

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Your attendance is requested at a meeting to be held at The Jeffrey Room, The Guildhall, St. Giles Square, Northampton, NN1 1DE on Monday, 3 November 2014 at 6:00 pm.

D. Kennedy
Chief Executive

AGENDA

1. APOLOGIES

Please contact Democratic Services on 01604 837722 or democratic_services@northampton.gov.uk when submitting apologies for absence.

2. MINUTES

(Copy herewith)

3. PROGRESS REPORT

(Copy herewith)

4. DEPUTATIONS / PUBLIC ADDRESSES

5. DECLARATIONS OF INTEREST

6. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

7. CALL CARE REPORT - UPDATE

(Copy herewith)

M Goodman, Head of Customers & Cultural Services

8. HOUSING FINANCE IMPROVEMENT PLAN

(Copy herewith)

G Hammons, Chief Finance Officer

9. ABSENCE MONITORING AUDIT RECOMMENDATIONS UPDATE REPORT

(Copy herewith)

G Barker, HR Advisory Team Manager

10. TREASURY MANAGEMENT OUTTURN REPORT

(Copy herewith)

B Dixon, Finance Manager

11. EXTERNAL AUDIT UPDATE

N Bellamy, External Auditor (Audit Commission)

(A) ANNUAL AUDIT LETTER
(Copy herewith)

(B) EXTERNAL AUDIT PROGRESS REPORT AND
TECHNICAL UPDATE
(Copy herewith)

12. INTERNAL AUDIT RISK ASSESSMENT AND PLAN
2014-2015
(Copy herewith)

C Dickens, Internal
Auditor
(PWC)

13. EXCLUSION OF PUBLIC AND PRESS

THE CHAIR TO MOVE:

“THAT THE PUBLIC AND PRESS BE EXCLUDED
FROM THE REMAINDER OF THE MEETING ON THE
GROUNDS THAT THERE IS LIKELY TO BE
DISCLOSURE TO THEM OF SUCH CATEGORIES OF
EXEMPT INFORMATION AS DEFINED BY SECTION
100(1) OF THE LOCAL GOVERNMENT ACT 1972 AS
LISTED AGAINST SUCH ITEMS OF BUSINESS BY
REFERENCE TO THE APPROPRIATE PARAGRAPH
OF SCHEDULE 12A TO SUCH ACT.”

SUPPLEMENTARY AGENDA

Exempted Under Schedule, 12A of L.Govt Act 1972, Para No: -

AUDIT COMMITTEE

Tuesday, 9 September 2014

PRESENT: Councillor Larratt (Chair); Councillors Flavell, Nunn and Strachan.

1. APOLOGIES

Apologies were received from Councillors Conroy, Hibbert and Palethorpe.

2. MINUTES

The Minutes of the meeting held on 28 July 2014 were confirmed and signed by the Chair as a true record.

3. DEPUTATIONS / PUBLIC ADDRESSES

There were none.

4. DECLARATIONS OF INTEREST

There were none.

5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

There were none.

6. STATEMENT OF ACCOUNTS 2013/14 AND ANNUAL GOVERNANCE STATEMENT 2013/14

The Chief Finance Officer submitted a report which presented the audited Statement of Accounts 2013/14, the Annual Governance Statement 2013/14 and the Council's Letter of Representation. The Council's external auditors (KPMG) had audited the accounts and had subsequently produced a Report to those Charged with Governance (ISA 260) 2013/14. The external auditor's report at agenda item 7 was considered before the recommendations in this report were discussed.

KPMG in their audit had not identified any material adjustments. An ongoing investigation was being undertaken by KPMG following an objection by a member of the public during the statutory period of inspection of the Statement of Accounts in respect of the Council's decision to incorporate the opening of part of Abington Street to traffic in the capital programme.

The Assistant Head of Finance tabled a list of changes, not fundamental, made to the Statement of Accounts since the draft had been published in the agenda, along with an amended Letter of Representation and an additional recommendation to the report.

In answer to members' questions the Chief Finance Officer stated that:

- There was a medium term strategy in respect of the potential impact of the austerity measures on the Council's assets, although this remained an on-going concern;
- In respect of building control, the Council was allowed to recover its costs and some extra income was being generated. He did not have concerns regarding this area but

would look into the issue further.

The Chief Finance Officer thanked his team for producing the Statement of Accounts for sign off at this meeting, which was the earliest date the Committee had ever signed them off. He stated that under the proposals being consulted on by the Government the accounts would be brought to the Committee for sign off by 31st July each year from 2017.

RESOLVED:

1. That the Statement of Accounts (as amended by Appendix 1, as tabled) be approved, subject to any changes arising from the consideration of the report of the external auditor.
2. That the Annual Governance Statement (Appendix 2) be noted.
3. That the Council's Letter of Representation (as tabled) be approved.
4. That authority be delegated to the Chief Finance Officer, in liaison with the Chair of the Audit Committee, to make any minor amendments to the Statement of Accounts necessary prior to publication.
5. That the officers be thanked for satisfactorily completing the Statement of Accounts.

7. REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) 2013/14

Neil Bellamy (KPMG) submitted a report which presented the external auditor's opinion on the Council's Statement of Accounts. The external auditor's report was considered before the recommendations in the report at agenda item 6 were discussed.

KPMG had concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and would give an unqualified opinion on the accounts. The audit could not be formally concluded until the completion of an ongoing investigation being undertaken by KPMG following an objection by a member of the public during the statutory period of inspection of the Statement of Accounts in respect of the Council's decision to incorporate the opening of part of Abington Street to traffic in the capital programme. This investigation had to be completed within nine months of the date of the objection, which would be during April 2015.

KPMG had made two recommendations to the Council, as set out in their report, both of which had been agreed by management.

RESOLVED:

That the report be noted and received.

8. EXCLUSION OF PUBLIC AND PRESS

The Chair moved that the Public and Press be excluded from the remainder of the meeting on the grounds that there was likely to be disclosure to them of such categories of exempt information as defined by Section 100(1) of the Local Government Act 1972 as listed against such items of business by reference to paragraph 3 of Schedule 12A to such Act.

The Motion was Carried.

9. EMPTY HOMES

Chris Dickens (PwC) submitted the internal auditor's report on Empty Homes.

RESOLVED:

That the report be received and noted.

10. ABSENCE MONITORING REPORT

During consideration of item 9, the Chair stated that at the previous meeting of the Committee the relevant officers had been invited to attend this meeting to discuss the Absence Monitoring Action Plan but the item was not on this agenda.

RESOLVED:

That the relevant officers be asked to attend the next meeting of the Committee to discuss the Absence Monitoring Action Plan

The meeting concluded at 7:09 pm

AUDIT COMMITTEE – 3 NOVEMBER 2014

PROGRESS REPORT

To inform the Committee of action taken on decisions made at the previous meeting of the Committee

Minute No:	Minute heading:	Action required:	Action taken:
6.	Statement of Accounts & Annual Governance Statement	<ol style="list-style-type: none"> 1. Accounts and letter of representation to be signed (done at meeting). 2. Copy of signed Accounts to be sent to KPMG 	<i>Accounts and letter of representation have been signed and sent to KPMG following completion of the meeting of the Committee on 9 September 2014.</i>
9.	Empty Homes (confidential)	<ol style="list-style-type: none"> 1. Keep Committee informed of progress regarding changes to procurement rules etc. 2. Audit Action Plan and Housing Finance Improvement Plan to be reported to a future meeting of the Committee. 3. Lists to be reviewed in light of the internal auditor's report. 	
10.	Absence Monitoring Report	Relevant officers to attend this meeting to discuss the action plan	
N/A (after meeting)	Not applicable	Suggested following the completion of the meeting on 9 September 2014 that a progress report detailing action on Committee decisions would be useful for members.	<i>This is the first progress report, which will be included on the Committee's agendas as a regular feature.</i>

Appendices



AUDIT COMMITTEE REPORT

Report Title	Call Care Service update
---------------------	---------------------------------

AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	3 November 2015
Policy Document:	NO
Directorate:	Customer & Communities
Accountable Cabinet Member:	Cllr Markham

1. Purpose

- 1.1 To provide an update regarding the Call Care Service and progress with the marketing, promotion and review of the service

2. Recommendations

- 2.1 To note the progress made in relation to marketing the Call Care Service, the current financial position and to keep potential future options under review.

3. Issues and Choices

3.1 Report Background

The Council continues to keep the options available regarding its Call Care service under review to establish the future direction of the service and methods of delivery. The options include:

- Retain and seek to grow the Call Care service (current option)
- Retain the service but outsource the call monitoring and handling provision
- Cease provision of the service and “signpost” users to other providers

The Council’s Call Care service has around 5,000 customers including sheltered housing tenants, other Council tenants and other residents within and outside of Northampton. The service takes around 8,000 calls per month. The Council’s out-of-hours response service (predominantly housing repairs) is delivered through the

team taking approximately 700 calls a month.

Specific challenges for the service include trying to increase customers and therefore income through marketing and promoting the service and taking the opportunity to expand the service through active marketing and through development of other areas linked to Telecare and Telehealth.

In January 2013, the Council produced an initial appraisal of “Call Care Future Options” and a Marketing Plan. The appraisal examined a wider range of options looking at options for the future of the service. The appraisal recommended the retention and growth of the service; however more activity was required to actively market or grow the service so in January 2014, a further options appraisal was undertaken with a specific emphasis on how the service could be retained and grown.

Since January 2014 the service has been actively marketed and promoted through a wide range of activities.

3.2 Issues

- 3.2.1 The call care service has operated at a deficit against a budgeted surplus in recent financial years.
- 3.2.2 There had been no proactive marketing of the Call Care service in recent years and the work on marketing the service which has been undertaken over the last six months is the first in many years.
- 3.2.3 The County Council’s Olympus care offering has taken some clients from Call Care and continues to do so with the close relationship they have with Social Care within NCC.
- 3.2.4 The current shift pattern and process for shift scheduling needed to be reviewed to enable maximum use of resources.
- 3.2.5 The current Call Care team needed to be trained for skills and expertise to run the service on a more commercial basis.
- 3.2.6 The service needs investment in new Lifelines to replace the existing Lifeline 400 units.
- 3.2.7 Resources, expertise and investment are all required to continue to effectively review and market an enhanced Call Care service. In the case of the other options still under review there would be redundancy, procurement and transition costs.
- 3.2.8 The service can be retained and grown and can move back into a breakeven or surplus position, provided that its structure and processes are transformed to make it fit for purpose and the service is actively marketed and promoted.
- 3.2.10 To compete effectively in this marketplace Call Care needs to offer the quality and range of services that the potential client base are expecting, to

deliver consistently high levels of service and to provide, maintain and improve the equipment and technology provided to clients and to proactively market their services.

3.2.11 Progress to date against the actions arising from the review are set out below:

Staffing operations

3.2.12 The staffing structure has been reviewed and the new structure reflects the lower level of connections which are now in existence. In addition the new structure has built in the requirements for operating a commercial business unit.

- Initial structure changes were made in September, further changes are in progress
- Revision to shift system - consultation with staff is in progress
- Increased multi-skilling of staff is in progress
- A review of on-call payments is in progress
- Improved utilisation of staff during overnight and other “quiet” periods has taken place. Closer working with the Facilities Management and Customer Service teams has seen an increase in the range of services now carried out by staff during quiet periods including handling large postal requests and dealing with repairs and other general emails.
- The inclusion of marketing and business development roles as part of existing Job roles has been completed.
- Commercial awareness and cultural change training for all staff is in progress.

Systems and Processes

3.2.13 A review of the systems and processes has been undertaken which has included:

- Responding to and processing sales enquiries in a timely and efficient manner
- Invoicing
- Credit control
- Accounting and reporting
- Signposting

Technology

The use and deployment of technology has been enhanced through:

- Sourcing replacement Lifelines (e.g. Lifeline Vi)
- Maximisation of PNC7 reporting potential (PNC 7 is the main call care ICT System)
- Improving permissions and access to PNC7 to support multi-skilling
- Investigation of other equipment and peripherals

Marketing

- A marketing plan has been produced which is valid for 14/15. It includes clear timetables and resources.
- An analysis of new customers and cancellations to identify reasons/ routes for accessing the service and any controllable reasons for cancellation has been undertaken.
- Relationship management with corporate clients has commenced
- A Unique Selling Point and branding exercise has been undertaken.
- A reviewing of the pricing structure has been undertaken.
- The Website has been re-developed and online access has been enabled.
- TSA Accreditation has been awarded which reflects the quality of the service
- The Call Care Team were awarded an “Extra Mile” Award during National Customer Service Week

3.3 Choices (Options)

- 3.31 Retain and seek to grow the Call Care service
- 3.3.2 Retain the service however outsource the call monitoring and handling provision
- 3.3.3 Cease provision of the service and “signpost” users to other providers

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 There are no specific policy implications arising from this report.

4.2 Resources and Risk

- 4.2.1 Should the ongoing marketing of the service not achieve the income level necessary to move the call care service into at least a cost neutral position then the implementation of alternative service delivery options will need to be actively considered in order to secure a sustainable future for the service.
- 4.2.2 There would, of course, be risks involved in changing the way the service is delivered, particularly given the vulnerable nature of the client base of the service. There would also be significant costs associated with major service transition.
- 4.2.3 Given the risks and costs involved, the case for options such as closure or outsourcing is not sufficiently compelling at this stage.

- 4.2.4 Substantial progress has been made as a result of extensive marketing of the service, which has significantly increased income, putting the service on a far firmer footing. At this stage it is therefore considered that the option of retention and growth is the best way forward, subject to ongoing review.
- 4.2.5 To mitigate the financial position of recurring deficits, four posts were deleted, achieving savings of £100,000. The budget for 2014/15 included a one off increase of £150,000 to enable the service to continue its operation whilst a service review was undertaken. The service is currently projecting that a further £50k will be needed to fulfil the budget set for 14/15. Moving forward, further savings and/or increased income will be required to move the service to a break even position against its substantive budget.

4.3 Legal

- 4.3.1 There are no specific legal implications arising from this report

4.4 Equality

- 4.4.1 There are no specific equality implications arising from this report

4.5 Consultees (Internal and External)

- 4.5.1 Employees within the Call Care Team and users of the call care service.

4.6 Other Implications

- 4.6.1 Not applicable.

5. Background Papers

- 5.1 Call Care Annual Report – Appendix One
5.2 Call Care marketing activities August-September 2014 – Appendix Two

Marion Goodman
Head of Customer and Cultural Services
Ext. 7721

CALL CARE

Annual Report | 2013 -2014

This report covers the period April 2013 to March 2014 and has been produced to let you know what has happened in the call care service during that time. It tells you how we performed, what our achievements were and the challenges we faced. It also looks ahead to our plans for the future.

This report will be distributed to staff and corporate customers. As we have over 6,000 individual customers we are unable to provide a copy to each customer. Therefore copies will be placed in community rooms, libraries, Northampton Borough Council's (NBC) One Stop Shop, and on our website to enable it to be accessed by individuals.

If you would like to make any comments on this report or require more details, please call 01604 838246 or email lmusson@northampton.gov.uk.

Best wishes.

Louise Musson
Senior Control Team Co-ordinator.



Our Service Aims are to:

- **Prevention** - use Telecare technology to help prevent hospital admissions and aid early hospital discharge.
 - **Independence** - Support vulnerable people to live independently in their own homes and within the community.
 - **Peace of Mind** - provide customers, their families and friends with peace of mind that support is available at the touch of a button.
 - **Security** - Help provide security to vulnerable customers throughout Northamptonshire.
- We also:**
- Work with other organisations to provide a network of support.
 - Are available 24 hours a day, every day of the year.
 - Answer calls promptly and professionally and take the appropriate action at all times.
 - Always treat customers with dignity and ensure their wishes are respected.
 - Comply with the Data Protection Act.
 - Update information held as soon as we are notified of any changes.
 - Report faults on equipment promptly and ensure that repairs are carried out in line with the maintenance contracts.

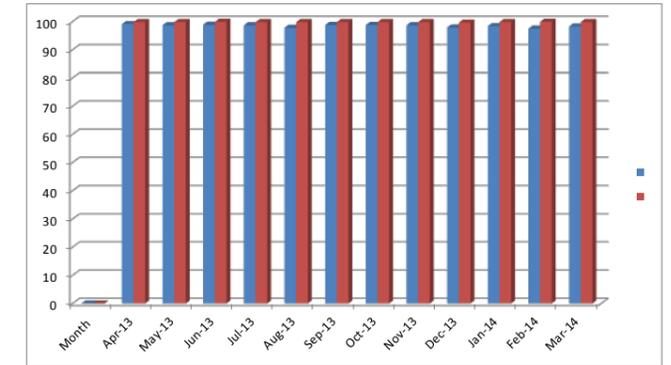
Call Response times

From 1st April 2013 to 31st March 2014 our Control Operators handled over approximately 270 calls each day.

