

OVERVIEW AND SCRUTINY COMMITTEE

Thursday 12 December 2013 at 6.30 pm

Council Chamber, Ryedale House, Malton

Agenda

- 1 **Emergency Evacuation Procedure.** (Pages 3 - 6)
The Chairman to inform Members of the Public of the emergency evacuation procedure.
- 2 **Apologies for absence**
- 3 **Minutes of the Meeting held on the 3 October 2013**
- 4 **Urgent Business**
To receive notice of any urgent business which the Chairman considers should be dealt with at the meeting as a matter of urgency by virtue of Section 100B(4)(b) of the Local Government Act 1972.
- 5 **Declarations of Interest**
Members to indicate whether they will be declaring any interests under the Code of Conduct.

Members making a declaration of interest at a meeting of a Committee or Council are required to disclose the existence and nature of that interest. This requirement is not discharged by merely declaring a personal interest without further explanation.
- 6 **Deloitte Annual Audit Letter** (Pages 7 - 16)
- 7 **Deloitte External Audit Progress Report** (Pages 17 - 20)
- 8 **Customer Complaints received Quarter 2 2013/14** (Pages 21 - 30)

- 9 **Internal Audit Monitoring Report - Quarter 2** (Pages 31 - 48)
- 10 **Treasury Management Mid Year Review** (Pages 49 - 58)
- 11 **Decisions from other Committees** (Pages 59 - 62)
Commissioning Board held on 21 November 2013
Policy and Resources Committee held on 5 December (to follow)
- 12 **Any other business that the Chairman decides is urgent.**

Overview and Scrutiny Committee

Held at Council Chamber, Ryedale House, Malton
on Thursday 3 October 2013

Present

Councillors P J Andrews, Collinson, Cussons, Raper and Wainwright (Chairman)

In Attendance

Simon Copley, Angela Jones, Alison Newham, Clare Slater and Faye Snowden

Minutes

23 **Apologies for absence**

Councillor Mrs Shields
Councillor Richardson

24 **Minutes of the meeting held on 27 June 2013**

Decision

That the minutes of the meeting of the Overview and Scrutiny Committee held on the 27 June 2013 and 25 September 2013 be approved and signed by the Chairman as a correct record.

25 **Urgent Business**

There was one item of urgent business:

Attendance at Policy Committees

The reason for urgency was that the matter required addressing ahead of the next round of Policy Committees.

26 **Declarations of Interest**

Councillor Collinson declared a personal and pecuniary but not prejudicial interest for agenda item 10.

27 **Customer Complaints Received quarter 1 (2013/14)**

Considered – Report of the Business Support Manager.

Decision

That the report be accepted.

28 Internal Audit - Q1 Monitoring Report

Considered – Report of the Corporate Director (s151)

Decision

That the report be received.

29 Annual Governance Statement Action Plan

Considered – Report of the Corporate Director (s151)

Decision

That the report be received.

30 Corporate Risk Register

Considered – Corporate Risk Register.

Decision

That the register be received.

31 Final Report - Scrutiny Review of Member roles on outside bodies and as Member Champions

Considered – Report of the Council Solicitor.

Decision

That the report on Member roles on outside bodies and as Member Champions be agreed.

32 Topic for the next Scrutiny Review

Considered – Report of the Head of Corporate Services.

Decision

That Members of the Committee agreed that 'Localism and Fuel Poverty' be the topic for the next scrutiny review. All Members present agreed to attend the initial meeting of the task group to be held on Thursday 7 November 2013 at 6.30 pm, here at Ryedale House.

33 Decisions from other Committees

The minutes of the Commissioning Board meeting held on the 19 September 2013 and the Policy and Resources Committee held on 26 September 2013 were presented.

Decision

That the minutes be received

34 Any other business that the Chairman decides is urgent.

The Chairman reminded all Councillors of their responsibility to attend Policy Committee as per the rota agreed at the meeting of Overview and Scrutiny Committee 27 June 2013.

The meeting closed at 7:55 pm.

This page is intentionally left blank

Ryedale District Council

Annual Audit Letter

on the 2012/13 Audit

October 2013

Overview and Scrutiny Committee
Ryedale District Council
Ryedale House
Malton
North Yorkshire
YO17 7HH

28 October 2013

Dear Sirs

We have pleasure in setting out this Annual Audit Letter to summarise the key matters arising from the work that we have carried out in respect of the year ended 31 March 2013.

Although this letter is addressed to the members of Overview and Scrutiny Committee of Ryedale District Council ("the Authority"), it is also intended to communicate the significant issues we have identified, in an accessible style, to key external stakeholders, including members of the public. The letter will be published on the Audit Commission website at www.audit-commission.gov.uk and also on the Authority's website.

This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from www.audit-commission.gov.uk.

This letter has been discussed and agreed with the Corporate Director. A copy of the letter will be provided to all Members.

We would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the audit. Our aim is to deliver a high standard of audit which makes a positive and practical contribution which supports the Authority's own agenda. We recognise the value of your co-operation and support.



Paul Thomson

Engagement Lead

Contents

	Page
1. Key messages	2
2. Responsibilities and scope	3
3. The audit of the accounts	4
4. Value for money	5
5. Other matters	6

1. Key messages

Statement of Accounts

Unqualified opinion issued on 27 September 2013

In 2012/13 the Authority was required to prepare its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 which resulted in a number of minor changes to accounting policies and disclosures.

The Statement of Accounts was prepared, audited and closed in accordance with the agreed timetable. The Authority achieved a good standard of financial reporting.

We issued an unqualified audit opinion on the Statement of Accounts on 27 September 2013.

Value for money conclusion

Unqualified opinion issued on 27 September 2013

We issued an unqualified value for money conclusion on 27 September 2013.

Annual Governance Statement

All relevant governance matters were adequately and appropriately disclosed

We considered the contents of the Annual Governance Statement and confirmed that the Statement adequately and appropriately disclosed all relevant governance matters arising in the year.

Whole of Government accounts and audit certificate

Confirmed no return required on 27 September 2013

The Whole of Government Accounts return was presented for audit by the deadline set by HM Treasury. We confirmed to the National Audit Office by 27 September 2013 that a return was not required for the Authority.

The certificate of completion of the audit was issued on 27 September 2013.

Financial reporting systems

No significant weaknesses noted

We did not identify any significant weaknesses in the financial reporting systems. We identified one control observation in our report presented to the Overview and Scrutiny Committee on 25 September 2013 which was considered to be minor.

2. Responsibilities and scope

Responsibilities of the Authority and Auditors'

The Authority is responsible for maintaining the control environment and accounting records and for preparing the accounting statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 based on IFRS and other relevant legislation.

We are appointed as the Authority's independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England, including District Councils.

As the Authority's appointed external auditor, we are responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice ("the Code"). Under the Code, we have responsibilities in two main areas:

- the Authority's accounts; and
- whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

The scope of our work

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) as adopted by the UK Auditing Practices Board ("APB"). The audit opinion on the accounts reflects the financial reporting framework adopted by the Authority, being the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 based on IFRS and other relevant legislation. We conducted our work on the value for money conclusion in line with guidance received from the Audit Commission in respect of local authorities for the financial year ended 31 March 2013.

3. The audit of the accounts

Key issues arising from the audit of the accounts

Statement of Accounts

Unqualified opinion issued on 27 September 2013

Before we give our opinion on the accounts, we are required to report to those charged with governance any significant matters arising from the audit. A detailed report was discussed with the members of the Overview and Scrutiny Committee on 25 September 2013 and there were no significant issues to report. We issued an unqualified opinion on the Authority's 2012/13 accounts on 27 September 2013, in accordance with the deadline set for local authorities. Our opinion confirms that the accounts present a true and fair view of the financial position of the Authority and its income and expenditure for the year.

Key issues from work performed on the Statement of Accounts

There were no misstatements noted that would impact net assets or the surplus on the provision of services

We received a complete set of draft accounts in advance of the agreed deadline, which were supported by working papers. The finance staff were helpful throughout the process and responded swiftly to all queries. This performance reflects well on the professionalism of the finance staff and their commitment to maintaining high-level controls over financial systems. There were no misstatements noted that would impact net assets or the surplus on the provision of services.

