

## OVERVIEW AND SCRUTINY COMMITTEE

Thursday 29 January 2015 at 6.30 pm

Council Chamber, Ryedale House, Malton

### Agenda

1 **Emergency Evacuation Procedure.**

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 6 November 2014**

(Pages 3 - 6)

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 **External Auditor quarterly update report Jan 2015**

(Pages 7 - 10)

7 **Internal Audit Charter 2015**

(Pages 11 - 32)

8 **Risk Strategy Annual Review**

(Pages 33 - 50)

- 9 **Corporate Risk Register 2013-17** (Pages 51 - 68)
- 10 **s151 - AGS Action Plan Progress Report 150129** (Pages 69 - 72)
- 11 **s151 - Treasury Management Statement and Investment Strategy** (Pages 73 - 98)
- 12 **Any other business that the Chairman decides is urgent.**

## Overview and Scrutiny Committee

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Held at Council Chamber, Ryedale House, Malton  
on Thursday 6 November 2014

### Present

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Councillors Acomb, P J Andrews, Cussons, Mrs Shields (Vice-Chairman), Wainwright (Chairman) and Ward

### In Attendance

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Audrey Adnitt, Stuart Cutts, Peter Johnson and Clare Slater

### Minutes

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40      **Apologies for absence**

Apologies were received from Councillor Collinson.

41      **Minutes of the meeting held on the 24 September 2014**

**Decision**

That the minutes of the meeting of the Overview and Scrutiny Committee held on the 24 September 2014 be approved and signed by the Chairman as a correct record.

42      **Urgent Business**

There were no items of urgent business.

43      **Declarations of Interest**

There were no declarations of interest.

44      **Corporate Risk Register 2013-17**

Considered – the Corporate Risk Register 2013-17

**Decision**

That the register be received.

45 **Internal Audit - Quarter 2 Progress Report**

Considered the report of the Finance Manager (s151).

**Decision**

That the results of audit and fraud work undertaken so far during 2014/15 be noted.

46 **Annual Audit Letter on the 2013/14 Audit - Deloitte**

Considered the Annual Audit Letter on the 2013/14 Audit from Deloitte.

**Decision**

That the letter be received.

The Chairman wished to congratulate the finance team for producing an excellent set of accounts and receiving a very good external audit report.

47 **Treasury Management Mid Year Review**

Considered the report of the Finance Manager (s151).

**Decision**

That:  
a. The report be received.  
b. That the mid year performance on the in house managed funds be noted.

48 **Any other business that the Chairman decides is urgent.**

There were no items of urgent business.

The meeting closed at 7.40pm.



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Ryedale District Council

External Audit Progress Report

January 2015

# 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 2014.

## Summary of activities

### **Audit completion**

The audit and VFM opinions were signed on 29 September 2014.

### **Whole of Government Accounts**

For 2013/14, 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 29 September 2014.

### **Annual audit letter**

We submitted our annual audit letter on 14 October 2014 a copy was presented to the November meeting of this Committee.

### **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 benefit subsidy claim was qualified for minor errors, in common with 80% of the claims across the UK.



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<b>REPORT TO:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE</b>
<b>DATE:</b>	<b>29 JANUARY 2015</b>
<b>REPORT OF THE:</b>	<b>FINANCE MANAGER (s151) PETER JOHNSON</b>
<b>TITLE OF REPORT:</b>	<b>INTERNAL AUDIT – Q3 PROGRESS REPORT</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

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## **EXECUTIVE SUMMARY**

### **1.0 PURPOSE OF REPORT**

- 1.1 The report summarises the outcome of internal audit work undertaken between April 2014 and 7 January 2015, inclusive.

### **2.0 RECOMMENDATION(S)**

- 2.1 It is recommended that the Committee note the results of audit and fraud work undertaken so far during 2014/15.

### **3.0 REASON FOR RECOMMENDATION(S)**

- 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 Within the report there is a summary of progress made against the plan and a summary of the audit opinions for the individual audits completed thus far.
- 6.3 In the period between 1 April 2014 and 7 January 2015, inclusive, we have completed **4** out of **18** internal audit reviews to final report stage. **8** audits are currently in progress.
- 6.4 It is important that agreed actions are formally followed-up to ensure that they have been implemented by management. This work is carried out throughout the year with appropriate testing being completed as required. We have no matters to bring to the attention of Members.
- 6.5 The PSIAS, which have been in place since April 2013, required the Council to adopt an audit charter setting out the purpose, authority and responsibility of internal audit. The Audit Charter for Ryedale District Council was originally approved by this Committee in December 2013. A review of the Audit Charter has now been completed and a minor change in considered necessary to clarify the fact that auditors will not be assigned to review areas where they have had any direct operational or managerial involvement within the last year. The updated audit charter is attached at Appendix D, with the changes highlighted. The Charter 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

**Peter Johnson**  
**Finance Manager (s151)**

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Veritau Limited  
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**E-Mail Address:** [stuart.cutts@veritau.co.uk](mailto:stuart.cutts@veritau.co.uk)

### **Background Papers:**

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



## **Ryedale District Council**

### **Internal Audit Progress Report 2014/15**

### **Period to 7 January 2015**

<b>Audits Completed to 7 January 2015</b>	
High Assurance	2
Substantial Assurance	0
Moderate Assurance	1
Limited Assurance	0
No Assurance	0

**Audit Manager:** Stuart Cutts  
**Head of Internal Audit:** Max Thomas

**Circulation List:** Members of the Overview and Scrutiny Committee  
Chief Executive  
Finance Manager (S151 Officer)

**Date:** 29<sup>th</sup> January 2015



## Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2011 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the PSIAS, the Head of Internal Audit is required to report, to those charged with governance, progress against the internal audit plan agreed by the Committee and to identify any emerging issues which need to be brought to the attention of the Committee.
- 2 Members of this Committee approved the Internal Audit Plan 2014/15 at their meeting on the 10th April 2014. The total number of planned audit days for 2014/15 is 225. The performance target for Veritau is to deliver 93% of the agreed Audit Plan by the end of the year. This report summarises the progress made in delivering the agreed plan.
- 3 This is the second Internal Audit progress report to be received by the Overview and Scrutiny Committee in 2014/15. This report updates the Committee on the work completed between 1<sup>st</sup> April 2014 and 7<sup>th</sup> January 2015.

## Internal Audit work completed in 2014/15

- 4 In the period between 1<sup>st</sup> April 2014 and 7 January 2015 we have completed **4** out of **18** internal audit reviews to final report stage. As at 7<sup>th</sup> January 2015, **8** are in progress and we expect at least 4 of these audits will have reports issued in January. We will be starting the remaining **6** audits as illustrated **on Appendix A**.
- 5 We are on target to deliver the agreed Audit Plan by the end of the year. Further information on the progress of the audits from the agreed 2014/15 audit plan is included in **Appendix A**.
- 6 Further information on the findings from each of the two completed audits since the last Overview and Scrutiny Committee are included in **Appendix B**.
- 7 The two reports highlight no significant risks to the Council or to the overall opinion of the Head of Internal Audit on the framework of risk management, governance and controls operated at Ryedale District Council. Based on all our work so far, we feel there are no significant risks to the Council or to the overall opinion of the Head of Internal Audit on the framework of risk management, governance and controls operated at Ryedale District Council. Our views may be subject to change in the light of findings emerging from our ongoing work.

## Audit Opinions

- 8 For the vast majority of our reports we provide an overall opinion on the areas under review. The opinion given is based on an assessment of the risks associated with any weaknesses in controls identified. We also apply a priority to all actions agreed with management. Further information on each of these areas is included in **Appendix C**.

- 9 Our standard internal audit report format has been reviewed and a number of changes made. These changes have become effective from December 2014. The changes are relatively minor but include adopting 'reasonable' assurance instead of 'moderate' assurance as part of the ranking of opinions. The number and definition of the opinions otherwise remains unchanged. The change to the opinion is considered necessary to more closely reflect the wording of the definition and to avoid possible misinterpretation.

## Wider Internal Audit work

- 10 In addition to undertaking assurance reviews, Veritau officers are involved in a number of other areas relevant to corporate matters:
- **Support to the Overview and Scrutiny Committee;** this is mainly ongoing through our attendance at meetings of the Committee and the provision of advice to Members as required.
  - **Ongoing support to management and officers;** we meet regularly with management to listen and provide advice on a range of specific business and internal control issues. These relationships help to provide 'real time' feedback on areas of importance to the Council. I attended the Management Team meeting on 8th December. We have also helped the Authority with work on the 2013/14 DWP Housing Benefits claim.
  - **Follow up of previous audit recommendations;** it is important that agreed actions are regularly and formally 'followed up'. This helps to provide assurance to management and Members that control weaknesses have been properly addressed. In 2014/15, we have followed up agreed actions either as part of our ongoing audit work, or by separate review. We currently have no matters to report as a result of follow up work.

## Audit Charter

- 11 The Audit Charter was approved by this Committee in December 2013. A review of the Charter has now been completed and a minor change is considered necessary to clarify the fact that auditors will not be assigned to review areas where they have had any direct operational or managerial involvement within the last year. A copy of the revised Charter with the tracked changes is attached at **Appendix D**.

Stuart Cutts  
Audit Manager  
Veritau Ltd

7<sup>th</sup> January 2015

Table of 2014/15 audit assignments to 7<sup>th</sup> January 2015

<b>Audit</b>	<b>Status</b>	<b>Assurance Level</b>	<b>Audit Committee</b>
<b>Strategic Risk Register</b>			
Affordable Housing / New Homes Bonus	In progress		
Community Infrastructure Levy	To start in March		
Capital Programme	Completed	<b>High Assurance</b>	<b>November 2014</b>
<b>Fundamental/Material Systems</b>			
Council Tax / NNDR	To start in February		
Sundry Debtors	In progress		
Benefits	In progress		
Creditors	To start in January		
Income / Receipting System (s)	To start in February		
Payroll	<b>Completed</b>	<b>Moderate Assurance</b>	<b>November 2014</b>
General Ledger	To start in February		
Capital Accounting and Asset Management	To start in January		
<b>Regularity Audits</b>			
Risk Management Process	In Progress		
Development Control	In Progress		
Member Development	<b>Completed</b>	<b>High Assurance</b>	<b>January 2015</b>
<b>Technical/Project Audits</b>			
ICT	In Progress		
Project Management	In Progress		
Review of Garden Waste and Cheque procedures	<b>Completed</b>	<b>No opinion given; advice and assistance work.</b>	<b>January 2015</b>
<b>Follow-Ups</b>			
	In Progress		



Summary of Key Issues from audits completed to 7<sup>th</sup> January 2015; not previously reported to Committee

Appendix B

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Member Development	High Assurance	<p>Elected Members have a key role in taking forward the Council's aims and objectives. The continuous development is an important activity.</p> <p>We reviewed the management arrangements the Authority has in place to manage the risks, training and development of elected members.</p>	October 2014	<p><b>Strengths</b> There is a comprehensive framework in place. The formulation of the framework was overseen by the Member Development Task Group. The Member Development Task Group is developing a targeted Skills Framework so that member development activity may be focused according to an individual Member's role. The Skills Framework includes relevant laws and regulations for those sitting on a statutory board.</p> <p>After each election Democratic Services run a programme of induction training. All Members, not just those that are newly elected, are able to attend and all are provided with an induction pack of reference material.</p> <p>Planning Inspectorate statistics show the proportion of successful appeals against planning decisions in Ryedale to be in line with other planning authorities in North Yorkshire.</p> <p><b>Weaknesses</b> Currently there was no reference in the Corporate Risk Register to the management of the associated risks in this area.</p>	The Risk has been added to the Covalent Risk Register and so will be considered as part of the Council's established Risk Management arrangements.
Garden Waste and Cheque Payments	No opinion	<p>In 2014, the Council introduced charges for the disposal of Garden Waste. The charging followed a reduction in the Revenue Support Grant.</p> <p>The Council introduced systems to collect and account for income received. Payments can be made</p>	January 2015	<p>We worked closely with officers to understand the processes, controls, operational requirements and other relevant factors for Garden Waste and cheque payments.</p> <p>We highlighted four areas for the Council that the Council may want to consider further. One was to increase the promotion of alternatives to cheque payments.</p>	Management are considering our thoughts as part of managing both the Garden Waste and Cheque payments processes in 2015.

