

OVERVIEW AND SCRUTINY COMMITTEE

Thursday 30 July 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 23 April 2015**

(Pages 3 - 4)

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 **Fuel Poverty and Affordable Warmth Scrutiny Review**

(Pages 5 - 30)

7 **Home & Communities Agency - Derwent Lodge External Audit**

(Pages 31 - 38)

8 **Annual Internal Audit Report 2014/15**

(Pages 39 - 60)

- 9 **Annual Governance Statement 2014/15** (Pages 61 - 70)
- 10 **Treasury Management Annual Report 2014/15** (Pages 71 - 82)
- 11 **Any other business that the Chairman decides is urgent.**

Overview and Scrutiny Committee

Held at Council Chamber, Ryedale House, Malton
on Thursday 23 April 2015

Present

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

In Attendance

Audrey Adnitt, Sarah Anderson, Stuart Cutts and Peter Johnson

Minutes

90 **Apologies for absence**

There were no apologies for absence.

91 **Minutes of the meeting held on the 29 January 2015**

Decision

That the minutes of the Overview and Scrutiny Committee held on the 29 January 2015, be approved and signed by the Chairman as a correct record.

92 **Urgent Business**

There were no items of urgent business.

93 **Declarations of Interest**

There were no declarations of interest.

94 **Deloitte - Certification of Claims and Returns 2013/14 Annual Report**

Considered – The Certification of Claims and Returns 2013/14 Annual Report from Deloitte.

Decision

That the report be received.

95 **Internal Audit - Progress Report**

Considered the report of the Finance Manager (s151).

Decision

That the report be received and the progress noted. It was agreed that in future any significant changes to the scheduled audit plan be brought before the Audit Committee for approval.

96 Deloitte - Audit Plan 2015

Considered the Audit Plan 2015 from Deloittes.

Councillor Paul Andrews requested that a progress report on the planned system to administer S106 monies be brought to a future meeting of the Audit Committee.

Decision

That the report be noted. In light of the further budget cuts that were likely to occur in future years, Councillors suggested that consideration be given, at an appropriate time to reinstating the former joint staffing committee, and that an officer report be produced at such time.

97 Internal Audit Plan 2015/16

Considered the report of the Finance Manager (s151).

Decision

That the Internal Audit Plan 2015/16 be approved.

98 Any other business that the Chairman decides is urgent.

There being no items of urgent business, the meeting closed at 7.30pm.



REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	30 JULY 2015
REPORT OF THE:	CHAIRMAN OF OVERVIEW AND SCRUTINY
TITLE OF REPORT:	FUEL POVERTY AND AFFORDABLE WARMTH SCRUTINY REVIEW
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 To present the draft report of the scrutiny review of fuel poverty and affordable warmth.

2.0 RECOMMENDATIONS

- 2.1 That members agree the final version of the report which is attached at annex A
- 2.2 That members agree the recommendations arising from the review.

3.0 SIGNIFICANT RISKS

- 3.1 There are no risks associated with the review.

4.0 BACKGROUND AND INTRODUCTION

- 4.1 The Overview and Scrutiny Committee has commissioned a review of fuel poverty in Ryedale. The members of the committee have met regularly as a task group and have prepared the report attached

5.0 CONSULTATION

- 5.1 The review has considered the views of partner organisations and research undertaken previously on this topic.

6.0 REPORT DETAILS

- 6.1 The detail of the work undertaken, the conclusions drawn and the recommendations made are all to be found in the report attached at Annex A

7.0 NEXT STEPS

7.1 Following agreement of the recommendations by the Committee, these will be referred to the appropriate committee for consideration by that Committee.

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Head of Corporate Services

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Background Papers:

Scrutiny Review

Fuel Poverty and Affordable Warmth

RYEDALE
DISTRICT
COUNCIL



Draft Report to Scrutiny Committee
June 2015

1.Executive Summary

This Report sets out the results of a review of fuel poverty in the Ryedale area. This review has been carried out by Ryedale District Council's Scrutiny Committee.

The aim of the review was to try to answer the following questions:

1. Define the scale of the problem in Ryedale – extent and depth of fuel poverty
2. Review the effectiveness of government initiatives in Ryedale
3. Determine the potential for community led fuel generation schemes to improve energy costs – what role do the community rights play in these?
4. Assess the potential to influence the policy environment and prepare draft responses

The review involved

- Analysis of all available data with a view to
 - Finding the fuel poor in Ryedale
 - Targeting any future initiatives or investment to reduce fuel poverty
- Developing a clearer understanding of the two fuel poverty indicators:
 - The 10% indicator and
 - The high cost low income indicator
- Meeting with officers who are working in Ryedale to identify and alleviate fuel poverty including:
 - Serena Williams, Environmental Health Officer, Ryedale District Council
 - Helen James, Oil Buying Co-ordinator, Yorkshire Energy Partnership
 - Kathryn Chapman, North Yorkshire Development Officer , Rural Action Yorkshire
 - Maggie Farey, North Yorkshire Development Officer , Rural Action Yorkshire
- Attending regional events including:
 - Cutting the cost of keeping warm – a consultation to prepare for a new Fuel Poverty Strategy for England 20.9.14
 - NEA Yorkshire and Humber Fuel Poverty Forum, 20.6.14
 - NEA training event, Improving Energy Efficiency in Communities 14.10.14
 - Northern Gas Networks Stakeholder workshops, 20.1.14
- Responded to consultations relating to the development of nation fuel poverty strategy
- Review of the government programmes and access to these for rural and off gas households

Key findings included:

- Fuel poverty is caused by a combination of the following factors:
 - Energy inefficient housing
 - Fuel costs
 - Household incomes

The severity of the fuel poverty experienced will be influenced by the interplay between these factors as well as household composition and the age and health of members of the household

- It is not possible to find the fuel poor in Ryedale through the analysis of data currently available, it may however be possible to identify the fuel poor if the following data was available:
 - A detailed housing stock database
 - Energy Performance Certificate data
 - Self reported data collected by front line services
- By mapping the two fuel poverty indicators it is clear that households in the same locations are identified by each indicator. See chart at fig.1
- Fuel poverty affects the life chances of affected households, damages the health of those living on cold homes and affects their quality of life
- Fuel poor households will struggle to keep warm in cold weather with budgets stretched and difficult choices to be made to heat or eat
- Those who are particularly vulnerable to cold related ill health include older people, families with young children and those who are disabled or have a long term illness and those who may be socially isolated.
- The Ryedale Plan supports the contribution of community-led and farm scale renewable and low carbon solutions, the experience of partner organisations is that the community rights within the Localism Act do not advance the potential for such schemes.
- The Ryedale Plan requires the application of the Energy Hierarchy to all new development to support carbon reduction, long term energy security and reducing fuel poverty (achieving affordable warmth) and will be implemented in accordance with national building standards – The Code for Sustainable Homes and The Building Research Establishment Environmental Assessment Method (BREEAM)

The Committee made the following recommendations:

To Council:

1. That the Council should in future refer to fuel poverty as affordable warmth. Fuel poverty is the problem to be addressed and affordable warmth is the outcome to be achieved.
2. That the Council should continue to report on both of the fuel poverty indicators for Ryedale when reporting on the delivery of the Councils Business Plan
3. That the Council should continue to prioritise increasing wage levels in Ryedale by creating the conditions for economic success
4. To continue to challenge the assumptions made about those most likely to be affected by fuel poverty and continue to lobby for support for solutions which work in rural communities, and for all vulnerable households including young families, and anyone who is socially isolated.
5. To agree the funding for a stock condition survey for all property in Ryedale to provide the data to support the development and targeting of future initiatives to improve affordable warmth throughout the district.

To Planning Committee:

6. That the Council should be seeking new development to be built to the highest current codes for design and construction, lowering energy demand, encouraging occupants to reduce their energy use and supporting the use of renewable and/or low carbon sources.
7. To train members of the planning committee in the application of the energy hierarchy to new development and existing buildings.

To Management Team:

8. That officers should pursue the routes for accessing the Energy Performance Certificate data, and analysis of the policy implications of the insight provided.
9. To develop a concise set of questions, along the line of 'every contact counts', to help front line staff to identify those who are living in a cold home. Identify key staff and timing for a pilot and link to North Yorkshire Winter Health Strategy and ensure action is taken to help any household to achieve affordable warmth.
10. To gather any self-reported data on the location and incidence of fuel poverty through contact made with front line staff.
11. That officers should explore the feasibility of warm healthy homes type project in partnership with public health and stronger communities, to reduce social isolation and help to connect people - 'Warm communities' and 'winter champions'.
12. Make sure we communicate the key facts about keeping warm affordably at the right time of year to our residents, annually.

The Task Group wishes to thank all those who gave their time in contributing to this review.

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2 Scope of the review

The terms of reference for the Review were agreed at the Overview and Scrutiny Committee on the 4th April 2014. (See Appendix A)

The review will make recommendations to Council, the policy committees of the Council and the Management Team of the Council on the options available for trying to ensure the people in Ryedale can live in warm and safe homes in warm communities.

The review will try to answer the following questions:

1. What is the scale of the problem in Ryedale – extent and depth
2. Review the effectiveness of government initiatives in Ryedale
3. Determine the potential for community led fuel generation schemes to improve energy costs – what role do the community rights play in these?
4. Assess the potential to influence the policy environment and prepare draft responses for submission as opportunities arise

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3 Membership of the committee

G Acomb, P J Andrews, S L Collinson, D Cussons, G Hawkins, Mrs A D Hopkinson, J R Raper, Mrs E L Shields (Vice Chairman), C R Wainwright (Chairman), S Ward

Meeting dates of the Scrutiny Review Task Group:

07/11/13 Initial meeting of Task Group to draft terms of reference.
04/04/14 Terms of reference agreed by Scrutiny Committee
26/6/14 Task group meeting
2/10/14 Task group meeting
11/12/14 Task group meeting
25/6/15 Draft report and recommendations agreed by Task Group
O and S Committee meeting consider draft report and recommendations.

Scrutiny Review Task Group supporting officers:

Clare Slater (Head of Corporate Services)
Jane Robinson (Transformation Officer)
William Baines (Transformation Officer)
Serena Williams (Environmental Health Officer)

4 Methodology

The Committee/Task Group approached the review through:

- Researching the changes to the calculation of the national Fuel Poverty Indicator
- Researching and understanding the contributing factors of Fuel Poverty including:
 - Household income
 - Proportion being spent on keeping warm
 - Access to fuel and the cost of this
 - Amount of fuel required to keep warm
 - Hard to treat homes – fuel efficiency
 - Overlap of facing unreasonable energy costs and having a low income
- Presentation from RDC officers involved in energy efficiency projects
- Attendance at seminars, training events and consultation events
- Inviting officers from partner organisations to the committee to discuss their work and experience to help alleviate and prevent fuel poverty in Ryedale

5 Findings

The research undertaken highlighted the following key findings:

5.1 What is Fuel Poverty?

The 2001 UK Fuel Poverty Strategy defined a household as fuel poor if it needed to spend more than 10% of its income to achieve adequate energy services in the home, including reaching temperature standards.

In Ryedale, this equated to 26% (6,049) of households which made Ryedale the third worst in the country for levels of fuel poverty (Ranked: 324 out of 326 authorities) (10% Measure Source: DECC 2011)

In March 2012, the Hills Fuel Poverty Review (an independent review into Fuel Poverty) was published and found that the 10% measure was flawed and that it gave a misleading impression of trends, it excluded some affected by the problem at some times and included people with high income at others. The review recommended that fuel poverty should be measured by a new method called the Low Income High Cost (LIHC) which measures the extent of the problem and the Fuel Poverty Gap which measures its depth.

Under the new LIHC measurement, the % of households in fuel poverty dropped to 11.1% (2,583 households) and Ryedale is now ranked 187 out of 326 authorities. (LIHC Measure Source: DECC 2011)

5.2 Finding the Fuel Poor in Ryedale

The chart below shows the comparison of the low income, high cost indicator and the 10 % Fuel Poverty Indicator based on the Ryedale lower super output areas (LSOA) 2011. This illustrates that the communities experiencing fuel poverty as defined by each of the indicators are in similar locations. The difference in the indicators is the level of fuel poverty identify by number of households.

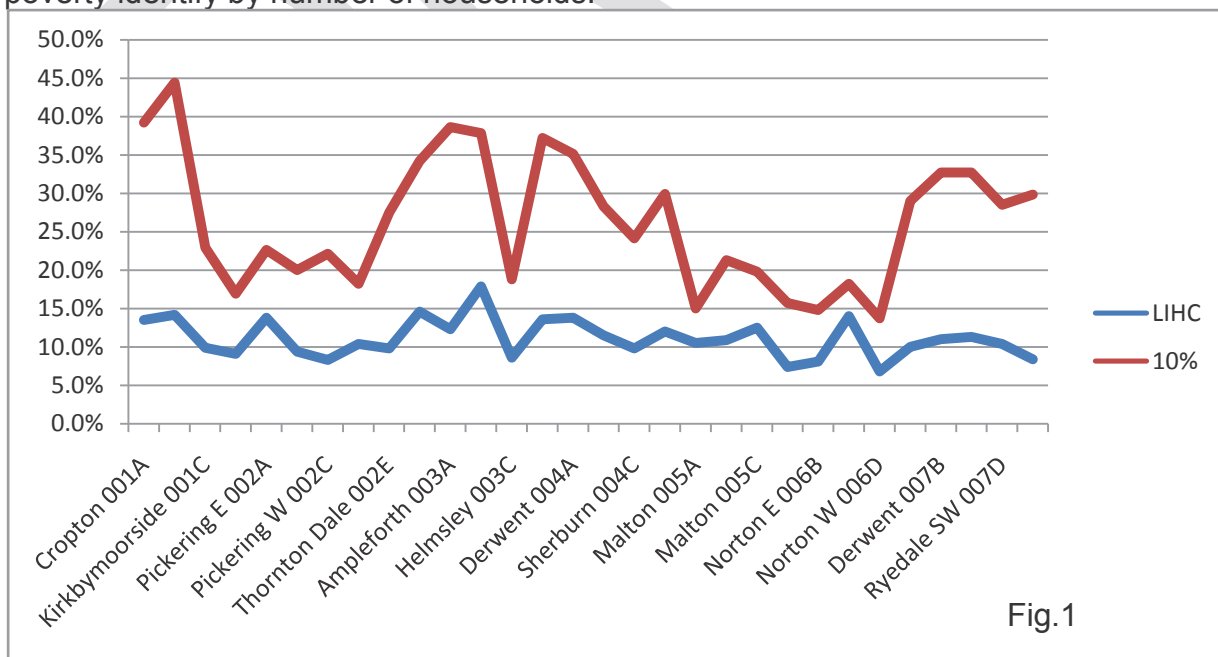


Fig.1

The map below shows the location of the areas most affected by fuel poverty as the darkest in colour.