Annual Governance Statement

The Statement includes all appropriate disclosures and is consistent with our understanding of the Authority's governance arrangements

As appointed auditors, we review the Annual Governance Statement ("AGS") and comment on any inconsistencies noted between the AGS and our audit work, other work relating to the Code of Audit Practice, and our understanding of the Authority's Governance arrangements. We have concluded that the Statement includes all appropriate disclosures and is consistent with our understanding of the Authority's governance arrangements and internal controls derived from our audit work.

Whole of Government Accounts return

Confirmed no return required on 27 September 2013

For 2012/13 the National Audit Office set a de-minimis of £300 million income, expenditure, asset or liabilities as the threshold for issuing an opinion on the Whole of Government Accounts return. We confirmed to the National Audit Office by 27 September 2013 that on this basis a return was not required for the Authority.

Audit Certificate

Issued on 27 September 2013

When our audit is complete we are required to certify the closure of the audit. The certificate was issued on 27 September 2013.

4. Value for money

Background and approach

From 2010/11 the Audit Commission has introduced new requirements for local value for money ("VFM") audit work at councils. This year, auditors were required to give their statutory VFM conclusion based on the following two criteria:

- proper arrangements for securing financial resilience: work to focus on whether the Authority has robust systems and processes to manage risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and
- proper arrangements for challenging how economy, efficiency and effectiveness are secured: work to focus on whether the Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We have determined our local programme of work based on our risk assessment, which is informed by a series of risk factors determined by the Audit Commission.

It should be noted that the work carried out was light touch, in line with Audit Commission guidance, focusing on updating our understanding of arrangements and controls in place. As arrangements have previously been assessed as adequate and we are not aware of any changes, we did not carry out detailed testing of the implementation of those arrangements in the current year.

The Vfm conclusion

Having performed our work in line with guidance received from the Audit Commission we issued an unqualified value for money conclusion for the 2012/13 financial year. This means that we are satisfied that, in the areas reviewed, the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources during the year.

During the course of our work, which focused on the risks identified by our risk assessment, we reviewed the response of the Authority to financial pressures and consider it to be appropriate. We also note that no matters of concern have been identified from the work of internal or external audit arising from reducing capacity as a result of reducing resources.

Financial resilience

We have also considered the financial standing of the Authority as at 31 March 2013. We have assessed this based on current/on-going expenditure demands, expected income levels and the current cash position of the Authority. Following the Government's Comprehensive Spending Review in 2010 and subsequent local government finance settlements each year, the Authority is facing financial pressures over the next few years. In addition, the changes encompassed in the suite of new Acts – the Localism Act 2011, the Welfare Reform Act 2012 and the Local Government Finance Act 2012 - will put further strains on the planning and budgeting processes.

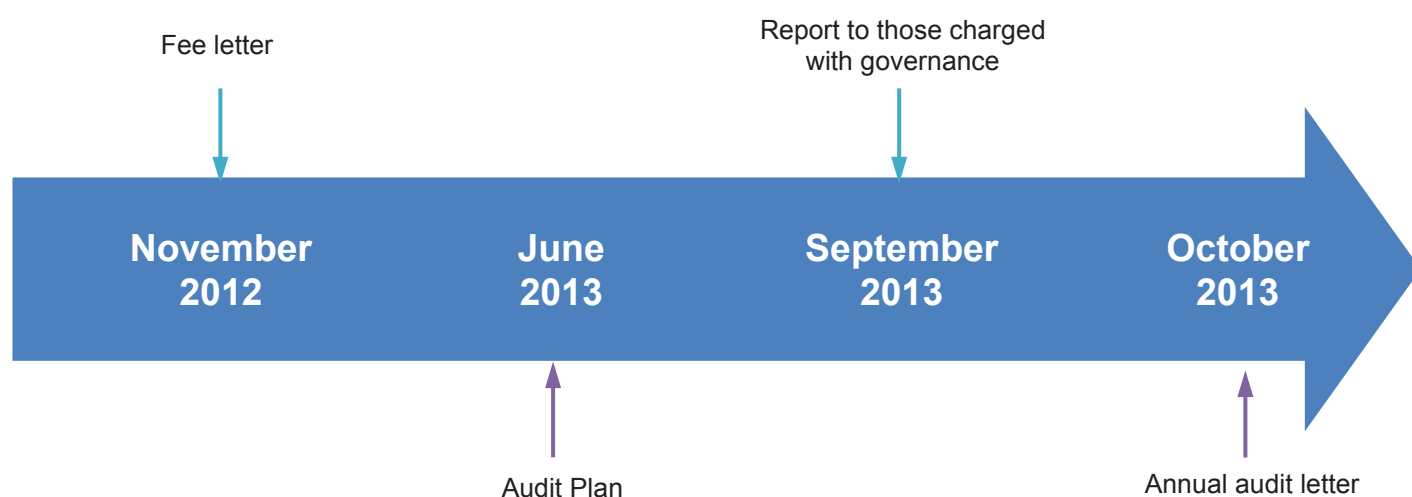
Whilst the Authority has coped well with previous government funding cuts, the anticipated future reductions in funding from 2015/16 onwards will be a significant challenge involving difficult decisions around resource prioritisation. Upon review of the medium term financial plan, Deloitte believe the response of the Authority to the financial pressures is considered to be appropriate.

5. Other matters

Reports issued

Reports issued during the course of the 2012/13 audit included:

- Fee letter;
- Audit plan;
- Report to those charged with governance on the 2012/13 audit; and
- Annual audit letter.



Analysis of audit fees

Audit fees charged are as follows:

	2013 £'000	2012 £'000
Total fees for the audit of the annual accounts and whole of government accounts return (excluding VAT)	55	91
Fees payable in respect of grants claims and returns of the authority (estimate)	19	20
Total	74	111

We have not performed any non-audit services in either the current or prior year.

Grants

We have undertaken work during the year on two claims and returns made by the Authority. Our work on the 2012/13 certification of claims and returns is still on-going and a separate report will be prepared in respect of the findings from this work.

Independence and objectivity

In our professional judgement, our policies and safeguards that are in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit partner and audit staff is not impaired.

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body and this report is prepared on the basis of, and our audit work is carried out in accordance with, that statement.

The matters raised in this report are only those that came to our attention during our audit and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented. In particular, we would emphasise that we are not responsible for the adequacy and appropriateness of the national data and methodology supporting our value for money conclusion as they are derived solely from the Audit Commission.

This report has been prepared for the Members, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other party since this report has not been prepared, and is not intended, for any other purpose.

An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the Annual Audit Letter since first published. These matters are the responsibility of the Authority but no control procedures can provide absolute assurance in this area.

Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

Deloitte LLP is the United Kingdom member firm of DTTL.

© 2013 Deloitte LLP. All rights reserved.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Tel: +44 (0) 20 7936 3000 Fax: +44 (0) 20 7583 1198.

Member of Deloitte Touche Tohmatsu Limited

This page is intentionally left blank

Ryedale District Council

External Audit Progress Report

December 2013

Summary of activity

We are pleased to present our progress report to the Overview and Scrutiny Committee. This summarises the activities that we have completed since our report in September 2013.

Summary of activities

Audit completion

The audit and VFM opinions were signed on 27 September 2013.

Whole of Government Accounts

For 2012/13, a de minimus has been applied to this work and we were only required to verify the Council's pension liability and plant, property and equipment assets rather than every entry on the return. This was done on 27 September 2013.

Annual audit letter

We submitted our annual audit letter on 28 October 2013 and a copy of this report is presented separately at this meeting.

Certification of claims and returns

All claims and returns have now been certified and submitted. Our annual report on this work will be presented at the next meeting. As in previous years, the housing and council tax benefit subsidy claim was qualified for minor errors, as are 80% of the claims in the UK.

Other matters

During October we kept a watching brief over the planning matter giving rise to the Extraordinary Council Meeting on 21 October 2013. The Corporate Director and Monitoring Officer issued appropriate reports and we did not consider it necessary to issue a formal report ourselves.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

Deloitte LLP is the United Kingdom member firm of DTTL.

© 2013 Deloitte LLP. All rights reserved.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Tel: +44 (0) 20 7936 3000 Fax: +44 (0) 20 7583 1198.

This page is intentionally left blank



REPORT TO: OVERVIEW AND SCRUTINY COMMITTEE

DATE: 12 DECEMBER 2013

REPORT OF THE: BUSINESS SUPPORT MANAGER
ANGELA JONES

TITLE OF REPORT: CUSTOMER COMPLAINTS RECEIVED QUARTER 2
(2013/14)

WARDS AFFECTED: ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 To inform Members of the number and type of complaints received under the Council's complaint procedure for the period July – September 2013.

