Best Practice	
Section Standards Achieved:				
Driver and Staff Management	<u>Below Minimum</u>	Minimum	Good	Best Practice
General Vehicle Management	<u>Below Minimum</u>	Minimum	Good	Best Practice
Specialist Vehicle Management	<u>Below Minimum</u>	Minimum	Good	Best Practice
Depot Management	<u>Not applicable</u>	Minimum	Good	Best Practice
Claims Management	Below Minimum	<u>Minimum</u>	Good	Best Practice
Driver and Staff Management				
Standard Achieved	<u>Below Minimum</u>	Minimum	Good	Best Practice
Positive features:				
<ul style="list-style-type: none"> • Most services involving the use of vehicles for work have been out sourced to Amey. • There is no longer a working council depot. • The council-owned fleet is less than 20 vehicles managed locally by the Countryside, Crematorium or Customer Services departments. • In the case of Customer Services, any council employee can ask for keys to the vehicle upon signing a declaration that they have a licence. • Driver licence or medical fitness to drive checks are not undertaken on a regular basis. • There is no Driving at Work policy, although there is "Good Driving" guidance for casual drivers. . 				
Areas for improvement:				
<u>In view of the small number of vehicles a proportionate approach is suggested i.e.:-</u>				
<ul style="list-style-type: none"> • An occupational road risk (Driving at Work) policy should be implemented that covers <u>all</u> driving that takes place within the council. • It is suggested that department managers nominate authorised drivers of the council-owned vehicles and a list is maintained by Customer Services, rather than being able to drive the vehicles on demand. 				

- Annual driver licence checks should then be conducted for all authorised drivers of council owned vehicles. This could be done by the DVLA who should check points, medical fitness and licence category.
- The appropriate class of licence needs to be checked against the vehicle/plant as some licences now require that a specific trailer test be completed before towing.

General Vehicle Management

Standard Achieved	<u>Below Minimum</u>	Minimum	Good	Best Practice
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Positive features:

- There is no longer a working council depot.
- The council-owned fleet is less than 20 vehicles managed locally by the Countryside, Crematorium or Customer Services departments.
- The maintenance of vehicles and MOT testing are the responsibility of the local manager
- There are 3 different daily vehicle inspection systems in place. In the case of Customer Services, the Custodians do the daily checks rather than the driver.
- Vehicles, trailers and expensive equipment are locked in compounds or storage units overnight.

Areas for improvement:

- Roles and responsibilities for managing this small fleet vehicles should be formalised, so that central records can be kept and schedules monitored for the servicing and MOT of vehicles.
- Daily vehicles inspections should be consistent across the council and undertaken by the driver, even in the case of several different drivers in one vehicle in one day.

Specialist Vehicle Management

Standard Achieved

**Below
Minimum**

Minimum

Good

Best Practice

Positive features:

- There are a number of specialist vehicles within this small fleet.

Areas for improvement:

- **As plant, machinery and vehicles age, service and maintenance cost versus capital expenditure increase, which places pressure on limited departmental resources. Consider the centralised management of safety inspections, servicing and maintenance.**
- **See comments above.**

Depot Management

Standard Achieved

Not applicable

Minimum

Good

Best Practice

Positive features:

- There are no longer any working depots but vehicle and plant security is generally appropriate.

Areas for improvement:

- **A security audit of the storage facilities should be considered.**

Claims Management

Standard Achieved

Below Minimum

Minimum

Good

Best Practice

Positive features:

- See comments under Combined Liability.

Areas for improvement:

- See comments under Combined Liability.

Property

Overall Standard Achieved:				
Below Minimum	Minimum	<u>Good</u>	Best Practice	
Section Standards Achieved:				
Facilities Management	Below Minimum	Minimum	Good	<u>Best Practice</u>
Fire Safety Management	Below Minimum	Minimum	Good	<u>Best Practice</u>
Fire Inception Risks	Below Minimum	Minimum	<u>Good</u>	Best Practice
Fire Development Risks	Below Minimum	Minimum	<u>Good</u>	Best Practice
Fire Control Systems	Below Minimum	Minimum	<u>Good</u>	Best Practice
Building Security	Below Minimum	Minimum	<u>Good</u>	Best Practice
Storm and Flood Protection	Below Minimum	Minimum	<u>Good</u>	Best Practice
Unoccupied Premises	Below Minimum	Minimum	<u>Good</u>	Best Practice
Claims Management	Below Minimum	<u>Minimum</u>	Good	Best Practice