Fuel Poverty Ratios for Yorkshire and the Humber, 2009
Percentage of households in fuel poverty by LSOA



Fig.2

In an attempt to find the fuel poor we compared the data for households in receipt of Council Tax single person discount (SPDC), by ward, with the census data for lone parent households and the Low Income High Cost (LIHC) fuel poverty indicator.

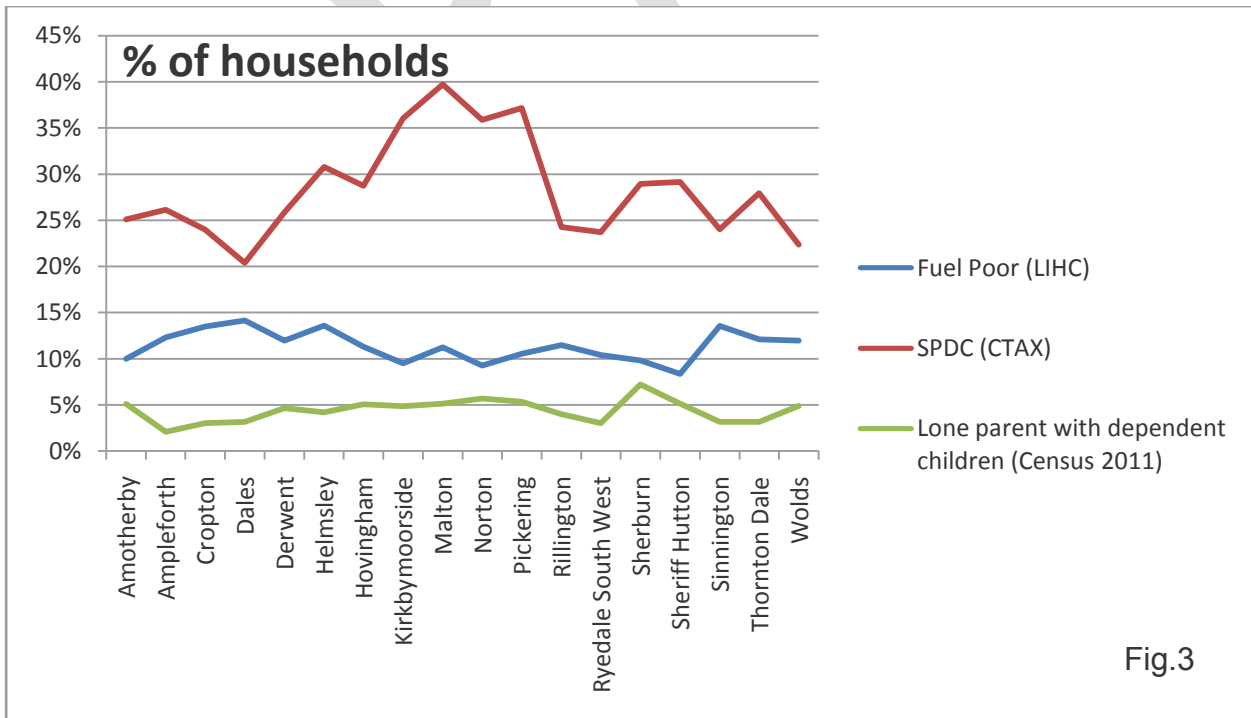


Fig.3

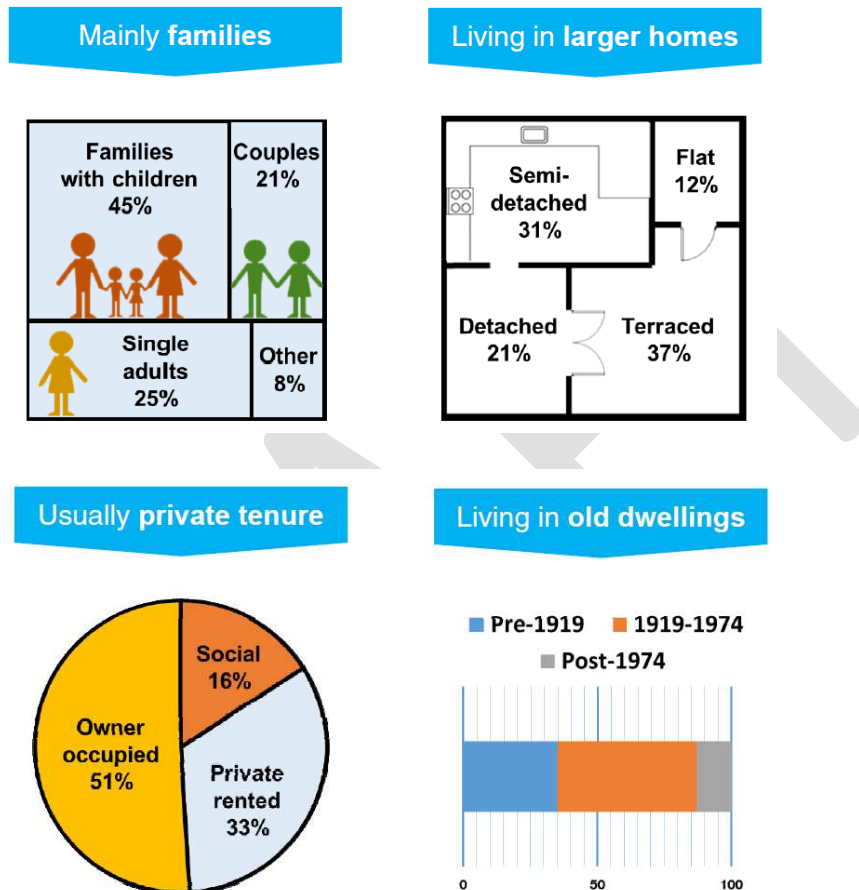
This comparison failed to show any correlation between single person households and fuel poverty in Ryedale. Contrary to a number of recent studies (insert reference), single

person households in Ryedale do not seem to be the most likely to experience fuel poverty.

It is clear from the analysis of the data currently available to officers of the Council that it is not possible to identify those households which are not achieving affordable warmth.

5.3 Factors contributing to Fuel Poverty

The profile of fuel poor households described in the recent national fuel poverty consultation document was as follows:



Cutting the Cost of Keeping Warm, A new fuel poverty strategy for England (DECC July 2014)

5.31 Household Income

The committee found that Ryedale residents have the lowest median gross weekly pay in the Yorkshire & Humber region. As income levels are a key factor in having a warm home the committee have included a recommendation that the Council should continue to prioritise work to improve wage levels in Ryedale

Local Authority	Weekly Pay £
Ryedale	399.7
Kingston upon Hull	419.0
Wakefield	426.6
Bradford	426.7
Scarborough	443.7
Doncaster	449.1
Craven	451.0
North East Lincolnshire	458.7
Barnsley	464.8
Rotherham	465.7
Sheffield	471.4
Leeds	475.6
Kirklees	479.1
Harrogate	481.3
Hambleton	484.5
East Riding of Yorkshire	499.9
North Lincolnshire	502.0
Richmondshire	506.7
Calderdale	508.6
Selby	513.2
York	519.4

Source: ONS annual survey of hours and earnings - resident analysis [2012]

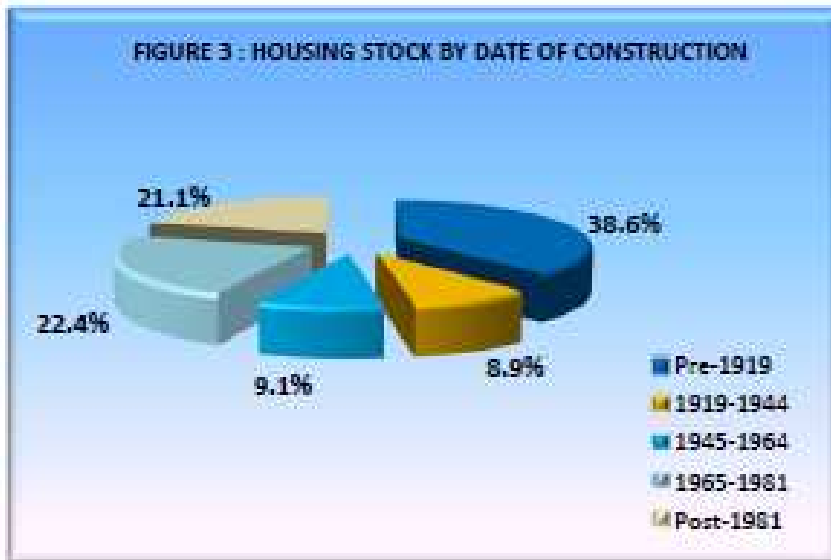
Note: Median earnings in pounds for employees living in the area

5.32 Energy Inefficient Housing

The age of the housing stock in an area is a key factor in the levels of fuel poverty experienced in that area. Research has shown that those living in housing stock built pre 1974 are most likely to be living in fuel poverty. In Ryedale 70% of the housing stock was built before 1974.

Additionally, housing stock is considered hard-to-treat where it has no mains gas heating system and/or is a solid wall property. In England 38% of properties are considered hard to treat. This is a significant factor in fuel poverty in rural areas such as Ryedale. 70% of properties in the most rural areas of England ('hamlets and isolated dwellings') are

defined as hard-to-treat; double the proportion in urban areas. In rural areas a lack of a mains gas heating systems dominates the make-up of hard-to-treat properties (45% and 51% of properties are without mains gas heating in villages and isolated areas respectively). In the most isolated rural areas the majority (28%) of hard to treat houses are both without mains gas and have solid walls.



Housing age distributions vary across the District with rural housing exhibiting a significantly older profile. The most modern housing profile is associated with the Malton/Norton sub-area where 40% of private housing was constructed post-1975.

SURVEY AREA	DATE OF CONSTRUCTION												Table Total	
	pre-1919		1919-1944		1945-1964		1965-1974		1975-1981		post-1981		dwgs	%
	dwgs	%	dwgs	%	dwgs	%	dwgs	%	dwgs	%	dwgs	%		
Group 1-Malton/Norton	1193	27.2	529	12.0	409	9.3	508	11.6	396	9.0	1357	30.9	4392	100.0
Group 2-Pickering/Kirkbymoorside/Hemsley	1375	28.2	351	7.2	522	10.7	910	18.7	498	10.2	1213	24.9	4869	100.0
Group 3-North	1623	62.4	118	4.6	205	7.9	141	5.4	141	5.4	371	14.3	2599	100.0
Group 4-SouthEast	1623	51.3	267	8.4	314	9.9	376	11.9	213	6.7	373	11.8	3166	100.0
Group 5-South West	1196	57.6	169	8.1	174	8.4	107	5.1	176	8.5	253	12.2	2074	100.0
Group 6-Service Villages	1091	28.0	435	11.2	283	7.3	680	17.5	542	13.9	861	22.1	3892	100.0
TABLE TOTAL	8101	38.6	1870	8.9	1905	9.1	2722	13.0	1965	9.4	4428	21.1	20992	100.0

Ryedale Housing Conditions Survey - 2008

Energy Efficiency

Officers were not able to access the detailed data relating to Energy Performance Certificate's. If this could be accessed then analysis of the band G properties could be undertaken looking for any common features of properties or locations. Possible solutions could then be explored to try to target these properties for energy efficiency and improvement measures.

The committee have therefore recommended that officers should explore the route to accessing the EPC data for Ryedale and also that members should allocate resources to

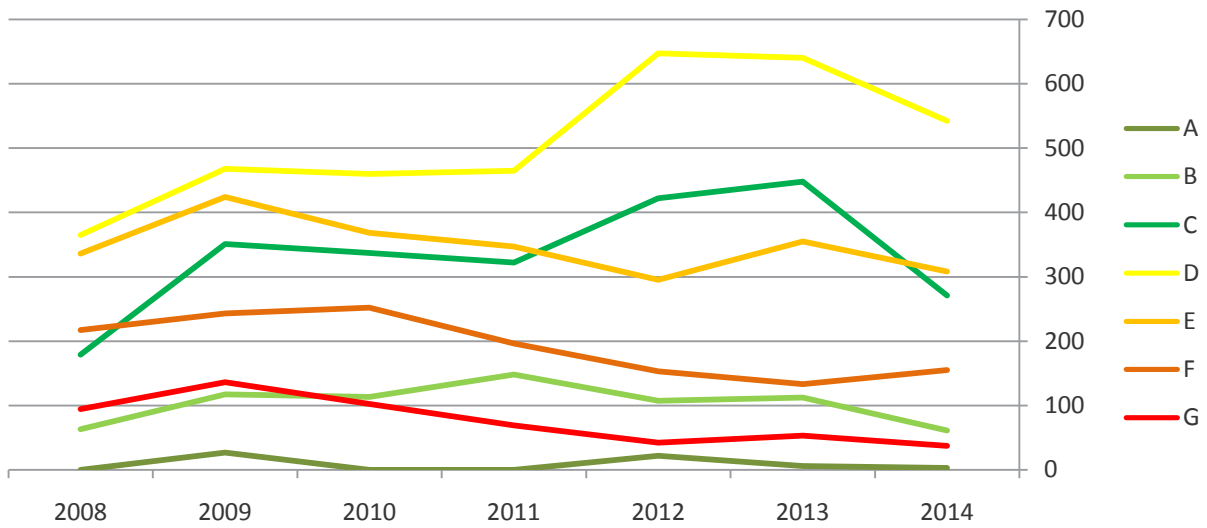
commission a stock condition survey to enable the targeting of resources to households experiencing fuel poverty to enable them to achieve affordable warmth.

The target included in the consultation document [‘Cutting the Cost of Keeping Warm, A new fuel poverty strategy for England’ \(DECC July 2014\)](#) is ‘to ensure that as many fuel poor homes as is reasonably practicable achieve a minimum energy efficiency standard of Band C, by 2030.’