2.0 RECOMMENDATION

2.1 It is recommended that members accept the report as attached.

3.0 REASON FOR RECOMMENDATION

3.1 This report includes complaints monitored under individual service complaints systems (**Annex 1**).

3.2 The report also includes a summary of customer feedback to Community Leisure Ltd (CLL) for the period July - September 2013 together with the action taken where appropriate (**Annex 2**).

4.0 REPORT DETAILS

4.1 The annexes of the report show the number of complaints received and the actions which have been taken.

Angela Jones
Business Support Manager

Author: Angela Jones, Business Support Manager
Telephone No: 01653 600666 ext: 220
E-Mail Address: angela.jones@ryedale.gov.uk

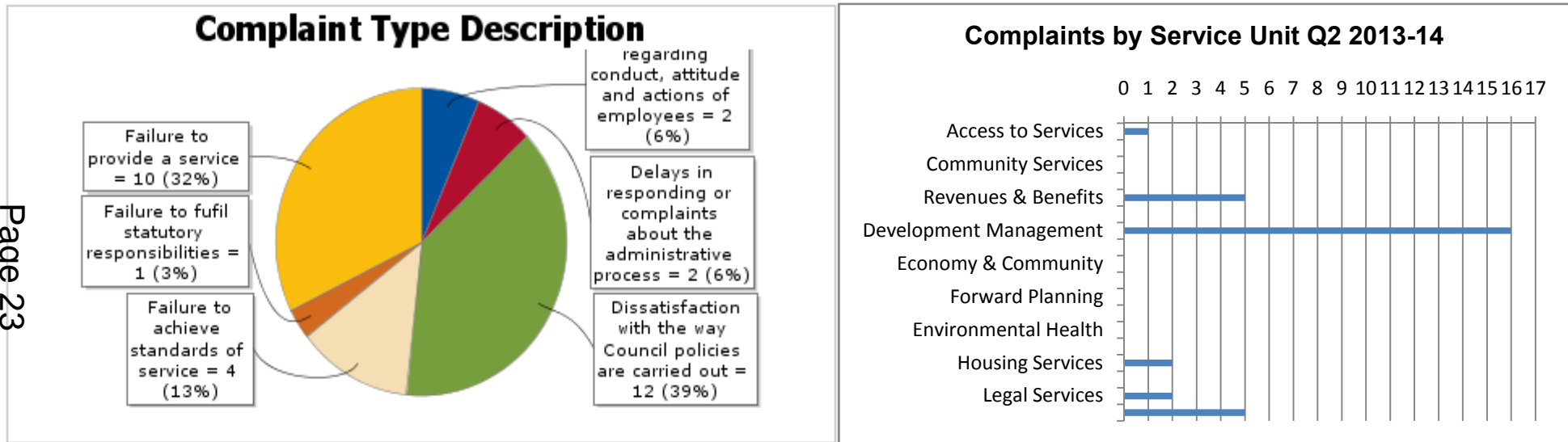
Background Papers:
RDC Complaints Procedure

Background Papers are available for inspection at:
http://www.ryedale.gov.uk/council_and_democracy/corporate_complaints.aspx

Complaints Q2 2013-14

Generated on: 20 November 2013

Page 23



Service Unit	Summary of Complaint	Complaint Type	Remedy	Ward	Opened Date	Closed Date
Business Support (BS)	Lack of communication to re Tourism	Failure to provide a service	Verbal apology and follow up letter to customer	Malton	22-Aug-2013	27-Aug-2013
Business Support (BS)	Referral to bailiff for Business rates debt	Complaints regarding conduct, attitude and actions of employees	Letter of explanation sent to customer	Norton East	22-Jul-2013	24-Jul-2013
Business Support (BS)	Time taken to process Housing Benefit	Failure to provide a service	Letter of apology sent to customer and HB assessed	Pickering East	03-Jul-2013	24-Jul-2013
Business Support (BS)	Council Tax Summons received	Delays in responding or complaints about the	Letter of explanation and apology sent to customer	Sinnington	25-Jul-2013	02-Aug-2013

Service Unit	Summary of Complaint	Complaint Type	Remedy	Ward	Opened Date	Closed Date
		administrative process				
Business Support (BS)	In correct Housing Benefit assessment	Failure to provide a service	Letter of explanation & apology	Ryedale South West	24-Sep-2013	01-Oct-2013
Business Support (BS)	Lack of communication re Benefit claim	Failure to provide a service	Letter of explanation & apology	Pickering West	05-Sep-2013	16-Sep-2013
Development Management (DM)	Lack of planning enforcement	Failure to provide a service	Letter of explanation sent to customer	Rillington	01-Jul-2013	03-Jul-2013
Development Management (DM)	Conduct of members Planning Committee	Dissatisfaction with the way Council policies are carried out	Information provided to customer	Ampleforth	16-Jul-2013	19-Jul-2013
Development Management (DM)	Dissatisfied with inconsistent Planning process	Dissatisfaction with the way Council policies are carried out	Letter of explanation and apology sent to customer	Ampleforth	29-Jul-2013	23-Aug-2013
Development Management (DM)	Lack of response to correspondence	Delays in responding or complaints about the administrative process	letter of explanation sent to customer	Malton	30-Jul-2013	31-Jul-2013
Development Management (DM)	Lack of communication re planning enforcement	Failure to achieve standards of service	Email update & apology	Amotherby	20-Aug-2013	27-Sep-2013
Development Management (DM)	Dis satisfaction with Planning committee proceedings & decision	Dissatisfaction with the way Council policies are carried out	Letter of explanation sent	Kirkbymoorside	16-Sep-2013	25-Sep-2013
Development Management (DM)	Dis satisfaction with Planning committee proceedings & decision	Dissatisfaction with the way Council policies are carried out	Letter of explanation sent	Kirkbymoorside	16-Sep-2013	25-Sep-2013
Development Management (DM)	Dis satisfaction with Planning committee proceedings & decision	Dissatisfaction with the way Council policies are carried out	Letter of explanation	Kirkbymoorside	16-Sep-2013	25-Sep-2013
Development Management (DM)	Dis satisfaction with Planning committee proceedings & decision	Dissatisfaction with the way Council policies are carried out	Letter of explanation sent	Kirkbymoorside	17-Sep-2013	25-Sep-2013
Development Management (DM)	Dis satisfaction with Planning committee proceedings & decision	Dissatisfaction with the way Council policies are carried out	Letter of explanation sent	Kirkbymoorside	17-Sep-2013	25-Sep-2013
Development Management (DM)	Dis satisfaction with Planning committee proceedings & decision	Dissatisfaction with the way Council policies are carried out	Letter of explanation sent	Kirkbymoorside	19-Sep-2013	26-Sep-2013
Development	Lack of communication re	Failure to provide a	Letter of explanation & apology	Thornton Dale	19-Sep-2013	02-Oct-2013

Service Unit	Summary of Complaint	Complaint Type	Remedy	Ward	Opened Date	Closed Date
Management (DM)	Planning enforcement	service				
Development Management (DM)	Dis satisfaction with Planning committee proceedings & decision	Dissatisfaction with the way Council policies are carried out	Letter of explanation	Kirkbymoorside	23-Sep-2013	26-Sep-2013
Development Management (DM)	Dis satisfaction with Planning committee proceedings & decision	Dissatisfaction with the way Council policies are carried out	Letter of explanation sent	Kirkbymoorside	20-Sep-2013	26-Sep-2013
Development Management (DM)	Wrong planning information provided	Failure to achieve standards of service	Meeting with complainant & letter of explanation sent	Kirkbymoorside	27-Sep-2013	07-Oct-2013
Development Management (DM)	Dis satisfaction with Planning committee proceedings & decision	Dissatisfaction with the way Council policies are carried out	Investigation ongoing	Kirkbymoorside	26-Sep-2013	
Housing (HS)	Application for warrant	Dissatisfaction with the way Council policies are carried out	Letter of explanation sent	Norton East	15-Jul-2013	17-Jul-2013
Housing (HS)	Unprofessional service from Housing team	Failure to provide a service	Letter of explanation	Malton	19-Sep-2013	30-Sep-2013
Legal Services (LS)	Wording on letter	Complaints regarding conduct, attitude and actions of employees	Letter of apology sent	Pickering East	11-Jul-2013	16-Jul-2013
Legal Services (LS)	Rillington Parish Council Footpaths	Failure to fulfil statutory responsibilities	Letter explaining not RDC responsibility	Rillington	15-Jul-2013	18-Jul-2013
Streetscene (SS)	Recycling not collected as wrong box used	Failure to achieve standards of service	Letter of explanation sent	Sheriff Hutton	12-Jul-2013	16-Jul-2013
Streetscene (SS)	Cleanliness of Malton streets	Failure to provide a service	Letter of thanks and explanation	Malton	12-Jul-2013	16-Jul-2013
Streetscene (SS)	Additional waste left next to bin not collected	Failure to provide a service	Letter of explanation sent	Ampleforth	17-Jul-2013	22-Jul-2013
Streetscene (SS)	Bin not emptied	Failure to provide a service	Supervisor rang customer & explained policy on domestic wheeled bin positioning/collection. Arranged for rubbish to be collected	Hovingham	29-Jul-2013	29-Jul-2013
Streetscene (SS)	Location of bins for collection	Failure to achieve standards of service	Letter sent advising of action to be taken	Malton	20-Aug-2013	20-Aug-2013