The Telecare Services Association set two standards for call response times (how quickly a call is answered).

- 97.5% of calls must be answered within 60 seconds
- 99% of calls must be answered within 180 seconds

We consistently met and exceeded the TSA standards. The graph demonstrates that on average 98.5% of calls were answered within 60 seconds and 99.8% of calls were answered within 180 seconds. The hard work of our team has ensured that all our calls are answered quickly and dealt with effectively.



Blue = calls answered within 60 secs

Red = calls answered within 180 secs

How well did we perform?



Call Care is accredited by the Telecare Services Association. This is the UK trade association for the social alarm and telecare sector. It operates a code of practice for control centres. There are annual inspections and a 3-yearly full audit inspection.

The code of practice looks at areas including:

- The location, design and construction of the control centre.
- Procedures for data protection.
- Contingency plans.
- Achieving set standards in call response times.
- Complaints management.
- Staff conduct and training.
- Installation performance.

In January 2014 Call Care were once again successfully accredited by the Telecare Services Association.

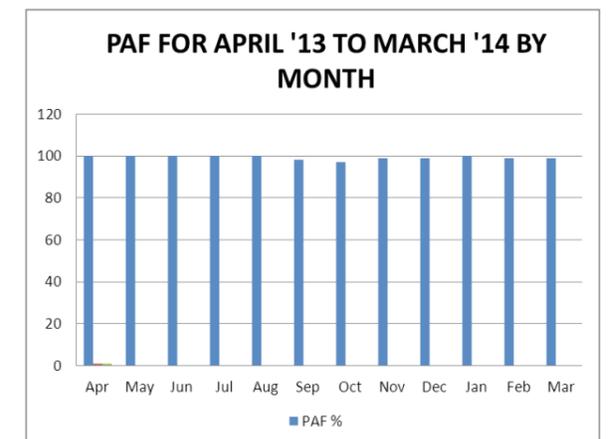
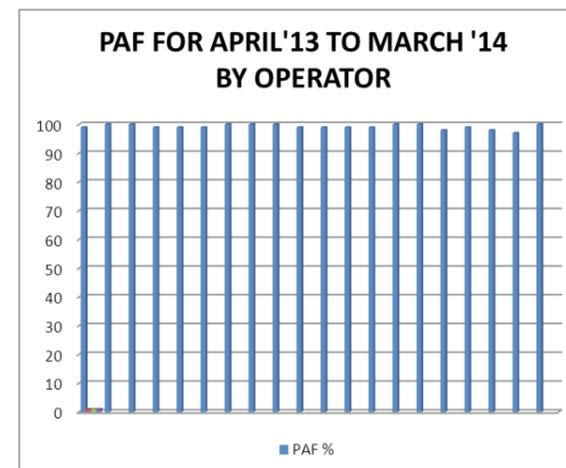
Operator Performance

To ensure our customers receive an excellent service we have a number of procedures that allow us to monitor performance. All calls made to and from the Alarm Receiving Centre are digitally recorded. This allows us to monitor performance by regularly listening to calls.

A performance assessment is completed monthly for each operator and this covers all aspects of the way a call is handled. A score of less than 90% is regarded as a failure to

meet the standard and would be addressed with the member of staff and an improvement programme would be undertaken.

PAF for April 13 - March 14 by Operator, this shows the individual performance for each operator, averaged over the 12 month period. All operators have achieved a yearly average over and above the required 90%, demonstrating a commitment to excellent calls handling performance.



PAF for April 13 to March 14 by Month shows that month on month Call Care Operators on average are exceeding the required calls performance standard.

Telecare (Lifeline) Installation Performance

Our Telecare department continued to deliver a very efficient service during the year with all new lifelines having been installed well within the Telecare Services Association recommended target times. Our Telecare (Lifeline) Officers have continued to familiarise themselves with new equipment and procedures throughout the year and have undertaken any additional training as required.

We have continued to work with and meet the Telecare Services Association Code of Practice.

The targets set are:

- 9 out of 10 urgent installations completed within 2 working days, with the remaining installations completed within 5 working days.
- 9 out of 10 non-urgent installations completed within 15 working days, with the remaining installations completed within 20 working days.

We are pleased to report that these targets were fully met in 2013-2014.

Your Feedback:

Call Care is committed to delivering an excellent quality of service which is demonstrated from our customer feedback and our performance results. We want to hear from our customers when they are happy with us or when they feel we could have done better. We use a variety of ways to find out your opinion.

We are grateful to our customers for taking the time to give us feedback and we use this to help us decide our future priorities and assist in our service planning.

Customer Feedback Surveys

We carry out a survey with our customers on an annual basis by means of a satisfaction questionnaire. A satisfaction survey was sent to 500 randomly selected Telecare (Lifeline) customers in March 2014. A high response was attained with 61% of customers returning their survey forms.



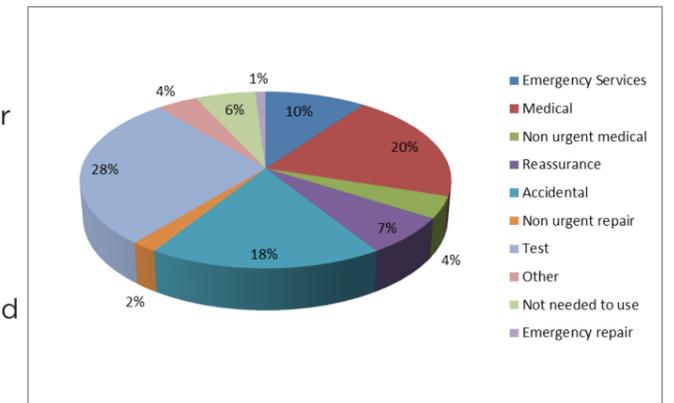
Results of Survey

Customers were asked a number of different questions about when they used their lifeline and how they felt their calls were handled. Their responses showed the following:

Of those who had used the alarm almost a third (30%) had used it to get the emergency services or for a medical emergency, 6% had not needed to use their Lifeline.

Of those who had answered the question:

- 98% thought their call was answered quickly.
- 100% thought their call was well handled by the Control Room.
- 97% thought the outcome of their call was satisfactory.
- 97% thought that their lifeline was value for money.
- In terms of importance 65% considered their Lifeline to be vital, with another 29% considering it to be important.
- 99% customers say they would recommend Lifeline to their friends.
- 76% were very satisfied with the service with a further 22% being satisfied.



Detailed in this chart below are the reasons why customers used the alarm.

Compliments and complaints

Our aim is to be able to resolve your complaint as quickly as possible. Often this can be straight away but when we cannot do this we will acknowledge your complaint within 3 working days and ensure that we provide a full response within 10 working days. This is defined by Northampton Borough Council's Complaints Procedure.

All complaints are investigated and a letter informing you of the outcome of the investigation will be sent to you.

As all our calls to the Alarm Receiving Centre are recorded we are able to listen to any call and record the time taken to answer a call. This enables us to establish clearly if there was a break down in the quality of our service.

We are grateful to our customers for taking the time to give us feedback and will use this to help us decide our future priorities and assist in our service planning.

During 2013-2014 we received the following number of complaints and compliments about Call Care.

- 16 compliments
- 5 complaints

Some of the compliments received during the year were:

- A customer rang to say that the service saved her life when she got trapped in her garage. She pressed her pendant and

because she did not respond the operator sent her emergency contacts. She said that she could have been there all day in the cold weather if she had not had our service.

- A customer called wishing to thank the operator who called an ambulance for him. He was admitted to hospital and had a pacemaker fitted. He felt that the operator's actions contributed to saving his life and wanted to thank her.
- A customer called to praise Call Care for the help and support we gave her to remain independent at 95 years old and blew us two kisses over the phone!

We will always try to respond to a complaint immediately, where this is not possible, it will be acknowledged within 3 working days and then fully investigated.

All of the above complaints were resolved at the first stage 'NIP' and not escalated to a stage one complaint. Three of the complaints were regarding either equipment or repair issues, all of which were out of Call Care's control. All other complaints were responded to and training provided to the operator where necessary.

We aim to provide a high level of service to all our customers, if at any time someone does not feel that they are receiving this, we encourage feedback to ensure service development and excellent customer service provision.

Achievements and improvements

This year has been an eventful year for Call Care. We have implemented two major projects, the move from Exeter Place to the Guildhall and the installation of a new Calls Handling System.

The Big Move

For many years it has been felt that Call Care would benefit from moving from their original premises at Exeter Place. This was the year it was going to happen. A project team was set up and the plans began to formulate as far back as Jan/Feb 2013. On the 9th November 2013 the Big Move took place, well actually it was carried out over a matter of several days; the final day when our equipment went live was on the 9th November and from then onwards we have been operating from the 3rd floor of the Guildhall.

The benefits – The team now work in a large airy office alongside their customer service colleagues. It has brought the team into the Council fold and has enhanced the partnership working with the independent living team and customer service team. The team has also found it beneficial as their knowledge of the Council is growing and a better understanding of what other departments can provide has been really useful in our daily operations.

It has also given us the opportunity to attend other team's team meetings and give them a wider understanding of the service Call Care provides.

Last and not least it has been a cost saving exercise as we are no longer running a stand alone building for our operations and the Exeter Place offices are being converted into four flats to rent via choice based lettings.

New System

Call Care's system is a bespoke calls handling system which works by identifying the caller's phone number and personal id number, which means as a call comes into the service the operator automatically can identify who is calling, which is really helpful in emergencies.

The system provider had developed and upgraded the system we were using and Northampton Borough Council wanted to invest in the service and felt it was time to introduce the new software. It was agreed that this should happen in conjunction with the move, this provided us with an unprecedented service continuity, which means, we could install the new system at our new premises, in the Guildhall, whilst still working off our old system at Exeter Place. Once the new system was installed and rigorously tested we could then transfer to the Guildhall without any loss of service.

Our IT department has been innovative by integrating the calls handling system onto the Northampton Borough Council system. This has improved our disaster recovery (DR) continuity and reduced the prospect of physically going to our DR site in the event of system failure. This has resulted in reducing the chances of any service disruptions for our customers.

The team had a full training programme before we went live on the new system and have adapted to all changes very well.

Other Achievements

Call Care had their annual audit from the Telecare Service Association in January 2014 and were pleased to pass for the 10th in a run, with no exceptions. This demonstrates Call Care's commitment to service improvements and customer service excellence.

We were successful in procuring new business from a national housing provider.



Working with other organisations

In operating the control centre and Telecare service we work with many other agencies to ensure positive outcomes for our customers. We have built strong relationships with the Police, Fire and Ambulance services and with our corporate customers.

During the year members of our Call Care team worked with local health and care organisations by attending and taking part in a Stroke Awareness day and giving talks on the service to Day Centres. Call Care attended the Northampton Borough Council Tenant and Leaseholders Conference in May and as well as giving advice and support to potential new customers, further developed the links between Call Care and other areas of the Council.

Call Care representatives attended the Telecare Services Association International Conference in Birmingham in November 2013. This was an important opportunity for us to keep up to date with new Telecare and Telehealth initiatives around the country and to meet with many different suppliers of Telecare equipment. We strive to keep abreast with the advancement of new equipment and technology which will benefit our customers and our service.

Service Agreements have been developed with all our corporate customers for example charities and housing associations for which we provide a response service. Regular meetings are held with corporate customers to ensure we are providing a high quality service, which meets their needs and the needs of their customers.



Customer Involvement

Two members of the team are involved in the ALMO implementation project which is managing the migration of Northampton Borough Council's housing stock to Northampton Partnership Homes as of 5th January 2015. As part of the Employee Focus Group these two members are involved in shaping procedures and policy and work jointly with Tenants, many of whom are users of our service.

Future Plans

- Over the next twelve months we are going to work towards expanding our service provision. This will include the provision of a wider range of equipment available to best meet the needs of our customers.
- We are setting up a project to raise awareness of our service to end users and health and support partners. This will include a wide range of talks and presentations and intensive partnership working.
- Our website will be improved to make it more user friendly and easier for our customers to access our services.
- We will be developing our brand awareness by increasing our online presence using social media.
- We will be providing our customers with the ability to apply for our services on our website using an online application form.
- During 2014/15 we will also begin a project to review our performance monitoring. This will work in conjunction with Northampton Borough Council's competencies and will review our current call performance monitoring procedures. Our aim is to invest in the training and development of our team to ensure a continuance of service improvement and customer service excellence.





Marketing Activities August-September 2014

Summary:

The marketing report consists of the details of activities undertaken in accordance to the marketing plan set up for Call Care Service. The focus was on generating brand awareness by actively promoting Call Care service through partnership meetings with other organisations, events attendance and developing the website to promote the brand in online medium.

Brief overviews of marketing activities done in the month of August are as follows:

Detailed List of Activities:

Strategic Partnership Building Project:

- We have been actively involved in the partnership meeting with the organisations over the last couple of months. This activity will be continued in weeks/months to come. This involves setting up the meeting with the organisations with whom we can work in strategic partnership.
- **Wiltshire Farm Foods:** They agreed to work in partnership with Call Care by distributing our leaflets alongside delivering their food packs. This project will cover the whole Northamptonshire region.
- **Northamptonshire Fire and Rescue Team:** In the meeting with them on 27th Aug, it was agreed to book a slot for presenting our services in their team meeting.
- **Northampton County Council** meeting was scheduled with Chris Bark on Friday 5th September. The meeting was a success wherein future business development with NCC was discussed. Further to this, Louise has arranged meetings with Tunstall.

Promotional Events and Workshop

- Service presentation scheduled on Wednesday 8th October with NHS NHFT, to be presented by Louise.
- Service presentation scheduled on Thursday 25th September with NBC Housing options, to be presented by Louise.
- Mental health Wellbeing Workshop scheduled on Thursday 18th September by Healthwatch Northamptonshire, will be attended by Louise.



- The Care Act 2014 workshop by Healthwatch Northamptonshire will be attended by Louise.
- In the series of Rheumatology Engagement events by Kettering General Hospital; Call Care service will have stand in all the below locations.
 1. Thursday 2nd October-Beanfield Centre, Beanfield Avenue, Corby NN18 0AX
 2. Thursday 9th October Crescents Community Centre, Laburnum Crescent, Kettering NN16 9PH
 3. Tuesday 21st October-Wellingborough Museum, 12 Castle Way, Wellingborough NN8 1XB
 4. Wednesday 22nd October- Pemberton Centre Gallery Room, H E Bates Way Rushden. NN109 YP

Hospital Activity: Extensive work has been done in the month of August on hospital task. Anjali coordinated the Call Care marketing team for this. Hospital has been divided among the team member: Linda, Ivan and Anne. This demarcation was created so that we have a single point of contact for each hospital and to build a better relationship. Anne will focus on Northampton General Hospital, Linda on Berry Wood Hospital and Wellingborough Hospital; Ivan will focus on Kettering General Hospital. We have managed to build good contacts within the NGH from general emergency ward, medicine and emergency team and the discharge ward. Meetings have been scheduled with the ward matrons and the ward nurse. Targeting hospitals would be the one of the best marketing strategies as this will help to build relation with the respective wards and repetitive meetings will increase the chance of long term relation building within the healthcare sector. Please find below the updates on the hospital tasks from the respective areas:

Northampton General Hospital: Anne is covering the NGH Hospital. Anne has successfully managed to build contacts with the medicine and emergency team, discharge ward and general medicine in NGH. Further to this meetings request has been sent to the matrons and nurses from the respective wards.

Kettering General Hospital: Ivan is covering the Kettering General Hospital. Meeting requests were sent to the respective wards. They are positive about the call care service. We are expecting few service presentations in their team meetings.

Berrywood Hospital, Daventry and Wellingborough Hospital: Linda is covering Berrywood hospital, Daventry, Wellingborough hospitals. Initial contacts have been made with the hospital wards. Awaiting confirmation for the visit date.



One Stop Shop NBC: Anjali created Call Care advert which is currently up and running in the One Stop Shop display screen in the reception. There is room for the banner in the one stop shop. We will have it in place within the next few weeks.

Principal Medical Ltd (Hospital at home Service): This is a new organisation being used by GP surgeries in South Northants area for referrals of patients over age of 65. PML will consist of support workers, OTs, etc. and will help with needs and independence advice etc. This is currently being set up & will be fully up and running in a few months time. Leaflets have been sent. Suggested we meet for demo/talk when they are ready.

Appendices: 1



AUDIT COMMITTEE REPORT

Report Title	Housing Finance Improvement Plan Report
---------------------	--

AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	12 November 2014
Policy Document:	No
Directorate:	Finance Directorate LGSS
Accountable Cabinet Member:	Cllr Alan Bottwood

1. Purpose

- 1.1 To present Committee with the Housing Finance Improvement Plan as requested showing what has been achieved and what is ongoing.

2. Recommendations

- 2.1 To note the Housing Finance Improvement Plan status.

