

# Public Document Pack



COMMITTEE: **JOINT    AUDIT    AND**  
**STANDARDS COMMITTEE**

**VENUE:** *Council    Chamber,*  
*Council    Offices,    Needham*  
*Market*

DATE/TIME: **Monday, 20 June 2016 at**  
**10.00 a.m.**

## Members

### Babergh

Tony Bavington  
Michael Creffield  
John Hinton  
David Rose

Fenella Swan  
William Shropshire  
John Ward  
(1 vacancy)

### Mid Suffolk

John Field  
Lavinia Hadingham  
John Matthissen  
Lesley Mayes

Suzie Morley  
Dave Muller  
Kevin Welsby  
Jill Wilshaw

## PLEASE NOTE TIME AND VENUE OF MEETING

### A G E N D A

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#### ITEM

#### BUSINESS

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The Council, members of the public and the press may record/film/photograph or broadcast this meeting when the public and press are not lawfully excluded. Any member of the public who attends the meeting and wishes to be filmed should advise the Committee Clerk.

### PART I

#### 1    SUBSTITUTES AND APOLOGIES

Any Member attending as an approved substitute to report giving his/her name and the name of the Member being substituted.

#### 2    DECLARATION OF INTERESTS

Members to declare any interests as appropriate in respect of items to be considered at this meeting.

#### 3    MINUTES

To confirm and sign the Minutes of the meeting held on [18 April 2016](#) (attached).

#### PETITIONS

#### 4

The Interim Head of Democratic Services to report in accordance with Council Procedure Rules the receipt of any petitions submitted to the Chief Executive.

### QUESTIONS FROM THE PUBLIC

- 5 The Chairmen of Committees to answer any questions from the public of which notice has been given no later than midday two clear working days before the day of the meeting in accordance with Council Procedure Rules.

6 QUESTIONS FROM MEMBERS

***The Chairman to answer any questions on matters in relation to which the Council has powers or duties or which affect the District and which fall within the terms of reference of the Committee of which due notice has been given in accordance with Council Procedure Rules.***

7 JOINT ANNUAL GOVERNANCE STATEMENT 2015/16

Paper  
[JAC80](#)

Report by the Corporate Manager – Internal Audit attached.

8 ANNUAL INTERNAL AUDIT REPORT 2015/16

Paper  
[JAC81](#)

Report by the Corporate Manager – Internal Audit attached.

9 JOINT ANNUAL TREASURY MANAGEMENT REPORT 2015/16

Paper  
[JAC82](#)

Report by the Corporate Manager – Financial Services attached.

10 NON-SALARY EXPENSES

Paper  
[JAC83](#)

Report by the Assistant Director – Corporate Resources attached.

11 FORWARD PLAN 2016/17

Paper  
[JAC84](#)

Report by the Interim Head of Democratic Services.

Note: The date of the next meeting is Monday 12 September 2016 (at Babergh).

For further information on any of the Part 1 items listed above, please contact Val Last on (01449) 724673 or via email at [committees@baberghmidsuffolk.gov.uk](mailto:committees@baberghmidsuffolk.gov.uk)

MINUTES OF THE JOINT AUDIT AND STANDARDS COMMITTEE MEETING  
HELD AT THE COUNCIL CHAMBER, COUNCIL OFFICES, HADLEIGH ON  
MONDAY 18 APRIL 2016 AT 10.00 A.M.

PRESENT: William Shropshire (Chairman)

**BABERGH**

**MID SUFFOLK**

Sue Ayres  
Tina Campbell  
Siân Dawson  
John Hinton  
Alastair McCraw  
David Rose  
John Ward

Jessica Fleming  
Elizabeth Gibson-Harries  
Glen Horn  
John Matthissen  
Suzie Morley  
Derek Osborne  
Kevin Welsby

Councillor Penny Otton was unable to be present.

47 SUBSTITUTES

It was noted that in accordance with Council Procedure Rule No.5, substitutes were in attendance as follows:-

Jessica Fleming (substituting for Jill Wilshaw)  
Alastair McCraw (substituting for Tony Bavington)  
Derek Osborne (substituting for Lavinia Haddingham)

48 DECLARATION OF INTERESTS

There were no declarations of interest.

49 MINUTES

**RESOLVED**

**That the Minutes of the meeting held on 22 January 2016 be confirmed and signed as a correct record.**

50 PETITIONS

None received.

51 QUESTIONS FROM THE PUBLIC

None received.

52 QUESTIONS FROM MEMBERS

None received.

53 EXTERNAL AUDIT REPORTS

Melanie Richardson and Katie Durham from Ernst & Young attended the meeting to present the reports and reply to questions put to them by Members:

(a) Certification of Claims and Returns Annual Report 2014/15 (MSDC)

Melanie Richardson presented [Paper JAC71](#), summarising the scope of work undertaken by the External Auditor, errors identified in respect of housing benefits subsidy claim and the additional testing that had been undertaken as a result. Melanie drew Members' attention to the increased fee as a consequence of the additional testing.

(b) Audit Plan 2015/16 (MSDC)

Melanie Richardson presented [Paper JAC72](#), summarising the financial statement risks and value-for-money risks, and replied to Members' questions, including in relation to the Council's risk register, value-for-money risks and the Code work fees.

(c) Audit Fee Letter 2016/17 (MSDC)

Melanie Richardson presented [Paper JAC73](#) and together with Katherine Steel, Head of Corporate Resources, answered Members' questions in relation to Annual Audit and Certification Fees for 2016/17.

(d) Audit Plan 2015/16 (BDC)

Melanie Richardson presented [Paper JAC74](#), summarising the financial statement risks and value-for-money risks, and replied to Members' questions in relation to the difference in fees between the two Councils. Members asked for the Babergh certification of claims to be re-circulated, for completeness.

(e) Audit Fee Letter 2016/17 (BDC)

Melanie Richardson presented [Paper JAC75](#), which mirrored the equivalent paper for Mid Suffolk. In response to Members' questions Katherine Steel clarified the position with regards to the 25% reduction to the housing benefit subsidy claim certification fees for 2016/17.

**RESOLVED**

**That the external audit reports be noted.**

54 INTERNAL AUDIT PLAN 2016/17

Paul Jarvis, Audit and Risk Officer, introduced [Paper JAC76](#) detailing the proposed Internal Audit Plan for 2016/17. Members were asked to review and note the proposed Plan attached as Appendix A to the report. Katherine Steel and Paul Jarvis replied to Members' questions on various related matters including the interpretation of 'Governance' in paragraph 10.2, the performance audit of the shared IT services and the resources available to deliver the Audit Plan.

**RESOLVED**

**That the Internal Audit Plan 2016/17 (Appendix A to Paper JAC76) be noted.**

55 MANAGING THE RISK OF FRAUD AND CORRUPTION – ANNUAL REPORT 2015/16

John Snell, Corporate Manager – Internal Audit, introduced [Paper JAC77](#), which explained the current arrangements in place for both Councils to ensure there was a pro-active corporate approach to preventing fraud and corruption. He also reported on compliance with the CIPFA Code of Practice – Managing the Risk of Fraud and Corruption (included in Appendix A) and replied to Members' questions, including in relation to the National Fraud Initiative, Housing Benefit claims and Universal Credit.

**RESOLVED**

- (1) That the progress made in ensuring there are effective arrangements and measures in place across both Councils to minimise the risk of fraud and corruption as outlined in Paper JAC77 be noted.**
- (2) That compliance against the CIPFA Code of Practice – Managing the Risk of Fraud and Corruption (Appendix A) be noted.**

56 FORWARD PLAN

Linda Sheppard, Senior Governance Support Officer, reported that the Mid-Year Report on Internal Audit 2016/17 had been added to the Forward Plan for the meeting on 14 November 2016 after publication of the Agenda.

Members noted that a report on Non-Salary Expenses for Senior Officers would be added to the Forward Plan for the meeting on 20 June 2016.

**RESOLVED**

**That the content of [Paper JAC78](#) as updated above be noted.**

57 EXCLUSION OF THE PUBLIC (WHICH TERM INCLUDES THE PRESS)

**RESOLVED**

**That pursuant to Part 1 of Schedule 12A of the Local Government Act 1972, the public be excluded from the meeting for the business specified below on the grounds that if the public were present during this item, it is likely that there would be the disclosure to them of exempt information as indicated against the item.**

**The Committee was also satisfied that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.**

58 UPDATED SIGNIFICANT RISK REGISTER (Exempt information by virtue of Paragraphs 3 of Part 1)

The Minute relating to this item is excluded from the public record. A summary of the Minute made by the Proper Officer in accordance with sub-section 2 of Section 100 of the Local Government Act 1972 is set out below.

Members had before them [Paper JAC79](#). Officers responded to questions raised by Members.

The Committee accepted the recommendation subject to amendments.

Note: The meeting was adjourned between 10:17am and 10:33 am to resolve a technical issue.

The business of the meeting was concluded at 11.50 a.m.

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Chairman

## BABERGH DISTRICT COUNCIL AND MID SUFFOLK DISTRICT COUNCIL

<b>From: Corporate Manager – Internal Audit</b>	<b>Report Number: JAC80</b>
<b>To: Joint Audit and Standards Committee</b>	<b>Date of meeting: 20 June 2016</b>

### JOINT ANNUAL GOVERNANCE STATEMENT 2015/16

#### 1. Purpose of Report

- 1.1 The purpose of this report is to enable the Committee to be satisfied that the Joint Annual Governance Statement (AGS), to accompany each Council's financial accounts 2015/16, properly reflects the risk environment and any actions required to improve it.

#### 2. Recommendations

- 2.1 That Councillors satisfy themselves that the Joint Annual Governance Statement (AGS) 2015/16 (Appendix A to this report) properly reflects the risk environment and any actions taken to improve it.
- 2.2 That subject to 2.1 above, the AGS be endorsed subject to the Interim Assistant Director – Law and Governance being authorised to make any minor amendments and corrections prior to the Statement being finalised for publication.
- 2.3 Further that approval of any significant amendments identified by the Interim Assistant Director – Law and Governance be delegated to her in consultation with the Chairs of the Committee.
- 2.4 That it be noted that the finalised AGS will be signed by the Leader of each Council on behalf of the respective Council together with the Chief Executive on behalf of both Councils.

#### 3. Key Information

- 3.1 The preparation and publication of an AGS is necessary to meet the statutory requirement set out in Regulation 6 of the Accounts and Audit Regulations 2015.
- 3.2 Governance is about how each Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems, processes, cultures and values, by which the Council is directed and controlled and through which it is accountable to, engages with and, where appropriate, leads communities.
- 3.3 This Committee is responsible for overseeing each Council's work around corporate governance.

- 3.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Joint Working Group have recently consulted on a revised Framework for delivering good governance in Local Government, which will be applied against the 2016/17 Statement. The revised Framework will be supported by guidance notes that will include examples of good practice/case studies. The revised Framework builds on the International Framework 2014 and places sustainable economic, societal and environment outcomes as a key focus for governance processes and structures. In addition, the core principles and sub principles from the Framework have been adapted and translated into a series of expected behaviours and outcomes which demonstrate good governance in practice.
- 3.5 The AGS is required to be published to accompany the published Statement of Accounts.
- 3.6 The AGS has been prepared in consultation with key senior officers to reflect the operations of each Council during 2015/16.

#### **4. Financial Implications**

- 4.1 There are no direct financial implications as a result of this report.

#### **5. Legal Implications**

- 5.1 There are no immediate legal implications arising from this report.

#### **6. Risk Management**

- 6.1 A strong internal control environment contributes to the overall effective management of each Council and will help minimise the risks of each Council failing to achieve its ambitions and priorities, and service improvements.

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to regularly monitor and improve the Council's arrangements could weaken corporate governance, have an impact on service delivery and lead to adverse comments from the External Auditor.	Highly Unlikely	Bad	Internal and External Audit help ensure a systemic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

#### **7. Consultations**

- 7.1 The AGS was prepared following input from key senior officers.



## **8. Equality Analysis**

- 8.1 Equality and diversity implications have been considered within the AGS arrangements.

## **9. Shared Service / Partnership Implications**

- 9.1 Through the integration process Babergh and Mid Suffolk have produced a joint AGS while still recognising the separate sovereign nature of the Councils.

## **10. Links to Joint Strategic Plan**

- 10.1 Governance touches all aspects of the Councils' activities. To ensure the successful delivery of the Joint Strategic Plan it is essential that the principles of good governance are applied consistently across the Councils.

## **11. Appendices**

Title	Location
(a) Joint Annual Governance Statement 2015/16	Attached

## **12. Background Documents**

- 12.1 CIPFA/SOLACE framework – 'Delivering good Governance in Local Government – Addendum'

Authorship:  
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**This Annual Governance Statement is presented as a joint statement of Babergh District Council (BDC) and Mid Suffolk District Council (MSDC).**

### ***What is Corporate Governance?***

1. Corporate governance generally refers to the processes by which organisations are directed, controlled, led and held to account.
2. Each Council's governance arrangements aim to ensure that it sets and meets its objectives and responsibilities in a lawful, timely, open, inclusive and honest manner and that its use of public money and resources are safeguarded, properly accounted for and used economically, efficiently and effectively.

### ***Refreshing the Joint Strategic Plan***

3. The Joint Strategic Plan sets out how the Councils aim to provide services to deliver positive, sustainable change in our individual and business communities over the next five years.
4. The Plan has been updated or '*refreshed*' following the election in May 2015, as the two new administrations wanted to review and update the strategies of the two Councils, in light of key local, regional and national factors that have changed since the Joint Strategic Plan (JSP) was developed in 2013/14.
5. Strategic planning workshops were held with Portfolio Holders between September and November 2015 to review the vision and the priorities for the Councils, and to consider any changes that need to be made to the Councils' activities in order to deliver the priority outcomes.
6. Councillors confirmed that the vision and priorities in the previous Plan had not changed – Economy and Environment, Housing, Strong and Healthy Communities – and that these priorities would be delivered under five key strategic themes or Outcomes:
  - Housing delivery – More of the right type of homes, of the right tenure in the right place:
  - Business growth and increased productivity – Encourage development of employment sites and other business growth, of the right type in the right

places and encourage investment in skills and innovation in order to increase productivity;

- Community capacity building and engagement – All communities are thriving, growing, healthy, active and self-sufficient;
- Assets and investment – Improved achievement of strategic priorities and greater income generation through use of new and existing assets ('Profit for Purpose'); and
- An enabled and efficient organisation – The right people are doing the right things, in the right way, at the right time, and for the right reasons.

7. The refreshed Plan was presented and approved by the Strategy and Executive Committee in February 2016. The report included an overview of the refreshed Plan – a 'Plan on a Page' outlining the high level strategic outcomes to be achieved over the next five years, and the outputs needed to deliver these outcomes.
8. To create greater transparency a full on-line document is being developed, which Councillors can self-service, containing more detail behind each outcome and output including how the outputs are planned to be delivered – the activities, both service delivery and service development.

### ***Financial implications***

9. The Councils continue to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending. At the same time though, there are also funding sources and opportunities that we are fully exploiting as part of our new business model.
10. The Councils need to be financially sustainable in the medium term. As part of our new business model and financial strategy we have decided that we will maximise incentivised funding streams from the government, and look to generate other income streams and use these to deliver our future plans.
11. The JSP refresh has shaped the financial and resource allocations made in the Medium Term Financial Strategy (MTFS) for both Councils, as the detailed output from the Portfolio Holders strategic planning workshops, was used as the basis for building the 2016/17 budget and the MTFS.

### ***Management review***

12. A management review was undertaken to ensure the Councils have the right management capacity with the right skills to provide the right leadership. This is critical in creating the right conditions to lead staff and manage resources to best effect to achieve the Councils' ambitions. This is within the context of devolution, a

programme of public service reform, integration and transformation across Suffolk, latest government initiatives, our strategic priorities and core services.