This page is intentionally left blank

Agenda Item 8

DERWENT POOL – CUSTOMER FEEDBACK

JULY TO SEPTEMBER 2013	very good	good	fair	poor	very poor
Efficiency of the staff	2	1	0	1	0
Helpfulness of the staff	2	1	0	1	0
Courtesy of the staff	2	1	0	1	0
General cleanliness	2	0	0	2	0
Condition of the facilities	1	0	2	1	0
Safety and security	1	1	0	1	1
Pool water temperature	1	1	0	2	0
Air temperature	1	1	2	0	0
Value for money	1	1	1	1	0
Overall experience	1	1	0	1	0
	14	8	5	11	1

July	No comments received	
August	Went there with my godchild and was not impressed. The changing rooms had water over them which is health/safety think your lifeguards need to go back on some course and cleanliness.	Very difficult to keep the changing rooms free from water, especially in the ladies as the fall from the showers is at the wrong angle and results in the floor becoming swamped in water. Will ensure staff take any remedial action required on changeover.
September	I have been to many swimming pools and they all clean the floors in changing rooms on a regular basis. It not only improves the look but is also healthier. Tonight it did look very grubby.	Will speak to staff and seek to enforce the no outdoor shoes in the changing areas policy, as this reduces the amount of dirt and debris carried into the changing areas.
	Fantastic facility - only improvement is to add a water dispenser in the gym	Bottled water is available from the drinks machine and staff are more than happy to fill up water bottles for customer
	Better shower needed. It's about time the lockers got sorted. They have been telling me its going to get done in a couple of weeks, that was 9 weeks ago.	Locker faults have been reported and we are awaiting a major service. Unfortunately the mens showers are a long standing problem and we are hopefully that these will be rectified in the near future.

RYEDALE POOL – CUSTOMER COMMENTS FEEDBACK

JULY TO SEPTEMBER 2013	very good	good	fair	poor	very poor
Efficiency of the staff	0	0	0	0	0
Helpfulness of the staff	0	0	0	0	0
Courtesy of the staff	0	0	0	0	0
General cleanliness	0	0	0	0	0
Condition of the facilities	0	0	0	0	0
Safety and security	0	0	0	0	0
Pool water temperature	0	0	0	0	0
Air temperature	0	0	0	0	0
Value for money	0	0	0	0	0
Overall experience	0	0	0	0	0
	0	0	0	0	0

July	No comments received	
August	No comments received	
September	No comments received	
October	I have recently started swimming regularly again and could go to either Scarborough or Pickering pools. I wanted to tell you why I choose Pickering. Your staff are helpful, kind, friendly and intelligent (they have just returned my driving licence by sleuthing – Thank you). The pool is clean, warm, well maintained and managed. It is a joy to go to. I moan about bad service and complain. I'd like to think I praise too so please pass on my thanks and congratulations- the staff make swimming a pleasure	Comments and thanks have been passed on to staff

LIFESTYLES – CUSTOMER COMMENTS FEEDBACK

JULY TO SEPTEMBER 2013	very good	good	fair	poor	very poor
Efficiency of the staff	0	2	0	0	0
Helpfulness of the staff	0	2	0	0	0
Courtesy of the staff	0	2	0	0	0
General cleanliness	0	2	0	0	0
Condition of the facilities	0	2	0	0	0
Safety and security	0	1	1	0	0
Value for money	0	2	0	0	0
Overall experience	0	2	0	0	0
	0	15	1	0	0

July	No comments received	
	<p>My son attended the archery Session at NRLC yesterday. What a brilliant event it was. The instruction was fantastic and the NRLC staff did a brilliant job with dodgeball and other team games. Well done to all concerned. Well worth the £12.</p> <p>Air conditioning or some form of ventilation in the upstairs room for spinning the temperature gets crazily hot and it's just not acceptable in a fitness environment, the windows only open a small amount, if the weather is too warm it puts me off which is a shame as Geoff runs very good spinning sessions.</p>	<p>Glad that your son enjoyed the session and we will pass your comments on to all the staff concerned.</p> <p>Unfortunately there is no air conditioning in the community room and the fans provide very little relief during the hot weather. If possible the classes have been run outside, as space within the Leisure Centre is limited due to ongoing bookings.</p>
August		
September	No comments received	

This page is intentionally left blank



REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	12 DECEMBER 2013
REPORT OF THE:	CORPORATE DIRECTOR (s151) PAUL CRESSWELL
TITLE OF REPORT:	INTERNAL AUDIT – Q2 MONITORING REPORT
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 The report summarises the outcome of internal audit work undertaken between August and October 2013.

2.0 RECOMMENDATION

2.1 It is recommended that the Committee note the results of audit and fraud work undertaken so far during 2013/14, and approve the new internal audit charter.

3.0 REASON FOR RECOMMENDATION

3.1 To enable the Committee to fulfil its responsibility for considering the outcome of internal audit work.

4.0 SIGNIFICANT RISKS

4.1 The Council will fail to comply with proper practice requirements for internal audit if the results of audit work are not considered by an appropriate Committee.

5.0 POLICY CONTEXT AND CONSULTATION

5.1 This report supports the Council's Corporate Strategic Objective of providing strong Community Leadership, by demonstrating a commitment to local democracy and accountability.

6.0 REPORT DETAILS

6.1 The work of internal audit is governed by the Accounts and Audit (England) Regulations 2011 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS) and CIPFA guidance on the application of those standards in Local Government. In accordance with the standards, the Head of Internal Audit is required to report on the results of audit work undertaken, to this Committee

- 6.2 This report provides an update on work undertaken against the approved audit plan for 2013/14. A brief summary of completed work is shown at Annex 1.
- 6.3 The report also provides an update on the progress made by management to implement previously agreed actions arising from audit work. A summary of the follow up work for the six month period to 30 September 2013 is show at Annex 2.
- 6.4 The new Public Sector Internal Audit Standards (PSIAS) require the Council to adopt an audit charter setting out the purpose, authority and responsibility of internal audit. Prior to April 2013, the Council had set its requirements for internal audit in terms of reference. These were in line with the former standards set by CIPFA in the Code of Practice for Internal Audit in Local Government in England and Wales (2006). The new PSAIS require that the Council adopts an internal audit charter instead. The purpose of the charter is broadly similar to the terms of reference although some of the detail required is different. For example, the new standards are more explicit about how the Head of Internal Audit reports to the “Board” (represented by the Overview and Scrutiny Committee). The proposed audit charter is attached at Annex 3. This has been prepared in accordance with the PSIAS and additional guidance from CIPFA.

7.0 IMPLICATIONS

- 7.1 The following implications have been identified:
- a) Financial
None
 - b) Legal
None
 - c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)
None

Paul Cresswell
Corporate Director (s151)

Author: Alison Newham, Audit Manager.
Veritau Limited
Telephone No: 01653 600666
E-Mail Address: Alison.Newham@veritau.co.uk

Background Papers:

Public Sector Internal Audit Standards
CIPFA Local Government Application Note (for the United Kingdom Public Sector Internal Audit Standards)

AUDITS COMPLETED AND REPORTS ISSUED

The following categories of opinion are used for audit reports.