3. Issues and Choices

3.1 Report Background

- 3.1.1 Audit Committee of 9th September requested a report on the work that has been ongoing to improve the arrangements around Housing Finance. This was on the back of some high risk finding Internal Audit reports on Empty Homes areas and general performance around 2013/14 outturn..
- 3.1.2 The Housing Finance Improvement Plan has been in existence since before December 2013 and is continuously being reviewed and maintained to ensure financial awareness is maintained and developed with the Housing Service.

3.2 Issues

- 3.2.1 The Housing Finance Improvement Plan at Appendix 1 was drawn up in conjunction with Housing Services officers using current Internal Audit reports and officer knowledge. It has evolved over the last year taking into account delivery in certain areas, new management and Internal Audit reports.
- 3.2.2 The key areas that the HFIP looked to address are:
- Basic Financial understanding – budget monitoring
 - Local Authority Finances and how they work
 - NBC Financial principles and practices
 - Financial Management – roles and responsibilities
 - Procurement principles
 - Procurement procedures and performance
 - Asset Strategy and Asset Management
 - Property Repairs and maintenance
 - Tenancy and Estate Management
 - Rent Income, Accounting and arrears recovery
 - Performance improvement and business development
- 3.2.3 Whilst a lot of the actions in areas are implemented in terms of the delivery there is now a drive to embed the necessary practices rather than establishing. This is partly being carried out by provision of certain types of training which will be ongoing and regular to ensure that all staff are kept aware of changes and that new employees receive the appropriate inductions.
- 3.2.4 The HFIP has essentially delivered most of phase 1 and has been continually developed to include more system type changes identified to deliver further efficiency changes and more effective internal controls.

3.3 Choices (Options)

- 3.3.1 None

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 There are no specific policy implications arising from this report.

4.2 Resources and Risk

- 4.2.1 Ongoing monitoring and developing of the Housing Services Finance Improvement Plan continues to enable the service to improve as far as possible ahead of being transferred in the Council's ALMO

4.3 Legal

4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 None at this stage.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 The delivery of the Housing Finance Improvement plan will help to ensure the proper stewardship of the Council's resources. Active financial management contributes to the delivery of value for money services, enabling public money to be used to maximum benefit.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

None

Glenn Hammons
Chief Finance Officer, 01604 366521

PROGRAMME PLAN - Housing Finance Improvement Plan V 5

PROGRAMME PLAN - Housing Finance Improvement Plan V 5		RESPONSIBLE OFFICER	LEAD	% Complete
Project kick off	To communicate improvement plan to SMT members and keys tasks on the delivery of this project.	Elaine Hughes	Elaine Hughes	On-going
1 Basic Financial Understanding - Budget Monitoring	Task			
This will be an on going programme in conjunction with monthly budget monitoring and budget setting				
Base Budget	To explain the nature and purpose of budgets as target setting, communications and behaviour.	Elaine Hughes	Elaine Hughes/ Stuart Johnson/Niall Glynane	On-going
Actuals	The basis of actual expenditure and accruals - the matching concept	Elaine Hughes	Elaine Hughes/ Stuart Johnson/Niall Glynane	On-going
commitment	Explanation of commitment accounting and its impact on actual expenditure.	Elaine Hughes	Elaine Hughes/ Stuart Johnson/Niall Glynane	On-going
Forecasting	The nature of forecasting expenditure and the information required to accurately prepare forecasts for year end outturn.	Elaine Hughes	Elaine Hughes/ Stuart Johnson/Niall Glynane	On-going
Medium Term Financial Strategy	The reasoning of the MTFs how financial resources are generated and expensed and how it relates to the single year budgets and longer term business viability	Elaine Hughes	Elaine Hughes/ Stuart Johnson/Niall Glynane	On-going
2 LA Finances (Grant & Generated Income)				
General fund Revenue	How the LA receives it's income and the statutory context it operates in	Elaine Hughes	Elaine Hughes/Stuart Johnston	100%
General fund Capital	How the LA generates and uses capital receipts, borrowings, RCCO	Elaine Hughes	Elaine Hughes/Stuart Johnston	100%
HRA Revenue	How the HRA generates income and the statutory provisions	Elaine Hughes	Elaine Hughes/Stuart Johnston	100%
HRA Capital	How the HRA generates capital receipts, grant funding and RCCO	Elaine Hughes	Elaine Hughes/Stuart Johnston	100%
3 NBC Financial Principles & Practise				
Payment mechanisms and procedures	NBC/LGSS payment procedures	Elaine Hughes	Elaine Hughes/Stuart Johnston	40%
Coding structures	The importance of coding structures in relation to invoice payments and budget monitoring.	Elaine Hughes	Elaine Hughes/Stuart Johnston	40%
Financial Regulations	Ensure that all staff have an awareness of NBC' financial regulations.	Elaine Hughes		
financial Reporting/Management Information	The requirements for financial reporting through financial regulations and budget monitoring. The reporting timetable and an awareness of the standards of information required to ensure that the organisation understands the current financial situation.	Elaine Hughes	Elaine Hughes/Stuart Johnston	40%
Data Quality	Identify & implement controls over data capture and quality	Elaine Hughes	Elaine Hughes/Stuart Johnston	40%
Virements and Changes	The process and approvals of virements and changes	Elaine Hughes	Elaine Hughes/Stuart Johnston	40%
Applications for External Funding	The need for Approval of the Chief Financial Officer and the process surrounding that.	Elaine Hughes	Elaine Hughes/Stuart Johnston	
4 Financial Management				
Budget Holders' roles and responsibilities	The roles of budget managers in managing budgets, accountability and responsibility	Elaine Hughes	Elaine Hughes/Stuart Johnston	100%
Finance Managers roles and responsibilities	How Finance provide support to budget managers through challenges, critical friend and to ensure proper procedures are followed	Elaine Hughes	Elaine Hughes/Stuart Johnston	100%
Formal Approvals processes and procedures	The nature of the Councils approvals process & procedures and the link with financial Regulations and scheme of delegation	Elaine Hughes	Elaine Hughes/Stuart Johnston	100%
5 Procurement Principles				
Council's financial standing orders	Discuss and train participants on the councils financial regulations and scheme of delegation	Ken Hopkins/Borough Solicitor	Legal/LGSS Procurement	100%
Council's delegated budgetary limits	Discuss and inform participants on delegated limits	Ken Hopkins/Borough Solicitor	Legal/LGSS Procurement	100%
OJEU Procurement requirements	Discuss and inform participants on OJUE requirements	Ken Hopkins/Borough Solicitor	Legal/LGSS Procurement	100%
6 Procurement Procedures & Performance				
Contractor/supplier contact & Involvement	To go through how to involve suppliers in the procurement process	Elaine Hughes	LGSS Procurement	100%
Contractor confidentiality	The need for confidentiality	Elaine Hughes	LGSS Procurement	100%
Contract Award	Outline of how contracts are awarded	Elaine Hughes	LGSS Procurement	100%
Contract performance	The nature of contract performance as part of the procurement process and contract requirements	Elaine Hughes	LGSS Procurement	100%
Performance monitoring	The nature of contract performance monitoring as part of the procurement process and contract requirements	Elaine Hughes	LGSS Procurement	100%
Performance enforcement	The nature of performance enforcement as part of the procurement contract	Elaine Hughes	LGSS Procurement	100%
Contract extension	The purposes, nature and procurement rules around contract extensions.	Elaine Hughes	LGSS Procurement	100%
7 Asset Strategy & Asset Management				
Capital Programme	To get the capital programme of works underway and be proactively managing the process to ensure that works are carried out within timescales and to budget. Ensuring that the upgrades are recorded within the asset data base.	Ken Hopkins	Dominic Robeiro/ Tim Bruce/Elaine Hughes/Richard James	20% capital/80% for DHomes element
Decent Homes works	Project management - Est. the programme, obtain quotes and work plans from contractors, implement processes and procedures to monitor the program and update the asset database	Ken Hopkins	Dominic Robeiro/Elaine Hughes/Richard James	90%

PROGRAMME PLAN - Housing Finance Improvement Plan V 5

PROGRAMME PLAN - Housing Finance Improvement Plan V 5		RESPONSIBLE OFFICER	LEAD	% Complete
	Finance role - understand processes and procedures that have been established, identify areas of weakness/gaps. Attend core group and partnership meetings.		Elaine Hughes	
Planned & Cyclical Maintenance	Reasoning and nature of planned maintenance cycles, procurement and asset database update	Ken Hopkins	Tim Bruce/Elaine Hughes	35%
	Finance role - understand processes and procedures involved in monitoring the program that have been established, identify areas of weakness/gaps.		Elaine Hughes	
8 Property Repairs & Maintenance				
Voids Repairs	To streamline the void turn around process to ensure that properties are being relet as quickly and efficiently as possible to ensure that NBC are maximising income and housing those in need. Ensuring that the teams involved are working together to make this happen.	Ken Hopkins	Richard James/Elaine Hughes	25%
	Finance - Ensure that progress is moving forward and any controls that have been identified are relevant, identify any gaps.			
Responsive Repairs	Nature of responsive repairs and impact of capital and planned works - Implications to asset data base.	Ken Hopkins	Richard James/Elaine Hughes	5%
Out of hours Service	Impact of the out of hours service	Ken Hopkins	Richard James/Elaine Hughes	No action required at this point
9 Tenancy & Estate Management				
Tenancy enforcement	Nature and purpose of tenancy enforcement	Sheila Tolley	Joanna Leckie/Darren Berwick	100%
Estate & neighbourhood management	Best practise on estate & neighbourhood management and implication of repairs	Sheila Tolley	Joanna Leckie/Madeline Mills	100%
Estate services	The nature and types of estate services, implications on tenants and leaseholders who pay a service charge	Sheila Tolley	Joanna Leckie/Madeline Mills	50%
10 Rent Income, Accounting & Arrears Recovery				
Income maximisation	The ensure that NBC takes every opportunity to maximise income and understand the impact on arrears, cash flow and budgets if the collection rate decreases.	Sheila Tolley	Peter Haytack/Elaine Hughes	50%
	Re-establish rechargeable costs processes and procedures.	Sheila Tolley/Ken Hopkins	EH, PH, AH, DB, KK, HG	
Loss minimisation	The process and purpose of loss minimisation and its impact on arrears and bad debts	Sheila Tolley	Peter Haytack/Elaine Hughes	50%
Impact of Welfare Reform and Universal Credit (2016?)	To understand and prepare for the impact of Welfare Reform to NBC and the HRA	Sheila Tolley	Peter Haytack/Elaine Hughes	40%
Financial Inclusion	To support and enable tenants to become more financially able and responsible.	Sheila Tolley	Peter Haytack/Elaine Hughes	25%
11 Performance Improvement & Business Development				
Performance management framework	To develop, maintain and monitor the performance framework	Sheila Tolley	Tim Mills	100%
Performance management Ongoing work stream	To produce monthly performance report (non financial) to senior and operational managers	Sheila Tolley	Tim Mills	100%
Customer Involvement	Why we need tenant involvement in service delivery	Sheila Tolley	Joanna Leckie	????
Facilities management	The need for facilities management, costs and use of these resources	Ken Hopkins	Tim Mills	5%
ITC	The need for ITC, costs and use of these resources and gain competitive advantage	Tim Mills	LGSS	80%

Appendices:1



NORTHAMPTON
BOROUGH COUNCIL

Audit committee Report

Report Title	Internal Audit report 2013/14 Absence monitoring – update November 2014.
---------------------	---

AGENDA STATUS: Public

Audit Committee Meeting Date:	3 rd November 2014
Policy Document:	HR Absence
Directorate:	Borough Secretary
Accountable Cabinet Member:	Councillor Bottwood

1. Purpose

- 1.1 Review of the Internal Audit report produced by PwC for NBC in March 14 the document highlights Absence Monitoring issues and proposed action plans

2. Recommendations

- 2.1 That the report be noted..

3. Issues and Choices

- 3.1 **Background information:** This review was undertaken by PricewaterhouseCoopers (PwC) as part on the 2013/14 internal audit plan. The review considered the controls and processes in place with regards to staff absence management, monitoring and reporting. Samples of short term and long term absence compliance were tested for compliance with the policy. The risk classifications resulted in 1 high, 2 medium and 2 low assessments but overall the audit rated as high.

3.2 Issues:

- 3.2.1 Lack of evidence on employees files, information not supplied by line Management to HR.
- 3.2.2 Fit notes not provided in a timely manner by employees to Line Management or the fit notes incorrectly covering the absence period.
- 3.2.3 Return to work meetings either not held at all or not held in a timely manner by Line Management with employees, also some meetings were insufficiently recorded and therefore ineffective.
- 3.2.4 Lack of Management activity to pro-actively manage repeated short term absence issues or follow up absence

3.3 Choices (Options)

- 3.3.1 To monitor manager's adherence to the policy, by building attendance management targets in to Supervisor/Managers Appraisal process and monthly professional supervision meetings to maintain an ongoing focus on attendance management.
- 3.3.2 Implementation of new attendance at work management process, as part of the wider Employment Costs project to be implemented as from 1st April 2015. This will be supported by a new attendance management policy.
- 3.3.3 Monthly reports are continuing to be generated from HR department and provided to Line Managers highlighting any outstanding return to work meetings which require completion.
- 3.3.4 Statistical information is provided to Management Board, monthly for discussion and cascade out to the wider organisation, an example of this information is attached please refer to appendix 1.
- 3.3.5 On line tools and training materials for absence management are available for Managers and 2 hour workshops are available for management and team leaders to attend

4. Implications (including financial implications)

- 4.1 Policy implications are the current Absence Policy dating from October 2010 will be replaced in April 2015 with a new absence management policy which is supportive of the changes to the sick pay scheme as part of Employment Costs.

4.2 Resources and Risk

- 4.2.1 The cost of employee absence from work is approximately £ 609,000 per annum, an average of days lost per employee per annum is between 10 and 11 days, civil service average is 7.6 average working days lost per year, significantly less.

4.3 Legal implications

4.3.1 The anticipated Attendance Management policy change forms part of the Employment costs project and risks associated with any dismissal and re-engagement process. Work to progress this project is already undertaken.

4.4 Equality

4.4.1 A risk assessment impact has been completed as a part of the Employment costs project and shared with Trade Unions and employees. Mitigation has been built in for minority groups such as any employees who are disabled or employees who are pregnant.

4.5 Consultees (Internal and External)

4.5.1 All employees of NBC will be affected by the Employment costs project and a full consultation activity has been carried out including completion of a formal minimum 45 day consultation period.

4.6 Other Implications

4.6.1 None applicable.

5. Background Papers

5.1 Internal Audit Report 2013/2014 Absence monitoring produced for NBC by Price Waterhouse Cooper.

**Gail Barker
HRBP, LGSS**

Appendix 1 Information on absence management example

	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14
Days	6987.89	6800.68	6612.92	6394.26	6231.59	5890.01	5758.73	5813.62	5946.96	5930.34	5828.99	5706.32
Average FTE	691.38	668.86	645.90	622.32	598.50	575.47	568.50	565.35	563.52	562.16	560.40	557.23
Days Lost	10.11	10.17	10.24	10.27	10.41	10.24	10.13	10.28	10.55	10.55	10.40	10.24

12 month's rolling absence rates.

Area Name	Short Term Sickness %	Long Term Sickness %	Year to Date BVPI - 12	Year to Date Target	Outturn Target
Dir. of Regeneration Enterprise & Planning	58.70%	41.30%	4.90	2.50	5.01
Dir. Of Customers & Communities	66.95%	33.05%	3.75	2.50	5.00
Housing & Well Being	45.86%	54.14%	7.00	5.88	11.75
Planning	81.21%	18.79%	3.35	2.50	5.00
Landlord Services	52.80%	47.20%	6.42	5.88	11.75
Joint Planning Unit	100.00%	0.00%	2.52	2.50	5.00
Assets Management	100.00%	0.00%	2.22	2.50	5.01
Customers & Cultural Services	60.28%	39.72%	4.07	4.50	9.00
Major Projects & Enterprise	100.00%	0.00%	1.78	2.50	5.00
Housing Management Team	100.00%	0.00%	1.34	2.50	5.00
Communities & Environment	56.40%	43.60%	4.02	5.88	11.75
Chief Executive	100.00%	0.00%	0.25	2.51	5.01
Borough Secretary	86.76%	13.24%	1.31	5.00	10.00
NBC Corporate position	56.44%	43.56%	4.89	5.00	10.00

Service Plan Area Name	RTW Completed in Target % August 2014	RTW Completed in Target % September 2014	RTW Total Due September 2014	RTW On-Time September 2014	
Director of Regeneration, Enterprise & Planning	n/a	n/a	0	0	▲
Chief Executive	n/a	n/a	0	0	▲
Assets Management	100.00%	n/a	0	0	▲
Joint Planning Unit	100.00%	100.00%	2	2	▲
Borough Secretary	100.00%	100.00%	3	3	▲
Customer & Cultural Services	100.00%	92.31%	13	12	▼
Planning	100.00%	83.33%	6	5	▼
Communities & Environment	100.00%	80.00%	5	4	▼
Housing & Well Being	60.00%	76.47%	17	13	▲
Director of Customers & Communities	71.43%	75.00%	4	3	▲
Landlord Services	68.42%	73.08%	26	19	▲
Director of Housing	n/a	0.00%	2	0	▲
Major Projects & Enterprise	n/a	0.00%	2	0	▲
Northampton Borough Council	84.38%	76.25%	80	61	▼

Appendices: 1



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	TREASURY MANAGEMENT OUTTURN 2013-14
---------------------	--

AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	3 November 2014
Policy Document:	No
Directorate:	LGSS
Accountable Cabinet Member:	Alan Bottwood

1. Purpose

1.1 To put the Treasury Management Outturn Report for 2013-14 before Audit Committee for scrutiny.

2. Recommendations

2.1 That Audit Committee reviews the Treasury Management Outturn Report for 2013-14 and makes comments or recommendations as they think appropriate.