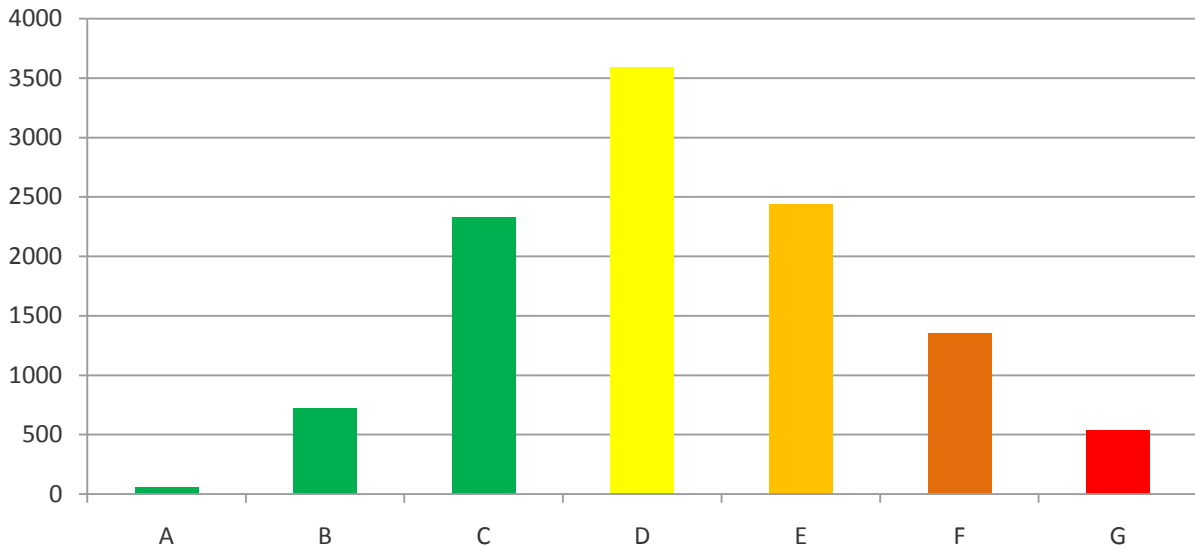
The graphs below show that the majority of registrations for which data was available were in band D. These are the newer properties which should be the better performing properties if the target is to be achieved

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Ryedale Energy Efficiency Certificate Registrations



Ryedale Energy Efficiency Ratings Certificates Registered between 2008-2014



Energy efficiency ratings are defined by SAP ratings as follows:

Band	Rating Points
A	92-100 SAP points (Most efficient)
B	81-91 SAP points
C	69-80 SAP points
D	55-68 SAP points

E	39-54 SAP points
F	21-38 SAP points
G	1-20 SAP points (Least efficient)

Improvements in the rating can be achieved by making modifications to a property as follows:

Improvement	Rating can be improved by	Estimated Savings
Condensing Boiler	*47 SAP points	£225+ per year
Cavity Insulation	*13 SAP points	£100-£125 per year
Roof Insulation	*10 SAP points	£100-£125 per year
Cylinder Stat & Insulation	*8 SAP points	£100-£125 per year
Double Glazing	*4 SAP points	£10-£15 per year
Low Energy Lighting	*2 SAP points	£10-£15 per year

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5.4 Government Initiatives to Improve Energy Efficiency:

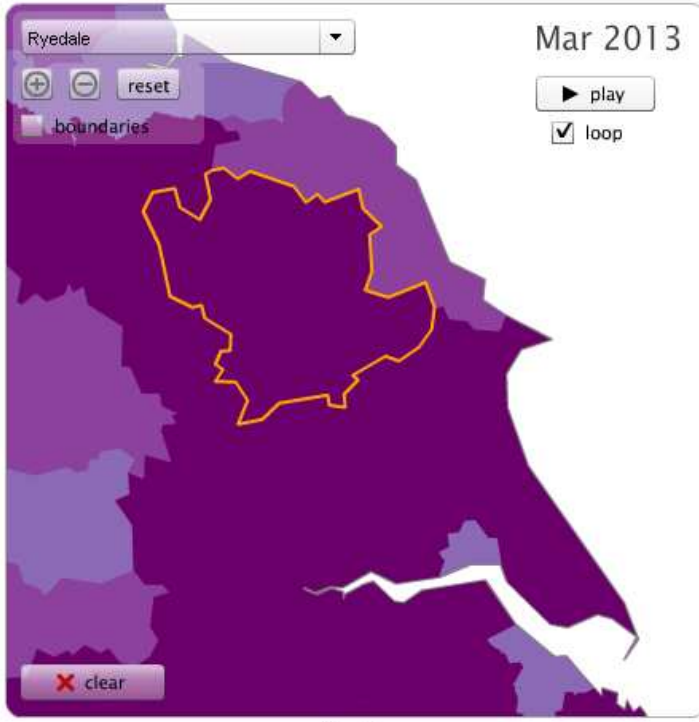
The government has introduced a number of programmes to improve energy efficiency and reducing energy bills

- Green Deal - <https://www.gov.uk/government/policies/helping-households-to-cut-their-energy-bills/supporting-pages/green-deal>
- Smart meters - <https://www.gov.uk/government/policies/helping-households-to-cut-their-energy-bills/supporting-pages/smart-meters>
- The Energy Company Obligation (ECO) - <https://www.gov.uk/government/policies/helping-households-to-cut-their-energy-bills/supporting-pages/energy-companies-obligation-eco> – a subsidy from energy suppliers that will work alongside the [Green Deal](#)
- Electricity Demand Reduction project - <https://www.gov.uk/government/policies/reducing-demand-for-energy-from-industry-businesses-and-the-public-sector--2/supporting-pages/electricity-demand-reduction-project>
- Smarter Heating Controls Research Programme - <https://www.gov.uk/government/policies/helping-households-to-cut-their-energy-bills/supporting-pages/smarter-heating-controls-research-programme>
- The Department for Communities and Local Government (DCLG), supported by DECC, is also working to improve the energy efficiency of buildings. - <https://www.gov.uk/government/policies/improving-the-energy-efficiency-of-buildings-and-using-planning-to-protect-the-environment>

The impact of central government energy efficiency initiatives is hard to assess however the following information summarises the rate of take up of various energy efficiency measures in Ryedale, comparing this to the GB figures between 2010 and 2013:

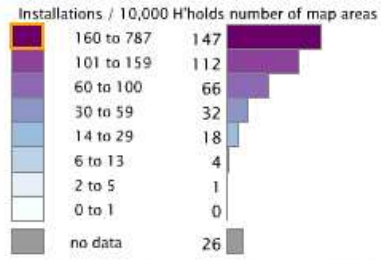
Domestic Solar PV Installations (ratio), 2010-13

By 2009 Local Authority District

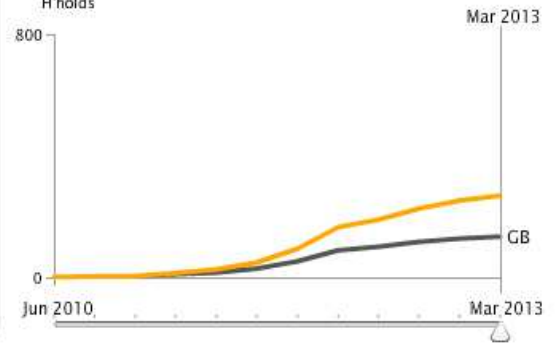


Map shows: Domestic Solar PV Installations (ratio), 201

Number of Domestic PV Installations (octiles)

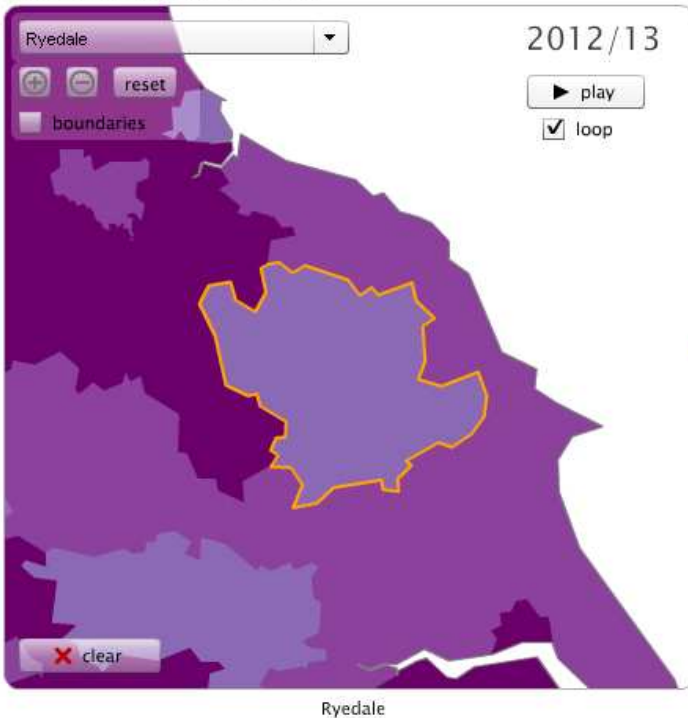


Ryedale (Mar 2013) = 270 Installations / 10,000 H'holds.
 135 MORE than the GB rate mean of 135 Installations / 10,000 H'holds



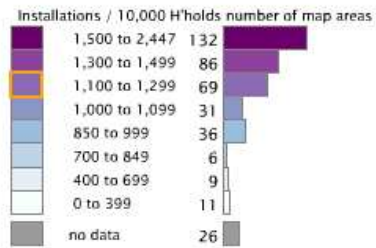
Loft Insulations (ratio)

By 2009 Local Authority District

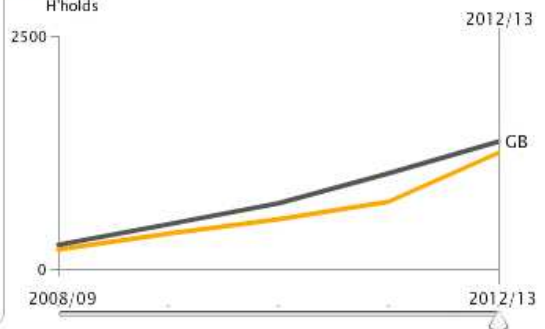


Map shows: Loft Insulations (ratio)

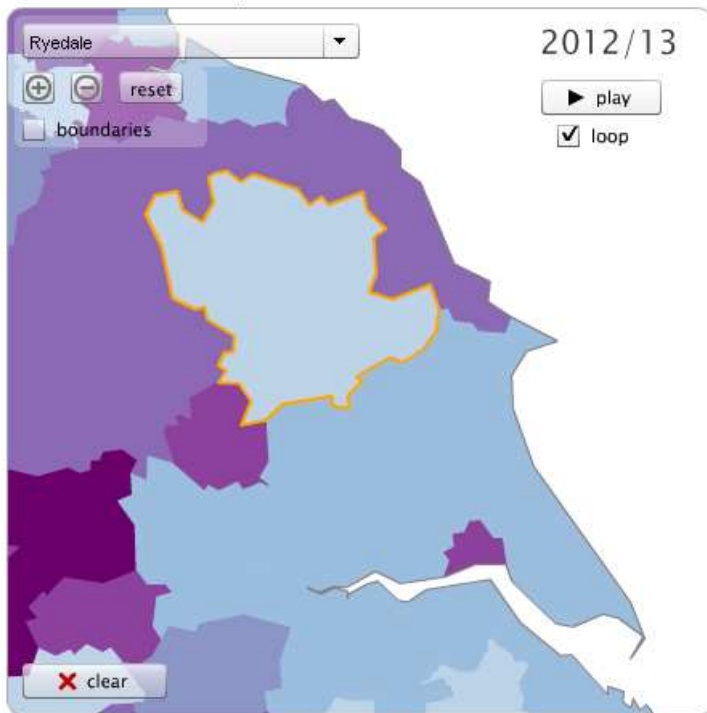
Number of Loft Insulations per 10,000 Households



Ryedale (2012/13) = 1,245 Installations / 10,000 H'holds.
 120 LESS than the GB mean of 1,365 Installations / 10,000 H'holds



Energy Statistics:
Cavity Wall Insulations (ratio)
 By 2009 Local Authority District

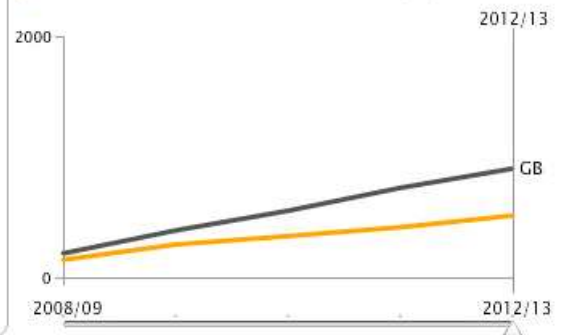


Map shows: Cavity Wall Insulations (ratio)

Cavity Wall Insulations per 10,000 Households

Installations / 10,000 H'holds	number of map areas
1200 to 1834	59
1000 to 1199	66
850 to 999	95
750 to 849	40
600 to 749	48
450 to 599	35
250 to 449	27
0 to 249	10
no data	26

Ryedale (2012/13) = 515 Installations / 10,000 H'holds.
 389 LESS than the GB mean of 904 Installations / 10,000 H'holds



Government Actions in Relation to Fuel Prices include:

- OFT study into the off gas domestic fuel market in 2011
- Defra has a four year programme – RCAN support local action such as community fuel purchasing
- Best Practice guide for Oil buying groups

Government Actions to support Renewable Energy

- Non-domestic Renewable Heat Incentive
- Renewable Heat Premium Payment
- Feed in tariffs for rural communities
- New PD rights for small scale wind turbines and air source heat pumps
- Existing PD rights for solar PV, solar thermal, ground source heat pumps, water source heat pumps and combined heat and power systems.
- £15m rural communities Renewable energy fund for community energy generation schemes

Government Actions in relation to Fuel Poverty

- Warm Front Scheme - ended 19.1.13
- Warm Home Discount – prepay and pay as you go
- Winter Fuel payment – Not means tested
- Cold Weather Payments – Benefit related
- Review of Fuel Poverty Definition – Hill Review

The number of hard to treat homes in Ryedale will always compromise the effectiveness of any geographically targeted energy efficiency initiatives, as favoured by DECC. If the Council had an up to date stock condition survey this would provide the evidence to the

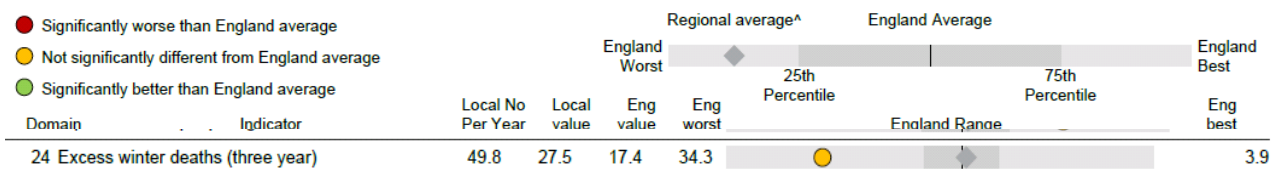
government and other funding bodies to support funding bids for initiatives which could then be target on specific households within Ryedale.