Opinion	Level of Assurance
High Assurance	Overall very good management of risk. An effective control environment appears to be in operation.
Substantial	Overall good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Moderate	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Actions to address issues are agreed with managers where weaknesses in control are identified. The following categories are used to classify agreed actions.

Priority

Long Definition

Short Definition – for use in Audit Reports

1 (High)

Action considered both critical and mandatory to protect the organisation from exposure to high or catastrophic risks. For example, death or injury of staff or customers, significant financial loss or major disruption to service continuity.

A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.

These are fundamental matters relating to factors critical to the success of the area under review or which may impact upon the organisation as a whole. Failure to implement such recommendations may result in material loss or error or have an adverse impact upon the organisation's reputation.

Such issues may require the input at Corporate Director/Assistant Director level and may result in significant and immediate action to address the issues raised.

2

Action considered necessary to improve or implement system controls so as to ensure an effective control environment exists to minimise exposure to significant risks such as financial or other loss.

A significant system weakness, whose impact or frequency presents risks to the system objectives, and which needs to be addressed by management.

Such issues may require the input at Head of Service

Priority

Long Definition

Short Definition – for use in Audit Reports

3

or senior management level and may result in significantly revised or new controls.

Action considered prudent to improve existing system controls to provide an effective control environment in order to minimise exposure to significant risks such as financial or other loss.

Such issues are usually matters that can be implemented through line management action and may result in efficiencies.

The system objectives are not exposed to significant risk, but the issue merits attention by management.

Final Reports Issued

The table below shows audit reports finalised to date for 2013/14 not previously reported to this Committee. In all cases the recommendations made have been accepted by management, and will be followed up later in the year as part of the follow up process.

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
Treasury Management	24/10/13	High Assurance	0	0	A review of systems and processes involved in the operation of the Council's Treasury Management function. The audit examined the systems and controls in respect of authorising, processing and recording transactions. The arrangements for reporting performance and ledger maintenance were also examined. Overall the control arrangements were found to be good with no issues identified at the time of the audit.
Partnerships	05/11/13	High Assurance	4	0	A review of the governance arrangements in place for partnerships. A number of minor concerns were raised around contracts and the categorisation of partnerships, but overall the arrangements for managing risk were found to be good. Some work has already been undertaken towards the implementation of the agreed actions.

Internal Audit Follow Up Report

Summary

This report sets out the progress made by the Council to implement actions agreed as part of internal audit work.

Background

Where weaknesses in systems are found by internal audit, the auditors discuss and agree a set of actions to address the problem with the responsible manager. The agreed actions include target dates for the issues to be dealt with. The auditors carry out follow up work to check that the issue has been resolved once these target dates are reached. The follow up work is carried out through a combination of questionnaires completed by the relevant managers, risk assessment, and by further detailed review by the auditors where necessary. Where managers have not taken the action they agreed to, issues are escalated to more senior managers, and ultimately may be referred to Overview and Scrutiny Committee.

A summary of the findings from follow up work will be presented to this Committee twice a year. The current report covers agreed actions with target dates up to 30 September 2013.

Follow up of internal audit agreed actions

A total of 33 actions have been followed up since the start of the follow up process. A summary of the priority of these actions is included in figure 1, below.

Priority of actions*	Number of actions followed up
1	0
2	20
3	13
Total	33

* The priorities run from 1 (high risk issue) to 3 (lower risk)

Of the 33 agreed actions, 20 (61%) had been satisfactorily implemented.

In a further 10 cases (30%) the action had not been implemented by the target date, but a revised date was agreed. This is done where the delay in addressing an issue will not lead to unacceptable exposure to risk and where, for example, the delays are unavoidable (eg due to unexpected difficulties or where actions are dependent on new systems being implemented). These actions will be followed up after the revised target date and if necessary they will be raised with senior managers in accordance with the escalation procedure. Figure 3 below shows the priority of these actions.

3 (9%) of the actions had not been implemented at the time of the follow up work. Discussions are currently ongoing with the relevant service manager regarding the likely timescales for implementation. If agreement cannot be reached then the matter will be escalated.

Priority of actions	Number of actions with a revised implementation date
1	0
2	7
3	3
Total	10

Conclusions

The follow up testing undertaken confirms that overall good progress has been made by the Council to rectify weaknesses in control identified through internal audit work. This is an ongoing process and progress in implementing agreed actions will continue to be monitored and reported as required through the escalation procedure. There are no specific issues that need to be brought to the attention of Overview and Scrutiny Committee at this time.

ANNEX 3

RYEDALE
DISTRICT
COUNCIL



Ryedale District Council Internal Audit Charter

12 December 2013

1 Introduction

- 1.1 There is a statutory duty on the Council to maintain an adequate and effective internal audit of its accounting records and of its system of internal control. The Accounts and Audit (England) Regulations 2011 also require that internal audit is undertaken in accordance with proper practices. The Chartered Institute of Public Finance and Accountancy (CIPFA) is responsible for setting standards for proper practice for local government internal audit in England.
- 1.2 From 1 April 2013 CIPFA adopted new Public Sector Internal Audit Standards (PSIAS)¹ compliant with the Institute of Internal Auditors' (IIA) International Standards. The PSIAS and CIPFA's local government application note for the standards represent proper practice for internal audit in local government. This charter sets out how internal audit at Ryedale District Council will be provided in accordance with this proper practice.
- 1.3 This charter should be read in the context of the wider legal and policy framework which sets requirements and standards for internal audit, including the Accounts and Audit Regulations, the PSIAS and application note, and the Council's constitution, regulations and governance arrangements.

2 Definitions

- 2.1 The standards include reference to the roles and responsibilities of the "board" and "senior management". Each organisation is required to define these terms in the context of its own governance arrangements. For the purposes of the PSIAS these terms are defined as follows at Ryedale District Council.

"Board" – the Overview and Scrutiny Committee fulfils the responsibilities of the board, in relation to internal audit standards.

"Senior Management" – in the majority of cases, the term senior management in the PSIAS should be taken to refer to the Corporate Director in his role as s151 officer. This includes all functions relating directly to overseeing the work of internal audit. In addition, senior management may also refer to any other director of the Council individually (including the Chief Executive) or collectively as Council Management Team (CMT) in relation to:

- having direct and unrestricted access for reporting purposes
- consulting on risks affecting the Council for audit planning purposes
- approving the release of information arising from an audit to any third party.

¹ The PSIAS were adopted jointly by relevant internal audit standard setters across the public sector.

2.2 The standards also refer to the “chief audit executive”. This is taken to be the Head of Internal Audit (Veritau).

3 Application of the standards

3.1 The PSIAS defines internal audit as follows.

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

3.2 The Council acknowledges the mandatory nature of this definition and confirms that it reflects the purpose of internal audit in Ryedale. The Council also requires that the service be undertaken in accordance with the code of ethics and standards set out in the PSIAS.

4 Scope of internal audit activities

4.1 The scope of internal audit work will encompass the Council’s entire control environment², comprising its systems of governance, risk management, and control.

4.2 The scope of audit work also extends to services provided through partnership arrangements, irrespective of what legal standing or particular form these may take. The Head of Internal Audit, in consultation with all relevant parties and taking account of audit risk assessment processes, will determine what work will be carried out by the internal audit service, and what reliance may be placed on the work of other auditors.

5 Responsibilities and objectives

5.1 The Head of Internal Audit is required to provide an annual report to the Overview and Scrutiny Committee. The report will be used by the Committee to inform its consideration of the Council’s annual governance statement. The report will include:

- the Head of Internal Audit’s opinion on the adequacy and effectiveness of the Council’s framework of governance, risk management, and control
- any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
- any particular control weakness judged to be relevant to the preparation of the annual governance statement

² For example the work of internal audit is not limited to the review of financial controls only.