3. Issues and Choices

3.1 Report Background

3.1.1 The CIPFA Treasury Management Code of Practice requires the Council to nominate the body (such as an audit or scrutiny committee) responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices. The Audit Committee has been nominated for this role, which includes the review of all treasury management policies and procedures, the review of all treasury management reports to Cabinet and Council, and for making recommendations to Council.

3.2 Issues

Treasury Management Outturn Report 2013-14

3.2.1 The Council's Treasury Management Outturn Report for 2013-14 is attached at Appendix 1. This comprises a covering report and two appendices. This report was presented at Cabinet on 9 September 2014 and will go to Council on 8 December 2014.

3.2.2 Audit Committee are asked to review the report and to make comments or recommendations as they think appropriate.

3.3 Choices (Options)

3.3.1 Audit Committee have the option to comment on the areas considered in the report and to make recommendations to Officers and to Cabinet and Council.

4. Implications (including financial implications)

4.1 Policy

4.1.1 See attached Cabinet report.

4.2 Resources and Risk

4.2.1 See attached Cabinet report.

4.3 Legal

4.3.1 See attached Cabinet report.

Equality

4.4.1 See attached Cabinet report.

4.5 Consultees (Internal and External)

4.5.1 See attached Cabinet report.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 See attached Cabinet report.

4.7 Other Implications

4.7.1 No other implications have been identified

5. Background Papers

None

Report Author: Bev Dixon, Finance Manager (Treasury) – LGSS
Tel: 01604 363719



CABINET REPORT

Report Title	TREASURY MANAGEMENT OUTTURN 2013-14
---------------------	-------------------------------------

AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	10 September 2014
Key Decision:	NO
Within Policy:	YES
Policy Document:	NO
Directorate:	LGSS
Accountable Cabinet Member:	Alan Bottwood
Ward(s)	Not Applicable

1. Purpose

1.1 To inform Cabinet of the Council's performance in relation to its borrowing and investment strategy for 2013-14.

2. Recommendations

2.1 That Cabinet recommend to Council that they note the Council's treasury management performance for 2013-14

3. Issues and Choices

3.1 CIPFA Code of Practice on Treasury Management in the Public Services

3.1.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes ("the Treasury Management Code of Practice").

3.1.2 The Treasury Management Code of Practice includes recommendations on annual reporting requirements after the year-end. The table below shows how these have been incorporated into this report.

Reporting Requirement	Reference
Report on the risk implications of decisions taken and transactions executed	Paragraph 3.2.2
Transactions executed and their revenue (current) effects	Paragraph 3.2.7 to 3.2.13
Performance report	Paragraph 3.2.7 to 3.2.13
Monitoring of treasury management indicators for local authorities.	Paragraph 3.2.14 Appendix B
Compliance report on agreed policies/practices and on statutory/regulatory requirements	Paragraph 3.2.15 to 3.2.16
Report on compliance with CIPFA Code recommendations	Paragraph 3.2.17

3.1.3

Key Headlines

- **Interest Rates** have remained low throughout 2013-14 with the average 7 day LIBID rate being 0.35%
- **Borrowing** as at 31 March 2014 was £226m, of which £193m relates to the HRA. The weighted average interest rate on borrowing was 3.52%
- **Investments** at 31 March 2014 were £73m. Average investment levels were £70m and the rate of return was 0.79%. This was 0.44%.above the LIBID 7 day benchmark.
- **Investment benchmarking** shows that the Council investments are performing ahead of the average of councils in its benchmarking group
- **Prudential and Treasury Indicators** have been monitored throughout the year. All activity has been within agreed limits.

3.2 Issues

Economic Environment and Interest Rates

- 3.2.1 A short commentary on the economic environment and interest rate forecasts, provided by Capita, the Council's treasury management advisers, is included at **Appendix A**.

Risk implications of decisions taken and transactions executed

- 3.2.2 The Treasury Management Code of Practice identifies eight main treasury management risks. Definitions of these are included in the Council's Treasury Management Practices (TMPs) for 2013-14 approved by Council 25 February 2013. The management of these risks during 2013-14 is covered in the following paragraphs.

- a) Credit and counterparty risk – This continued to be an area of considerable risk for all local authority investors, given the prevailing economic and banking environment. The Council managed this risk extremely closely during the year through strict adherence to its treasury management policies and practices and a tightly controlled counterparty list that took into account a range of relevant factors including sovereign rating, credit ratings, inclusion in the UK banking system support package and credit default swap spreads. The advice of the Council's treasury management advisers was also an underlying feature. None of the Council's counterparties failed to meet the contractual obligations of their treasury transactions with the Council during 2013-14.
- b) Liquidity risk – This was managed effectively during 2013-14 through proactive management of the Council's cashflow, including the choice of suitable investment values and maturity dates and the maintenance of sufficient levels of liquid cash in money market funds and deposit accounts. The Council also maintained its access to overdraft facilities and temporary borrowing facilities as a contingency for use in exceptional circumstances. The Council undertook no long or short-term borrowing to manage liquidity during 2013-14.
- c) Interest rate risk - The Council's upper limits for fixed and variable interest rate exposures in respect of investments, borrowing and net external debt are managed as treasury indicators. These are reported at **Appendix B**. The indicators were not breached during 2013-14.
- d) Exchange rate risk - The Council has a policy of only entering into loans and investments that are settled in £ sterling, and has no treasury management exposure to this category of risk.
- e) Refinancing risk – The Council did not refinance any of its debt during 2013-14 and was therefore not exposed to this category of risk during the year.
- f) Legal and regulatory risk - The Council carried out its treasury management activities for 2013-14 within the current legal and regulatory framework. LGSS officers responsible for strategic and operational treasury management decisions are required to keep abreast of new legislation and regulations impacting on the treasury management function, and have applied any changes as necessary. Legal and regulatory risks associated with other organisations with which the Council deals in its

treasury management activities have been managed through counterparty risk management policies.

- g) Fraud, error and corruption and contingency management – LGSS officers involved in treasury management are explicitly required to follow treasury management policies and procedures when making investment and borrowing decisions on behalf of the Council. All treasury activities must be carried out in strict accordance with the agreed systems and procedures in order to prevent opportunities for fraud, error and corruption. The measures in place to ensure this include a scheme of delegation and segregation of duties, internal audit of the treasury function, detailed procedure notes for dealing and other treasury functions, and emergency and contingency planning arrangements (including a business continuity plan for treasury management).
- h) Market risk – Investments that may be subject to fluctuations in market value in some circumstances include certificates of deposit, gilts, bonds and money market funds.

The Council has deposits placed in money market funds, whereby the underlying assets of the fund are subject to capital fluctuations as a result of interest rate risk and credit risk. However the structure of the fund minimises the movement of capital value due to the restrictions laid down by the credit rating agencies. The Council did not experience any fluctuations in the capital value of its money market funds in 2013-14.

The Council purchased certificates of deposit in 2013-14, which were held to maturity and were therefore not subject to movement in capital value.

The Council did not invest in gilts or bonds during 2013-14.

Accounting & Audit Issues

- 3.2.3 The CIPFA Code of Practice on Local Authority Accounting includes a complex set of regulations on accounting for financial instruments. These requirements have been fully complied with in the preparation of the Council's Statement of Accounts.
- 3.2.4 The regulations include the values at which financial instruments, including borrowing and investments, should be calculated for inclusion on the balance sheet at year-end. In some instances, this is at amortised cost, whereby the balance sheet value is written up or down via the comprehensive income and expenditure account over the life of the instrument to reflect costs or benefits, such as transaction costs or interest earned or due to date. Alternatively, financial instruments may be valued at their original cash value.
- 3.2.5 In summary, and broadly speaking, the balance sheet values of the Council's debt and investments at 31 March 2014 are shown in the following ways:

Borrowing (Financial Liabilities)	
Long term borrowing	Amortised value
Short term borrowing	Original (cash) value
Investments (Financial Assets)	
Deposit and call accounts (cash equivalents)	Original (cash) value
Money market funds (cash equivalents)	Original (cash) value
Short term money market investments up to three months duration (cash equivalents)	Original (cash) value
Short term money market investments over three months duration	Amortised value
Long term money market investments over 1 years duration	Amortised value

3.2.6 Outturn figures relating to borrowing and investments are shown and discussed at paragraphs 3.2.7 to 3.2.10 below. All outturn figures contained in this report are subject to external scrutiny, through the annual audit of the Council's Statement of Accounts.

Performance Report – Borrowing

3.2.7 Borrowing

- a) Under Section 3 of the Local Government Act 2003, the Council is required to set an annual affordable borrowing limit. This limit is also set as a prudential indicator, i.e. the authorised limit for external debt. The Council's annual affordable borrowing limit for 2013-14 was £250m. The total amount of debt outstanding, including finance leases, as at 31 March was £227m
- b) New PWLB borrowing of £10m was taken out during 2013-14 to support loans to two local sports clubs.
- c) No loans were repaid during the year other than the scheduled repayment of the principal element of the annuity with the Homes and Communities Agency (HCA) (£20k) due in 2013-14.

3.2.8 Long Term Borrowing

- a) The table below shows the Council's long-term debt as at 31 March 2014 at amortised cost. The total long term debt outstanding is £210m.

Long Term Debt Outstanding at 31 March 2014	Principal	Proportion of Debt	Range of Interest Rates	
			From	To
			%	
	£000	%		
PWLB	199,910	95%	1.24%	3.97%
Money Market LOBO Loans	9,068	4%	4.85%	4.85%
HCA Annuity Loan	1,148	1%	9.25%	9.25%
Total	210,126	100%		

- b) The Council has adopted a two-pool approach to splitting debt between the HRA and General Fund, whereby loans are assigned internally to either the HRA or the General Fund. The split between HRA and GF long term borrowing is as follows:

Long Term Debt Outstanding at 31 March 2014	Principal	Proportion of Debt	Range of Interest Rates	
			From	To
			%	
	£000	%		
General Fund	16,993	8%	2.40%	9.25%
HRA	193,133	92%	1.24%	4.85%
Total	210,126	100%		

- c) The table below shows the Council's long-term debt maturity profile as at 31 March 2014. This excludes debt due for repayment within the next 12 months (see paragraph 3.2.7)

Long Term Debt Outstanding at 31 March 2014	Principal	Proportion of Debt
Maturing in 1-2 years	2,259	1%
Maturing in 2-5 years	18,299	9%
Maturing in 5-10 years	16,312	8%
Maturing in over 10 years	173,256	82%
Total	210,126	100%

3.2.9 Short Term Borrowing

- a) The year-end position on short term and temporary borrowing, and the range of rates applied, is set out below.

Short Term Debt Outstanding at 31 st March 2014	Principal	Proportion of Debt	Range of Interest Rates	
			From	To
	£000	%	%	
PWLB	261	2%	3.97%	3.97%
Money Market LOBO Loans	15,721	97%	5.68%	7.03%
HCA Annuity Loan	22	0%	9.25%	9.25%
Northampton Volunteering Centre	189	1%	0.17%	0.63%
Billing Parish Council	90	1%	0.17%	0.63%
Total	16,283	100		

- b) PWLB Equal Instalment Payment (EIP) loans were taken out in 2013-14 to fund third party loans to Northampton Rugby Football Club. The repayment of the principal element of the loans due in 2014-15 is treated as short term borrowing in the accounts in accordance with accounting requirements.
- c) Two money market LOBO loans totalling £15.7m are due for repayment at final maturity in February 2015. These will be funded from internal borrowing, new borrowing, or a combination of both, depending on interest rate conditions and forecasts, and subject to advice from the Council's external treasury management advisors.
- d) The repayment of the principal element of the HCA annuity due in 2014-15 is treated as short term borrowing in the accounts in accordance with accounting requirements.
- e) The Council has long-standing agreements with two local organisations, Billing Parish Council and Northampton Volunteering Centre, for the short-term deposit of funds with the Council. Accounting regulations require that these be treated in the accounts as short-term borrowing. The interest rate applicable on these accounts is set quarterly using the Council's average investment rate for the previous quarter, less 0.5% to cover administrative costs.
- f) All short term borrowing as at 31 March relates to the General Fund.

Performance Report - Investments

3.2.10 Investments Strategy

- a) The CLG Guidance on Local Government Investments requires Councils to set an Investment Strategy. This sets out the authority's policies for the prudent management of its investments and for giving priority, firstly to the security of those investments and secondly, to their liquidity. It should therefore identify the procedures for monitoring, assessing and mitigating the risk of loss of invested sums and for ensuring that such sums are readily accessible for expenditure whenever needed.
- b) The Council's Investment Strategy for 2013-14 was included in the Treasury Strategy for 2013-14, approved by Council on 25 February 2013.
- c) The CLG Guidance on Local Government Investments requires that investments are split into two categories:
 - (i) Specified investments – broadly, sterling investments, not exceeding 364 days and with a body or investment scheme of high credit quality.
 - (ii) Non-specified investments – do not satisfy the conditions for specified investments. This may include investment products that would normally be considered as specified investments, but are judged to have a higher level of risk than normal attached to them.
- d) The Council's Investment Strategy for 2013-14 set out the Council's credit rating criteria for specified investments, including its definition of high credit quality, and the types of unspecified investments that it might enter into, including investments over 364 days.
- e) The Council defines high credit quality in terms of investment counterparties as those organisations that:
 - Meet the requirements of the creditworthiness service provided by the Council's external treasury advisers (ie have a colour rating) and,
 - Have sovereign ratings of AAA, or are
 - UK nationalised or part nationalised banking institutions, or are
 - UK banks or building societies supported by the UK banking system support package or are
 - UK national or local government bodies or are
 - Triple A rated Money Market funds
- f) Investments periods are determined in line with the maximum periods recommended by Capita, the Council's treasury management advisors. In addition, the Investment Strategy imposes Council specific value and investment period limits for each category of approved counterparty.

- g) The maximum limits in 2013-14 for placements with individual or group counterparties are set out below. Within this framework lower limits applied depending on credit ratings and other factors specific to each institution.

Investments may be placed with counterparties recommended by the Council's external treasury advisors, and which meet the following criteria:	Additional limits
(1) UK counterparties	NBC additional limits in force will be £15m and a maximum of 2 years (729 days)
<i>Or</i>	
(2) UK nationalised or part nationalised banking institutions	NBC additional limits in force will be £20m and a maximum of 2 years (729 days)
<i>Or</i>	
(3) Non UK counterparties having a sovereign rating of AAA	NBC additional limits in force will be £15m and a maximum of 2 years (729 days)

- h) Instant access deposit accounts and call accounts continued to be used during 2013-14 to ensure liquidity and security of funds. The average balance in deposit and call accounts throughout the year was £19.8m.
- i) The Council also makes use of triple-A rated money market funds. These have the benefits of high credit rating, high liquidity, instant access to funds, portfolio diversification, competitive returns, and administrative convenience. The average balance in money market funds throughout the year was £19.4m.
- j) The number of new fixed term money market investments, including Certificates of Deposit, made during the year was 19, with a range of investment periods from 50 days to 364 days. The average investment period was 246 days.
- k) The total value of investments held at 31 March 2014 - at amortised value for money market investments over three months, and cash values for all other investments - was £73.2m. Investments were placed with reference to the pre-determined lending list, in line with the investment strategy. The breakdown of investments at year-end is shown in the table below:

Investment Type	Balance at 31 March 2013	
	£000	%
<i>Cash & Cash Equivalents</i>		
Deposit accounts	12,181	17%
Call Accounts	9,500	13%
Money Market Funds	22,860	31%
<i>Short Term Investments under 1 year</i>		
Short Term Investments – Fixed Term	27,610	38%
<i>Long Term Investments over 1 year</i>		
Long Term Investments – Fixed Term	1,002	1%
Total	73,153	100.0

- l) The Council's average rate of return on investments in 2013-14 was 0.79%, ranging from a high of 1.10% (April 2013) to 0.62% (February 2014). Performance above the 7 day LIBID (London Interbank Bid Rate), ranged from 0.73% (April 2013) to 0.27% (February 2014), averaging 0.44% against a target of 0.50%. The average differential to 7 day LIBID represents an uplift of £4,400 per £1m invested.
- m) The ability to meet the 7 day LIBID performance target is reliant on the market providing financial products with suitable rates that also comply with the risk requirements set out within the Council's Treasury Management Strategy. Economic initiatives such as Funding for Lending and Quantitative Easing have seen financial institutions cut back on offered rates as their need to attract new money has diminished, and the rates available on suitable investments have reduced significantly as a result. Benchmarking data available to the authority demonstrates that this situation is common across local authorities
- n) The Council has benchmarked its investment performance against other local authorities, using data from the Capita Investment Benchmarking Forum, which provides quarterly benchmarking data, on a snapshot basis, on investment returns. The following table sets out the Council's performance compared with other local authorities during 2013-14 using this indicator.