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
		<p>via the website, telephone, via All Pay at the Post Office or other providers that offer this service, or by personal cheque.</p> <p>Management asked us to review the current processes on Garden Waste, including those specifically for cheques (not just in respect of garden waste but cheque procedures generally) as it was felt current procedures could be improved.</p>		<p>We also suggested some changes to procedures in respect of cheques provided which have insufficient information to allocate to accounts, and potential technological options. Finally we highlighted some potential changes to how/when notification for 2015/16 payments are managed.</p>	

### Audit Opinions and Priorities for Actions

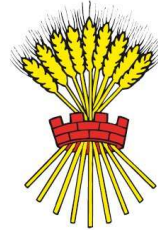
Audit Opinions	
<p>Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.</p> <p>Our overall audit opinion is based on 5 grades of opinion, as set out below.</p>	
Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	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.
Reasonable Assurance (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 Assurance	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.

Priorities for Actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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APPENDIX D

RYEDALE  
DISTRICT  
COUNCIL



**Ryedale District Council  
Internal Audit Charter**

29 January 2015

## **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)<sup>1</sup> 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.

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<sup>1</sup> 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 environment<sup>2</sup>, 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

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<sup>2</sup> 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 PSIAS<sup>3</sup>
- 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<sup>4</sup>
- 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:

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<sup>3</sup> Veritau has adopted its own code of ethics which fulfil the requirements of the PSIAS.

<sup>4</sup> auditors will not be used on internal audit engagements where they have had direct involvement in the area within the previous 12 months

- 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 Committee<sup>5</sup> 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 necessary<sup>6</sup>.

## **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

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<sup>5</sup> The committee charged with overall responsibility for governance at the council.

<sup>6</sup> The relationship between internal audit and Overview and Scrutiny Committee is set out in more detail in Appendix 2.

corruption should be notified to the Head of Internal Audit, who will decide on the 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.

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<b>REPORT TO:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE</b>
<b>DATE:</b>	<b>29 JANUARY 2015</b>
<b>REPORT OF THE:</b>	<b>HEAD OF CORPORATE SERVICES CLARE SLATER</b>
<b>TITLE OF REPORT:</b>	<b>RISK STRATEGY ANNUAL REVIEW</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

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## **EXECUTIVE SUMMARY**

### **1.0 PURPOSE OF REPORT**

- 1.1 To present the annual review of the Risk Management Strategy to Members for consideration.

### **2.0 RECOMMENDATION**

- 2.1 It is recommended that Members note the content of the annual review of the Risk Management Strategy.

### **3.0 REASON FOR RECOMMENDATION**

- 3.1 Risk identification and management is an integral element of organisational management to secure the achievement of the Council's corporate objectives. Risk Management should also form a key part of any budget making decisions, other decisions made by Committee and the management of service delivery, projects and partnerships.

### **4.0 SIGNIFICANT RISKS**

- 4.1 The strategy defines both the process behind risk management and the appetite of the Council to risk.

## **REPORT**

### **5.0 BACKGROUND AND INTRODUCTION**

- 5.1 The Risk Management Strategy was approved by Members in December 2010 and reviewed in 2011. The Risk Strategy for the Council is attached at Annex A.

- 5.2 The primary objectives of the strategy are to:-

- Further develop risk management and raise its profile across the Council.

- Integrate risk management further into the organisational culture of service planning and managing performance.
- Further embed risk management through the ownership and management of risk as part of all decision-making processes, both at officer and member level.
- Manage risk in accordance with best practice.
- Create effective processes that will allow the council to produce risk management assurance statements annually.

## **6.0 POLICY CONTEXT**

6.1 Risk management is essential to ensuring the delivery of the Council Business Plan and also maintaining effective governance arrangements. The arrangements for external audit are risk based.

## **7.0 CONSULTATION**

7.1 The Risk Management Strategy is developed and managed by the Council's Management Team. All service areas are therefore involved in its development through the Corporate Planning Framework.

## **8.0 REPORT DETAILS**

8.1 The risk management arrangements for the Council were reviewed by Veriau in 2012/13. The purpose of this review was to test the soundness of the systems associated with Risk Management to test the soundness of the Councils systems.

8.2 The annual plan for Risk reporting to Overview and Scrutiny Committee has been fully delivered this year.

8.3 The findings of the audit of partnerships have influenced the future arrangements for managing the risk associated with the Councils significant partnerships.

## **9.0 IMPLICATIONS**

9.1 The following implications have been identified:

- a) Financial  
The role of supporting Risk Management within the Council is now being undertaken by members of the Business Improvement Team within the Business Support Hub.
- b) Legal  
None.
- c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)  
None.

**Clare Slater**  
**Head of Corporate Services**

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E-Mail Address: [clare.slater@ryedale.gov.uk](mailto:clare.slater@ryedale.gov.uk)

**Background Papers:**

Council Plan 20014-17

Annual Governance Statement

Risk Registers:

- Corporate Risk Register
- Service Risk Registers
- Significant Partnerships Risk Register

Internal Audit of Risk Management Arrangements – August 2012

Internal Audit of Partnerships - 2013

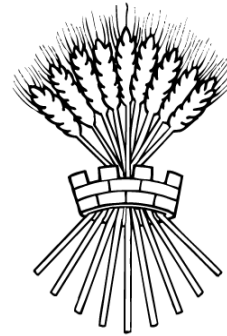
**Background Papers are available for inspection at:**

Covalent

[www.ryedale.gov.uk](http://www.ryedale.gov.uk)

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RYEDALE  
DISTRICT  
COUNCIL



RISK MANAGEMENT  
STRATEGY

2014-17

Revised December 2014

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## **1. Introduction**

This document sets out a strategy for implementing and embedding risk management within Ryedale District Council.

To ensure that the strategy remains focused and in keeping with the overall aims and objectives of the Council there is a need to review it on an annual basis. As such this document has been reviewed in December 2014.

Sound risk management, if embedded, will achieve many benefits for the Council. These include assisting in setting priorities (focusing on key risks), service planning and demonstrating to stakeholders that the Council is continuously improving by managing areas of key concern, both at corporate and service-based levels. It should also be employed in the management of partnerships and projects.

The challenge is to implement risk management without significantly increasing workloads. This is achieved by making risk management part of existing processes rather than treating it as a separate function.

The objectives of the strategy are to:-

- Further develop risk management and raise its profile across the Council;
- Integrate risk management further into the organisational culture, service planning and performance aspects of the organisation;
- Embed risk management through the ownership and management of risk as part of all decision-making processes, both at officer and member level.
- Manage risk in accordance with best practice;
- Create effective processes that will allow the council to produce risk management assurance statements annually.

This strategy demonstrates how Ryedale District Council is meeting its responsibility to manage risks using a structured and focused approach.

## **2. Risk Management Philosophy**

The Risk Management Philosophy of the Council is to adopt processes which will identify measures and either eliminates or controls risks that the Council is exposed to.

It is acknowledged that not all risks will be identified nor eliminated, particularly those of a minor nature. However, all employees should understand the nature of principal risks in their business area.

## **3. What is Risk Management?**

Risk Management can be defined as:

“Risk is the threat that an event or action will adversely affect an organisation’s ability to achieve its objectives and to successfully execute its

strategies. Risk management is the process by which risks are identified, evaluated and controlled”

Risk management is a strategic tool and is an essential part of effective and efficient management and planning. As a strategic tool, risk management identifies those issues that will act as a barrier to Ryedale District Council achieving its objectives. Appendix 1 to this document sets out the main areas of risk for Local Authorities.

The Council’s approach is to be **risk aware** rather than **risk averse** and to manage risk rather than to seek to eliminate it in all cases.

There are two types of risks:-

- **direct threats** (damaging events) which could lead to a failure to achieve objectives.
- **opportunities** (constructive events) which if exploited could offer an improved way of achieving objectives, but which are surrounded by threats.

The Strategy has critical links to the following areas:-

- Our Strategic Objectives.
- Our Corporate Governance Arrangements.
- Our Community Focus.
- Our Organisational Structures and Processes.
- Our Standards of Conduct.
- Our Service delivery arrangements.
- Our Medium Term Financial Strategy.
- Our Annual Governance Statement (AGS).

#### **4. Why do we need a Risk Management Strategy?**

There are three main reasons why risk management is undertaken and a strategy is put in place to ensure that it is embedded within the Council’s decision-making framework:-

- Risk management is about identifying those issues that will prevent Ryedale District Council from being successful in achieving its corporate and service-based objectives, as well as successful involvement in partnerships and projects. If these issues are successfully managed then Ryedale District Council is more likely to achieve its objectives.
- Risk Management is good management and should be incorporated in all decision-making of the Authority. Risk management is also about identifying risk-based opportunities.
- Risk management is also an essential part of the Annual Governance Statement (AGS), which the Council has to produce annually. The AGS comments on the Council’s position in relation to risk management, corporate governance and internal control. The strategy underpins the approach to risk management at Ryedale.



## **5. What are the benefits of risk management?**

- Increases likelihood of achieving objectives by identifying the barriers to achievement - improved strategic management.
- Become less risk averse in innovation (because you understand) and hence more innovative.
- Improve business planning through a risk based decision making process.
- Improved operational management.
- Improved financial management.
- Improved customer service.
- Enhance performance - feeds into performance management framework.
- Focus on doing what matters to make a difference. Demonstrable improvement.
- Better governance - and demonstration of it to stakeholders

## 6. What is the Risk Management Process?

Implementing the strategy involves identifying, analysing, managing and monitoring risks. Risk management is a **continuous** process, which involves continual **identification, assessment and management** of the risks faced by the Council. Appendix 2 to this document details the process.

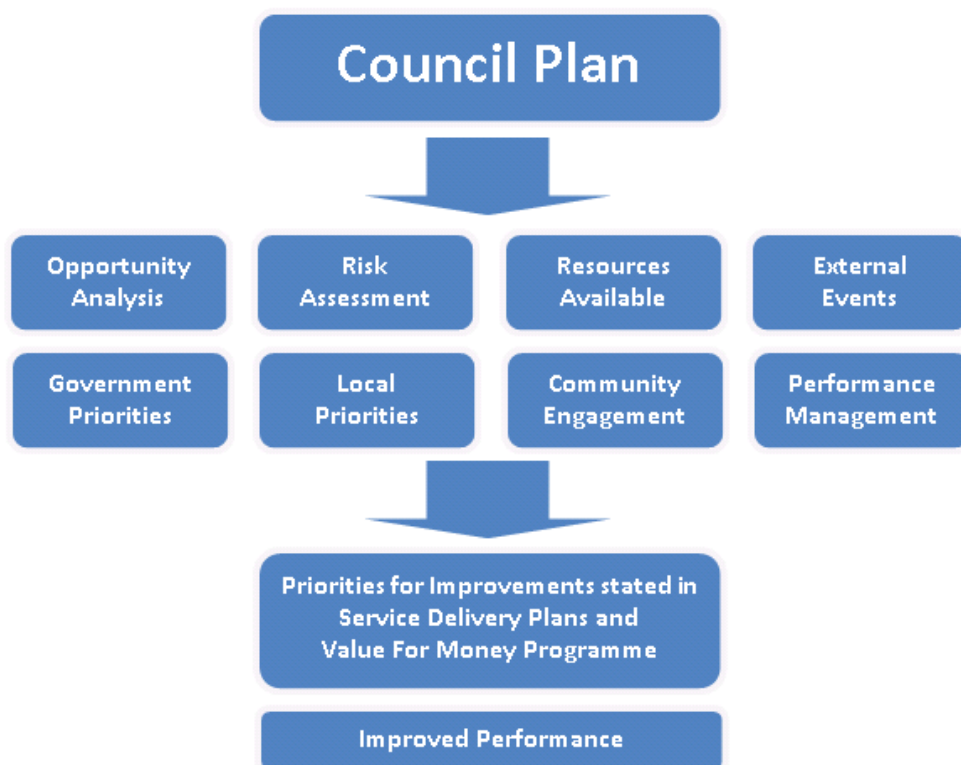
### The Risk Management Process



The information resulting from the risk management process acts as one of eight key pieces of information that feed into the priorities of the Council.