Facilities Management

Standard Achieved

Below Minimum

Minimum

Good

Best Practice

Positive features:

- All properties are managed or overseen from the centre by the Asset department responsible for ensuring high standards of property management. Regular reviews of risk assessments and property management are undertaken and detailed surveys of council buildings have been carried out and used to plan maintenance work.
- There are comprehensive 5 yearly Planned Preventative Maintenance reports with estimated costings which feed into a 5-year Asset Management strategy with aims, objectives and annual targets.
- Statutory tests and inspections are well controlled with a system of red folders on site with central electronic back-up copies. Building Manager and Custodian weekly checks are audited annually.
- Daily "housekeeping" checks are undertaken but the recording of these could be improved – see Inspection under Combined Liability.
- A comprehensive Business Continuity Plan (BCP) is in place, including full emergency plan tests. The plan is supported by department action plans.

Areas for improvement:

- **Although there is a defect reporting system, daily records are not always kept. Ensure that all defects and the actions taken are recorded.**

Fire Safety Management

Standard Achieved

Below Minimum

Minimum

Good

Best Practice

Positive features:

- Jeff Thomas is the appointed Fire Safety Manager, with responsibility for implementing good standards of fire safety management.
- Fire risk assessments have been completed
- Fire safety policies and procedures are in place and roles and responsibilities are defined.
- Relevant information is readily accessible to all staff. Good standards of staff training are provided including specific roles such as Fire Marshalls
- Comprehensive and documented site inspections are completed weekly
- A permit to work system for the control of contractors is in place.

No areas for improvement:

Fire Inception Risks

Standard Achieved

Below Minimum

Minimum

Good

Best Practice

Positive features:

- Main electrical installations in council occupied buildings are inspected at least every 5 years.
- Heating systems are maintained under annual maintenance contracts.
- Smoking is restricted to designated external areas and is strictly enforced.
- Portable appliance testing is in place.
- Fire blankets and fire extinguishers are provided to kitchen areas.
- Where practical, external waste is secured/immobilised 8m from the buildings.

Areas for improvement:

- **If possible, the use of portable heaters should be prohibited.**
- **Kitchen extraction systems above deep fat fryers should be cleaned weekly and the main extract system should be subject to a programme of deep cleaning. This needs to be audited.**

Fire Development Risks

Standard Achieved

Below Minimum

Minimum

Good

Best Practice

Positive features:

- Daily "housekeeping" checks are undertaken but the recording of these could be improved – see Inspection under Combined Liability.
- Fire doors are inspected weekly and regularly maintained to ensure they close effectively. Where fitted electro-magnetic door open devices are linked to automatic fire alarm, their activation is tested weekly.

Areas for improvement:

- **Consider implementing a programme to inspect and maintain compartment walls. Records should be kept of these inspections.**

Fire Control Systems

Standard Achieved

Below Minimum

Minimum

Good

Best Practice

Positive features:

- Automatic fire detection systems are installed to British Standard 5839-1:2013 to selected areas of the buildings. Systems are tested weekly and maintained under an annual maintenance contract. Some systems are linked to an alarm receiving centre via BT RedCARE.
- Automatic fire alarms shut down some services.
- Fire extinguishers are installed and maintained to BS5306 Part 8: 2000 and are checked weekly. An external maintenance contract is in place.

Areas for improvement:

- **Business critical areas such as the main Server Rooms should be protected by a gaseous fire suppression system. A maintenance programme including room integrity testing should also be implemented.**
- **Sprinkler systems have proved to be the best fire protection system for most property risks. Sprinkler system installation should be considered for any major rebuilds or refurbishments.**

Building Security

Standard Achieved

Below Minimum

Minimum

Good

Best Practice

Positive features:

- Most buildings have intruder alarm protection, incorporating signalling to an approved monitoring centre.
- CCTV systems provide surveillance of main locations.
- There is an electronic access control system to most main buildings.