Average Investment Returns 2013-14				
Benchmarking Forum Classification	30 June 2013	30 Sept 2013	31 Dec 2013	31 March 2014
Northampton Borough Council	1.01%	0.78%	0.68%	0.63%
Benchmarking Group	0.81%	0.67%	0.60%	0.62%
Non Metropolitan Districts	1.01%	0.79%	0.71%	0.73%
Whole population	0.89%	0.77%	0.69%	0.70%

- o) Average investment returns have fallen across the board as the rates available to local authorities have been squeezed.
- p) The circumstances and risk appetite of individual local authorities will be reflected in their returns. For example some local authorities will invest in non-rated building societies and consequently have access to higher rates, but with an increased level of risk. NBC were maintaining higher levels of liquidity than normal in the final quarter of 2013-14 in order to meet cash requirements and hence a lower rate of return would be expected as investments were kept short or available for immediate recall.
- q) To ensure the Council is maximising the current opportunities contained in the Treasury Management Strategy it will continue to work with its external treasury management advisers to review the position, and if opportunities exist outside of the existing strategy , it will propose these to senior management and members for consideration.

Performance Report - Debt Financing Budget Outturn

3.2.11 The table below shows the budget, outturn and variance for the Council's General Fund debt and investment portfolio in 2013-14. This demonstrates the revenue (current) effects of the treasury transactions executed.

Debt Financing and Interest	Budget 2013-14 £000	Outturn 2013-14 £000	Variance 2013-14 £000
Interest Payable	1,328	1,394	66
Interest Receivable	(625)	(674)	(49)
Other Debt Financing	1,343	1,383	40
Total	2,046	2,103	57

3.2.12 A savings target of £200k on interest receivable was not met due to the poor interest rate environment and the lack of suitable investment opportunities meeting the criteria of the Council's treasury management strategy. This shortfall was funded from the Council's debt financing earmarked reserve, and has been netted off in the table above.

3.2.13 Minimum Revenue Provision, which is the amount of money required to be set aside to finance borrowing was £57k over budget, as a savings target based on an assumption of slippage in the 2012-13 capital programme that did not materialise, was not fully realised.

Prudential Indicators and Treasury Management Indicators

3.2.14 Throughout the course of the year, LGSS treasury staff have monitored the prudential Indicators and the treasury management indicators set for 2013-14. The outturn indicators are shown at **Appendix B** with a brief commentary. Figures are shown at cash value rather than amortised cost, in line with the requirements of the Prudential Code. There have been no breaches of limits during the 2013-14 financial year.

Compliance with agreed policies and practices, and statutory and regulatory requirements

3.2.15 NBC and LGSS officers and NBC members have individual and collective responsibilities to comply with agreed policies and practices and statutory and regulatory requirements. These are set out in detail in the Schedules to the Council's Treasury Management Practices (TMPs).

3.2.16 Compliance has been monitored during the year. No breaches of compliance have been recorded.

Compliance with CIPFA Code Recommendations

3.2.17 Under the umbrella of compliance with regulatory requirements, the Council has sought to comply with the requirements of the CIPFA Treasury Management Code of Practice. No breaches have been recorded during the 2013-14 financial year.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The Council is required to adopt the latest CIPFA Treasury Management Code of Practice, and to set and agree a number of policy and strategy documents. These policy documents are reported to Cabinet and Council as part of the budget setting process. The Council's Treasury Strategy for 2013-14 was approved by Council on 25 February 2013.

4.1.2 This report complies with the requirement to submit an annual treasury management review report to Council.

4.3.2 The CIPFA Treasury Management Code of Practice requires the Council to nominate the body (such as an audit or scrutiny committee) responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices. The Audit Committee has been nominated for this role, which includes the review of all treasury management policies and procedures, the review of all treasury management reports to Cabinet and Council, and for making recommendations to Council.

4.2 Resources and Risk

4.2.1 The resources required for the Council's debt management and debt financing budgets are agreed annually through the Council's budget setting process. The debt financing budget outturn position is shown at paragraph 3.2.11 to 3.2.13.

4.2.2 The risk management of the treasury function is specifically covered in the Council's Treasury Management Practices (TMPs), which are reviewed annually. Treasury risk management forms an integral part of day-to-day treasury activities.

4.2.3 The risk implications of decisions taken and transactions executed during 2013-14 financial year are discussed in the body of the report at paragraph 3.2.2.

4.3 Legal

4.3.1 The Council is obliged to carry out its treasury management activities in line with statutory requirements and associated regulations and professional guidance.

4.4 Equality

4.4.1 An Equalities Impact Assessment was carried out on the Council's Treasury Strategy for 2013-14, and the associated Treasury Management Practices (TMPs) and the Schedules to the TMPs. The EIA assessment is that a full impact assessment is not necessary, as no direct or indirect relevance to equality and diversity duties has been identified

4.5 Consultees (Internal and External)

4.5.1 Consultation on treasury management matters is undertaken as appropriate with the Council's treasury advisors, Sector, and with the Portfolio holder for Finance.

4.5.2 Under the regulatory requirements, the Audit Committee has been nominated by Council as the body responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices. This role includes the review of all treasury management policies and procedures, the review of all treasury management reports to Cabinet and Council, and the making of recommendations to Council. This report will be presented to Audit Committee at their meeting of 3 November 2014.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes ("the Treasury Management Code of Practice").

4.6.2 Under the umbrella of the Treasury Management Code of Practice, the Council's Treasury Management Policy Statement "...acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management."

4.6.3 This supports the Council's priority of making every £ go further.

4.7 Other Implications

4.7.1 No other implications have been identified.

5. Background Papers

None

Glenn Hammons, Chief Finance Officer 0300 330 7000

Commentary on the economy and interest rates provided by Capita Asset Management (April 2014)

UK Economy

After strong UK GDP growth of 0.7%, 0.8% and 0.7% in quarters 2, 3 and 4 respectively in 2013, it appears that strong growth will continue into 2014 as forward surveys are very encouraging. There are also positive indications that recovery is starting to broaden away from reliance on consumer spending and the housing market into construction, manufacturing, business investment and exporting. This strong growth has resulted in unemployment falling much faster towards the threshold of 7%, set by the MPC last August, before it said it would consider any increases in Bank Rate. In the February 2014 Inflation Report, the MPC therefore broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of indicators. Accordingly, markets are expecting a first increase around the end of 2014, though recent comments from MPC members have emphasised they would want to see strong growth well established, and an increase in labour productivity / real incomes, before they would consider raising Bank Rate.

Also encouraging has been the sharp fall in inflation (CPI), reaching 1.7% in February: forward indications are that inflation will continue to be subdued. The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the Autumn Statement, and by an additional £24bn, as announced in the March 2014 Budget - which also forecast a return to a significant budget surplus, (of £5bn), in 2018-19.

US Economy

The Federal Reserve has continued with its monthly \$10bn reductions in asset purchases which started in December; asset purchases have now fallen from \$85bn to \$55bn and are expected to stop by the end of 2014, providing strong economic growth continues this year.

Interest Rate Forecast

	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.25%	1.50%	1.75%
5yr PWLB rate	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%
10yr PWLB rate	3.70%	3.70%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.50%
25yr PWLB rate	4.40%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.90%	5.00%	5.00%	5.10%	5.10%	5.10%
50yr PWLB rate	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.20%	5.20%

Capita Asset Services undertook a review of its interest rate forecasts in February, after the Bank of England's latest quarterly Inflation Report. This latest forecast now includes a first increase in Bank Rate in quarter 4 of 2015 (previously quarter 2 of 2016), and reflects greater caution as to the speed with which the MPC will start increasing Bank Rate than the current expectations of financial markets.

Summary Outlook

Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth rebounded during 2013 to surpass all expectations, propelled by recovery in consumer spending and the housing market. Forward surveys are currently very positive in indicating that growth prospects are also strong for 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. This is very encouraging as there does need to be a significant rebalancing of the economy away from consumer spending to construction, manufacturing, business investment and exporting in order for this start to recovery to become more firmly established. One drag on the economy was that wage inflation had been significantly below CPI inflation, so disposable income and living standards were being eroded, (although income tax cuts had ameliorated this to some extent). However, the recent fall in inflation has narrowed the gap between wage increases and inflation and this gap could narrow even more during this year, especially if there is also a recovery in growth in labour productivity (leading to significant increases in pay rates). With regard to the US, the main world economy, it faces similar debt problems to those of the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth, although labour force participation rates remain lower than ideal.

Eurozone

As for the Eurozone, concerns subsided considerably during 2013. However, sovereign debt difficulties have not gone away and major concerns could return in respect of any countries that do not dynamically address fundamental issues of low growth, international competitiveness, and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed.

Prudential & Treasury Indicators – 2013-14 Outturn Position

Background and Definitions

For background and definitions for the prudential and treasury indicators for 2013-14, see the following reports:

- Prudential Indicators - Prudential Indicators for Capital Finance 2013-14 to 2015-16 – Report to Council 25 February 2013
- Treasury Indicators - Treasury Strategy 2013-14 to 2015-16 – Report to Council 25 February 2013 (Appendix F)

Prudential Indicators

Affordability

- a) Estimate of the ratio of financing costs to net revenue stream

Ratio of financing costs to net revenue stream		
	2013-14	2013-14
	Estimate %	Actual 31 March 2014
General Fund	6.02%	7.71%
HRA	33.49%	34.13%

Actual financing costs on the General Fund were higher than estimated due to:

- (i) inclusion in the outturn of finance leases charges (interest and principal) transferred from service accounts and not in the original estimate
- (ii) savings targets included in the original estimate not being achievable (see main report paragraphs 3.2.12 to 3.2.13)

Actual financing costs on the HRA were broadly in line with budget. The small increase is mainly due to the Major Repairs Allowance (representing HRA depreciation) being slightly higher than estimated.

- b) Estimate of the incremental impact of capital investment decisions on the council tax

<i>Estimates of incremental impact of new capital investment decisions on the Council Tax</i>	
	2013-14
	Estimate £.p
General Fund	0.27

This indicator is set before the start of the financial year, in the context of the budget setting process, which feeds into the setting of Council Tax and Housing Rents. As these are set and fixed for the financial year ahead, any capital investment decisions made during the year cannot impact on the existing Council Tax and Housing rent levels. This means that new capital investment plans approved during the year must be funded externally or from within existing resources.

- c) Estimate of the incremental impact of capital investment decisions on the housing rents

<i>Estimates of incremental impact of new capital investment decisions on weekly housing rents</i>	
	2013-14
	Estimate £.p
HRA	0.06

This indicator is set before the start of the financial year, in the context of the budget setting process, which feeds into the setting of Council Tax and Housing Rents. As these are set and fixed for the financial year ahead, any capital investment decisions made during the year cannot impact on the existing Council Tax and Housing rent levels. This means that new capital investment plans approved during the year must be funded externally or from within existing resources.

Prudence

d) Net borrowing and the capital financing requirement (CFR)

Gross debt less than the CFR			
	2013-14 £000	2013-14 Actual 31 March 2014 £000	2013-14 Maximum Net to 31 March 2014
Gross External Debt	216,129	226,546	226,546
2012-13 Closing CFR (Forecast)	216,826	216,615	216,615
Changes to CFR:			
2013-14	5,118	15,427	15,427
2014-15	-	34,432	34,432
2015-16	-	28,777	28,777
Adjusted CFR	221,944	295,251	295,251
Gross external debt greater than adjusted CFR	No	No	No

This is the key indicator of prudence. It is intended to show that external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital requirement for the current and new two financial years.

The forward looking changes to CFR are estimates that will be firmed up as more accurate forecasts become available.

Gross external debt during the year, and at 31 March 2014, remained below the adjusted Capital Financing Requirement

Capital Expenditure

e) Estimate of capital expenditure

Capital Expenditure		
	2013-14	2013-14
	Estimate £000	Outturn £000
General Fund	5,747	24,523
HRA	24,375	24,371
Total	30,122	48,894

In the General Fund, the original capital programme expenditure estimate was increased by scheme carryforwards from 2012-13, and the addition of new schemes during the year. This included loans totalling £10m to local sports clubs to support local economic development.

Appendix B

In the HRA, although the capital programme was increased during the year, total actual expenditure was in line with the original budget.

Full details of the 2013-14 capital outturn, variances and budget carryforwards to 2014-15 are set out in the Finance and Monitoring Report to Cabinet on 9 July 2014.

f) Estimates of capital financing requirement (CFR)

Capital Financing Requirement (Closing CFR)		
	2013-14	2013-14
	31 March 2014 Estimate £000	31 March 2014 Actual £000
General Fund	35,141	45,239
HRA	186,803	186,803
Total	221,944	232,042

The CFR can be understood as the Council's underlying need to borrow money long term for a capital purpose – that is, after allowing for capital funding from capital receipts, grants, third party contributions and revenue contributions. Changes to the CFR are linked directly to the use of borrowing to finance new capital expenditure (including finance leases), and to the repayment of debt through Minimum Revenue Provision (MRP).

The General Fund CFR at 31 March 2014 is above the estimate due to an increase capital expenditure funded by borrowing for the reasons set out at (e) above. The HRA CFR has remained unchanged since none of the HRA capital programme in 2013-14 was financed by borrowing.

External Debt

g) Authorised limit for external debt

Authorised limit for external debt			
	2014-15	2013-14	2013-14
	Limit £000	Actual 31/03/2014 £000	Maximum to 3 March 2014 £000
Borrowing	245,000	226,050	226,050
Other long-term liabilities	5,000	496	496
Total	250,000	226,546	226,546

The long term liabilities figure relates to finance leases.

External debt remained below the authorised limit throughout 2013-14.

h) Operational boundary for external debt

Operational boundary for external debt			
	2013-14	2013-14	2013-14
	Boundary £000	Actual 31 March 2014 £000	Maximum to 31 March 2014 £000
Borrowing	240,000	226,050	226,050
Other long-term liabilities	5,000	496	496
Total	245,000	226,546	226,546

The long term liabilities figure relates to finance leases.

External debt remained below the operational boundary throughout 2013-14.

i) HRA Limit on Indebtedness

HRA Limit on Indebtedness		
	2013-14	2013-14
	Limit £000	Closing HRA CFR 31 March 2014 £000
HRA	208,401	186,803

The HRA limit on indebtedness is £208.401m. This is the HRA debt cap imposed by the Department for Communities and Local Government at the implementation of HRA self-financing. The HRA CFR of £186.803m, which is the measure of indebtedness, is below the limit.

Compliance

j) Adoption of the CIPFA code of Practice for Treasury Management in the Public Services

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes. The adoption is included in the Council's Constitution, approved by the Council on 14 March 2011, at paragraph 6.10 of the Financial Regulations

Treasury Management Indicators

1. Upper limits on interest rate exposures

Upper limits on interest rate exposures - Investments			
	2013-14	2013-14	2013-14
	Limit %	Actual 31 March 2014 £000	Maximum to 31 March 2014 £000
Fixed Interest Rate Exposures	100%	39%	57%
Variable Interest Rate Exposures	100%	61%	66%

Upper limits on interest rate exposures - Borrowing			
	2013-14	2013-14	2013-14
	Limit %	Actual 31 March 2014 £000	Maximum to 31 March 2014 £000
Fixed Interest Rate Exposures	100%	89%	89%
Variable Interest Rate Exposures	100%	11%	12%

Upper limits on interest rate exposures - Net borrowing			
	2013-14	2013-14	2013-14
	Limit %	Actual 31 March 2014 £000	Maximum to 31 March 2014 £000
Fixed Interest Rate Exposures	150%	113%	122%
Variable Interest Rate Exposures	150%	-13%	3%

The purpose of these three indicators is to express the Council's appetite for exposure to variable interest rates, which may, subject to other factors, lead to greater volatility in payments and receipts. However this may be offset by other benefits such as lower rates. Separate indicators have been set and monitored for debt and investments, as well as for the net borrowing position. Maximum exposure for fixed and variable rates during the year may add up to more than 100% (or 150% in the case of the combined indicator) as each is likely to occur on a different date. Actual exposure at 31 March 2014, and during the year, remained within the agreed limits.