5.5 The Impact of Fuel Poverty on Health

There are clear links between fuel poverty and health. However, monitoring this impact is far from straightforward given the role of other factors – in particular outdoor temperatures – that contribute to adverse health outcomes. For example living in cold homes contributes directly to the rate of excess winter deaths, increased respiratory illness and hospital admissions. It has been shown that low indoor temperature is associated with higher excess winter morbidity from cardiovascular disease in England. The cold can have various physiological effects, which may lead to death in vulnerable people. Woodhouse et al (1993) reported that colder home temperature was associated with increased blood pressure in older people. The Eurowinter group (1997) noted that cold causes haemoconcentration, which leads to thrombosis, and that cold can also lower the immune system’s resistance to respiratory infections. The information below is taken from the Public Heath Profile for Ryedale

Health summary for Ryedale

The chart below shows how the health of people in this area compares with the rest of England. This area’s result for each indicator is shown as a circle. The average rate for England is shown by the black line, which is always at the centre of the chart. The range of results for all local areas in England is shown as a grey bar. A red circle means that this area is significantly worse than England for that indicator; however, a green circle may still indicate an important public health problem.



http://www.apho.org.uk/resource/view.aspx?RID=50215&SEARCH=R*

The role of Community Led Fuel Generation Schemes

Members of the Committee asked the review team to investigate the role of the Community Rights granted within the Localism Act in the development of community led fuel generation schemes. A presentation was given by representatives from Rural Action Yorkshire on a range of activities being supported to help households to achieve affordable warmth. The officers work in partnership with the Council and activities include:

- Supporting the development of fuel buying co-operatives
- Developing community hubs – warm communities
- Communicating key messages on winter warmth to communities

RAY have been working closely with energy providers and community representatives to try to establish some pilot projects to develop community energy generation schemes. Members were informed that this work had not led to the development of any schemes. It

was also clear that the Community Rights do not play any part in the development of such schemes and that the existing policy framework is already sufficient to enable any such scheme but that the issue is not with this but rather with the complexities of establishing joint energy sources. Individual energy generation schemes have been much more successful. See below for a summary of the achievements and ambitions of the Council, working in partnership with organisations such as RAY, NEA and NYCC, to improve levels of affordable warmth.

5.6 Achievements and Ambitions for achieving affordable warmth in Ryedale

The current funding bids and initiatives which are being developed include the following:

- DECC Central Heating Fund - in partnership with NYCC, Yorkshire Energy Partnership, Richmondshire DC, Hambleton DC, Yorkshire Housing and gas networks, results of the bid will be known by the 6th July. The bid involves the installation of central heating systems to properties which do not have any.
- National Energy Action - Warm and Healthy Homes Scheme 'Redressing the Balance'. This will involve working with local health and housing partnerships to provide heating and insulation measures to those most vulnerable to ill health due to a lack of affordable warmth, partners as above including Scarborough
- British Gas Healthy Homes Funding - To fund charities and other third sector organisations to work with local partners to deliver projects which will assist low-income and vulnerable households and demonstrate a positive health impact. Bid lead by Rural Action Yorkshire and including other LA's from North Yorkshire and third sector partners.
- Looking to develop an Energy Repayment Loan scheme with the rest of the Yorkshire LA's, working with the Homes and Loans team in Sheffield, based on the HAL model.
- Looking to develop a Boilers on prescription scheme should funding be available in future, aware that DECC has £2 million put aside for schemes like this.

Local energy efficiency ambitions and priorities

- Ryedale District Council, (RDC) have previously signed up to the Nottingham Declaration and have previously investigated the merits of signing up to Climate Local, however staffing capacity makes this unlikely at present
- RDC have previously seen a reduction in fuel poverty and using the new definition of fuel poverty, the current figure stands at 2738 households or 11.9% of Ryedale's households our total per capita emissions are currently (2012 data) 9.4tco₂, down from 10.8tco₂ with the domestic emissions down to 2.8tco₂ and we will endeavour to reduce this further through engaging with partners and residents to identify vulnerable residents and signpost them accordingly.
- In partnership with Scarborough Borough Council we have actively encouraged Oil Cooperatives throughout the district to assist in alleviating fuel poverty. To date 96 people from 7 communities have benefited from this approach.

- In partnership with Scarborough Borough Council we have joined ichoosr's collective switch. Residents will be offered an opportunity to switch to a lower tariff 3 times per year. It is envisaged that up to £200 per year can be saved from a household's annual fuel bill through this approach.
- In partnership with a local contractor and Yorkshire Energy Partnership Ltd we will pilot a 'fit for free' photo voltaic (PV) panel scheme for our residents. This scheme will offer residents the opportunity to benefit from savings on their electricity bills without the need for the resident to pay for the cost of the panels and installation.
- In partnership with Yorkshire Energy Partnership Ltd, we will continue to signpost residents to local, procured installers for a range of renewable technology and finance options.
- Ryedale will investigate developing initiatives to support Solid wall insulation across the district.

Measures we propose to cost effectively deliver energy efficiency improvements in residential accommodation by using area based/street by street roll out.

Green Deal and ECO

- RDC in partnership with Yorkshire Energy Partnership, (YEP) who will continue to ensure that Ryedale's residents can benefit from funding through the next ECO funding phase. (Due April 2015).
- We will work with partners to raise awareness of Government Initiatives and will advertise using our website, local press, members' bulletins and through our Parish Councils.
- In partnership with City of York council and other district councils across North Yorkshire; RDC received funding from DECC for the installation of a small number of efficient gas boilers. Through this programme 13 households benefitted from this funding.
- We promoted Carillion's 'go early' free replacement boiler scheme to residents across the district.
- We will continue to develop initiatives to help and support residents with Solid walled properties.

Feed in Tariffs scheme

- Between December 2012 and December 2014, a further 385 residents benefited from the Feed in tariff. RDC will continue to support and encourage residents who wish to install these technologies.

Renewable Heat Premium Payment

- RDC in partnership with CES; 6 households had 7 technologies installed across the district. We assisted them in installing a mixture of eligible technologies, (Solar Thermal, air source heat pumps and biomass) and supported them through the RHPP Community fund. The funding obtained for this totalled; £14700.00.

- In partnership with a local contractor and YEP Ltd we will continue to signpost residents to the most appropriate technologies for their property and support them through the RHi funding process.
- Between April 2014 and February 2015: 138 accredited installations were completed in domestic properties.

Zero Carbon Homes

- No data set is available on this presently as Ryedale will follow National Policy and this will be set through Building Regulations and Planning.
- To date no zero carbon homes have been built by the housing provider across this district.

Energy Performance Certificates

- Ryedale will investigate purchasing landmark data and the data available from the Enterprise partnership; Leeds City Region.

Minimum standards in the private rental sector

- Landlords are encouraged to adhere to Statutory requirements.

Smart meters

- RDC will communicate the smart meter roll out to its residents by 2020

Measures proposed to cost effectively deliver energy efficiency improvements in residential accommodation by using area based/street by street roll out.

- Between January 2013 and February 2015; 512 lofts were insulated and a further 81 cavity walls.
- In partnership with the White Rose Home Improvement Agency; Ryedale has received public health funding to produce and disseminate winter warmth packs, small boiler repair funding, and ice grippers to vulnerable residents across the district.
- Ryedale sits on the Health and Wellbeing board which is made up from local authorities and Clinical commissioning groups (CCG's). The group is currently looking to produce a cross agency winter strategy.

National and local partners

RDC actively work with a number of regional and local partners;

- North Yorkshire County Council, City of York council and the other district authorities within North Yorkshire
- East Riding of Yorkshire Council
- Yorkshire Energy Partnership, (YEP) a not for profit making organisation delivering sustainability projects across Yorkshire and the Humber and owned by the local authorities including Ryedale.
- White Rose Home improvement agency
- Age UK
- Rural Action Yorkshire (RAY).
- Kirkbymoorside Environment group
- Elder persons forum

- Choices 4 energy
- ichoosr

Supporting Documents

The fuel poverty statistics methodology and user manuals

<https://www.gov.uk/government/publications/fuel-poverty-methodology-handbook-2013>

Fuel Poverty Indicator website:

www.fuelpovertyindicator.org.uk

Getting the Measure of Fuel Poverty

Final Report of the Fuel Poverty Review - John Hills March 2012

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/48297/4662-getting-measure-fuel-pov-final-hills-rpt.pdf

UK Fuel Poverty Strategy 2001

<http://webarchive.nationalarchives.gov.uk/+http://www.berr.gov.uk/files/file16495.pdf>

Cutting the cost of keeping warm – Consultation document to prepare for a new fuel poverty strategy for England – DECC



Cutting the cost of
keeping warm_const.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/319280/Fuel_Poverty_Report_Final.pdf

Analysis of Hard to treat Homes

http://www.cse.org.uk/downloads/reports-and-publications/insulation-and-heating/building-performance/analysis_of_hard-to-treat_housing_in_england.pdf

Health Profile Data:

http://www.apho.org.uk/default.aspx?QN=P_HEALTH_PROFILES – update for 2015

Ryedale HECA Report

Insert link to DECC

The Ryedale Plan – Pages 162 to 164

Ryedale Housing Strategy 2015-20

Appendix A - Terms of Reference

Terms of Reference for a Scrutiny Review of Fuel Poverty

<p>Aim of the Review</p>	<p>The review will make recommendations to the Policy Committees of the Council, Council and to NY partner organisations if this is appropriate.</p> <p>The review will try to answer the following questions:</p> <ul style="list-style-type: none"> • What is the scale of the problem in Ryedale – extent and depth • Review the effectiveness of government initiatives in Ryedale • Determine the potential for community led fuel generation schemes to improve energy costs – what role do the community rights play in these? • Assess the potential to influence the policy environment and prepare draft responses for submission as opportunities arise
<p>Why has this review been selected?</p>	<p>High levels of fuel poverty experienced in some areas of Ryedale. The review of the definition of fuel poverty has resulted in a redefinition of how fuel poverty is measured and monitored nationally. Members of the committee need to understand the complex nature of the measures and how to interpret these so that we can monitor any progress made on this matter.</p> <p>Legislative changes including the community rights, may provide opportunities for communities in Ryedale to play a part in improving levels of fuel poverty experienced in the District.</p>
<p>Who will carry out the review?</p>	<p>The review will be carried out by a task group including:</p> <ul style="list-style-type: none"> • A minimum of 2 members of the O and S committee (but open to all members of O and S) • The Head of Corporate Services • Support will be provided by members of the Business Improvement Team <p>The task group meeting will take place following the scheduled meetings of the Scrutiny Committee, and by special arrangement on additional dates if required</p>
<p>How the review will be carried out?</p>	<p>The task group will consider:</p> <ul style="list-style-type: none"> • existing data and evidence • national research on the impact of recent policy decisions made by the government on fuel poverty and community energy and • any local research undertaken <p>The task group will also liaise with representatives from energy providers, voluntary and community sector organisations working to reduce fuel poverty such as Age UK, Energy Savings Trust, and services delivered by RDC to help reduce fuel poverty such as Housing and Planning.</p>
<p>What are the expected outputs?</p>	<p>It is expected that the task group will produce a report, summarising the evidence they have gathered and containing specific recommendations for the Council and other partner organisations as appropriate.</p>
<p>Timescale</p>	<p>It is anticipated that the group will conclude the outcomes of the review In December 2014. Progress reports will be submitted to the committee throughout the review.</p>



**Homes &
Communities
Agency**

Councillor Linda Cowling
Leader
Ryedale District Council
Ryedale House
Malton
North Yorkshire
YO17 7HH

BY EMAIL ONLY

9th June 2015

Dear Cllr Cowling,

2014 COMPLIANCE AUDIT PROGRAMME

As you will be aware, a compliance audit assessment has recently been undertaken on a sample of HCA funded schemes delivered via the following partnership:

Ryedale District Council / 12186

The general purpose of the compliance audit exercise is to carry out a comprehensive review of a sample of HCA funded schemes to validate adherence to the HCA guidelines as set out in the Capital Funding Guide and any other supplementary compliance audit criteria.

As the grant recipient you are responsible for using grant for the purposes stated in the relevant grant agreements; maintaining proper records complying with the HCA's terms and conditions of grant and providing relevant information to the HCA in accordance with the requirements of the grant conditions.

We use the audit findings (which are confidential between the HCA, independent auditor and the grant recipient) to inform our future investment decisions and to reassure the HCA chief accounting officer that public funds have been properly used.

To make the compliance audit process fully transparent we address, when necessary, the findings raised by the independent auditor as procedural breaches and these are listed in the relevant appendix within the attached HCA audit report.

A copy of the HCA compliance audit report is attached. Please draw your committee's attention to this report at the earliest opportunity and sign and return the enclosed copy. If there are breaches please provide a detailed response within 10 working days of receipt of this letter, indicating the action you intend to take.

Yours sincerely,

Helen Forman
Design Manager

cc. Kim Robertshaw, Housing Services Manager, Ryedale District Council
Janet Waggott, Chief Executive, Ryedale District Council

<p>COMPLIANCE AUDIT REPORT</p> <p>November 2013 v1</p>	 <p>Homes & Communities Agency</p>
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COMPLIANCE AUDIT YEAR 2014

Partnership Name	Ryedale District Council
Partnership ID	12186
Lead Partner Name	Ryedale District Council
Lead Partner ID	36UF
Date of Audit Visit	26 th August 2014
Date HCA Report Issued	22 nd May 2015
Independent Auditor Name	Deloitte LLP
HCA Lead Auditor Name	Helen Forman
List of Audited Schemes	See attached scheme sample report

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A	PARTNERSHIP OVERALL AUDIT ASSESSMENT
A1	Overall audit assessment
A2	Developing partner's individual assessment
B	PROCEDURAL ASSESSMENT
B1	Procedural audit summary
C	QUALITY ASSESSMENT – Not applicable
C1	Quality audit summary – Not applicable
D	HCA SIGNATURE
E	LEAD PARTNER SIGNATURE
APPENDICES	
1	PROCEDURAL BREACHES
2	QUALITY AUDIT FINDINGS – Not applicable
3	OBJECTIVES OF COMPLIANCE AUDIT
4	PROCEDURAL GRADES DEFINITIONS
5	QUALITY MEASURES DEFINITIONS

A	PARTNERSHIP OVERALL AUDIT ASSESSMENT
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A 1 Overall audit assessment

Grade Green – meets requirements

Overall it is considered that the Partnership met HCA’s requirements for procedural compliance.