Areas for improvement:

- **Security marking using a prominent and permanent method, such as branding, etching or engraving could be considered for valuable contents. Advisory signs should be prominently displayed throughout the buildings.**

Storm and Flood Protection

Standard Achieved

Below Minimum

Minimum

Good

Best Practice

Positive features:

- A considerable amount of very commendable work has been undertaken to protect the Public since the floods of 2007.
- Potential flood locations have been risk assessed and effective flood protection measures put in place.
- 38 pinch points on watercourses are regularly inspected by Amey and there is an effective emergency team in place.
- The Asset department oversee a programme of external drain and gutter cleaning.
- However specific flood risk assessments have not been completed for council-owned buildings in high risk areas, albeit these were relatively unaffected in 2007.

Areas for improvement:

- **Undertake flood risk assessments for council owned properties particularly the Warehouses and Oxtall Leisure Centre which is on a flood plain.**
- **Include the risk of flood and issues of accessibility within the overall Business Continuity Plan. Include regular input from the flood management team.**

Unoccupied Premises

Standard Achieved

Below Minimum

Minimum

Good

Best Practice

Positive features:

- There is a void property policy.
- A risk-based approach is taken to managing unoccupied premises.
- Fire and security systems are maintained and the letter box is sealed. Combustible contents are removed and a monthly recorded inspection regime in place.
- Water/ services are drained down in the winter and isolated or disconnected.

Areas for improvement:

- **Where possible, inspect empty buildings weekly.**
- **Ensure that there is always a record when an inspection is carried out, e.g. the inspection has identified and recorded no defects or problems.**

Claims Management				
Standard Achieved	Below Minimum	<u>Minimum</u>	Good	Best Practice
Positive features:				
<ul style="list-style-type: none"> • See comments under Combined Liability. 				
Areas for improvement:				
<ul style="list-style-type: none"> • See comments under Combined Liability. 				
<p>If the customer requires more information or support regarding the contents of this assessment, please contact your Risk and Insurance Consultant.</p>				

Appendices attached:-

- Trees inspections – Loss scenario
- The Ministry of Justice (MOJ) reforms

Web links:-

- <http://www.hse.gov.uk/event-safety/incidents-and-emergencies.htm>

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Meeting:	Audit & Governance Committee Cabinet	Date:	23 November 2015 9 December 2015
Subject:	Strategic Risk Register		
Report Of:	Cabinet Member for Performance and Resources		
Wards Affected:	All		
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: 39-6432
Appendices:	1. Strategic Risk Register as at 27th October 2015		

FOR GENERAL RELEASE

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

Background

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 SMT on a monthly basis. Strategic risk owners are at SMT level.
- 3.4 A 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 second Strategic Risk Register update to Members, following Member approval of the updated Risk Management Strategy in January 2015.

Strategic Risk Register – position and review

- 3.6 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, further mitigating actions required and their 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.

- 3.7 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 further mitigating actions

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

- 3.8 The Strategic Risk Register was last reviewed and updated by SMT on the 27th October 2015. See **Appendix 1**.

Strategic Risk Register – changes since last Member review:

- 3.9 The Strategic Risk Register version last reviewed by Members was from 24th February 2015. The main areas of Strategic Risk Register update from the 24th

February 2015 version to the 27th October 2015 Strategic Risk Register (**Appendix 1**) are summarised below:

- Strategic risks removed:
 - o Potential collapse of the Council's banker leading to loss of cash and investments
 - o Lack of resilience in the senior management structure
- Strategic risks added:
 - o Inability of the Council to identify viable plans to achieve savings
- Potentially emerging strategic risks removed:
 - o Local Government Boundary Commission Review
 - o Ebola outbreak
 - o Rugby World Cup project delivery
 - o Waste and recycling review
- Potentially emerging strategic risks added:
 - o Devolution

4.0 Asset Based Community Development (ABCD) Considerations

4.1 There are no anticipated ABCD implications from this report.

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 bi-annual 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 to Members will be captured within the Annual Risk Management Report 2015/16, planned for presentation to Audit & Governance Committee in March 2016.

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 of 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.

(One Legal have been consulted in the preparation of 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 A PIA screening assessment has been completed 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.