Appendix B

2. Total principal sums invested for periods longer than 364 days

Upper limit on investments for periods longer than 364 days			
	2013-14	2013-14	2013-14
	Upper Limit £000	Actual 31 March 2014 £000	Maximum to 31 March 2014 £000
Investments longer than 364 days	17,000	-	1,000

Investment periods have been kept short to minimise counterparty risk in the uncertain economic environment.

3. Maturity Structure of Borrowing

Maturity structure of borrowing			
	2013-14	2013-14	2013-14
	Lower Limit %	Upper Limit %	Actual at 31 March 2014
Under 12 months	0%	20%	11%
1-2 years	0%	20%	1%
2-5 years	0%	20%	8%
5-10 years	0%	20%	7%
10-20 years	0%	40%	17%
20-30 years	0%	60%	1%
30-40 years	0%	80%	0%
Over 40 years	0%	100%	55%

The Treasury Management Code of Practice requires the maturity of borrowing to be determined by reference to the earliest date on which the lender can require payment.

Two of the Council's three LOBO loans are due to mature within the next twelve months. The remaining LOBO loan is also presented as maturing in the same period, due to the six monthly break clauses, whereby the lender can opt to increase the rate, and the Council can choose to accept or decline the new rate. However in the current interest rate environment it is not to the lender's advantage to increase the rate at the break dates and this option is not likely to be exercised.



cutting through complexity™

Annual Audit Letter 2013/14

55

Northampton Borough Council

October 2014



Agenda Item 11a

The contacts at KPMG in connection with this report are:

Neil Bellamy

Partner

KPMG LLP (UK)

Tel: 0116 256 6082

neil.bellamy@kpmg.co.uk

Yola Geen

Manager

KPMG LLP (UK)

Tel: 0116 256 6091

yola.geen@kpmg.co.uk

Laura Bedford

Assistant Manager

KPMG LLP (UK)

Tel: 0116 256 6076

laura.bedford@kpmg.co.uk

Report sections

- Headlines

2

Appendices

- 1. Summary of reports issued

4

- 2. Audit fees

5

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

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

If you have any concerns or are dissatisfied with any part of KPMG’s work, in the first instance you should contact Neil Bellamy, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG’s work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission’s complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 4448 330.

This report summarises the key findings from our 2013/14 audit of Northampton Borough Council (the Authority).

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

Our audit covers the audit of the Authority's 2013/14 financial statements and the 2013/14 VFM conclusion.

VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2013/14 on 19th September 2014. This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.</p>
VFM risk areas	<p>We did not identify any significant risks to our VFM conclusion and considered your VFM arrangements to be adequate.</p>
Audit opinion	<p>We issued an unqualified opinion on your financial statements on 19th September 2014. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.</p>
Financial statements audit	<p>We are pleased to report that our audit of your financial statements did not identify any material adjustments. The Authority made a small number of other adjustments, most of which were of a presentational or classification nature. However General Fund earmarked reserves increased by £1,364k and capital grants unapplied increased by £1,165k as a result of these.</p> <p>We discussed with your officers the value at which council dwellings are held on your balance sheet. Formal valuations are obtained for 1 April each year, as required by CLG guidance. However these values are not normally available until late autumn, which is too late for inclusion in the statement of accounts, so the values as at 1 April at the start of the financial year are used. The Council had not considered uplifting the figures to represent the valuation at the end of the year based on available indices. Officers have now agreed to include within the accounts a note about valuation estimation uncertainty, highlighting the possible change in value of these assets.</p> <p>The Authority has good processes in place for the production of the accounts and good supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within planned timescales.</p>
Annual Governance Statement	<p>We reviewed your Annual Governance Statement and concluded that it was consistent with our understanding.</p>

We provide a summary of our key recommendations in Appendix 1.

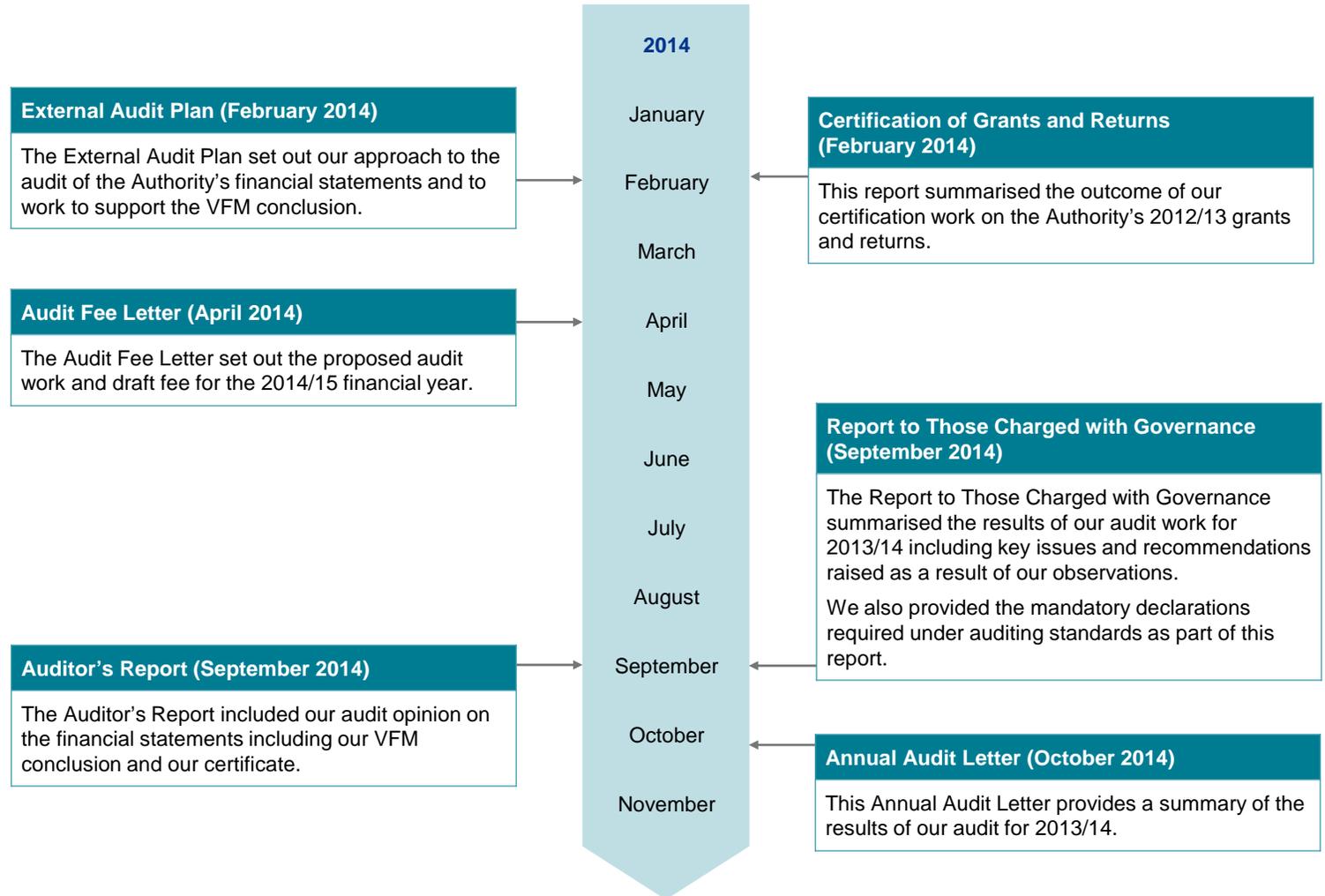
All the issues in this letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 2.

Whole of Government Accounts	<p>We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority’s pack was consistent with the audited financial statements.</p>
Certificate	<p>We have received a formal objection from a local government elector relating to the works being undertaken in Abington Street. Whilst we are satisfied that it has no material impact on the opinion on the statement of accounts or significant impact on our overall 2013/14 VFM conclusion the audit cannot be formally closed and an audit certificate issued until the objection is decided.</p>
Audit fee	<p>Our scale audit fee for 2013/14 was £106,800 excluding VAT. We are currently agreeing an additional fee of £900 relating to national changes in the arrangements for National Non Domestic Rates (NNDR) with the Audit Commission. This is a national issue which applies to all relevant authorities. This increase has been agreed with your Chief Finance Officer. An additional fee will also be agreed to cover the costs of the ongoing objection. Further detail is contained in Appendix 2.</p>

Appendix 1: Summary of reports issued

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

59



This appendix provides information on our final fees for 2013/14.

60

To ensure openness between KPMG and your Audit Committee about the extent of our fee relationship with you, we have summarised the outturn against the 2013/14 planned audit fee.

External audit

The planned fee for the 2013/14 audit of the Authority was £106,800. A proposed additional fee of £900 is subject to final confirmation by the Audit Commission. The reason for the variation is:

- To deliver our 2013/14 audit opinion there were two elements of our work that we had previously carried out separately while certifying the Council's yearly NNDR return to the government, and which we were also able to rely on the support our opinion on the accounts. Previously the Council was charged a separate certification fee for this work. In 2013/14, as a result of there being no certification of the NNDR return, we have had to carry out this work as additional procedures to our opinion audit. It is offset by the fact that the Council is no longer charged a certification fee.

In addition to the above we will need to charge an additional fee for work relating to the objection to the accounts. We will discuss the final fee with your Chief Finance Officer once the objection has been determined, and again this fee will be subject to final determination by the Audit Commission.

Certification of grants and returns

Our grants work is still ongoing and the fee will be confirmed through our report on the *Certification of Grants and Returns 2013/14* which we are due to issue in January 2015.

Other services

We have not carried out or charged for any other services which are not related to our responsibilities under the Audit Commission's *Code of Audit Practice*.



cutting through complexity™

© 2014 KPMG LLP, a UK public limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved.

The KPMG name, logo and 'cutting through complexity' are registered trademarks or trademarks of KPMG International Cooperative (KPMG International).



cutting through complexity

62

External audit progress report and technical update

Northampton Borough Council

October 2014

Agenda Item 11b

This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

- High impact
- Medium impact
- Low impact
- For info

PROGRESS REPORT					
Progress Report					3
KPMG RESOURCES					
KPMG/Shelter report: Fix the housing shortage or see house prices quadruple in 20 years					5
TECHNICAL UPDATE					
National Audit Office consultation: Draft Code of Audit Practice for the audit of local public bodies	●	7	Government publishes response on local authority parking strategies	●	11
Invitation to Comment and Simplification and Streamlining the Presentation of Local Authority Financial Statements	●	7	VFM data briefings on managing council property assets	●	12
Audit Commission consultation: 2015/16 Proposed Work Programme and Scales of Fees	●	7	Distribution of National Fraud Initiative (NFI) information packs to elected members at councils in England	●	13
Audit Commission calls for improved quality and accuracy in grant and subsidy claims and returns	●	8	The NAO's role in local audit	●	14
2014/15 work programme and scales of fees for the National Fraud Initiative	●	9	Funding healthcare: Making allocations to local areas (NAO report)	●	14
Public Accounts Committee report – Local government funding: assurance to Parliament	●	10	Local government funding: Assurance to Parliament (NAO report)	●	14
Government plans to regulate public sector exit payments	●	10	Tenfold difference in outsource spending revealed (Local Government Chronicle article)	●	15
Consultation on Local Government Pension Scheme	●	11			
APPENDIX					
Appendix 1 – 2013/14 audit deliverables		17			



cutting through complexity™

Progress report

This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverables is provided in Appendix 1 of this report.

Area of responsibility	Commentary
Financial statements	We gave an unqualified opinion on your 2013/14 accounts on 19 September. We will meet with officers at LGSS to discuss any learning points for the 2014/15 audit in January or February 2015.
Value for Money	We gave an unqualified Value for Money conclusion for 2013/14 on 19 September.
Certification of claims and returns	Our work on your Housing Benefits claim is ongoing, and is due to be completed by the end of November. We will report our findings to you in our Certification of Grants and Returns report, due in January 2015.
Other work	We have received and objection to the 2013/14 accounts. While we were satisfied that the impact on our 2013/14 Audit Opinion and your Value for Money Conclusion was not material or significant we are not able to close the audit until the objection is determined. Our work on this is ongoing, and we will update you further at the January meeting.
Audit Planning 2014/15	We will undertake our detailed audit planning for the 2014/15 audit over the next quarter, and will submit our audit plan to you in the New Year.



cutting through complexity™

KPMG resources

Area	Comments
<p data-bbox="64 321 319 492">KPMG/Shelter report: Fix the housing shortage or see house prices quadruple in 20 years</p> <p data-bbox="99 721 132 768">67</p>	<p data-bbox="337 321 1943 406">Without a radical programme of house building, average house prices in England could double in just ten years to £446,000, according to new research. In twenty years they could quadruple, with the average house price estimated to rise to over £900,000 by 2034 if current trends continue.</p> <p data-bbox="337 421 1943 478">The research from KPMG and Shelter also reveals that more than half of all 20-34 year olds could be living with their parents by 2040, as soaring housing costs caused by the shortage of affordable homes leave more and more people priced out of a home of their own.</p> <p data-bbox="337 492 1943 578">The warning comes as KPMG and Shelter launch a landmark new report, outlining how the 2015 government can turn the tide on the nation's housing shortage within a single parliament. With recent government figures showing that homeownership in England has been falling for over a decade, the consequences of our housing shortage are already being felt.</p> <p data-bbox="337 592 1943 649">The report sets out a blueprint for the essential reforms that will increase the supply of affordable homes and stabilise England's rollercoaster housing market. It calls on politicians to commit to an integrated range of key measures, including:</p> <ul data-bbox="337 685 1943 1063" style="list-style-type: none"> <li data-bbox="337 685 1943 778">■ Giving planning authorities the power to create 'New Homes Zones' that would drive forward the development of new homes. Combined with infrastructure, this would be led by local authorities, the private sector and local communities, and self-financed by sharing in the rising value of the land. <li data-bbox="337 792 1943 856">■ Unlocking stalled sites to speed up development and stop land being left dormant, by charging council tax on the homes that should have been built after a reasonable period for construction has passed. <li data-bbox="337 871 1943 935">■ Introducing a new National Housing Investment Bank to provide low cost, long term loans for housing providers, as part of a programme of innovative ways to finance affordable house building. <li data-bbox="337 949 1943 985">■ Helping small builders to get back into the house building market by using government guarantees to improve access to finance. <li data-bbox="337 999 1943 1063">■ Fully integrating new homes with local infrastructure and putting housing at the very centre of City Deals, to make sure towns and cities have the power to build the homes their communities need. <p data-bbox="337 1078 1943 1142">To read the report, visit https://portal.ema.kworld.kpmg.com/uk/Documents/NewsroomDocs/2014/KPMG%20Shelter%20report%20FINAL.pdf.</p> <p data-bbox="337 1156 1943 1192">For more information, please contact a member of the audit team.</p>