## 7. Risk Management linking into Corporate Planning

The information resulting from the risk management process acts as one of eight key pieces of information that feed into the priorities of the Council.



## 8. Risk Strategy for Ryedale District Council

The success of risk management depends on how well it links into existing processes.

This strategy recognises the three main types of risk management undertaken within local government, namely:

- Corporate Risk Management: those items that have major consequences for the Council in achieving its overall goals.
- Service-Based Risk Management: those risks which impact on delivery of services including welfare issues, health and safety, asset management issues etc.
- Partnership and Project-Based Risk Management: those risks that impact on the delivery of partnerships, projects and major items of change management.

### The Councils Risk Management Objectives

The Risk Management objectives of the Council are:-

- To integrate risk management into the day to day activities of the Council;
- To identify and measure risks associated with business decisions;
- To eliminated or control risks associated with business decisions;
- To review risks in response to changes in the internal and external environment of the Council;

- To raise awareness of risk management within the organisation.

**The objectives will be achieved by:-**

Action Ref	Action	Lead
CSR 01	Maintaining an up to date Risk Strategy	Corporate services
CSR 02	Providing practical guidance to staff and Members	Corporate services
CSR 03	Including risk management issues within Service Delivery Plans	Heads of Service
CSR 04	Including risk management assessments in Committee reports;	Heads of Service
CSR 05	Including risk management within financial procedure rules;	Financial Services Manager
CSR 06	Allocating specific responsibilities for risk to officers throughout the organisation	Financial Services Manager
CSR 09	Review of risk management arrangements as part of the review of internal controls	Veritau
CSR11	Maintaining contingency plans in areas where there is potential for risk to the Council's business capability	Heads of Service
CSR12	Providing risk management awareness training for members and officers	Corporate services
CSR13	Statement on risk management to be included in the Annual Governance Statement which forms part of the Statement of Accounts of the Council	Veritau
CSR14	Challenging the status of risks within the Corporate Risk Register	O and S
CSR15	Challenging the status of risks within the Corporate Risk Register	O and S

A number of issues have been borne in mind when setting this strategy:-

- The relative size of the authority.
- The current planning process/performance frameworks that have already been adopted.
- The need to ensure integration between service-based risk management and corporate risk management.

## **8. Partnership Working**

The Council recognises both the benefits and the risks of partnership/joint working. It seeks to manage these risks through agreeing partnership objectives, procurement arrangements, contracts and other agreements that identify and allocate risks to the relevant partners. To minimise the likelihood and impact of a significant failure in its partnerships, the Council encourages its partners to demonstrate that they have effective risk management arrangements in place and to disclose those arrangements when entering into partnership.

## **9. Annual review of Risk Management Strategy**

Management Team will annually review the Council's Risk Management Strategy in light of changing legislation, government initiatives, best practice and experience gained within the Council in adopting the strategy. Any amendments will be recommended by Management Team for approval by Members.

## Appendix 1

### Risk Management Methodology

Implementing the strategy involves identifying, analysing, managing and monitoring risks

#### Stage 1 – Identification, analysis, profiling and prioritisation of risks

##### Identifying the risks

There are different methods to identify risks. Workshops should be held by SMT and within service units encouraging officers to share their concerns, problems and potential risks that they foresee.

It is also recommended that a review of published information such as service plans, strategies, financial accounts, media mentions, inspectorate and audit reports are a useful source of information.

When identifying risks it is suggested that the following categories of possible risk areas be used. They will act as a prompt and as a trigger for officers involved in the process. They will ensure that a holistic approach to risk identification is taken and that the risk process does not just concentrate on operational, financial or legal risks. Examples of risks from each category can be found in Appendix 1.

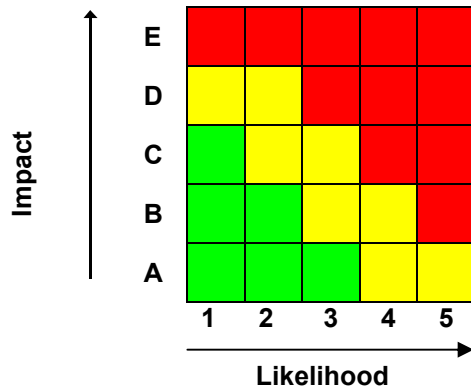
##### Analysis, Risk Profiling and prioritisation

Following identification, the risks need to be entered into the Risk Register on Covalent and evaluated. Management will look at the risks identified and decide their ranking according to the likelihood of the risk occurring and its impact, if it did occur. A matrix is used to plot the risks and once completed this risk profile clearly illustrates the priority of each scenario.

Although the risk profile produces a priority for addressing each risk determining the group's appetite for risk can enhance this. All risks above the appetite cannot be tolerated and must be managed down, transferred or avoided. The appetite for risk will be determined by management.

The risk profile used by Ryedale and key is shown below:-

The screenshot displays a risk assessment tool interface. On the left, there is a 4x4 risk matrix with a color-coded grid. The vertical axis is labeled 'Impact' and the horizontal axis is labeled 'Likelihood'. The grid contains a white circle in the top-left cell (Low Impact, Low Likelihood). The rest of the grid is filled with red, yellow, and green cells. To the right of the matrix, there are several input fields: 'Impact' is set to 'C Medium', 'Likelihood' is set to '1 Very Low', 'Review Date' is set to '24 September 2010', 'Risk Score' is '3', and 'Assessment' is 'ICL1 Noticeable' with a green checkmark icon. At the top left of the interface, it says 'Current Risk' and 'No assessment scheduled'.



Score	Likelihood	Score	Impact
1	Very Low	A	Low
2	Not Likely	B	Minor
3	Likely	C	Medium
4	Very Likely	D	Major
5	Almost Certain	E	Disaster

Using Covalent to manage and monitor risk allows the risks to be linked to projects, service delivery plan actions and performance indicators.

Risks are categorised as:

High 

Medium 

Low 

Risks falling within the medium and high categories require mitigating action. If these are existing service delivery plan actions they should be linked to the risk on Covalent. Alternatively, a new action should be set up in the service delivery plan and linked to the risk. The progress in delivering these actions can then be monitored using Covalent.

Covalent has an on-line help resource which can be viewed at this location:

<http://support.covalentcpm.com/webhelp/index.html?riskcentral.htm>

When prioritising risks, those located in the top, right hand side box are the first priority or the most important risks to be managed. The risk scores can then guide the next level of priorities.

## Stage 2 - Action Planning

The potential for controlling the risks identified will be addressed through the management action plans. Most risks are capable of being managed – either through mitigation planning (managing down the likelihood), contingency planning (managing the impact) or a mixture of both. Relatively few risks have to be avoided or transferred, although there will be a greater tendency to transfer (insure) risks that have a high impact, but a low likelihood. Action plans will also identify the resources required to deliver the improvements, key dates and deadlines and critical success factors/KPIs.

These actions should not be seen as a separate initiative but should be incorporated into the business planning process and included and linked to service delivery plans on Covalent.

## Stage 3 Management of risks

Reports are generated from Covalent to present to Members. Covalent can also be accessed on-line by senior management, members and auditors.

### Forward Plan for O and S Committee

Lead	Item	Date
Corporate Services	Significant Partnerships Risk Register	February 2015
Corporate Services	Corporate Risk Register and six monthly review of actions	February 2015 November 2015
VERITAU	Risk Management Statement in Annual Governance Statement	June 2015
Corporate Services	Annual review of the Risk Management Strategy	January 2016

### Categories of Risk

### Appendix 2

Risk	Definition	Examples
Political	Associated with the failure to deliver either local or central government policy or meet the local administration's manifest commitment	New political arrangements, Political personalities, Political make-up
Economic	Affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance cover, external macro level economic changes or consequences proposed investment decisions	Cost of living, changes in interest rates, inflation, poverty indicators
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the council's ability to meet its objectives	Staff levels from available workforce, ageing population, health statistics
Technological	Associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures.	E-Gov. agenda, IT infrastructure, Staff/client needs, security standards
Legislative	Associated with current or potential changes in national or European law	Human rights, TUPE regulations etc
Environmental	Relating to the environmental consequences of progressing the council's strategic objectives	Land use, recycling, pollution
Professional Managerial	Associated with the particular nature of each profession, internal protocols and managerial abilities	Staff restructure, key personalities, internal capacity
Financial	Associated with financial planning and control	Budgeting, level of council tax & reserves
Legal	Related to possible breaches of legislation	Client brings legal challenge
Physical	Related to fire, security, accident prevention and health and safety	Office issues, stress, equipment use etc
Partnership Contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification	Contractor fails to deliver, partnership agencies do not have common goals
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value	Position in league tables, accreditation
Customer Citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens	Managing expectations, extent of consultation

## **Roles and Responsibilities**

### **Appendix 3**

#### **Elected Members**

Members have the role of overseeing the effective management of risk by officers. In effect this means that they will agree the Strategy, framework and process put forward by officers – as well as the priorities for action. They will also review the effectiveness of risk management.

They may also be involved in providing reports to stakeholders on the effectiveness of the risk management framework, Strategy and process.

Members are ultimately responsible for risk management because the risks threaten the achievement of policy objectives.

#### **Management Team**

Management Team are pivotal to the Risk Management process as they set the risk appetite for the organization through the projects, initiatives and cross cutting activities that they endorse and champion.

#### **Officer Risk Champion/Internal Audit**

The Officer Risk Champion is responsible for the implementation of the integrated framework, Strategy and process on behalf of the Council and its Management Team. The champion is essentially fulfilling a controlling and facilitation role – to ensure the processes are implemented and to offer guidance and advice.

#### **Corporate Services Team**

The Corporate Services Team will support the development of risk management within the Council, developing the risk management process and integration through Covalent, and working with officers and members to monitor actions against identified risks.

The team will also lead on the development and management of the Corporate Risk Register, Significant Partnerships Register, Risk associated with Projects and will prepare the Annual Report of Risk Management and revision of the Risk Strategy.

#### **Supporting Services**

Other support functions, e.g. finance, human resources, health and safety, legal, IT, will also have a role in providing support and advice.

#### **Heads of Service**

Heads of Service are responsible for managing their Service Risks, Partnership Risks (when they are the lead officer for the partnership) and Project Risk and ensuring that risk activity and targets are achieved and updated on a timely basis.

#### **Partners**

Ryedale District Council works with a wide range of partners in delivering its services. It is important that those partners are brought into the risk



management framework. At times it will be appropriate for partnerships / shared services to be undertaken, however, it is essential that accountabilities are adequately determined and that Ryedale District Council does not overlook any risks that may fall on it arising from its part in a joint venture. Even where there is transfer of operational risks, for example under a PFI, there will undoubtedly be some residual risks falling on the authority. It is **not** possible to outsource the risk management process.

#### **Internal Audit (VERITAU)**

Veritau provides independent assurance on the effectiveness of controls within the Council. In order to do this, the annual audit plan is designed to review key risks, as identified within the corporate risk register.

As part of the production and presentation of the annual Head of Internal Audit Opinion to the Overview and Scrutiny committee, Internal Audit comments on the appropriateness of the risk management process within the Council; as well as identifying areas of low assurance and associated actions required.