- a summary of work undertaken to support the opinion including any reliance placed on the work of other assurance bodies
 - an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme
 - a statement on conformance with the PSIAS.
- 5.2 To support the opinion the Head of Internal Audit will ensure that an appropriate programme of audit work is undertaken. In determining what work to undertake the service should:
- adopt an overall strategy setting out how the service will be delivered in accordance with this Charter
 - draw up an indicative risk based audit plan on an annual basis which takes account of the requirements of the Charter, the strategy, and proper practice.
- 5.3 In undertaking this work, responsibilities of the internal audit service will include:
- providing assurance to the board and senior management on the effective operation of governance arrangements and the internal control environment operating at the Council
 - objectively examining, evaluating and reporting on the probity, legality and value for money of the Council's arrangements for service delivery
 - reviewing the Council's financial arrangements to ensure that proper accounting controls, systems and procedures are maintained and, where necessary, for making recommendations for improvement
 - helping to secure the effective operation of proper controls to minimise the risk of loss, the inefficient use of resources and the potential for fraud and other wrongdoing
 - acting as a means of deterring all fraudulent activity, corruption and other wrongdoing; this includes conducting investigations into matters referred by members, officers, and members of the public and reporting findings to directors and members as appropriate for action
 - advising the Council on relevant counter fraud and corruption policies and measures.
- 5.4 The Head of Internal Audit will ensure that the service is provided in accordance with proper practice as set out above and in accordance with any other relevant standards – for example Council policy and legal or professional standards and guidance.

5.5 In undertaking their work, internal auditors should have regard to:

- the code of ethics in the PSIAS³
- the codes of any professional bodies of which they are members
- standards of conduct expected by the Council
- the Committee on Standards in Public Life's *Seven Principles of Public Life*.

6 Organisational independence

6.1 It is the responsibility of directors and service managers to maintain effective systems of risk management, internal control, and governance. Auditors will have no responsibility for the implementation or operation of systems of control and will remain sufficiently independent of the activities audited to enable them to exercise objective professional judgement.

6.2 Audit advice and recommendations will be made without prejudice to the rights of internal audit to review and make further recommendations on relevant policies, procedures, controls and operations at a later date.

6.3 The Head of Internal Audit will put in place measures to ensure that individual auditors remain independent of areas they are auditing for example by:

- rotation of audit staff
- ensuring staff are not involved in auditing areas where they have recently been involved in operational management, or in providing consultancy and advice
- seeking external oversight of any audit of functional activities managed by the Head of Internal Audit through Veritau client management arrangements.

7 Accountability, reporting lines, and relationships

7.1 Internal audit services are provided under contract to the Council by Veritau North Yorkshire. The company is a separate legal entity. Staff undertaking internal audit work will be employed by Veritau North Yorkshire or another Veritau group company. Staff may also be seconded to the group from the Council. The Corporate Director acts as client officer for the contract, and is responsible for overall monitoring of the service.

7.2 In its role in providing an independent assurance function, Veritau has direct access to members and senior managers and can report uncensored to them as considered necessary. Such reports may be made to the:

³ Veritau has adopted its own code of ethics which fulfil the requirements of the PSIAS.

- Council, Cabinet, or any Committee (including the Overview and Scrutiny Committee)
- Chief Executive
- Corporate Director (s151 officer)
- Monitoring Officer
- other directors and service managers.

7.3 The Corporate Director (as s151 officer) has a statutory responsibility for ensuring that the Council has an effective system of internal audit in place. In recognition of this, a protocol has been drawn up setting out the relationship between internal audit and the Corporate Director. This is included in Appendix 1.

7.4 The Head of Internal Audit will report independently to Overview and Scrutiny Committee⁴ on:

- proposed allocations of audit resources
- any significant risks and control issues identified through audit work
- his/her annual opinion on the Council's control environment.

7.5 The Head of Internal Audit will informally meet in private with members of Overview and Scrutiny Committee, or the committee as a whole as required. Meetings may be requested by committee members or the Head of Internal Audit.

7.6 Overview and Scrutiny will oversee (but not direct) the work of internal audit. This includes commenting on the scope of internal audit work and approving the annual audit plan. The Committee will also protect and promote the independence and rights of internal audit to enable it to conduct its work and report on its findings as necessary⁵.

8 Fraud and consultancy services

8.1 The primary role of internal audit is to provide assurance services to the Council. However, the service may also be required to undertake fraud investigation and other consultancy work to add value and help improve governance, risk management and control arrangements.

8.2 The prevention and detection of fraud and corruption is the responsibility of directors and service managers. However, all instances of suspected fraud and corruption should be notified to the Head of Internal Audit, who will decide on the

⁴ The committee charged with overall responsibility for governance at the council.

⁵ The relationship between internal audit and Overview and Scrutiny Committee is set out in more detail in Appendix 2.

course of action to be taken in consultation with relevant service managers and/or other advisors (for example human resources). Where appropriate, cases of suspected fraud or corruption will be investigated by Veritau.

- 8.3 Where appropriate, Veritau may carry out other consultancy related work, for example specific studies to assess the economy, efficiency, and effectiveness of elements of service provision. The scope of such work will be determined in conjunction with service managers. Such work will only be carried out where there are sufficient resources and skills within Veritau and where the work will not compromise the assurance role or the independence of internal audit. Details of all significant consultancy assignments completed in the year will be reported to the Overview and Scrutiny Committee.

9 Resourcing

- 9.1 As part of the audit planning process the Head of Internal Audit will review the resources available to internal audit, to ensure that they are sufficient to meet the requirements to provide an opinion on the Council's control environment. Where resources are judged to be insufficient, recommendations to address the shortfall will be made to the Corporate Director and to Overview and Scrutiny Committee.

10 Rights of access

- 10.1 To enable it to fulfil its responsibilities, the Council gives internal auditors employed by Veritau the authority to:
- enter all Council premises or land, at any reasonable time
 - have access to all data, records, documents, correspondence, or other information - in whatever form - relating to the activities of the Council
 - have access to any assets of the Council and to require any employee of the Council to produce any assets under their control
 - be able to require from any employee or member of the Council any information or explanation necessary for the purposes of audit.
- 10.2 Directors and service managers are responsible for ensuring that the rights of Veritau staff to access premises, records, and personnel are preserved, including where the Council's services are provided through partnership arrangements, contracts or other means.

11 Review

- 11.1 This charter will be reviewed periodically by the Head of Internal Audit. Any recommendations for change will be made to the Corporate Director and Overview and Scrutiny Committee, for approval.

**Relationship between the Corporate Director
(the s151 Officer) and internal audit**

- 1 In recognition of the statutory duties of the Council's Corporate Director (the Director) for internal audit, this protocol has been adopted to form the basis for a sound and effective working relationship between the Director and internal audit.
- (i) The Head of Internal Audit (HoIA) will seek to maintain a positive and effective working relationship with the Director.
 - (ii) Internal audit will review the effectiveness of the Council's systems of control, governance, and risk management and report its findings to the Director (in addition to Overview and Scrutiny Committee).
 - (iii) The Director will be asked to comment on those elements of internal audit's programme of work that relate to the discharge of his/her statutory duties. In devising the annual audit plan and in carrying out internal audit work, the HoIA will give full regard to the comments of the Director.
 - (iv) The HoIA will notify the Director of any matter that in the HoIA's professional judgement may have implications for the Director in discharging his/her s151 responsibilities.
 - (v) The Director will notify the HoIA of any concerns that he/she may have about control, governance, or suspected fraud and corruption and may require internal audit to undertake further investigation or review.
 - (vi) The HoIA will be responsible for ensuring that internal audit is provided in accordance with proper practice.
 - (vii) If the HoIA identifies any shortfall in resources which may jeopardise the ability to provide an opinion on the Council's control environment, then he/she will make representations to the Director, as well as to Overview and Scrutiny Committee.
 - (viii) The Director will protect and promote the independence and rights of internal audit to enable it to conduct its work effectively and to report as necessary.