cutting through complexity™

Technical update

Area	Level of Impact	Comments	KPMG perspective
National Audit Office consultation: Draft Code of Audit Practice for the audit of local public bodies	<p style="text-align: center;">●</p> <p style="text-align: center;">Medium</p>	<p>On Friday 19 September 2014 the National Audit Office (NAO) launched its consultation on the draft Code of Audit Practice for the audit of local public bodies. Subject to Parliamentary approval, the Code will take effect from 1 April 2015 for audit work relating to the 2015/16 financial year onwards.</p> <p>The NAO is seeking views and comments on the draft Code. In particular, the views of audited bodies are being sought on how valuable the work carried out each year on value-for-money arrangements is. The closing date for consultation responses is Friday 31 October 2014.</p> <p>For more information visit http://www.nao.org.uk/keep-in-touch/our-surveys/consultation-code-audit-practice/</p>	<p><i>The committee may wish to enquire of officers whether they responded to the consultation and the details of any response.</i></p>
Invitation to Comment and Simplification and Streamlining the Presentation of Local Authority Financial Statements	<p style="text-align: center;">●</p> <p style="text-align: center;">Medium</p>	<p>CIPFA and CIPFA/LASAAC have recently consulted on the Simplification and streamlining of the presentation of local authority financial statements.</p> <p>The consultation focused on the reporting of local authority performance and therefore on the comprehensive income and expenditure statement, the movement in reserves statement and the segmental reporting requirements specified in the Code of practice on local authority accounting in the United Kingdom. As an important part of reporting performance, it also considered the narrative reporting requirements which would accompany the financial statements.</p> <p>The consultation closed on 19 September 2014.</p>	<p><i>The committee may wish to enquire of officers whether they responded to the consultation and the details of any response.</i></p>
Audit Commission consultation: 2015/16 Proposed Work Programme and Scales of Fees	<p style="text-align: center;">●</p> <p style="text-align: center;">Medium</p>	<p>In October the Audit Commission launched its consultation on the 2015/16 proposed work programme and scales of fees. The Commission is proposing to reduce scale fees by a further 25 per cent from 2015/16, based on the scale fees applicable for 2014/15. It does not plan to make changes to the overall work programme. The consultation period ends on Friday 6 January 2015.</p> <p>The Commission is also consulting on a small supplementary fee for the audit of the accounts from 2014/15, in relation to audit work now required on business rates. This consultation ends on 7 November 2014.</p> <p>For more information visit http://www.audit-commission.gov.uk/audit-regime/audit-fees/201516propwpsf/</p>	<p><i>The committee may wish to enquire of officers whether they responded or are intending to respond to the consultation and the details of any response.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p data-bbox="64 351 261 604">Audit Commission calls for improved quality and accuracy in grant and subsidy claims and returns</p> <p data-bbox="99 725 132 768">70</p>	<p data-bbox="327 354 368 382">●</p> <p data-bbox="319 396 377 425">Low</p>	<p data-bbox="426 354 1757 411">78 per cent of councils' claims to the grant-paying body for housing benefit subsidies for 2012/13 were challenged by the Audit Commission's appointed auditors.</p> <p data-bbox="426 432 1757 554">Auditors issued a qualification letter in 35 per cent (360) of the 1,023 claims and returns made by councils for 2012/13 in respect of seven schemes for grants or subsidies. 255 of the 360 (71 per cent) qualifications related to claims for housing and council tax benefit subsidy. In total, these seven schemes transfer £50.5 billion of public money from central to local government.</p> <p data-bbox="426 575 1757 732">The full findings in <i>Local Government Claims and Returns: Auditor's Certification Work for 2012/13</i>, also provide an overview of how local authority handling of claims and subsidies has changed since the Commission first produced a national report for the 2008/09 financial year. For example, between 2009 and 2013, auditors made amendments to about one quarter of teachers' pensions returns. 55 teachers' pensions returns (36 per cent) for 2012/13 were qualified, double that for 2011/12.</p> <p data-bbox="426 753 1757 775">To view the full report, visit http://www.audit-commission.gov.uk/audit-regime/certifying-claims-and-returns/</p>	<p data-bbox="1783 354 2005 504"><i>We will report the findings of our 2013/14 certification work by January 2015.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p>2014/15 work programme and scales of fees for the National Fraud Initiative</p> <p>71</p>	<p>● Low</p>	<p>On Monday 30 June 2014 the Audit Commission published the final 2014/15 work programme and scale of fees for National Fraud Initiative (NFI).</p> <p>The Commission has considered the small number of consultation responses received. Respondents generally supported the Commission's decision to recognise the financial pressures that public bodies are facing in the current economic climate by keeping the scale of fees the same as for NFI 2012/13. They also raised some specific points, on which the Commission will respond directly to the organisations concerned. A summary of the consultation responses can be viewed at http://www.audit-commission.gov.uk/wp-content/uploads/2014/06/NFI-2014-15-Work-programme-and-scale-of-fees-Consultation-Feedback.pdf.</p> <p>The final work programme and scale of fees documents for the NFI 2014/15 exercise are available on the Commission's website http://www.audit-commission.gov.uk/national-fraud-initiative/public-sector/fees/.</p> <p>Data request</p> <p>The NFI Team sent the formal NFI 2014/15 data request to all mandatory participant directors of finance on Monday 30 June. Directors of finance of existing voluntary participants also received an invitation to participate. The emails included links to the NFI online instructions which give details of NFI data requirements and also announce the launch of the Commission's 2014/15 web application.</p> <p>Participants are required to submit the required data sets, through the secure NFI web application, on Monday 6 October 2014. The Commission expects to release the data matches on Thursday 29 January 2015.</p>	<p><i>The committee may wish to confirm that the Authority has met the submission deadline.</i></p>

Area	Level of Impact	Comments
Public Accounts Committee report – Local government funding: assurance to Parliament	<p style="text-align: center;">●</p> <p style="text-align: center;">For information</p>	<p>The Public Accounts Committee has recently published a report on funding for local authorities. This found that whilst the Department for Communities and Local Government (DCLG) has increased flexibility for local government spending, allowing local authorities to use government funding according to local priorities, DCLG cannot be sure that the local accountability system is ensuring that local authorities are achieving value for money with their funding.</p> <p>The report can be found at http://www.publications.parliament.uk/pa/cm201415/cmselect/cmpublicacc/456/456.pdf</p>
Government plans to regulate public sector exit payments	<p style="text-align: center;">●</p> <p style="text-align: center;">For information</p>	<p>The government has recently consulted on proposals to ensure exit payments are recovered when high earners return to the same part of the public sector within twelve months of leaving. The proposed provisions will be included in the Small Business, Enterprise and Employment Bill.</p> <p>The consultation outlines the government's proposal to underpin exit payment recovery across the public sector. The government expects any changes brought about as part of this consultation to support existing or on-going changes to exit payment arrangements to ensure they are fair and promote value for money more widely.</p> <p>More information can be found at https://www.gov.uk/government/consultations/recovery-of-public-sector-exit-payments</p>

Area	Level of Impact	Comments
Consultation on Local Government Pension Scheme	<p style="text-align: center;">●</p> <p style="text-align: center;">For information</p>	<p>The government has recently consulted on new governance arrangements, and sought responses from interested parties on the draft (pension) regulations which are to come into force from October 2014 onwards.</p> <p>The main provisions include a requirement for the Secretary of State to establish a national scheme advisory board to advise him on the desirability of changes to the scheme. Provision is also made for administering authorities to establish local pension boards to assist them with the effective and efficient management and administration of the scheme.</p> <p>Further information can be found at https://www.gov.uk/government/consultations/the-local-government-pension-scheme-amendment-regulations-2014-draft-regulations-on-scheme-governance</p>
Government publishes response on local authority parking strategies	<p style="text-align: center;">●</p> <p style="text-align: center;">For information</p>	<p>The government launched a consultation paper on local authority parking enforcement in 2013. The consultation closed in February 2014 and the government has now responded with a number of proposals, including:</p> <ul style="list-style-type: none"> ■ amending guidance to make it clear that motorists parking at an out-of-order meter should not be issued a penalty charge where there are no alternative ways to pay; ■ banning the use of CCTV cameras to enforce parking contraventions in the vast majority of cases, but with some exceptions (eg restricted areas outside of schools); ■ widening the powers of parking adjudicators. This could include, for example, measures to protect drivers where adjudicators have repeatedly identified a problem at a specific location (such as inadequate signage) and parking tickets have repeatedly been issued; and ■ introducing a mandatory 10 minute free period at the end of paid-for on-street parking either through amendments to statutory guidance or regulations. <p>Further information can be found at https://www.gov.uk/government/consultations/local-authority-parking</p>

Area	Level of Impact	Comments
<p>VFM data briefing on managing council property assets</p> <p>74</p>	<p>● For information</p>	<p>On 5 June, the Audit Commission published the latest in its series of VFM briefings, <i>Managing council property assets: Using data from the VFM Profiles</i></p> <p>The briefing draws on Capital Outturn Return (COR) data in the Profiles to show trends since 2004/05 in: the net book value (NBV) of the operational and investment estates; levels of capital investment; and sources of finance for capital investment. It deals with how to release more value from the estate overall, and in particular, it addresses the need for councils to consider how they can best use or dispose of surplus assets, which had a NBV of £2.5 billion in 2012/13.</p> <p>As part of this update the following updated data has been added to the Profiles:</p> <ul style="list-style-type: none"> ■ Sustainable economy section, planning – processing of planning applications – quarter 3 2012/13. ■ Financial resilience, revenue collection services – CIPFA Revenue Collection Statistics – for 2012/13. ■ Environmental services – ENV18 – Local authority collected waste: annual results tables, final annual results for local authority collected waste and management figures for England. The Department for Environment, Food and Rural Affairs revised this data in May 2014. The data in the VFM profiles has been updated for the total local authority collected waste and household – waste not sent for recycling. ■ Benefits caseload – the latest available monthly data has been added, bringing the latest data to February 2014. <p>For further information visit: http://www.audit-commission.gov.uk/2014/06/can-local-governments-2-5-billion-surplus-assets-be-put-to-better-use/</p>

Area	Level of Impact	Comments
<p>Distribution of National Fraud Initiative (NFI) information packs to elected members at councils in England</p>	<p>● For information</p>	<p>To complement the National Fraud Initiative (NFI) national report published in June 2014 (available at http://www.audit-commission.gov.uk/national-fraud-initiative/nfi-reports/), the Audit Commission distributed an information pack for elected members with responsibility for finance and audit at councils in England in August. A copy was also be sent to directors of finance and NFI key contacts for information.</p> <p>The information pack brings together key facts about the NFI, the council's NFI outcomes and comparisons to their CIPFA nearest neighbours. The pack links to a series of questions elected members can put to their director of finance (NFI senior responsible officer). The responses will help them understand how the NFI is being used within the council, the benefits of taking part and if they are being maximised.</p> <p>If you did not receive the information pack and would like a copy please contact via email at nfiqueries@audit-commission.gsi.gov.uk</p>

75

Area	Level of Impact	Comments
The NAO's role in local audit	● For information	<p>The National Audit Office (NAO) is taking on new responsibilities in the new framework for the audit of local bodies. The NAO has produced a leaflet which provides information on its new role, examples of its recent value for money work focused on local services, and contact details for you to provide views and suggestions or to ask questions about its work.</p> <p>For more information, visit http://www.nao.org.uk/report/the-naos-role-in-local-audit/</p>
Funding healthcare: Making allocations to local areas (NAO report)	● For information	<p>The National Audit Office (NAO) has recently published a report examining the extent to which £79 billion of central funding allocated to local health bodies differs from target allocations based on relative need. It finds that nearly two-fifths of Clinical Commissioning Groups (CCGs) are more than five percentage points above or below their fair share of funding per person. It also finds that there is a clear relationship between the financial position of CCGs and their distance from target funding allocations, with 19 of the 20 CCGs with the tightest financial position receiving less than their target allocation, and 18 of the 20 with the largest surpluses receiving more than their target allocation.</p> <p>For more information, visit http://www.nao.org.uk/report/funding-healthcare-making-allocations-to-local-areas/</p>
Local government funding: Assurance to Parliament (NAO report)	● For information	<p>A recent NAO report examines how the Department for Communities and Local Government (DCLG) has implemented and oversees the assurance framework that enables departments to assure Parliament on funding for local authorities following the changes in the 2010 Spending Review to give local authorities more control over their funding. The report finds that under current arrangements DCLG's monitoring information gives limited insight into whether value for money is being achieved in practice. It also suggests that departments should assess whether continuing to fund local authorities through un-ringfenced targeted grants is appropriate in the context of a locally-defined approach to achieving value for money.</p> <p>To view the report, visit http://www.nao.org.uk/report/local-government-funding-assurance-to-parliament/</p>

Area	Level of Impact	Comments
<p>Tenfold difference in outsource spending revealed (Local Government Chronicle article)</p> <p>77</p>	<p>● For information</p>	<p>“Exclusive analysis has revealed a tenfold difference in the amount councils spend per head of population on outsourced services.</p> <p>Figures from a database of councils’ published receipts for 2012-13 show a huge gulf in the amount spent by top-tier councils with organisations in the private, public and voluntary sectors.</p> <p>Wigan MBC spent just £116 with outside providers per head of population, compared with over £1,000 at several London boroughs and £1,450 at Southend BC.</p> <p>The data, compiled by research firm Porge and analysed by Local Government Chronicle, presents a broad picture of the total trade top-tier councils carried out with other organisations, based on all published receipts for expenditure over £500.</p> <p>It shows councils spent £30.5bn with outside providers in 2012-13.</p> <p>Alongside classic outsourcing expenditure, such as waste contracts, this includes capital schemes such as house building and payments to financial institutions.”</p> <p>To view the full article, visit http://www.lgcplus.com/5071076.article (subscription required)</p>



cutting through complexity™

Appendix

Appendix 1 – 2014/15 Audit deliverables

Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	April 2014	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	January 2015	TBC
Interim			
Interim report (if required)	Details and resolution of control and process issues. Identify improvements required prior to the issue of the draft financial statements and the year-end audit. Initial VFM assessment on the Council's arrangements for securing value for money in the use of its resources.	March 2015	TBC
Substantive procedures			
Report to those charged with governance (ISA+260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2015	TBC
Completion			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2015	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2015	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	October 2015	TBC
Certification of claims and returns			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	January 2016	TBC



cutting through complexity™

© 2014 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name, logo and “cutting through complexity” are registered trademarks or trademarks of KPMG International.

Internal Audit Risk Assessment and Plan 2014/15

Northampton Borough
Council

October 2014

Contents

1. Introduction and approach	2
2. Audit universe, corporate objectives and risks	4
3. Risk assessment	6
4. Annual plan and internal audit performance	8
Appendix 1: Detailed methodology	12
Appendix 2: Risk assessment criteria	14
Appendix 3: Key performance indicators	15

Distribution List

David Kennedy, Chief Executive

Francis Fernandes, Monitoring Officer

Glenn Hammons, Section 151 Officer

Senior Management Team

Audit Committee

This document has been prepared only for Northampton Borough Council and solely for the purpose and on the terms agreed with Northampton Borough Council.

1. Introduction and approach

Introduction

This document sets out the risk assessment and our internal audit plan for Northampton Borough Council.

Approach

The internal audit service will be delivered in accordance with the Internal Audit Charter. A summary of our approach to undertaking the risk assessment and preparing the internal audit plan is set out below. The internal audit plan is driven by Northampton Borough Council's organisational objectives and priorities, and the risks that may prevent Northampton Borough Council from meeting those objectives. A more detailed description of our approach can be found in Appendix 1 and 2.

<i>Step 1</i> <i>Understand corporate objectives and risks</i>	<ul style="list-style-type: none">• Obtain information and utilise sector knowledge to identify corporate level objectives and risks.
<i>Step 2</i> <i>Define the audit universe</i>	<ul style="list-style-type: none">• Identify all of the auditable units within the organisation. Auditable units can be functions, processes or locations.
<i>Step 3</i> <i>Assess the inherent risk</i>	<ul style="list-style-type: none">• Assess the inherent risk of each auditable unit based on impact and likelihood criteria.
<i>Step 4</i> <i>Assess the strength of the control environment</i>	<ul style="list-style-type: none">• Assess the strength of the control environment within each auditable unit to identify auditable units with a high reliance on controls.
<i>Step 5</i> <i>Calculate the audit requirement rating</i>	<ul style="list-style-type: none">• Calculate the audit requirement rating taking into account the inherent risk assessment and the strength of the control environment for each auditable unit.
<i>Step 6</i> <i>Determine the audit plan</i>	<ul style="list-style-type: none">• Determine the timing and scope of audit work based on the organisation's risk appetite.
<i>Step 7</i> <i>Other considerations</i>	<ul style="list-style-type: none">• Consider additional audit requirements to those identified from the risk assessment process.

Basis of our plan

The level of agreed resources for the internal audit service for April 2014 to March 2015 is 301 days and £115,885, and therefore the plan does not purport to address all key risks identified across the audit universe as part of the risk assessment process. Accordingly, the level of internal audit activity represents a deployment of limited internal audit resources and in approving the risk assessment and internal audit plan, the Audit Committee recognises this limitation.

Basis of our annual internal audit conclusion

Internal audit work will be performed in accordance with PwC's Internal Audit methodology which is aligned to Public Sector Internal Audit Standards. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

Our annual internal audit opinion will be based on and limited to the internal audits we have completed over the year and the control objectives agreed for each individual internal audit. The agreed control objectives will be reported within our final individual internal audit reports.

In developing our internal audit risk assessment and plan we have taken into account the requirement to produce an annual internal audit opinion by determining the level of internal audit coverage over the audit universe and key risks. We do not believe that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion.

Other sources of assurance

In developing our internal audit risk assessment and plan we have taken into account other sources of assurance and have considered the extent to which reliance can be placed upon these other sources. Other sources of assurance for each auditable unit are noted in our Risk Assessment in section 3 of this document, and a summary is given below.

Other sources of assurance for Northampton Borough Council are as follows:

- Internal audit work performed by the Local Government Shared Service (LGSS)
- External inspections;
- External audit work; and
- ISO accreditations.

We do not intend to place reliance upon these other sources of assurance.