#### **The Importance of an Integrated Approach**

In essence, the framework detailed above should provide a consistent, integrated top-down meets bottom-up approach to risk management – embedding it into Strategy and operations Risk Management must continue to be integrated and play a key role in the decision making process in the future

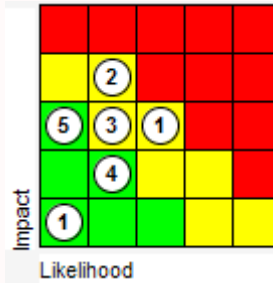
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# Corporate Risk Register 2013-17

Generated on: 09 January 2015

## Corporate Risk Register 2014-2018


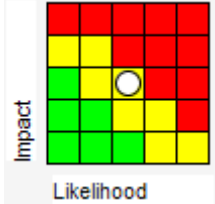
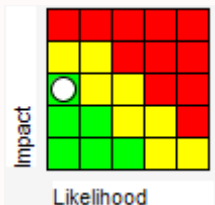
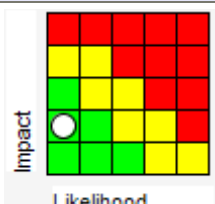
### Current Risk Heat Map




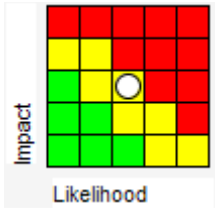
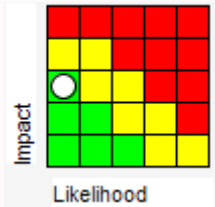
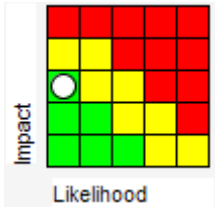
### Summary

Status	Code	Title	Status	Code	Title
	CRR 01	Significant Partnerships		CRR 11	Council Assets
	CRR 02	Capital Programme		CRR 12	Customer Expectations
	CRR 03	Staff Management		CRR 13	Fraud and Corruption
	CRR 04	External Funding		CRR 14	Data Quality
	CRR 05	Affordable Housing		CRR 15	Delivering Efficiencies
	CRR 06	Procurement		CRR 16	Data Protection
	CRR 07	Health and Safety		CRR 17	Regulation and Investigatory Powers Act
	CRR 08	Emergency Planning and Business Continuity Planning		CRR 18	Member Training


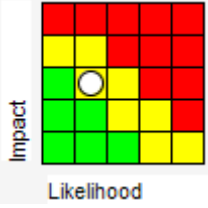
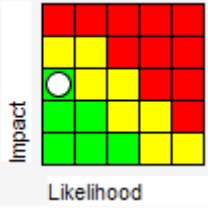
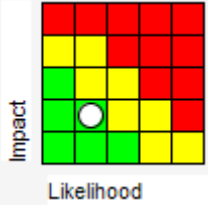
CRR 01 Significant Partnerships

Risk Code	Risk Title	Description			Status
CRR 01	Significant Partnerships	That the Council fails to manage its partnerships effectively			
<b>Consequences</b>		Financial cost to the Council through partnership failure, breach of legislation by partnership with consequences for Council and its reputation, levels of service satisfaction and quality fall below acceptable levels.			
<b>Original Matrix</b>		<b>Original Rating Description</b>			
		<b>Original Impact</b>	C	<b>Original Likelihood</b>	3
			Medium		Likely
<b>Current Risk Matrix</b>		<b>Current Rating Description</b>			
		<b>Current Impact</b>	C	<b>Current Likelihood</b>	1
			Medium		Very Low
<b>Target Risk Matrix</b>		<b>Target Rating Description</b>			
		<b>Target Impact</b>	B	<b>Target Likelihood</b>	1
			Minor		Very Low
<b>Latest Progress</b>				<b>Last Review Date</b>	<b>SMT Lead</b>
9-Jan-2015 The Audit of Partnerships which concluded with an outcome of high assurance did raise a query about the governance arrangements for the LEP. This is an issue which is being discussed currently.				9-Jan-2015	Clare Slater


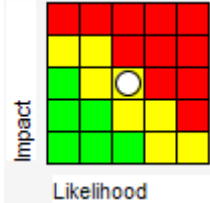
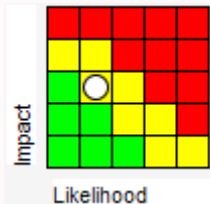
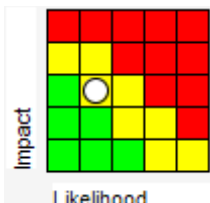
CRR 02 Capital Programme

Risk Code	Risk Title	Description	Status				
CRR 02	Capital Programme	Failure to deliver Council priorities, due to poor management of the capital programme.					
<b>Consequences</b>		Failure to deliver the Council priorities					
<b>Original Matrix</b>		<b>Original Rating Description</b>					
		<table border="1"> <tr> <td>C</td> <td rowspan="2">Original Likelihood</td> <td>3</td> </tr> <tr> <td>Medium</td> <td>Likely</td> </tr> </table>	C	Original Likelihood	3	Medium	Likely
C	Original Likelihood	3					
Medium		Likely					
<b>Current Risk Matrix</b>		<b>Current Rating Description</b>					
		<table border="1"> <tr> <td>C</td> <td rowspan="2">Current Likelihood</td> <td>1</td> </tr> <tr> <td>Medium</td> <td>Very Low</td> </tr> </table>	C	Current Likelihood	1	Medium	Very Low
C	Current Likelihood	1					
Medium		Very Low					
<b>Target Risk Matrix</b>		<b>Target Rating Description</b>					
		<table border="1"> <tr> <td>C</td> <td rowspan="2">Target Likelihood</td> <td>1</td> </tr> <tr> <td>Medium</td> <td>Very Low</td> </tr> </table>	C	Target Likelihood	1	Medium	Very Low
C	Target Likelihood	1					
Medium		Very Low					
<b>Latest Progress</b>		<b>Last Review Date</b>	<b>SMT Lead</b>				
9-Jan-2015 Progress monitoring embedded in the work of Resources Working Party, who receive bi-monthly reports with highlight reporting on individual projects. Funding for the programme from 2015/16 onwards will be reliant on £300k draw down from NHB annually.		9-Jan-2015	Peter Johnson				


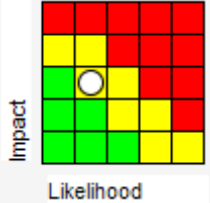
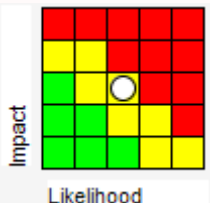
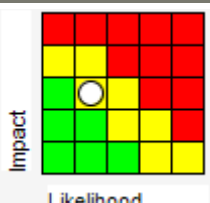
CRR 03 Staff Management

Risk Code	Risk Title	Description	Status
CRR 03	Staff Management	Failure to effectively manage and develop our workforce assets	
<b>Consequences</b>		Decline in employee performance and delivery of services with the consequential failure to deliver the Councils priorities	
<b>Original Matrix</b>		<b>Original Rating Description</b>	
	<b>Original Impact</b>	C	2
		Medium	<b>Original Likelihood</b>
<b>Current Risk Matrix</b>		<b>Current Rating Description</b>	
	<b>Current Impact</b>	C	1
		Medium	<b>Current Likelihood</b>
<b>Target Risk Matrix</b>		<b>Target Rating Description</b>	
	<b>Target Impact</b>	B	2
		Minor	<b>Target Likelihood</b>
<b>Latest Progress</b>			<b>Last Review Date</b>
9-Jan-2015 Absence management is ongoing with performance reported monthly to Management Team and Quarterly to Members in the Council Business Plan report.			9-Jan-2015
			<b>SMT Lead</b>
			Clare Slater


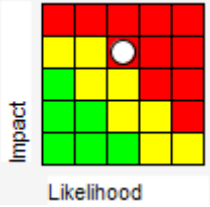
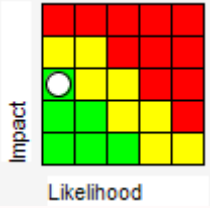
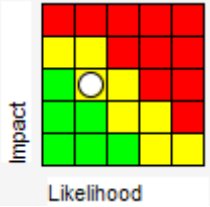
CRR 04 External Funding

Risk Code	Risk Title	Description			Status
CRR 04	External Funding	Failure to attract external funding to support the priorities of the Council			
<b>Consequences</b>		Failure to deliver Council priorities requiring major financial investment. Increased costs to RDC. Failure to regenerate the local economy. Uncompetitive service delivery. Withdrawal or failure of a service. Inability to deliver new services			
<b>Original Matrix</b>		<b>Original Rating Description</b>			
		<b>Original Impact</b>	C	<b>Original Likelihood</b>	3
			Medium		Likely
<b>Current Risk Matrix</b>		<b>Current Rating Description</b>			
		<b>Current Impact</b>	C	<b>Current Likelihood</b>	2
			Medium		Not Likely
<b>Target Risk Matrix</b>		<b>Target Rating Description</b>			
		<b>Target Impact</b>	C	<b>Target Likelihood</b>	2
			Medium		Not Likely
<b>Latest Progress</b>				<b>Last Review Date</b>	<b>SMT Lead</b>
9-Jan-2015 Strategic approach to new funding opportunities being developed in response to legislation and Community Infrastructure Levy (CIL). Linked to the development of the Local Development Framework and LEP 5 year Growth Strategy. Increasingly Local Government is to be resourced through Business Rates retention and New Homes Bonus with less emphasis on Revenue Support Grant. As a result of this variables such as any successful Business Rate Appeals will have an impact on the Councils finances.				9-Jan-2015	Peter Johnson


CRR 05 Affordable Housing

Risk Code	Risk Title	Description	Status						
CRR 05	Affordable Housing	Failure to meet identified housing need in Ryedale							
<b>Consequences</b>		Homelessness increases with resultant service costs. Unbalanced housing market. Negative impact on the local economy. Lack of key workers to support the needs of the community. Local people forced to move away from Ryedale.							
<b>Original Matrix</b>		<b>Original Rating Description</b>							
		<b>Original Impact</b>	<table border="1"> <tr> <td data-bbox="1146 475 1476 512">C</td> <td data-bbox="1480 475 1789 512"></td> <td data-bbox="1794 475 2141 512">2</td> </tr> <tr> <td data-bbox="1146 515 1476 687">Medium</td> <td data-bbox="1480 515 1789 687"><b>Original Likelihood</b></td> <td data-bbox="1794 515 2141 687">Not Likely</td> </tr> </table>	C		2	Medium	<b>Original Likelihood</b>	Not Likely
C		2							
Medium	<b>Original Likelihood</b>	Not Likely							
<b>Current Risk Matrix</b>		<b>Current Rating Description</b>							
		<b>Current Impact</b>	<table border="1"> <tr> <td data-bbox="1146 734 1476 770">C</td> <td data-bbox="1480 734 1789 770"></td> <td data-bbox="1794 734 2141 770">3</td> </tr> <tr> <td data-bbox="1146 774 1476 946">Medium</td> <td data-bbox="1480 774 1789 946"><b>Current Likelihood</b></td> <td data-bbox="1794 774 2141 946">Likely</td> </tr> </table>	C		3	Medium	<b>Current Likelihood</b>	Likely
C		3							
Medium	<b>Current Likelihood</b>	Likely							
<b>Target Risk Matrix</b>		<b>Target Rating Description</b>							
		<b>Target Impact</b>	<table border="1"> <tr> <td data-bbox="1146 992 1476 1029">C</td> <td data-bbox="1480 992 1789 1029"></td> <td data-bbox="1794 992 2141 1029">2</td> </tr> <tr> <td data-bbox="1146 1032 1476 1204">Medium</td> <td data-bbox="1480 1032 1789 1204"><b>Target Likelihood</b></td> <td data-bbox="1794 1032 2141 1204">Not Likely</td> </tr> </table>	C		2	Medium	<b>Target Likelihood</b>	Not Likely
C		2							
Medium	<b>Target Likelihood</b>	Not Likely							
<b>Latest Progress</b>			<b>Last Review Date</b>						
9-Jan-2015 Delivery of new affordable homes for 2013/14 was 40 affordable homes see <a href="#">Delivering the Council Plan</a> report for further detail.			9-Jan-2015						
			<b>SMT Lead</b>						
			Gary Housden						