A 2 Developing partner’s individual assessment

Partner name	Partner ID	Audit Type	HCA Assessment
Ryedale District Council	36UF	Procedural	Grade Green – meets requirements

B	PROCEDURAL ASSESSMENT
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B 1 Procedural audit summary

Number of schemes procedurally audited and number of breaches

1 scheme has been audited; no deficiencies were identified by the independent auditor.

Procedural Recommendations

None.

C	QUALITY ASSESSMENT
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C 1 Quality audit summary

There were no quality audits carried out for this partner this year.

D	HCA SIGNATURE
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This report is confidential between the Homes and Communities Agency and partners within the partnership agreement.

The breaches identified in this report should be noted and accepted by the partner/s and remedial action should be taken in accordance with the recommendations within this report to ensure that there is no re-occurrence.

The information contained in this report has been compiled purely to assist the Homes and Communities Agency in its statutory duty in relation to the payment of grant to partners.

The Homes and Communities Agency accepts no liability whatsoever for the accuracy or completeness of any information contained herewith.

The assessment is confidential to the addressee and no third party can place any reliance upon it.

Name and Position: Helen Forman, Design Manager

Signature and Date:

E	LEAD PARTNER'S SIGNATURE
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The breaches identified in this report have been noted and accepted and remedial action will be taken in accordance with the above recommendations to ensure that there is no re-occurrence.

Name and Position:

Signature and Date:

APPENDIX 1**PROCEDURAL BREACHES**

There were no procedural breaches.

APPENDIX 2**QUALITY AUDIT FINDINGS**

There were no quality audits carried out for this partner this year.

APPENDIX 3	OBJECTIVES OF COMPLIANCE AUDIT
<p>Compliance Audit visits are made to partners to check compliance with the Homes and Communities Agency's procedures and funding conditions. If you have any queries of the detail of the audit, please refer back to the HCA lead auditor who assessed the audit.</p> <p>If you wish to feedback comments on the methodology of Compliance Audit, please contact:</p> <p><i>Team Leader - Design and Sustainability Homes and Communities Agency London Corporate Office</i></p>	

APPENDIX 4	PROCEDURAL GRADES DEFINITIONS
<p>Grade Green - meets requirements The HCA Audit Report will normally express general satisfaction with a Partner's overall performance. It may also identify areas where minor improvements are required.</p> <p>Grade Amber - fails to meet requirements This grade is given where the Partner fails to meet requirements but no misapplication of public money has occurred. The Partner will be expected to correct the problem(s) in future schemes and current developments where possible, but the problem(s) do not prevent the scheme objectives from being fulfilled. The HCA Audit Report should set out the areas of non compliance and the remedial action required.</p> <p>Grade Red - serious failure to meet requirements This grade is given where there is a serious failure to meet requirements. The serious failures may involve:</p> <ul style="list-style-type: none"> • Misuse of public funds; • A scheme failing materially to meet its objectives; and/or • A range of failures that casts serious doubt over the Partner's competence, for example where there is an on-going trend of Grade Amber failure. 	

APPENDIX 5	QUALITY MEASURES DEFINITIONS
<p>Quality is reported by reference to resident satisfaction and the core performance standards for internal environment, external environment and sustainability set out in the Design and Quality Standards April 2007.</p> <p>Resident Satisfaction measure: outcomes of the resident interviews conducted as part of the quality audit on-site assessment.</p> <p>Internal Environment measure: Internal environments should be comfortable, convenient, capable of sensibly accommodating the necessary furniture and equipment associated with specific room activities and be suitable for the particular needs of intended user groups.</p> <p>External Environment measure: The development of new homes should be undertaken in a manner which delivers great places to live, creates well-mixed and integrated communities and provides an appropriate balance between private and public open space.</p> <p>Sustainability measure: New homes should be designed and constructed in a sustainable manner using products and processes that reduce environmental impact, better adapt to climate change, with lower running costs and incorporating features that enhance the health and well-being of constructors, occupiers and the wider community.</p>	



REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	30 JULY 2015
REPORT OF THE:	FINANCE MANAGER (s151) PETER JOHNSON
TITLE OF REPORT:	ANNUAL INTERNAL AUDIT REPORT 2014/15
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1. The purpose of the report is to summarise the outcome of audit work undertaken in 2014/15 and provides an opinion on the overall adequacy and effectiveness of the authority's internal control arrangements.
- 1.2. This Annual Internal Audit report is prepared by Veritau North Yorkshire (VNY), based on work carried out during the period April 2014 to March 2015.

2.0 RECOMMENDATION(S)

- 2.1 It is recommended that the attached report for 2014/15 be approved.

3.0 REASON FOR RECOMMENDATION(S)

- 3 It is recommended that the report is considered by the Overview and Scrutiny Committee as it summarises the audit work undertaken during the year. It also encompasses the overall internal audit opinion of the internal control framework which forms part of the Annual Governance Statement.

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 results of completed audit work have been reported to relevant officers during the course of the year. In addition, summaries of all finalised audit reports have been presented to this committee as part of regular monitoring reports. Details of the audits finalised since the last report to this committee in April 2015 are included in Appendix 2 to the supporting report. All of the work from the 2014/15 audit plan has been completed.
- 6.2 The overall opinion of the Head of Internal Audit on the governance, risk management, and control framework operating in the Council is that it provides **Substantial Assurance**. There are no qualifications to that opinion. No reliance was placed on the work of other assurance bodies in reaching this opinion.
- 6.3 Although a substantial assurance opinion can be given, we are aware of some weaknesses in the control environment which have been identified around the Payroll (TIC's) and Debtors system. These areas should be considered for inclusion in the Council's Annual Governance Statement.
- 6.4 The Head of Internal Audit is required to develop and maintain an ongoing quality assurance and improvement programme (QAIP). The objective of the QAIP is to ensure that working practices continue to conform to the required professional standards. The results of the QAIP should be reported to senior management and the Audit Committee along with any areas of non-conformance with the Standards. The outcomes from the QAIP (which included an independent of Veritau's practices in 2014) demonstrated that the service provided by Veritau conformed to the International Standards for the Professional Practice of Internal Auditing. Full details are included in Appendix 5 to the supporting report.

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)

Author: Stuart Cutts Audit Manager.
Veritau Limited
Telephone No: 01653 600666
E-Mail Address: 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 Annual Report
2014/15

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: 10 July 2015



Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). The PSIAS came into effect in April 2013 and replaced the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit. As well as providing a definition of internal auditing, the PSIAS detail the Code of Ethics for internal auditors and provide quality criteria against which performance can be evaluated. Since the standards were adopted the CIPFA has also issued further guidance in the form of an application note. The application note includes a checklist to assist internal audit practitioners to review and update working practices.
- 2 In connection with reporting, the relevant PSIAS standard (2450) states that the Chief Audit Executive (CAE)¹ should provide an annual report to the board². The report should include:
 - (a) details of the scope of the work undertaken and the time period to which the opinion refers (together with disclosure of any restrictions in the scope of that work)
 - (b) a summary of the audit work from which the opinion is derived (including details of the reliance placed on the work of other assurance bodies)
 - (c) an opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment)
 - (d) disclosure of any qualifications to that opinion, together with the reasons for that qualification
 - (e) details of any issues which the CAE judges are of particular relevance to the preparation of the Annual Governance Statement
 - (f) a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme
- 3 During the year to 31 March 2015, the Council's internal audit service was provided by Veritau North Yorkshire Limited, which is part of the Veritau Group.

Internal audit work carried out in 2014/15

- 4 During 2014/15, internal audit work was carried out across the full range of the council's activities. The main areas of internal audit activity included:
 - **Strategic risk register** – Work in this area covered items on the Council's risk register. Our work has highlighted no significant matters from those areas we reviewed.
 - **Financial systems** - work in this area provides assurance to the council on the adequacy and effectiveness of financial system controls. During the year we have completed seven audits, two of which were below substantial

¹ The PSIAS refers to the Chief Audit Executive. This is taken to be the Head of Internal Audit.

² The PSIAS refers to the board. This is taken to be the Audit, Governance and Standards Committee.

assurance; payroll and debtors. Further information on these audits is included in appendix 2 and 3.

- **Regularity audits** – we have completed three audits during the year covering a number of different operational areas. No significant control weaknesses were identified through this work.
- **Technical / projects** - our work has covered two ICT areas, work providing advice and assistance on ongoing projects and a review of the arrangements for payments for Garden Waste. Our work on the Payment Credit Industry Data Security Standard (PCI DSS) highlighted areas for the Council to further consider and was a limited assurance opinion. Further information is included in Appendix 2 to this report.
- **Follow up** - it is important that agreed actions are followed up to ensure that they have been implemented. Veritau follow up agreed actions on a regular basis, taking account of the timescales previously agreed with management for implementation. Our work shows that good progress has been made by management during the year to address previously identified control weaknesses.

5 Appendix 1 provides a summary of the audit work carried out in the year, and the opinions given for each completed audit. Further details of the key findings and agreed management actions for each audit are given in appendices 2 and 3. The opinions and priority rankings used by Veritau are detailed in Appendix 4.

Compliance with Standards

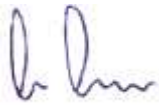
6 The work of internal audit has been undertaken in accordance with the PSIAS.

7 The internal audit Quality Assurance and Improvement Programme includes ongoing monitoring of the performance of the internal audit activity. Ongoing monitoring is an integral part of the day-to-day supervision, review and measurement of the internal audit activity. All audit work is reviewed by managers and a sample of work is also subject to internal peer review. Post audit customer satisfaction surveys are issued after all assignments. In addition, senior management in each client organisation are asked to complete an annual survey on the overall quality of the service provided by Veritau.

8 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. An external assessment was carried out in 2014 by the South West Audit Partnership (SWAP). The outcome from the review demonstrated that the service provided by Veritau conformed to the International Standards for the Professional Practice of Internal Auditing. Further details about the 2015 Quality Assurance and Improvement Programme are shown in appendix 5.

Audit Opinion and Assurance Statement

- 9 The overall opinion of the Head of Internal Audit on the governance, risk management, and control framework operating in the Council is that it provides **Substantial Assurance**. There are no qualifications to that opinion. No reliance was placed on the work of other assurance bodies in reaching this opinion.
- 10 Although a substantial assurance opinion can be given, we are aware of some weaknesses in the control environment which have been identified on Payroll and Debtors. For convenience details on the Payroll audit have been included in appendix 3. These areas should be considered for inclusion in the Council's Annual Governance Statement.



Max Thomas
Director and Head of Internal Audit
Veritau Ltd

10 July 2015

Audit	Status	Assurance Level	Audit Committee
Strategic Risk Register			
Affordable Housing / New Homes Bonus	Completed	Substantial Assurance	April 2015
Community Infrastructure Levy	Cancelled	-	-
Payments to suppliers	Completed	No opinion given	April 2015
Capital Programme	Completed	High Assurance	November 2014
Financial Systems			
Council Tax / NNDR	Completed	High Assurance	July 2015
Sundry Debtors	Completed	Reasonable Assurance	July 2015
Housing and Council Tax Benefits	Completed	Substantial Assurance	July 2015
Creditors	Completed	High Assurance	July 2015
Income / Receipting System (s)	Completed	High Assurance	July 2015
Payroll	Completed	Moderate Assurance	November 2014
General Ledger	Completed	High Assurance	July 2015
Asset Management	Cancelled	-	-
Regularity Audits			
Risk Management Process	Completed	Substantial Assurance	July 2015
Development Control	Completed	High Assurance	April 2015
Member Development	Completed	High Assurance	January 2015
Technical/Project Audits			
ICT: Strategy	Completed	No opinion given	July 2015
ICT: Payment Credit Industry Data Security Standard (PCI DSS)	Completed	Limited Assurance	July 2015
Projects	Completed	No opinion given	April 2015
Review of Garden Waste and Cheque procedures	Completed	No opinion given	January 2015
Follow-Ups	Completed	N/A	

Summary of Key Issues from audits completed and final reports issued/agreed; not previously reported to Committee