Key contacts

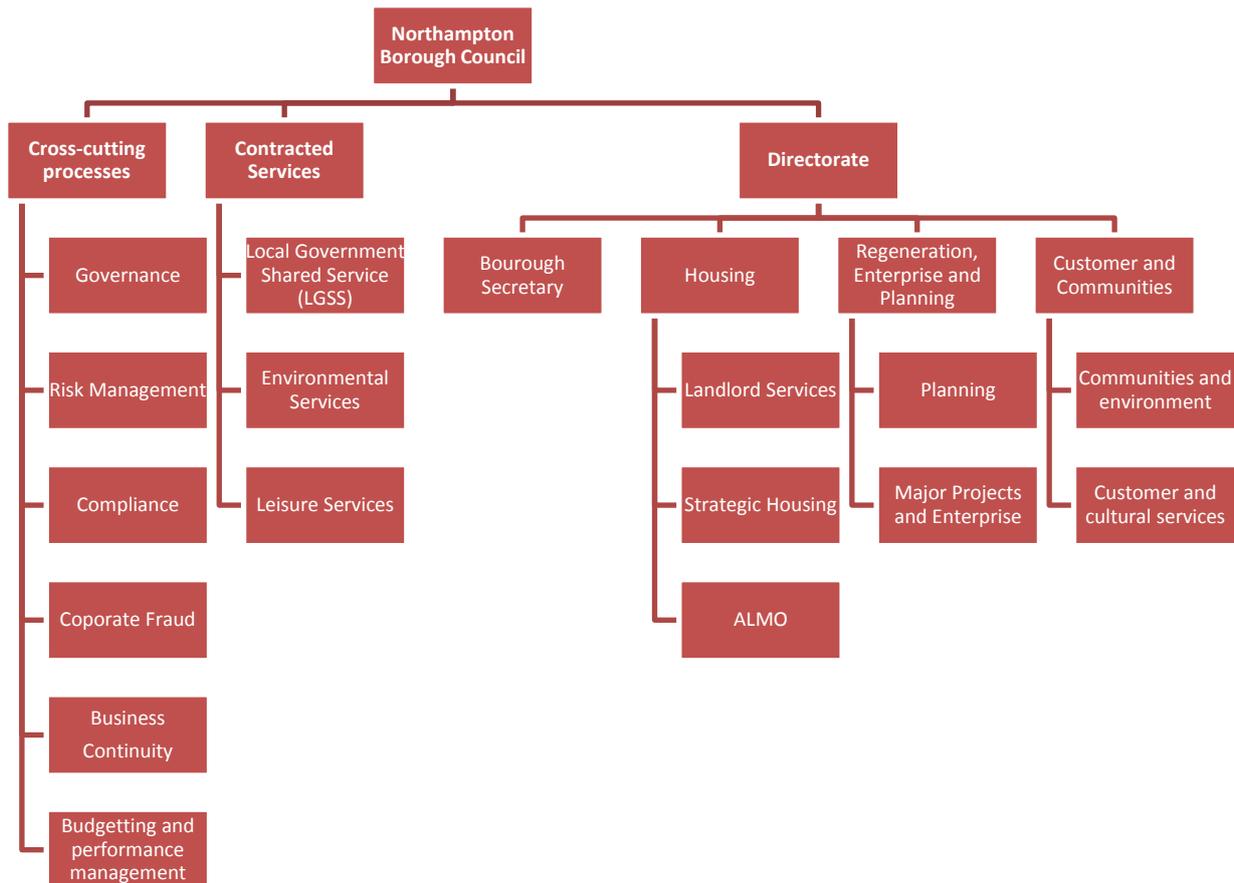
Meetings have been held with the following key personnel during the planning process:

<i>Name</i>	<i>Job Title</i>
David Kennedy	Chief Executive
Francis Fernandes	Monitoring Officer
Rebecca Smith	Assistant Head of Finance (LGSS)
Paul Clarke	Internal Audit (LGSS)

2. Audit universe, corporate objectives and risks

Audit universe

The diagram below represents the high level auditable units within the audit universe of Northampton Borough Council. These units form the basis of the internal audit plan.



The Local Government Shared Service (LGSS) is responsible for delivery of the following services on behalf of Northampton Borough Council:

- HR (including payroll and health and safety)
- ICT
- Finance
- Legal services
- Revenues and benefits
- Procurement
- Insurance

We understand that these areas will be considered as part of the LGSS internal audit risk assessment and plan.

Corporate objectives and risks

Corporate level objectives and risks have been determined by Northampton Borough Council. These are recorded in the table below and have been considered when preparing the internal audit plan.

<i>Priority</i>	<i>Risk(s) to achievement of objective</i>	<i>Cross reference to Internal Audit Plan (see Section 4)</i>
Northampton Alive – a vibrant town	<ol style="list-style-type: none"> 1. The plans for improving the economic prosperity of Northampton are not delivered. 2. Failure to deliver a balanced and deliverable budget. 3. The Council fails to deliver key priorities and make the best use of resources (assets, people, technology). 4. The organisation fails to meet customer needs. 5. Viability/capability to support or resource service demand. 	A.1 / C.2
Invest in safer, cleaner neighbourhoods		B.2
Celebrating our heritage and culture		C.3
Making every £ go further		A.1 / A.2 / C1-5
Better homes for the future		C.1
Creating empowered communities		C.3
Promoting health and well-being		C.3
Responding to your needs		A.3 / C1-5

3. Risk assessment

Risk assessment results

Each auditable unit has been assessed for inherent risk and the strength of the control environment, in accordance with the methodology set out in Appendix 1 and 2. The results are summarised in the table below.

In June 2013 Northampton Borough Council outsourced its “back office” function to the Local Government Shared Service (LGSS). For an initial period of five years LGSS will be responsible for the delivery of the following services on behalf of Northampton Borough Council:

- HR, organisational and workforce development, programme management (including payroll and health and safety)
- ICT
- Finance (including treasury management, senior financial advice and Section 151 Officer)
- Legal services
- Revenues and benefits
- Procurement
- Insurance

The auditable units reflect the new organisational structure. In 2014/15 all auditable units will be assessed to determine the processes and controls. The frequency of future reviews will be determined based on the outputs from the 2014/15 internal audit reviews.

The risk assessment ensures that all identified auditable units will be covered by internal audit during the three year strategic internal audit plan.

Ref	Auditable Unit	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency
A	Cross-cutting processes					
A.1	Risk management	5	2	4	●	Annual
A.2	Compliance	5	2	4	●	Annual
A.2	Governance	6	3	5	●	Annual
A.3	Corporate Fraud	5	3	4	●	Annual
A.4	Business continuity	5	2	4	●	Annual
A.5	Budgeting and performance management	6	5	4	●	Annual
B	Outsourced					
B.1	Local government shared service	5	3	4	●	Annual

	(LGSS)					
B.2	Environmental services contract	4	3	3	●	Every two years
B.3.	Leisure services	3	3	2	●	Every three years
C	Directorate					
C.1	<i>Housing</i>					
C.1.1	Landlord Services	5	2	4	●	Annual
C.1.2	Strategic Housing	5	2	4	●	Annual
C.1.3	Housing ALMO	4	3	4	●	Every two years
C.2	<i>Regeneration, Enterprise and Planning</i>					
C.2.1	Planning	4	3	3	●	Every two years
C.2.2	Major projects and enterprise	4	3	3	●	Every two years
C.3	<i>Customers and Communities</i>					
C.3.1	Communities and environment	4	3	3	●	Every two years
C.3.2	Customers and Cultural Services	4	3	3	●	Every two years
C.4	<i>Borough Secretary</i>	4	3	4	●	Every two years

Key to frequency of audit work

Audit Requirement Rating	Frequency – PwC standard approach	Colour Code
6	Annual	●
5	Annual	●
4	Annual	●
3	Every two years	●
2	Every three years	●
1	No further work	●

4. Annual plan and internal audit performance

Annual plan and indicative timeline

The following table sets out the internal audit work planned for April 2014 to March 2015, together with indicative start dates for each audit.

Ref	Auditable Unit	Indicative number of audit days	Value enhancement/ protection	Proposed timing				Comments
				Q1	Q2	Q3	Q4	
A	Cross Cutting Processes – Governance, Risk Management and Compliance							
A.1	Risk management and Business Continuity	30	VP			X		Current state assessment and specialist support for the refresh of the risk management framework and business continuity programme, using best practice methodologies.
A.2	Policy compliance. Review of selected polices: <ul style="list-style-type: none"> • Data protection • Information Governance • Financial Delegations • Procurement, including exception process • Insurance • Corporate Fraud • Recruitment 	80	VP			X	X	For each of the key policies and procedures identified: <ul style="list-style-type: none"> • review the policy and compare to best practice. • test compliance with the policy across the Council ensuring consideration is given to permanent officers and interims. • assess the adequacy of reporting mechanisms and process for handling non-compliance.
A.3	Governance: <i>Questionnaire and follow-up</i>	12	VE			X		i) Distribute governance survey, collate and report results (deferred from 13/14). ii) Follow up and/or additional reviews in response to results from Governance Survey.
Total		122						
B	Contracted Services							
B.1	Local government shared service	28	VE			X		i) Testing of adherence to best practice contract

	(LGSS)							management processes identified in 2013/14 review. ii) Review of the scope and effectiveness of the Section 151 arrangement provided by LGSS compared to the CIPFA statement on “The Role of the CFO in Local Government”.
B.2	Environmental services contract	20	VE				X	Deferred from 2013/14. Review of the contract and map out key responsibilities of both the contractor and the Council. Identify the key controls and processes which should be in place. Test performance against key controls.
Total		48						
C	Directorate							
Directorate Governance and Accountability								
C.1	Housing <ul style="list-style-type: none"> • Strategic Housing • Landlord Services 	15	VP				X	<p>This series of reviews will examine the controls in place across each Directorate to ensure the Council’s established processes for governance and financial accountability are operating consistently across the organisation and are suitably robust to achieve the Council’s objectives.</p> <p>For each of the directorates we will perform a review to cover the following scope:</p> <ul style="list-style-type: none"> • Directorate structure • Decision making and accountability, including awareness of authority levels and compliance with approved delegations of authority • Objective setting and risk assessment • Budget and performance
C.2	Regeneration, Enterprise and Planning <ul style="list-style-type: none"> • Major projects and enterprise • Planning 	15	VP				X	
C.3	Customers and Communities <ul style="list-style-type: none"> • Communities & Environment • Customers & Culture 	15	VP				X	
C.4	Borough Secretary	10	VP				X	

								<ul style="list-style-type: none"> • monitoring • HR processes • Financial processes and controls, including: <ul style="list-style-type: none"> ○ Payments ○ Income ○ Capital assets ○ Payroll ○ Cash
Directorate responsive reviews								
	Planning	-	VP					Pre-implementation review of the planning system controls. Deferred to 15/16 due to delays in procurement.
	Contingency for additional responsive reviews	20						Contingency for additional responsive reviews to consider projects/risks.
Total		75						
D	Project management							
	Project management	30	NA	X	X	X	X	Management of the internal audit contract.
Total		30						
Total internal audit		275						
E	Additional support							
	HR review	26	NA		X			Internal audit days re-allocated to management review of HR using specialist forensic resource.
Total		301						

In addition to these services, we will provide a range of benefits to the Council at no additional cost which include:

- Regular technical updates and alerts from PwC Assurance on topics including accounting changes and new legislation;
- Circulation of recent publications by PwC and PwC's Public Sector Research Institute plus ad hoc reports;
- Provision of thought leadership pieces;
- Ad hoc briefings for the Audit Committee (e.g. risk management and local government finance); and
- An invitation for the Chair of Audit Committee and officers to attend our local training days.

Key performance indicators

Appendix 4 sets out the proposed Key Performance Indicators for internal audit. Performance against these indicators will be reported annually to the Audit Committee.

Appendix 1: Detailed methodology

Step 1 - Understand corporate objectives and risks

In developing our understanding of your corporate objectives and risks, we have:

- Reviewed your strategy, organisational structure and corporate risk register;
- Drawn on our knowledge of the local government sector; and
- Met with a number senior management and non-executive members.

Step 2 - Define the Audit Universe

In order that the internal audit plan reflects your management and operating structure we have identified the audit universe for Northampton Borough Council made up of a number of auditable units. Auditable units include functions, processes, systems, products or locations. Any processes or systems which cover multiple locations are separated into their own distinct cross cutting auditable unit.

Step 3 - Assess the inherent risk

The internal audit plan should focus on the most risky areas of the business. As a result each auditable unit is allocated an inherent risk rating i.e. how risky the auditable unit is to the overall organisation and how likely the risks are to arise. The criteria used to rate impact and likelihood are recorded in Appendix 2.

The inherent risk assessment is determined by:

- Mapping the corporate risks to the auditable units;
- Our knowledge of your business and its sector; and
- Discussions with management.

Impact Rating	Likelihood Rating					
	6	5	4	3	2	1
6	6	6	5	5	4	4
5	6	5	5	4	4	3
4	5	5	4	4	3	3
3	5	4	4	3	3	2
2	4	4	3	3	2	2
1	4	3	3	2	2	1

Step 4 - Assess the strength of the control environment

In order to effectively allocate internal audit resources we also need to understand the strength of the control environment within each auditable unit. This is assessed based on:

- Our knowledge of your internal control environment;
- Information obtained from other assurance providers; and
- The outcomes of previous internal audits.

Step 5 -Calculate the audit requirement rating

The inherent risk and the control environment indicator are used to calculate the audit requirement rating. The formula ensures that our audit work is focused on areas with high reliance on controls or a high residual risk.

Inherent Risk Rating	Control design indicator					
	1	2	3	4	5	6
6	6	5	5	4	4	3
5	5	4	4	3	3	n/a
4	4	3	3	2	n/a	n/a
3	3	2	2	n/a	n/a	n/a
2	2	1	n/a	n/a	n/a	n/a
1	1	n/a	n/a	n/a	n/a	n/a

Step 6 -Determine the audit plan

Your risk appetite determines the frequency of internal audit work at each level of audit requirement. Auditable units may be reviewed annually, every two years or every three years.

In some cases it may be possible to isolate the sub-process (es) within an auditable unit which are driving the audit requirement. For example, an auditable unit has been given an audit requirement rating of 5 because of inherent risks with one particular sub-process, but the rest of the sub-processes are lower risk. In these cases it may be appropriate for the less risky sub-processes to have a lower audit requirement rating be subject to reduce frequency of audit work. These sub-processes driving the audit requirement areas are highlighted in the plan as key sub-process audits.

Step 7 -Other considerations

In addition to the audit work defined through the risk assessment process described above, we may be requested to undertake a number of other internal audit reviews such as regulatory driven audits, value enhancement or consulting reviews. These have been identified separately in the annual plan.

Appendix 2: Risk assessment criteria

Determination of Inherent Risk

We determine inherent risk as a function of the estimated **impact** and **likelihood** for each auditable unit within the audit universe as set out in the tables below.

<i>Impact rating</i>	<i>Assessment rationale</i>
6	Critical impact on operational performance; or Critical monetary or financial statement impact; or Critical breach in laws and regulations that could result in material fines or consequences; or Critical impact on the reputation or brand of the organisation which could threaten its future viability.
5	Significant impact on operational performance; or Significant monetary or financial statement impact; or Significant breach in laws and regulations resulting in large fines and consequences; or Significant impact on the reputation or brand of the organisation.
4	Major impact on operational performance; or Major monetary or financial statement impact; or Major breach in laws and regulations resulting in significant fines and consequences; or Major impact on the reputation or brand of the organisation.
3	Moderate impact on the organisation's operational performance; or Moderate monetary or financial statement impact; or Moderate breach in laws and regulations with moderate consequences; or Moderate impact on the reputation of the organisation.
2	Minor impact on the organisation's operational performance; or Minor monetary or financial statement impact; or Minor breach in laws and regulations with limited consequences; or Minor impact on the reputation of the organisation.
1	Insignificant impact on the organisation's operational performance; or Insignificant monetary or financial statement impact; or Insignificant breach in laws and regulations with little consequence; or Insignificant impact on the reputation of the organisation.
<i>Likelihood rating</i>	<i>Assessment rationale</i>
6	Has occurred or probable in the near future
5	Possible in the next 12 months
4	Possible in the next 1-2 years
3	Possible in the medium term (2-5 years)
2	Possible in the long term (5-10 years)
1	Unlikely in the foreseeable future

Appendix 3: Key performance indicators

Key performance indicators

To ensure your internal audit service is accountable to the Audit Committee and management, we have proposed the following key performance indicators.

<i>KPI</i>	<i>Target</i>	<i>Comments</i>
Infrastructure		
Audits budgeted v actual	+/- 10 plan days with management agreement	We expect to deliver the annual plan with tolerance of 10 days with agreement of management
Planning		
% of audits with Terms of Reference	100%	Terms of reference should be agreed with Audit Sponsor and Head of Service
Fieldwork		
Exit meeting to confirm matters arising from the audit	No more than 1 week after the completion of fieldwork	
Reporting		
Draft reports issued promptly	Within 3 weeks of the exit meeting/completion of audit work.	
Attendance at Audit Committee	100%	
Relationships		
Overall client satisfaction score	8/10	



In the event that, pursuant to a request which Northampton Borough Council has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), Northampton Borough Council is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. Northampton Borough Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such [report]. If, following consultation with PwC, Northampton Borough Council discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Northampton Borough Council and solely for the purpose and on the terms agreed with Northampton Borough Council in our agreement dated 8th July 2013. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

© 2014 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom), which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.