CRR 06 Procurement					
Risk Code	Risk Title	Description	Status		
CRR 06	Procurement	Failure to procure in line with legislation and in line with best value principles			
<b>Consequences</b>		Failure to make efficiency savings. Priority projects not delivered to budget. Adverse external inspection. Breach of legislation eg. equalities or health and safety. Damage to RDC reputation.			
<b>Original Matrix</b>		<b>Original Rating Description</b>			
		<b>Original Impact</b> Major		<b>Original Likelihood</b> Likely	
<b>Current Risk Matrix</b>		<b>Current Rating Description</b>			
		<b>Current Impact</b> Medium		<b>Current Likelihood</b> Very Low	
<b>Target Risk Matrix</b>		<b>Target Rating Description</b>			
		<b>Target Impact</b> Medium		<b>Target Likelihood</b> Not Likely	
<b>Latest Progress</b>			<b>Last Review Date</b>	<b>SMT Lead</b>	
9-Jan-2015 Procurement Partnership established and the service received by the Council is working well with savings being achieved in line with efficiency targets.			9-Jan-2015	Phil Long	


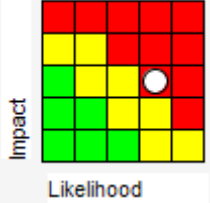
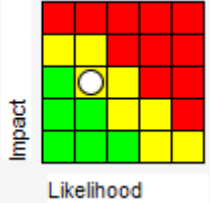
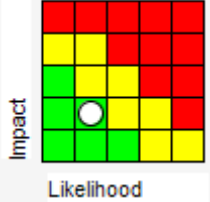
CRR 07 Health and Safety

Risk Code	Risk Title	Description	Status
CRR 07	Health and Safety	Failure to ensure appropriate systems are in place to manage Health and safety	
<b>Consequences</b>		Failure to meet legislative requirements, prosecution and financial penalties incurred as a result of incident.	
<b>Original Matrix</b>		<b>Original Rating Description</b>	
	<b>Original Impact</b>	C	3
		Medium	<b>Original Likelihood</b>
<b>Current Risk Matrix</b>		<b>Current Rating Description</b>	
	<b>Current Impact</b>	B	2
		Minor	<b>Current Likelihood</b>
<b>Target Risk Matrix</b>		<b>Target Rating Description</b>	
	<b>Target Impact</b>	B	2
		Minor	<b>Target Likelihood</b>
<b>Latest Progress</b>		<b>Last Review Date</b>	<b>SMT Lead</b>
15-Oct-2014 Member and officer training undertaken. Health and Safety policy framework in place. Ownership across the organisation, roles and responsibilities clarified at all levels of management.		15-Oct-2014	Steve Richmond


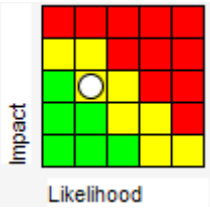
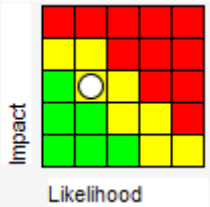
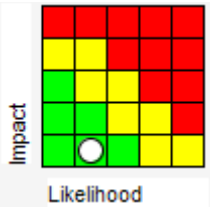
**CRR 08 Emergency Planning and Business Continuity Planning**

Risk Code	Risk Title	Description			Status
CRR 08	Emergency Planning and Business Continuity Planning	Failure to produce effective, comprehensive and tested plan.			
<b>Consequences</b>		Failure in continuity of service delivery. Negative impact on the most vulnerable on our communities. Damage to RDC reputation. Financial penalties and litigation			
<b>Original Matrix</b>		<b>Original Rating Description</b>			
		<b>Original Impact</b>	C	<b>Original Likelihood</b>	3
			Medium		Likely
<b>Current Risk Matrix</b>		<b>Current Rating Description</b>			
		<b>Current Impact</b>	B	<b>Current Likelihood</b>	2
			Minor		Not Likely
<b>Target Risk Matrix</b>		<b>Target Rating Description</b>			
		<b>Target Impact</b>	B	<b>Target Likelihood</b>	2
			Minor		Not Likely
<b>Latest Progress</b>				<b>Last Review Date</b>	<b>SMT Lead</b>
9-Jan-2015 Emergency planning arrangements in place and tested. Training undertaken for all staff. Comprehensive Business Continuity Planning in place and fully tested.				9-Jan-2015	Phil Long


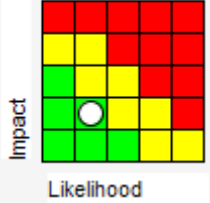
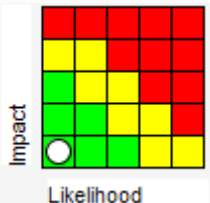
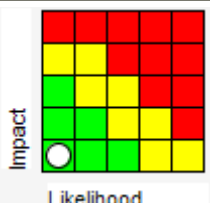
CRR 11 Council Assets

Risk Code	Risk Title	Description	Status
CRR 11	Council Assets	Ensure the Council has proper plan to ensure maintenance and fitness for purpose of the Council assets	
<b>Consequences</b>			
<b>Original Matrix</b>		<b>Original Rating Description</b>	
	<b>Original Impact</b>	C	4
		Medium	<b>Original Likelihood</b>
<b>Current Risk Matrix</b>		<b>Current Rating Description</b>	
	<b>Current Impact</b>	C	2
		Medium	<b>Current Likelihood</b>
<b>Target Risk Matrix</b>		<b>Target Rating Description</b>	
	<b>Target Impact</b>	B	2
		Minor	<b>Target Likelihood</b>
<b>Latest Progress</b>		<b>Last Review Date</b>	<b>SMT Lead</b>
9-Jan-2015 Major investment has resulted in improved facilities with significant investment into energy efficiency measures to reduce Co2 emissions		9-Jan-2015	Phil Long


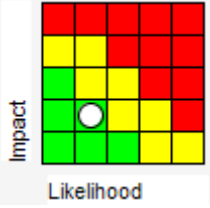
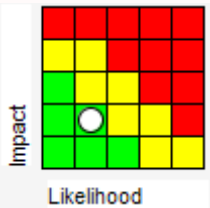
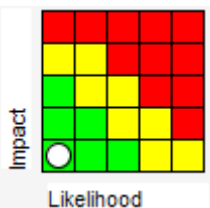
CRR 12 Customer Expectations


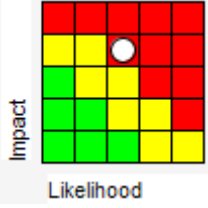
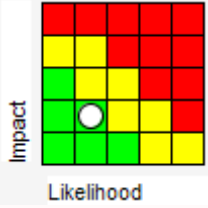
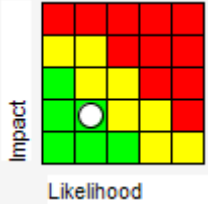
Risk Code	Risk Title	Description	Status
CRR 12	Customer Expectations	Failure to meet customer service standards and meet customer expectations.	
<b>Consequences</b>		Include CR02	
<b>Original Matrix</b>		<b>Original Rating Description</b>	
	<b>Original Impact</b>	C	2
		Medium	<b>Original Likelihood</b>
<b>Current Risk Matrix</b>		<b>Current Rating Description</b>	
	<b>Current Impact</b>	C	2
		Medium	<b>Current Likelihood</b>
<b>Target Risk Matrix</b>		<b>Target Rating Description</b>	
	<b>Target Impact</b>	A	2
		Low	<b>Target Likelihood</b>
<b>Latest Progress</b>			<b>Last Review Date</b>
9-Jan-2015 Managing customer expectations through media and communications in relation to funding challenges facing the public sector. Close monitoring of feedback received by the Council from service users and residents.			9-Jan-2015
			<b>SMT Lead</b>
			Clare Slater

**CRR 13 Fraud and Corruption**

Risk Code	Risk Title	Description	Status		
CRR 13	Fraud and Corruption	Failure to ensure Council has proper procedures and policies for the prevention and detection of fraud.			
<b>Consequences</b>		Financial loss to the Council, damage to our reputation and credibility			
<b>Original Matrix</b>		<b>Original Rating Description</b>			
		<b>Original Impact</b>	B	<b>Original Likelihood</b>	2
			Minor		Not Likely
<b>Current Risk Matrix</b>		<b>Current Rating Description</b>			
		<b>Current Impact</b>	A	<b>Current Likelihood</b>	1
			Low		Very Low
<b>Target Risk Matrix</b>		<b>Target Rating Description</b>			
		<b>Target Impact</b>	A	<b>Target Likelihood</b>	1
			Low		Very Low
<b>Latest Progress</b>			<b>Last Review Date</b>	<b>SMT Lead</b>	
9-Jan-2015 Arrangement with Veritau working well to deliver fraud and corruption service for Housing Benefit, currency of fraud and corruption policy maintained and training provided to managers			9-Jan-2015	Peter Johnson	


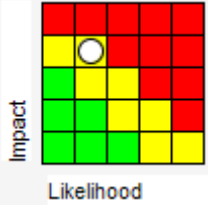
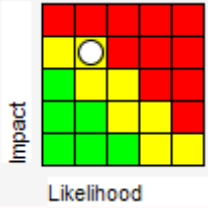
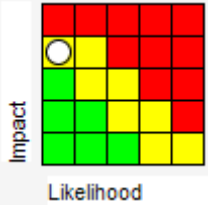
CRR 14 Data Quality

Risk Code	Risk Title	Description			Status	
CRR 14	Data Quality	The Council recognises the importance of data quality as we need reliable, accurate and timely performance information with which to manage services, inform users and account for our performance				
<b>Consequences</b>						
<b>Original Matrix</b>			<b>Original Rating Description</b>			
			<b>Original Impact</b>	B	<b>Original Likelihood</b>	2
				Minor		Not Likely
<b>Current Risk Matrix</b>			<b>Current Rating Description</b>			
			<b>Current Impact</b>	B	<b>Current Likelihood</b>	2
				Minor		Not Likely
<b>Target Risk Matrix</b>			<b>Target Rating Description</b>			
			<b>Target Impact</b>	A	<b>Target Likelihood</b>	1
				Low		Very Low
<b>Latest Progress</b>					<b>Last Review Date</b>	<b>SMT Lead</b>
9-Jan-2015 Data Quality Strategy in place and publicised to all staff. Audit of Data Quality undertaken with positive outcome					9-Jan-2015	Clare Slater


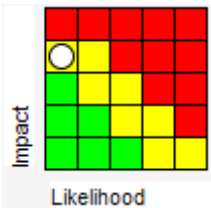
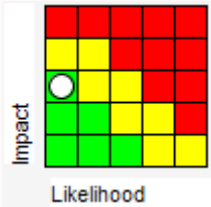
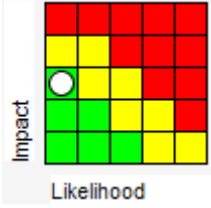
CRR 15 Delivering Efficiencies					
Risk Code	Risk Title	Description	Status		
CRR 15	Delivering Efficiencies	Council fails to meet efficiency targets which necessitates cuts to other services			
<b>Consequences</b>		Cuts to frontline services, reputational damage to the Council, possible poor outcome of external inspection.			
<b>Original Matrix</b>		<b>Original Rating Description</b>			
		<b>Original Impact</b> Major		<b>Original Likelihood</b> Likely	
<b>Current Risk Matrix</b>		<b>Current Rating Description</b>			
		<b>Current Impact</b> Minor		<b>Current Likelihood</b> Not Likely	
<b>Target Risk Matrix</b>		<b>Target Rating Description</b>			
		<b>Target Impact</b> Minor		<b>Target Likelihood</b> Not Likely	
<b>Latest Progress</b>			<b>Last Review Date</b>	<b>SMT Lead</b>	
9-Jan-2015 Successful delivery of One-11 programme achieved savings of over £1 million. Going for Gold programme achieved the target saving of £700k. A balanced budget delivered in 2013/14 and in place for 2014/15. Budget strategy being prepared for 2015/16 including £100k of efficiencies and service cuts or increased income of £200k with the shortfall of £432k met from New Homes Bonus.			9-Jan-2015	Peter Johnson	