13. The review is closely related to the Joint Strategic Plan, update of the Medium Term Financial Strategy, agreeing the budget for 2016/17 and re-shaping the delivery programme, projects and plans to ensure our resources are aimed at achieving the best outcomes for the people and places in Babergh and Mid Suffolk.
14. The key outcomes of the review are to:
  - Continue to develop an organisation which is agile and adaptable, where people are increasingly networked both internally and across the Suffolk system;
  - Organise work so key areas that overlap are better connected, and to create tight groupings of activities where required to strengthen linkages across the organisation;
  - Align and focus resources to the outcomes of the Councils to enable both collaboration and a strong focus to deliver strategic outcomes and services;
  - Create senior leadership that is similarly outcome focused and has a real impact; and
  - Consider the implications of proposed changes on operational levels within the organisation.

***Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function***

15. Vision and leadership is provided by the Chief Executive, whose responsibility is to create the conditions to build strong relationships and a strong reputation. She leads the organisation to achieve demanding strategic goals, ensuring that the management team drives performance that focuses on outcomes and delivery. The Chief Executive has strong and productive relationships with communities, working especially with the Leaders of the Councils and their senior councillor colleagues. She is accountable to Councillors for overall performance.

***Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function***

16. The Monitoring Officer is responsible for ensuring that the Councils act in a lawful manner. This has been delivered through a range of measures including the Monitoring Officer attending Council and committee meetings where legal or probity issues are likely to arise and advising officers on Council and committee reports when required. The Monitoring Officer is a solicitor and has personally discharged her responsibilities to provide advice to Councillors on the Suffolk Local Code of Conduct, bias and predetermination and investigated conduct complaints. The

Monitoring Officer is supported by two Deputies who assist with the discharge of functions.

***Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful***

17. Ensuring compliance with established policies, procedures, laws and regulations involves a range of measures, including proactive monitoring of proposals and decisions.
18. Under Section 5 of the Local Government and Housing Act 1989 the Monitoring Officer is required to report to the Council where, in her opinion, a proposal, decision or omission by the Council, its Councillors or Officers is, or is likely to be, unlawful and also to report on any investigation by the Local Government Ombudsman. To facilitate the early identification of potential issues, the Monitoring Officer attends Senior Leadership Team (previously called Management Board) meetings. Regular Statutory Officers' Meetings have also been established to identify any potential governance issues. It has not been necessary for the Monitoring Officer to issue any reports under Section 5 of the Local Government and Housing Act 1989 for the year 2015/16.

***Developing, communicating and embedding codes of conduct, defining the standards of behaviour for councillors and staff***

19. Councillor behaviours are governed by a code of conduct which is set out in the Councils' Constitution. The Suffolk Local Code of Conduct was adopted by the Council in 2012 and all Councillors have signed an undertaking to abide by its provisions and have completed a register of their personal interests.

***Role of the Chief Financial Officer***

20. Each Council largely mirrors the recommendations made by CIPFA with regards to the role of the Chief Financial Officer and their position and status within each organisation.
21. The s151 Officer attends Senior Leadership Team (previously called Management Board), this being the key officer decision making body of the organisation responsible for developing, implementing and delivering the strategic objectives of both Councils.
22. All material financial decisions must be approved by the s151 Officer. The decision making structure of both organisations is designed to ensure that this happens through the report approval framework.
23. Processes, systems internal controls and risks are maintained and frequently reviewed in order to ensure that good financial management exists across both

organisations and that value for money is achieved.

24. The Corporate Manager – Financial Services who replaced the Interim Manager in November 2015 has responsibility for Finance for both Councils, is professionally qualified and skilled and is provided with the necessary resources to provide a finance function that is fit for purpose and suitably equipped to meet organisational and stakeholder needs.

### ***Governance Working Group***

25. Senior officers formed a Governance Working Group under the sponsorship of the Interim Head of Legal and Governance. The Group meet on a regular basis focusing on strengthening governance across the organisation with specific reference to constitutional reform, scrutiny and schemes of delegation. Additional areas considered include a review of the approach to equality and diversity, implementation of the modern.gov capability, approach to risk management and its framework and commissioning and procurement for outcomes.
26. As a result and working with Councillors a number of reforms to the constitution have been successfully implemented alongside a very successful roll out across the organisation of the revised commissioning and procurement framework (see paragraphs 60 to 62). Understanding of business intelligence and performance (see paragraphs 27 & 28) has progressed significantly alongside the review of the Risk Management Strategy, which was agreed by Councillors in January 2016 (see paragraphs 35 to 40).

### ***Performance Management***

27. In September 2015, Councillors approved a new performance approach which moves towards a greater focus on measuring the desired results and outcomes of key projects and activities, underpinning the agreed priorities and ambitions of the Councils. A further report was presented to Councillors in December 2015 which developed the approach including measuring the impact the Councils (and partners) are having on improving community conditions and quality of life, across Suffolk, in each District and in each Place. This is a fundamental shift and will build upon the traditional input and output measures that Councillors are used to monitoring. This new approach has been developed in parallel with the refresh of the Joint Strategic Plan, the Business Plan, the Medium Term Financial Strategy, the Budget 2016/17, the Management review and the introduction of an agile approach to project management and delivery. Councillors will also have the benefit of on-going interaction with the delivery programme.
28. Councillors will be able to monitor achievement of these important impacts and outcomes through presentation of half-yearly reports to the Strategy and Executive Committees; the first report in this new approach will be presented (as a year-end report) in July 2016. Measurement of community impact will often be measured

through customer sampling and resident surveys and all performance impact and outcome measures will set out an indication of the current position (initially a snapshot by which we would measure and self-evaluate continuous improvement over time). Targets will be developed for a number of the measures and benchmarking activity undertaken where possible. Some of the measures will identify short term impact whilst others will by their nature demonstrate trends over the longer term. An overall judgement of performance (using a RAG status) will be provided for the District level performance information, along with a summary of the evidence for the judgement being made. Place profiles are being developed, continuing with the line of sight through from the Suffolk and District sections.

### **Information Governance**

29. We have, in partnership with Suffolk County Council, developed an information and communications technology strategy to support both Councils' strategies. Our approach has been and continues to be, to consolidate systems such that teams can operate seamlessly across both organisations regardless of their location. In the process of consolidating these systems we are reviewing the data we hold and where necessary digitizing the information, such that it can be accessed from either site.
30. The integrity of the information we hold on behalf of our employees and customers is crucial for our business and as such we have adopted the Suffolk County Council's IT and Information Management policies and trained staff such that they are aware of them and can handle the information respectfully and securely. We have assigned Corporate Managers within their designated areas to be the Information Asset Owners (IAO). To minimise the risk of a data breach all our computer hardware and software systems conform to appropriate standards. At a user level we also encrypt all memory sticks, issue laptops with encrypted hard disks and are currently in the process of introducing encryption into our email system.
31. Information governance is managed by the Information Governance Board (IGB), which is chaired by the Assistant Director – Corporate Resources who currently fulfils the role of Senior Information Risk Owner (SIRO). This group comprises of key senior managers and the Information Management Specialist (Legal) who are empowered to take decisions on information management. The IGB's key responsibility is to ensure that the Information Governance Policy and framework is maintained and that actions are taken to implement the Policy and keep it up to date.
32. The Council's agreed to a consensual audit of their Fol process arrangements by the Information Commissioner's Office. The audit provided the Councils with an independent assurance of the extent to which the two Councils were complying with the DPA.
33. The ICO's findings were both positive and helpful in strengthening our existing processes.



## ***Standing Orders, Financial Regulations and Scheme of Delegation***

34. Each Constitution sets out its Contract Procedure Rules and guidance, Financial Regulations and Scheme of Delegation.

## ***Risk Management Arrangements***

35. The Council has a risk management strategy. It was reviewed by Senior Leadership Team (previously called Management Board) and the Joint Audit and Standards Committee in January 2016 to ensure it is appropriate and reflects the approach the Councils wish to take to the management of risk.
36. The successful delivery of the Councils' priorities and Joint Strategic Plan depends on the Councils' ability to tolerate and manage risk rather than eliminate it altogether. A certain amount of risk taking is inevitable. The risk management strategy recognises this and different 'risk appetite' limits have been set and developed around good governance.
37. Significant risks that may be potentially damaging to the achievement of the Councils' priorities are recorded in a risk register and assigned owners.
38. The refresh of the Joint Strategic Plan has had implications on the content of the Significant Risk Register. In the wake of this, the register has changed to reflect the five new outcomes, the associated risks and the actions that are being taken to respond to these risks. As it stands, the register is in draft form awaiting approval by senior management and the Executive and Strategy Committees.
39. The register remains, as always, a living document and as projects develop, the register will capture any new, evolving and emerging risks.
40. Primarily Councillors and senior management will be focussed on the strategic and business critical risks that could impact on the achievement of objectives or successful delivery of outcomes. More detailed business operation risks are the primary concern of services and functions, where managers will be controlling and monitoring their risks and escalating these to a strategic level if they are no longer containable and manageable at a functional level.

## ***Counter Fraud and Corruption Arrangements***

41. Councillors of the Joint Audit and Standards Committee receive an annual report entitled 'Managing the Risk of Fraud and Corruption' that provides a clear basis for raising awareness by setting out information that has been communicated to Councillors, staff and other stakeholders of the work the Councils undertake to manage the risk of fraud and corruption. It brings together in one document a



summary of the outcomes of our work to deter, prevent and detect frauds and corruption over the last 12 months.

42. Each Council's expectation of propriety and accountability is that Councillors and employees, at all levels, will lead by example in ensuring adherence to legal requirements, policies, procedures and practices.
43. The way Housing Benefit is investigated changed for our Councils on 1<sup>st</sup> May 2015 following a government initiative to create a single integrated fraud investigation service with statutory powers, which included the investigation and sanction of Housing Benefit offences. From 1<sup>st</sup> May 2015 all suspected Housing Benefit fraud cases have been referred to the DWP within a new team called the 'Single Fraud Investigation Service' (SFIS).
44. All other corporate fraud responsibilities remain the responsibility of management. These are set out in the Councils' 'Prevention of Financial Crime Policy'.
45. Internal Audit has produced a Fraud Risk Register, which contains a list of areas where Internal Audit and service managers believe the Councils are susceptible to fraud. This register enables the Councils to focus on suitable internal controls to mitigate any subsequent risk. The register also influences the Internal Audit planning process.
46. CIPFA's 'Code of Practice on managing the risk of fraud and corruption' supports organisations seeking to ensure they have the right governance and operational arrangements in place to counter fraud and corruption. The Code builds on CIPFA's previous guidance, Managing the Risk of Fraud, commonly known as the 'Red Book'. It is shorter and clearly sets out the importance of top level support from the governing body and leadership team. Under the previous guidance, Internal Audit assessed the Councils as being compliant.
47. The new Code is voluntary and can be applied in any public service organisation. Internal Audit has performed a fraud benchmarking assessment of the current state of the Councils' governance structures and processes against the new Code. Having considered all the principles, the Corporate Manager – Internal Audit is satisfied that the Councils have adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

### ***Role of the Audit Committee***

48. The Joint Audit and Standards Committee has, amongst other functions, responsibility for undertaking the Councils' responsibilities in relation to financial governance issues; considering the effectiveness of the joint risk management arrangements, the control environment and associated anti-fraud and corruption arrangements; and be satisfied that the joint Annual Governance Statement properly reflects the risk environment and any actions taken to improve it. This meets the core

functions of an Audit Committee, as described in CIPFA's Audit Committees: Practical Guidance for Local Authorities.

49. The Committee ensures a consistency of approach, avoids duplication of resources and improves joint working between both Councils and will only address matters which are being progressed across both Councils.
50. Issues that are pertinent only to a single Council area will remain the preserve of that Council's Audit Committee.

### ***Role of the Joint Scrutiny Committee***

51. The general role of the Joint Scrutiny Committee is to review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Councils functions; make reports and/or recommendations to the full Councils and/or the Executive and Strategy Committees with respect to matters with the discharge of any function and any matters affecting the area or its inhabitants.
52. This Committee will seek to address matters which are being progressed across both Councils. Issues that are pertinent only to a single Council area will remain the preserve of that Council's Scrutiny Committee.

### ***Internal Audit***

53. The Accounts and Audit Regulations 2011 require every local authority to maintain an adequate and effective internal audit function. Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives.
54. One of the key assurance statements the Council receives is the annual report and opinion of the Corporate Manager – Internal Audit. In respect of the twelve months period ending March 2016, their opinion was that the Councils' internal control environment and systems of internal control provide adequate assurance over key business processes and adequate assurance over financial systems.
55. Where issues have arisen during the year, action plans have been agreed with relevant managers to address the weaknesses identified.

### ***Procedures for Whistleblowing and for receiving and investigating Complaints***

56. A strong ethical and performance framework is in place to enable staff and Councillors of both Councils to operate effectively in their respective roles. Internal Audit has created a single document entitled 'Prevention of Financial Crime Policy', which includes the Whistleblowing Policy. The Whistleblowing Policy allows both staff

and Councillors of the public including contractors to raise matters in a confidential manner to the Council.

57. A formal complaints policy exists to deal with other matters of public concern regarding the services provided by the Councils.
58. The Joint Audit and Standards Committee receive reports on any complaints made against Councillors relating to breaches of the Code of Conduct. Details of how to make a complaint and the Committee's procedure for dealing with Councillor complaints are available on each Council's website.

### **Ensuring development needs for staff and Councillors are met**

59. The leadership development programme of work is in place to build the leadership capability to deliver a collective set of values and behaviours for the Councils and supporting the development of a 21<sup>st</sup> Century public service and leaders. The Councillor Support Program was launched in May 2015 and received positive feedback. This program of work continues to be developed and focussed on supporting Councillors to fulfil their roles within their communities. The Councils have also been working with The Institute of Local Government Studies (INLOGOV) to develop and support the role of Councillors and staff. A new appraisal process called 1-2-1 conversations was introduced to drive developmental conversations between staff and managers to maximise potential and continue to develop our skills and capabilities to meet our current and future needs.

### ***Commissioning and Procurement***

60. Both Councils' existing Contract Standing Orders (CSOs) were reviewed and a common approach agreed with joint CSOs being implemented in October 2015. The joint CSOs provide details of the principles and obligations including statutory requirements which should be applied to the Councils' commissioning and procurement.
61. A Commissioning and Procurement Manual was developed to accompany the CSOs and implemented in December 2015. The Manual provides guidance on the principles and practice that should be applied to the Councils commissioning and procurement. A series of workshops with the Councils' Management Team was undertaken during the last quarter of 2015/16 to establish awareness and understanding of the Manual and the guidance it provides.
62. During 2015/16 the use of a requisitioning module was implemented to the Councils' electronic purchase to pay (P2P) process. The requisitioning module introduced an additional stage in the Councils' P2P process providing the opportunity for the Councils' Commissioning and Procurement Team to review purchase orders before they are issued to the suppliers. This additional stage has enabled issues with

compliance with CSOs to be highlighted and resolved before commitments are made to suppliers.

## ***Looking ahead 2016/17***

### *Current Future Focus and Challenges*

63. The JSP refresh has shaped the financial and resource allocations made in the Medium Term Financial Plan for both Councils, as the detailed output from the Portfolio Holders strategic planning workshops, was used as the basis for building the 2016/17 budget and the MTFS.
64. The budget and the MTFS are informed by and will drive the financial sustainability of both Councils. The Councils' joint response to the financial challenges and the opportunities faced comprises the following key actions:
- Aligning resources to the Councils' refreshed strategic plan and services;
  - Continuation of the shared service agenda, collaboration with others and transformation of service delivery;
  - Behaving more commercially and generating additional income;
  - Considering new funding models (e.g. acting as an investor);
  - Encouraging the use of digital interaction and transforming our approach to customer access; and
  - Taking advantage of new forms of local government finance (e.g. New Homes Bonus, business rates retention).
65. Delivery of the strategic outcomes can only really be achieved through collaboration with public sector partners, local communities and the voluntary sector. Work is underway across Suffolk to lead this whole system transformational change, and this is underpinning the current work on the Suffolk/Norfolk/Cambridgeshire/Peterborough (East Anglia) Devolution agreement.