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Council Tax/NNDR	High Assurance	<p>The audit examined the controls and processes in place to ensure:</p> <ul style="list-style-type: none"> the taxation database is kept up to date bills and demands for Council Tax and NNDR were calculated and issued correctly, applying only legitimate discounts, exemptions and other allowances all monies collected were posted promptly to the correct account arrears are promptly monitored and effectively pursued. 	June 2015	<p>Strengths We found officers are effectively controlling the risks for Council Tax and NNDR. We reviewed a number of Council Tax and NNDR accounts with a discount, exemption or reduction to ensure appropriate evidence had been obtained, authorisation had been sought and the discount was accurate. Our work found no issues in these areas.</p> <p>Management have introduced a risk based process for reviewing those properties where a single person discount is being applied. This process has resulted in around £56,500 in additional Council Tax becoming due.</p> <p>Weaknesses No weaknesses were noted.</p>	-
Sundry Debtors	Reasonable Assurance	<p>We reviewed the sundry debtors system to ensure</p> <ul style="list-style-type: none"> The system is operated in accordance with Council Financial Regulations and other relevant legislation and guidance Invoices are raised accurately and promptly for goods and services provided. Appropriate recovery action is taken when accounts are not 	June 2015	<p>Strengths We found the officer responsible for the day to day management of the debtors system has a good operating knowledge of the processes involved and the system functions.</p> <p>Our review of a sample of transactions highlighted parts of the Council where transactions were being processed and managed in line with expected Council procedures.</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
		<p>paid within specific time scales and recovery guidelines are in place to facilitate the collection of arrears.</p> <ul style="list-style-type: none"> A consistent procedure has been established and applied for debtor write-off with all recovery action being exhausted before reaching this point. 		<p>Weaknesses</p> <p>We found that appropriate recovery action was not being undertaken for outstanding debts and arrears relating to market pitch fees. RDC expected guidance was not being followed.</p> <p>The management of the instalment book is a key process in debt recovery. We found it was not being carried out in an effective or timely manner. Consequently accounts are being kept in the instalment queue for months/years after payments have stopped.</p> <p>The Sundry Income and Debt Guidance states an account should only be placed on hold if the debtor is disputing the invoice. An account should not be placed on hold for longer than 30 days. We found Debtor accounts are placed into the hold queue when it is not appropriate. In addition, all 10 accounts tested during the audit had been placed on hold for longer than 30 days.</p> <p>Placing accounts in the pre-write off stage suspends recovery action processes and delaying income being received into the council when it is still justifiable to continue the recovery action. Our work found instances where debts are being placed unnecessarily into the write off queue.</p>	<p>A recovery route specifically for markets to be agreed with the service department and we will encourage/insist on payment by direct debit.</p> <p>A review of all accounts currently under instalments is to be carried out. Where customers have not maintained repayment terms, instalment arrangements will be cancelled. Monitoring of instalment arrangements will become the responsibility of the Exchequer Assistant (Debtors) which will allow the cancelation of instalment arrangements without service area notification.</p> <p>The Exchequer Assistant (Debtors) will review all accounts currently on hold and escalate any cases we are unable to progress to the Finance Manager. The Sundry Income and Debt Guidance Document policy will also be updated</p> <p>A review of all accounts currently in the pre-write off queue will be undertaken and accounts that should not be here will be transferred into the appropriate stage.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Housing and Council Tax Benefits	Substantial Assurance	The audit reviewed the controls and processes for calculating and paying housing benefits. The audit also examined the measures to prevent possible overpayments including risk based verification and evidence checking.	June 2015	<p>Strengths</p> <p>The Housing Benefit Service has made significant progress in improving processing times for new claims and changes in circumstances. It has also received an unqualified subsidy return for 2013/14. The above progress has now allowed management to turn its attention to other areas of service delivery. Overall the 2014/15 audit found good progress has been made and this is reflected in the audit opinion issued.</p> <p>The service pays rent allowance by BACS only, which makes payments quicker and more efficient to undertake.</p> <p>Our work tested a number of benefit claims and found no significant matters.</p> <p>Weaknesses</p> <p>Under normal circumstances Benefits management would ensure that supervisory checks on a number of new claims are undertaken each month. However in 2014/15 the focus has been on (successfully) clearing the backlog of work and also addressing staff resourcing issues. There is now the opportunity in 2015/16 to introduce appropriate checking of claims.</p> <p>There was no policy to assist in determining which cases should be selected for checking.</p>	A policy of management checks is being finalised and paperwork for recording checks updated to reflect any new areas being introduced. It is planned that such checks will commence in July 2015.

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Creditors	High Assurance	A review of the processes and controls for ordering supplies and services. The audit also examined the system for processing creditor payments and the arrangements in place to publicise expenditure as required by the Transparency code.	May 2015	<p>Strengths We found the procedures for creditors processing are being appropriately applied by the Business Support team.</p> <p>We also found all agreed actions from the 2013/14 creditors audit had been completed. In all instances valid purchase orders and goods received notes were observed and the amounts paid to suppliers matched to the invoices.</p> <p>Weaknesses No significant control weaknesses were identified.</p>	N/A
General Ledger	High Assurance	The audit involved a review of the procedures and controls within the General Ledger to ensure they were working effectively. We specifically looked at bank reconciliations, control accounts, journal entries and suspense accounts.	July 2015	<p>Strengths We found the controls in place surrounding the general ledger were operating effectively.</p> <p>Bank reconciliations were up to date and authorised appropriately with adequate monitoring by senior officers. Debtors and creditors control accounts are reconciled daily and other control accounts reconciled monthly.</p> <p>Weaknesses No significant control weaknesses were identified.</p>	-
Risk Management	Substantial Assurance	A review of the Council's risk management arrangements.	July 2015	<p>Strengths The Council use a dedicated Risk Management system Covalent which is available for Managers and Members alike for read-only access.</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>There is a Risk Management Strategy which is reviewed and updated annually by the Head of Corporate Services.</p> <p>This annual review is presented to the Overview and Scrutiny Committee, along with the Corporate Risk Register which is updated and presented to O&S twice a year.</p> <p>Weaknesses We found that some of the risk information in the Covalent system has not been kept fully up to date with risk information.</p> <p>We found the current strategy is not easily available for officers and members as it is not available as a policy on the intranet or public website.</p>	<p>The loss of the key officer who was responsible for updating Covalent has impacted on the timeliness by which we were updating the system. In the forthcoming months we will be looking at risk management arrangements council wide and will ensure these items are addressed.</p>
ICT strategy	No opinion	<p>ICT plays a key role in the efficient delivery of many council services. Underpinning the ICT delivery requires an effective corporate ICT strategy. This strategy should help support wider council objectives, allocate ICT resources cost-effectively, and ensure effective legislative and other compliance arrangements are maintained. An ICT strategy is not simply a strategy for the procurement and disposal of ICT equipment.</p> <p>Our work has examined the arrangements within Ryedale District Council for developing and</p>	July 2015	<p>We discussed the Council's current approach to developing an ICT strategy and also proposed plans with officers. We have provided through those discussions and our report some observations and suggestions to help shape future Council arrangements.</p> <p>The Council has recognised that an updated strategy is required. This strategy will help to support the Council's wider aims and objectives and compliment the detailed annual ICT service management plans.</p> <p>Arrangements for managing, governing and monitoring the strategy will need to</p>	<p>Management has recently commenced the writing of a revised and updated ICT strategy which is planned to support the delivery of the Council's current aims and objectives.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
		implementing a successful ICT strategy.		be considered to help ensure the plan is implemented and achieves the desired objectives.	
ICT Payment Card Industry Data Security Standard (PCI DSS)	Limited Assurance	<p>The Payment Card Industry Data Security Standard (PCI DSS) is an international standard mandated by the five major card issuing brands They have collectively adopted the PCI DSS as the requirement for all organisations which process, store or transmit payment cardholder data.</p> <p>Our audit reviewed the arrangements to manage compliance within the Council.</p>	July 2015	<p>Strengths In requesting the audit and during our work, management has shown awareness that improvements to arrangements are required. We worked collaboratively and closely with officers to help identify weaknesses and provide the Council with an action plan to help progress.</p> <p>Weaknesses The Council needs to make a number of improvements to ensure that processes are in place to achieve and maintain compliance with all requirements of the PCI DSS.</p>	

Summary of Key Issues from audits previously reported to Committee

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Payroll	Moderate Assurance	<p>The Council's payroll expenditure is processed by City of York Council and so the arrangements operated by the Council involve some 'in-house' work alongside the work undertaken by City of York.</p> <p>The audit involved a review of the procedures and controls within the payroll system to ensure they were working effectively.</p>	October 2014	<p>Strengths We noted no evidence of staff being paid incorrectly. Transactions are being accurately recorded in the Council's accounts.</p> <p>Weaknesses There is no current contractual agreement with the City of York Council. Without a contract in place, the respective roles and responsibilities of each party are not defined. Performance cannot be measured, monitored or controlled. Currently there are assumptions made by RDC that key functions are being performed by the provider, such as the production and review of exception reports and the timely payment over of payroll deductions to the relevant bodies.</p> <p>Whilst there was no evidence of staff being paid incorrectly, there is currently no way to report and monitor salary expenditure at post level. Managers cannot receive salary information at post level and are unaware of how much is being paid to employees in overtime or additional hours payments.</p> <p>Some payroll control accounts are also not being reconciled on a regular basis; some balances dated back to 2011.</p> <p>There are some inconsistencies and the potential for confusion in the use of the various overtime forms. Some payroll areas would benefit from procedure notes being updated and training for those staff involved in processing the various claims, including mileage and expense claims.</p>	<p>All of the findings in our report were agreed with Management.</p> <p>A robust contractual agreement is to be drawn up and signed with City of York Council.</p> <p>Management recognise the need for this information and various options are being considered to be able to provide more useful information to managers for monitoring purposes.</p> <p>Steps are being taken to address the staff shortage in the Finance Section. A new post has been proposed and one of the responsibilities of this new post will be the reconciliation of payroll control accounts.</p> <p>Procedure notes and overtime forms are to be updated and training provided to relevant that require it.</p>

Audit Opinions and Priorities for Actions

Audit Opinions

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.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

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 (was Moderate) assurance	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.

INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

1.0 Background

Ongoing quality assurance arrangements

Veritau maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with relevant professional standards (specifically the Public Sector Internal Audit Standards). These arrangements include:

- the maintenance of a detailed audit procedures manual
- detailed job descriptions and competency profiles for each internal audit post
- regular performance appraisals
- regular 1:2:1 meetings to monitor progress with audit engagements
- training plans and associated training activities
- the maintenance of training records and training evaluation procedures
- agreement of the objectives, scope and expected timescales for each audit engagement with the client before detailed work commences (audit specification)
- the results of all audit testing work documented using the company's automated working paper system (Galileo)
- file review by an audit manager and sign-off of each stage of the audit process
- post audit questionnaires (customer satisfaction surveys) issued following each audit engagement
- performance against agreed quality targets reported to each client on a regular basis.

On an ongoing basis, a sample of completed audit files is also subject to internal peer review by a senior audit manager to confirm quality standards are being maintained. The results of this peer review are documented and any key learning points shared with the internal auditors (and the relevant audit manager) concerned.

The Head of Internal Audit will also be informed of any general areas requiring improvement. Appropriate mitigating action will be taken (for example, increased supervision of individual internal auditors or further training).

Annual self-assessment

On an annual basis, the Head of Internal Audit will seek feedback from each client on the quality of the overall internal audit service. The Head of Internal Audit will also update the PSIAS self assessment checklist and obtain evidence to demonstrate conformance with the standards. As part of the annual appraisal process, each internal auditor is also required to assess their current skills and knowledge against the competency profile relevant for their role. Where necessary, further training or support will be provided to address any development needs.

The results of the annual client survey and PSIAS self-assessment are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan. Specific actions may also be included in the Veritau business plan and/or individual personal development action plans.

The outcomes from this exercise, including details of the Improvement Action Plan are also reported to each client. The results will also be used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the board³ as part of the annual report of the Head of Internal Audit.

External assessment

At least once every five years, arrangements must be made to subject internal audit working practices to external assessment to ensure the continued application of professional standards. The assessment should be conducted by an independent and suitably qualified person or organisation and the results reported to the Head of Internal Audit. The outcome of the external assessment also forms part of the overall reporting process to each client (as set out above). Any specific areas identified as requiring further development and/or improvement will be included in the annual Improvement Action Plan for that year.

2.0 Customer Satisfaction Survey – 2015

Feedback on the overall quality of the internal audit service provided to each client was obtained in March 2015. Where relevant, the survey also asked questions about the counter fraud and information governance services provided by Veritau. A total of 103 surveys were issued to senior managers in client organisations. 33 surveys were returned representing a response rate of 32% (2014 - 22%). Respondents were asked to rate the different elements of the audit process, as follows:

- Excellent (1)
- Good (2)
- Satisfactory (3)
- Poor (4)

Respondents were also asked to provide an overall rating for the service.

³ As defined by the relevant audit charter.

The results of the survey are set out in the table below:

	1	2	3	4	N/A
1 The quality of planning and the overall coverage of the audit plan	8	20	3		2
2 The provision of advice and guidance	10	20	3		
3 The conduct and professionalism of audit staff	17	15	1		
4 The ability of audit staff to provide unbiased and objective opinions	11	18	3		1
5 The ability of audit staff to establish a positive rapport with customers	14	16	3		
6 The auditors' overall knowledge of the system / service being audited	5	19	7		2
7 The auditors' ability to focus on the areas of greatest risk	5	16	9		3
8 Agreeing the scope and objectives of the audit	10	16	5		2
9 The auditors' ability to minimise disruption to the service being audited	10	17	3		3
10 The communication of issues found by the auditors during their work	6	23	2		2
11 The quality of feedback at the end of the audit	6	19	4		4
12 The accuracy, format, length and style of audit reports	11	15	3		4
13 The time taken to issue audit reports	7	17	5		4
14 The relevance of audit opinions and conclusions	8	16	5		4
15 The extent to which agreed actions are constructive and practical	8	18	4		3
Overall rating for the Internal Audit services provided by Veritau	8	19	3		3

The overall ratings in 2014 were:

Excellent - 2
Good - 17
Satisfactory - 1
Poor - 0

The feedback is therefore broadly in line with the previous year and suggests that the service continues to be well regarded by clients.

3.0 Self Assessment Checklist – 2015

The checklist prepared by CIPFA to enable conformance with the PSIAS and the Local Government Application Note to be assessed was originally completed in March 2014. Documentary evidence was provided where current working practices were considered to fully or partially conform to the standards.

In most areas the current working practices were considered to be at standard. However, a few areas of non-conformance were identified. None of the issues identified were however considered to be significant. In addition, in some cases, the existing arrangements were considered appropriate for the circumstances and hence required no further action.

The checklist has been reviewed and updated in 2015. The following areas of non-conformance remain unchanged:

<u>Conformance with Standard</u>	<u>Current Position</u>
Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the Head of Internal Audit?	The Head of Internal Audit's performance appraisal is the responsibility of the board of directors. The results of the annual customer satisfaction survey exercise are however used to inform the appraisal.
Is feedback sought from the chair of the audit committee for the Head of Internal Audit's performance appraisal?	See above
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the audit committee before the engagement was accepted?	Consultancy services are usually commissioned by the relevant client officer (generally the s151 officer). The scope (and charging arrangements) for any specific engagement will be agreed by the Head of Internal Audit and the relevant client officer. Engagements will not be accepted if there is any actual or perceived conflict of interest, or which might otherwise be detrimental to the reputation of Veritau.

<u>Conformance with Standard</u>	<u>Current Position</u>
Does the risk-based plan set out the - (b) respective priorities of those pieces of audit work?	Audit plans detail the work to be carried out and the estimated time requirement. The relative priority of each assignment will be considered before any subsequent changes are made to plans. Any significant changes to the plan will need to be discussed and agreed with the respective client officers (and reported to the audit committee).
Are consulting engagements that have been accepted included in the risk-based plan?	Consulting engagements are commissioned and agreed separately.
Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	Whilst reliance may be placed on other sources of assurances there is no formal process to identify and assess such sources. However, assurance mapping will be used where appropriate and audit plans will highlight where other sources of assurance are being relied upon.