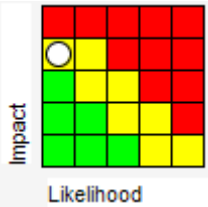
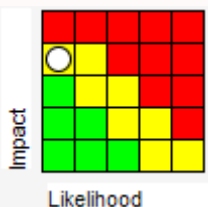
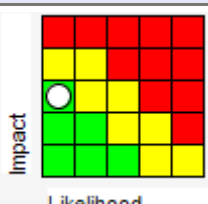
CRR 16 Data Protection

Risk Code	Risk Title	Description	Status
CRR 16	Data Protection	To ensure the Council meets all of its statutory obligations relating to the protection of personal and confidential data.	
<b>Consequences</b>		Legal action resulting in large fines (£100k-£500k). Reputational damage and adverse publicity.	
<b>Original Matrix</b>		<b>Original Rating Description</b>	
	<b>Original Impact</b>	D	2
		Major	<b>Original Likelihood</b>
<b>Current Risk Matrix</b>		<b>Current Rating Description</b>	
	<b>Current Impact</b>	D	2
		Major	<b>Current Likelihood</b>
<b>Target Risk Matrix</b>		<b>Target Rating Description</b>	
	<b>Target Impact</b>	D	1
		Major	<b>Target Likelihood</b>
<b>Latest Progress</b>		<b>Last Review Date</b>	<b>SMT Lead</b>
9-Jan-2015 A range of data protection policies are available to all staff on the intranet, in addition to regular updates based on current cases. <a href="http://intranet.ryedale.gov.uk/Default.aspx?page=6859">http://intranet.ryedale.gov.uk/Default.aspx?page=6859</a>		9-Jan-2015	Phil Long

CRR 17 Regulation and Investigatory Powers Act

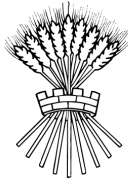
Risk Code	Risk Title	Description	Status
CRR 17	Regulation and Investigatory Powers Act	That the Council does not meet the requirements of legislation including the RIPA 2000 and the Protection of Freedoms Act 2012	
<b>Consequences</b>		That the Council is found to be in breach of the legislation.	
<b>Original Matrix</b>		<b>Original Rating Description</b>	
	Original Impact	D	1
		Major	Original Likelihood
<b>Current Risk Matrix</b>		<b>Current Rating Description</b>	
	Current Impact	C	1
		Medium	Current Likelihood
<b>Target Risk Matrix</b>		<b>Target Rating Description</b>	
	Target Impact	C	1
		Medium	Target Likelihood
<b>Latest Progress</b>			<b>Last Review Date</b>
15-Oct-2014 key responsibilities allocated to members of Management team and training undertaken.			15-Oct-2014
			<b>SMT Lead</b>
			Phil Long

**CRR 18 Member Development**

Risk Code	Risk Title	Description			Status
CRR 18	Member Development	That members of the council do not have the opportunity to develop the skills and competencies to ensure they participate in robust decision making			
<b>Consequences</b>		That the Council is found to be in breach of the legislation or a decision is found to be unsound, the council is unable to deliver its priorities.			
<b>Original Matrix</b>		<b>Original Rating Description</b>			
		<b>Original Impact</b>	D	<b>Original Likelihood</b>	1
			Major		Very Low
<b>Current Risk Matrix</b>		<b>Current Rating Description</b>			
		<b>Current Impact</b>	D	<b>Current Likelihood</b>	1
			Major		Very Low
<b>Target Risk Matrix</b>		<b>Target Rating Description</b>			
		<b>Target Impact</b>	C	<b>Target Likelihood</b>	1
			Medium		Very Low
<b>Latest Progress</b>				<b>Last Review Date</b>	<b>SMT Lead</b>
9-Jan-2015 Member development programme in place and managed effectively by member working party. Competency framework in place with programme in place to reflect the skills and knowledge required and help to				9 January 2015	Janet Waggott

ensure that Members have access to relevant training. Induction programme being planned to ensure that any new members elected in May 2015 have effective and relevant induction and any statutory training required to enable participation in decision making and to ensure this is robust.

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<b>REPORT TO:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE</b>
<b>DATE:</b>	<b>29 JANUARY 2015</b>
<b>REPORT OF THE:</b>	<b>FINANCE MANAGER (s151) PETER JOHNSON</b>
<b>TITLE OF REPORT:</b>	<b>ANNUAL GOVERNANCE STATEMENT ACTION PLAN</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

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## **EXECUTIVE SUMMARY**

### **1.0 PURPOSE OF REPORT**

- 1.1 The report informs Members of the progress made to address the actions identified in the 2013-14 Annual Governance Statement (AGS) action plan.

### **2.0 RECOMMENDATION**

- 2.1 It is recommended that Members note the progress made to address identified actions in the 2013-14 AGS action plan.

### **3.0 REASON FOR RECOMMENDATION**

- 3.1 Monitoring progress with identified actions in the AGS is good practice and it helps to demonstrate to the external auditors that the audit committee is properly exercising its role.

### **4.0 SIGNIFICANT RISKS**

- 4.1 There are no significant risks.

### **5.0 POLICY CONTEXT AND CONSULTATION**

- 5.1 There is no impact upon specific policies, although the AGS is an important corporate document demonstrating the Council's commitment to an open and transparent philosophy in all its activities.

### **6.0 REPORT DETAILS**

- 6.1 Good governance is important to all involved in local government; however, it is a key responsibility of the Leader of the Council and of the Chief Executive.

- 6.2 The preparation and publication of an Annual Governance Statement in accordance with the Cipfa/SOLACE Framework is necessary to meet the statutory requirements set out in Regulation 4(2) of the Accounts and Audit Regulations 2011 which require each authority to “conduct a review at least once in a year of the effectiveness of its system of internal control” and to prepare a statement on internal control “in accordance with proper practices”.
- 6.3 To meet the requirement to review the AGS an Action Plan has been agreed and is subject to review by the Council’s Audit Committee.
- 6.4 This report presents a review of the implementation of actions proposed in the Action Plan associated with the 2013-14 AGS.
- 6.5 The Action Plan detailed in Appendix A, sets out the current position with comments on the actions proposed in the plan.
- 6.6 The AGS Action Plan is a document that should be reviewed periodically during the year. A final review will be completed when the AGS for 2014-15 is being drafted and any current items which remain outstanding will then be brought forward into the new AGS.

## **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

**Peter Johnson**  
**Finance Manager (s151)**

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**Background Papers:**  
None

## ANNUAL GOVERNANCE STATEMENT 2013/14

## Action Plan for Implementation in 2014/15

STATUS	CONTROL ISSUE	ACTION PROPOSED	RESPONSIBILITY	TARGET DATE	CURRENT POSITION & COMMENTS
Brought Forward	Risk of compromise and weaknesses in operational systems as a consequence of continuing reductions in staffing as Government funding cuts made.	Where changes in staffing occur, that changes in operating arrangements are reviewed prior to reducing the controls.  Internal audit will be included in working groups reviewing operating systems and arrangements, including commissioning, partnership arrangements etc.  Also see <i>delegated authority limits</i> below.	Finance Manager (s151 Officer)	Continuing	This will be a continuing issue in 2015/2016 and beyond. Internal Audit advice given on cheque handling procedures in the current financial year.
Brought Forward	Procurement Risk as the Council undertakes a significant OJEU procurement for Leisure Management.	The Authority is part of the North Yorkshire Procurement Partnership and will ensure advice is taken supplemented by service specific advice for both procurements.	Corporate Director, Head of Environmental Services	September 2014	Leisure contract awarded to SLM, trading as Everyone Active..

2013/14	In year Internal Audits offering limited assurance.	Management to specifically monitor the progress on agreed actions from these Internal Audit Reports.	Heads of Service and Finance Manager.	In line with the dates for completion for agreed actions from the audit reports	Bi-monthly monitoring through Management Team ongoing. No significant issues to report at this time.
2013/14	Delegated authority limits	As a result of the change in s151 officer, the authority will review the current scheme of delegation, starting with the constitution through to individual authorisation levels.	Head of Corporate Services, Finance Manager (s151 Officer)	December 2014	Process completed.



## OVERVIEW AND SCRUTINY ITEM, FOR CONSIDERATION PRIOR TO FULL COUNCIL

RYEDALE  
DISTRICT  
COUNCIL



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<b>REPORT TO:</b>	<b>COUNCIL</b>
<b>DATE:</b>	<b>24 FEBRUARY 2015</b>
<b>REPORT OF THE:</b>	<b>FINANCE MANAGER (s151) PETER JOHNSON</b>
<b>TITLE OF REPORT:</b>	<b>TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2015/16</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

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### EXECUTIVE SUMMARY

#### 1.0 PURPOSE OF REPORT

- 1.1 To consider the Treasury Management and Annual Investment Strategies, the Minimum Revenue Provision Policy and set the Prudential Indicators for 2015/16.

#### 2.0 RECOMMENDATIONS

- 2.1 That Council is recommended to approve:
- (i) Members receive this report;
  - (ii) The Treasury Management and Investment Strategies be noted and approved by the Council;
  - (iii) The Minimum Revenue Provision Policy Statement be approved by the Council and;
  - (iii) That the Prudential Indicators in the report be approved by the Council.

#### 3.0 REASON FOR RECOMMENDATIONS

- 3.1 The Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities (The Code) was adopted by the Council.
- 3.2 The Local Government Act 2003 and supporting regulations requires the Council to have regard to specified codes of practice, namely the CIPFA publications *Prudential Code for Capital Finance in Local Authorities* and *Treasury Management in the Public Services; Code of Practice and Cross Sectoral Guidance Notes*.

#### **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 policy, these are minimised. The employment of Treasury Advisors also helps reduce the risk.

#### **5.0 POLICY CONTEXT AND CONSULTATION**

- 5.1 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 and the relevant requirements of the Local Government Act 2003.
- 5.2 The Council use the services of Capita Asset Services to provide treasury management information and advice.

### **REPORT**

#### **6.0 REPORT DETAILS**

- 6.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 6.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 6.3 CIPFA defines treasury management as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

##### **Reporting Requirements**

- 6.4 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. These reports are required to be adequately scrutinised by committee before being recommended to the Council. This role will be undertaken by the Audit Committee.

***Prudential and Treasury Indicators and Treasury Strategy*** (this report) – The first and most important report covers:

- The capital plans (including prudential indicators);
- A Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time);
- The Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- An investment strategy (the parameters on how investments are to be managed).

**A Mid Year Treasury Management Report.** This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy or whether any policies require revision.

**An Annual Treasury Report.** This provides details of a selection of actual prudential treasury indicators and actual treasury operations compared to the estimates within the strategy.

**Treasury Management Strategy for 2015/16**

6.5 The strategy for 2015/16 covers two main areas

**Capital Issues**

- The capital plans and prudential indicators
- The MRP strategy

**Treasury Management Issues**

- The current treasury position;
- Treasury indicators which will limit the treasury risk and activities of the Council;
- Prospects for interest rates;
- The borrowing strategy;
- Policy on borrowing in advance of need;
- The investment strategy; and
- Creditworthiness policy.