### *How will we achieve this?*

66. We are now working alongside our partners to agree solutions that reduce demand and cost, optimise the use of our resources, and create the right conditions and culture to achieve common outcomes.
67. It is recognised that a new level of commerciality needs to be embedded across the organisation to identify new opportunities for reducing costs, and for generating increased levels of fees and developing new income streams. Officers have been working on a number of new commercial initiatives over the last year, with some having already been implemented and now realising positive benefits. These initiatives taken together, and as we move forward, are getting us on track to be more efficient and more financially sustainable.

68. To enable the successful delivery of all the strategic outcomes, we need an enabled and efficient organisation – the right people, doing the right things, in the right way, at the right time, for the right reasons. The new management structure and culture changes following the recent management review will lead the organisation forward to deliver these outcomes.
69. Key to delivering the outcomes in the Plan will be our relationship with our communities and businesses. The achievement of Councillor priorities in the areas of homes, jobs, and businesses, and our overall approach to serving our residents, will require our work with communities to be embedded in all those areas. Councillors also play an important part through their community leadership role.
70. Councillors have a key role in leading and overseeing delivery against the outcomes in our refreshed Joint Strategic Plan. Through our new outcome performance management framework we will be able to measure our progress towards achieving the desired results and outcomes of our key projects and activities, underpinning the agreed priorities and ambitions of the Councils. Our developing framework will measure the impact the Councils (and partners) are having on improving community conditions and quality of life.
71. In parallel to the formal outcome reporting to Councillors, a system for unlocking performance ‘facts and stats’ held in our systems and presenting them on our website is under development. These key pieces of information will be the more traditional input and output measures that will have been reported previously and the first of these will be uploaded in May 2016. They will be expanded to provide Councillors and communities with greater transparent “self-service” access to our information.
72. Key to this new approach is the alignment with managing team and individual performance. This will help embed performance management not just of team, individual and organisational activities but of collective impact as the cultural norm. It will help project leads, managers and their teams to meaningfully manage performance, whilst ensuring flexibility to redeploy resources to respond to changes in priorities and outcomes. Officer performance contribution at all levels within this new approach will become the main subject of discussion at 1-2-1s and team meetings; continuous performance conversations and an annual review process.
73. In addition, we are developing an Investment and Development Strategy for our two Councils. As set out in our Joint Strategic Plan our core funding from Government has and will continue to reduce dramatically. Hence we need to change our business and financial model as described above if we are to continue to provide key services and be financially sustainable in the future. In summary the part the Investment and Development Strategy will play in this is to explore and focus on how we can use our money, property and expertise to:

- Generate income from sharing in the risks of property (commercial and residential) development, investment and management;
- Increase the rate of development of sites that are already allocated for development, in order to meet the needs of local communities and increase the rate at which New Homes Bonus and additional Business Rates are generated; and
- Increase the rate of return from our investments where the resultant increase in risk is acceptable.

74. The Governance Working Group will continue to meet through 2016 in an effort to implement additional constitutional and scrutiny reforms, in addition to, further work around equality, financial management delegation schemes and Councillor support underpinning the strategic goal of achieving an enabled and efficient organisation.

75. Going forward we are embarking on a detailed information audit to help the business understand how it can use the latest technology in the future with existing data securely to make it more accessible for both staff in a mobile environment and customers from a self-service environment. In addition, Data Protection and Freedom of Information training will be rolled out across the Councils.

76. In the coming year the focus will be to continue to look at staff, Councillors and the wider development of the organisation. The programme of work in addition to the leadership development programme and the ongoing Councillor Support Programme will include:

- A Growing Talent programme which focuses on maximising the talents of all staff;
- A range of initiatives to increase staff involvement to enable to understand, develop and increase the effectiveness to achieve the organisational outcomes, including building on the Connect intranet;
- Promoting Health and Well-Being, including staff's ability to be confident and resilient to manage the changes within the organisation; and
- Developing practices and approaches to people management that support the development of staff and managers.
- Developing ethical behaviours as part of the overall governance support across the Councils.

This program of work is contained within the Organisational Development Strategy and plan, which is currently being worked on.

## **Conclusion**

77. The Annual Governance Statement provides an assurance of the effectiveness of each Council's system on internal control. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework. There have been no

governance issues identified during the year that are considered significant in relation to each Council's overall governance framework.

78. We are already addressing the key governance risks and challenges set out in this Annual Governance Statement and will continue to do so over the coming year to further strengthen our governance arrangements. We are satisfied that these steps will continue to address the need for any improvements that are required and that arrangements are in place to monitor the issues raised as part of each Council's annual review.

Signed .....

Charlie Adan, Chief Executive

Date .....

Signed .....

Jennie Jenkins, Leader of the Council –  
Babergh DC

Date .....

Signed .....

Nick Gowrley, Leader of the Council –  
Mid Suffolk DC

Date .....

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## BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

<b>From: Corporate Manager – Internal Audit</b>	<b>Report Number: JAC81</b>
<b>To: Joint Audit and Standards Committee</b>	<b>Date of meeting: 20 June 2016</b>

### ANNUAL INTERNAL AUDIT REPORT 2015/16

#### 1. Purpose of Report

- 1.1 The purpose of this report is to inform Councillors of the work undertaken within Internal Audit during the Financial Year 2015/16 and provides Councillors with a review of the variety and scope of projects and corporate activities which are supported through the work of the team.

#### 2. Recommendations

- 2.1 That the contents of this report, supported by Appendix A, be noted.

#### 3. Financial Implications

- 3.1 There are no direct financial implications arising from this report. All internal audit recommendations must be considered in terms of their cost effectiveness.

#### 4. Legal Implications

- 4.1 There are no legal implications arising from this report.

#### 5. Risk Management

- 5.1 The key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Internal controls within each Council may not be efficient and effective. As a result each Council may not identify any significant weakness that could impact on the achievement of their aims and/or lead to fraud, financial loss or inefficiency.	Unlikely	Bad	Councillors receive and approve the internal audit work programme and other reports on internal controls throughout the year. The work programme is based on an assessment of risk for each system or operational area. External Audit reviews the work of the Internal Audit section and the internal control arrangements.

## **6. Consultations**

- 6.1 The Audit Plan 2015/16 was approved by the Joint Audit and Standards Committee on 16<sup>th</sup> March 2015 (Paper JAC48), having previously been endorsed by the S151 Officer and by the then Management Team.
- 6.2 The 2015/16 Interim Internal Audit Report was submitted to the Joint Audit and Standards Committee on 19<sup>th</sup> October 2015 (Paper JAC63).

## **7. Equality Analysis**

- 7.1 There are no equality and diversity implications arising from this report.

## **8. Shared Service / Partnership Implications**

- 8.1 The overall approach has been to develop a single shared model for internal audit delivery and management for both Councils.
- 8.2 The Internal Audit delivery builds on past joint working facilitating the integration of the service with the aim of reducing costs and increasing capacity and resilience. It enables both Councils to be in a position to improve service delivery through advocating, supporting and reviewing system processes and outcomes.

## **9. Links to Joint Strategic Plan**

- 9.1 The delivery of a comprehensive internal audit service supports the Council objectives, in particular:

An enabled and efficient organisation – The right people are doing the right things, in the right way, at the right time, for the right reasons.

However, the internal audit coverage is designed to support all five of the Council's strategic themes.

## **10. Key Information**

- 10.1 Requirement of Internal Audit - Public Sector Internal Audit Standards (PSIAS)

The PSIAS require the Corporate Manager – Internal Audit to report periodically to senior management and this Committee on Internal Audit's performance relative to its Audit Plan including significant risk exposures and control issues where relevant, fraud risks and governance issues.

As part of the preparation for the 2016/17 Audit Plan auditors engaged with senior management to identify their view of the coming year's risks linked to the Joint Strategic Plan and Delivery Programme, and to gather and map management assurance across the Councils' functions. (Details are contained in the 2016/17 Audit Plan (JAC 18<sup>th</sup> April 2016 Paper 76))

- 10.2 As the Councils' Delivery Programme develops and generally looks to re-shape and transform its services there has been a demand on Internal Audit's services to provide assurance, support and guidance on a diverse range of activities. The Corporate Manager – Internal Audit monitors requests, with a risk based approach, for the re-allocation of Internal Audit resources from the approved 2015/16 Audit Plan.

10.3 Audits conducted are split into two types, Fundamental and Risk Audit reviews.

Historically Fundamental reviews have been conducted in Finance during the latter quarter of the financial year to meet with External Audit testing requirements.

This year the Finance team prepared for earlier closure of the 2015/16 Accounts, which will become mandatory from 2017/18. Consequently, in conjunction with both External Audit and the Interim Corporate Manager – Financial Services, these audits were brought forward, and materially completed by January 2016.

10.4 Appendix A provides a summary of the work undertaken. This work contributes to the 2015/16 overall audit opinion on the Councils' control environment provided by the Corporate Manager – Internal Audit, as required by the Accounts and Audit (England) Regulations 2015.

10.5 It can be seen (Section 6.1 of the attached report) that, with Fundamental audits in 2014/15 all audit opinions were reported as 'Effective'. In 2015/16, five reports have improved to an overall opinion of 'High Standard'. To further strengthen our Audit opinion that the control environment has improved the volume of recommendations fell year on year. So too the significance of the control risk impact, there being proportionally more 'Medium Priority' recommended actions than last year.

10.6 Based on the findings of the managed audits, the assurance mapping exercise and corporate reviews conducted throughout 2015/16, it is the opinion of the Corporate Manager – Internal Audit that each Council's control environment provides assurance that the risks facing the Councils are addressed and financial administrative systems are, on the whole, 'Effective'.

## 11. Appendices

Title	Location
<b>a)</b> Overview of Internal Audit Work 2015/16	Attached

Authorship:

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## **Appendix A**

### **Overview of Internal Audit Work 2015/16**

#### **1. Introduction**

The work completed by Internal Audit in delivery of the Audit Plan for the Financial Year 2015/16 is reported here to the Joint Audit and Standards Committee (JASC).

#### **2 Audit Activity**

Internal Audit had significant involvement within the period in a variety of different Council activities/issues, which included:

Section Reference:

- 3 Council Governance**
- 4 Risk Management**
- 5 Probity**
- 6 Audits conducted**
  - 6.1 Fundamental Audits (Core Financial Systems Audits)**
  - 6.2 Risk Audit Reviews**
- 7 Business support activities**
- 8 Complaints**

#### **3 Council Governance**

- 3.1 The Corporate Manager – Internal Audit has played a lead role in the Information Governance project across the Councils and has authored the Information Governance Policy. The aim of this Policy is to outline an information governance framework that ensures both Councils treat information as a valuable asset, maintain compliance with relevant UK and European Union legislation, for example the Data Protection Act 1998 and meet other governance requirements.
- 3.2 In addition the Corporate Manager-Internal Audit has produced an Information Governance risk log which captures the risks that the Councils are exposed to within the framework of law and best practice that regulates the manner in which information (including information relating to and identifying individuals) is managed, i.e. obtained, handled, used and disclosed.
- 3.3 Internal Audit has led on the production of the Annual Governance Statement (AGS) which is completed again as at the end of the financial year 2015/16 ( presented to the Committee today) alongside an Assurance Mapping exercise across the Councils designed to identify gaps in good practice and aid the 2016/17 audit planning process. The outcome of the planning was reported to this Committee on 18<sup>th</sup> April 2016 (Paper JAC 76).

- 3.4 Assisting the Commissioning and Procurement Manager (from a governance view point) to complete the Procurement Policy and Procedures guide. The Policy and Procedures will be the basis upon which Internal Audit will undertake compliance testing later this calendar year (2016), once the framework has had the opportunity to bed in.
- 3.5 The Corporate Manager – Internal Audit is part of a Governance Working Group tasked with looking at ‘Business Planning’ across the Councils and ensuring that working practices and supporting governance arrangements are robust. As a result the Corporate Manager – Internal Audit drafted a governance ‘health check’ for discussion which provides staff with key pointers that should be addressed/considered to demonstrate good governance in the working environment.

#### **4 Risk Management**

- 4.1 Audit continues to maintain and facilitate development of the Significant Risk register with Councillors and Senior Management. As a living document Audit regularly review the content with management. This year the document has undergone a fundamental review to closely align with the Councils’ new Strategic Objectives. The present register was reported to the April meeting of the JASC. (18<sup>th</sup> April 2016 Paper JAC 79). The Risk Management Strategy and Register is to be presented to the Executive and Strategy Committees for approval in early June 2016.

- 4.2 During 2015/16 the Risk Management Strategy underwent an update and redesign. The Strategy has been enhanced to not only demonstrate why we should manage risk but how we manage it.

One main addition to the Strategy is the inclusion of the Councils’ risk appetite which outlines our approach to risk in the different areas of business. The appetites will on occasions be influenced by external changes and will be reviewed accordingly.

The Strategy was approved by Senior Leadership Team on 4<sup>th</sup> January 2016 and noted by Members of the Joint Audit and Standards Committee on 22<sup>nd</sup> January 2016. This review continues into 2016/17 with presentations to the Exec and Strategy Committee in early June.

- 4.3 Audit support Council management to refine the underlying business risk registers, and started work with the Corporate Legal Team to articulate their relevant risks and associated controls. Work has been completed on the Business Continuity risk profile, and subsequent support is planned in 2016 with the Corporate Manager, Financial Services to refresh their risk log.

For an understanding of the Fraud Risk Register please refer to the Risk of Fraud and Corruption annual report. (18<sup>th</sup> April 2016 Paper JAC77).

- 4.4 Audit provide guidance and challenge to the development programme across the Councils through risk workshops and continuing support to project leads, assisting the drafting of new project risk registers aligned to the Significant Business Risk register. Further support is planned to be provided through the new financial year and in ensuring a continuous and robust challenge to the project management resources.

## **5 Probity**

- 5.1 Babergh Cash Handling - This work was conducted in response to a management request for support regarding cash handling at Babergh, and the likely accessibility to, and possible requirements for, supporting software within Finance to provide appropriate banking capability.
- 5.2 Mid Suffolk Direct Debit Review - Following the rejection of the two initial MSDC Rent AUDDIS files in early April 2015 Internal Audit was asked by Finance Management to review the stages leading up to the event. The impact was restricted to Mid Suffolk Housing Tenants. Whilst the audit review identified shortfalls in the Councils change project governance, which were accepted by management, the Interim Corporate Manager – Financial Services subsequently negotiated compensatory payment from Lloyds Bank.
- 5.3 Full details of the anti-fraud and corruption work undertaken during the year was reported separately to this Committee in a report entitled 'Managing the Risk of Fraud and Corruption 2015/16. (18<sup>th</sup> April 2016 Paper JAC77).

## **6 Audits conducted**

The audits conducted are split into two: Fundamental / Core Financial Systems Audit and Risk Audit reviews.

### **6.1 Fundamental Audits / Core Financial Systems Audits**

- 6.1.1 The work is concerned with the documentation, evaluation and testing of the effectiveness of systems of internal control within each Councils' core financial systems, including compliance with their rules and policies.

As mentioned in Section 10 of the covering report these audits are traditionally undertaken during the end of the Financial Year. This year the Corporate Manager– Internal Audit responded to a request from the Interim Corporate Manager – Financial Services, and the fundamental audits were brought forward and materially completed by January 2016, rather than the customary 31<sup>st</sup> March.