4.0 External Assessment

As noted above, the PSIAS require the Head of Internal Audit to arrange for an external assessment to be conducted at least once every five years to ensure the continued application of professional standards. The assessment is intended to provide an independent and objective opinion on the quality of internal audit practices.

Whilst the new Standards were only adopted in April 2013, the decision was taken to request an assessment at the earliest opportunity in order to provide assurance to our clients. The assessment was conducted by Gerry Cox and Ian Baker from the South West Audit Partnership (SWAP) in April 2014. Both Gerry and Ian are experienced internal audit professionals. The Partnership is a similar local authority controlled company providing internal audit services to over 12 local authorities (including county, unitary and district councils across Somerset, Wiltshire and Dorset). The Partnership was established in 2005 and currently employs over 60 members of staff.

The assessment consisted of a review of documentary evidence, including the self-assessment, and face to face interviews with a number of senior client officers and Veritau auditors. The assessors also interviewed an audit committee chair.

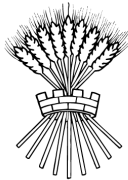
The conclusion from the external assessment was that working practices conform to the required professional standards. Copies of the detailed assessment report were provided to client organisations and, where appropriate, reported to the relevant audit committee.

5.0 Improvement Action Plan

The quality assurance process has identified the need to make the following changes and improvements to working practices:

Change / improvement	Target completion date
The standard specification template will be updated to ensure that the expectations on Veritau and the relevant client organisation in terms of access to records and the distribution of reports (including the extent of any duty of care provided to third parties) are fully understood. Where appropriate, information sharing agreements will also be established with client organisations.	30 June 2015
Checklists will be provided to assist auditors ensure all stages of the audit process are fully completed on Galileo.	30 September 2015
Templates for 'non-standard' reports (for example – consultancy, fraud and special assignments) will be developed.	31 December 2015

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REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE (AUDIT)
DATE:	30 JULY 2015
REPORT OF THE:	FINANCE MANAGER (s151) PETER JOHNSON
TITLE OF REPORT:	ANNUAL GOVERNANCE STATEMENT 2014/15
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 For members to consider the Council's review of its system of internal control and approve the Annual Governance Statement (AGS) as required by the Accounts and Audit Regulations 2011.

2.0 RECOMMENDATION

- 2.1 It is recommended that members approve the Annual Governance Statement for inclusion in the Statement of Accounts.

3.0 REASON FOR RECOMMENDATION

- 3.1 The Accounts and Audit Regulations require councils to approve an Annual Governance Statement. In Ryedale approval of the AGS is the responsibility of the Audit Committee.

4.0 SIGNIFICANT RISKS

- 4.1 The Council would not comply with the requirements of the Accounts and Audit Regulations 2011 if it failed to review its system of internal control at least annually, or did not approve and publish an Annual Governance Statement.

5.0 POLICY CONTEXT AND CONSULTATION

- 5.1 Production of the AGS is a mandatory requirement. Senior Council officers have contributed to the review of controls and preparation of the statement.

REPORT

6.0 REPORT DETAILS

- 6.1 Good governance is important to the proper operation of all organisations, and is

essential for local authorities and other bodies with a responsibility for managing public funds. In recognition of this importance, the Accounts and Audit Regulations require all councils to annually review their systems of control and prepare an annual governance statement setting out their governance arrangements. The statement should include any significant issues relevant to an understanding of the governance framework. The AGS forms part of a Council's Statements of Accounts and is considered by the external auditor during their review of the accounts.

- 6.2 The Corporate Management Team and other appropriate officers have reviewed the Council's system of controls. In addition, comments, evidence, and feedback from a number of internal and external sources have been considered in compiling the statement. The Council has adopted the Cipfa framework for producing the AGS, and the attached AGS (See Annex A) has been prepared in accordance with proper practice

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:

CIPFA – Annual Governance Statement in Local Government – meeting the requirements of the Accounts and Audit (Amendment) (England) Regulations 2006 The 'rough guide'
Cipfa Finance Advisory Network – AGS 'Rough Guide' for practitioners.
Cipfa/Solace – Delivering Good Governance in Local Government Framework 2012
The Accounts and Audit (England) Regulations 2011

Background Papers are available for inspection at:

Finance – Ryedale House
Contact Peter Johnson

1. Scope of Responsibility

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

2. The Purpose of the Governance Framework

Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. The framework for corporate governance recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) identifies three underlying principles of good governance, namely:

- Openness and Inclusivity
- Integrity
- Accountability

The principles of corporate governance should be embedded into the culture of each local authority. Furthermore each local authority has to be able to demonstrate that it is complying with these principles. To achieve this, the framework document recommends that all local authorities should develop a local code of corporate governance, comprising the following elements:

- Community Focus
- Service Delivery Arrangements
- Structures and Processes
- Risk Management and Internal Control
- Standards of Conduct

The Authority has formally adopted a local code of corporate governance, consequently the principles and standards contained in the framework document are recognised as good working practice, and hence are supported and followed. To this end both Officers and Members have had externally provided training to ensure governance arrangements are understood and embedded. This Statement forms part of the overall process within the Authority for monitoring and reporting on the adequacy and effectiveness of the corporate governance arrangements, particularly those in respect of risk management and internal control.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuous process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be

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realised, and to manage them efficiently, effectively and economically. This has been in place within the Authority for the year ended 31 March 2015 and up to the date of approval of the Statement of Accounts.

3. **The Governance Framework**

The requirement to have a governance framework, incorporating a sound system of internal control covers all of the Authority's activities. The internal control environment within the Authority consists of a number of different key elements, which taken together contribute to the overall corporate governance framework. The key elements of internal control within the Authority consist of

Policies and Guidance:

Specific policies and written guidance exist to support the corporate governance arrangements and include:

- The Council's Constitution, including Financial Regulations, Procurement Regulations and Contract Standing Orders
- Codes of Conduct for Members and Officers
- The Corporate Plan
- Medium Term Financial Plan
- Member and Officer Schemes of delegation
- Registers of interests, gifts and hospitality
- Corporate policies, for example those relating to Whistleblowing and Counter Fraud and Corruption
- Asset Management Plan/Capital Strategy Statement
- Strategic Risk Register
- Council Procurement Strategy

Political and Managerial Structures and Processes

The Authority is responsible for agreeing overall policies and setting the budget. The Policy and Resources Committee is responsible for decision making within the policy and budget framework set by the Council. The Authority's Corporate Management Team has responsibility for implementing Authority's policies and decisions, providing advice to Members and for co-ordinating the use of resources. The Corporate Management Team meet regularly and the Committees usually every two months. Both the Committees and the Corporate Management Team monitor and review Authority activity to ensure corporate compliance with governance, legal and financial requirements. In addition, the Authority has scrutiny arrangements, through the Scrutiny and Audit Committees that include the review of policies, budgets and service delivery to ensure that they remain appropriate. A forward plan detailing the main work of Committees over the next year has been devised to ensure decisions are taken in a timely manner. Urgent items will be debated as appropriate.

The Authority has developed a process that is intended to reflect political and community objectives as expressed in the Community Strategy ("Imagine Ryedale") covered and acts as a basis for corporate prioritisation. The process has identified

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the Authority's corporate aims together with a number of associated objectives. These will be reviewed annually to ensure that they continue to meet the needs of the community. The Authority has linked the performance management process across all service areas to provide an integrated performance management system. Each service has developed a performance improvement plan as part of their Service Delivery Plan showing how that service will work to achieve the Authority's objectives.

Financial Management

The Finance Manager (s151 Officer) has the overall statutory responsibility for the proper administration of the Authority's financial affairs, including making arrangements for appropriate systems of financial control. The Authority operates within a system of financial regulations, comprehensive budgetary control, regular management information, administrative procedures (including the segregation of duties) and management supervision.

The Finance Manager (s151 Officer) is a member of the Authority's Corporate Management Team, and is directly responsible to the Chief Executive. The Authority is therefore fully compliant with the requirements of the 2010 CIPFA/SOLACE Application Note to Delivering Good Governance.

Compliance Arrangements

Monitoring and review of the Authority's activities is undertaken by a number of Officers and external regulators to ensure compliance with relevant policies, procedures, laws and regulations. They include:

- The Chief Executive Officer
- The Finance Manager who is the s.151 Officer of the Authority and the Chief Finance Officer (CFO)
- The Monitoring Officer
- The Heads of Service
- The External Auditor and various other external inspection agencies
- Internal Audit (provided by Veritau North Yorkshire Limited from 1 April 2012)
- Finance Officers and other relevant service managers

Value for Money

Through reviews by external auditors, external agencies, internal audit and the Financial Services Manager the Authority constantly seeks ways of ensuring the economic, effective and efficient use of resources, and securing continuous improvement in the way in which its functions are exercised.

Risk Management

The Authority has adopted a formal system of Risk Management. This is effectively delivered through widespread use of Covalent, the Authority's Performance and Risk Management software. Although responsibility for the identification and management of risks rests with service managers, corporate arrangements are co-ordinated by the Heads of Service Group. The process serves to ensure that:

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- The Authority identifies, prioritises and takes appropriate mitigation for those risks it identifies as potentially preventing achievement of the Corporate and Community Plan
- The Authority's assets are adequately protected
- Losses resulting from hazards and claims against the Authority are mitigated through the effective use of risk control measures
- Service managers are adequately supported in the discharge of their responsibilities in respect of Risk Management

The system of Risk Management requires the inclusion of risk evaluation assessments in all Committee reports and the maintenance of a corporate risk register. Relevant staff within the Authority have received training and guidance in Risk Management principles.

Internal Audit & Fraud

The Authority operates internal audit and internal (non Housing Benefit) fraud investigation functions. From 1 April 2012 internal audit and counter fraud services have been provided by Veritau North Yorkshire Limited – a company partly owned by the Authority. Internal audit services are provided in accordance with the Accounts and Audit Regulations 2011 and the CIPFA Code of Practice for Internal Audit in Local Government. An annual programme of reviews covering financial and operational systems is undertaken, to give assurance to Members and managers on the effectiveness of the control environment operating within the Council. The work of internal audit compliments and supports the work of the external auditors (Deloitte LLP for 2014/15). In addition, internal audit provides assurance to the Finance Manager as the Authority's s.151 Officer in discharging his statutory review and reporting responsibilities. The Authority also undertakes an annual review of the effectiveness of its internal audit arrangements as required by the Accounts and Audit Regulations. The results of the review are reported to the Overview & Scrutiny (Audit) Committee.

Internal audit also has an advisory role that provides:

- Advice and assistance to managers in the design, implementation and operation of controls
- Support to managers in the prevention and detection of fraud, corruption and other irregularities

Housing Benefit Counter Fraud work is undertaken within the Benefits Office through contractual arrangements with Veritau. A pro-active approach is taken to supplement referrals, both internal and external, with any leads arising from participation in the National Fraud Initiative, the Housing Benefits Matching Service, and internal data matching.

Performance Management

The Authority has established effective performance management arrangements. The Chief Executive has overall responsibility for the function and the Corporate Management Team undertakes an ongoing monitoring role. Heads of Service and their Service Unit Managers are expected to deliver improvements or maintain performance standards where appropriate. The Covalent performance management system is used to record and monitor performance.

ANNUAL GOVERNANCE STATEMENT 2014/2015

4. Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its systems of internal control. In preparing this Statement a review of corporate governance arrangements and the effectiveness of the Authority's systems of internal control has been undertaken, by the Corporate Management Team. This review has included consideration of:

- Reports received from the Authority's external auditors and other inspection agencies
- The results of internal audit and fraud investigation work
- The views of senior managers, including Chief Executive, the s151 Officer and the Monitoring Officer
- The work of the Heads of Service Group in compiling the Authority's Corporate Risk Register.
- Outcomes of service improvement reviews and performance management processes
- Compliance with the CIPFA Statement on the role of the CFO

In addition, the Authority through its Committees especially the Scrutiny and Audit Committees considers corporate governance issues as they arise throughout the year and agree recommendations for improvement as necessary.

A comprehensive review has been undertaken to support the preparation of this AGS document as required by the Accounts and Audit Regulations 2011. The Authority has produced a detailed statement along with a targeted action plan to ensure that full compliance is achieved. This has followed the best practice framework suggested by CIPFA and adopted by the Authority. An action plan schedule has been produced to ensure compliance and a list of those Officers having responsibility is available.

An Action Plan is appended which identifies and notes progress with previous year's matters of concern, and includes those arising from this year's review. The Annual Governance Statement for 2015/2016 will provide details of the work completed against this Plan.

We have been advised on the implications of the results of the review of the effectiveness of the system of internal control by the Overview & Scrutiny (Audit) Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

A review of the internal control arrangements in place within the Authority has identified areas where improvements could be made. Specific actions are proposed to address the issues identified. Attached is the action plan for 2014/2015 incorporating those issues brought forward from the previous plan, which are still outstanding.

The Authority will continue to seek to improve performance and take action on agreed recommendations by both internal and external agencies.

ANNUAL GOVERNANCE STATEMENT 2014/2015

Signed:
Janet Waggott
Chief Executive

Dated:

Signed:
Cllr Linda Cowling
Leader of the Council.

Dated:

ANNUAL GOVERNANCE STATEMENT APPENDIX

AGS Action Plan 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.	Finance Manager (s151 Officer).	Ongoing	This will be a continuing issue in 2015/16 and beyond
Brought Forward	In year Internal Audits offering limited assurance/ Specific Control weaknesses highlighted through Internal Audits..	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 to continue through into 2015/16 and beyond.
2014/15	Weaknesses in Internal Controls relating to cash payments	Cease taking cash payments at Ryedale House.	Head of Corporate Services and Finance Manager	April 2016	Internal Audit undertaken to examine the system in place for the receipt of cash at Ryedale House.
2014/15	Monitoring of the effectiveness of Internal Controls relating to Officer delegated authorisation limits.	Monthly reports to be produced to monitor delegated officer spend limits	Finance Manager	September 2015	Finance will develop reports following the upgrade of the finance system.
2014/15	Provision of the Property and Facilities Management Service	Management to review alternative delivery of this function including options for delivering valuation services in line with best practice.	Head of Environment, Streetscene & Facilities.	April 2016	Interim arrangements in place with NYCC and CoYC.