**Relationship between Overview and Scrutiny
Committee and internal audit**

- 1 The Overview and Scrutiny Committee plays a key role in ensuring the Council maintains a robust internal audit service and it is therefore essential that there is an effective working relationship between the Committee and internal audit. This protocol sets out some of the key responsibilities of internal audit and the Committee.
- 2 The Committee will seek to:
 - (i) raise awareness of key aspects of good governance across the organisation, including the role of internal audit and risk management
 - (ii) ensure that adequate resources are provided by the Council so as to ensure that internal audit can satisfactorily discharge its responsibilities
 - (iii) protect and promote the independence and rights of internal audit to conduct its work properly and to report on its findings as necessary.
- 3 Specific responsibilities in respect of internal audit include the following.
 - (i) Oversight of, and involvement in, decisions relating to how internal audit is provided.
 - (ii) Approval of the internal audit charter.
 - (iii) Consideration of the annual report and opinion of the Head of Internal Audit (HoIA) on the Council's control environment.
 - (iv) Consideration of other specific reports detailing the outcomes of internal audit work.
 - (v) Consideration of reports dealing with the performance of internal audit and the results of its quality assurance and improvement programme.
 - (vi) Consideration of reports on the implementation of actions agreed as a result of audit work and outstanding actions escalated to the Committee in accordance with the approved escalation policy.
 - (vii) Approval (but not direction) of the annual internal audit plan.
- 4 In relation to the Overview and Scrutiny Committee, the HoIA will:
 - (i) attend its meetings and contribute to the agenda
 - (ii) ensure that overall internal audit objectives, workplans, and performance are communicated to, and understood by, the Committee
 - (iii) provide an annual summary of internal audit work, and an opinion on the Council's control environment, including details of unmitigated risks or other issues that need to be considered by the Committee

Appendix 2

- (iv) establish whether anything arising from the work of the Committee requires consideration of the need to change the audit plan or vice versa
 - (v) highlight any shortfall in the resources available to internal audit and to make recommendations to address these to the Committee
 - (vi) report any significant risks or control issues identified through audit work which the HoIA feels necessary to specifically report to the Committee
 - (vii) participate in the Committee's review of its own remit and effectiveness
 - (viii) consult with the board on how external assessment of the internal audit service will be conducted (required once every five years).
- 5 The HoIA will informally meet in private with members of Overview and Scrutiny Committee, or the committee as a whole as required. Meetings may be requested by committee members or the HoIA.

OVERVIEW AND SCRUTINY ITEM, FOR CONSIDERATION PRIOR TO FULL COUNCIL

**RYEDALE
DISTRICT
COUNCIL**



REPORT TO:	COUNCIL
DATE:	9 JANUARY 2014
REPORT OF THE:	CORPORATE DIRECTOR (s151) PAUL CRESSWELL
TITLE OF REPORT:	TREASURY MANAGEMENT MID-YEAR REVIEW
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 To report on the treasury management activities to date for the financial year 2013/14 in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (the Code).

2.0 RECOMMENDATIONS

2.1 It is recommended that:

- (i) Members receive this report; and
- (ii) The mid-year performance of the in-house managed funds to date is noted.

3.0 REASON FOR RECOMMENDATIONS

3.1 The Council has adopted the Code. A provision of the Code is that a mid-year review report must be made to the Full Council relating to the treasury activities of the current year.

4.0 SIGNIFICANT RISKS

4.1 There are significant risks when investing public funds especially with unknown institutions. However, by the adoption of the CIPFA Code and a prudent investment strategy these are minimised. The employment of Treasury Advisors also helps reduce the risk.

REPORT

5.0 BACKGROUND AND INTRODUCTION

5.1 The Council operates a balanced budget, which broadly means cash raised during

the year will meet its cash expenditure. Part of the treasury management operations ensures this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.

- 5.2 The second major function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide towards whether the Council has a borrowing need, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short term loans or using longer term cash flow surpluses.
- 5.3 Treasury management in this context 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."
- 5.4 The CIPFA Code of Practice on Treasury Management 2009 was adopted by this Council on 22 February 2010 and this Council fully complies with its requirements.
- 5.5 The primary requirements of the Code are as follows:
1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
 2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
 3. Receipt by the Full Council of an annual Treasury Management Strategy Statement (including the Annual Investment Strategy and Minimum Revenue Provision Policy) for the year ahead, a Mid-Year Review Report and an Annual Report covering activities during the previous year.
 4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
 5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body, which in this Council is the Overview and Scrutiny Committee.
- 5.6 This mid-year report has been prepared in compliance with CIPFA's Code of Practice and covers the following:
- An economic update for the first seven months of 2013/14;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - A review of the Council's investment portfolio for 2013/14;
 - A review of compliance with Treasury and Prudential Limits for 2013/14.

6.0 POLICY CONTEXT

- 6.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in Local Authorities and this report complies with the requirements under this Code.

7.0 CONSULTATION

- 7.1 The Council uses the services of Sector Treasury Services Limited to provide

treasury management information and advice.

8.0 REPORT DETAILS

Economic Update

- 8.1 During 2013/14 economic indicators suggested that the economy is recovering, albeit from a low level. After avoiding recession in the first quarter of 2013, with a 0.3% quarterly expansion the economy grew 0.7% in Q2. There have been signs of renewed vigour in household spending in the summer, with a further pick-up in retail sales, mortgages, house prices and new car registrations. The strengthening in economic growth appears to have supported the labour market, with employment rising at a modest pace and strong enough to reduce the level of unemployment further. Pay growth also rebounded strongly in April, though this was mostly driven by high earners delaying bonuses until after April's cut in the top rate of income tax. Excluding bonuses, earnings rose by just 1.0% y/y, well below the rate of inflation at 2.7% in August, causing continuing pressure on household's disposable income. The Bank of England extended its Funding for Lending Scheme (FLS) into 2015 and sharpened the incentives for banks to extend more business funding, particularly to small and medium size enterprises. To date, the mortgage market still appears to have been the biggest beneficiary from the scheme, with mortgage interest rates falling further to new lows. Together with the Government's Help to Buy scheme, which provides equity loans to credit-constrained borrowers, this is helping to boost demand in the housing market. Mortgage approvals by high street banks have risen as have house prices, although they are still well down from the boom years pre 2008
- 8.2 Turning to the fiscal situation, the public borrowing figures continued to be distorted by a number of one-off factors. On an underlying basis, borrowing in Q2 started to come down, but only slowly, as Government expenditure cuts took effect and economic growth started to show through in a small increase in tax receipts. The 2013 Spending Review, covering only 2015/16, made no changes to the headline Government spending plan, and monetary policy was unchanged in advance of the new Bank of England Governor, Mark Carney, arriving. Bank Rate remained at 0.5% and quantitative easing also stayed at £375bn. In August, the MPC provided forward guidance that Bank Rate is unlikely to change until unemployment first falls to 7%, which was not expected until mid 2016. However, 7% is only a point at which the MPC will review Bank Rate, not necessarily take action to change it. The three month to July average rate was 7.7%. CPI inflation (MPC target of 2.0%), fell marginally from a peak of 2.9% in June to 2.7% in August. The Bank of England expects inflation to fall back to 2.0% in 2015.
- 8.3 The overall balance of risks to economic recovery in the UK is now weighted to the upside after five months of robust good news on the economy. However, only time will tell just how long this period of strong economic growth will last, and it remains exposed to vulnerabilities in a number of key areas. The longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Near-term, there is some residual risk of further QE if there is a dip in strong growth or if the MPC were to decide to take action to combat the market's expectations of an early first increase in Bank Rate. If the MPC does take action to do more QE in order to reverse the rapid increase in market rates, especially in gilt yields and interest rates up to 10 years, such action could cause gilt yields and PWLB rates over the next year or two to significantly undershoot the forecasts.

- 8.4 The tension in the US over passing a Federal budget for the new financial year starting on 1 October and raising the debt ceiling in mid October could also see bond yields temporarily dip until agreement is reached between the opposing Republican and Democrat sides. Conversely, the eventual start of tapering by the Fed. will cause bond yields to rise.
- 8.5 With regard to interest rates, Sector's view is that there is unlikely to be any increase in Bank Rate until the second quarter of 2016, rising to 1.25% in the first quarter of 2017. Sectors latest forecast for the Bank Rate is as follows:

Dec-2013	Dec-2014	Dec-2015	Mar-2016	Jun-2016	Sep-2016	Dec-2016	Mar-2017
0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.00%	1.25%

Treasury Management Strategy Statement and Annual Investment Strategy Update

- 8.6 The Treasury Management Strategy (TMSS) for 2013/14 was approved by this Council on 26 February 2013. There are no policy changes to the TMSS, the details in this report update the position in the light of the updated economic position and budgetary changes already approved. Council's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as follows:

- Security of capital
- Liquidity

- 8.7 The Council will also aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term (maximum loan period of 12 months) and only invest with highly credit rated financial institutions, using Sector's suggested creditworthiness approach, including sovereign rating and credit default swap (CDS) overlay information provided by Sector.

- 8.8 Investments during the first seven months of the year have been in line with the strategy and there have been no deviations from the strategy.

- 8.9 As outlined above, there is still considerable uncertainty and volatility in the financial and banking market, both globally and in the UK. In this context, it is considered that the strategy approved on 26 February 2013 is still fit for purpose in the current economic climate.