- 6.1.2. Internal Audit reports provide three levels of assurance: the overall Audit opinion; the Audit opinion for each control (activity) area; and a recommendation to remediate each control that requires enhancement.

For 2014/15 all fundamental audit opinions were reported as 'Effective'. In 2015/16, five reviews report an improved overall opinion of High Standard. This is illustrated in the following table, where it can also be seen that the number of individual High Standard opinions on specific control areas has improved, supporting the overall opinions:

Total # Opinions		Payroll	Rent BDC	Rent MSDC	Income BDC	Income MSDC	Treasury	GL	SRP	Payables	Receivables	Fixed Assets	Total
High Standard	2014/15	3	2	1	1	3	2	1	1	4	2	*	20
Effective		2	3	3	2	1	4	2	2	0	4		23
Ineffective		3	1	2	2	1	0	2	1	2	1		15
		8	6	6	5	5	6	5	4	6	7	0	58
High Standard	2015/16	7	2	3	4	6	3	1	3	1	4	4	38
Effective		3	3	3	1		4	3	1	3	2	1	21
Ineffective			1		1			2			1		5
		7	6	6	6	6	7	6	4	4	7	5	64
Overall audit opinion		Payroll	Rent BDC	Rent MSDC	Income BDC	Income MSDC	Treasury	GL	SRP	Payables	Receivables	Fixed Assets	
	2014/15	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective	*	
	2015/16	High Standard	Effective	Effective	High Standard	High Standard	Effective	Effective	High Standard	Effective	Effective	High Standard	

\* External Audit annually verify the Fixed Asset valuations in the accounts. In 2014/15 Internal audit planned to review the migration of MSDC Fixed Assets from Oracle to Integra. This migration was delayed and Internal Audit were able to undertake this review in 2015/16.

6.1.3. The recommendations made for each audit have been discussed and accepted by Financial Services managers, and analysed by report subject in the table below. It should be noted that, with the exception of the General Ledger, there are fewer recommendations in each report year on year. The increase in the General Ledger can be attributed to the greater emphasis in this year's audit review to system administration and procedures, which were specifically not given such focus and emphasis in the transitional year 2014/15.

	14/15	15/16	%change
Number of recommendations for Finance Teams:			
Treasury Management	6	4	-33%
Payables	1	1	0%
Income Collection	5	2	-60%
Payroll	2	0	-100%
GL	4	8	100%
Receivables:	11	4	-64%
Housing Rent	4	1	-75%
SRP Recs	2	1	-50%
Capital Accounting	0	0	

Note: no Capital Accounting Audit was undertaken in 2014/15.

6.1.4. To further strengthen our opinion that the control environment has improved the volume of recommendations fell year on year. So too the significance on the control risk impact, there being proportionally more Medium Priority recommended actions than last year (see table below):

	Number:			Proportion:	
	14/15	15/16	%Change	14/15	15/16
Total recommendations	53	29	-45%		
No. Medium (Priority 2)	20	19	-5%	38%	66%
No. High (Priority 1)	33	10	-70%	62%	34%
No High accepted	100%	100%			

6.1.5. During the first quarter of the financial year the Audit Team rewrote the Internal Audit fundamental systems documentation. This was required as now both Councils operations are shared within Finance, and the migration to one External Auditor presented an opportunity to review the internal controls across the finance function's fundamental systems. A further benefit to this work was the opportunity to share these matrices with finance colleagues who are undertaking procedural and control reviews to refine and refresh roles across their team.

## **6.2 Risk Audits**

6.2.1 This planned audit work is determined by a number of considerations including: Management concerns; perceived risk and controls environment; strategic importance; and past experience.

6.2.2 Delivery programme:

The 2015/16 audit plan included provision for audit to support and advise on changes and developments planned and proposed for the year, which included:

Open Housing migration; Information Governance; Community Infrastructure Levy (CIL); HRA New Build; Integrated planning 'Josie'; and the Leisure Centre contract review.

6.2.3 Initial audit work was undertaken on the above initiatives, but changes to business priorities and imperatives meant that some projects did not require audit resources this year and time was employed on other council developments and support to management initiatives. These changes in plan were managed by the Corporate Manager–Internal Audit to ensure that the delivery of audit objectives in line with the Strategic Objectives continues as one of the functions key priorities.

6.2.4 The Corporate Manager–Internal Audit continues to be involved in developing appropriate processes, procedures and governance arrangements for the administration of the CIL funds to enable sustainable growth.

6.2.5 Audit undertook a brief and initial review of the Governance of the Open Housing migration project, which included audit support to local management, to forge improved project engagement and communication. The project continues into 2016/17 and therefore audit work is not yet complete.

6.2.6 The scope of the Leisure review grew from the initial proposals and a broader discovery phase was introduced during 2015/16. The potential engagement of Audit with the project was therefore delayed until later phases in 2016/17.

6.2.7 The Integrated planning project has continued to evolve, with Internal Audit undertaking some initial dialogue regarding project governance and management oversight. Detailed audit review, of controls surrounding the new procedures and processes, has been incorporated into the 2016/17 Audit Plan.

6.2.8 A procurement audit was undertaken with the objective to review the Councils' contract activities to assure compliance with its procurement requirements and ensure accountability for goods and services provided. A draft report has been issued with a number of recommendations arising from this review. These are presently under discussion with the proposed action owners prior to the report being finalised. The outcome will be reported to this Committee as part of the mid-year report by the Corporate Manager–Internal Audit.



## **7 Business support activities:**

7.1 Disabled Facilities Grant - a declaration, required for each of Babergh and Mid Suffolk, regarding the use of Disabled Facilities Grant's has previously been completed by the S151 Officer. This year's return had to be signed by the Chief Executive or the Chief Internal Auditor and submitted to the Department for Communities and Local Government. An audit review of applications for appropriateness and compliance was made prior to the approval of the return and 'signed off' by the Corporate Manager – Internal Audit.

7.2 Audit retain a close working relationship with Finance staff, and have provided support and advice on proposed system and control developments, enhancements and changes including: evolution of the reconciliation and reporting processes, finance system development planning, and interface refinements.

The Interim Corporate Manager – Financial Services requested audit system flow charts and control matrices, as well as a summary of the outcomes from the Audits conducted in the Finance area during 2014/15. This provided further analysis of internal audit recommendations to support the Finance Staff in undertaking change and evolving more robust procedures. The incoming Corporate Manager – Financial Services asked for this report presentation to continue into 2015/16 as part of the close and continuous working partnership between the two teams.

7.3 Finance – Budgetary Control – at the end of the 2015/16 Financial Year Internal Audit supported the Corporate Manager – Financial Services in compiling a survey of Councils' budget holder's opinions of, and requirements for, a budgetary control process. Internal Audit then constructed the survey on 'Survey Monkey' and provided access to budget holders. The responses were then collated and analysed by Audit with a draft report issued to Finance on 3<sup>rd</sup> May 2016. At the time of this paper the Corporate Manager – Financial Services is considering further development for budgetary engagement in conjunction with her team and the operational potential of the budgetary control module in Integra. Internal Audit has planned to meet with Senior Finance Staff in June 2016 to progress this further.

7.4 Business Continuity – Internal Audit has worked with business managers to develop and evolve both the Councils and individual departmental business continuity plans. The Plans are "corporate" documents which give guidance to senior managers tasked with leading recovery activities and prioritising resources in the event of an incident.

(In May a draft of the revised Councils' Business Continuity plan was posted on the intranet to act as an interim guide until it receives formal approval).

Work has been completed on Business Continuity's initial 'Threat Analysis' (e.g. Loss of Building, Loss of IT etc.). Both 'Threat Action Cards' and the identification of 'Tactical Management Team' members (relevant to each Threat Action Card) are materially (98%) complete.

Other aspects of the Councils' Business Continuity framework such as Service Descriptions, Potential Consequences of Loss, Minimum Service Level Required, Impact Rating & Recovery Time Objective documents are completed.

There have been Business Continuity communications to update and inform staff, such as an article in Working Together highlighting 'what to do' in an event.

A business continuity exercise is currently being developed by the Business Continuity Working Group with a view to it taking place in early autumn 2016.

There have been incidents this year (IT and telephony outages) which have also been the subject of post event reviews to determine lessons learnt by all main stakeholders.

## **8 Complaints**

Internal Audit has, at the request of management, provided an independent review into two planning applications which resulted in presenting improvements in processes and communications.

## **9 Resources**

The Internal Audit team has remained constant during the period which has enabled consolidation and development of the skills mix, aims and objectives required to deliver the Councils' Plans, reflected in the 2015/16 Audit Plan.

## **10 Professional Practice**

### **10.1 Membership of audit bodies**

It is important to keep abreast of best professional practice. Internal Audit has strong links with audit colleagues both within Suffolk and nationally and are members of the Suffolk Working Audit Partnership (SWAPs) and the Midland Audit Group.

### **10.2 Auditee Satisfaction**

At the end of each fundamental audit the auditee is offered the opportunity to provide feedback on the work conducted and the manner and skills of the auditor, as well as the opportunity to feedback on the benefits gained by the auditee. These surveys are sent out with the Final Report, with the response going to the Corporate Manager – Internal Audit, rather than the Auditor. The auditee can of course speak directly to the Corporate Manager – Internal Audit.

Of the 9 Fundamental Audits conducted 8 Auditees responded with satisfaction surveys, details are reported in the Annex. Of these responses 7 were rated 'Excellent' and 1 'Good' by the Auditee.

### **10.3 Internal Audit Key Performance Indicators**

Eight Audit key performance indicators are used to monitor audit efficiency and are shown in the Annex.

Of these, 7 are Green, whilst one is Amber.

The number of planned activities undertaken from the 2015/16 audit plan fell below the target 90%. This was due in part to changes not being undertaken by the Councils, and through additional requests being made for Audit resources that the Corporate Manager – Internal Audit deemed to be of greater significance to the Councils' control environment than the original audit work planned.

The work not undertaken in the 2015/16 plan has been re-evaluated in conjunction with the Control Assurance review for inclusion in the 2016/17 plan, as appropriate.

**11 Conclusions**

The Corporate Manager – Internal Audit considers that there are no additional audit related issues that currently need to be brought to the attention of this Committee.

**ANNEX**

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
<b>Main Financial Systems 2015/16</b>				
General Ledger	Security and Coding Structure; Operational framework; Feeder Systems; Journal and other transactions; Control accounts and reconciliations; and Year End Procedures.	<p>The system is not utilised to its full potential reducing efficiency and increasing errors.</p> <p>Misposting may go unnoticed.</p> <p>Data is corrupted or fraud obscured as direct input to the GL may be unauthorised.</p>	<p>Finance management reappraise and articulate the use of the Integra system operational model in the context of 2016/17 plan and the Councils' Focussed Management Review.</p> <p>The Assistant Finance Officer (Reconciliation) has taken responsibility for the majority of reconciliations in Finance and has established a sequence of pre and post Month End close reconciliations that are now conducted.</p> <p>The approval for journals is activated only at Year End where all Journals are entered in suspense and approved by either Senior Financial Services Officer. The evidence from testing of reconciliation differences would indicate that better control over journal posting could benefit the operation of the system.</p>	Effective
Housing Rents	Rent Calculation; Income Collection; Arrears Management; Adjustments; Starting and Ending Tenancies; and Security.	<p>Rents may not be collected for all relevant properties.</p> <p>Rent accounts not updated for increases and changes impacting appropriate recovery action.</p>	<p>All tenant accounts are managed effectively with some flexibility as all efforts are made to ensure tenants can remain in their homes, as far as policy and National Social Housing Pre Action document allows.</p> <p>The reasons for all adjustments are evidenced with a full history on each tenant's file. Furthermore, any write-offs are authorised by a Senior officer or Corporate Manager in writing.</p>	Effective
Income Collection	Security; Income Collection; Banking; Finance; Petty Cash; and Follow up of The cash receipting and handling audit.	<p>Loss or misappropriation of income.</p> <p>Incomplete transaction trail.</p> <p>Incorrect banking occurs and remains undetected.</p>	<p>There are currently no Petty Cash Guidance Notes in existence.</p> <p>Procedure Notes for the handling of cash in Customer Services, Planning, Rents, Licensing and Homelessness are currently being worked on with Finance staff assisting.</p>	High Standard

**ANNEX**

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
			Sudbury Town Council staff were not aware of BDC Money Laundering requirements.	
Payables	Data Integrity and System Security; Requisitions; Invoice Payment; and Procurement Cards.	<p>The Council pays for goods and services that have not been received.</p> <p>Fraudulent or duplicate payments could be made.</p>	<p>Goods received are checked against original order.</p> <p>Invoices received are checked for accuracy.</p> <p>There is no evidence to show exactly what changes have been made to existing suppliers.</p> <p>There is no authorised signatory list to establish if it is appropriate for an individual to have a procurement card. (This was raised in last year's audit it was agreed that guidance was provided in the Procurement manual. However there is currently no formal documentation to establish what delegated authority has been assigned by Service Managers to members of staff.)</p>	Effective
Payroll	Starters; Leavers; Payments; Deductions; Variations; Security; and Pensions.	<p>The content of the Councils' payroll is incorrect.</p> <p>The Councils may pay their staff incorrectly.</p> <p>Access and changes to standing data are inappropriate.</p>	<p>Significant improvements have been introduced since last year. Budget managers are more proactively monitoring their staff budgets and are contacted by HR at regular times to confirm accuracy.</p> <p>The new HR system is now well embedded and member of staff are able to end their sick leave, access personal data and input claims easily and efficiently.</p>	High Standard
Receivables	Raising Invoices; Raising Credit Notes; Adjustments; Security; Monitoring; Receipt of Income; and Debt Recovery & Write Off.	<p>Councils' income is incomplete and shortfalls go undetected.</p> <p>Fraud arises from a lack of a separation of duties across the system.</p>	<p>The controls in managing cash (albeit limited) have been strengthened by division of duties which are evidenced.</p> <p>Customer debts are now being chased and the updated Debt Recovery and Write off policy is being finalised by the newly appointed Corporate Manager Finance</p>	Effective

**ANNEX**

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
			<p>No limits are set up within the system due to Integra 2 not being implemented yet. It is anticipated to be rolled out July/Aug 2016.</p> <p>A member of staff can request and process a credit note, possibly undetected by another member of staff, as there are no reviews of adjustments by a second party.</p>	
Shared Revenue Partnership feeder system & Finance reconciliations	Council Tax, NNDR Housing Benefit Overpayments: Direct Debits, Cash receipts, Banking receipts and Nominal ledger postings from feeder systems.	<p>Systems are not updated and customer details not aligned.</p> <p>Loss or misappropriation of income.</p>	At the time of the audit changes to the methodology for Housing Benefit Overpayment (HBO) reconciliations were currently a work in progress and not yet completed.	High Standard
Shared Revenue Partnership internal processes	This audit is completed each year on our behalf by Ipswich Borough Council Internal Audit Team. At this time the work has not been concluded. The outcome will be reported to the Committee in the next Audit report.			In prior years this has been *Adequate
Treasury Management	Policy, strategy, procedures and behaviours. Cash management, transaction processing, CHAPS and BACS processing, and reconciliation and oversight.	<p>Performance may be poor and go undetected, and inappropriate arrangements may be used.</p> <p>Discrepancy in loan terms may go undetected.</p> <p>Fraudulent activities may be carried out and go undetected if there is not a sufficient division of duties.</p>	<p>The Assistant Financial Services Officer who acts as the principal treasury assistant continues to conduct the treasury reconciliations and report production.</p> <p>At the time of audit the S151 report has only been produced once this Financial Year, on 23<sup>rd</sup> October, for September YTD. The S151 report was subject to other audit reports in 14/15 when Finance undertook to immediately implement more robustly and make refinements to the report.</p> <p>There is no evidence of repayment amounts being checked to supporting documentation by an independent person. Including checking the bank account.</p>	Effective
Capital Accounting	To assess the implementation of the new Fixed Asset module	Information transferred between	Capital Assets are well managed and reported in a	High Standard

## ANNEX

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
	(FAM) within the Integra Finance System.	<p>systems is not completed correctly.</p> <p>Capital accounting policies do not comply with CIPFA guidance.</p>	<p>timely manner.</p> <p>Current procedures are in the process of being updated to reflect both Councils using Integra FAM.</p> <p>Asset 4000 and Integra FAM are managed effectively. The transition to Integra FAM for both Councils' is now imminent, following testing for BDC in a trial environment.</p>	

**Effective:** Systems described offer most necessary controls. Audit tests showed controls examined operating effectively, with some improvements required.