Press Release drafted/approved

12.4 None.

Background Documents: CIPFA: Audit Committees – Practical Guidance for Local Authorities & Police (2013 edition)
Council Constitution 2015/16
Risk Management Strategy

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Gloucester City Council Strategic Risk Register, 27 October 15

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 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	3	12	<p>*Alignment of financial monitoring and performance monitoring (balanced scorecard)</p> <p>*Monthly monitoring of 15/16 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 (target deadline TBC)</p> <p>Monthly within 2015/16</p>	4	2	8	<p>S Neal/J Topping</p> <p>Savings line service manager/head of service (accountable officer for savings)</p>

Gloucester City Council Strategic Risk Register, 27 October 15

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 with defined service scope – service delivery by County Council (SLA) from April 15 *Regular monitoring of press coverage *Key contacts for liaison with the media (i.e. controlled approach) *Standardised FOI approach with FOI Champions *Consultation approach on key areas *Development and delivery of communication strategy (internal and external) to include performance measures *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"> *Council's communication policies & protocols to be reviewed to ensure they meet the needs of the all parties *Review and update of the Council's information policies (including IT policies, records management and social media) – to include approval by Cabinet and roll out to officers and Members# *Re-introduction of NETconsent with access for officers and Members# #FMA also relevant to risk 8 	31 March 16 31 March 16 31 Jan 16	2	2	4	J Topping

Gloucester City Council Strategic Risk Register, 27 October 15

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"> *Dedicated HR resource with defined service scope – service delivery by County Council (SLA) from Oct 15 *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 *SMT visibility and walking the floor 	3	2	6	<ul style="list-style-type: none"> *Review of OD strategy *Refresh of Council values *Conclusion of Peer Challenge action plan delivery – Peer Challenge team re-visit to be arranged by the LGA *Set up and initiation of bi-monthly meetings of the Governance Group 	<p>31 Mar 16</p> <p>Timing of re-visit to be confirmed by LGA (est. of March 16)</p> <p>From Nov 15</p>	3	1	3	SMT

Gloucester City Council Strategic Risk Register, 27 October 15

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	
4.	Failure to effectively manage contracts and partnerships with key partners / other significant bodies, including: Amey, Civica, Marketing Gloucester, GCH, Aspire, Gloucester Partnership, Gloucestershire Airport, Gloucestershire County Council and district councils	3	3	9	<p>In set up of the partnerships:</p> <ul style="list-style-type: none"> *Corporate procurement strategy and procedures *Contract Standing Orders and general Constitution requirements *Availability of advice from legal/finance/procurement <p>Partnership specific controls that should be in place:</p> <ul style="list-style-type: none"> *Documented signed SLA with each partner *Business Improvement service structure in place (contract management skilled) and lead contact officers assigned to each partner *Monitoring of partnership deliverables, with reporting to SMT/Committee *SLAs incorporate contingency business plan approach to mitigate against loss of service *Partnership risk registers – either individually or within the service risk register *Governance arrangements identifying where decisions are taken *Agreement of SLA KPIs, performance standards and payments (within contract) 	3	2	6	*Negotiation with partners to review current contract contents, define and agree penalties and/or service credits for non-achievement of contract performance standards	31 Mar 16	2	2	4	R Cook & S Neal

Gloucester City Council Strategic Risk Register, 27 October 15

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 and enable business growth within the city	3	3	9	<p>*Support local businesses both start up and new (e.g. grants and business advice) – via Economic Development service</p> <p>*Partnership support for skills/jobs and attraction of inward investment</p> <p>*Council's promotion of city through links with GFirst LEP; Marketing Gloucester; and with adjacent authorities (e.g. JCS)</p> <p>*In-house Housing Service with qualified / experienced team and approved business plan objectives (including homelessness prevention and mortgage rescue schemes)</p> <p>*Housing & Homelessness Strategy – including 6 monthly review and update</p> <p>*Cultural Strategy – including 6 monthly review and update</p>	3	2	6	<p>*Development of the Regeneration and Economic Development Strategy (including alignment of objectives to the Council Plan and ensuring an appropriate delivery mechanism is in place)</p> <p>*Bidding for regeneration funding & continued focus on regeneration sites</p> <p>*Strengthening of partner relations</p> <p>*Effective promotion of the city and the council regards business support and being a friendly city</p> <p>*City Plan and JCS aiding delivery of planned growth and housing numbers</p>	31 Mar 16	At least monthly review	At least monthly review	2	2	4	A Hodge / M Shields