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

**THE CAPITAL PRUDENTIAL INDICATORS 2015/16 – 2017/18**

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

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

<b>Capital Expenditure</b>	<b>2013/14 Actual £m</b>	<b>2014/15 Estimate £m</b>	<b>2015/16 Estimate £m</b>	<b>2016/17 Estimate £m</b>	<b>2017/18 Estimate £m</b>
<b>Capital Programme</b>	<b>3.331</b>	<b>2.328</b>	<b>1.263</b>	<b>0.782</b>	<b>0.749</b>

The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already included borrowing instruments.

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

Capital Expenditure	2013/14 Actual £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Total	3.331	2.328	1.263	0.782	0.749
<b>Financed by:</b>					
Capital receipts	-0.321	0	-0.407	-0.030	-0.135
Capital grants	-1.885	-0.508	-0.200	-0.200	-0.200
Revenue	-1.125	-0.030	-0.376	-0.552	-0.327
<b>Net financing need for the year</b>	<b>0</b>	<b>1.790</b>	<b>0.280</b>	<b>0</b>	<b>0.087</b>

#### 6.9 The Council's Borrowing Need (the Capital Financing Requirement)

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

- 6.10 Following accounting changes the CFR includes any other long term liabilities (e.g. PFI schemes, finance leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £0.254m of such schemes within the CFR.

#### The Council is asked to approve the CFR projections below:

£m	2013/14 Actual £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
<b>Capital Financing Requirement</b>					
CFR – non Housing	0.254	2.306	2.686	2.764	2.620
<b>Total CFR</b>	<b>0.254</b>	<b>2.306</b>	<b>2.686</b>	<b>2.764</b>	<b>2.620</b>
<b>Movement in CFR</b>	<b>-0.041</b>	<b>2.052</b>	<b>0.380</b>	<b>0.078</b>	<b>-0.144</b>

<b>Movement in CFR represented by</b>					
Net financing need for the capital programme	0	1.790	0.280	0	0.087
Net financing need – other long term liabilities	0.152	0.416	0.316	0.316	0
Less MRP and other financing movements	-0.193	-0.154	-0.216	-0.238	-0.231
<b>Movement in CFR</b>	<b>-0.041</b>	<b>2.052</b>	<b>0.380</b>	<b>0.078</b>	<b>-0.144</b>

#### **MRP Policy Statement**

- 6.11 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision – MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision – VRP).
- 6.12 CLG Regulations have been issued which require the full Council to approve an MRP Policy Statement in advance of each year. A variety of options are provided to councils so long as there is a prudent provision. **The Council is recommended to approve the following MRP Statement.**

Certain expenditure reflected within the actual debt liability at 31 March 2014 will under delegated powers be subject to MRP under option 3 of the guidance; this relates to the acquisition through finance lease of refuse and recycling vehicles and will be charged over a period which is commensurate with the life of the lease, using the annuity method.

For future borrowing, estimated life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will be divided up in cases where there are two or more major components with substantially different useful economic lives.

#### **The Use of the Council's Resources and the Investment Position**

- 6.13 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an on-going impact on investments unless resources are supplemented each year from new sources (asset sales etc). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

<b>Year End Resources</b>	<b>2013/14 Actual £m</b>	<b>2014/15 Estimate £m</b>	<b>2015/16 Estimate £m</b>	<b>2016/17 Estimate £m</b>	<b>2017/18 Estimate £m</b>
Fund balances / reserves	3.604	3.364	3.316	2.939	2.830
Capital receipts	0.155	0.605	0.240	0.252	0.159
Other	0	0	0	0	0
<b>Total core funds</b>	<b>3.759</b>	<b>3.969</b>	<b>3.556</b>	<b>3.191</b>	<b>2.989</b>
Working capital*	1.100	1.500	1.750	2.000	2.000
Under/over borrowing	0	0.280	0	0	0
<b>Expected Investments</b>	<b>4.859</b>	<b>5.749</b>	<b>5.306</b>	<b>5.191</b>	<b>4.989</b>

\*working capital balances shown are estimated year end; these may be higher mid year

#### **Affordability Prudential Indicators**

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

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

<b>%</b>	<b>2013/14 Actual £m</b>	<b>2014/15 Estimate £m</b>	<b>2015/16 Estimate £m</b>	<b>2016/17 Estimate £m</b>	<b>2017/18 Estimate £m</b>
Non HRA	1.80%	2.71%	3.91%	2.81%	2.06%

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

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

**Incremental impact of capital investment decisions on the band D council tax**

£	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
<b>Council tax – band D</b>	£1.08	£1.40	£1.82

**TREASURY MANAGEMENT STRATEGY**

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

**Current Portfolio Position**

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

	2013/14 Actual £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
<b>External Debt</b>					
Debt at 1 April	0	0	2.070	2.028	1.987
Expected change in debt	0	2.070	-0.042	-0.041	-0.041
Other long term liabilities (OLTL)	0.295	0.254	0.516	0.658	0.777
Expected change in OLTL	-0.041	0.262	0.142	0.119	-0.190
<b>Actual gross debt at 31 March</b>	<b>0.254</b>	<b>2.586</b>	<b>2.686</b>	<b>2.764</b>	<b>2.533</b>
<b>Capital financing Requirement</b>	<b>0.254</b>	<b>2.306</b>	<b>2.686</b>	<b>2.764</b>	<b>2.620</b>
<b>Under / (over) borrowing</b>	0	(0.280)	0	0	0.087

- 6.17 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its total debt net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2015/16 and the following two financial years (shown as net borrowing above). This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

- 6.18 The Finance Manager (s151) reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

**Treasury Indicators: Limits to Borrowing Activity**

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

<b>Operational Boundary</b>	<b>2014/15 Estimate £m</b>	<b>2015/16 Estimate £m</b>	<b>2016/17 Estimate £m</b>	<b>2017/18 Estimate £m</b>
Debt	5.000	5.000	5.000	5.000
Other long term liabilities	0.600	0.700	0.800	0.600
<b>Total</b>	<b>5.600</b>	<b>5.700</b>	<b>5.800</b>	<b>5.600</b>

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

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

**The Council is asked to approve the following Authorised Limit:**

<b>Authorised Limit</b>	<b>2014/15 Estimate £m</b>	<b>2015/16 Estimate £m</b>	<b>2016/17 Estimate £m</b>	<b>2017/18 Estimate £m</b>
Debt	20.000	20.000	20.000	20.000
Other long term liabilities	0.900	1.000	1.100	0.900
<b>Total</b>	<b>20.900</b>	<b>21.000</b>	<b>21.100</b>	<b>20.900</b>

**Prospects for Interest Rates**

- 6.21 The Council has appointed Capita as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Annex G draws together a number of current city forecasts for short term (bank rate) and longer fixed interest rates. The following table gives the Capita central view.

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

Sep 2017	1.75	3.40	4.70	4.70
Dec 2017	1.75	3.50	4.70	4.70
Mar 2018	2.00	3.60	4.80	4.80

6.22 UK GDP growth surged during 2013 and the first half of 2014. Since then it appears to have subsided somewhat but still remains strong by UK standards and is expected to continue likewise into 2015 and 2016. There needs to be a significant rebalancing of the economy away from consumer spending to manufacturing, business investment and exporting in order for this recovery to become more firmly established. One drag on the economy has been that wage inflation has only recently started to exceed CPI inflation, so enabling disposable income and living standards to start improving. The plunge in the price of oil brought CPI inflation down to a low of 1.0% in November, the lowest rate since September 2002. Inflation is expected to stay around or below 1.0% for the best part of a year; this will help improve consumer disposable income and so underpin economic growth during 2015. However, labour productivity needs to improve substantially to enable wage rates to increase and further support consumer disposable income and economic growth. In addition, the encouraging rate at which unemployment has been falling must eventually feed through into pressure for wage increases, though current views on the amount of hidden slack in the labour market probably means that this is unlikely to happen early in 2015.

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

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

- Greece: the general election on 25 January 2015 is likely to bring a political party to power which is anti EU and anti austerity. However, if this eventually results in Greece leaving the Euro, it is unlikely that this will directly destabilise the Eurozone as the EU has put in place adequate firewalls to contain the immediate fallout to just Greece. However, the indirect effects of the likely strengthening of anti EU and anti austerity political parties throughout the EU is much more difficult to quantify;
- As for the Eurozone in general, concerns in respect of a major crisis subsided considerably in 2013. However, the downturn in growth and inflation during the second half of 2014, and worries over the Ukraine situation, Middle East and Ebola, have led to a resurgence of those concerns as risks increase that it could be heading into deflation and prolonged very weak growth. Sovereign debt difficulties have not gone away and major concerns could return in respect of individual countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2015/16 and beyond;
- Borrowing interest rates have been volatile during 2014 as alternating bouts of good



and bad news have promoted optimism, and then pessimism, in financial markets. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years, however borrowing interest rates are now forecast to be on a rising trend;

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

### **Borrowing Strategy**

6.24 The Council has resolved to borrow £2.07m as funding towards the 4 year capital programme. Although specifically earmarked as funding towards the A64 Brambling Fields upgrade, the council has delayed borrowing until internal capital funds reached the point where they were insufficient to meet capital expenditure. Following advice from Treasury Advisors and having regard to an overall forecast for increases in long term borrowing rates over the next few years, the Council has now undertaken £1.75m of its total borrowing requirement.

The Chief Financial Officer will monitor interest rates in conjunction with Treasury Advisors and seek to borrow the remaining £320K at the most advantageous point in time. Any decision will be reported to the Policy and Resources Committee.

### **Treasury Management Limits on Activity**

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

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

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

%	2015/16 £'000	2016/17 £'000	2017/18 £'000
<b>Interest Rates Exposure</b>	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
<b>Borrowing:</b>			
Limits on fixed interest rates	100%	100%	100%
Limits on variable interest rates	5%	5%	5%
<b>Investments:</b>			
Limits on fixed interest rates	100%	100%	100%
Limits on variable interest rates	50%	50%	50%
<b>Maturity Structure of fixed interest rate borrowing 2015/16</b>		<b>Lower %</b>	<b>Upper %</b>
Under 12 months		0%	0%
12 months to 2 years		0%	0%
2 years to 5 years		0%	0%
5 years to 10 years		0%	0%

10 years to 20 years	36%	52%
20 years to 30 years	0%	15%
30 years to 40 years	0%	15%
40 years to 50 years	48%	64%

### **Policy on Borrowing in Advance of Need**

- 6.26 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

### **ANNUAL INVESTMENT STRATEGY**

#### **Investment Policy**

- 6.27 The Council's investment policy has regard to the CLGs Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code") The Council's investment priorities will be security first, liquidity second, and then return.
- 6.28 In accordance with guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency. Using the Sector ratings service banks ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.
- 6.29 Further the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "Credit Default Swaps" and overlay that information on top of the credit ratings. This is fully integrated into the credit methodology provided by the advisors, Sector in producing its colour coding which show the varying degrees of creditworthiness.
- 6.30 The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk. The intention of the strategy is to provide security of investment and minimisation of risk.
- 6.31 Investment securities identified for use in the financial year are listed in Annex B under the Specified and Non-Specified Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices – schedules. The Council's bankers are excluded from these limits.

### **Creditworthiness Policy**

- 6.32 This Council applies the creditworthiness service provided by Sector. This service employs a sophisticated modelling approach utilising credit ratings from all three main credit rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:
- Credit watches and credit outlooks from credit rating agencies;
  - CDS spreads to give early warning of likely changes in credit ratings;
  - Sovereign ratings to select counterparties from only the most creditworthy countries.
- 6.33 This modelling approach combines credit ratings, credit watches, and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands, which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments. The Council will therefore use the counterparties within the following durational bands:
- Yellow 5 years \*
  - Dark Pink 5 years for enhanced money market funds with a credit score of 1.25
  - Light Pink 5 years for enhanced money market funds with a credit score of 1.5
  - Purple 2 years
  - Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
  - Orange 1 year
  - Red 6 months
  - Green 100 days
  - No colour not to be used
- \* This category has been added for AAA rated Government debt or its equivalent.
- 6.34 The Sector creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency ratings.
- 6.35 Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of Short Term rating F1, Long Term rating A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.
- 6.36 All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Sector creditworthiness service.
- If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be with drawn immediately;
  - In addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the lending list.