**\*IBC Adequate** – Controls exist but there is some inconsistency in their application. This means that a few of the risks in the audit may need attention.

**High standard:** Systems described offer all necessary controls. Audit tests showed controls examined operating very effectively and where appropriate, in line with best practice.

### Internal Audit Key Performance Indicators:

% of the audit plan achieved.	90%	89% **
% audit recommendations accepted by management	90%	100%
% high priority recommendations implemented	100%	100%
% of individual audit system reviews completed within target days or prior approved extension by Corporate Manager, Internal Audit.	100%	100%
Number of days between the issue of Internal audit briefs and commencement of audit fieldwork	10 working days*	
Number of days between the completion of audit fieldwork and issue of draft report.	10 working days	100%
Av number days between completion of fieldwork and quality review (not a KPI)	2 working days	
Number of days between the issue of the draft and final report.	15 working days	100%
The % of internal audits completed to the satisfaction of the auditee.	80%	89%

\* Testing should start 10 days after issue of Audit Brief. It was agreed with the Interim Corporate Manager, Finance that all the briefs with an accompanying timetable would be issued prior to the start of the audit programme. The audits were delivered within the timescale agreed with the Interim Corporate Manager, Finance.

\*\* Plan incompleteness due to changes in service priorities.

	Brief issued	Risk matrix issued	Flow chart	Testing start *	Testing complete	Draft report issued	Quality review complete	Exit Meeting / Draft report response	Final report issued	Satisfaction returned
Housing Benefits & Local Taxation (covering Council Tax & NDR)	29-Jul	29-Jul	29-Jul	06-Oct	17-Nov	17-Nov	19-Nov	10-Dec	14-Dec	17-Dec
Housing Rents	29-Jul	29-Jul	29-Jul	11-Jan	29-Feb	04-Mar	29-Feb	21-Mar	04-Apr	08-Apr
Receivables / Debtors	29-Jul	29-Jul	29-Jul	15-Dec	15-Jan	01-Feb	15-Jan	01-Mar	03-Mar	07-Mar
Payroll/HR	29-Jul	29-Jul	29-Jul	06-Oct	26-Oct	05-Nov	30-Oct	22-Dec	22-Dec	None
Income Collection / Cash & Bank	05-Oct	05-Oct	04-Aug	03-Dec	04-Feb	04-Feb	11-Feb	05-Feb	04-Mar	04-Mar
Payables / Creditors	21-Aug	21-Aug	21-Aug	01-Oct	25-Nov	25-Nov	23-Nov	12-Dec	21-Dec	01-Feb
Treasury Management	29-Jul	29-Jul	29-Jul	23-Sep	05-Nov	19-Nov	10-Nov	21-Jan	21-Jan	22-Jan
General Ledger	29-Jul	29-Jul	29-Jul	27-Oct	12-Jan	06-Jan	12-Jan	05-Feb	16-Feb	24-Feb
Capital Accounting	25-Aug	21-Aug	21-Aug	12-Nov	26-Jan	09-Feb	27-Jan	04-Feb	04-Feb	18-Feb



## Analysis of Customer Satisfaction Responses:

	Cap A/C	G/L	Rents	Income collection	Payables	Receivables	SRP recs	Treasury
<b>Before the Audit</b>								
Were you given adequate notification of the audit?	YES	change in auditee	YES	YES	YES	YES	YES	YES
Were you informed of the audit objectives?	YES	change in auditee	YES	YES	YES	YES	YES	YES
Were you able to discuss with the auditor the risks you felt should be addressed?	YES	change in auditee	YES	YES	YES	YES	YES	YES
<b>Carrying out the Audit</b>								
Did you feel that an environment of trust and confidence was achieved?	YES	change in auditee	YES	YES	YES	YES	YES	YES
Was the audit carried out in an efficient and timely manner?	YES	change in auditee	YES	YES	YES	YES	YES	YES
If not were you kept informed of the progress towards final report?		change in auditee		none	YES			
Did the auditors work in a professional and helpful manner, with appropriate integrity?	YES	change in auditee	YES	YES	YES	YES	YES	YES
<b>Reporting the Audit</b>								
Were you given the opportunity to discuss the findings with the auditor throughout the audit as well as at draft report stage?	YES	YES	YES	YES	YES	YES	YES	YES
Were the findings adequately supported by evidence?	YES	YES	YES	YES	YES	YES	YES	YES
Were the recommendations in the final report practical?	YES	YES	YES	none	YES	YES	YES	YES
Was the report issued in a timely manner following testing?	YES	YES	YES	YES	YES	YES	YES	YES
Will the audit improve internal controls? (comments please)	The audit confirms that application of existing controls is effective.	Yes the action points to follow up will improve internal controls	The audit will help improve those areas requiring attention and help maintain current level of internal controls.	Although we achieved a High Standard any audit recommendations which we have been asked to implement has always made improvements to our processes.	Yes definitely. Further controls to the amendment of supplier details, statistics being published in S151 Report, purchase card issue approval and production of card receipts are all wholly valid improvements.	Yes the audit will improve controls for adjustments made on debtor accounts and the evidence behind these to show that authority has been given. This will also be the case for credit notes.	The audit has reiterated the requirement for controls already identified to be put in place, and those already being carried out to be maintained.	Yes – separation of roles and duties
Will the audit enable you to improve your service internally and/or to our customers? If so how? (comments please)		Improve internal controls and exploration of further development of the financial management system	The audit helps improve our service as it is refined each year.	High Standard achieved, which demonstrates that all procedures are being adhered to and followed.	With the additional recording of checks in respect of supplier amendments we can be confident that payments will reach the correct recipient. With inclusion of statistics in the S151 report we will meet our statutory duty.	Aged Debt report identifies duplicate payments and the recommendations made will ensure that these are addressed on a weekly basis and that duplicate payments can be returned in a timely fashion.	Again tight controls already identified and aspired to are being worked towards to improve the correct allocation of funds in a timely manner. This should lead to reduction in customer reminders produced as funds can be more quickly identified and transferred to the correct Local Taxation accounts.	Improve internal controls
What did we do well? What could we do better? (comments please)	Good advance notice of meetings with the auditor and what was to be discussed. This allowed time for preparation of the information required.	Action plan very useful for me to use to follow up with the team	Asking plenty of questions, which I am happy to respond to so no stone is left unturned during the audit. If any short falls are discovered it only helps improve the service and reduces risk.	XX is always professional, emails dates of audit, will always email and ask when it is convenient to discuss. XX always gives clear and understandable requests and is very thorough checking all of our processes, which is a support for our team knowing we are getting it right	Communication channels open between Audit and Finance, all visits scheduled and agreed. Process map and wish list provided by the auditor at early stage and evidence was sought by working closely with the Administrator, taking pressure off of the team. The auditor had a full understanding of testing.	With all of the information that the Auditor collects, and the summarising of this in the report it can sometimes be a little difficult to ascertain what the Auditor is referring to on a first read, and sometimes clarity has to be sought.	Communication open throughout and all visits to the Team pre-scheduled and agreed. Helpful that auditors run the required evidence reports taking pressure off of the team, and achieves better transparency. The starting point of many audits lean too heavily on matrixes that have been used before and that the Auditor may sometimes not have complete understanding of of the test area.	Regular contact & explanation of reference of audit and follow up
Overall, how would rate the audit?	Excellent	Excellent	Excellent	Excellent	Excellent	Good	Excellent	Excellent

**Draft Circulation:**

Suzie Morley Chair of the Joint Audit and Standards Committee – Mid Suffolk

William Shropshire Chair of the Joint Audit and Standards Committee – Babergh

Lee Parker (Member with Special Responsibility)

Glen Horn (Portfolio Holder)

Peter Patrick (Portfolio Holder)

Katherine Steel Assistant Director, Corporate Resources

Suki Binjal Interim Assistant Director, Law and Governance

## BABERGH AND MID SUFFOLK DISTRICT COUNCILS

<b>From: Assistant Director - Corporate Resources</b>	<b>Report Number: JAC82</b>
<b>To: Joint Audit and Standards Committee</b>	<b>Date of meeting: 20 June 2016</b>

### JOINT ANNUAL TREASURY MANAGEMENT REPORT - 2015/16

#### 1. Purpose of Report

- 1.1 The report is part of the Council's management and governance arrangements for Treasury Management activity under the CIPFA Code of Practice on Treasury Management ("the Code"). It provides Members with a comprehensive assessment of activities for the year.
- 1.2 The report specifically sets out performance of the treasury management function, the effects of the decisions taken and the transactions executed in the past year and on any circumstances of non-compliance with the Council's treasury management policy statement and treasury management practices.
- 1.3 The report also includes performance on Prudential Indicators which were set in the 2015/16 Treasury Management Strategy.
- 1.4 The figures contained in this report are subject to the external auditors review which will conclude in September 2016.

#### 2. Recommendations

- 2.1 That the Treasury Management activity for the year 2015/16 be noted. Further, that it be noted that performance was in line with the Prudential Indicators set for 2015/16.
- 2.2 The Committee is asked to make a recommendation to Full Council on the above matter.

#### 3. Financial Implications

- 3.1 As detailed in the Report.

#### 4. Legal Implications

- 4.1 None.

#### 5. Risk Management

This report is not linked with the Council's Corporate / Significant Business Risks. Key risks, however, are set out below:

<b>Risk Description</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigation Measures</b>
Loss of investment	Very Low	Critical	Strict lending criteria for high credit rated institutions.
Poor return on investments	High	Marginal	Focus is on security and liquidity, therefore, careful cashflow management in accordance with the TM Strategy is undertaken throughout the year.
Liquidity problems	Unlikely	Marginal	As above.
Higher than expected borrowing costs	Low	Marginal	Benchmark is to borrow from the Public Works Loan Board whose rates are very low and can be on a fixed or variable basis. Research lowest rates available within borrowing boundaries and use other sources of funding and internal surplus funds temporarily.

## **6. Consultations**

- 6.1 None, although it should be noted that Babergh and Mid Suffolk have regular joint strategy meetings with the external treasury advisor, Arlingclose who provide updates and advice on treasury management issues as they arise.

## **7. Equality Analysis**

- 7.1 None.

## **8. Shared Service / Partnership Implications**

- 8.1 None directly related to this report.

## **9. Links to Joint Strategic Plan**

- 9.1 Ensuring that the Council has the resources available is what underpins the ability to achieve the priorities set out in the Joint Strategic Plan.

## **10. Key Information**

- 10.1 The 2015/16 Treasury Management Strategy for both Councils was approved in February 2015.
- 10.2 The strategy and activities are affected by a number of factors, including the regulatory framework, economic conditions, best practice and interest rate/liquidity risk. The attached appendices summarise the regulatory framework, economic background and information on key activities for the year.

10.3 The following key points are highlighted: Interest rates continued at very low levels

- Economic conditions have improved but no real impact on treasury activities with, for example, investment of surplus funds with banks and other financial institutions still operating in a ‘tight’ market.
- No new long term external borrowing was taken out by Babergh or Mid Suffolk to finance the 2015/16 capital programme. Mid Suffolk reduced its short term borrowing by £1m over the year and reduced its long term borrowing by £0.5m (see Appendix B, section 1.1). All of the existing long term debt relates to the HRA for both Councils.
- Investment activity was undertaken in accordance with the approved counterparty policy (see Appendix B, sections 2.1 to 2.8 for further detailed information on investment activities and returns)

10.4 Some more specific highlights relating to 2015/16 activity are provided below:

Area/Activity	Babergh	Mid Suffolk	Comments
Borrowing – average interest rate	3.27%	3.38%	All HRA and fixed rate
Short Term Investments – average interest rate	0.36%	0.38%	Exceeded 7 day LIBID benchmark
Credit Risk Scores during the year (value weighted average)	3.71 – 5.06	3.77 – 4.98	Both within the score for the approved A- credit rating for investment counterparties
Compliance with Prudential Indicators	✓	✓	See Appendix D

10.5 There were no breaches of the strategy or policy for either Council during the year.

## 11. Appendices

Title	Location
(a) Regulatory Framework and Economic Background	Attached
(b) Treasury Management Activity Summary	Attached
(c) Borrowing and Investments – Further Details	Attached
(d) Prudential Indicators	Attached
(e) Glossary of Terms	Attached

## **12. Background Documents**

12.1 CIPFA's Code of Practice on Treasury Management ("the Code").

12.2 Capital Investment Strategy - Report JAC54 – June 2015

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**Regulatory Framework and Economic Background****1. Regulatory Framework**

The Councils' treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year. Scrutiny of treasury policy, strategy and activity is delegated to the Joint Audit and Standards Committee.

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

Overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management strategy.

**2. Economic Background****Growth, Inflation, Employment**

The UK economy slowed in 2015 with GDP growth falling to 2.3% from a robust 3.0% the year before. CPI inflation hovered around 0.0% through 2015 with deflationary spells in April, September and October. The prolonged spell of low inflation was attributed to the continued collapse in the price of oil from \$67 a barrel in May 2015 to just under \$28 a barrel in January 2016, the appreciation of sterling since 2013 pushing down import prices and weaker than anticipated wage growth resulting in subdued unit labour costs. CPI picked up to 0.3% year on year in February, but this was still well below the Bank of England's 2% inflation target.

The labour market continued to improve through 2015 and in Q1 2016, the latest figures (Jan 2016) showing the employment rate at 74.1% (the highest rate since comparable records began in 1971) and the unemployment rate at a 12 year low of 5.1%. Wage growth has however remained modest at around 2.2% excluding bonuses, but after a long period of negative real wage growth (i.e. after inflation) real earnings were positive and growing at their fastest rate in eight years, boosting consumers' spending power.

### **Global influences**

The slowdown in the Chinese economy became the largest threat to the South East Asian region, particularly on economies with a large trade dependency on China and also to prospects for global growth as a whole. The effect of the Chinese authorities' intervention in their currency and equity markets was temporary and led to high market volatility as a consequence. There were falls in prices of equities and risky assets and a widening in corporate credit spreads. As the global economy entered 2016 there was high uncertainty about growth, the outcome of the US presidential election and the consequences of June's referendum on whether the UK is to remain in the EU. Between February and March 2016 sterling had depreciated by around 3%, a significant proportion of the decline reflecting the uncertainty surrounding the referendum result.

### **UK Monetary Policy**

The Bank of England's Monetary Policy Committee (MPC) made no change to policy, maintaining the Bank Rate at 0.5% (in March it entered its eighth year at 0.5%) and asset purchases (Quantitative Easing) at £375bn. In its inflation reports and monthly monetary policy meeting minutes, the Bank was at pains to stress and reiterate that when interest rates do begin to rise they were expected to do so more gradually and to a lower level than in recent cycles.

Improvement in household spending, business fixed investment, a strong housing sector and solid employment gains in the US allowed the Federal Reserve to raise rates in December 2015 for the first time in nine years to take the new Federal funds range to 0.25%-0.50%. Despite signalling four further rate hikes in 2016, the Fed chose not to increase rates further in Q1 and markets pared back expectations to no more than two further hikes this year.

However central bankers in the Eurozone, Switzerland, Sweden and Japan were forced to take policy rates into negative territory. The European Central Bank also announced a range of measures to inject sustained economic recovery and boost domestic inflation which included an increase in asset purchases (Quantitative Easing).