Gloucester City Council Strategic Risk Register, 27 October 15

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: <ul style="list-style-type: none"> ○ Anti-fraud and corruption strategy ○ Anti-bribery policy ○ Whistle blowing policy ○ Anti-money laundering policy ○ 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) *Benefit case referral to the Single Fraud Investigation Service – DWP	4	1	4	*GFOA review of options to join the Counter Fraud Hub (hosted by CBC & CDC)	31 Dec 15	4	1	4	J Topping

Gloucester City Council Strategic Risk Register, 27 October 15

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 (including Kings Quarter and Blackfriars)	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	*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	Quarterly review (or as appropriate dependent on project profile)	2	2	4	A Hodge
8	Failure to manage information in accordance with legislation	4	4	16	*IT Security: -BT&T partnership contract includes key IT security control continued delivery with ongoing client monitoring required -Virus protection (desktop, server, email, attachments etc) and fire wall controls -Monitoring of internet access and restriction on sites permitted to access -E-mail content scanning -Physical security and	4	3	12	*Review and update of the Council's information policies (including IT policies, records management and social media) – to include approval by Cabinet and roll out to officers and Members# *Re-introduction of NETconsent with access for officers and Members# #FMA also relevant to risk 2 *IT Security further mitigating	31 March 16 31 Jan 16	4	2	8	J Topping

Gloucester City Council Strategic Risk Register, 27 October 15

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	
					protection of IT suite -Procedures for login lockdown when IT staff leaving organisation -Data cleansing of IT equipment prior to disposal -Client monitoring (in-house intelligent client function) team in place -IT risk register monthly review and update by the IT Operations Board *Use of information: -FOI procedures; standardised approach; & FOI Champions -Information management rules within the Constitution - Data Protection guide -Staff training and induction to confirm appropriate management of information *Info stored / accessed: Building access controls – swipe cards/door pass codes *SIRO role allocated *Information Security Board set up, scope agreed & quarterly meetings planned				actions are detailed at risk 11					

Gloucester City Council Strategic Risk Register, 27 October 15

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 & Rugby World Cup); and use of Mutual Aid agreement.</p>	4	2	8	<p>*Review and refresh of all service Business Continuity Plans to ensure up to date and appropriate content (including IT focus and BCP exercise completion)</p> <p>*Review and update of named leads for emergency planning to ensure appropriate role allocations based on the Council size & structure – District Emergency Controller and Gold Officer roles</p> <p>* IT infrastructure upgrade in progress (including on site server refresh). Final stages of the upgrade to be identified as part of the IT Strategy exercise.</p>	<p>31 Oct 15</p> <p>31 Oct 15</p> <p>TBC – following approval of the Council IT Strategy</p>	3	2	6	<p>SMT / G Ragon (DEPLO)</p> <p>S Neal</p>

Gloucester City Council Strategic Risk Register, 27 October 15

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	Delay to or non-delivery of Joint Core Strategy (JCS)	4	4	16	<p>*Management, monitoring and review of JCS position & progress through regular programmed meetings of:</p> <ul style="list-style-type: none"> - 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 <p>*Allocated & trained officer resource with project management structure and co-location of staff (3 Councils) at key stages</p>	4	2	8	<p>*Co-ordinated JCS response to Independent Examination (IE) queries from IE stage 1 (led by the JCS Programme Officer with direct input from City Council officers)</p> <p>*IE stages 1 and 2 are continuing in Sept/October and December 2015 and Stage 3 will be scheduled for early in 2016 – further mitigating actions will be dependent on the outcome of the IE stages & the overall Inspector report following the examination – third party legal, technical and professional support to be retained during this period (as well as full continuation of current controls) – ring fenced budget in place</p>	<p>Quarter 3 2015/16</p> <p>Interim Inspector's report may be made available following Stages 1 and 2 in early 2016</p> <p>Inspector's main report expected mid- 2016 following Stage 3 examination</p>	4	2	8	A Wilson