Investment Portfolio 2013/14

- 8.10 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity and to obtain an appropriate level of return which is consistent with the Council's risk appetite.

- 8.11 As set out earlier in the report, it is a very difficult investment market in terms of earning the level of interest rate commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate.

- 8.12 The Council's investment position at the beginning of the financial year was as follows:

Type of Institutio	Investments (£)
UK Clearing Banks	5,750,000
Local Authorities	0

Building Societies	0
Total	5,750,000

- 8.13 A full list of investments held as at 31 October 2013, compared to Sectors counterparty list and changes to Fitch, Moodys and S&P's credit ratings during the first seven months of 2013/14 is shown in annex B and summarised below:

Type of Institution	Investments (£)
UK Clearing Banks	6,500,000
Foreign Banks	0
Building Societies	0
Local Authorities	0
Total	6,500,000

- 8.14 As illustrated in the economic background section above, investment rates available in the market are at a historical low point. The average level of funds available for investment purposes in the first seven months of 2013/14 was £10.5m. These funds were available on a temporary basis and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme.
- 8.15 The table below compares the investment portfolio yield for the first seven months of the year against a benchmark of the average 7 day LIBID rate of 0.36%.

	Average Investment (£)	Average Gross Rate of Return	Net Rate of Return	Benchmark Return	Interest Earned (£)
Cash Equivalents	4,713,037	0.56%	n/a	n/a	15,570
Fixed Term Deposits	842,682	0.81%	n/a	0.36%	27,320

- 8.16 The Council's budgeted investment return for 2013/14 is £90k and performance during the financial year to 31 October 2013 is £43k, **which is £11k below the profiled budget.**
- 8.17 The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

Compliance with Treasury and Prudential Limits

- 8.18 It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". The Council's approved Treasury and Prudential Indicators (affordability limits) are outlined in the approved Treasury Management Strategy Statement (TMSS).
- 8.19 During the financial year to date the Council has operated within the treasury limits and Prudential Indicators set out in the Council's TMSS and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in annex A.
- 8.20 The Council has no long-term borrowing and is likely to retain its status as a debt-free authority in the current financial year. There have been no temporary borrowing transactions in the year.

9.0 IMPLICATIONS

9.1 The following implications have been identified:

a) Financial

The results of the investment strategy affect the funding of the capital programme. The investment income return to 31 October 2013 was £43k, which is lower than estimated.

b) Legal

There are no additional legal implications within this report.

c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)

There are no additional implications within this report.

Paul Cresswell
Corporate Director (s151)

Author: Paul Cresswell, Corporate Director (s151)
Telephone No: 01653 600666 ext: 214
E-Mail Address: paul.cresswell@ryedale.gov.uk

Background Papers:

None

Background Papers are available for inspection at:

N/a

PRUDENTIAL AND TREASURY INDICATORS

Prudential Indicators

	2012/13	2013/14	2014/15	2015/16
Extract from budget setting report	Actual	Estimate	Estimate	Estimate
Capital Expenditure	£1.968m	£4.289m	£0.860m	£0.700m
Ratio of financing costs to net revenue stream	1.31%	2.69%	2.57%	1.68%
Net borrowing requirement	-£5.405m	-£3.173m	-£2.668m	-£2.916m
Capital Financing Requirement as at 31 March	£0.295m	£2.327m	£2.832m	£2.585m
Annual change in Capital Financing Requirement	-£0.178m	£2.032m	£0.505m	-£0.247m
Incremental impact of capital investment decisions Increase in council tax (band D) per annum	N/a	£4.15	£6.61	£6.60

Treasury Management Indicators

	2012/13	2013/14	2014/15	2015/16
	Actual	Estimate	Estimate	Estimate
Authorised Limit for external debt -				
Borrowing	N/a	£20.0m	£20.0m	£20.0m
Other long term liabilities	N/a	£1.0m	£2.0m	£2.0m
Total	N/a	£21.0m	£22.0m	£22.0m
Operational Boundary for external debt -				
Borrowing	N/a	£5.0m	£5.0m	£5.0m
Other long term liabilities	N/a	£0.3m	£1.1m	£0.9m
Total	N/a	£5.3m	£6.1m	£5.9m
Actual external debt	£0.295m	£2.327m	£2.832m	£2.585m
Interest rate exposure				
Borrowing:				
Limits on fixed interest rates	N/a	100%	100%	100%
Limits on variable interest rates	N/a	5%	5%	5%
Investments:				
Limits on fixed interest rates	N/a	100%	100%	100%
Limits on variable interest rates	N/a	50%	50%	50%
Upper limit for total principal sums invested for over 364 days (per maturity date)	N/a	£1.0m	£1.0m	£1.0m

Investment Portfolio as at 31 October 2013

Investment by Institution	Investment £	Duration of Investment	Latest Sector Duration Band Rating	Sovereignty Rating
UK Clearing Banks				
National Westminster Bank	1,500,000	On Call	12 Months	AA+
Bank of Scotland	1,000,000	12 Months	12 Months	AA+
Bank of Scotland	500,000	12 Months	12 Months	AA+
National Westminster Bank	1,000,000	95 Day Notice	12 Months	AA+
National Westminster Bank	1,000,000	60 Day Notice	12 Months	AA+
Bank of Scotland	1,000,000	3 Months	12 Months	AA+
Bank of Scotland	500,000	3 Months	12 Months	AA+
Grand Total	6,500,000			

Fitch and Moodys Sovereignty Rating for the UK is AA+ while S&P's is AAA.
All the above borrowers met the required credit rating at the time of investment.

This page is intentionally left blank

Commissioning Board

Held at Council Chamber, Ryedale House, Malton
on Thursday 21 November 2013

Present

Councillors J Andrews, Arnold (Chairman), Clark, Fraser (Vice-Chairman), Hope, Mrs Hopkinson, Mrs Keal and Mrs Sanderson

By invitation of the Chairman: Councillor Mrs Cowling
Observers: Councillors Raper and Wainwright

In Attendance

Fiona Brown, Jos Holmes, Nicki Lishman, Phil Long and Julian Rudd

Minutes

24 Apologies for Absence

Apologies for absence were received from Councillor Walker.

25 Minutes of Meeting held on 19 September 2013

Decision
That the minutes of the meeting of the Commissioning Board held on 19 September 2013 be approved and signed by the Chairman as a correct record.

26 Declarations of Interest

Councillors Clark and Mrs Sanderson declared an interest in Item 6 as members of North Yorkshire County Council and Councillor Mrs Keal declared an interest in Item 6 as she was involved with an organisation which was part of Ryedale Heritage Partnership.

27 Urgent Business

There were no items of urgent business, however the Chairman reminded Members of the presentation to the Member Development session, Health and Wellbeing on Wednesday 27 November 2013, by Dr. Lincoln Sargeant, Director of Public Health at North Yorkshire County Council.

PART TWO - A Items dealt with under delegated powers or matters determined by the Board

28 Grants

Considered - Report of the Head of Economy and Infrastructure

Decision		
That the following cuts be implemented:		
		Saving
CAB	No reduction	£0000
RVA	10%	£1520
Ryedale	10%	£4300
Community Transport		
Creative economy	10%	£6200
Art exhibition	100%	£3520
Helmsley Pool	Reduced by	£2250
Howardian Hills	15%	£ 894

The money saved to be used to fund community grants and a further sum of money to be requested as a growth item (to be considered through the setting of the 2014/15 budget) to make the community grants fund up to £45k.

In light of discussions at the Resources Working Party, steps to be taken to ensure that the cut in funding to RYECAT did not effect the Wheels to Work programme.

29

Fees and Charges

Considered – Report of the Corporate Director (S151)

Decision	
That the following fees and charges exceptions be approved as part of the budget strategy:	
(i)	An increase of 2.0% in Ryecare charges
(ii)	No increase in Taxi Licensing fees;
(iii)	No increase in Commercial Waste charges
(iv)	An increase of 3.2% for water sampling units
(v)	An increase of 5.3% for rat control visits
(vi)	An increase of 5.8% for acupuncture, cosmetic piercing, etc.
(vii)	A decrease in charges relating to Sex Establishments:
(a)	New Establishments - 42% reduction
(b)	Annual Licence - 44% reduction
(c)	Transfer Fee - 14% reduction
(d)	Name Change - No change

30

Any other business that the Chairman decides is urgent

There were no items of urgent business.

This page is intentionally left blank