### **Market reaction**

From June 2015 gilt yields were driven lower by the a weakening in Chinese growth, the knock-on effects of the fall in its stock market, the continuing fall in the price of oil and commodities and acceptance of diminishing effectiveness of central bankers' unconventional policy actions. Added to this was the heightened uncertainty surrounding the outcome of the UK referendum on its continued membership of the EU as well as the US presidential elections which culminated in a significant volatility and in equities and corporate bond yields.



### **3. Counterparty Update**

The transposition of two European Union directives into UK legislation placed the burden of rescuing failing EU banks disproportionately onto unsecured institutional investors which include local authorities and pension funds. During the year, all three credit ratings agencies reviewed their ratings to reflect the loss of government support for most financial institutions and the potential for loss given default as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions saw upgrades due to an improvement in their underlying strength and an assessment that the level of loss given default is low.

In December the Bank of England released the results of its latest stress tests on the seven largest UK banks and building societies which showed that the Royal Bank of Scotland and Standard Chartered Bank were the weakest performers. However, the regulator did not require either bank to submit revised capital plans, since both firms had already improved their ratios over the year.

The first quarter of 2016 was characterised by financial market volatility and a weakening outlook for global economic growth. In March 2016, following the publication of many banks' 2015 full-year results, Arlingclose advised the suspension of Deutsche Bank and Standard Chartered Bank from the counterparty list for unsecured investments. Both banks recorded large losses and despite improving capital adequacy this will call 2016 performance into question, especially if market volatility continues. Standard Chartered had seen various rating actions taken against it by the rating agencies and a rising CDS level throughout the year. Arlingclose will continue to monitor both banks.

The end of bank bail-outs, the introduction of bail-ins, and the preference being given to large numbers of depositors other than local authorities means that the risks of making unsecured deposits continues to be elevated relative to other investment options. The Councils therefore increasingly favoured secured investment options or diversified alternatives such as pooled funds over unsecured bank and building society deposits.

**Treasury Management Activity Summary**

The Councils' Treasury Management and Prudential Indicators for 2015/16 were revised when the 2016/17 Treasury Management Strategies were approved in February 2016.

**1. Borrowing and Debt Management**

1.1 The tables show the borrowing position of each Council as at 31 March 2016.

BABERGH DISTRICT COUNCIL	Balance 31/3/2015 £m	Debt Maturing £m	Debt Prematurely Repaid £m	New Borrowing £m	Balance 31/3/2016 £m	Avg Rate %
CFR	95.269				99.311	
Short Term Borrowing						
Long Term Borrowing	87.797	(0.500)			87.297	3.27%
<b>TOTAL BORROWING</b>	<b>87.797</b>	<b>(0.500)</b>			<b>87.297</b>	<b>3.27%</b>
Other Long Term Liabilities -finance leases						
<b>TOTAL EXTERNAL DEBT</b>	<b>87.797</b>	<b>(0.500)</b>			<b>87.297</b>	<b>3.27%</b>
Increase/ (Decrease) in Borrowing					(0.500)	

MID SUFFOLK DISTRICT COUNCIL	Balance 31/3/2015 £m	Debt Maturing £m	Debt Prematurely Repaid £m	New Borrowing £m	Balance 31/3/2016 £m	Avg Rate %
CFR	103.494				106.780	
Short Term Borrowing	12.000	(26.500)		25.500	11.000	0.43%
Long Term Borrowing	76.183	(0.496)			75.687	3.67%
<b>TOTAL BORROWING</b>	<b>88.183</b>	<b>(26.996)</b>		<b>25.500</b>	<b>86.687</b>	<b>3.38%</b>
Other Long Term Liabilities -finance leases						
<b>TOTAL EXTERNAL DEBT</b>	<b>88.183</b>	<b>(26.996)</b>		<b>25.500</b>	<b>86.687</b>	<b>3.38%</b>
Increase/ (Decrease) in Borrowing					(1.496)	

- 1.2 The chief objectives of both Councils when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans, should the Councils' long-term plans, change is a secondary objective.
- 1.3 Affordability and the "cost of carry" remained important influences on the Councils' borrowing strategies alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing.
- 1.4 The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the Councils with this 'cost of carry' and breakeven analysis.

- 1.5 Mid Suffolk District Council holds £4m of Lender's Option Borrower's Option (LOBO) Loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. None of these loans had options during the year.
- 1.6 The premium charge for early repayment of PWLB debt remained relatively expensive for loans in the Councils' portfolios and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.
- 1.7 In January 2015 the Department of Communities and Local Government (CLG) confirmed that HM Treasury (HMT) would be taking the necessary steps to abolish the Public Works Loans Board. They issued consultation on the new governance arrangements on 12 May 2016. This consultation is about governance arrangements and does not change any of the policy or operational aspects of lending to local authorities. Both Councils intend to use the PWLB's replacement as a potential source of borrowing if required.

## 2. Investment Activity

- 2.1 The CLG's Investment Guidance requires local authorities to focus on security and liquidity, rather than yield. The table below shows the investments made during 2015/16 and the position as at 31 March 2016.

Babergh District Council				31/03/2016		
Investments	Balance 31/3/2015 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance £m	Avg Rate %	Avg Life (days)
Short Term Investments	10.498	90.947	(97.745)	3.700	0.36%	28
Instant Access Call Accounts (net movement)	0.500	1.500	(1.000)	1.000	0.30%	1
Long Term Investments		7.100		7.100	4.41%	
<b>TOTAL INVESTMENTS</b>	<b>10.998</b>	<b>99.547</b>	<b>(98.745)</b>	<b>11.800</b>		
Inc/(Dec) in Investments				0.802		

Mid Suffolk District Council				31/03/2016		
Investments	Balance 31/3/2015 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance £m	Avg Rate %	Avg Life (days)
Short Term Investments	1.000	66.400	(66.100)	1.300	0.38%	36
Instant Access Call Accounts (net movement)	0.750	0.550	(1.300)	0.000	0.30%	1
Long Term Investments		5.100		5.100	4.53%	
<b>TOTAL INVESTMENTS</b>	<b>1.750</b>	<b>72.050</b>	<b>(67.400)</b>	<b>6.400</b>		
Inc/(Dec) in Investments				4.650		

2.2 **Security:** Security of capital was maintained by following each Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2015/16, which was amended in July 2015. Investments made by the Councils during the year included:

- Deposits with the Debt Management Office (DMO)
- Deposits with other Local Authorities (Babergh only).
- Investments in AAA-rated Constant Net Asset Value Money Market Funds
- Call accounts and deposits with UK Banks and Building Societies which are systemically important to the country's banking system.
- Treasury Bills and UBS Multi Asset Fund (Babergh only).
- Churches, Charities and Local Authorities Property Fund (CCLA)
- Funding Circle

2.3 **Credit Risk:** Counterparty credit quality was assessed and monitored with reference to credit ratings; for financial institutions analysis of funding structure and susceptibility to bail-in; credit default swaps; financial statements; information on potential government support and reports in the quality financial press. The minimum long-term counterparty credit rating determined for the 2015/16 treasury strategy for both Councils was:

- The minimum criterion for specified UK investments was A- or equivalent (AA- for foreign banks with a sovereign rating of AAA) across all assigned credit rating agencies Fitch, Standard and Poors, and Moody's

2.4 An assessment is made in quarterly and annual reports of the Councils' 'credit score' based on the table below:

Long-Term Credit Rating	Score	Long-Term Credit Rating	Score
AAA	1	BBB+	8
AA+	2	BBB	9
AA	3	BBB-	10
AA-	4	Not rated	11
A+	5	BB	12
A	6	CCC	13
A-	7	C	14
		D	15

2.5 Applying this to the actual investments made produces the following overall credit score for investment activity in 2015/16:

Babergh District Council					
Date	Value Weighted Average Credit Risk Score	Value Weighted Average Credit Rating	Time Weighted Average Credit Risk Score	Time Weighted Average Credit Rating	Average Number of Days to Maturity
30/06/2015	3.87	AA-	2.91	AA	15
30/09/2015	3.94	AA-	4.02	AA-	4
31/12/2015	3.71	AA-	4.09	AA-	3
31/03/2016	5.06	A+	8.06	BBB+	3

Mid Suffolk District Council					
Date	Value Weighted Average Credit Risk Score	Value Weighted Average Credit Rating	Time Weighted Average Credit Risk Score	Time Weighted Average Credit Rating	Average Number of Days to Maturity
30/06/2015	4.79	A+	2.31	AA+	5
30/09/2015	3.77	AA-	3.77	AA-	1
31/12/2015	4.98	A+	9.21	BBB	4
31/03/2016	4.64	A+	9.97	BBB-	7

### Notes

The value weighted average reflects the credit quality of investments according to the size of the deposit. The time weighted average reflects the credit quality of investments according to the maturity of the deposit.

1. Following the change to the Treasury Management Strategy in July 2015, both councils invested £100k each into Funding Circle. Whilst these were of small value in overall investment terms, the accepted bids were for periods of 3 years and 5 years. Due to the way the time weighted average is calculated, this results in a high risk score, even though the amount involved is very small in relative terms. Details of these investments can be found in the paragraph 2.9 below.
2. At 31 March 2016 Babergh's investments included a total of £2.7m with money market funds, and a term deposit of £1m with a maturity date in early April 2016. This has impacted on the average number of days to maturity.
3. During the year the short term investments held by Mid Suffolk were moved from a Barclays Deposit Account to Money Market Funds. Both of these investments are instant access.

**2.6 Liquidity:** In keeping with the CLG's Guidance on Investments, both Councils' maintained a sufficient level of liquidity through the use of overnight deposits, money market funds and call accounts.

**2.7 Yield:** The UK Bank Rate was maintained at 0.5% through the year. Short term money market rates also remained very low. The low rates of return on the Councils' investments reflect prevailing market conditions and the Councils' objective of optimising returns commensurate with the principles of security and liquidity.

- **Babergh District Council** achieved investment income of £222k against a budget of £189k. The average rate of return achieved on investments during the year was 0.36% compared with the average 7 day LIBID rate for the year (the benchmark rate) of 0.36%. Average cash balances throughout the year (calculated on a daily basis) representing the Council's reserves and working balances were £8,309k.
- **Mid Suffolk District Council** achieved investment income of £115k against a budget of £86k. The average rate of return achieved on investments during the year was 0.38% compared with the average 7 day LIBID rate for the year (the benchmark rate) of 0.36%. The average cash balances throughout the year (calculated on a daily basis) representing the Council's reserves and working balances were £6,928k.

## 2.8 Long Term Investment returns:

In July 2015 changes were made to the Treasury Management Strategy and the Councils approved:

- an increase in investment and loan limits as follows:
- Pooled funds from £2m to £5m
- Investments without credit ratings from £2m to £10m
- Non-specified investments from £5m to £10m
- Loans to unrated corporates £500k to £1m

As a result both Councils invested £5m each in the Churches, Charities and Local Authorities Property Fund (CCLA) and £100k each in Funding Circle. Babergh also invested £2m in the UBS Multi Asset Fund. The amount of interest received noted in paragraph 2.7 above reflects the increased interest generated by these long term investments.

The table below shows the investments and returns for both Councils to 31 March 2016 for CCLA.

<b>CCLA</b>	<b>Babergh District Council</b>	<b>Mid Suffolk District Council</b>
	£	£
Amount Invested	5,000,000	5,000,000
Interest received	153,097	107,748
Management Expenses Paid	(17,242)	(12,211)
<b>Net Income received</b>	<b>135,855</b>	<b>95,538</b>

The table below shows the performance to 31 March 2016 for both councils for Funding Circle.

<b>Funding Circle</b>	<b>Babergh District Council</b>	<b>Mid Suffolk District Council</b>
<b>Investments-</b>		
5 Year loans	£ 9,560	£ 14,000
3 Year loans	£ 6,000	£ 4,000
Rejected bids	6	5
Unallocated Funds	£ 84,440	£ 82,000
<b>Income received -</b>		
Principal repaid	£ 2,266	£ 831
Interest received	£ 365	£ 435
Promotional Cashback received	£ 20	£ 20
<b>Expenses - fees paid</b>	-£ 41	-£ 49
<b>Average rate of return over period</b>	8.80%	8.40%

Another new investment opportunity was taken for Babergh by investing in the UBS Multi Asset Income Fund (UK). The Fund invests in various types of assets including cash, bonds, property and equity across various economic areas such as the US, EU and emerging markets.

Fund performance statements are received every six months, at 30 June and 31 December. The first amount of interest paid on 29 February 2016 was £18,489, for the period 1 October to 31 December 2015.

- 2.9 **Prudential Indicators** – Babergh and Mid Suffolk District Councils can confirm that they have complied with the revised Prudential Indicators for 2015/16, set in February 2015 as part of the Councils' Treasury Management Strategy Statements. Details of the revised Prudential Indicators can be found in Appendix D.

In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2015/16. None of the revised Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

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**Appendix C**

**Borrowing and Investments – Further Details**

<b>Babergh District Council</b>						
<b>Long-term borrowing at 31 March 2016 (all HRA)</b>						
Start Date	Interest Rate	Value of Loan	Borrowed from	Repayment date	Fixed or Variable	Type
26/01/2006	3.70%	£ 1,100,000	PWLB	26/01/2056	Fixed	Maturity
24/08/2010	2.01%	£ 900,000	PWLB	25/08/2020	Fixed	EIP
14/07/2011	2.88%	£ 1,650,000	PWLB	14/07/2021	Fixed	EIP
28/03/2012	2.92%	£ 6,000,000	PWLB	28/03/2026	Fixed	Maturity
28/03/2012	3.42%	£ 46,647,000	PWLB	28/03/2036	Fixed	Maturity
28/03/2012	2.82%	£ 6,000,000	PWLB	28/03/2025	Fixed	Maturity
28/03/2012	3.26%	£ 25,000,000	PWLB	28/03/2031	Fixed	Maturity
<b>Total Borrowing at year end</b>		<b>£ 87,297,000</b>	<b>Appendix B Para 1.1 refers</b>			