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

#### **Country Limits**

6.38 The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies). The list of countries that qualify using this credit criteria as at the date of this report are shown in Annex C. This list will be added to or deducted from by officers should ratings change in accordance with this policy.

#### **Investment Strategy to be followed with cash flow derived balances**

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

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

- 2014/2015 0.50%
- 2015/2016 0.75%
- 2016/2017 1.25%
- 2017/2018 2.00%

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

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

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

<b>Maximum principal sums invested &gt; 364 days</b>			
	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Principal sums invested > 364 days	£1.0m	£1.0m	£1.0m

6.42 For its cash flow generated balances, the Council will seek to utilise its business reserve accounts, notice accounts, and short dated deposits (overnight to three months) in order to benefit from the compounding of interest.

#### **End of Year Investment Report**

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

#### **Policy on the use of external service providers**

6.44 The Council currently uses Sector as its external treasury management advisors.

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

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

**Scheme of Delegation**

6.47 Please see Annex D.

**Role of the section 151 officer**

6.48 Please see Annex E.

**7.0 IMPLICATIONS**

7.1 The following implications have been identified:

- a) Financial  
The results of the investment strategy affect the funding of the Capital Programme.
- b) Legal  
There are no legal implications regarding this report.
- c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)  
There are no legal implications regarding this report.

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**Background Papers:**  
None

**Background Papers are available for inspection at:**  
None

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## TREASURY MANAGEMENT STATEMENT AND INVESTMENT STRATEGY REPORT- RISK MATRIX – ANNEX A

Issue/Risk	Consequences if allowed to happen	Likelihood	Impact	Mitigation	Mitigated Likelihood	Mitigated Impact
Credit risk - associated with investing with financial institutions that do not meet the credit rating criteria.	Could mean loss of principal sum and interest accrued.	<b>2</b>	<b>D</b>	Although the economic climate is improving, counterparty risk is still a big issue. As a result the Council have adopted a stringent credit rating methodology.	<b>1</b>	<b>D</b>
Market risk - Selection of wrong type of investment for higher return.	The poor performance of the chosen investment.	<b>2</b>	<b>B</b>	The number of investment options is kept to a minimum. Investments are normally restricted to short term fixed rate deposits or instant access accounts.	<b>2</b>	<b>B</b>
Liquidity risk - Use of fixed term deposits and / or instruments / investments with low marketability may mean a lack of liquidity	Unable to take advantage of better investment options. Funds are unavailable to cover capital spend.	<b>1</b>	<b>B</b>	This Strategy specifies the type of instrument the authority is prepared to invest in and maximum terms for those investments, after taking advice from Treasury Advisors.	<b>1</b>	<b>B</b>

Score	Likelihood	Score	Impact
1	Very Low	A	Low
2	Not Likely	B	Minor
3	Likely	C	Medium
4	Very Likely	D	Major
5	Almost Certain	E	Disaster

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### SPECIFIED AND NON-SPECIFIED INVESTMENTS

#### SPECIFIED INVESTMENTS:

All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable. These are considered low risk assets where the possibility of loss of principal or investment income is small.

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

Investment	Minimum Credit Criteria / Colour Band	£ limit per institution	Max maturity period
Debt Management Agency Deposit Facility	N/A	£2.5m	6 months
Term deposits – local authorities	N/A	£2.5m	1 year
Term deposits - UK part nationalised banks	Blue **	£3.0m	1 year
Term deposits – banks and building societies	Orange Red Green No colour	£2.5m	Up to 1 year Up to 6 months Up to 100 days Not for use
Money Market Funds	AAA	£2.5m	Liquid

\*\*only applies to nationalised or semi nationalised UK Banks

## NON-SPECIFIED INVESTMENTS

A maximum of £1.0m will be held in aggregate in non-specified investment

### 1. Maturities of ANY period

Investment	Minimum Credit Criteria / Colour Band	Maximum Investment	Maximum maturity period
Certificates of deposits issued by banks and building societies	Green	£1.0m	Up to 2 years
UK Government Gilts	Sovereign rating	£1.0m	Up to 2 years
Bonds issued by multilateral development banks	AAA	£1.0m	Up to 2 years
Bonds issued by a financial institution which is explicitly guaranteed by the UK government	Sovereign rating	£1.0m	Up to 2 years
Fixed term deposits with variable rate and variable maturities:			
Structured deposits	Green	£1.0m	Up to 2 years
Commercial paper issuance by UK banks covered by UK Government guarantee	Green	£1.0m	Up to 2 years
Other debt issuance by UK banks covered by UK Government guarantee	Green	£1.0m	Up to 2 years

This Authority will seek further advice on the appropriateness and associated risks with investments in these categories.

### 2. Maturities in excess of 1 year

Investment	Minimum Credit Criteria	Maximum Investment	Maximum maturity period
Term deposits – local authorities	N/A	£1.0m	Up to 2 Years
Term deposits – banks and building societies	Purple	£1.0m	Up to 2 Years

**APPROVED COUNTRIES FOR INVESTMENT**

*Based on lowest available rating*

AAA

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

AA+

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

AA

- Abu Dhabi (UAE)
- France
- Qatar

AA-

- Belgium
- Saudi Arabia

## TREASURY MANAGEMENT SCHEME OF DELEGATION

### 1. Full Council

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

### 2. Policy and Resources Committee

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

### 3. Audit Committee

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

## THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

### **The S151 (responsible) officer**

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

**UK.** After strong UK GDP growth in 2013 at an annual rate of 2.7%, and then in 2014 0.7% in Q1, 0.9% in Q2 2014 (annual rate 3.2% in Q2), Q3 has seen growth fall back to 0.7% in the quarter and to an annual rate of 2.6%. It therefore appears that growth has eased since the surge in the first half of 2014 leading to a downward revision of forecasts for 2015 and 2016, albeit that growth will still remain strong by UK standards. For this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance. This overall strong growth has resulted in unemployment falling much faster than expected. The MPC is now focusing on how quickly slack in the economy is being used up. It is also particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back significantly above the level of inflation in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Unemployment is expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in wage growth at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.

Also encouraging has been the sharp fall in inflation (CPI), reaching 1.0% in November 2014, the lowest rate since September 2002. Forward indications are that inflation is likely to remain around or under 1% for the best part of a year. The return to strong growth has helped lower forecasts for the increase in Government debt over the last year but monthly public sector deficit figures during 2014 have disappointed until November. The autumn statement, therefore, had to revise the speed with which the deficit is forecast to be eliminated.

**Eurozone (EZ).** The Eurozone is facing an increasing threat from weak or negative growth and from deflation. In November 2014, the inflation rate fell further, to reach a low of 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB took some rather limited action in June and September 2014 to loosen monetary policy in order to promote growth. It now appears likely that the ECB will embark on full quantitative easing (purchase of EZ country sovereign debt) in early 2015.

Concern in financial markets for the Eurozone subsided considerably after the prolonged crisis during 2011-2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise for some countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. The ECB's pledge in 2012 to buy unlimited amounts of bonds of countries which ask for a bailout has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2013 figures) of Greece 180%, Italy 133%, Portugal 129%, Ireland 124% and Cyprus 112%, remain a cause of concern, especially as some of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. these debt ratios are likely to

continue to deteriorate. Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US.

**Greece:** the general election due to take place on 25 January 2015 is likely to bring a political party to power which is anti EU and anti austerity. However, if this eventually results in Greece leaving the Euro, it is unlikely that this will directly destabilise the Eurozone as the EU has put in place adequate firewalls to contain the immediate fallout to just Greece. However, the indirect effects of the likely strengthening of anti EU and anti austerity political parties throughout the EU is much more difficult to quantify. There are particular concerns as to whether democratically elected governments will lose the support of electorates suffering under EZ imposed austerity programmes, especially in countries which have high unemployment rates. There are also major concerns as to whether the governments of France and Italy will effectively implement austerity programmes and undertake overdue reforms to improve national competitiveness. These countries already have political parties with major electoral support for anti EU and anti austerity policies. Any loss of market confidence in either of the two largest Eurozone economies after Germany would present a huge challenge to the resources of the ECB to defend their debt.

**USA.** The U.S. Federal Reserve ended its monthly asset purchases in October 2014. GDP growth rates (annualised) for Q2 and Q3 of 4.6% and 5.0% have been stunning and hold great promise for strong growth going forward. It is therefore confidently forecast that the first increase in the Fed. rate will occur by the middle of 2015.

**China.** Government action in 2014 to stimulate the economy appeared to be putting the target of 7.5% growth within achievable reach but recent data has indicated a marginally lower outturn for 2014, which would be the lowest rate of growth for many years. There are also concerns that the Chinese leadership has only started to address an unbalanced economy which is heavily over dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

**Japan.** Japan is causing considerable concern as the increase in sales tax in April 2014 has suppressed consumer expenditure and growth to the extent that it has slipped back into recession in Q2 and Q3. The Japanese government already has the highest debt to GDP ratio in the world.

## **CAPITA ASSET SERVICES FORWARD VIEW**

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

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

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

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

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

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

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

- An adverse reaction by financial markets to the result of the UK general election in May 2015 and the economic and debt management policies adopted by the new government
- ECB either failing to carry through on recent statements that it will soon start quantitative easing (purchase of government debt) or severely disappointing financial markets with embarking on only a token programme of minimal purchases which are unlikely to have much impact, if any, on stimulating growth in the EZ.
- The commencement by the US Federal Reserve of increases in the central rate in 2015 causing a fundamental reassessment by investors of the relative risks of



holding bonds as opposed to equities, leading to a sudden flight from bonds to equities.

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

## UK INTEREST RATE FORECAST

Capita Asset Services Interest Rate View													
	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
<b>Bank Rate View</b>	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	1.75%	2.00%
3 Month LIBID	0.50%	0.50%	0.60%	0.80%	0.90%	1.10%	1.10%	1.30%	1.40%	1.50%	1.80%	1.90%	2.10%
6 Month LIBID	0.70%	0.70%	0.80%	1.00%	1.10%	1.20%	1.30%	1.50%	1.60%	1.70%	2.00%	2.10%	2.30%
12 Month LIBID	0.90%	1.00%	1.10%	1.30%	1.40%	1.50%	1.60%	1.80%	1.90%	2.00%	2.30%	2.40%	2.60%
5yr PW IB Rate	2.20%	2.20%	2.30%	2.50%	2.60%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.60%
10yr PW IB Rate	2.80%	2.80%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PW IB Rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
50yr PW IB Rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
<b>Bank Rate</b>													
Capita Asset Services	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	1.75%	2.00%
Capital Economics	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	-	-	-	-	-
<b>5yr PW IB Rate</b>													
Capita Asset Services	2.20%	2.20%	2.30%	2.50%	2.60%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.60%
Capital Economics	2.20%	2.50%	2.70%	3.00%	3.10%	3.20%	3.30%	3.40%	-	-	-	-	-
<b>10yr PW IB Rate</b>													
Capita Asset Services	2.80%	2.80%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
Capital Economics	2.80%	3.05%	3.30%	3.55%	3.60%	3.65%	3.70%	3.80%	-	-	-	-	-
<b>25yr PW IB Rate</b>													
Capita Asset Services	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
Capital Economics	3.25%	3.45%	3.65%	3.85%	3.95%	4.05%	4.15%	4.25%	-	-	-	-	-
<b>50yr PW IB Rate</b>													
Capita Asset Services	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
Capital Economics	3.30%	3.50%	3.70%	3.90%	4.00%	4.10%	4.20%	4.30%	-	-	-	-	-

Please note – The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012