Gloucester City Council Strategic Risk Register, 27 October 15

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	
11	Council services loss for a significant period, due to failure and limited capacity of IT infrastructure (leading to other financial, reputational and information governance risks)	4	4	16	<ul style="list-style-type: none"> *Up to date IT asset register *Appropriate secure physical location of the servers *Short term IT infrastructure investment needs identified and capital budget agreed *Infrastructure/network topology (mapping) with action plan for regular review and update including identification, risk assessment, costing and priority ranking of IT infrastructure options for investment 	4	3	12	<ul style="list-style-type: none"> *Delivery of medium term IT infrastructure investment (approved within the Council Money Plan) – including on site server refresh and upgrade to Windows 7. *Implementation of the IT health check remediation action plan - to ensure achievement of PSN compliance *IT Business Continuity Plan review and renewal – agreement process to be confirmed 	31 Dec 15 31 Dec 15 31 Oct 15	4	2	8	S Neal
12	Inability of the Council to identify viable plans to achieve savings	4	4	16	<ul style="list-style-type: none"> *Budget setting process – including consultation; management / leadership input into savings targets; and Overview & Scrutiny and Council involvement *Allocation of individual savings/income targets to an SMT sponsor, Cabinet Member and leading manager *Rigorous monthly monitoring of the Council’s financial position - monthly income / budget monitoring at budget holder level (Finance led) and by SMT 	4	2	8	<ul style="list-style-type: none"> *SMT and Cabinet to review and confirm strategic direction to support identification and delivery of Money Plan savings target achievement – to include commissioning and alternative delivery opportunities for savings and income generation 	Feb 16	4	1	4	J Topping

POTENTIALLY EMERGING STRATEGIC RISKS: DISCUSSED AND REVIEWED BY SMT:

- DEVOLUTION:
 - o Themes raised: Council representation; resource impact (financial, officer time and impact on service delivery); and term of delivery.
 - o The Gloucestershire devolution bid has been submitted – Chancellor of the Exchequer public spending review statement due on Wednesday 25 November – may confirm further devolution agreements.
 - o Risk management approach to be completed at a project level.

**Gloucester City Council
Audit and Governance Work Programme 2015-16
(Updated 9 November 2015)**

Item	Format	Lead Officer	Comments
18 January 2016:			
1. Audit and Governance Committee Action Plan	Timetable	-----	Standing agenda item requested by the Committee
2. KPMG Grants Audit Report	Written Report	KPMG	Part of the Committee's annual work programme
3. Internal Audit Plan 2015/16 – Monitoring Report	Written Report	Audit, Risk & Assurance Manager	Part of the Committee's annual work programme
4. Annual Standards Report	Written Report	Monitoring Officer	Part of the Committee's annual work programme
5. Draft Contract Standing Orders	Written Report	Monitoring Officer/ Head of Finance	Part of the Committee's annual work programme
6. Council IT- Lessons Learned	Written Report	Head of Finance/ Head of Business Improvement	Part of the Committee's annual work programme
7. Business Rates Pooling Annual Report	Written Report	Head of Finance	Part of the Committee's annual work programme
Audit and Governance Committee Work Programme	Timetable	-----	Standing Agenda Item

Item	Format	Lead Officer	Comments
14 March 2016:			
1. Audit and Governance Committee Action Plan	Timetable	-----	Standing agenda item requested by the Committee
2. KPMG – External Audit Plan 2015/16	Written Report	KPMG	Part of the Committee's annual work programme

3. Benefit Audit Update on Accuracy Rate	Written Report	Senior Client Officer	Part of the Committee's annual work programme
4. KPMG – External Audit Technical Update	Written Report	KPMG	Part of the Committee's annual work programme
5. Treasury Management Strategy	Written Report	Head of Finance	Part of the Committee's annual work programme
6. Treasury Management Quarter 3 Report	Written Report	Head of Finance	Part of the Committee's annual work programme
7. Annual Risk Management Report	Written Report	Audit, Risk & Assurance Manager	Part of the Committee's annual work programme
8. Internal Audit Plan 2015/16 – Monitoring Report	Written Report	Audit, Risk & Assurance Manager	Part of the Committee's annual work programme
9. Internal Audit Plan 2016/17	Written Report	Audit, Risk & Assurance Manager	Part of the Committee's annual work programme
Audit and Governance Committee Work Programme	Timetable	-----	Standing Agenda Item

FUTURE AUDIT & GOVERNANCE COMMITTEE MEETING DATES:

- Monday, 20 June 2016
- Monday, 19 September 2016
- Monday, 21 November 2016

FUTURE AUDIT & GOVERNANCE COMMITTEE AGENDA ITEM – DATE TO BE AGREED:

- Update report on Peer Review visit