# Joint Annual Treasury Management Report – 2015/16

Babergh District Council					
Short Term Investments in 2015/16					
Start Date	Interest Rate	Value of Loan	Invested with	Repayment Date	Length of Investment (Days)
<b>Repaid during Year</b>					
16/10/2014	0.4000%	£ 2,000,000.00	HSBC	16/04/2015	182
05/01/2015	0.3900%	£ 1,998,035.90	K&S	07/04/2015	92
10/03/2015	0.2500%	£ 1,500,000.00	DMADF	01/04/2015	22
01/04/2015	0.7000%	£ 1,000,000.00	Standard and Chartered	01/10/2015	183
01/04/2015	0.5000%	£ 1,000,000.00	Nationwide BS	01/07/2015	91
01/04/2015	0.5000%	£ 1,000,000.00	Leeds BS	01/07/2015	91
01/04/2015	0.2500%	£ 1,000,000.00	DMADF	13/04/2015	12
07/04/2015	0.2500%	£ 2,000,000.00	DMADF	13/04/2015	6
13/04/2015	0.3500%	£ 1,499,597.37	K&S	11/05/2015	28
16/04/2015	0.3000%	£ 1,000,000.00	HSBC	18/05/2015	32
16/04/2015	0.2500%	£ 1,000,000.00	DMADF	30/04/2015	14
01/05/2015	0.2500%	£ 3,000,000.00	DMADF	19/05/2015	18
12/05/2015	0.2500%	£ 1,750,000.00	DMADF	15/05/2015	3
18/05/2015	0.3500%	£ 1,000,000.00	HSBC	20/07/2015	63
19/05/2015	0.2500%	£ 2,000,000.00	DMADF	01/06/2015	13
01/06/2015	0.4300%	£ 3,998,680.98	K&S	29/06/2015	28
29/06/2015	0.4200%	£ 3,998,711.65	K&S	27/07/2015	28
01/07/2015	0.4300%	£ 1,000,000.00	Nationwide BS	01/08/2015	31
01/07/2015	0.2500%	£ 3,000,000.00	DMADF	20/07/2015	19
20/07/2015	0.2500%	£ 1,000,000.00	DMADF	03/08/2015	14
27/07/2015	0.2500%	£ 4,000,000.00	DMADF	03/08/2015	7
03/08/2015	0.2500%	£ 8,000,000.00	DMADF	21/08/2015	18
22/07/2015	0.3000%	£ 1,000,000.00	HSBC	24/08/2015	33
24/08/2015	0.3000%	£ 1,000,000.00	HSBC	24/09/2015	31
21/08/2015	0.2500%	£ 8,000,000.00	DMADF	27/08/2015	6
27/08/2015	0.2500%	£ 3,000,000.00	DMADF	01/09/2015	5
01/09/2015	0.2500%	£ 5,000,000.00	DMADF	07/09/2015	6
07/09/2015	0.2500%	£ 4,000,000.00	DMADF	21/09/2015	14
07/09/2015	0.4300%	£ 1,000,000.00	Nationwide BS	07/10/2015	30
21/09/2015	0.2500%	£ 2,000,000.00	DMADF	01/10/2015	10
24/09/2015	0.3000%	£ 1,000,000.00	HSBC	26/10/2015	32
01/10/2015	0.2500%	£ 4,000,000.00	DMADF	19/10/2015	18
08/10/2015	0.2500%	£ 1,000,000.00	DMADF	19/10/2015	11
19/10/2015	0.2500%	£ 3,000,000.00	DMADF	02/11/2015	14
02/11/2015	0.2500%	£ 5,000,000.00	DMADF	19/11/2015	17
02/11/2015	0.2500%	£ 1,000,000.00	HSBC	02/12/2015	30
02/11/2015	0.4300%	£ 1,000,000.00	Nationwide BS	02/12/2015	30
09/11/2015	0.2500%	£ 1,250,000.00	DMADF	19/11/2015	10
19/11/2015	0.2500%	£ 4,500,000.00	DMADF	01/12/2015	12
01/12/2015	0.2500%	£ 4,500,000.00	DMADF	21/12/2015	20
02/12/2015	0.3800%	£ 1,000,000.00	Nationwide BS	04/01/2016	33
02/12/2015	0.2500%	£ 1,000,000.00	DMADF	07/12/2015	5
07/12/2015	0.4100%	£ 1,999,214.01	K&S	11/01/2016	35
21/12/2015	0.2500%	£ 1,000,000.00	DMADF	04/01/2016	14
04/01/2016	0.2500%	£ 5,250,000.00	DMADF	11/01/2016	7
11/01/2016	0.3925%	£ 5,248,419.72	K&S	08/02/2016	28
11/01/2016	0.2500%	£ 2,000,000.00	DMADF	19/01/2016	8
08/02/2016	0.2500%	£ 3,750,000.00	DMADF	01/03/2016	22
<b>Not Repaid during Year</b>					
04/01/2016	0.5000%	£ 1,000,000.00	Nationwide BS	04/04/2016	91
<b>Total Investments at year end</b>		<b>£ 1,000,000.00</b>			

<b>Babergh District Council</b>					
<b>Short Term Investments in Money Market Fund Balances at:</b>					
<b>Deposited with</b>	<b>31/03/2015</b>	<b>30/06/2015</b>	<b>30/09/2015</b>	<b>31/12/2015</b>	<b>31/03/2016</b>
Goldman Sachs	£ 1,000,000	£ 1,500,000	£ 1,000,000	£ 2,000,000	£ -
Ignis	£ 1,000,000	£ 1,000,000	£ 1,000,000	£ 1,900,000	£ 700,000
Federated	£ 1,000,000	£ 1,000,000	£ 1,000,000	£ 1,700,000	£ 1,000,000
Blackrock	£ 1,000,000	£ 1,000,000	£ 1,600,000	£ 2,000,000	£ 1,000,000
<b>Total</b>	<b>£ 4,000,000</b>	<b>£ 4,500,000</b>	<b>£ 4,600,000</b>	<b>£ 7,600,000</b>	<b>£ 2,700,000</b>

<b>Babergh District Council</b>	
<b>Total Short Term Investments at 31 March 2016 :</b>	<b>£ 3,700,000</b>
<b>As per Appendix B, paragraph 2.1</b>	

<b>Mid Suffolk District Council</b>						
<b>Long-term borrowing at 31 March 2016 (all HRA)</b>						
<b>Start Date</b>	<b>Interest Rate</b>	<b>Value of Loan</b>	<b>Borrowed from</b>	<b>Repayment date</b>	<b>Fixed or Variable</b>	<b>Type</b>
26/05/1987	9.125%	500,000	PWLB	27/01/2017	Fixed	Maturity
09/05/1992	10.250%	500,000	PWLB	27/07/2017	Fixed	Maturity
21/09/1993	7.875%	1,000,000	PWLB	27/07/2053	Fixed	Maturity
26/04/2007	4.600%	3,500,000	PWLB	27/07/2047	Fixed	Maturity
26/04/2007	4.550%	3,500,000	PWLB	27/07/2052	Fixed	Maturity
01/05/2007	4.600%	3,831,140	PWLB	27/07/2053	Fixed	Maturity
09/09/2011	2.430%	1,650,000	PWLB	09/09/2021	Fixed	EIP
28/03/2012	3.010%	15,000,000	PWLB	28/03/2027	Fixed	Maturity
28/03/2012	3.300%	15,000,000	PWLB	28/03/2032	Fixed	Maturity
28/03/2012	3.440%	12,206,000	PWLB	28/03/2037	Fixed	Maturity
28/03/2012	3.500%	15,000,000	PWLB	28/03/2042	Fixed	Maturity
22/08/2008	4.200%	2,000,000	LOBO	22/08/2078	Fixed	Maturity
22/08/2008	4.220%	2,000,000	LOBO	22/08/2078	Fixed	Maturity
<b>Total Borrowing at year end</b>		<b>£ 75,687,140</b>	<b>Appendix B Para 1.1 refers</b>			

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Mid Suffolk District Council					
Short Term Borrowing in 2015/16					
Start Date	Interest Rate	Value of Loan	Borrowed from	Repayment Date	Length of Investment (Days)
<b>Repaid during Year</b>					
24/12/2014	0.4500%	£ 1,000,000.00	Babergh District Council	01/04/2015	98
26/02/2015	0.4200%	£ 4,000,000.00	Leciester City Council	13/04/2015	46
13/03/2015	0.3700%	£ 1,000,000.00	Ceredigion	13/04/2015	31
16/03/2015	0.4000%	£ 3,000,000.00	Crawley Borough Council	13/04/2015	28
16/03/2015	0.4500%	£ 2,000,000.00	Manchester City Council	13/04/2015	28
30/03/2015	0.4000%	£ 1,000,000.00	Bridgend	30/04/2015	31
13/04/2015	0.4000%	£ 5,500,000.00	Leciester City Council	13/07/2015	91
13/04/2015	0.4000%	£ 2,000,000.00	Vale of Glamorgan Council	13/07/2015	91
13/07/2015	0.4200%	£ 2,000,000.00	Vale of Glamorgan Council	25/02/2016	227
13/07/2015	0.4500%	£ 4,000,000.00	Police West Yorkshire	13/01/2016	184
07/03/2016	0.4200%	£ 1,000,000.00	Carmarthenshire County Council	31/03/2016	24
<b>Not Repaid during Year</b>					
22/02/2016	0.4500%	£ 3,000,000.00	Kingston upon Hull	22/04/2016	60
25/02/2016	0.5000%	£ 2,000,000.00	Vale of Glamorgan Council	25/04/2016	60
15/03/2016	0.5000%	£ 3,000,000.00	City & Council Swansea Pension Fund	15/04/2016	31
21/03/2016	0.5000%	£ 2,000,000.00	Shropshire Council	21/04/2016	31
24/03/2016	0.5000%	£ 1,000,000.00	Erewash	29/04/2016	36
Total Borrowing at year end		£ 11,000,000.00	Appendix B para 1.1 refers		

Mid Suffolk District Council	
<b>Total Borrowings at 31 March 2016 :</b>	<b>£ 86,687,140</b>
<b>As per Appendix B, paragraph 1.1</b>	

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Mid Suffolk District Council					
Short Term Investments in 2015/16					
Start Date	Interest Rate	Value of Loan	Invested with	Repayment Date	Length of Investment (Days)
<b>Repaid during Year</b>					
01/04/2015	0.2500%	£ 1,000,000.00	Debt Management Office	13/04/2015	12
14/04/2015	0.2500%	£ 1,000,000.00	Debt Management Office	15/04/2015	1
15/04/2015	0.2500%	£ 1,000,000.00	Debt Management Office	30/04/2015	15
01/05/2015	0.2500%	£ 500,000.00	Debt Management Office	19/05/2015	18
14/05/2015	0.2500%	£ 1,500,000.00	Debt Management Office	26/05/2015	12
01/06/2015	0.2500%	£ 1,000,000.00	Debt Management Office	22/06/2015	21
15/06/2015	0.2500%	£ 500,000.00	Debt Management Office	01/07/2015	16
01/07/2015	0.2500%	£ 1,500,000.00	Debt Management Office	13/07/2015	12
13/07/2015	0.2500%	£ 1,000,000.00	Debt Management Office	27/07/2015	14
14/07/2015	0.2500%	£ 2,000,000.00	Debt Management Office	20/07/2015	6
03/08/2015	0.2500%	£ 1,000,000.00	Debt Management Office	21/08/2015	18
14/08/2015	0.2500%	£ 2,000,000.00	Debt Management Office	21/08/2015	7
14/08/2015	0.2500%	£ 500,000.00	Debt Management Office	24/08/2015	10
21/08/2015	0.2500%	£ 1,500,000.00	Debt Management Office	01/09/2015	11
28/08/2015	0.2500%	£ 1,000,000.00	Debt Management Office	01/09/2015	4
01/09/2015	0.2500%	£ 3,750,000.00	Debt Management Office	07/09/2015	6
07/09/2015	0.2500%	£ 3,750,000.00	Debt Management Office	21/09/2015	14
14/09/2015	0.2500%	£ 2,000,000.00	Debt Management Office	15/09/2015	1
21/09/2015	0.2500%	£ 2,000,000.00	Debt Management Office	01/10/2015	10
01/10/2015	0.2500%	£ 3,000,000.00	Debt Management Office	19/10/2015	18
14/10/2015	0.2500%	£ 3,500,000.00	Debt Management Office	29/10/2015	15
16/11/2015	0.2500%	£ 1,000,000.00	Debt Management Office	19/11/2015	3
14/12/2015	0.2500%	£ 3,250,000.00	Debt Management Office	21/12/2015	7
04/01/2016	0.2500%	£ 1,500,000.00	Debt Management Office	13/01/2016	9
14/01/2016	0.2500%	£ 1,000,000.00	Debt Management Office	19/01/2016	5
Total Investments at year end		£ -	Appendix B para 2.1 refers		

Mid Suffolk District Council					
Short Term Investments in Money Market Fund Balances at:					
Deposited with	31/03/2015	30/06/2015	30/09/2015	31/12/2015	31/03/2016
Federated	£ 1,000,000	£ 1,000,000	£ 1,100,000	£ 1,700,000	£ 1,000,000
Blackrock	£ -	£ -	£ 1,000,000	£ 800,000	£ 300,000
<b>Total</b>	<b>£ 1,000,000</b>	<b>£ 1,000,000</b>	<b>£ 2,100,000</b>	<b>£ 2,500,000</b>	<b>£ 1,300,000</b>

Mid Suffolk District Council	
<b>Total Short Term Investments at 31 March 2016 :</b>	<b>£ 1,300,000</b>
<b>As per Appendix B, paragraph 2.1</b>	

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**Prudential Indicators****1. Capital Financing Requirement**

Estimates of the Councils' revised cumulative maximum external borrowing requirement for 2015/16 are shown in the tables below:

<b>Babergh District Council</b>	<b>31/3/2016 Estimate</b>	<b>31/3/2016 Actual</b>
	£m	£m
<b>Capital Financing Requirement</b>	102.345	99.311
Less :		
Existing Profile of Borrowing	(87.297)	(87.297)
<b>Cumulative Maximum External Borrowing Requirement</b>	<b>15.048</b>	<b>12.014</b>

<b>Mid Suffolk District Council</b>	<b>31/3/2016 Estimate</b>	<b>31/3/2016 Actual</b>
	£m	£m
<b>Capital Financing Requirement</b>	109.811	106.780
Less :		
Existing Profile of Borrowing	(75.700)	(86.687)
<b>Cumulative Maximum External Borrowing Requirement</b>	<b>34.111</b>	<b>20.093</b>

**2. Prudential Indicator Compliance****(a) Authorised Limit and Operational Boundary for External Debt**

- The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit (Authorised Limit), irrespective of their indebted status. This is a statutory limit which should not be breached. It is based on the estimated borrowing to finance the capital programme plus an allowance to cover any cash flow shortfalls that might arise during the year.
- The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit.
- The Section 151 Officer for Babergh and Mid Suffolk District Councils confirms that there were no breaches to the Authorised Limit and the

Operational Boundary during the year by either council. Borrowing at its peak was £87.797m Babergh District Council, £87.183m for Mid Suffolk District Council.

<b>Babergh District Council</b>	<b>Operational Boundary (Approved) as at 31/3/2016</b>	<b>Authorised Limit (Approved) as at 31/3/2016</b>	<b>Actual External Debt as at 31/3/2016</b>
<b>Operational Boundary</b>	£m	£m	£m
Borrowing	102.000	105.000	87.297
<b>Total</b>	<b>102.000</b>	<b>105.000</b>	<b>87.297</b>

<b>Mid Suffolk District Council</b>	<b>Operational Boundary (Approved) as at 31/3/2016</b>	<b>Authorised Limit (Approved) as at 31/3/2016</b>	<b>Actual External Debt as at 31/3/2016</b>
<b>Operational Boundary</b>	£m	£m	£m
Borrowing	110.000	113.000	86.687
<b>Total</b>	<b>110.000</b>	<b>113.000</b>	<b>86.687</b>

#### **(b) Upper Limits for Interest Rate Exposure**

- These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

<b>Babergh District Council</b>	<b>Limits for 2015/16</b>	<b>Maximum during 2015/16</b>
	£m	£m
<b>Upper Limit for Fixed Rate Exposure</b>	127	88
Compliance with Limits:	-	Yes
<b>Upper Limit for Variable Rate Exposure</b>	20	(22)
Compliance with Limits:	-	Yes

<b>Mid Suffolk District Council</b>	Limits for 2015/16	Maximum during 2015/16
	£m	£m
<b>Upper Limit for Fixed Rate Exposure</b>	136	88
Compliance with Limits:	-	Yes
<b>Upper Limit for Variable Rate Exposure</b>	40	(4)
Compliance with Limits:	-	Yes

### (c) Maturity Structure of Fixed Rate Borrowing

- This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.
- Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which a lender can demand payment.