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OVERVIEW AND SCRUTINY ITEM, FOR CONSIDERATION PRIOR TO FULL COUNCIL

**RYEDALE
DISTRICT
COUNCIL**



REPORT TO:	COUNCIL
DATE:	3 SEPTEMBER 2015
REPORT OF THE:	FINANCE MANAGER (s151) PETER JOHNSON
TITLE OF REPORT:	TREASURY MANAGEMENT ANNUAL REPORT 2014-15
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2014/15. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

2.0 RECOMMENDATIONS

2.1 That Council is recommended to:

- (i) Note the annual treasury management report for 2014/15; and
- (ii) Approve the actual 2014/15 prudential and treasury indicators in this report.

3.0 REASON FOR RECOMMENDATIONS

3.1 The Council has adopted the Code. A provision of the Code is that an annual review report must be made to the Full Council relating to the treasury activities of the previous year.

4.0 SIGNIFICANT RISKS

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

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.

5.2 The Council uses the services of Capita Treasury Services Limited to provide treasury management information and advice.

REPORT

6.0 REPORT DETAILS

6.1 During 2014/15 the minimum reporting requirements were that the full Council should receive the following reports:

- An annual treasury strategy in advance of the year (Council 25 February 2014)
- A mid year (minimum) treasury update report (Council 24 February 2015)
- An annual review following the end of the year describing the activity compared to the strategy (this report).

In addition, treasury management update reports were received by the Policy and Resources Committee.

6.2 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

6.3 This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all the above treasury management reports by the Overview and Scrutiny Committee before they were reported to the full Council. Further Member training on treasury management issues will be arranged in the forthcoming year in order to support Members' scrutiny role.

6.4 This report summarises:

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- Reporting of the required prudential and treasury indicators;
- Summary of interest rate movement in the year;
- Detailed borrowing activity;
- Detailed investment activity.

The Council's Capital Expenditure and Financing 2014/15.

6.5 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

- 6.6 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

	2014/15 Actual (£)	2013/14 Actual (£)
Total Capital Expenditure	1,330,779	3,331,140
Resourced by:		
Capital receipts	-	320,836
Capital grants and contributions	318,561	1,884,635
Capital reserves	2,500	1,125,669
External Borrowing	1,009,718	-
Total	1,330,779	3,331,140

The Economy and Interest rates

- 6.7 The original market expectation at the beginning of 2014/15 was for the first increase in Bank Rate to occur in quarter 1 2015 as the unemployment rate had fallen much faster than expected through the Bank of England's initial forward guidance target of 7%. In May, however, the Bank revised its forward guidance. A combination of very weak pay rises and inflation above the rate of pay rises meant that consumer disposable income was still being eroded and in August the Bank halved its forecast for pay inflation in 2014 from 2.5% to 1.25%.
- 6.8 Expectations for the first increase in Bank Rate therefore started to recede as growth was still heavily dependent on buoyant consumer demand. During the second half of 2014 financial markets were caught out by a halving of the oil price and the collapse of the peg between the Swiss franc and the euro. Fears also increased considerably that the ECB was going to do too little too late to ward off the threat of deflation and recession in the Eurozone. In mid-October, financial markets had a major panic for about a week. By the end of 2014, it was clear that inflation in the UK was going to head towards zero in 2015 and possibly even turn negative. In turn, this made it clear that the MPC would have great difficulty in starting to raise Bank Rate in 2015 while inflation was around zero and so market expectations for the first increase receded back to around quarter 3 of 2016.
- 6.9 Gilt yields were on a falling trend for much of the last eight months of 2014/15 but were then pulled in different directions by increasing fears after the anti-austerity parties won power in Greece in January; developments since then have increased fears that Greece could be heading for an exit from the euro. While the direct effects of this would be manageable by the EU and ECB, it is very hard to quantify quite what the potential knock on effects would be on other countries in the Eurozone once the so called impossibility of a country leaving the EZ had been disproved. Another downward pressure on gilt yields was the announcement in January that the ECB would start a major programme of quantitative easing, purchasing EZ government and other debt in March. On the other hand, strong growth in the US caused an increase in confidence that the US was well on the way to making a full recovery from the financial crash and would be the first country to start increasing its central rate, probably by the end of 2015. The UK would be closely following it due to strong growth over both 2013 and 2014 and good prospects for a continuation into 2015 and beyond

Overall Treasury Position as at 31 March 2015

- 6.10 At the beginning and the end of 2014/15 the Council's treasury position was as follows (excluding finance leases):

	31 March 2014 Principal	31 March 2015 Principal
Total Debt	-	£1.75m
CFR	-	£1.01m
Over/(Under) borrowing	-	£0.74m
Total Investments	£4.91m	£9.16m
Net Debt	-£4.91m	-£7.41m

The Strategy for 2014/15

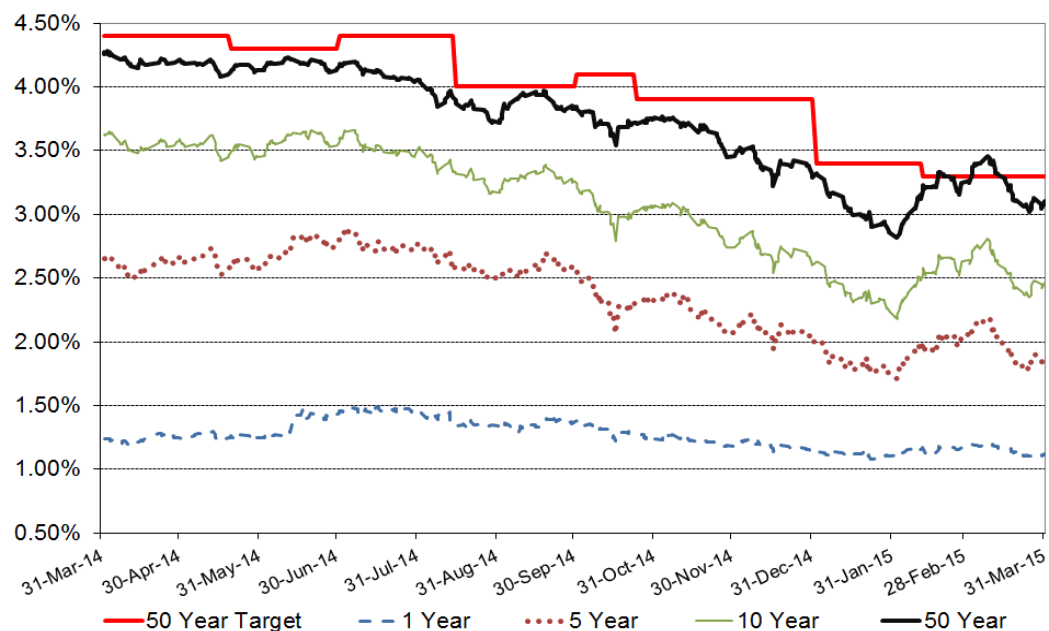
- 6.11 The Treasury Management Strategy for 2014/15 was approved by members at full Council on 25 February 2014.
- 6.12 The expectation for interest rates within the strategy for 2014/15 anticipated a low but rising Bank Rate, and gradual rises in medium and longer term fixed borrowing rates during 2014/15. Variable, or short term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting a relatively low returns compared to borrowing rates.

The Borrowing Requirement and Debt

- 6.13 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR) (excluding borrowing by finance leases).

	31 March 2014 Actual	31 March 2015 Budget	31 March 2015 Actual
Total CFR	-	£2.053m	£1.010m

Borrowing Rates in 2014/15



Borrowing Outturn for 2014/15

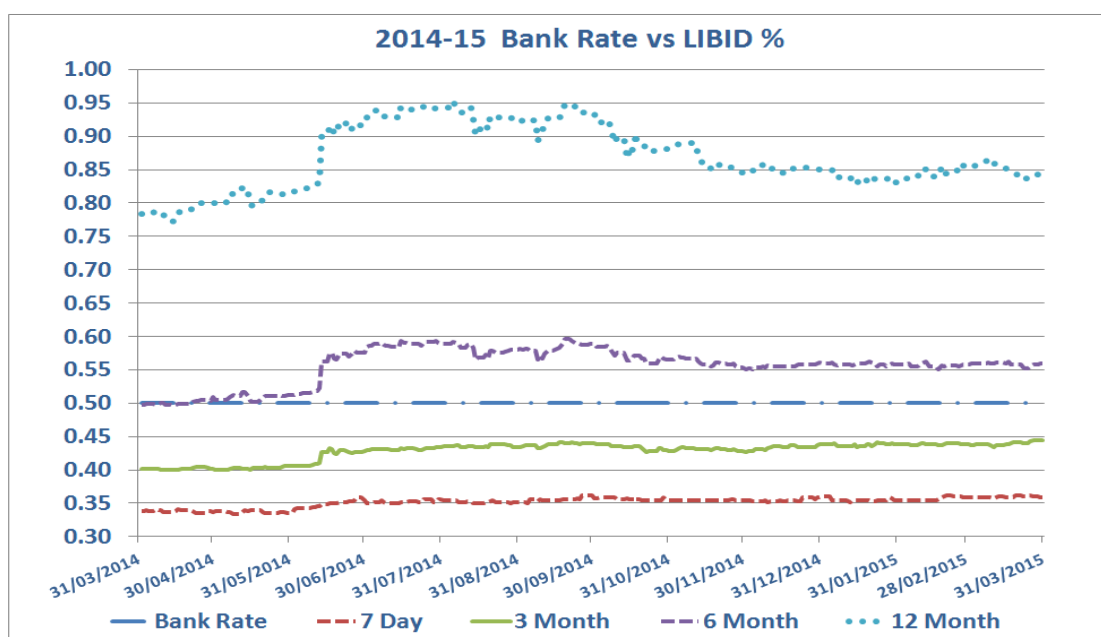
6.14 The following loans were taken out during the year:

Lender	Principal	Type	Interest Rate	Maturity
PWLB	£1.00m	Maturity	3.69%	50 years
PWLB	£0.75m	EIP	2.99%	19 years

This compares with a budget assumption of borrowing at an interest rate of 3.85%.

Investment Rates in 2014/15

6.15 Bank rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for six years. Market expectations as to the timing of the start of monetary tightening started the year at quarter 1 2015 but then moved back to around quarter 3 2016 by the end of the year. Deposit rates remained depressed during the whole of the year, primarily due to the continued effects of the Funding for Lending Scheme.



Investment Outturn for 2014/15

6.16 The Council's investment policy is governed by DCLG guidance, which has been implemented in the Annual Investment Strategy approved by the Council on 25 February 2014. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc).

6.17 The investment activity during the year conformed to the approved strategy and the Council had no liquidity difficulties.

6.18 The following table shows the result of the investment strategy undertaken by the

Council and the relative performance of the internally managed funds against the 7-day LIBID un-compounded rate benchmark:

	Average Investment (£)	Gross Rate of Return	Net Rate of Return	Benchmark Return
Internally Managed:				
Temporary & On-Call Investments	5,995,918	0.50%	n/a	n/a
Fixed Term Deposits	869,604	0.75%	n/a	0.35%

6.19 **The interest received by the Council from investments in 2014/15 totalled £71k; this compares to an original estimate of £68k.**

6.20 The Council's investment position is organised by the Finance Section in order to ensure adequate liquidity for revenue and capital activities and security of investments. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Treasury Management Practices. At the beginning and the end of 2014/15 the Council's investments position was as follows:

	31 March 2015 (£)	31 March 2014 (£)
Internally Managed Investments	9,160,000	4,910,000
Total	9,160,000	4,910,000

6.21 The maturity of the investment portfolio was as follows;

	31 March 2015 (£)	31 March 2014 (£)
On-call Investments	60,000	60,000
Fixed Term Deposits:		
Repayable within 1 month	0	0
Repayable 1 month to 3 months	3,000,000	2,850,000
Repayable 3 months to 6 months	3,600,000	500,000
Repayable 6 months to 12 months	2,500,000	1,500,000
Repayable 12 months to 24 months	0	0
Total	9,160,000	4,910,000

6.22 Investments were placed with the following institutions:

Type of Institution	31 March 2015 (£)	31 March 2014 (£)
UK Clearing Banks	7,160,000	4,910,000
Foreign Banks	1,000,000	0
Building Societies	1,000,000	0
Local Authorities	0	0
Total	9,160,000	4,910,000

Compliance with Treasury Limits

6.23 During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement (annex B).

7.0 IMPLICATIONS

7.1 The following implications have been identified:

- a) Financial
The results of the investment strategy effect the funding of the capital programme.
- b) Legal
There are no legal implications within this report
- c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)
There are no additional implications within this report.

Peter Johnson
Finance Manager (s151)

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Background Papers:
None

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TREASURY MANAGEMENT ANNUAL REPORT 2014/15 - 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.	2	D	In response to the economic climate the Council continue to adopt a more stringent credit rating methodology.	1	D
Market risk - Selection of wrong type of investment for higher return.	The poor performance of the chosen investment.	3	B	The number of investment options have been kept to a minimum within the investment strategy.	2	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.	1	B	The maturity profile has shortened for investments. The 2011/12 Investment Strategy reduced the period for non- specified investments and full Council agreed to continue with this policy in 2014/15. Short and medium term cash flow management ensures funds are available when needed.	1	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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PRUDENTIAL AND TREASURY INDICATORS

Prudential Indicators

	2013/14 Actual	2014/15 Original	2014/15 Actual
Capital Expenditure	£3.331m	£1.375m	£1.331m
Ratio of financing costs to net revenue stream	1.80%	2.79%	1.47%
Net borrowing requirement	-£4.708m	-£1.467m	-£6.897m
Capital Financing Requirement as at 31 March	£0.254m	£2.616m	£1.526m
Annual change in Capital Financing Requirement	-£0.041m	£2.362m	£1.272m
Incremental impact of capital investment decisions			
Increase in council tax (band D) per annum	N/a	£1.18	N/a

Treasury Management Indicators

	2013/14 Actual	2014/15 Original	2014/15 Actual
Authorised Limit for external debt -			
borrowing	N/a	£20.0m	N/a
other long term liabilities	N/a	£1.0m	N/a
Total	N/a	£21.0m	N/a
Operational Boundary for external debt -			
borrowing	N/a	£5.0m	N/a
other long term liabilities	N/a	£0.7m	N/a
Total	N/a	£5.7m	N/a
External debt	£0m	£2.070m	£1.750m
Upper limit for fixed interest rate exposure			
Net principal re fixed rate investments	N/a	100%	N/a
Upper limit for variable rate exposure			
Net principal re variable rate investments	N/a	50%	N/a
Upper limit for total principal sums invested for over 364 days (per maturity date)	N/a	£1.0m	N/a

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