<b>Babergh District Council</b>					
<b>Fixed Rate Borrowing as at 31/3/16</b>					
Maturity Structure of Fixed rate Borrowing	Upper Limit	Lower Limit	Actual Fixed Rate Borrowing (£m)	Proportion of Fixed rate Borrowing	Compliance with Set Limits?
Under 12 months	50%	0%	£ 0.500	0.57%	Yes
12 months and within 24 months	50%	0%	£ 0.500	0.57%	Yes
24 months and within 5 years	50%	0%	£ 1.400	1.60%	Yes
5 years and within 10 years	100%	0%	£ 0.150	0.17%	Yes
10 years and within 20 years	100%	0%	£ 37.000	42.38%	Yes
20 years and within 30 years	100%	0%	£ 46.647	53.43%	Yes
40 years and above	100%	0%	£ 1.100	1.26%	Yes
<b>Total Borrowing at year end</b>			<b>£ 87.297</b>		

<b>Mid Suffolk District Council</b>					
<b>Fixed Rate Borrowing as at 31/3/16</b>					
Maturity Structure of Fixed rate Borrowing	Upper Limit	Lower Limit	Actual Fixed Rate Borrowing (£m)	Proportion of Fixed rate Borrowing	Compliance with Set Limits?
Under 12 months	50%	0%	£ 11.300	13.04%	Yes
12 months and within 24 months	50%	0%	£ 0.300	0.35%	Yes
24 months and within 5 years	50%	0%	£ 0.900	1.04%	Yes
5 years and within 10 years	100%	0%	£ 0.150	0.17%	Yes
10 years and within 20 years	100%	0%	£ 30.000	34.61%	Yes
20 years and within 30 years	100%	0%	£ 27.706	31.96%	Yes
30 years and above	100%	0%	£ 16.331	4.61%	Yes
<b>Total Borrowing at year end</b>			<b>£ 86.687</b>		

#### (d) Capital Expenditure

The capital expenditure of the two Councils and the financing is summarised below.

<b>Babergh District Council</b>	<b>2015/16 Approved</b>	<b>2015/16 Actual</b>
<b>Capital Expenditure</b>	£m	£m
General Fund	8.625	5.818
HRA	7.127	5.430
<b>Total For Year</b>	<b>15.752</b>	<b>11.248</b>

<b>Mid Suffolk District Council</b>	<b>2015/16 Approved</b>	<b>2015/16 Actual</b>
<b>Capital Expenditure</b>	£m	£m
General Fund	7.679	4.519
HRA	6.306	5.375
<b>Total For Year</b>	<b>13.985</b>	<b>9.894</b>

Capital expenditure has been and will be financed or funded as follows:

<b>Babergh District Council</b>	<b>2015/16 Approved</b>	<b>2015/16 Actual</b>
<b>Capital Financing</b>	£m	£m
Capital Receipts	0.593	0.596
Government Grants and Contributions	0.335	0.451
Revenue Contributions to Capital	5.089	3.226
Major Repairs Reserve	-	0.245
Capital Reserves	1.661	1.661
<b>Total Financing For Year</b>	<b>7.678</b>	<b>6.179</b>
Borrowing	8.074	5.069
<b>Total Financing and Funding For Year</b>	<b>15.752</b>	<b>11.248</b>

<b>Mid Suffolk District Council</b>	<b>2015/16 Approved</b>	<b>2015/16 Actual</b>
<b>Capital Financing</b>	£m	£m
Capital Receipts	2.278	1.217
Government Grants and Contributions	0.466	0.631
Revenue Contributions to Capital	2.692	1.202
Major Repairs Reserve	-	1.414
Capital Reserves	1.509	1.509
<b>Total Financing For Year</b>	<b>6.945</b>	<b>5.973</b>
Borrowing	7.040	3.920
<b>Total Financing and Funding For Year</b>	<b>13.985</b>	<b>9.894</b>

These tables show that the capital expenditure plans for both Councils could not be funded entirely from sources other than external borrowing.



**(e) Capital Financing Requirement**

The Capital Financing Requirement measures the Council's underlying need to borrow for a capital purpose.

<b>Babergh District Council</b>	<b>2015/16 Revised Estimate</b>	<b>2015/16 Actual</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
<b>Capital Financing Requirement</b>	£m	£m	£m	£m
General Fund	15.613	12.579	17.701	17.616
HRA	86.732	86.732	86.232	85.732
<b>Total</b>	<b>102.345</b>	<b>99.311</b>	<b>103.933</b>	<b>103.348</b>

<b>Mid Suffolk District Council</b>	<b>2015/16 Revised Estimate</b>	<b>2015/16 Actual</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
<b>Capital Financing Requirement</b>	£m	£m	£m	£m
General Fund	23.052	20.021	25.112	25.289
HRA	86.759	86.759	86.759	86.759
<b>Total</b>	<b>109.811</b>	<b>106.780</b>	<b>111.871</b>	<b>112.048</b>

**(f) Gross Debt and the Capital Financing Requirement**

In order to ensure that over the medium term debt will only be for a capital purpose, the Councils should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current year and the next two financial years. This is a key indicator of prudence.

<b>Babergh District Council</b>	<b>31/3/2016 Actual</b>	<b>31/3/2017 Estimate</b>	<b>31/3/2018 Estimate</b>
<b>Gross Debt and Capital Financing Requirement</b>	£m	£m	£m
Borrowing	87.297	90.178	91.090
Total Debt	87.297	90.178	91.090

<b>Mid Suffolk District Council</b>	<b>31/3/2016 Actual</b>	<b>31/3/2017 Estimate</b>	<b>31/3/2018 Estimate</b>
<b>Gross Debt and Capital Financing Requirement</b>	£m	£m	£m
Borrowing	86.687	74.887	74.087
Total Debt	86.687	74.887	74.087

Total debt is expected to remain below the CFR in the forecast period.

**(g) Ratio of Financing Costs to Net Revenue Stream**

- This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs.
- The ratio is based on costs net of investment income

<b>Babergh District Council</b>	<b>2015/16 Approved</b>	<b>2015/16 Actual</b>
<b>Ratio of Financing Costs to Net Revenue Stream</b>	%	%
General Fund	8.64%	3.68%
HRA	17.44%	16.30%

<b>Mid Suffolk District Council</b>	<b>2015/16 Approved</b>	<b>2015/16 Actual</b>
<b>Ratio of Financing Costs to Net Revenue Stream</b>	%	%
General Fund	11.16%	4.11%
HRA	22.12%	18.26%

**(h) Total principal sums invested for periods longer than 364 days**

- This indicator allows Councils to manage the risk inherent in investments longer than 364 days.
- The policy of both Babergh and Mid Suffolk District Councils during 2015/16 was not to make investments for a period longer than 364 days. No investments were made for a period greater than 364 days during the year to 31 March 2016.

- Whilst the investments that have been made in CCLA, UBS and Funding Circle are intended to benefit from longer term higher returns, they can be redeemed on a short term basis.

**(i) Adoption of the CIPFA Treasury Management Code**

This indicator demonstrates that the Councils adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management
The Councils approved the adoption of the CIPFA Treasury Management Code at their meetings on 9 <sup>th</sup> February 2012 (Babergh District Council) and on 23 <sup>rd</sup> February 2012 (Mid Suffolk District Council).

**(j) Incremental impact of capital investment decisions**

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and on average rent levels.

Babergh District Council	2015/16 Estimate	2015/16 Actual
<b>Incremental impact of capital investment decisions -</b>	£	£
On Band D Council Tax	8.34	10.05
On Average Housing Rent levels per week (for a 52 week year)	9.42	13.58

Mid Suffolk District Council	2015/16 Estimate	2015/16 Actual
<b>Incremental impact of capital investment decisions -</b>	£	£
On Band D Council Tax	10.31	3.06
On Average Housing Rent levels per week (for a 52 week year)	(3.18)	(0.42)

The impact on council tax and rents is accounted for by changes in the capital programmes.

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**Glossary of Terms**

CFR	Capital Financing Requirement. The underlying need to borrow to finance capital expenditure.
CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the leading professional accountancy body for public services.
CLG	Department for Communities and Local Government. This is a ministerial department.
CPI	Consumer Price Index. This measures changes in the price level of consumer goods and services purchased by households.
CCLA	Churches, Charities and Local Authority Property Fund
DMADF	Debt Management Account Deposit Facility.
GDP	Gross Domestic Product. This is the market value of all officially recognised goods and services produced within a country in a given period of time.
HRA	Housing Revenue Account. The statutory account to which are charged the revenue costs of providing, maintaining and managing Council dwellings. These costs are financed by tenants' rents.
MPC	Monetary Policy Committee. A committee of the Bank of England which decides the Bank of England's Base Rate and other aspects of the Government's Monetary Policy.
LOBO	Lender's Option Borrower's Option. This is a loan where the lender has certain dates when they can increase the interest rate payable and, if they do, the Council has the option of accepting the new rate or repaying the loan.
PWLB	Public Works Loan Board - offers loans to local authorities below market rates.
QE	Quantitative Easing. The purchase of Government bonds by the Bank of England to boost the money supply.
T Bills	Treasury Bill. A short term Government Bond.

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## BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

<b>From: Assistant Director - Corporate Resources</b>	<b>Report Number: JAC83</b>
<b>To: Joint Audit and Standards Committee</b>	<b>Date of meeting: 20 June 2016</b>

### NON-SALARY EXPENSES

#### 1. Purpose of Report

- 1.1 To provide information in relation to the non-salary expenses of the senior managers across Babergh and Mid Suffolk District Councils.

#### 2. Recommendations

- 2.1 To review the information contained within the report and to outline whether any further information or explanation is required.

#### 3. Financial Implications

- 3.1 As outlined in the information in the report.

#### 4. Legal Implications

- 4.1 None.

#### 5. Risk Management

- 5.1 This report is not closely linked with the Council's Corporate / Significant Business Risks.

#### 6. Consultations

- 6.1 None.

#### 7. Equality Analysis

- 7.1 An equality analysis has not been completed because the report content does not have any impact on the protected characteristics.

#### 8. Shared Service / Partnership Implications

- 8.1 This is a joint report and the costs referred to are shared between Babergh and Mid Suffolk District Councils on a 50:50 basis.

#### 9. Links to Joint Strategic Plan

- 9.1 Ensuring that our financial resources are used as efficiently and effectively as possible is an aim of the Enabled and Efficient Organisation theme – The right people are doing the right things, in the right way, at the right time, for the right reasons.

## 10. Key Information

- 10.1 This report shows the non-salary expenses paid to the Chief Executive, Strategic Directors, and Heads of Service for the financial year 2015/16. The details of these expenses are shown in Appendix A. Please note the job titles are those that were applicable during the financial year being reported.
- 10.2 Travel costs are the largest element of the expenses shown in Appendix A. An important element of this is travel undertaken to work collaboratively across Suffolk and East Anglia and also to promote the councils' reputation at a national level, through speaking at conferences or meeting with DCLG. Such work has resulted in the announcement of the East Anglian Devolution deal.
- 10.3 Conferences are attended in order to keep up to date with what is happening in the public sector as a whole, and also in specialist areas to ensure that the councils' are reflecting current and best practice. This is increasingly important as the councils' move towards working within a more commercial environment. These events provide a good opportunity to network and learn from other local authorities across the country to ensure officers are well equipped to take advantage of the opportunities that the changing landscape of local government presents.
- 10.4 The total non-salary expenses paid in 2015/16 represent less than 2% of the salary costs of this particular group of staff for the same period of time.
- 10.5 The last report that was presented to the Joint Audit and Standards Committee (Paper JAC34 1 September 2014) showed the expenses for 2013/14. These totals along with the detailed 2014/15 expenses have been included in Appendix B for comparative purposes.

## 11. Appendices

Title	Location
(a) Non-Salary Expenses for 2015/16	Attached
(b) Non-Salary Expenses for 2014/15 with 2013/14 comparators	Attached

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**Non Salary Expenses 2015/16**

	<b>Travel</b>	<b>Phone Charges</b>	<b>Subsistence</b>	<b>Conference Attendance Fees</b>	<b>Professional Subscriptions</b>	<b>TOTAL</b>
Chief Executive	2,013		95	480	189	<b>2,777</b>
Strategic Director - People	2,734	18		108	102	<b>2,962</b>
Strategic Director - Place	2,320			1,205	102	<b>3,627</b>
Strategic Director - Corporate	727			140		<b>867</b>
Strategic Director - Transformation	161					<b>161</b>
Head of Corporate Organisation	749		18		86	<b>853</b>
Head of Corporate Resources	466				155	<b>621</b>
Head of Communities	1,549					<b>1,549</b>
Head of Economy	1,739		4	295		<b>2,038</b>
Head of Environment	1,765					<b>1,765</b>
Head of Housing	2,276	24				<b>2,300</b>
Head of Investment and Commercial Delivery	1,668					<b>1,668</b>
Head of Planning for Growth	1,109			184		<b>1,293</b>
<b>2015/16 TOTAL</b>	<b>19,276</b>	<b>42</b>	<b>117</b>	<b>2,412</b>	<b>634</b>	<b>22,481</b>

**Non Salary Expenses 2014/15**

	<b>Travel</b>	<b>Phone Charges</b>	<b>Subsistence</b>	<b>Conference Attendance Fees</b>	<b>Professional Subscriptions</b>	<b>TOTAL</b>
Chief Executive	2,190			1,237	189	<b>3,616</b>
Strategic Director - People	2,387	24				<b>2,411</b>
Strategic Director - Place	2,522			893	102	<b>3,517</b>
Strategic Director - Corporate	2,013		4	84	102	<b>2,203</b>
Strategic Director - Transformation	1,005			264	102	<b>1,371</b>
Head of Corporate Organisation	622		14		82	<b>718</b>
Head of Corporate Resources	604			754	155	<b>1,513</b>
Head of Communities	1,584					<b>1,584</b>
Head of Economy	1,512				154	<b>1,666</b>
Head of Environment	1,716					<b>1,716</b>
Head of Housing	1,976	30				<b>2,006</b>
Head of Investment and Commercial Delivery	1,707					<b>1,707</b>
Head of Planning for Growth	1,215					<b>1,215</b>
<b>2014/15 TOTAL</b>	<b>21,053</b>	<b>54</b>	<b>18</b>	<b>3,232</b>	<b>886</b>	<b>25,243</b>
<b>2013/14 Comparison</b>	<b>18,456</b>	<b>136</b>	<b>30</b>	<b>3,561</b>	<b>949</b>	<b>23,132</b>



## BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

<b>From:</b> Interim Head of Democratic Services	<b>Report Number:</b> <b>JAC84</b>
<b>To:</b> Joint Audit and Standards Committee	<b>Date of Meeting:</b> 20 June 2016

### FORWARD PLAN 2016/17

#### Date of Committee – 12 September 2016

Topic	Purpose	Portfolio Holder / Lead Officer
Update on Compliance with the Localism Act 2011	To update Councillors on the measures taken to comply with Chapter 7 of the Localism Act and to consider any actions required	Finance and Resources / Monitoring Officer
Complaints Monitoring Report	To report on code of Code of Conduct complaints in the previous period	Finance and Resources / Monitoring Officer

#### Date of Committee – 14 November 2016

Topic	Purpose	Portfolio Holder / Lead Officer
Mid Year Report on Treasury Management 2016/17	To review and note the treasury management activity for the first half of the year	Finance and Resources / Corporate Manager – Financial Services
Interim Internal Audit Report 2016/17	To note the progress of the Audit Plan	Finance and Resources / Corporate Manager – Internal Audit

#### Date of Committee – 23 January 2017

Topic	Purpose	Portfolio Holder / Lead Officer
Treasury Management Strategy 2017/18	To agree the approach for 2017/18 that will complement the allocation of resources in the budget	Finance and Resources / Corporate Manager – Financial Services
Update on Compliance with the Localism Act 2011	To update Councillors on the measures taken to comply with Chapter 7 of the Localism Act and to consider any actions required	Finance and Resources / Monitoring Officer

<b>Topic</b>	<b>Purpose</b>	<b>Portfolio Holder / Lead Officer</b>
Complaints Monitoring Report	To report on code of Code of Conduct complaints in the previous period	Finance and Resources / Monitoring Officer

**Date of Committee – 13 March 2017**

<b>Topic</b>	<b>Purpose</b>	<b>Portfolio Holder / Lead Officer</b>

Karen Sayer  
Governance Support Officer

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